



# REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

## Exhibition Place Hotel X Development - Phase 2 Lands

**Date:** October 20, 2021

**To:** Board of Governors of Exhibition Place

**From:** Don Boyle, Chief Executive Officer

**Wards:** All

### REASON FOR CONFIDENTIAL INFORMATION

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This report deals with a proposed or pending acquisition or disposition of land by the City and the Board.

### SUMMARY

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#### Phase 1 Development

An RFP for the Phase 1 Hotel X development was released through the City of Toronto Purchasing on April 17, 2007. Both of the two hotel developers short-listed through a previous REOI process submitted a proposal and the Board approved HK Hotels LLC ("HKH") as the successful proponent. In March 2008, the Board approved a Letter of Intent (LOI) between the Board and HKH, which set out general terms along with an exclusive right to negotiate.

At its meeting of October 8, 2009, the Board of Governors approve of entering into a 49-year lease agreement with two 25-year renewal terms with HKH (the "Phase 1 Lease"), which report was subsequently approved by City Council at its meeting of November 30, December 1, 2, 3, 4, 7, 2009 by adoption of Executive Committee Item EX36.3.

The 750,000 square feet first phase of Hotel X opened for operations on March 20, 2018, with the hotel development consisting generally of a podium and tower (29 floors for the tower, 404 rooms, and 411 underground parking spots).

#### Phase 2 Development

Under the current lease for Hotel X, the tenant, Princes Gate Hotel Limited Partnership (the "Phase 1 Tenant"), as per City Council authority in December 2009 by adoption of Executive Committee EX36.3 has an option to lease certain phase 2 lands to the west of the current property. By letter dated July 31, 2020, the Phase 1 Tenant gave formal

written notice to the Board Chair and CEO of Exhibition Place that it wished to exercise that option for the second tower and other related amenities. The Board was advised of the notice at its meeting of September 18, 2020 by adoption of report EP14.5, under which the Board:

1. Requested the Chief Executive Officer, Exhibition Place to commence discussions with City of Toronto Corporate Real Estate Management staff and Hotel X representatives to start negotiations on the Phase 2 development and report back to the Board on:

- a. the results of the discussions;
- b. terms and conditions for the development, including design concept;
- c. an overview of the approval process; and
- d. how the development will take into consideration the recent Exhibition Place Master Plan.

At its meeting of October 26, 2020 (EP14.5), the Board received from the Phase 1 Tenant's principal shareholder, Mr. Henry Kallan, Overactive Media Corporation, and their architect, Populous, a power point presentation on the progress of the Phase 2 development design concept.

The 360,000 square foot second phase expansion of the Hotel X facility includes a 400-room hotel with underground parking of approximately 400 spaces (the "Phase 2 Hotel") and a 190,000 square feet, 6,600 to 7,000 seat auditorium-style entertainment performance venue (the "Performance Venue") for a total area of 550,000 square feet (all figures approximate), but excluding the 200,000 square feet parking space. The proposed Phase 2 Hotel and venue would be located to the west of Stanley Barracks on the south side of Princes' Boulevard. The performance venue will be designed with state-of-the-art technology to accommodate eSports tournaments and leagues, and would be home to the Toronto Defiant of the Overwatch League ("OWL") and the Toronto Ultra of the Call of Duty League ("CDL").

Located along the Toronto waterfront at Exhibition Place, the Performance Venue facility plans to host more than two hundred (200) events a year, driven primarily by premium music and entertainment bookings. It will also serve to attract major citywide conventions, corporate events and product launches, awards shows, and a full slate of eSports events increasing over time.

The vision for the Performance Venue is to combine a premium concert and live events program with world leading technology and best in class hospitality to create an unparalleled experience for fans. The Performance Venue will help to position Toronto and Canada as a destination of choice for the global industry of gaming and eSports.

The financial terms and conditions, concept/specifications/design plan and signage plans surrounding the Phase 2 Hotel and Performance Venue have been negotiated between the parties and shall be subject to review and approval by both the Board and City Council.

A future site plan application will be subject to review through City Planning and the approval of the Chief Planner and Executive Director, City Planning Division.

The proposed Phase 2 Hotel is permitted based on the approval of Council of the Phase 1 Hotel lease, which provided the Phase 1 tenant with an option to develop a Phase 2 Hotel.

## **RECOMMENDATIONS**

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The Chief Executive Officer recommends that:

1. Subject to obtaining City Council approval, the Board approve a new lease (the "New Lease") between the City of Toronto, as landlord (the "Landlord"), Lakeshore Princess West Limited Partnership (the "Tenant"), and the Board, for a term commencing on the earlier of:

(i) commencement of the excavation of the Phase 2 lands in accordance with the necessary excavation permits issued by the City; and

(ii) 90 days after the issuance by the City of all required excavation permits, and ending co-terminous with the lease for the Phase 1 Hotel X development, substantially on the terms and conditions set out in Appendix "A", Confidential Attachment 1, and Confidential Attachment 2, and such other and amended terms and conditions deemed appropriate by the Deputy City Manager, Corporate Services (the "DCM"), the Chief Executive Officer, Exhibition Place (the "CEO"), and in a form satisfactory to the City Solicitor.

2. The Board direct the Chief Executive Officer to work with the DCM to seek Council's approval for the New Lease set out in Recommendation 1.

3. Subject to the Site Plan Application review process developed for Exhibition Place by City Planning, approve the tenant design proposal for the Phase 2 Hotel and Performance Venue Development as set out in the proposed design plan and situated on the Phase 2 Lands as provided for in Appendix "A" Term and Conditions of New Lease; Appendix "A" - Schedule 1 Exhibition Place Phase 2 Lands; Appendix "A" - Schedule 1A Site Plan of Leased Property; and Appendix "A" - Schedule 4 Tenant Proposed Conceptual Design of Development.

4. The Board direct that Confidential Attachment 1 and Confidential Attachment 2 to this report remain confidential in its entirety and not be released publicly until the end of the term of the New Lease, as it pertains to a proposed or pending acquisition or disposition of land by the City and the Board.

## **FINANCIAL IMPACT**

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The financial terms as set out in the Appendix "A" Term Sheet and in Confidential Attachment 1 to this report provide for both a fixed minimum rent and additional

percentage rent payable to the City, as landlord, increasing over the initial term. It is estimated that the positive financial implications of the New Lease from both the Hotel and Performance Venue from rent and ancillary revenue, over its full term of approximately 39 years will be \$192.637 million as outlined in Confidential Attachment 1.

The Phase 2 Hotel is expected to open in August 2025, since the Phase 2 Lease is co-terminus with the Phase 1 Lease, therefore, the Initial Term will only be approximately 39 years.

The positive economic impact detailed below from this project and various capital expenditures of approximately \$417.0 million for construction is in addition to the positive financial implications noted above.

In addition, it is estimated the Hotel and Performance Venue will pay approximately \$2.456 million annually in property taxes (Municipal share is 50%), increasing over the term once the facility becomes operational.

Some of Exhibition Place's existing parking inventory will be displaced because of the Phase 2 Hotel and Performance Venue construction and operations. The overall Phase 2 footprint represents a temporary loss of 756 parking spaces in Lot 851 with 200 parking spaces back in inventory after construction for a net permanent loss of 556 spaces. However, it is likely that these vehicles can be relocated to other parking lots within the grounds minimizing lost income to Exhibition Place. In addition, the Phase 2 Hotel construction will provide for 400 underground parking spaces.

Exhibition Place will fund \$14.100 million gross (net \$9.550 million) from the 2022 State of Good Repair Capital Budget for related infrastructure work that is required for the Hotel Phase 2 development; which consists of \$9.100 million for the relocation of the existing underground duct bank and the electrical sub-station (with 50% cost recoveries/contribution from the Tenant, for net City funding amount of \$4.550 million); and \$5.000 million for contaminated soil remediation for which Exhibition Place is responsible under the Phase 1 Lease provisions. Work for the underground duct bank and electrical high voltage work was previously provided for in the ten (10) year SOGR budget as the infrastructure is at end of its useful life; however, with the pending development of the Phase 2 Hotel; these costs are moved up to 2022 due to timing.

## **DECISION HISTORY**

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The Exhibition Place 2014 – 2016 Strategic Plan had a Goal to enhance Exhibition Place public assets through major new builds and/or renovations, and to work strategically in partnership with the private sector to complete Phase I of Hotel X and Stanley Barracks Park.

The Exhibition Place 2017 – 2019 Strategic Plan has a financial goal to maintain a positive financial performance across Exhibition Place and all its businesses, and as a

strategy to support this goal to ensure operating results meet or show positive revenue surplus or positive under expenditure to budget.

The 2017 – 2019 Strategic Plan has a business development goal to grow event activity, maintain strong relationships with existing clients, and identify areas for revenue enhancements.

At its meeting of October 8, 2009, the Board approved of the development plan for a hotel at Exhibition Place and the terms and conditions of the Phase 1 Lease, which recommendations were subsequently approved by City Council at its meeting of November 30, December 1, 2, 4 & 7, 2009, by adoption of Executive Committee Item EX36.3.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX36.3>

At its meeting of December 6, 2011, the Board approved of a revised schedule for the hotel development.

<http://www.explace.on.ca/database/rte/files/Hotel%20Development-Dec.pdf>

At its meeting of December 4, 2015, the Board considered a report to respond to a request for information on the construction schedule for the hotel.

[http://www.explace.on.ca/database/rte/files/Item%2017Hotel%20Development%20Info%20Report\(1\).pdf](http://www.explace.on.ca/database/rte/files/Item%2017Hotel%20Development%20Info%20Report(1).pdf)

At its meeting of December 9, 2016, the Board considered a status report on the hotel construction schedule, the tenant's decision to engage a new constructor, liens registered on title, and approved a recommendation to amend the lease to extend the date for opening.

<http://www.explace.on.ca/database/rte/files/Item%202-Hotel%20Development.pdf>

At its meeting of March 23, 2017, the Board considered a status update on both the construction schedule of the hotel, liens related to the construction, and approved a recommendation to further extend the dates for substantial completion and opening.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EP2.13>

At its meeting of September 18, 2020, by Item EP13.5, the Board receive an information report on Hotel X Development - Phase 2 Lands, that the Phase 1 Lease tenant had provided written notice that it wished to exercise its option rights for a second hotel tower and other related amenities after have they give formal written notice. The Board decision:

1. Requested the Chief Executive Officer, Exhibition Place to commence discussions with City of Toronto Corporate Real Estate Management staff and Hotel X representatives to start negotiations on the Phase 2 development and report back to the Board on:

- a. the results of the discussions;
- b. terms and conditions for the development, including design concept;
- c. an overview of the approval process; and

d. how the development will take into consideration the recent Exhibition Place Master Plan

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EP13.5>

At its meeting of October 26, 2020, by Item EP14.5, the Board receive from the Phase 1 Tenant's principal shareholder, Mr. Henry Kallan, Overactive Media Corporation and their architect, Populous, a power point presentation on the progress of the Phase 2 development design concept for the benefit of the Board Members.

<https://www.toronto.ca/legdocs/mmis/2020/ep/bgrd/backgroundfile-157468.pdf>

At its meeting of April 21, 2021, by adoption of Item TE24.95, Toronto and East York Community requested the Chief Planner and Executive Director, City Planning Division, to work with the Chief Executive Officer, Exhibition Place, and the Ward Councillor to undertake public consultation for the proposed Phase 2 Hotel X development at Exhibition Place and report back at an early stage of the Site Plan review process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.TE24.95>

## **COMMENTS**

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Through Exhibition Place 1999 Development Concept Plan, the Board set a priority to develop a hotel on the grounds and over the last many year's staff have been working at achieving this goal. The 750,000 square foot first Phase 1 Hotel opened for operations on March 20, 2018, with the hotel development consisting generally of a podium and tower (29 floors for the tower, 404 rooms, and 411 underground parking spots).

Under the Phase 1 Lease, the Phase 1 Tenant has option to lease certain phase 2 lands to the west of the current property. By letter dated July 31, 2020 HKH have given formal written notice to the Board Chair and CEO of Exhibition Place that it wishes to exercise that option for the second tower and other related amenities and the Board was advised of the notice through its adoption of report EP13.5 at its meeting of September 18, 2020.

## **CONSTRUCTION PERIOD/ACTIVITIES**

Construction for both the Hotel and the Performance Venue is expected to be approximately thirty six (36) months commencing in August 2022 with expected opening in August 2025.

## **Benefits to Exhibition Place and the City**

The financial terms of the Phase 1 Lease and the New Lease provide both a fixed Minimum Rent, annual Percentage Rent, and ancillary revenue to the City and the Board increasing over the initial term. In addition, the Hotel and Performance Venue will pay property taxes annually (Municipal share is 50%).

The positive economic impact from the proposed expansion would be as follows:

- During the Construction Period, the construction of the Phase 2 Hotel and Performance Venue will create equivalent full-time jobs and generate millions in total tax revenues. On an ongoing basis, the Phase 2 Hotel and Performance Venue operations will create full-time jobs and millions in total tax revenues.
- In addition to the positive financial return to the City and the Board in the form of Minimum Rent, Percentage Rent, and the economic impact of the facility to the City of Toronto, the expanded Hotel and Performance Venue addition will be a huge enhanced marketing benefit for Enercare Centre and Beanfield Centre.

## **CONCEPT PLAN, DESIGN REVIEW, AND CONSIDERATION OF EXHIBITION PLACE MASTER PLAN**

City Planning and Exhibition Place staff have met with the proponent team through a series of meetings in early 2021 to review the tenant design proposal for the second phase hotel and performance venue. Staff's feedback was centered around a series of issues for design focus, which included the following considerations:

- Response to Context (including local character and heritage);
- Site Plan Design;
- Pedestrian Public;
- Built Form, Massing, Height, and Articulation (including heritage conservation);
- Landscape Strategy; and
- Sustainable Design.

On March 11, 2021, the proponent team and City Planning staff, along with Exhibition Place, presented the tenant design proposal to the City's Design Review Panel (DRP). The role of the DRP is to provide independent, objective advice to City staff aimed at improving matters of design that affect the public realm, including matters such as preserving the uniqueness of place, maintaining vitality, ensuring comfort and safety, and making new development compatible with its surroundings.

The DRP commented that successful venues at Exhibition Place have sought to find a balance between respect for heritage resources and the expectation of celebratory architecture. The Panel found that there was insufficient evidence that the design proposal was achieving a satisfactory outcome. The Panel also identified that further consideration was required to develop a responsive relationship with the Stanley Barracks, to align the overall massing with the larger-scale architecture to the north by flipping the positions of the hotel tower and performance venue, and to validate the importance of the public realm at-grade by providing a comprehensive ground floor plan integrated with a more resolved site and landscape plan.

The DRP also commented that because the site was not located on private lands, the design team had a responsibility to deliver something special to the whole of Toronto. The Panel noted that any iconic building design would need to further consider how it fits into the vision and history of Exhibition Place and its surrounding context, including Stanley Barracks,

views through Princes' Gate, and Princes' Boulevard. Panel members also raised comments in relation to:

- Consideration of a comprehensive approach to high-performance and low-energy design that meets or exceeds the Toronto Green Standards (the "TGS");
- Site reorganization with the hotel tower being located closer to Lake Shore Boulevard and the performance venue located off Princes' Boulevard;
- The proposal's lack of animation and interaction with the public realm along Princes' Boulevard and Lake Shore Boulevard;
- Consideration of archaeology on-site and the integration with the Stanley Barracks; and
- The scale and architectural form of the performance venue, including its proposed shell-shape form, and its impact and integration with the fabric of the surrounding buildings.

Panel members unanimously voted non-support and noted the tenant design proposal did not meet fundamental design excellence objectives and advised that the project should substantially be redesigned to address and respond to the comments provided by the DRP and City staff.

Following the DRP meeting, the proponent team prepared and presented revised materials for the hotel tower and performance venue to City Planning and Exhibition Place Staff. Substantial changes were made to the design proposal that largely responded to the high-level objectives and design principles noted by City Planning staff and the DRP. These substantial revisions included:

- Shifting the hotel tower further south which eliminated the tower's impact on views of the Princes' Gate from the east;
- Improvements to the architectural form and scale of the performance venue and its relocation closer to Princes' Boulevard and relocating access and loading areas off New Brunswick Way;
- Improved interface with the public realm; and
- The incorporation of a prominent green roof on the performance venue.

City Planning staff are substantially in support of the revised design proposal and as a result, recommend the project return to the DRP upon submission of the Site Plan Control application.

As the proponent team continues to advance the detailed design in preparation of the Site Plan Control application, the following principles are to be further considered, which are consistent with the Exhibition Master Plan guidelines for development:

- Enhance the public realm design and pedestrian connections that carry through and past the site to ensure a contiguous and integrated streetscape and landscape. A north-south pedestrian connection to Ontario Place is an essential component of the site and must be integrated in the public realm design;



- Signage and lighting is to be integrated in the building design and should be complementary to Princes' Boulevard, Lake Shore Boulevard, and Exhibition Place as a whole;
- The proposal is to prioritize sustainability and green infrastructure to achieve voluntary tiers of the Toronto Green Standard and achieve a net zero carbon footprint;
- Apply heritage conservation practices and design the site to be appropriately integrated with the historic site, the conserved archaeological resources and features, and the surrounding landscaping. The site should frame and complement the Stanley Barracks and historic parade grounds, forming part of the Historic Interpretation Strategy;
- Undertake a Stage 2 archaeological assessment and incorporate the findings from this assessment into the site design; and
- Prioritize accessibility and compliance with AODA in all aspects of the site design;

City Planning staff will continue to work with the proponent team to address any issues that arise over the course of the Site Plan Control application.

### **Economic Impact of Phase 2 Hotel**

urbanMetrics inc. (“uMi”) was retained by Overactive Media Group (“OAM”), one of the investors in the project, to prepare an Economic Impact Analysis relating to the proposed development of a state-of-the-art entertainment and eSports performance venue with a connected hotel.

The primary purpose of the assessment was to quantify the range of potential financial and employment-related benefits generated throughout various phases of development, including one-time impacts associated with the significant capital investment program proposed, as well as, recurring benefits likely to be derived in post-construction periods through annual operating expenditures of the new facilities on-site and the associated visitor spending. The study was completed in February 2021 with the following executive summary and highlights:

### **Economic Impact - Executive Summary**

- Based on the latest development information provided by OAM, a 6,000 to 7,000 seat Performance Venue and a 400-room hotel are envisioned for the subject site. A performance venue of this scale would fill the gap between intimate concert halls and large arenas in the City’s existing venue inventory, while a second hotel in this area of the City will double capacity and better support the Exhibition Place conference and convention centres adjacent to the site.
- As such, the venue would be a one-of-a-kind entertainment and hospitality hub that will draw events that would otherwise not be attracted to the City.
- The proposed performance venue would fill the void of medium-sized concert venues in the City, accommodating artists whose draw is too large for smaller venues (e.g. Massey Hall or Meridian Hall), but who are not able to sell out the larger venues (e.g. Scotiabank Arena or Budweiser Stage). This new venue would strengthen Toronto’s reputation as a major concert market and will allow the City to

attract performers and events that would have had difficulty being accommodated within its existing venues.

**Economic Impact - Key Findings/Highlights**

**Capital Investments (One-Time Impacts)**

<p>\$475 Million Estimated Total Value of Capital Investments</p>	<ul style="list-style-type: none"> <li>• Including one-time spending on construction of a new performance venue and hotel, the total capital investments required to support the project as currently envisioned.</li> <li>• Capital Investments currently estimated at \$350.0 million due to revisions to the concept plans/design.</li> </ul>
<p>4,090 One-Time Jobs Supported</p>	<ul style="list-style-type: none"> <li>• Through the significant one-time spending for this project, a total of over 4,090 one-time jobs will be supported during the planning, design, and construction phases of development. The majority of these jobs (82% or 3,360 jobs) will be within the City of Toronto.</li> </ul>
<p>\$172 Million in Government Revenues</p>	<ul style="list-style-type: none"> <li>• The one-time capital investments are also expected to yield approximately \$172 million in government revenues, including more than \$38 million accruing directly to the City of Toronto when including direct, indirect, and induced components.</li> </ul>

**Economic Impact - Operations (Recurring Impacts)**

<p>\$91 Million Annual Operating Expenditures</p>	<ul style="list-style-type: none"> <li>The economic activity on the subject site will require an estimated \$91 million in annual operating expenditures upon market entry and stabilization of the performance venue and hotel.</li> </ul>
<p>650+ Full-time Equivalent Jobs</p>	<ul style="list-style-type: none"> <li>Upon completion, the subject site is expected to support a range of economic activity and permanent on-site employment opportunities, including 650 direct, indirect, and induced full time equivalent ("FTE") jobs. Approximately 550 permanent on-site jobs will be generated on-site.</li> </ul>
<p>\$39 Million in Annual Government Revenues</p>	<ul style="list-style-type: none"> <li>The proposed development of the subject site is expected to generate some \$39 million in annual government revenues, including approximately \$6.9 million in property tax revenue to the City of Toronto upon completion.</li> </ul>

**Economic Impact - Tourist Spending (Recurring Impacts)**

<p>\$182 Million Annual Tourist Spending</p>	<ul style="list-style-type: none"> <li>Tourists visiting the proposed performance venue are expected to spend some \$182 million annually elsewhere across the City and the Province (e.g. restaurants and shopping across the City).</li> </ul>
<p>1,790+ Full-time Equivalent Jobs</p>	<ul style="list-style-type: none"> <li>Once completed, tourist spending associated with visitors to the proposed performance venue will support some 1,790 FTE jobs annually, 89% of which will be based in the City of Toronto.</li> </ul>
<p>\$70 Million in Annual Government Revenues</p>	<ul style="list-style-type: none"> <li>Tourist spending associated with visitors to the proposed performance venue is expected to generate some \$70 million in government revenues annually, including some \$11 million in revenues to the City of Toronto.</li> </ul>

**Economic Impact - Qualitative Benefits**

In addition to the primary economic impacts highlighted above, the subject proposal would yield a range of qualitative benefits that enhance broader city-building and economic development efforts in this area of Toronto. These qualitative benefits are no less important than the above quantitative benefits. Many economic studies have shown that qualitative benefits, such as innovation, knowledge transfer, media exposure, and promotion can add as much or more economic value and benefits that cannot be quantified.

The following summarizes some of the specific qualitative benefits that will not be possible if not for the significant initial capital investments contemplated at this strategic site:

- The project would function as an anchor use for Exhibition Place's proposed "Entertain Zone", and will bring contemporary and unique programming that will increase visitation from younger, tech-savvy demographic groups such as millennials and Generation Z.
- As the proposed eSports infrastructure integrated into the Performance Venue would accommodate some of the largest eSports events in North America; this project would significantly increase Toronto's international profile as a major destination for eSports and its technology, and social media intensive market. Global recognition would effectively grow the existing domestic and international fan base for Toronto-based teams, as well as, help attract sponsorship and capital investment.
- A major venue with internationally promoted events such as is being proposed would highlight the City of Toronto through live broadcasts, enhanced media presence, social media posts, and fan and performer experiences. This would be similar to the tourism and business boost that occurs in cities following major events such as the Olympics or international fairs.
- The project would directly stimulate and support conference, convention, trade show and meeting business at Exhibition Place. The events and activity occurring within the performance venue would generate spinoff opportunities for fan and industry experiences that can be hosted at the Enercare Centre, the Beanfield Centre, and other nearby venues at Exhibition Place. Furthermore, the addition of a second hotel would support conferences, conventions, tradeshow, and meetings by augmenting the on-site room supply in an area with only one other hotel within walking distance of these venues.
- Toronto is currently revered for its strong and fast-growing technology sector. The subject proposal would strengthen this position by expanding the breadth of eSports-related technology jobs available in Toronto, which could potentially attract students, researchers, innovators, entrepreneurs, venture capital, and businesses.
- The abundance of programming at the Performance Venue and Phase 2 Hotel would generate consistent transit ridership on the future Ontario Line. It is anticipated that approximately half of annual attendees will reside in the local area, many of who will use transit as their primary mode of transportation to the venue.
- The entertainment venue and hotel would be developed with high design standards and iconic features to become a destination landmark drawing Torontonians and tourists to Exhibition Place.
- The subject proposal would enhance city building and economic development efforts and will support the City's and the Province's investments in the area, the City's Exhibition Place Master Plan, and the Province's redevelopment of the Ontario Place site.
- Overall, the subject proposal would create a new node within Exhibition Place for diverse employment, economic activity, and an improved public realm.

The economic impacts of the Phase 2 Hotel and Performance Venue are calculated based on capital and operating expenditures on goods, services, and employee salaries, and based on projected spending in the City and Province. An economic model

measures the direct, indirect, and induced effects for each of these elements. While hotels typically do not attract visitation to a community, they are an essential piece of tourism infrastructure that must be present to capture the maximum economic impact from many forms of tourism activity. The proposed hotel addition at Exhibition Place would generate significant one-time and recurring economic benefits. The capital investment would create the equivalent of hundreds of full time jobs and generate millions in total tax revenues to all levels of government. Given the current state of Ontario's commercial construction sector, it is reasonable to assume that almost all of these jobs and related tax revenue would be incremental benefits.

### **Requirement for a Hotel on Site**

Generally, all event planners and tradeshow organizers cite the convenience and availability of hotels as one of their primary criteria for selecting a location and facility for their events. The present cost of transportation (i.e. busing thousands of exhibitors and/or delegates from downtown hotels) is an expensive line item in a tradeshow budget and causes organizers to make a decision based on the proximity of a headquarters hotel. While Enercare Centre has always had a "host hotel" partnership with a city hotel, the location outside of Exhibition Place still makes transportation costly and time consuming. Transportation for a three-day tradeshow to and from the downtown core could easily exceed \$100,000 in expenses for the tradeshow. The development of another hotel property at Exhibition Place would make Enercare Centre more appealing to tradeshow organizers, especially those from the United States. The opening of the renovated Beanfield Centre in October 2009 dramatically increased the need for an "on-site" hotel to support the conferences, meetings, and conventions that will be attracted to the site. The additional hotel rooms from Phase 2 would enhance Exhibition Place's status as a competitive venue in North America for major tradeshows, mid-size conferences, and meetings.

The Phase 2 Hotel will increase the on-site hotel room inventory at Exhibition Place to over 800 rooms, which is the minimum number of rooms within walking distance of the Enercare/Beanfield Convention Centre needed to attract mid-sized meetings and conventions. Typically, meeting planners require walking distance hotels for their delegates to reduce the costs associated with transportation. In a post pandemic world, the ability to walk to the convention centre will become more important to planners, and we will see this come to fruition in future Request For Proposals from show organizers. The expansion of hotel rooms, and the recent addition of the elevated Sky Bridge connection between the Beanfield Centre to Phase 1 Hotel X, will better service the complement of meeting space currently available in Beanfield Centre, and should be a catalyst for an increase in meeting and convention opportunities for Exhibition Place. This additional walking distance bedroom inventory will also encourage the sales lead generators at Destination Toronto to offer Exhibition Place as a desirable convention centre option for meeting and convention planners.

Finally, in addition to the needs of Enercare Centre and Beanfield Centre clients, the Phase 2 Hotel would be of benefit to other tenants and users of the grounds such as the Royal Agricultural Winter Fair, Toronto Honda INDY, and the CNE, and would support out-of-town visitors to Medieval Times, special occasion/wedding business at the Liberty Grand, and major sporting events at BMO Field and Coca-Cola Coliseum.

Conventions, Sports & Leisure International ("CSL") is a leading advisory and planning firm specializing in providing consulting services to the convention, sport, entertainment, and visitor industries. In March 2021, CSL undertook a study on eSports, Tourism and Economic Development - and How Cities are using Esports to attract Gen-Z and Millennial Talent. The survey indicated that:

- Younger generations increasingly shift to consumption of online media and entertainment, the eSports industry has been at the forefront of conversations regarding the future of sports, entertainment, travel, and even economic development.
- Destinations International increasingly recognize eSports as an opportunity to engage with Gen-Z and Millennial travellers and young professionals. At the same time, there is uncertainty as to how eSports intersects with the visitor industry, particularly with respect to room night generation.
- The importance of the investment in eSports extends well beyond generating new events and room nights. A stronger eSports infrastructure can help to attract students, businesses, and highly skilled workers in the tech sector. This broader economic development impact contributes to a strong community-wide support for the eSports project.
- From an economic development perspective, an eSports facility provides an impetus for attracting young professionals to live downtown, while also catering to the growing population of adult gamers and tech workers in the market.

### **Overview of Approval Process**

In support of making the most of the present and future of Exhibition Place, on May 14 and 15, 2019, City Council by adoption of Toronto and East York Community Council Item TE5.26, adopted the recommendations of the Exhibition Place Cultural Heritage Landscape Assessment ("CHLA") and directed staff to utilize these recommendations in the development of a Master Plan for Exhibition Place.

On September 30 and October 1 and 2, 2020, by adoption of Item TE18.42, City Council approved the Exhibition Place Master Plan - Phase 1 Proposals Report. The emerging Master Plan and the CHLA affirm a vision to maintain Exhibition Place as a unique and valuable City asset, with diverse roles as Toronto's preeminent gathering place, a place with a unique and valuable heritage and landscape and a place of innovation and economic activity.

The Exhibition Place Master Plan Phase 1 Proposals Report and the Cultural Heritage Landscape Assessment provide a framework for guiding the future physical evolution of Exhibition Place. The work on the Master Plan will continue under the direction of the Exhibition Place Board of Governors.

Development at Exhibition Place is not subject to a zoning By-law but is governed by s. 406 of the City of Toronto Act and s. 43 of the Municipal Code.

With regard to permitted uses, the language from both documents is as follows:

(2) Exhibition Place shall be used:

(a) for parks and exhibition purposes;

(b) for the purposes of trade centres, and trade and agricultural fairs such as, but not limited to, the annual Canadian National Exhibition, and Royal Agricultural Winter Fair;

(c) for displays, agricultural activities, sporting events, athletic contests, public entertainments and meetings;

(d) for highway, electrical transmission, or public utility purposes;

(e) for any other purpose that the City may approve. 2006, c. 11, Sched. A, s. 406 (2).

In the opinion of Toronto Building staff, the proposed entertainment venue, which will host concerts and e-sports events, would fall under sporting events and public entertainment. The proposed Phase 2 Hotel is permitted based on the approval of Council of the Phase 1 Hotel lease at its meeting of November 30, December 1, 2, 3, 4 and 7, 2009 (EX36.3), which provided the Phase 1 tenant with an option to develop a Phase 2 Hotel.

### **Public Consultation**

At its meeting of April 21, 2021 (TE24.95), Toronto and East York Community Council considered and adopted the following Motion:

1. Requested the Chief Planner and Executive Director, City Planning Division, to work with the Chief Executive Officer, Exhibition Place, and the Ward Councillor to undertake public consultation for the proposed Phase 2 Hotel X Development at Exhibition Place, and report back at an early stage of the Site Plan review process.

Due to the lack of an automatic public consultation process, it was necessary for Toronto and East York Community Council to initiate this work as there is considerable public interest expressed in the future of Exhibition Place throughout the development of the Master Plan Proposals Report, and the public consultation program conducted by City Planning staff as part of the development of the emerging Master Plan. It is desirable to engage with and consult with the public from the outset of reviewing the Hotel X Phase 2 Proposal.

As the public consultation is part of the Site Plan process, a Site Plan application will be required before the public consultation can be scheduled. The timing of this meeting with the local Ward Councillor is based on discussions with Exhibition Place and City Planning and the Tenant's team. Once a site plan application with the necessary supporting plans and studies has been submitted, a community meeting will be scheduled. The plans and studies submitted in support of the application will be posted on the City Planning Application Information Centre and will be available to the public in advance of the community meeting.

**COLLECTIVE AGREEMENT BETWEEN INTERNATIONAL ALLIANCE OF THEATRICAL STAGE EMPLOYEES LOCAL 58 (“Local 58”) - AND OVERACTIVE MEDIA CORPORATION (“OAM”) - AND THE PHASE 1 TENANT AND THE BOARD**

Local 58 and the Board are currently parties to a collective agreement covering, inter alia, certain work performed by stage employees on the grounds of Exhibition Place (the “Exhibition Place Agreement”).

As part of the Phase 2 Hotel and Performance Venue development, OAM and Local 58 have entered into a collective agreement which to cover certain work performed by stage employees at the Performance Venue once it becomes operational, which has been ratified by the Local 58 membership on June 17, 2021 and ratified by the Board at its meeting of September 28, 2021.

Both the Phase 1 Tenant and/or Exhibition Place acknowledge and agree that Local 58's bargaining rights as currently set out in the Exhibition Place Agreement include the performance of any bargaining unit work at the Phase 1 Hotel and the Phase 2 Hotel, and that any audio/visual work coming within the scope of the Local 58's jurisdiction as defined in the Exhibition Place Agreement performed at the Phase 1 Hotel and the Phase 2 Hotel is bargaining unit work covered by the Exhibition Place Agreement.

**TORONTO GREEN STANDARD ("TGS")**

The City Green Standard was adopted by Toronto City Council on July 14, 2021, by adoption of Item PH25.17 and will come into effect in May 2022 for all new planning applications. The Toronto Green Standard is Toronto's sustainable design requirements for new private and city-owned developments. The Standard consists of tiers (Tiers 1 to 4) of performance measures with supporting guidelines that promote sustainable site and building design. Tier 1 of the Toronto Green Standard is a mandatory requirement of the planning approval process.

Toronto Green Standard (Tiers 1 to 4) Version 4 is proposed to be applied to applications submitted under the Planning Act commencing May 1, 2022. The Toronto Green Standard is a critical component of the City's efforts to achieve zero emissions buildings by 2030, and meet 2050 city-wide greenhouse gas reduction targets.

The objective of the Toronto Green Standard is to influence and support change to achieve more sustainable development in the City. Based on tiers of increasingly sustainable performance the Toronto Green Standard provides a clear understanding of the City's climate change objectives and expectations for future updates.

The Toronto Green Standard performs an important role as a market transformation tool to progressively push development beyond the minimum standards of the Ontario Building Code towards the Toronto's zero-emissions targets as set out in TransformTO, and City Council's 2019 declaration of a climate emergency. It also responds to the Climate Change & Resilience actions to support, recover, and rebuild set out in the Council adopted Towards Recovery and Rebuilding, a Renewed Toronto report (the TORR report).



The Toronto Green Standard is secured via all Site Plan Control applications as embedded conditions of approval.

The Phase 2 Hotel and Performance Venue development shall be constructed in accordance with all applicable federal, provincial, and municipal laws, regulations, standards, by-laws, policies and rules, including without limitation to the foregoing the Ontario Building Code, and the Toronto Green Standard, Version 4, Tier 2, and the Tenant will achieve a LEED silver rating for the Development.

The Development will comply with any federal, provincial, and municipal requirements to address hazards posed to migrating birds, and the Tenant will consult with the Fatal Light Awareness Program (FLAP) regarding mitigating measures to reduce bird fatalities.

The Development will comply with all federal, provincial, and municipal accessibility laws, regulations, by-laws, standards, policies and rules.

#### **PROJECT SCHEDULE/MILESTONE DATES**

The proposed schedule for this project as outlined in Appendix "A" - Terms and Conditions. City staff are hoping to request approval of the New Lease at the November 30, 2021 General Government And Licensing Committee and December 15 and 16, 2021 City Council meeting, As noted in Appendix "A", the target for site plan application to be submitted is by January 30, 2022. The target for construction to commence is August 29, 2022, with completion by August 27, 2025.

#### **HKH**

HKH is a privately run company that successfully operates 4 boutique hotels in New York City and a new resort hotel in Prague, which in total represent over 300 rooms and 250 employees. HKH principal shareholder, Mr. Henry Kallan, has managed many substantial hotel properties in Europe and the United States. Mr. Kallan is also the primary shareholder of one of the General Partners for the Phase 1 Tenant.

#### **OVERACTIVE MEDIA CORPORATION (OAM)**

OAM is an integrated global private company delivering sports, media and entertainment to today's generation of fans. Their global headquarters is based in Toronto, Canada with offices in Madrid, Spain, and Berlin, Germany. It is Canada's largest eSports ownership group.

OAM has a team competing in each of the most premium franchised eSports leagues in the world. Its main focus is creating monumental experiences for the gaming generations to come and uniting the gaming community on a local and global stage.

#### **CONTACT**

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## **SIGNATURE**

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Don Boyle  
Chief Executive Officer

## **ATTACHMENTS**

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Appendix A - Terms and Conditions of New Lease, Schedule 1 - Phase 2 Lands, Schedule 1A - Site Plan of Leased Property, Schedule 2 - Milestone Dates, Schedule 3 - Proposed Venue Signage, Schedule 4 - Conceptual Design of Development, Schedule 5 - North Plaza and The South Porch

Appendix B - Canadian National Exhibition Association - Letter of Support

Appendix C - Destination Toronto - Letter of Support

Appendix D - Toronto Event Centre - Letter of Support

Appendix E - International Alliance Theatrical Stage Employees - Letter of Support

Appendix F - City Planning - Letter of Support

Appendix G - BILD - Letter of Support

Confidential Attachment 1 - Financial Analysis and Terms

Confidential Attachment 2 - Terms and Conditions on New Lease - Phase 2 Lands