



Report to: Development Services Committee

Report Date: November 8, 2011

SUBJECT: RECOMMENDATION REPORT
Stringbridge Investments Limited
Southwest quadrant of Highway 7 and South Town Centre
Boulevard
Application for Zoning By-law Amendment to permit a
mixed-use development incorporating hotel, commercial and
residential uses
File No. ZA 10 109997

PREPARED BY: Scott Heaslip, Senior Project Coordinator
Central District, extension 3140

REVIEWED BY: Richard Kendall, Manager
Central District, extension 6588

RECOMMENDATION:

1. That the staff report dated November 8, 2011 titled "RECOMMENDATION REPORT, Stringbridge Investments Limited, Southwest quadrant of Highway 7 and South Town Centre Boulevard, Application for Zoning By-law Amendment to permit a mixed-use development incorporating hotel, commercial and residential uses, File No. ZA 10 109997," be received.
2. That Council endorse the recommendations of the November 8, 2011 staff report.
3. That the Town Solicitor and staff be directed to attend the Ontario Municipal Board hearing commencing on December 12, 2011 to support the application as outlined in the November 8, 2011 staff report.
4. That the modeling forecasts for Markham Centre be up-dated to reflect the increased residential unit count and adjustments to the employment forecasts resulting from the approval of the proposed development.
5. That staff report to Council on an updated Precinct Plan for the Stringbridge/Times lands prior to reporting on site plan approval for the proposed development.
6. That staff be authorized to enter into negotiations with the applicant regarding a Section 37 contribution, to form the basis of a draft Section 37 agreement to be brought back to Council for consideration before removal of the holding provision from the zoning of the lands.
7. That staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

Stringbridge Investments (H & R Developments) owns the majority of the 7.12 ha (17.6 acre) block bounded by Highway 7, South Town Centre Boulevard, Clegg Road and Rodick Road. Stringbridge has an agreement to sell 1.1 ha (2.73 acres) – located at the southwest corner of Highway 7 and South Town Centre Boulevard - to Jason Kaptyn Hospitality Inc.(Kaptyn). Kaptyn, which owns and operates the Sheraton Parkway and Best Western Hotels at Leslie Street and Highway 7 in Richmond Hill, proposes to develop the lands with a mixed-use project comprising a 190 room “full service hotel in the 4 to 4.5 star range”, an associated conference facility, a range of restaurant and retail uses at-grade along Highway 7, and up to 500 residential units.

The hotel, conference facility, restaurant and retail uses are currently permitted by the zoning of the lands. A zoning by-law amendment is required to permit the residential component and to refine the zone standards to accommodate the proposed development.

Kaptyn advises that they need the lands to be zoned for the proposed uses, including the residential component, before they can engage in serious discussions with a hotel “brand,” and commence preparation of detailed architectural drawings of the development.

As outlined in this report, staff can support the requested amendment to the zoning by-law to permit a mixed-use development incorporating hotel, commercial and residential uses at this location.

On 23 August, 2011 the applicant appealed the application to the OMB citing Council’s failure to make a decision on the application within the prescribed time period set out under the Planning Act. The Ontario Municipal Board is therefore now the approval authority for the requested zoning by-law amendment. The OMB has tentatively scheduled a hearing for 5 days, commencing December 12, 2011, to hear the appeal. Staff recommend that the Town attend the hearing in support of the requested zoning by-law amendment, as outlined in this report.

PURPOSE:

The purpose of this report is to recommend that Council support an application for zoning amendment to permit up to 500 residential apartment units in conjunction with a hotel and accessory uses at the southwest quadrant of Highway 7 and South Town Centre Boulevard at an upcoming Ontario Municipal Board hearing.

BACKGROUND:

Subject Property and Area Context (Figures 2 and 3)

This report references four areas of land which are identified on Figure 3, as follows:

- Stringbridge’s **Original Holding** – the original Stringbridge holding, including the lands subsequently conveyed to the Times Group for Majestic Court

- Stringbridge's **Current Holding** – the lands currently owned by Stringbridge
- **Subject Lands** – the lands proposed to be conveyed to Jason Kaptyn Hospitality Inc. (Kaptyn)
- Stringbridge's **Remainder Lands** – the lands which will remain in Stringbridge's ownership after the proposed conveyance to Kaptyn.

Stringbridge's **current holding** comprises a total of 5.66 ha (14 acres) on the south side of Highway 7 between South Town Centre Boulevard and the H.E.P.C. at Rodick Road (Figure 2). These lands are vacant except for two office/warehouse buildings fronting on Clegg Road.

The focus of this application is the **subject lands**, approximately 1.1 ha (2.73 acres) in area, on the south side of Highway 7 immediately west of South Town Centre Boulevard. The **subject lands** are vacant, contain no significant vegetation, and slope southward across the site from Highway 7. To the east across South Town Centre Boulevard are two office buildings (12 and 5 storeys) – Markham Liberty Square. To the south are two residential buildings (16 and 14 storeys) – Times' Majestic Court project. To the north across Highway 7 are two residential buildings (16 and 16 storeys) - Tridel's Circa @ Town Centre project.

Official Plan and Zoning

Stringbridge's **current holding**, including the **subject lands**, is designated "Commercial – Community Amenity Area" in the Town's Official Plan and Community Amenity Area – Major Urban Place in the Markham Centre Secondary Plan (OPA 21). Lands designated "Community Amenity Area - Major Urban Place" are intended to develop with a mix of residential, commercial, employment and supporting uses, at a high density and intensity of development. All of the proposed uses are permitted under this designation.

The lands are zoned Hold - Markham Centre Downtown One under By-law 2004-196, as amended (Figure 2). This zoning permits a broad range of employment and commercial uses including business offices, hotels, trade and convention centres, banquet halls, health clubs, and retail and service uses. Residential uses are not permitted in the MC-D1 zone as the intent at the time of zoning was that these lands would be used for a broad range of employment purposes.

Proposal

Stringbridge has an agreement to sell the **subject lands** to Kaptyn, which owns and operates the Sheraton Parkway and Best Western Hotels at Leslie Street and Highway 7 in Richmond Hill. Kaptyn proposes to develop the lands with a mixed-use project comprising a full service hotel and associated conference facility, a range of restaurant and retail uses at-grade along Highway 7, and up to 500 residential units. Kaptyn advises that the proposal is for a "full service hotel in the 4 to 4.5 star range". The proposed restaurants, conference facility, retail stores, health club and spa, and residential uses are proposed in association with the hotel. The applicant advises that the condominium residents would have access to the hotel services.

The applicant is requesting the following amendments to the zoning of the **subject lands** and Stringbridge's **remaining lands**:

- The addition of "hotel with apartment dwelling units" as a new permitted use on the **subject lands**. (The applicant advises that the purpose of this request is to document their commitment that the proposed residential apartment units will be developed only in conjunction with the hotel.)
- Permission for up to 500 residential units on the **subject lands**, in addition to the 190 hotel suites.
- Provision that a maximum of 67% of the total permitted floor area on Stringbridge's **current holding**, excluding the two existing industrial buildings on the north side of Clegg Road, be located on the **subject lands**.
- Building heights over the entire **subject lands** of 15 metres (minimum) and 53 metres (maximum). (The zoning by-law currently permits a maximum height of 49 metres over the easterly 50 metres of the subject lands and 40 metres over the remainder.)
- Adjustments to the building setback requirements for the **subject lands** to reflect the proposed site plan.

The concept plans submitted in support of the application show two buildings extending across the Highway 7 frontage of the lands. The easterly building comprises a 6 storey podium and 16 and 15 storey towers. The westerly building continues the 6-storey podium and includes 15 and 13 storey towers. The two buildings are linked at the 2nd and 7th storeys [see Figures 4 (site plan) and 5-7 (perspective drawings)]. The hotel component, with a total of 190 guest rooms, occupies portions of the 2nd to 6th floors of the easterly building and tower. Due to the grade change across the site, the grade-related uses internal and to the rear of the site would consist of residential units, lobbies, ballroom, and mechanical and service drop-off areas. Two levels of below grade parking are proposed and above grade parking internal to the structure is proposed for retail and hotel patrons.

Kaptyn advises that they need the lands to be zoned for the proposed uses, including the residential component, before they can engage in serious discussions with a hotel "brand" and commence preparation of detailed architectural drawings of the development.

OPTIONS/ DISCUSSION:

Issues identified in preliminary staff report

The preliminary staff report dated June 15, 2010 identified a number of issues with the proposed development, including the potential impact of the development on the Town's employment land base, the potential impact on the development potential of the remainder of Stringbridge's lands for employment uses, and with the proposed built form.

Additional issues identified at public meeting

The statutory public meeting to consider the requested zoning by-law amendment was held on November 2, 2010. Committee members were generally supportive of the

proposed development, but identified concern with the aesthetics of the development, traffic impact, the loss of employment uses, and whether that loss can be made up on the remaining Stringbridge lands.

Three written submissions (Appendices "A", "B" and "C") were received at the public meeting, one from a solicitor representing Hilton Suites Hotel, located one block east of the subject property, expressing concern regarding the potential loss of employment use, and two from residents expressing concerns regarding traffic.

Applicant has responded to issues identified by staff

The applicant responded to the issues identified by staff in a letter dated January 26, 2011 (Appendix "D"). The letter advises as follows:

- The owner acquired the site 45 years ago.
- The owner is a related company to H & R Developments, established in the 1950's and one of the pre-eminent developers and managers of office space in the GTA.
- H & R has a good understanding of the office, industrial and commercial markets in the GTA.
- The owner has actively marketed the lands for employment uses for over 10 years, without success.
- The proposed hotel/residential development will serve as a useful addition to Markham's business community.
- The proposed development will generate 400 permanent (or part-time equivalent) jobs:
 - Hotel: 215 full time and 85 part time jobs generated by the hotel, health club and convention space, which translates to 271 jobs.
 - Retail component: 9075 square feet @ 4 jobs per 1000 = 36
 - Restaurants: 6835 square feet @ 13 jobs per 1000 = 90
- There has not been a stand-alone "full service" hotel developed in York Region in the last 15 years. ("Full service" hotels in the four to five star range have large convention and banquet spaces, multiple full service and high end restaurants, large rooms with extended amenities, large fitness centres with high end spas, full room service and catering abilities, and room rates in excess of 50% higher than "select service" hotels).
- Land values and construction costs in the last 10 to 15 years have risen to the point where "full service" hotels have become undevelopable as stand-alone projects.
- The new business model combines full service hotels with residences. This concept gives the residents the use of the hotel amenities and the hotel therefore becomes a selling point for the residential component. It also gives the lender the comfort of residential pre-sales to augment financing the hotel project. In Toronto the Hazelton Hotel, Four Seasons, Ritz Carlton Shangra la and Le Germaine are all residential/hotel mixes.
- Markham and South York Region is a candidate for a mixed use, full service hotel.

Staff have obtained advice of independent expert land economist

The benefits of the proposed development need to be weighed against the costs and the business model considerations. Given the nature of the issues, staff felt it would be prudent to obtain the opinion of an outside expert and engaged Hemson Consulting Limited, which has extensive expertise in land development and valuation, to comment on the applicant's letter and the issues identified by staff.

Hemson's report (Appendix "E") advises as follows in regard to the mixed-use hotel concept:

- While many stand-alone limited service hotels have been built in the GTA in recent years, virtually no full service hotels have been built without a residential component in the form of condominium tenure apartments.
- Larger hotels that involve expensive forms of construction and high quality finishes have become very difficult to finance particularly since it may take three years or so for a property to reach full operating potential.
- Developers/owners of full service hotels have begun to capitalize on the value of hotel brand names by linking them to residential components within the development. The benefits of this are:
 - Higher unit values can be achieved for the residential component because purchasers are prepared to pay for having access to hotel services and facilities and the cachet of the brand name.
 - Deposits on residential units can be used to help finance the project.
 - Capital and profit can be taken out of the project once the residential units are sold, much sooner than from a hotel.
 - The presence of the residential units provides a built-in market for the hotel's food and beverage facilities.
- It is reasonable to conclude that the applicant's position that a residential component is necessary to support the development of a high-quality, full-service hotel is valid.
- The proposed amount of residential space is within the range of other recent projects (Trump, Shangra La, Ritz Carlton).
- The draft design of the proposed hotel includes the key elements that are needed for a high quality hotel. The design with the residential units being above the hotel is such that it would be difficult if not impossible to construct much of the residential component without also building the hotel.
- What differentiates a high quality hotel from a mid range product has much to do with factors other than real estate such as the quality of the furnishings, fixtures and equipment, staff levels and the standard of the services provided. These factors cannot be controlled by planning approvals.

Hemson's report (Appendix "E") also raises the following issues regarding the proposal:

- Approval of the proposed development would reduce the amount of Highway 7 oriented land available for employment use.
- Approval of the proposed development would set a precedent for residential uses to be considered along the Highway 7 frontage, particularly given the current

market environment where demand for office space is limited compared to that for condominium apartments.

The above concerns have been discussed with the applicant. Steps are being taken in an effort to maximize the employment potential of the remainder of the Stringbridge lands, as outlined below.

Applicant has committed to adjust zoning of remaining lands to ensure they are developed with significant multi-storey office buildings

Stringbridge's zoning application includes a request that a maximum of 67% of the total permitted floor area on Stringbridge's **current holding**, excluding the two existing industrial buildings on the north side of Clegg Road, be located on the subject lands.

The zoning by-law currently permits the Stringbridge lands to be developed with up to 86,000 square metres of net floor area of non-residential uses, increasing to 105,000 square metres after removal of a holding provision.

The concept plans for the proposed hotel/apartment development indicate a total gross floor area, including the hotel, commercial and residential components, of 60,724 square metres (653,693 square feet), leaving a remaining density permission of approximately 44,276 square metres (476,600 square feet), which would accommodate the equivalent of approximately 23 storeys of office use based on a typical office building floorplate of 1868 square metres (20,000 square feet). This would permit Stringbridge's remaining lands to be developed with a number of multi-storey office buildings within the current zoning permissions.

In response to the concern that Stringbridge's **remaining lands** could develop with low-rise, suburban type developments with surface parking, the applicant has committed (letter attached as Appendix 'F') to apply to the Committee of Adjustment for a minor variance to increase the minimum building height permissions to ensure that only buildings of 6 storeys or greater are constructed.

Staff can now support approval of the requested residential uses

Although the subject lands are currently zoned for employment uses, they are designated "Community Amenity Area – Major Urban Place" in the Markham Centre Secondary Plan. The mix of uses and the intensity of development proposed by the applicant are consistent with this designation.

A new full-service hotel in the four to five star range could be a useful addition to Markham's business community and would provide additional accommodation and commercial service options for Markham's residents and businesses. The subject lands, which are at a prominent location on Highway 7 across from the Markham Civic Centre, would be an appropriate location for such a full-service hotel.

Based on the advice of Hemson Consulting Limited, staff accept that in today's real estate market a residential component is most likely necessary to support the development of such a full-service hotel.

Staff acknowledge that the applicant, a major developer and manager of office space throughout the GTA, has actively marketed these lands for employment uses for over 10 years - without success.

Staff support the applicant's offer to update the zoning of the remainder of the block to reinforce their commitment to continue to market these lands for multi-storey office buildings.

For the reasons outlined above, staff can accept the applicant's case for the requested residential uses in association with a hotel.

Staff recommend that the Town support the subject application at the upcoming Ontario Municipal Board hearing

On 23 August, 2011 the applicant appealed the application to the OMB citing Council's failure to make a decision on the application within the prescribed time period set out under the Planning Act. The Ontario Municipal Board is therefore now the approval authority for the requested zoning by-law amendment. The OMB has tentatively scheduled a hearing for 5 days commencing December 12, 2011.

Staff recommend that the Town attend the hearing in support of the requested zoning by-law amendment as outlined in this report.

Staff will work with the applicant to prepare a draft zoning by-law amendment for consideration by the Ontario Municipal Board. Staff will ensure that the by-law addresses the following matters:

- That the requested apartment dwelling units be permitted only in association with hotel and commercial uses having minimum floor areas generally corresponding to the proposed development.
- Building height and built form regulations in accordance with current Town practice in Markham Centre.
- Residential parking in accordance with current practice in Markham Centre (min 0.8 space per unit and max 1 space per unit, plus 0.2 space per unit for visitors)
- Holding provisions addressing the following items:
 - Assignment of servicing allocation to the residential component.
 - Approval of traffic and travel demand (TDM) studies
 - Approval of an updated precinct plan
 - Execution of the required site plan agreement(s)
 - Payment of a Section 37 financial contribution

NEXT STEPS

Modeling forecasts for Markham Centre need be up-dated to incorporate proposed development

Modeling undertaken in 2009 for Markham Centre in support of the Town's growth management strategy, and shared with local ratepayer organizations, recognized a potential doubling of densities from those originally contemplated in the Markham Centre Secondary Plan (OPA 21). This modeling identified an increase in residential units in Markham Centre from 10,000 to 20,372 and a corresponding increase in employment from 17,000 jobs to 39,442, reflecting a very strong and healthy balance of employment and residential populations.

The modeling incorporated the current zoning permissions and residential approvals for this block, consisting of residential units on the Times lands and employment uses across the Stringbridge lands. While there may be an opportunity to recoup a portion of the employment component contemplated for the Stringbridge lands through adjustments to the building for the **remaining lands** as discussed in this report, Council's approval of this application could potentially reduce the employment forecast and increase the residential forecast for Markham Centre. As noted in the Hemson letter appended to this report, the potential office build-out for the balance of the Stringbridge lands could be at a comparatively lower density. Should Council approve this application, the modeling forecasts for Markham Centre would need to be up-dated to reflect the increased residential unit count and potential adjustments to the employment forecasts.

Project design: The concept plans submitted in support of the subject zoning application (Figures 4-7) illustrate how the Kaptyn Realty's proposed program could be accommodated on the subject lands. However, Kaptyn Realty needs to secure a hotel "brand" before they can commence preparation of detailed architectural drawings and submit a formal site plan application. Accordingly, a Hold (H) provision will be included in the by-law pending site plan approval. Staff will work with the applicant to ensure that the development is consistent with the Town's design objectives for Markham Centre, including building design that is bird-friendly and promotes dark skies at night.

Parkland dedication: The residential component of the proposed development will generate a requirement for parkland dedication. The Town has the discretion to require land dedication and/or payment of cash-in-lieu. Staff have indicated to the applicant that one possibility would be conveyance of lands to expand the Majestic Court Park, located immediately south of the subject property. This will be addressed at the site plan stage and through an update to the precinct plan.

Precinct plan: While the proposed massing of the Kaptyn portion of the site is generally consistent with the precinct plan for the Stringbridge/Times lands, the precinct plan needs to be updated to incorporate the proposed development and update the plan for the remaining lands to show minimum 6-storey buildings (except existing buildings). Staff recommend that approval of the revised precinct plan be deferred to the site plan approval stage when the project design and parkland dedication have been finalized.

Section 37: The proposed development introduces residential uses not currently permitted by the zoning. In the circumstances, it would be appropriate to require a Section 37 contribution for community benefits. The staff recommendation includes a provision authorizing staff to enter into negotiations with the applicant regarding a Section 37 contribution, to form the basis of a draft Section 37 agreement to be brought back to Council for consideration before removal of the holding provision from the zoning of the subject lands.

Other items: At the site plan approval stage the applicant will be required to address the following:

- sustainable development practices, including LEED certification
- approval by the Town and York Region of functional traffic and travel demand (TDM) studies
- approval of engineering studies addressing servicing capacity, groundwater, etc.
- the comments/requirements of the Markham Centre Advisory.

These items will be secured in the conditions of site plan approval and will need to be addressed to the satisfaction of the Town prior to the lifting of the holding provision from the zoning of the subject lands.

FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)

Not applicable at this time.

HUMAN RESOURCES CONSIDERATIONS

Not applicable at this time.

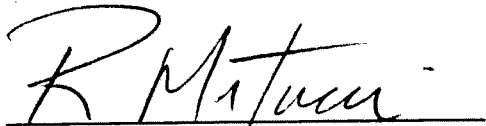
ALIGNMENT WITH STRATEGIC PRIORITIES:

The proposed development supports a number of the Town's "Building Markham's Future Together" strategic initiatives including Economic Development (hotel and conference facility), Transportation and Transit (transit oriented development on VIVA line) and Growth Management (intensification, mixed-use).

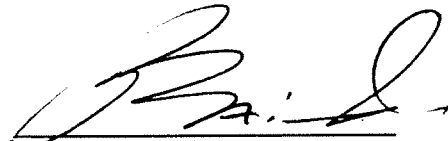
BUSINESS UNITS CONSULTED AND AFFECTED:

The applications have been circulated to Town departments and public agencies for comment, which will be addressed in detail in the recommendation report.

RECOMMENDED BY:



Rino Mostacci, M.C.I.P., R.P.P.
Director of Planning and Urban Design



James Baird, M.C.I.P., R.P.P.
Commissioner of Development Services

ATTACHMENTS:

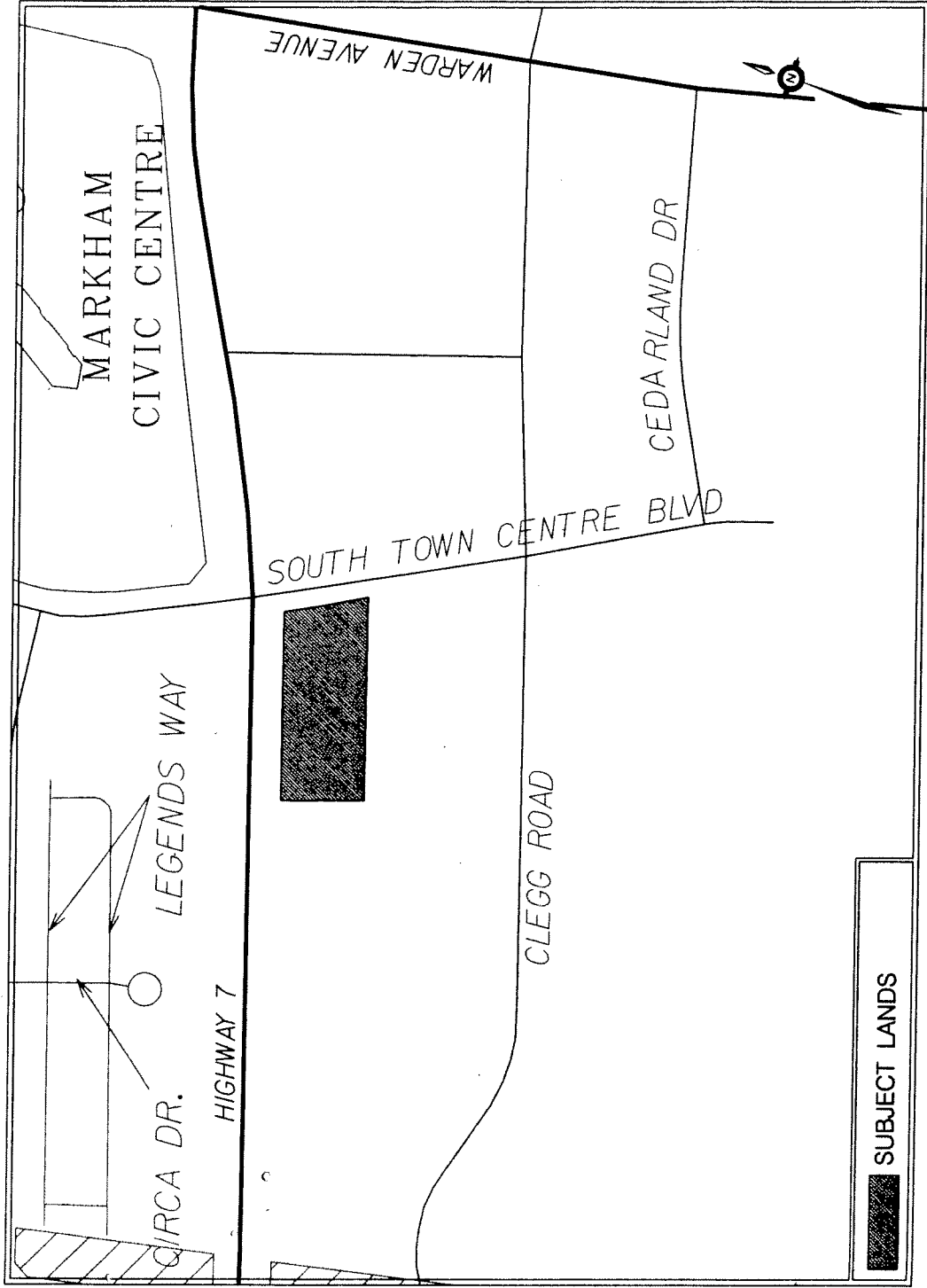
- Figure 1 – Property Location Map
- Figure 2 – Area Context / Zoning
- Figure 3 – Air Photo
- Figure 4 – Site Plan
- Figure 5 – Perspective Drawing
- Figure 6 – Perspective Drawing
- Figure 7 – Perspective Drawing

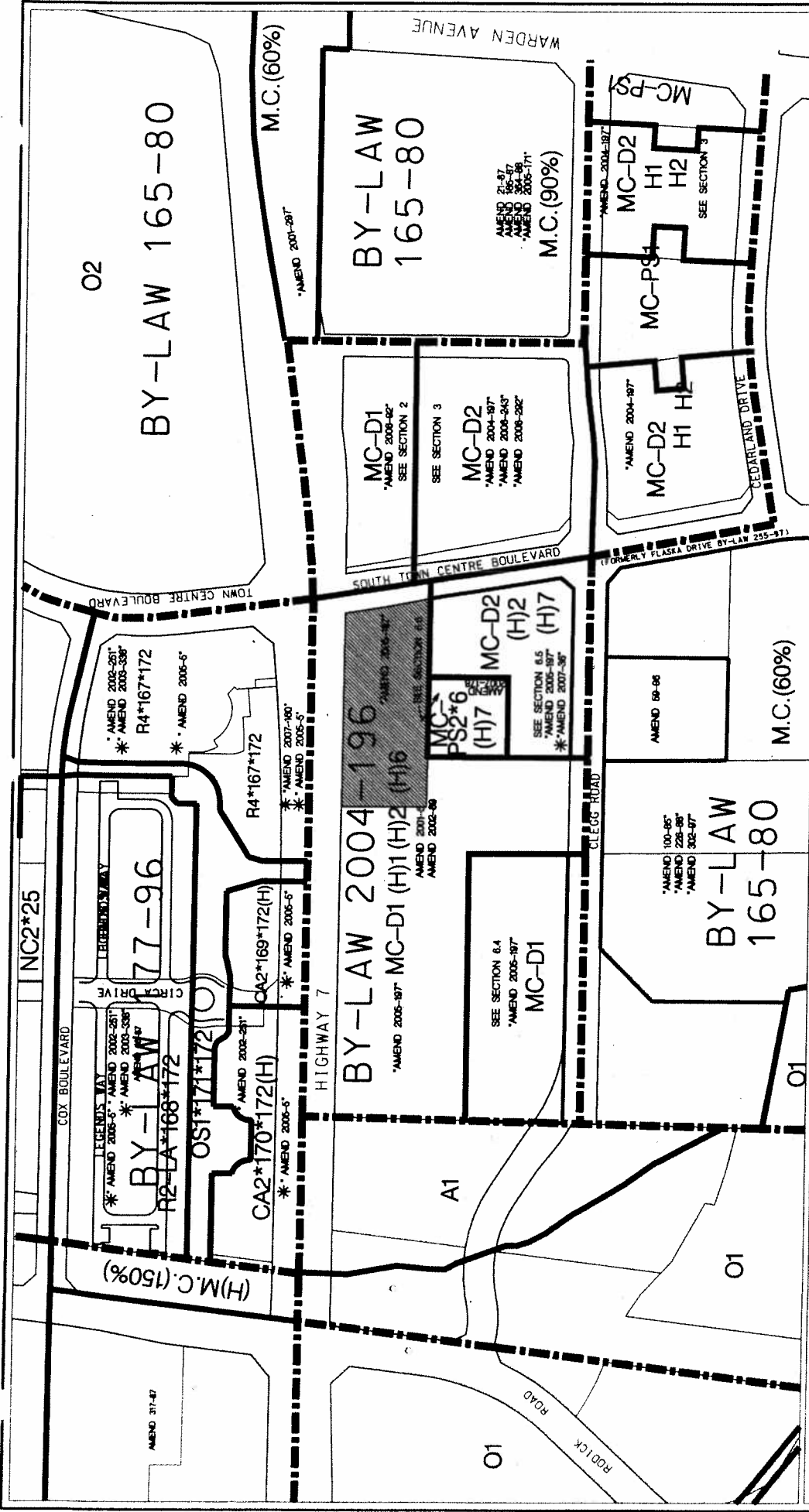
- Appendix “A” - Letter dated September 7, 2010 from solicitor for Markham Suites Hotel
- Appendix “B” - Email dated October 27, 2010 from Louis Luk
- Appendix “C” - Email dated October 29 from Mehboob Rajwani
- Appendix “D” - Stringbridge Investments letter dated January 26, 2011
- Appendix “E” - Hemson Consulting letter dated June 9, 2011
- Appendix “F” - Aird and Berlis letter dated October 3, 2011

Agent: Elizabeth Howson,
Macaulay, Shiomi Howson Ltd.
600 Annette Street
Toronto, Ontario
M6S 2C4

(416) 487-4101
howson@mshplan.ca

File path: Amanda\File 10 109997\Documents\Recommendation Report





AREA CONTEXT / ZONING

APPLICANT: STRINGBRIDGE INVESTMENTS LTD.
 SOUTH WEST CORNER OF HIGHWAY 7 & SOUTH TOWN CENTRE BLVD.
 3495 HIGHWAY 7 EAST MARKHAM

FILE No: ZA. 10109997 (RK)



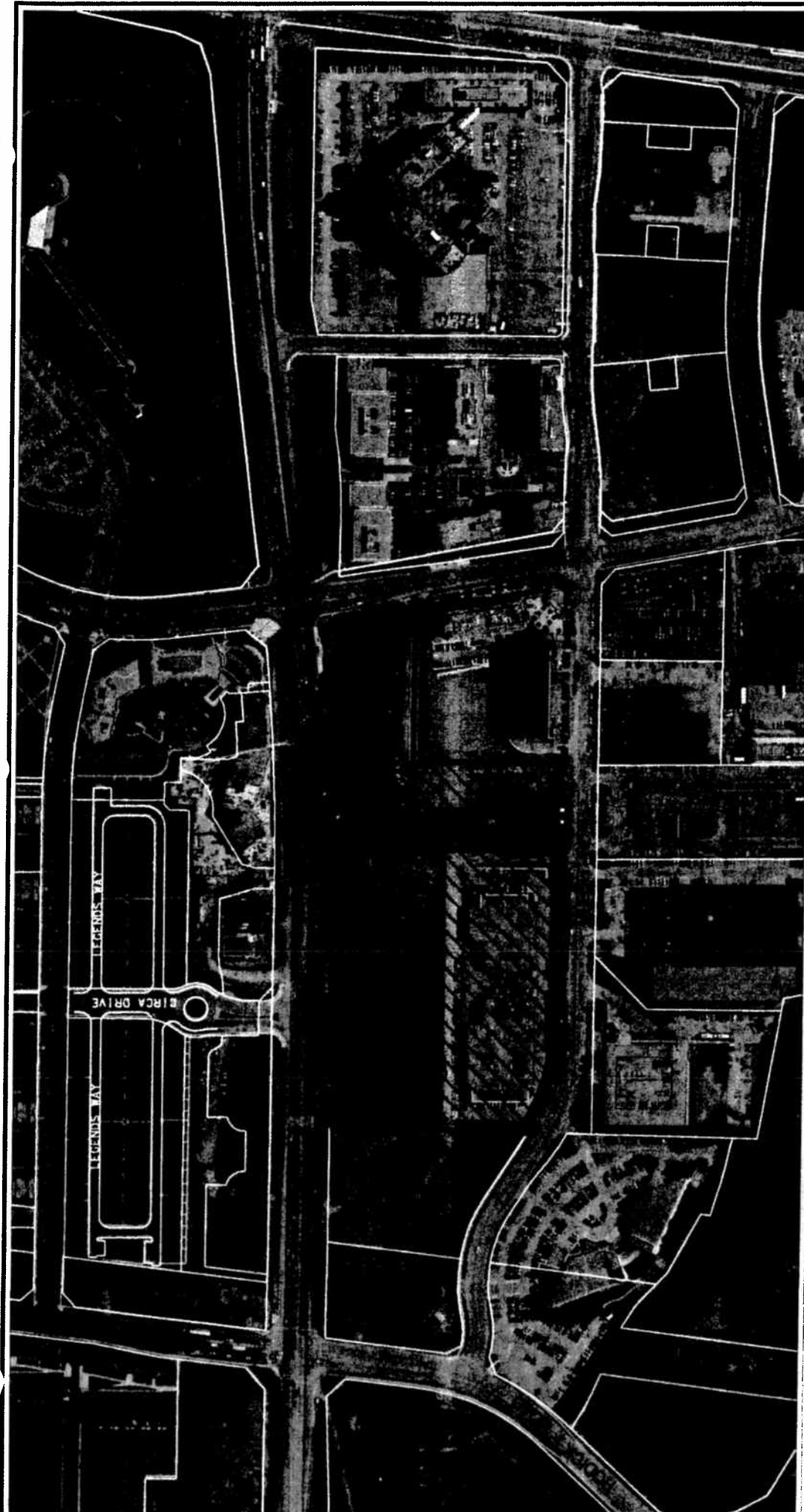
DEVELOPMENT SERVICES COMMISSION

SUBJECT PROPERTY

DATE: 06/04/10

DRAWN BY: CPW CHECKED BY: RK SCALE 1:

FIGURE No.2







AIR PHOTO (2009)

APPLICANT: STRINGBRIDGE INVESTMENTS LTD.
SOUTH WEST CORNER OF HIGHWAY 7 & SOUTH TOWN CENTRE BLVD.
3495 HIGHWAY 7 EAST MARKHAM

FILE No: ZA. 10109997 (RK)



DEVELOPMENT SERVICES COMMISSION

-  STRINGBRIDGE ORIGINAL HOLDING
-  STRINGBRIDGE CURRENT HOLDING
-  STRINGBRIDGE REMAINING LANDS
-  SUBJECT LANDS



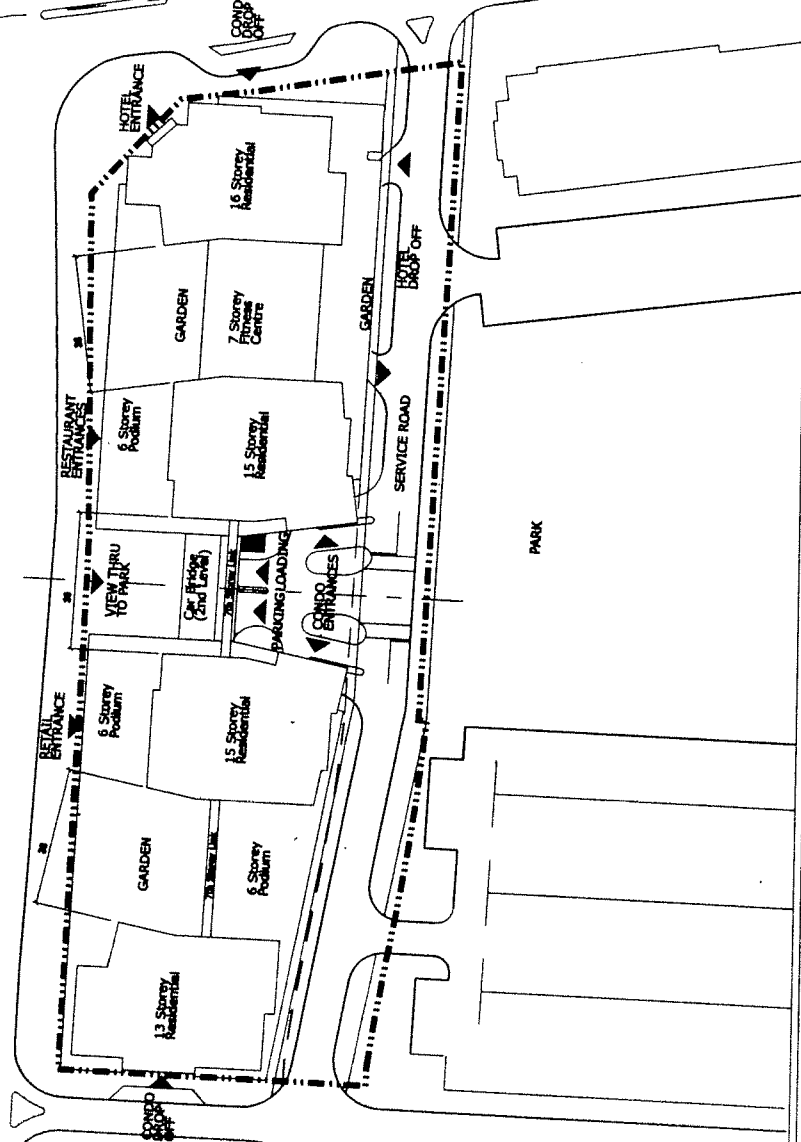
DATE: 06/04/10

DRAWN BY: CPW CHECKED BY: RK SCALE 1:

FIGURE No.3

HIGHWAY 7

SOUTH TOWN CENTRE BOULEVARD



SITE PLAN

APPLICANT: STRINGBRIDGE INVESTMENTS LTD.
 SOUTH WEST CORNER OF HIGHWAY 7 & SOUTH TOWN CENTRE BLVD.
 3495 HIGHWAY 7 EAST MARKHAM

FILE No.: ZA 10109997 (RK)

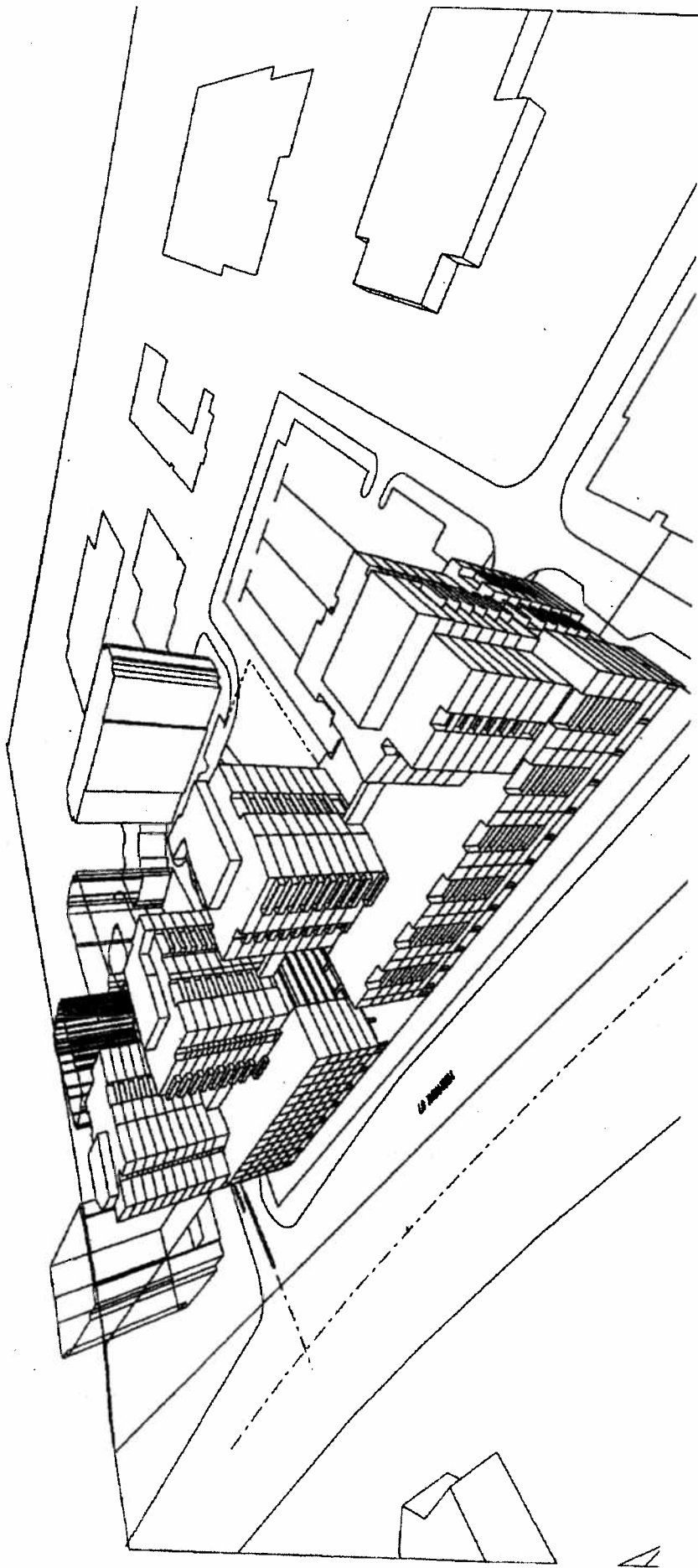


DEVELOPMENT SERVICES COMMISSION

DRAWN BY: CPW CHECKED BY: RK SCALE 1:

DATE: 06/05/10

FIGURE No. 4



SOUTH EAST VIEW ALONG HIGHWAY 7

PERSPECTIVE DRAWING

APPLICANT: STRINGBRIDGE INVESTMENTS LTD.
SOUTH WEST CORNER OF HIGHWAY 7 & SOUTH TOWN CENTRE BLVD.
3495 HIGHWAY 7 EAST MARKHAM

FILE No: ZA. 10109997 (RK)



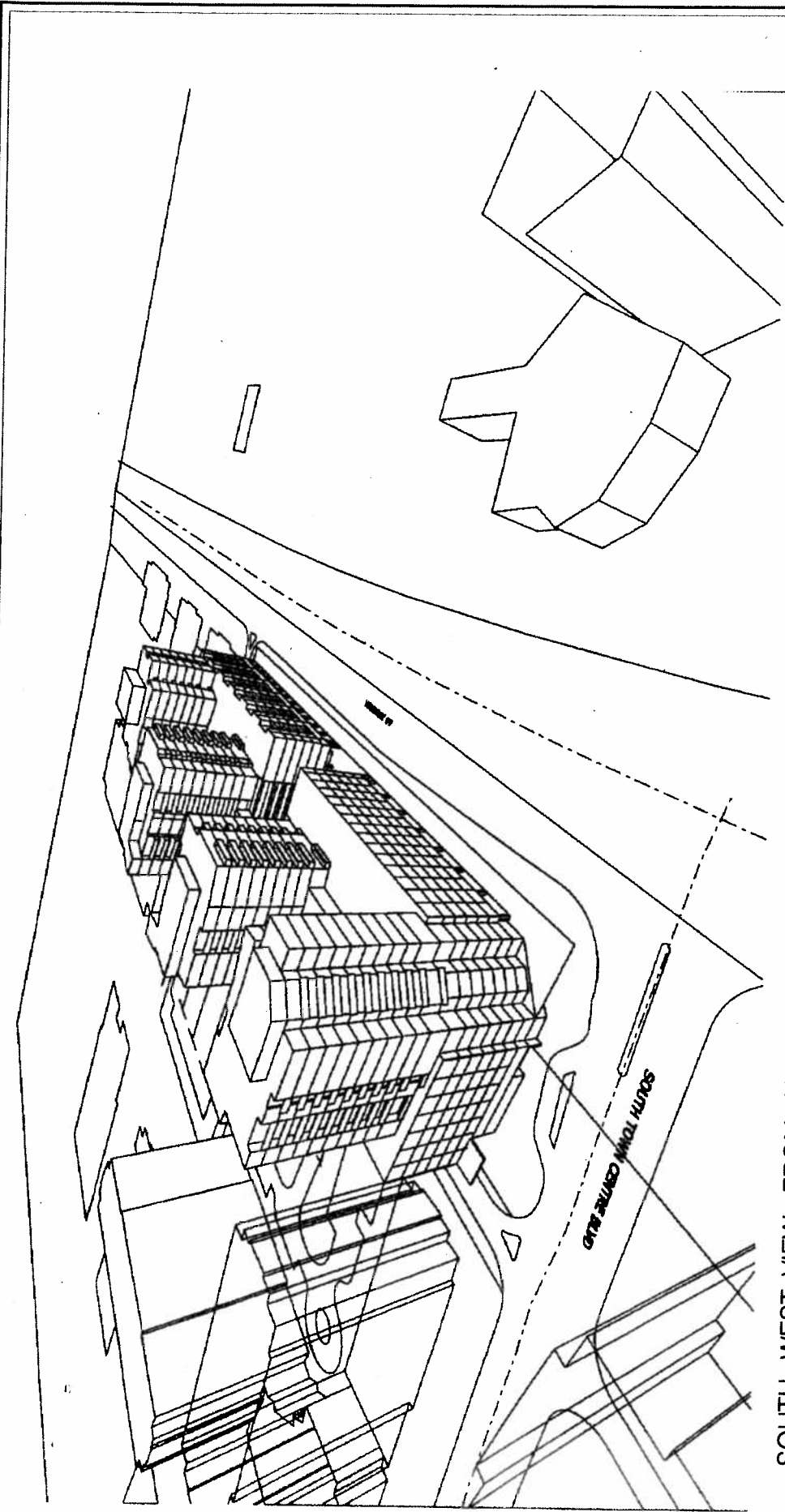
DEVELOPMENT SERVICES COMMISSION

ZA10109997.DGN 07/10/2011 9:17:06 AM

DRAWN BY: CPW CHECKED BY: RK SCALE: 1:

DATE: 06/04/10

FIGURE No. 5



SOUTH WEST VIEW FROM HIGHWAY 7 & SOUTH TOWN CENTRE BLVD

PERSPECTIVE DRAWING

APPLICANT: STRINGBRIDGE INVESTMENTS LTD.
SOUTH WEST CORNER OF HIGHWAY 7 & SOUTH TOWN CENTRE BLVD.
3495 HIGHWAY 7 EAST MARKHAM

FILE No: ZA 10109997 (RK)



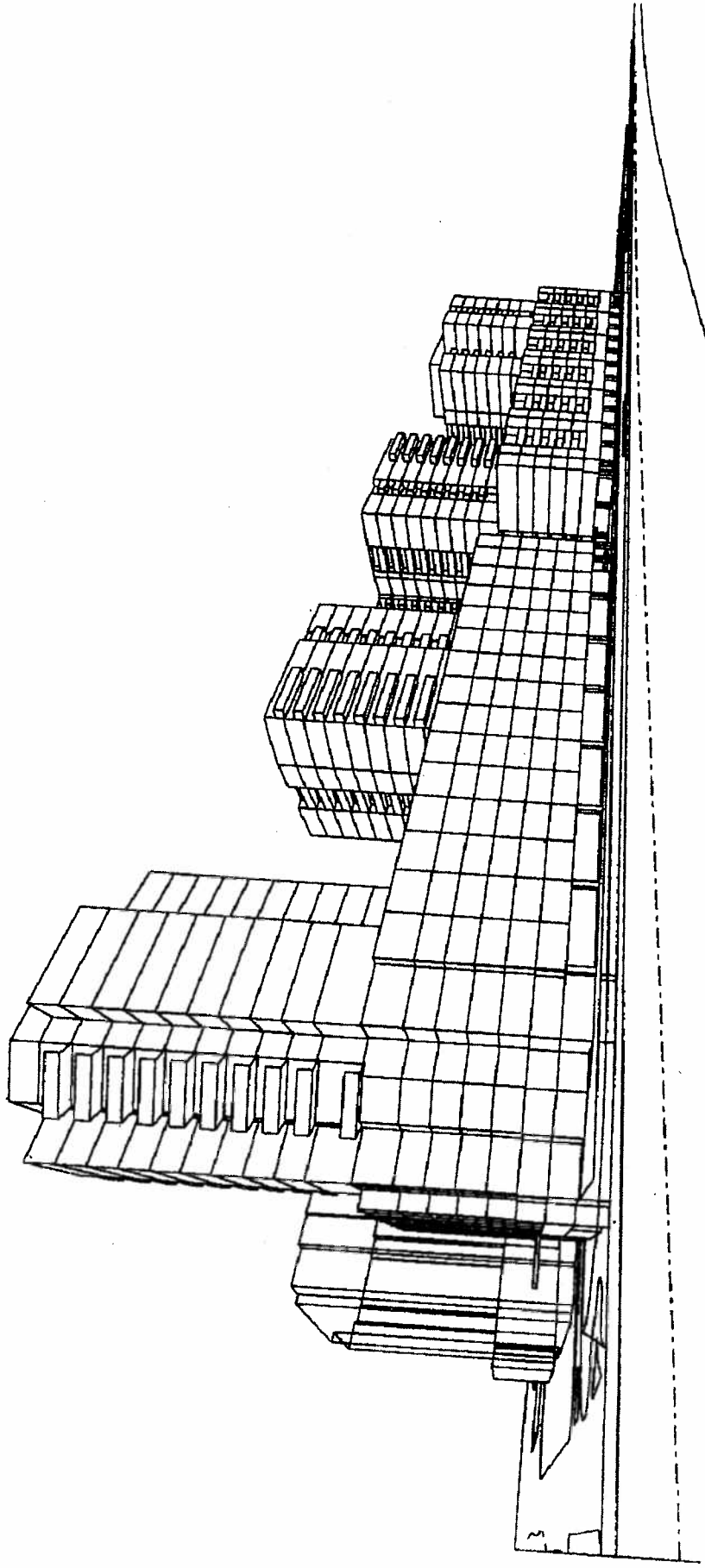
DEVELOPMENT SERVICES COMMISSION

ZA10109997-06N 07/10/2011 9:17:16 AM

DATE: 06/04/10

DRAWN BY: CPW CHECKED BY: RK SCALE: 1:

FIGURE No.6



SOUTH WEST VIEW FROM CORNER OF HIGHWAY 7 & SOUTH TOWN CENTRE BLVD

PERSPECTIVE DRAWING

APPLICANT: STRINGBRIDGE INVESTMENTS LTD.
SOUTH WEST CORNER OF HIGHWAY 7 & SOUTH TOWN CENTRE BLVD.
3495 HIGHWAY 7 EAST MARKHAM

FILE No: ZA. 10109997 (RK)



DEVELOPMENT SERVICES COMMISSION

DRAWN BY: CPW CHECKED BY: RK SCALE 1:

DATE: 06/04/10

FIGURE No.7

Barristers & Solicitors

Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7Telephone: 416.979.2211
Facsimile: 416.979.1234
goodmans.caDirect Line: 416.597.4131
ale.bel@goodmans.ca

September 7, 2010

Our File No.: 10.2039

The Mayor & Members of Council
Markham Civic Centre
101 Town Centre Boulevard
Markham, ON
L3R 9W3

COPY

Attention: Clerk, Town of Markham

Dear Sirs/Mesdames:

**Re: Stringbridge Investments Limited Application for Zoning By-law and Precinct Plan
Amendment – South-West Quadrant of Highway 7 & South Town Centre Boulevard -
Your File No. ZA 10 109997**

We are solicitors for Markham Suites Hotel Inc. Our client owns and operates the Hilton Suites Hotel, a 500 room hotel and convention centre, at the south-west corner of Warden Avenue and Highway No. 7.

Our client has recently become aware of an application for rezoning and precinct plan amendment, to permit a 500 unit residential condominium development of the south-west corner of Highway 7 and South Town Centre Boulevard. (The "Stringbridge Application").

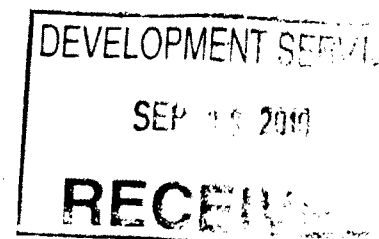
The purpose of this letter is to advise the Town of our client's strong objection to this application.

1. The Markham Town Centre as a Major Office/Employment Node

The Hilton Suites Hotel was the first major private initiative in the Town Centre. In investing over \$100 million in the construction of the hotel, our client relied heavily on the policies and positions of Markham and its Council, that office/employment uses would be the focus of the Markham Town Centre.

There is now a real concern that the original vision for the Town Centre is being abandoned.

The existing zoning and precinct plan for the Stringbridge lands, as approved by Council, permits exclusively office/employment uses. In contrast, the Stringbridge Application wipes-out the office buildings, replacing them with four towers, all of which would be residential condominiums.



This conversion undermines the Town Centre vision in the official plan. The Stringbridge Application would take a valuable stretch of Highway 7 frontage, the most logical place for office development, and replace it with a primarily residential development, with no office uses.

Substituting residential for office development is not only contrary to the Town Centre vision, and economically unwise for the Town, but it also impacts the Hilton Suites Hotel, which never was intended to function in the middle of a primarily residential enclave.

Our client's concerns are echoed by recent Town reports, including the Employment Land Strategy Report of 2009, as well as comments by the Town's Economic Development Department, both of which emphasize the importance to the Town of locating high density office uses in the Town Centre, particularly at this location.

2. Transfer of Density

The current zoning for the Stringbridge lands permits approximately 1,130,000 square feet of floor area, on a lot size of 14 acres. The Stringbridge Application would take about 70% of that floor area, and load it onto less than 20% of the lot.

This creates at least two unworkable consequences. The first is that, on the development lands, the proposed massing dwarfs typical Town Centre development. Second, the proposal leaves the remaining 80% of the holdings with insufficient density to allow them to be developed in accordance with the Town Centre vision.

Conclusion

While the consideration of this application is still in its early stages, we felt it important to advise Council and staff of these concerns at the earliest possible date. The Hilton Suites Hotel is an existing use and a key stakeholder in the evolution of the Town Centre. The owners have worked through two decades, hand-in-hand with the Town, and do not wish to see the vision of the Town Centre lost.

Yours very truly,

Goodmans LLP


Allan Leibel

cc Jim Baird, Commissioner of Development Services and Planning
Stephen Chait, Director of Economic Development
Scott Heaslip, Planner - Town of Markham
Richard Kendall, Manager, Development - Central District

APPENDIX B

From: Louis Luk [mailto:lluk@cis-insurance.com]
Sent: October 27, 2010 4:55 PM
To: Carroll, Judy
Subject: Fwd: Hwy 7 and Town Centre Blvd zoning by law amendment

As a resident of Markham close to Hwy 7/Warden/Woodbine corridor, I hereby oppose any further zoning by law amendments, especially the recent application by Stringbridge Investments Ltd to amend the by law as it relates to the parcel of land at the south west corner of Hwy 7 and South Town Centre Blvd. The existing traffic in the aforementioned corridor is atrocious already, with close to 10 condominiums highrise buildings. Then we have the First Markham Place and Woodbine Power Centre (Home Depot, Chapters etc.) further west, which add constant traffic and congestion to Hwy 7. Furthermore, the building of another senior apartment complex and church at the Hwy 7/Rodick junction is under consideration. It is about time that the development along this corridor be stopped, and a traffic congestion study to take place before any amendments to zoning by laws be allowed. Has anyone tried to drive along Hwy 7 from Warden to Leslie/Bayview 7:30 - 10 am. and 4 - 7 pm either way ? It is worst than Yonge street any time, and worse than 5th Ave in New York !!!

Please accept this as record of my opposition.

Name : Louis Luk
Address : 8 MacPhail Crt., Markham, ON.. L3R 0C2

From: Mebs R [mailto:mebsstarlite@yahoo.com]

Sent: October 29, 2010 4:01 PM

To: Carroll, Judy

Subject: Objection to the Proposed Amendment of the development at Hwy 7 and South Town Ctr Blvd

Date: Oct 29

Name: Mehboob Rajwani

Tel: 905-943-9629

I object to the application made by Stringbridge Investments Ltd to amend the Town of Markham's zoning by-laws for the proposal of 2 condominium buildings and a hotel.

Traffic congestion at Hwy 7 and Warden is such a mess and all along Hwy 7.
Hwy 7/404 another disaster.

Who gave permission for Seneca college to establish the campus without looking at the traffic flow. Why wasn't the school asked to construct a road to get the traffic straight on to Hwy 404. You have it circle on to hwy 7 and create another mess. YOU PROBABLY DON'T USE THE ROAD TO KNOW THIS !

We already have created a ghetto of high rise apartments/condominiums at this intersection. It does not take a lot for someone to see this. Ugly structures just full of glass and block ?

You want to add insult to injury and you want to add more of the same to this area. Whose palms are being greased this time around ???

Look at the demographics. Why are schools using portables across the street. We don't have footpaths. Where are the parks. They all come much later when we all will be in our graves !!

It is sad that we have a development committee that doesn't have a vision. The vision is guided by developers whose sole objective is to profit from it.

Read the local paper and you will get a sense Markham residents are fed up with such development !

Regards,
Mebs Rajwani
mebs

January 26, 2011

Mr. Scott Heaslip
Senior Project Coordinator, Central District
Town of Markham
Markham Civic Centre
101 Town Centre Boulevard
Markham, Ontario
L3R 9W3

3625 Dufferin Street, Suite 500
Downsview, Ontario M3J 1N4
Telephone (416) 635-7520
Fax (416) 635-9921

Dear Sir:

Re: Stringbridge Investments Limited
Southwest Quadrant of Highway 7 and South Town Centre Blvd
Application for Zoning By-law and Precinct Plan Amendments
Your File No.: ZA 10 109997

As discussed in our meeting with Town staff on January 11, 2011 and in previous meetings, a fundamental issue has been identified with the above-noted application. It relates to the Town's view that the Stringbridge lands in general, and the proposed hotel site in particular, are a prime location for prestige office uses and other high quality employment uses. The Town is concerned that the proposed development will result in loss of employment uses not only on the site of the proposed hotel/residential condominium itself, but also on the remaining Stringbridge lands. In particular, the Town is concerned with the potential for:

- reduction in the overall employment potential of the precinct;
 - displacement of employment uses with residential uses on the proposed hotel site; and,
 - transfer of density and height from the remaining lands to the subject lands.
- Currently residential development is not a permitted use on the site.

To assist in addressing this issue, the Town seeks to better understand why the site has not developed to date; what the potential is for realization of the currently approved development in the foreseeable future; and what potential there might be for replacement of the existing potential employment development on the proposed hotel site, on the remaining Stringbridge lands.

In addition, the Town seeks to better understand the nature of the proposed residential component of the hotel development and how it differs from a standard condominium project, as well as the financial model on which the project is based.

In response to the Town's concerns, Stringbridge Investments Limited, in consultation with the hotel proponent, Jason Kaptyn Hospitality Inc. and their consultant, Malone Give Parsons Ltd., advise the following:

1. Loss of Employment Uses

1.1 Initial History of the Site

The owner acquired the site 45 years ago. A number of uses have been considered on the site in consultation with the Town, including industrial development and, with the active support of Town staff in the 1990s, a medium/high density residential project. As the Town's concept for Markham Centre was refined, however, consideration was given to an employment focus including office, hotel and high tech industrial/office uses. The site was ultimately zoned accordingly, and a precinct plan developed with an employment focus in 1999/2000. The owner concurred with this direction based on its understanding of the market at the time.

1.2 Owner's original understanding of the Market

The subject lands are owned by Stringbridge Investments Limited, a related company to H & R Developments (H&R). H&R, established in the 1950's, is one of the pre-eminent developers and managers of office space in the GTA. Through H & R REIT, created in 1996, they have a portfolio of 33 office properties, 118 single tenant industrial properties, and 130 retail properties, throughout Canada and the United States.

This experience means that the owner has a good understanding of the office, industrial and commercial markets in the GTA and Markham, and was prepared to commit to building employment uses on the subject site. The initial marketing plan for the lands, developed in 1999/2000, contemplated a broad mix of office building sizes to accommodate single tenant uses in smaller separate buildings, to multi tenant uses in larger multi storey buildings, with provision for a point tower at the corner of Hwy #7 and South Town Centre Blvd. to accommodate a high profile corporate head office user.

Markham has long been known as a major destination for high tech companies, large and small, excellent examples of which exist in the immediate area of the subject site. Accordingly, Stringbridge felt that their marketing plan would address the needs of dynamic high tech and insurance company or similar uses, who generally want their own building with highway exposure and ample parking. In addition, other corporate users of different sizes could easily be accommodated in the larger floor plate multi storey buildings, again with highway exposure and ample parking. Further, the very large scale high profile corporate head office user could be accommodated in the corner point tower, with the same type of exposure and parking requirements. All buildings would be well served by the expanding Viva Transit network and the development would serve as a gateway to the ever expanding Markham Centre development to the South.

1.3 Current Market Situation

Stringbridge has actively marketed the lands for over ten years working with all their experience and contacts. To date, Stringbridge's plan to market the lands for employment uses has proven unsuccessful, at most levels other than the existing high tech combination

office/industrial users on the southwest portion of the site fronting on Clegg Road. Again and again, the overwhelming demand over the years for this site (Times and Kaptyn) and the other two corner development sites (Tridel and Liberty) at this intersection has been for residential and associated uses, **not** office uses.

1.4 Benefits of Proposed Hotel Development

The proposed hotel/residential development while not the “pure” employment use the Town desires, is a use permitted in the zoning by-law (i.e. hotel) which, as indicated by the Town’s Economic Development Department, will serve as “a useful addition to Markham’s business community”. In fact, the proposed use will be unique in York Region and the suburban GTA, bringing a prestige use to Markham Centre which will support the Town’s current reputation for high quality development. However, the financial model required to bring this development to fruition requires a residential component (see discussion below).

Further, while the project will not provide the same number of jobs should the entire site been developed for office uses, it will still provide for substantial employment opportunities. In addition to construction jobs, it is estimated that there will be 400 permanent jobs:

- Hotel: 215 fulltime and 85 part time jobs generated by the hotel, health club and convention space which translates to $215 + 56$ (one part time job = .66 full time) = 271 jobs.
- Retail component: 9,075 s.f. @ 4 jobs per 1,000 = 36, and
- Restaurants: 6,835 s.f. @ 13 jobs per 1,000 = 90.

The development has also been designed to reflect its “gateway” location, and to meet the Town’s other design objectives for the site.

There is no change in the plans for the remainder of the site, which will calls for three office buildings of four to six storeys in height fronting on Highway 7. It has also been long recognized in discussions with the Town, that should a market develop for these lands, there is potential for additional office development on the surface parking lot fronting on Clegg Road. Consideration could be given to increasing the permitted development on the remaining lands including increasing the maximum height of the buildings to eight storeys. However, given the proven difficulties of marketing the site, we believe it would be premature to increase the required minimum floor space.

2. Residential Component of Proposed Hotel

Land values and construction costs in the last 10 to 15 years have risen to the point where Full Service hotels have become undevelopable as stand-alone projects. The costs exceed the hotel value as determined by their corresponding capitalization rate. In fact they are such a losing proposition that developers are effectively no longer able to procure financing for a stand-alone full service hotel.

This economic reality explains why there has not been a stand-alone full service hotel developed in York Region in the last 15 years and why only a handful have been developed Province-wide. Stand alone hotel developments are almost all select service product rather than full service. The distinction is that select service product is usually in the two to three star range, has little convention space, limited food and beverage service and smaller room sizes, basic amenities and relatively inexpensive room rates. Full service hotels are in the four to five star range, have large convention and banquet space, multiple full service and high end restaurants, large rooms with extended amenities, large fitness centres with high end spas, full room service and catering abilities and room rates in excess of 50 percent higher than select service hotels.

Across North America in recent years, full service hotel developments have re-emerged. The new and effective business model is that these full service hotels are combined with residences that are sold fee simple in advance of the mixed use development construction. The concept gives residents use of the hotel amenities and thus the hotel becomes a selling point for the residential component. The mixed use concept gives the lender the comfort of residential presales and thus augments the development to financial standards in which the developer can borrow money to finance the project.


This model is common in major urban centres in North America. For example, in Toronto there are The Hazelton Hotel, The Thompson Hotel, Four Seasons, Ritz Carlton, Shangri-la, and Le Germaine; all have utilized the residential/hotel mixed use development concept to bring high end full service hotels to Toronto. Some of these hotels have been completed, others are in the development stage; all of them have taken about 7 to 10 years of planning and construction. And in that time we are not aware of any full service hotels constructed in Toronto without a residential component.

This mixed use hotel concept is extending to suburban markets in North America. Most are in the United States and we are not aware of any such projects in suburban Ontario. We believe that Markham and South York Region is a candidate suburban market for such a mixed use, full service hotel development.

In conclusion, the subject lands have been actively marketed for employment uses unsuccessfully by an owner who is experienced in the office market for over 10 years. The proposed use while not a "pure" employment use, is a permitted use in the zoning bylaw and will result in a prestigious development for the Markham Centre, as well as 400 new jobs. However, it requires a residential component to be developed. It is quite unlikely that another use which meets the Town's objectives for the site will come forward in the foreseeable future. The owner is prepared to consider some increase in the maximum permitted density on the remainder of the site should the Town require same, recognizing that it would be premature to increase the required minimum density at this time given the proven difficulties of the market, past and present.

We trust this information will assist the Town in addressing their concerns with the proposal and moving forward with the processing of the application. In the meantime, should there be any requirement for clarification please contact the undersigned or Elizabeth Howson, Macaulay Shiomi Howson Ltd.

Yours truly
Stringbridge Investments Limited



Brian Seath
Construction Manager

Cc: Jason Kaptyn – Jason Kaptyn Hospitality Inc.
Jim Kirk – Malone Given Parsons
Elizabeth Howson – Macaulay Shiomi Howson
David Hofstedter – H & R Developments

HEMSON

Consulting Ltd.

30 St. Patrick Street, Suite 1000, Toronto, Ontario, Canada M5T 3A3
Facsimile (416) 595-7144 Telephone (416) 593-5090
e-mail: hemson@hemson.com

June 9, 2011

Richard Kendall
Manager of Development, Central District
Planning and Urban Design Department
Town of Markham
101 Town Centre Boulevard
Markham, ON, L3R 9W3

Dear Mr. Kendall:

**Re: Stringbridge/Kaptyn Proposal
Highway 7 at Town Centre Boulevard, Markham
Review of Letter from Applicant**

Further to your request, we have carried out a review of the above noted application for the purpose of rendering an opinion regarding a number of key issues regarding a proposed Zoning By-law and Precinct Plan amendment. The proposal involves an approximate 1.1 ha site that forms part of a larger parcel (approximately 5.66 ha) located on the south side of Highway 7. The subject site extends from the corner of Town Centre Boulevard west along Highway 7. It takes up approximately 40% of the overall parcel's Highway 7 frontage.

A. THE PROPOSAL

The owner of the land, Stringbridge Holdings, has agreed to sell the 1.1 ha subject site to Kaptyn Realty. Kaptyn is proposing to construct a mixed-use development comprised of a high-quality 190 room full-service hotel and 495 condominium apartment units. The proposed development would also contain 840 parking stalls and approximately 1479 m² of retail space on the ground floor facing onto Highway 7.

The current design for the development contemplates a seven-storey podium topped by a ten-storey east tower and a nine-storey west tower. The hotel would be contained in the eastern half of the podium with the entrance and hotel lobby being accessed off Town Centre Boulevard. The western half of the podium and the two tower sections would contain the residential units. Almost two thirds of the residential units would contain one bedroom, with nearly all the remaining units having two-bedrooms. There would be six three-bedroom units. Three hundred of the parking spaces are planned to be at grade or above in the interior of the podium. The balance of the spaces would be in a two-level underground garage.

In terms of gross floor area, the proposed development breaks down as follows:

	m ²	%
Residential	44,220	72.8
Hotel	11,957	19.7
Conference	2,066	3.4
Retail	1,479	2.4
Fitness	1,003	1.7
Total	60,725	100

In relation to the area of the site the proposed development would have an overall Floor Space Index (FSI) of 5.5 of which the residential component would be 4.0. This compares to the 2.5 FSI which applies to the overall Stringbridge lands.

B. THE ISSUES

There are five major issues concerning the application that need to be considered. They all stem from a central element which is the proposed residential component. The other uses are not a concern since they are already permitted under the Zoning By-law and Precinct Plan.

1. Loss of Office Employment Potential

The Town's current zoning and Precinct Plans for the Stringbridge lands anticipate employment uses and in particular office development along the Highway 7 frontage. A conversion of the site to residential uses is therefore a concern, particularly since the Precinct Plan has already been amended (in 2005 and 2007) to permit residential development on the lands immediately south of the subject site. Should this current proposed amendment be approved, a large component of the total block will have been converted to residential uses thus significantly reducing the amount of Highway 7 oriented land available for office employment uses.

The reduction in potential office uses for the overall site would be 44,220 m² of GFA being the area of the residential component of the proposed development. This amount of space would accommodate approximately 1,638 office employees.

Were the application to be approved the foregone office employment could not be recovered under the existing zoning for the overall site although the residual office potential could be built at a comparatively low density. This might make development somewhat more viable given the soft market conditions in the vicinity. It is estimated that rather than a required density of 2.5 FSI the residual density would equate to approximately 1.8 FSI.

2. Precedent Implication

A second important concern regarding the application is the precedent that would be set for residential uses along the Highway 7 frontage. Although the rationale for permitting this use stems from the Town's desire to attract a high-quality full-service hotel to Markham Town Centre, if approved, the precedent will nevertheless exist. As a consequence, land owners could well be encouraged to bring forward other applications to convert Highway 7 frontage sites to residential uses. This is particularly likely given the current market environment where demand for office space is limited compared to that for condominium apartments. This situation is not unusual since office uses generally follow rather than lead development in emerging areas. It is especially true when an urban built form (usually characterized by structured parking) rather than a suburban form is planned. As a consequence, rather than waiting a protracted period for the office market conditions to reach fruition, land owners may very well seek a change of use in order to capitalize on their holdings.

3. The Importance of Residential Uses to Hotel Developments

It is the applicant's position that residential uses are necessary in order to make the proposed high-quality hotel development visible. While many stand-alone limited-service¹ hotels have been built in the GTA in recent years virtually no full service hotels² have been built without an associated residential component in the form of condominium tenure apartments.

¹A "limited-service hotel" is generally characterized by its relatively small size, limited food and beverage facilities and limited meeting room capacity. Most hotels of this type have a franchise affiliation (either one specializing in this type of facility or the limited-service line of a large franchise such as Holiday Inn Express or Sheraton 4 Points)

²Generally, full-service hotels provide restaurants, bars, meeting rooms and banqueting facilities. Many also offer fitness and spa facilities as well as business centres. They can range greatly in quality. In the GTA, most full-service hotels are either of three- or four-star quality. True five-star properties are only now being built, the best examples being the Ritz Carlton, the Trump Hotel and the new Four Seasons Hotel in Yorkville. Franchises that offer four-star quality service and facilities include the Hilton, the Intercontinental, the Hyatt, the Westin and Marriott.

This current situation is the latest stage in a steady evolution in the hotel industry. Under the traditional model, hotel companies owned and operated properties either individually or as a chain. Canada's railway hotels — the CP and CN chains — were prime examples. Starting in the late 1950s, companies such as Holiday Inn, in addition to owning properties, began to franchise their brand as a way to expanding more quickly. Later, into the 1970s and 1980s, hotel chains began to be faced with fast rising costs of hotel real estate that were absorbing greater and greater amounts of capital and causing reduced investment returns. In response, most companies largely withdrew from ownership positions and instead focussed on managing properties and earning franchise fees. The industry also underwent a process of consolidation with many brands coming together under single ownership. At the same time, the range of hotel products was greatly expanded with all suites properties, resorts and select service hotels being a few.

In the meantime, while the cost of developing hotels has continued to increase, room rates and revenues have not risen at the same pace. As a result, larger hotels that involve expensive forms of construction and high-quality finishes have become very difficult to finance particularly since it may take three years or so for a property to reach full operating potential. In view of this situation, developers/owners of full-service hotels, especially in the luxury, five-star category have begun to capitalize on the value of hotel brand names by linking them to residential components within development. Several benefits can be achieved in this way:

- Higher unit values can be achieved from the residential component because purchasers are prepared to pay for having access to hotel services and facilities and for the cachet of the brand name. The premium associated with brand names such as Ritz Carlton or Westin reportedly range upwards from 20% of per square foot value.
- Deposits on residential units can be used to help finance the project.
- Capital and profit can be taken out of the project once the residential units are sold, and much sooner than from a hotel.
- The presence of the residential units provides a built-in market for the hotel's food and beverage facilities.

In the last few years, the combined benefit of these various elements is evidently significant enough to warrant the construction of a significant number of projects in Toronto. They include the following:

Hotel - Residential Developments		
Hotel Name	Number of Rooms	Number of Units
Four Seasons	253	211 (Two Towers)
Ritz Carlton	267	159
Trump Hotel	260	118
Shangri-La	202	360
Thompson	102	336 + 2314 adjacent

Other smaller, less prominent examples include Le Germain (part of the Maple Leaf Square development next to the Air Canada Centre), the SOHO and the proposed Bisha hotel and residences. We are not aware of any high-quality full-service hotel being developed on a stand-alone basis in the Toronto area.

In view of this evidence, it is reasonable to conclude that the applicants position that a residential component is necessary in order to support the development of a high-quality full-service hotel is valid. We would, however, note that all the examples that currently exist in the Toronto area are located in downtown Toronto. While this does not diminish the need for a residential component it does suggest that a project of this nature would be pioneering and implies a greater than usual risk.

4. Size of the Proposed Residential Component

As noted above, the proposed residential component is 44,220 m² of GFA comprising 495 units. We are advised that the units would likely average around 800 sq. ft. The ratio of hotel's rooms to units would therefore be 2.61 (495 units/190 rooms). This is notably higher than the unit to room ratio for most of the other hotel projects in Toronto. The Thompson is an exception with the unit to room ratio being 3.29. There are, however, factors that would warrant the subject project having a higher unit to room ratio compared to the downtown Toronto luxury hotel projects.

- **Unit Size.** The apartment units in the downtown Toronto properties are much larger than those in the subject development.
- **Price per Square Foot.** Notwithstanding that the costs of the downtown Toronto projects are higher than for the subject, the prices per square foot that have been achieved for these units are far higher than could be expected at a Markham Centre location. In fact, it was recently reported that a 9,000 square foot penthouse unit in the Four Seasons has been sold for a record \$28 million (3.110 per square foot).
- **Residential Space per Hotel Room.** It is also to be noted that the proposed residential component equates to approximately 2,500 square feet per hotel room. This compares to the following estimated equivalents in a number of the Toronto projects:

Trump Hotel 1,372 sq. ft.
Shangri-La 3,157 sq.ft.
Ritz Carlton 25,036 sq.ft.

On this basis, the proposed amount of residential space is within the range indicated by other projects.

We would, however, note that because there are so many factors that influence each project there is no clear basis on which to determine how large a residential component is appropriate or necessary in order to support a high-quality full-service hotel of the type being proposed by the applicant.

5. Certainty and Duration of Proposed Hotel

The fifth issue concerning the hotel element of the application is the degree to which the Town can be confident that the proposed development will contain the high-quality full-service hotel (of at least the equivalent standard of a Marriot Hotel) that is expected and that it will continue to operate as such over the long term.

The draft design of the hotel does include the key elements that are needed for a high-quality hotel such as restaurants, bars, banquet facilities and a fitness centre. Accordingly, there is a high level of certainty that the space needs for a hotel of this type are being provided for. In addition, the design with the residential units being above the hotel is such that it would be difficult if not impossible to construct much of the residential component without also building the hotel.

Nevertheless, what differentiates a high-quality hotel from a mid-range product has much to do with factors other than real estate such as the quality of furnishings, fixtures and equipment, staffing levels and the standard of the services provided. These factors cannot be controlled by planning approvals. Thus the certainty of meeting the Town's expectations regarding the quality of the hotel, especially over the long term, cannot be achieved through the planning process.

C. SUMMARY OF CONCLUSIONS

To summarize, we have reached a number of conclusions regarding various issues that arise in connection with the proposed development for which approval is being sought. In particular:

- If approved, the potential to accommodate the approximate 1,638 office employees would be foregone. In our judgement, it would not be practical to make up this difference by granting additional density to the residential site.

- A precedent for residential development along the Highway 7 frontage would be set if the application were approved. This precedent would likely encourage other land owners to pursue residential designations.
- It is reasonable to conclude that under current market conditions a residential component is required in order for a high-quality full-service hotel to be financially viable at the subject location. While there are some indications that the scale of the residential component being proposed by the applicant is within the range found in other projects is not possible to make a more definitive estimate of the amount of residential space that is needed.
- The current design for the proposed development provides a high level of certainty that the project could not be undertaken without constructing the hotel component. However, in our opinion, it is not possible to ensure that the hotel will meet the quality standard desired by the Town, especially over the long term, since many of the factors upon which a hotel's quality depends are beyond the Town's control.

We trust that the above addresses the issues which are of a concern. If you require any further information, please do not hesitate to contact the writer. In the meantime, we are pleased to have been of assistance to you.

Yours very truly,

HEMSON Consulting Ltd.



Russell Mathew, RPP, MRICS, PLE
Partner

AIRD & BERLIS LLP

Barristers and Solicitors

Patricia A. Foran
Direct: 416.865.3425
E-mail: pforan@airdberlis.com

APPENDIX F

October 3, 2011

Our File No. 109796

VIA EMAIL

Jim Baird
Town of Markham
101 Town Centre Boulevard
Markham, ON L3R 9W3

Dear Mr. Baird:

**Re: Amendments pursuant to Section 34(11) of the *Planning Act*, R.S.O. 1990
c.P. 13, as amended, re lands located at the southwest quadrant of
Highway 7 and South Town Centre Boulevard, Town of Markham
Town File No.: ZA 10 109997**

As you are aware, we act on behalf of Stringbridge Investments Limited ("Stringbridge"), the owner of the lands located at the southwest quadrant of Highway 7 and South Town Centre Boulevard, in the Town of Markham (the "Subject Property"). The Subject Property, approximately 1.1 hectares in area, is currently vacant. Stringbridge is also the owner of the adjoining lands (the "Adjoining Property") which, together with the Subject Property, comprise a total area of 5.66 hectares.

As you are also aware, on January 27, 2010 a zoning and precinct plan amendment application was filed with respect to the Subject Property, Town File Number ZA 10 109997, to permit a 190 room hotel and associated residential condominium development (the "Applications"). To date, no decision has been made with respect to the Applications, although we understand that Staff are bringing forward a report to Development Services Committee later this month. On August 23, 2011, on behalf of our client, we filed an appeal to the Ontario Municipal Board as a result of Council's failure to make a decision on our client's Applications, within the prescribed time period set out under the *Planning Act*.

Over the past several months, we have had several discussions with Town staff concerning the status of our client's Applications. As part of those discussions, our client has been asked to confirm that following approval of the Applications, it would make an application, supported by Planning Staff, pursuant to section 45 of the *Planning Act*, to increase the minimum permitted height on the balance of its lands, from 15 metres to 22.5 metres.

This will confirm that I have been authorized to confirm to you that our client will make such an application as described above. I also have been further authorized to confirm that the variance application will be applied for at the same time as our client's application for consent to sever the Subject Property and the Adjoining Property, which will be done in order to facilitate the completion of our client's sale of the Subject Property to Kaptyn Developments.

We have been advised that staff will be reporting to the Development Services Committee concerning the Applications at its meeting scheduled for October 25, 2011. We look forward to

October 3, 2011

Page 2

working with you and your Staff in securing Committee and Council support for our client's development applications.

Should you have any questions or require any additional information, please do not hesitate to contact the undersigned.

Yours truly,

AIRD & BERLIS LLP



Patricia A. Foran
PAP/SJL

c. Stringbridge Investments
E. Howson

11156048.1