Amendments to the Master Agreement between the Canadian National Exhibition Association, Exhibition Place and City of Toronto

Date: December 23, 2017  
To: Executive Committee  
From: City Manager  
Wards: All

SUMMARY

The City is party to a Master Agreement with the Canadian National Exhibition Association (CNEA) and the Board of Governors of Exhibition Place (Exhibition Place) that governs the use by CNEA of Exhibition Place grounds for hosting the 18-day Canadian National Exhibition (CNE). The Initial Term of the existing agreement expires on March 31, 2017, and a First Renewal Term begins April 1, 2017. The Amended and Restated Master Agreement requires the CNEA to pay for services provided through Exhibition Place at Board-approved rates, which will increase payments to Exhibition Place during the First Renewal Term. In addition, the CNEA's year-round use of Exhibition Place buildings will be governed by separate leases entered into between CNEA and Exhibition Place. This report recommends City Council enter into an Amended and Restated Master Agreement, which has already been approved by Exhibition Place and the CNEA, and also authorize the Exhibition Place to enter into the two proposed leases with CNEA.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council authorize the City Manager to finalize and execute on behalf of the City of Toronto the Amended and Restated Master Agreement between the Canadian National Exhibition Association, Board of Governors of Exhibition Place and the City of Toronto, substantially on the terms and conditions as set out in Appendix A to the report (November 30, 2016) of the Chief Executive Officer, Exhibition Place, which forms Attachment 1 of this report, and such other terms and conditions as may be satisfactory to the City Manager, in consultation with the Deputy City Manager & Chief Financial Officer and in a form satisfactory to the City Solicitor.
2. City Council authorize the Board of Governors of Exhibition Place to enter into the following leases with the Canadian National Exhibition Association:

   a. Lease Agreement for the Press Building; and,
   b. Lease Agreement for the Food Building,

substantially on the terms and conditions set out in Appendices B and C to the report (November 30, 2016) of the Chief Executive Officer, Exhibition Place, which forms Attachment 1 of this report, and such other terms and conditions as may be satisfactory to the Chief Executive Officer for Exhibition Place, in a form satisfactory to the City Solicitor.

**FINANCIAL IMPACT**

The continued success for both the CNEA and Exhibition Place operations has positive financial implications for the City through revenues paid by CNEA to Exhibition Place and economic activity related to the annual CNE event.

Since the separation of the CNEA from Exhibition Place in 2013, the CNEA has achieved a reasonable level of financial stability and reserves of over $8.79 million. Under the existing Master Agreement, Exhibition Place provides many of the CNEA's operating and maintenance services, valued at approximately $1.16 million in 2016. Under the Amended and Restated Master Agreement effective April 1, 2017, the CNEA has agreed to pay standard Exhibition Place-approved rates for all services provided by or through Exhibition Place, and purchase specific equipment from Exhibition Place that is being used by CNEA. CNEA has also agreed to pay a discounted rent, all operating costs and a proportion of capital costs for its year round tenancy of the Press Building and Food Building. In addition to discounted building rents, Exhibition Place will continue to support the CNEA through discounted license fees for its exclusive use of Exhibition Place grounds and all parking revenues during the 18-day CNE. In 2017, the value of the discount to the Exhibition Place-approved licence fee rates is estimated at $3.526M. The CNEA currently receives no direct subsidies or grants from the City.

Approval of the Amended and Restated Master Agreement and the two Lease Agreements described in Attachment 1 of this report will increase annual revenue to Exhibition Place from $3.199 million in 2016 to $4.735 million in 2017, an overall increase of $1.536 million, with provisions for inflationary increases thereafter throughout the First Renewal Term.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

**DECISION HISTORY**

At its meeting of December 9, 2016, Exhibition Place approved the Amended and Restated Master Agreement between the Board of Exhibition Place, the City and the CNEA that governs the CNEA's use of Exhibition Place grounds and services. The report to the Board of Governors (dated November 30, 2016) forms Attachment 1 of this
At its meeting of March 5, 2012, City Council approved of a Master Agreement between the Board of Exhibition Place, the City and the CNEA that allow for CNEA to become independent from Exhibition Place.

At its meeting of January 27, 2012, Exhibition Place approved of a Master Agreement between the Board of Exhibition Place, the City and the CNEA that allow for CNEA to become independent from Exhibition Place. The terms and conditions of the Master Agreement included an annual licence agreement for the 18-day CNE event; a lease for the Press Building; extended use of the Food Building; a Storage Agreement; and the provision of event services. The Initial Term of the Master Agreement was April 1, 2013 to March 31, 2017 with two renewal terms of 3 years each, for a total of 10 years.

At its meeting of September 26, 2011, City Council considered a report from the City Manager on the KPMG Core Services Review and approved a recommendation for the City Manager, in consultation with the CEO of Exhibition Place, to negotiate separation and governance arrangements between the City, the Board and the CNEA.

At its meeting of June 24, 2011, Exhibition Place approved a recommendation to commence negotiations with the CNEA Board of Directors on the terms and conditions of a transition process for the CNEA to become financially and programmatically separate and independent of the Board and the City as requested by CNEA Board of Directors.

**COMMENTS**

The Amended and Restated Master Agreement was negotiated in recognition of CNEA's current financial position. The CNEA expressed a desire for an affordable agreement with cost certainty, and Exhibition Place and the City representatives expressed a desire to reduce the cost of services provided by Exhibition Place and to provide greater certainty to all parties by clarifying certain terms in the existing Master Agreement.

Under the Amended and Restated Master Agreement, the First and Second Renewal Terms have been extended from 3 years to 5 years. In the First Renewal Term (April 1, 2017 to March 31, 2022), the CNEA has agreed to pay standard Exhibition Place - approved rates for all services provided by Exhibition Place or through their contracted providers. In addition, the CNEA will purchase in 2017 a small train/people mover from Exhibition Place that is only used during the CNE. Exhibition Place will continue to support the CNEA through discounted license fees for their exclusive use of Exhibition Place grounds and exclusive right to parking revenues during the 18-day CNE and move-in/move-out dates.
The Second Renewal Term (April 1, 2022 to March 31, 2027) is subject to negotiation by the parties of mutually agreeable terms with the purpose of, but not limited to, having the CNEA pay a licence fee reflective of the rental prices then approved by Exhibition Place and the City for the use of Exhibition Place.

Under the Amended and Restated Master Agreement, the CNEA's use of the Press and Food Buildings will no longer be part of the Agreement, but instead will be governed by separate 10 year leases with Exhibition Place. Under the existing Master Agreement, CNEA paid nominal rents and operating costs. Under the new leases, CNEA will pay a discounted rent for year round tenancy, all operating costs, and a proportion of capital costs of the Food Building.

The Amended and Restated Master Agreement and new leases largely meet the negotiating objectives of all parties, and have been approved by the Boards of Exhibition Place and CNEA. A comparison of the full terms and conditions of the existing Master Agreement and the Amended and Restated Master Agreement, as well as a description of the building leases, are described in Attachment 1 of this report.

**CONTACT**

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**SIGNATURE**

Peter Wallace
City Manager

**ATTACHMENTS**

Attachment 1: Report from the Board of Governors of Exhibition Place dated November 30, 2016