

## **Proposals for the Ontario Government Building and Horticulture Building located at Exhibition Place**

*(City Council on August 1, 2, 3 and 4, 2000, amended this Clause by adding thereto the following:*

*“It is further recommended that the report dated July 27, 2000, from the General Manager and Chief Executive Officer, Board of Governors of Exhibition Place, embodying the following recommendations, be adopted:*

*‘It is recommended that:*

- (1) City Council approve the proposal from the Liberty Entertainment Group (“Liberty”) for the long-term redevelopment of the Ontario Government Building (“OGB”) on the terms and conditions set forth in this report and such other terms and conditions as required by the General Manager and Chief Executive Officer and the City Solicitor with respect to this development project;*
- (2) Exhibition Place officials be directed to negotiate any changes, amendments or modifications to the terms of the agreement as may, in the opinion of the General Manager and Chief Executive Officer and the City Solicitor, be in the interests of the Board of Governors of Exhibition Place and the City of Toronto; and*
- (3) the appropriate Exhibition Place and City officials be authorized and directed to take the necessary action to give effect thereto.’ ”)*

**The Policy and Finance Committee reports having concurred with the recommendations embodied in the following report (July 6, 2000) from the Chair, Board of Governors of Exhibition Place:**

### Purpose:

This communication is submitted for the consideration of the Policy and Finance Committee for its meeting scheduled for July 20, 2000, and for subsequent approval by City Council at its meeting of August 1 and 2, 2000.

### Financial Implications and Impact Statement:

No implications on the capital or operating budgets of Exhibition Place.

### Recommendations :

It is recommended that:

- (1) Exhibition Place and City Officials report directly to the Council meeting of August 1 and 2, 2000, on the Board of Governors' decision with respect to awarding the Request for Proposals to the successful proponent related to the Ontario Government Building;
- (2) Exhibition Place and City Officials report directly to the Council meeting of August 1 and 2, 2000, on the Board of Governors' decision with respect to awarding the Proposal for the Horticulture Building; and
- (3) the appropriate Exhibition Place and City officials be authorized and directed to take the necessary action to give effect thereto.

### Background :

At its upcoming meeting of July 27, 2000, the Board of Governors of Exhibition Place will be considering two staff reports with respect to developments on the grounds.

### Comments :

Exhibition Place through the City of Toronto Purchasing and Materials Division issued a Request for Proposals closing on June 29, 2000, for long-term development proposals for the Ontario Government Building. Five serious submissions were received for the development of an entertainment venue within this building. An Evaluation Team has been established comprised of Exhibition Place senior officials and a representative of City Finance Department. The Evaluation Team are presently reviewing the proposals, interviewing the proponents and will be preparing a report and recommending a direction to the Business Development Committee of the Board of Governors for its meeting of July 21, 2000 and subsequently to the meeting of the Board of Governors scheduled for July 27, 2000.

At the same meetings stated above, the Board will also be considering a second report from staff concerning a long-term Butterfly Exhibit proposal for the Horticulture Building. Exhibition Place staff have been in serious negotiations with a proponent for a Butterfly Conservatory within this building. This unique development is directly in support of the objectives established by the Board of Governors within its Development and Concept Plan and is also in keeping with the concepts proposed by the Waterfront Revitalization Task Force Report for this part of Exhibition Place.

Approval of both the proposals described above in the Ontario Government Building and the Horticulture Building has the potential of contributing approximately \$8.0 to \$10.0 Million of capital investment in these two buildings and generating an annual rental revenue of \$300,000.00 to \$400,000.00 to both Exhibition Place and the City of Toronto. As well, the proposals could add to the programming potential of the annual Canadian National Exhibition.

Given the importance of these two (2) developments for Exhibition Place and the City and the need to move expeditiously in this year which has a limited number of scheduled meetings of Council, I am recommending that the reports and recommendations fully considered and approved by the Board of Governors at its meeting of July 27, 2000, be forwarded directly to Council for consideration at its meeting of August 1 and 2, 2000.

It is my expectations that both proposals will be consistent and supportive of all City initiatives for Exhibition Place, the Olympics, and the Waterfront.

Furthermore, the City's Chief Administrative Officer and City Clerk have been consulted and they are supportive of this expeditious process.

Conclusion:

This report recommends a schedule for the consideration by Council of reports from the Board of Governors respecting two developments at Exhibition Place.

Contact:

Councillor Joe Pantalone, Chair/Board of Governors of Exhibition Place, Bus: 416-392-4009, Fax: 416-391-4100;

*(City Council on August 1, 2, 3 and 4, 2000, had before it, during consideration of the foregoing Clause, the following report (July 27, 2000) from the General Manager and Chief Executive Officer:*

Purpose:

*At its meeting of July 20, 2000, the Policy & Finance Committee approved that Exhibition Place and City Officials report directly to the City Council meeting of August 1 and 2, 2000 on the Board of Governors' decision with respect to awarding the Request for Proposals to the successful proponent related to the Ontario Government Building. Hence, this report is submitted for the consideration of the City Council.*

Financial Implications and Impact Statement:

*No financial implications on the 2000 capital or operating budgets of Exhibition Place.*

Recommendations

*It is recommended that:*

- (1) City Council approve the proposal from the Liberty Entertainment Group ("Liberty") for the long-term redevelopment of the Ontario Government Building ("OGB") on the terms and conditions set forth in this report and such other terms and conditions as required by the General Manager & CEO and the City Solicitor with respect to this development*

*project;*

- (2) Exhibition Place officials be directed to negotiate any changes, amendments or modifications to the terms of the agreement as may, in the opinion of the General Manager & CEO and the City Solicitor, be in the interests of the Board of Governors of Exhibition Place and the City of Toronto; and*
- (3) The appropriate Exhibition Place and City Officials be authorized and directed to take the necessary action to give effect thereto.*

*Background:*

*At its meeting of July 27 2000, the Board of Governors of Exhibition Place considered and recommends for the approval by City Council at its meeting scheduled for August 1 and 2, 2000 the proposal submitted by Liberty for the long-term development of the OGB.*

*Comments:*

*The following is an extract of the Background and Discussion portion of the aforementioned report, entitled "Long-term Development of the Ontario Government Building", which was considered by the Board of Governors of Exhibition Place at its meeting of July 27, 2000.*

*Background:*

*At its meeting of April 7, 2000 the Board was notified that the Paradise Banquet & Entertainment Centre had terminated discussions in February, 2000 for the short-term lease of the OGB. Staff indicated that there were several parties interested in putting forward a long-term proposal for redevelopment of the OGB and recommended that a Request for Proposal ("RFP") be undertaken.*

*Discussion:*

*The RFP was released through the City of Toronto Purchasing Division at the end of May 2000, and closed June 28, 2000. Five private sector proponents responded - The California Sandwich Company, Windows of the World, Paradise Entertainment and Banquet Complex, Epsilon Financial Corporation and the Liberty Entertainment Group. All proponents submitted a \$25,000 deposit as required by the RFP.*

*Four proposals were short-listed: Windows of the World, Paradise Entertainment and Banquet Complex, Epsilon Financial Corporation and the Liberty Entertainment Group, and these were reviewed by a panel of staff that included, the General Manager & CEO, Director/Business Development & Special Events, Director of Finance, Manager/Capital Works, and a representative of the Treasurer, City of Toronto. The proponents were invited to make a presentation to the panel on July 6 and 10. Each proposal was evaluated on the basis of the Evaluation Criteria contained in Appendix "E" of the RFP, which evaluation took into consideration both the presentation/interview and the original proposal submitted in response to the RFP. All proposals were very credible making the evaluation extremely difficult. However,*

*both the written and oral presentation by Liberty highlighted the very considerable experience of Liberty in terms of operating experience, presentation of a very impressive and established client list and in terms of successful rehabilitation of historic buildings.*

*Liberty presently operates nine food and beverage/entertainment concepts in the GTA: Rosewater Supper Club, The Left Bank, The Courthouse Chamber Lounge and Market Grille, Joker Nightclub, Karma Klub, PM Toronto, Phoenix Theatre, Velvet Underground, and Splash at Harbourfront. As well, Liberty owns its own catering company, Culinary Arts Catering, and employs approximately 625. Both the Rosewater Supper Club and the Court House Market Grille are the recipients of the "Most Memorable Meal Award 1999" from Toronto Life Magazine. Additionally, Mr. Nick DiDonato, President & CEO of Liberty is the recipient of the Ontario Trillium Award for "Restaurateur of the Year 1999", the "Business Recognition Award" from the Office of the Mayor and the Toronto Economic Development Council, and is listed in the "Who's Among Top Executives" Kaleo Publication for North America.*

*The proposal submitted by Liberty for the OGB, named "The Liberty Grand Entertainment Complex" ("Liberty Grand"), calls for a 10,000 sf bar and lounge with three full-services bars, a 400 sf dance floor and capacity for approximately 600; three banquet rooms totalling 19,150 sf and a total capacity of approximately 1,800; conversion of the theatre into an auditorium for use as a culinary arts training facility; and revitalization of the interior courtyard (13,200 sf) for year-round programming.*

*One of the most exciting parts of the Liberty proposal is the substantial detail it provided about the proposed events to be held within the OGB, which proposal utilizes its existing strategic alliances and partnerships with organizations such as the Smirinoff Fashion Awards, the Matinee Fashion Awards, the Toronto International Film Festival, the Juno Awards, the Genie Awards, Du Maurier Jazz Festival, Benson & Hedges Symphony of Fire, Beaujolais Nouveau, and the Inniskillin Wine Festival, as well as programming in collaboration with present clients of Exhibition Place such as the Molson Indy, CHIN Picnic and the Royal Agricultural Winter Fair. In addition, Liberty proposed, for the consideration of the CNEA, a program for the CNE period called "Taste of Toronto" and also a children's Winter Wonderland event to support local children's charities. Liberty also is presently negotiating for a global event scheduled for October 2001 which it would bring to the OGB. In its proposal, Liberty also makes reference to working co-operatively with the NTC to secure events that would utilize both venues.*

*In preparation of its submission, Liberty also secured letters of interest to use the Liberty Grand from the following organizations: Paramount Pictures, Toronto Life Magazine, NABS, YTV, Canadian Film Centre, The Annual Fur Ball, Rogers Media, HMV, as well as an impressive list of corporate clients that include Revlon, Chrysler Canada, Kraft, Bayer, BDO Dunwoody, Bell Mobility and BCE, all national banking institutions, and consulting firms including Pricewaterhouse Coopers, Arthur Anderson, and KPMG.*

*All capital financing for the project will come from Granite 95 Holdings which has provided a letter indicating \$4.95 million is available to Liberty and Granite 95 Holdings has indicated that it has sufficient assets to provide this funding.*

*Liberty has put in place its development team that includes Levitt-Goodman Architects Ltd., E.R.A. Architects Inc.(heritage advisor), Kantelberg & Company Interior Design, and PCL Construction. Liberty intends to relocate its head office to the OGB and therefore, will have a full management team on site.*

*Accordingly, staff propose that the substantial terms of an Agreement with Liberty would include:*

- (a) Term: 20 years*
- (b) Capital Investment: Liberty accepts the OGB “as is” and further agrees to invest the following: \$4.95 Million (including approximately \$400,000.00 FF&E) for all leasehold improvements including upgrades to the building interior and exterior, mechanical and electrical, support services and facilities (washrooms, kitchens, etc.), etc.*
- (c) Due Diligence Period: up to 90 days following approval from City Council*
- (d) Commencement Date: on termination of the Due Diligence Period*
- (e) Construction: maximum 9 months from Commencement Date*
- (f) Deposit: \$25,000 non-refundable deposit to be applied against costs incurred by the Board*
- (h) Minimum Rent: year 1 rent-free (includes 9 month construction period)  
years 2–10 \$177,454.00 per annum  
years 11-20 \$216,793.00 per annum*
- (i) Percentage Rent: 6 percent of gross annual sales in excess of \$10. Million*
- (j) Special Conditions to include, but not be limited to:
  - (i) Liberty accepts that Exhibition Place may be totally closed to the public on a temporary basis from time to time during the term and/or an admission fee may be charged to enter the grounds;*
  - (ii) Liberty recognizes and accepts that certain grounds and buildings located within the grounds are proposed to be used with respect to the 2008 Olympic Games and that their rights to operate during both the construction period (2006 – 2008) and during the Games will be subject to conditions and restriction that may be imposed by the Board, the City of Toronto, the Province of Ontario and /or the governing Olympic authority; and*
  - (iii) Liberty will accept and conform to all policies and processes that City Council may adopt as a result of the Fung Report on the revitalization of the Toronto Waterfront.**

*The value of this lease to the Board in terms of base rent over the term would be \$3.76 million with percentage rent projected (at this time for only the first 10 years of the Term) valued at another \$3.31 million. In addition to these rent revenues and based solely on the projections and another \$3.31 million. In addition to these rent revenues and based solely on the projections and capacities of the concept as submitted by Liberty, the Board would also receive approximately*

*\$400,000.00 annually in parking revenues. In addition, realty taxes estimated by Liberty to be approximately \$300,000 will be paid to the City. Liberty has indicated that the Liberty Grand project will create approximately 200 full-time jobs within the community.*

*Finally, having a long-term tenant occupying the OGB would allow the Board to avoid capital costs estimated to be \$800,000 during the next five (5) years and operating costs of approximately \$45,000 annually.*

*Conclusions:*

*Liberty has an impressive track record of success in the food and beverage/entertainment/catering industry and has demonstrated an ability to secure quality high-profile special and corporate events that will represent new business to Exhibition Place, and has demonstrated the financial ability to execute and operate its concept.*

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