



RE: RA20.6



11 Bay St. – Proposed Transaction

January 11th, 2021

CREATE TO

Transforming
Toronto's Real Estate

11 Bay St. - Background

- Three mid-sized hotel/convention centre complexes in downtown Toronto – Royal York, Sheraton and Westin Harbour Castle.
- WHC is third largest hotel in Toronto – 977 rooms (8% of total downtown hotel inventory).
- Symbiotic relationship between hotels and affiliated convention centres. Event business drives guest room demand. Availability of major hotel room blocks in downtown key to driving mid-size conference business.
- But - available hotel rooms in Toronto have remained stagnant since 2000. Pre-Covid, large room block availability often fully-booked for two years.
- City concerned that new downtown hotels are smaller “boutique” luxury product, and that hotel conversions/demolitions are reducing mid-priced, convention-focused hotel inventory.

11 Bay St. – Background, con't

- City believes attracting conventions is important for City economy – e.g. Collision conference.
- 11 Bay Convention Centre is functionally obsolete – needs major rebuild or retrofit to accommodate modern convention requirements.
- 11 Bay site is underutilized – can accommodate significant increased commercial density. Intensification supported by Official Plan, TOCore etc.
- Owner of WHC (Barney River) and QuadReal have partnered to present to the City a redevelopment proposal that would result in a new convention centre and a 54 storey office tower. Total GFA of 117,000 sm – almost \$1B capital investment.
- Requires long-term lease extension to support proposed development.

Rendering of Proposed Development



Advantages for City

- Unlocks economic value of underutilized City asset – significant increase in ground rent, plus many years of commercial property tax payments.
- Supports office employment in the downtown core and hotel/tourism/conference industry. Important signal of confidence in post-Covid office market.
- Supports current size of WHC hotel and its related jobs, tax revenue etc. Attractive new mid-size convention centre adds to City's meeting and convention marketability.
- City has option of electing to receive substantial up-front rent payment to fund local City infrastructure – e.g. Jack Layton Ferry Terminal renovation.

Design Excellence

- 11 Bay project to follow Council's direction to employ higher standards of design excellence for major and transformational projects on City-owned lands (Mayor and Council's Urban Design Initiative).
- Design Partner (Daoust Lestage Lizotte & Stecker from Montreal) was selected through an international competitive process to be an active member of the Applicant's design team.
- Main focus is to ensure that key city-building objectives are met, including seamless design between building, landscape & elements within public realm.
- Other key design issues: creating great public spaces at the "Foot of Bay", accommodating convention centre needs (e.g. clear span ballroom) and ensuring connectivity to the waterfront.

Workstreams

- Applicant has submitted zoning application, and a preliminary report from Planning will be before TEYCC on January 12, 2021. Discussions with Planning regarding design excellence are on-going.
- City appraisal group has obtained up-to-date appraisal of 11 Bay site. Applicant has also obtained appraisal. CTO hired external financial advisor to assist in appraisal assessment and review of proposed financial metrics.
- CTO has engaged in term sheet negotiations with applicant since Board authorization in March 2020. Term sheet has been reviewed with CREM (landlord).
- Applicant met with City Economic Development several times in 2020 to discuss preliminary vision. CTO is also liaising with EcDev to ensure support.
- Applicant has met with local Councillor and CTO is in regular communication with local Councillor. Community engagement strategy is being implemented.

Next Steps

- Applicant has submitted an economic impact study as part of its planning application prepared by CBRE. CTO/Planning have engaged a consultant to peer review the applicant's study to better understand market conditions for conference centers.
- Proposed transaction approval pathway:
 - CTO Board – March 8
 - GGLC Committee – March 29
 - April 7 – City Council
- Following CC approval, parties will negotiate binding lease terms. QuadReal will commence marketing of the office project in order to attract anchor tenant(s).