

February 18, 1999

EXHIBITION PLACE

TO: The Board of Governors of Exhibition Place

FROM: Kathryn Reed Garrett
Director Business Development

SUBJECT: **Exhibition Place Program and Development Concept
Implementation Strategy**

Recommendations:

It is recommended that staff:

- (1) Develop a marketing package and identify potential hotel developers for Site 12, as outlined in this report;
- (2) Proceed to determine the evaluation criteria and selection process to attract a hotel developer/partner for the site that is:
 - (a) consistent with the structure plan and program uses identified in the Program and Development Concept Plan;
 - (b) in synergy with the National Trade Centre and their identified needs and markets, as well as the proposed site uses;
- (3) Continue to be responsive to inquiries, and be proactive in attracting additional festivals and events that:
 - (a) provide new activities and audiences;
 - (b) encourage synergies with other festival and special event venues;
 - (c) extend the seasonal use of the site; and
- (4) take the necessary action to give effect hereto.

Background:

At its meeting of June 19, 1998 the Board amended and approved the Program and Development Concept Plan for Exhibition Place and subsequently, at a special Workshop on the Future of Exhibition Place held on January 29, 1998 facilitated by Ron Soskoline, Soskoline and

Associates, the Board discussed the Program and Development Concept Plan, priorities within that plan and next steps to be taken.

Discussion:

The discussion at the Workshop was very wide ranging and allowed the Board members to reach some conclusions on the priorities for development opportunities at Exhibition Place that can be summarized as follows:

- (i) Actively seek a hotel development complex in synergy with NTC;
- (ii) Create a year-round recreation destination;
- (iii) Encourage and/or promote use of grounds for festivals/events; and,
- (iv) Define/explore/identify and exploit new uses of the open space.

In addition to these priority development goals, Board members discussed some of the barriers to development; the need to look for innovative ways to integrate the site to the Lake and reduce the perception/reality of physical barriers; the need to identify a "niche" for the site that will attract City/Provincial/national/international recognition; and the benefit of conducting sector by-sector focus group/polling research to identify a "niche".

(a) Development of Hotel Complex

The addition of a hotel complex at Exhibition Place augments the efforts of the NTC by providing meeting and conference space as well as accommodation and could be a catalyst to attracting other appropriate development proposals and partners. Recent research conducted by O&Y/SMG indicates that approximately 66% of the business for a new hotel would be realized from joint efforts with the NTC, as there is presently a demand from NTC clients and potential clients for concurrent conference and accommodation space that cannot be met at present.

In keeping with the priorities set by the Board at the Workshop, staff are recommending that an anchor hotel tenant be pursued for Site 12, which is presently the parking lot located immediately south of the NTC. Site 12 is proposed as the primary development site as it is the most market ready for a hotel complex site; it is not listed as a potential Olympic site; and would not call for demolition of an existing building. Although the Stanley Barracks is part of Site 12, it is a building that could be creatively and sensitively incorporated into a larger development.

Based on the Board's previous experience staff do not recommend issuing a Request for Proposals for hotel developers, rather staff are proposing a tenant solicitation strategy which would entail a highly targeted approach to potential investors. In order to embark on a targeted strategy for a major hotel development, staff will require outside consulting expertise to develop the necessary marketing materials; sector expertise to identify prospective anchor tenants and developers; additional development guidelines to assist developers; and financial and legal expertise to negotiate land lease arrangements. Accordingly, staff is recommending as the first step in the process, the development of a marketing package for a hotel complex development on Site 12, which marketing package will be reported to the Board for consideration along with a

marketing strategy. Staff will need to engage some consultant services to assist with the development of this package.

(b) Creating a Year-Round Destination

While special events and festivals will continue to play a significant role in the programming of Exhibition Place, it was generally agreed that the future for Exhibition Place lies in becoming destination-oriented as well as event-oriented. A variety of family oriented amusement, entertainment, and recreation uses would create year-round activity and expand the user base. Accordingly, staff will continue to promote the grounds and buildings to potential development partners who have a focus in these areas, and in particular to partners that have an interest or focus in emerging sport and recreation uses.

(c) Festival/Events

The opportunity to expand uses also lies in attracting other festivals and special events to Exhibition Place such as The Jazz Festival, The International Film Festival, the Annual Winter Festival and the Portuguese Festival. In some cases, and particularly in the case of non-profit and community-based groups, site costs that are in addition to basic rent are perceived as a barrier to relocating these events to Exhibition Place. However, staff will initiate discussions with these and other similar organizations to determine viability and level of interest and, will work with groups to minimize, where possible, the costs associated with holding events at Exhibition Place.

(d) Use of Open Space

Encouraging local community event organizers to relocate to Exhibition Place would increase the use of open space and generate additional users and activities. Additionally, other publicly funded bodies such as Harbourfront and City of Toronto may need additional programming and activity space. Accordingly, staff will initiate discussions with these parties to determine interest in relocating at Exhibition Place. Provided that the costs of services provided by Exhibition Place are fully paid by these organizations, the Board's policy would be to waive the rent for such organizations. Staff will also be contacting various City of Toronto departments to encourage use of the grounds.

(e) Ongoing Initiatives

As before, the recommendations contained in this report in no way limit any development proposals for the site from coming forward and being considered by the Board, they are simply guidelines to suggest priorities and expectations for staff and the Board. Unsolicited proposals will continue to be considered by staff and reported on to the Board for consideration. Indeed, since June, 1998, staff has undertaken the following activities to advance the objectives of the plan:

- (i) The demolition of Exhibition Stadium has commenced and is on target for completion in April, 1999 and discussions are being held with various organizers to locate in this new festival area;

- (ii) Discussions continue with the International Sports Mall to determine if their proposal can comply with the directions set out by the Board; and
- (iii) Introductory meetings have been held or scheduled with potential clients concerning a long-term lease of the Ontario Government Building.

(f) Real Estate Development Processes Employed by Other Organizations

At its meeting of April 24, 1998, during the Board's deliberations on the Themeworld proposal, the Board requested staff to investigate and report on standard industry practices for soliciting tenants. The following preliminary information has been gathered:

- (i) City of Toronto: At its meeting on July 29, 1998 City Council adopted extensive policies and procedures for dealing primarily with the disposal of real property. The City uses real estate brokers to assist staff with the disposal of real estate assets. A roster of real estate brokers will be established in order to ensure adequate services for all types of properties across the City. Brokers will be utilized on a rotational basis within the pre-qualified groups. The Commissioner of Corporate Services is authorized to negotiate a commission fee for any professional services from Real Estate Brokers. Property leasing is managed centrally by the Facilities and Real Estate Division that has in house valuers and negotiators.
- (ii) City of Toronto Economic Development Corporation (TEDDY): Tedco owns or manages 440 acres of land in the Toronto Port Area, 375,000 sq feet of built space has been leased since 1992 and 750,000 square feet of new construction has been managed by the organization. About 50 acres of land are available for industrial, office, entertainment and retail development. Land lease and design/build opportunities are available on a variety of terms depending on the particular development plan. Tedco utilizes the brokerage community and keeps them aware of opportunities on the site. Generally, commissions to brokerage firms are 6 per cent for the first year of a lease and 3 per cent for the next nine years. Broker commissions for long term leases over 10 years are negotiated and are generally 5 per cent of the value of the lease, or 6 per cent of the gross rent for the first year and 3 per cent for the next 10 - 15 years. Each lease and brokerage commission is negotiated on a case by case basis.

Proposals are reviewed by staff and a letter of offer is presented to the Board of Tedco. The letter is accompanied by a refundable deposit equal to first and last month rent/lease rate. The letter of offer is subject to approval by the Board. Generally proponents are given 60 to 90 days to finalize the preliminary conditions including financing. Proponents are given additional time to obtain planning approvals and complete their due diligence; deadlines are determined on a case by case basis.

- (iii) Other Public Institutions: Organizations such as the University of Toronto-Varsity Stadium Site, Sheridan College-Oakville Campus, Seneca College-Sheppard Campus have opted for a Proposal Call process which first called for Expressions of Interest. In each case an initial refundable deposit of \$10,000.00 was required. Proponents were then short-listed for a Phase II Proposal Call and in each case final phase negotiations were either completed or close to being finalized. Typically the process took about 16 months from the formal call for Expression of Interest to conclusions of final agreements. The average budgets for the RFP process were in the \$200,000.00 range.

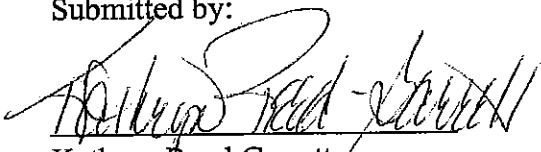
The process and documentation prepared was similar to the RFP previously undertaken by the Board. Once a proponent was chosen the process called for a letter of intent detailing the main business arrangements to be entered into by the parties within 30-90 days. At this stage, security in the form of a letter of credit to support such commitments was requested in varying amounts up to \$ 100,000. Once a binding agreement of lease or purchase was signed, a non-refundable deposit usually equal to 1.5 times the value of the annual lease payment was negotiated. Again, terms are generally determined on a case by case basis.

In summary, there are many approaches to soliciting development proposals and staff are recommending as part of the development package for a hotel complex, staff propose specific evaluation criteria including deposit/security requirements.

Conclusion:

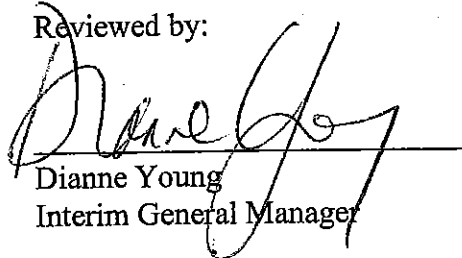
This report proposes some priority directions to be taken by staff in the development of the site as based on the discussions held at the Workshop in January, 1999.

Submitted by:



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