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The following report was reviewed by the Business Development Committee at its meeting of May 17, 2000 and is recommended to the Board of Governors for APPROVAL.

May 16, 2000

TO: The Board of Governors of Exhibition Place

FROM: Kathryn Reed-Garrett  
Director Business Development

SUBJECT: Hotel Development Implementation Strategy

**Recommendation:**

It is recommended that:

1. Staff in consultation with the Chair of the Board and the Chair of the Business Development Committee undertake a competitive process for retaining a development consultant to assist staff in a targeted marketing strategy to prospective hotel developers; and,
2. Staff continue on a "no-prejudice basis" the discussions with Mr. Fred Braida or any other interested party with respect to hotel development proposal and report back to the Board no later than July, 2000.

**Background:**

At its meeting of June 19, 1998 the Board amended and approved the Program and Development Concept Plan for Exhibition Place. Subsequently to its meeting in June, 1998, and at a special Workshop on the Future of Exhibition Place held on January 29, 1999, the Board discussed the Program and Development Concept Plan, priorities within that Plan and next steps to be taken. The Workshop concluded that the Board would as a first priority actively seek a hotel development complex for Development Site 12.

**Discussion:**

Since the Workshop, staff compiled several pieces of information that can form the basis for the development and implementation of a marketing strategy for a hotel on the grounds. One key piece of information is contained within the Economic Impact Analysis for the NTC undertaken by C. H. Johnson and presented to the Board at its meeting in October 1999. This report identified the economic spin-off to hotels, restaurants etc. both in terms of real room nights and

discretionary dollars spent because of the trade, consumer and show activities within the NTC and at Exhibition Place.

Secondly, O&Y/SMG Canada were engaged to develop a marketing package for Site 12 which package is intended to introduce the development opportunity for a hotel/conference centre to would-be developers and hotel operators and is presented as a separate item on this agenda for adoption by the Board. In addition, staff have been working with Mr. Rob Robson, Real Estate Appraisers, Land Economists & Consultants, to update the land value analysis previously done for Exhibition Place in 1998 which will form an initial basis for any monetary discussions with hotel developers.

As indicated above, Site 12 has been proposed as the primary development site for a hotel/conference centre development. It is the most market-ready site for a hotel development as it is not listed as a potential Olympic site and would not call for the demolition of any existing building. Indeed, since the Board's adoption of the Program and Development Concept Plan, the 2008 Toronto Bid Proposal and the Waterfront Task Force have identified the easterly part of the grounds as an area for expansion of the NTC and the area south of Princes' Boulevard (across from the NTC) as an area for hotel development and Trade Mart facilities. Although the Stanley Barracks is part of Site 12, it is expected that a potential developer would creatively and sensitively incorporate the existing building into a larger development and the Hotel Development Opportunity Package addresses this requirement.

Now that the preliminary work has been completed detailing the hotel development potential and location in the form of a Hotel Development Opportunity Package, it is necessary to move forward to implementation. In the past the Board has issued Requests for Proposal for major developments. In the last ten years there has been two RFPs released, one in 1991 and another (a joint proposal with Ontario Place) in 1996. Both requested proposals for the development of the entire site. Attached as Appendix "A" is a synopsis of these RFPs and the proposals received. More recently, the Board has received several unsolicited expressions of interest from developers, and staff have pursued these proposals on a "one-of" basis and brought them forward to the Board for approval. Examples of this are the proposals for Medieval Times, Themeworld, Immersion Studios and Paradise Entertainment Centre.

Interest in Exhibition Place has over the last few years been very high and staff are continually taking calls and meeting with prospective clients interested in relocating or bringing developments here. This interest continues to grow with the media attention brought to the grounds by the Olympic Bid and the Waterfront Task Force. Generally, the interest by most developers is for reuse of existing buildings for entertainment/restaurant/banquet facilities or themed entertainment areas.

While there has been substantial interest from developers for the reuse of buildings, there has been very limited unsolicited interest in developing a hotel. As indicated by the Economic Impact Analysis, Exhibition Place offers an ideal location for a hotel given the "room-night" demand created by the NTC and other events on the grounds. However, a hotel development will not be an easy one to bring to the grounds or for that matter to the City. Even though room occupancy in Toronto peaked at approximately 74% in 1998, the five-year average (1995-1998 inclusive) is

closer to 72%. Downtown Toronto has not seen a new hotel development since the opening of the Holiday Inn on King in 1991, and any recent hotel openings have been associated with conversions and/or the re-opening of previously closed hotels. However, since hotel development typically takes place when demand outpaces supply, the cycle is now getting to a stage where it makes sense to build new hotels in downtown Toronto. While Exhibition Place can be considered as part of downtown Toronto, in terms of hotel statistics it would not be considered a "central downtown" hotel in the same sense as the Hilton, Marriott or Crowne Plaza. Accordingly, it may be necessary to undertake a very concentrated effort aimed at potential investors in order to attract a hotel development.

Even though unsolicited hotel proposals have been infrequent, staff have over the last few months met several times with Mr. Fred Braidia a developer with several years experience developing and managing hotels through his company, Carlton International Hotels & Resorts. To date, these meetings have only been exploratory but Mr. Braidia has taken the initiative to produce preliminary designs for a hotel project, explore financing options and interest from hotel chains. At present, the preliminary proposal is a Hilton Garden hotel located immediately across from the NTC west of the Automotive Building and would include the renovated Stanley Barracks as a dining area/additional meeting rooms.

#### Options for Marketing Implementation Strategy

In order to provide background to the Board in analyzing the best implementation strategy for marketing a hotel project, staff have obtained advice from other organizations regarding their real estate marketing efforts. Below is a brief summary of information received by staff:

- (a) 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 has been 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, which has in house valuers and negotiators.
- (b) City of Toronto Economic Development Corporation (TEDCO): 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.
- (c) 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 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 range. 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.

Summarizing the foregoing, there are generally four approaches the Board can take to market Site 12 for a hotel development, which are as follows:

- i. Negotiate with proponents when or if they approach the Board;
- ii. Issue a Request for Proposal issued through the City of Toronto Purchasing Department;
- iii. Develop limited in-house marketing strategy using real estate brokers etc; and,
- iv. Engage a development consultant to conduct a targeted approach to obtain development proposals from potential hotel investors.

It is the position of staff that a combination of Approach (i) and (iv) should be undertaken at this time.

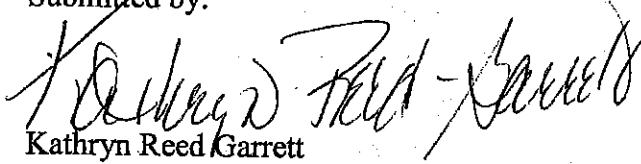
To implement Approach (iv), staff are recommending that in consultation with the Chair of the Board and Chair of the Business Development Committee staff undertake a competitive process to seek written expressions of interest from at least three (3) development consultants to propose an implementation plan to market a hotel on Site 12. The expressions of interest must provide a staged plan of action with specific deadlines in order for the Board to proceed with the plan in keeping with present budget limitations which have been established at approximately \$50,000 for 2000. Staff expect that the cost of the full implementation plan proposed by any consultant will be in excess of this amount however, if staged, work could commence in 2000 and additional funds included in 2001 budget.

However, given the interest expressed and the legitimate albeit preliminary proposal put forward by Mr. Braida, staff are also recommending that discussions continue with this proponent over the next six (6) weeks with a further report to the Board at its meeting in July, 2000. These discussions should be in the context of the Hotel Marketing Opportunity Package and the disclaimer stated within that document.

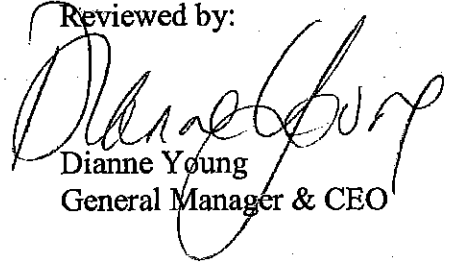
Conclusion

This report recommends a two-prong implementation plan for the marketing of a hotel development at Exhibition Place.

Submitted by:

  
Kathryn Reed Garrett  
Director of Business Development

Reviewed by:

  
Dianne Young  
General Manager & CEO

## Appendix "A"

## 1991 Proposal Call

In 1991 the Board issued a call for proposals for the development of the site. The terms of this proposal call were generally as follows:

Proposals for the permanent long-term use of Exhibition Place, including use of existing buildings, based on the Executive Task Force on Future Uses of Exhibition Place (1987) designated two primary functions on the site: east end as the trade centre location and the balance for entertainment /recreational/educational functions. The RFP was contingent on the development of a detailed plan for the grounds and the work of the Royal Commission on the Future of Toronto's Waterfront and other planning activities in and around the site.

The Board received the following expressions of interest:

- Arenex Consortium – Sports / entertainment / recreation complex
- Weiss – Safe City Concept
- Tropi-can
- Ontario Ministry of Industry, Trade and Technology – Transportation Museum
- 838340 Ontario Ltd. – Fun Centre
- Bitove Group – Redevelopment and Trade Centre
- Tennis Canada
- Imperial Monte Carlo Productions
- Brisbin Brooke Beynon and Coopers & Lybrand – Redevelopment of entire grounds
- The Leisure Collaborators – Environment Pavilion
- Sportex Inc. – Sports and Safety Village
- BCL – Amphi-arena
- Heathmount A. E. Corporation – Trade Centre
- Focus Canada Place
- Lulus Road House (BLC Building)
- Dynasaurium (OGB Building)

The Board actively pursued four of these proposals: Bitove Group (Trade Centre); BCL (Amphi-arena); Lulus Road House; and Dynasaurium.

## 1996 Joint Proposal Call

In 1996, Exhibition Place and Ontario Place issued a joint proposal call for both sites. The general terms of this proposal call were as follows:

Private sector proposals for development or programming activities on Ontario Place and Exhibition Place grounds in order that the best advantage could be taken by proponents of the opportunities presented by the full, combined site. No constraints on creativity or concept were presented. Proposals could involve the development and/or programming of either all or part of the available parcels and buildings (including the Exhibition Stadium site) within either or both sites.

Expressions of interest were received from the following organizations:

- Gambol Adventures Inc.
- Ripleys Believe it or Not
- Wide Image Theatres Corp
- Euro Centre Time Traveller Parks (Jersey) Limited
- Dabler Special Events Inc.
- Openwheel Productions Inc.
- Beasley Amusements
- B.A.F.I. a division of Apotex Inc.
- Sportcom 2000 Development Inc.
- Studios of America Consortium
- Waterfront Regeneration Trust
- Euromart International Bancorp Ltd.
- Maple Leaf Gardens
- RPC Gaming Ltd.
- Cineplex Odeon Corp
- Collective Edge Inc.
- Panther Global Investments Ltd.
- The Nautical Village Group Inc.
- Points North Restaurant
- Astro Zodiac Enterprises Limited
- SimEx Inc.
- Bregman and Hamann Architects
- Heathermount Arts and Entertainment Corporation
- Ontario Marketing Production Ltd.
- Universal Entertainment Centers

The Board and Ontario Place entered into negotiations with Sportcom 2000 for redevelopment of both sites. Negotiations were terminated in the summer 1997.

