TORONTO

# REPORT FOR ACTION

# Naming Rights Agreement for the Market Kitchen at the South St. Lawrence Market

**Date:** February 6, 2017
**To:** Government Management Committee
**From:** Chief Corporate Officer
**Wards:** Ward 28 - Toronto Centre-Rosedale

## SUMMARY

This report recommends that City Council authorize the Director of Real Estate Services to enter into a name-in-title sponsorship agreement with MC Commercial Incorporated (carrying on business as "Monogram" and referred to as such in this report) for the sponsorship of The Market Kitchen at the St. Lawrence Market, South Building. Subject to the approval of City Council, The Market Kitchen will be named "Monogram Studio at The Market Kitchen" during the term of this agreement. In exchange, the City will receive the benefit of new Kitchen appliances and millwork at reduced cost.

## RECOMMENDATIONS

**The Chief Corporate Officer recommends that:**

1. City Council ratify the actions taken by Real Estate Services staff to install new appliances and millwork in The Market Kitchen in September 2016.

2. City Council authorize the Director of Real Estate Services to execute an agreement with MC Commercial Incorporated for a name-in-title sponsorship for The Market Kitchen, generally on the terms outlined in the 'Comments - Sponsorship Terms' section of this report, which would result in The Market Kitchen being named "Monogram Studio at The Market Kitchen" in accordance with the City's Sponsorship Policy and the City's Individual and Corporate Naming Rights Policy, in a form satisfactory to the City Solicitor.

## FINANCIAL IMPACT

If this report is approved by Council the cost to the City will be $38,228.18 (net of HST recoveries) to cover millwork installation costs. In exchange for this contribution and other consideration as set out in this report, the City will receive Monogram's contribution in appliances and millwork valued at $117,024 (net of HST recoveries) over the sponsorship term (three years, with the possibility of an optional fourth year). This sponsorship contribution has enabled Real Estate Services to renovate and upgrade The Market Kitchen at a significantly lower cost.

In the event of an early termination of the agreement, the City will be required to compensate Monogram for their contribution. That potential payment is up to a maximum of $117,024, but declines with each year of the term.

If Council does not authorize the recommendations in this report, the Real Estate Services Division will be required to pay Monogram for the installed appliances and for their share of the millwork installation, at a cost of $117,024.

Any financial contributions made by the City for this project will be paid through the South Market Advertising Fund.

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

## DECISION HISTORY

At its meeting of November 29, 30, and December 1, 2011, City Council adopted Item EX12.2 "Sponsorships and Naming Rights: Partnership Policies to Promote and Recognize Contributions to the City" which included the City of Toronto Sponsorship Policy, the City of Toronto Individual and Corporate Naming Rights Policy, and the City of Toronto Honourific and Street Naming Policy.

The Report and Policies can be found at the following link:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX12.2

## COMMENTS

The Market Kitchen is a demonstration kitchen and special events venue located on the West Mezzanine of the South St. Lawrence Market. In 2015, The Market Kitchen had approximately 150 event bookings, which generated $85,257 in revenue. An estimated 10,000 to 12,000 people visit The Market Kitchen each year.

Between 2008 and 2014, The Market Kitchen was sponsored by Miele Limited through an agreement which expired on December 31st, 2013. This agreement pre-dated the current Sponsorship and Naming Rights Policies adopted by Council in 2011.

Through extensive discussions and negotiations throughout 2015 and into 2016, Real Estate Services and Miele Limited were not able to come to an agreement on the terms of a new sponsorship agreement. In 2016, Miele Limited removed all appliances from The Market Kitchen space which remained the property of Miele Limited under the 2008 agreement.

In 2016 MC Commercial Incorporated approached Real Estate Services with an interest in entering into a sponsorship agreement which would include outfitting the Market Kitchen with new Monogram appliances and millwork. Monogram is the premium grade appliance line of General Electric. During this time the City also entered into discussions about potential partnership opportunities with two other major appliance companies, neither of which resulted in a formal proposal for consideration.

Real Estate Services staff were concerned about the potential negative impacts on existing bookings in The Market Kitchen during the transition period between the former sponsor and the new sponsor. Potential negative impacts would include cancelling long-standing bookings made by clients of the space, the resulting loss in revenue from these cancelled bookings, and the negative effect such cancellations would have on the reputation of The Market Kitchen and the St. Lawrence Market. In the interest of minimizing such impacts, staff arranged for the installation of Monogram's appliances and millwork in the same week as the removal of Miele Limited's appliances (September 2016), prior to the new sponsorship agreement being finalized and authorized.

Real Estate Services is now requesting that Council ratify these actions and grant authorization to either enter into the name-in-title sponsorship agreement for The Market Kitchen in accordance with the City's Sponsorship Policy and the City's Individual and Corporate Naming Rights Policy.

**Sponsorship Terms**

Through consultation with the St. Lawrence Market Precinct Advisory Committee, as well as the City of Toronto's Legal Services Division and the Toronto Office of Partnerships, the following terms and conditions of the sponsorship have been negotiated.

The value of the proposed sponsorship over the three year term of the agreement (with an optional fourth year) is $117,024. The value of the proposed sponsorship remains at $117,024 whether or not the City exercises the option to extend for the additional fourth year. This contribution from Monogram includes the supply and installation of $66,144 worth of kitchen appliances, a $50,880 contribution towards the removal of all existing cabinetry in the Kitchen, as well as the design, construction and installation of the new cabinetry and infrastructure associated with the new appliances. The appliances will remain the property of Monogram, but the City will be entitled to the use of the appliances at The Market Kitchen for the duration of the agreement. The design drawings for the millwork (showing proposed Monogram logo placement), and a list of the installed appliances are attached to this report.

If the recommendations of this report are adopted, the Market Kitchen will be named the "Monogram Studio at The Market Kitchen" for the term of the agreement. The Monogram Logo will be displayed in two locations on the Millwork and, subject to review and approval of design and content by Real Estate Services staff, Monogram will have the right to display "Monogram Studio at The Market Kitchen" signage at three locations in the St. Lawrence Market. Monogram will also have the right to use The Market Kitchen for marketing events at no rental charge for up to 10 events per year, subject to the City's booking policy for The Market Kitchen.

If approved, the City will contribute up to $38,228.18 to cover the balance of the cost of the millwork installation as well as the cost of temporarily modifying the Kitchen space to accommodate existing event bookings during the construction period. The millwork will be wholly owned by the City of Toronto at the conclusion of the agreement. In the event the City elects to terminate the agreement before the end of the 3-year term, the City will be required to compensate Monogram for a portion of Monogram's $117,024 contribution, but the amount of this compensation payable will decline after each year of the agreement term.

This sponsorship contribution from Monogram has enabled the renovation and upgrade of The Market Kitchen, allowing The Market Kitchen to provide existing clients with uninterrupted service and enhancing the future uses of the space.

At this time public awareness of The Market Kitchen is low and City of Toronto staff are working in partnership with Monogram to plan enhanced promotion for the newly revamped space. Staff believe that The Market Kitchen has not yet realized its full potential as an event venue and community space, and that over the next three years the proposed sponsorship by Monogram will contribute to the development of the space, the St. Lawrence Market and its merchants.

Prior to the end of the sponsorship term Real Estate Services staff may seek a new sponsorship proposal, taking into consideration the completion date and programming mix of the redeveloped North Market.

Real Estate Services staff are of the opinion that the above noted terms of the sponsorship proposal is commercially reasonable.

**Benefits of Sponsorship**

The positive impact that The Market Kitchen sponsorship agreement with Monogram will have includes the following components:

1. The renovation and enhancement of the Market Kitchen through Monogram's sponsorship, along with additional programming and promotional activity that is planned as a component of the sponsorship will positively impact the potential future net income generated by The Market Kitchen. These activities also have a high potential to increase future sponsorship values for The Market Kitchen.

2. A core goal of The Market Kitchen is to highlight the merchants of St. Lawrence Market through programming and activation of the space. Monogram is committed to supporting the St. Lawrence Market and the City of Toronto as an active sponsor and advocate through promotion of The Market Kitchen the merchants of St. Lawrence Market and the St. Lawrence Market Complex overall.

3. The Market Kitchen's enhanced exposure adds an additional attraction to St. Lawrence Market - an additional reason for the public to visit the space and additional unique selling feature for media and marketing communications to speak about as a benefit of the Market. This additional exposure will help to maximize awareness of St. Lawrence Market and also have positive impact on number of visitors and St. Lawrence Market merchant sales.

4. Since tenant rent at the St. Lawrence Market is performance based, an increase in sales for St. Lawrence Market merchants can lead to an increase in revenue for the City of Toronto through collection of rent by Real Estate Services.

## CONTACT

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## SIGNATURE

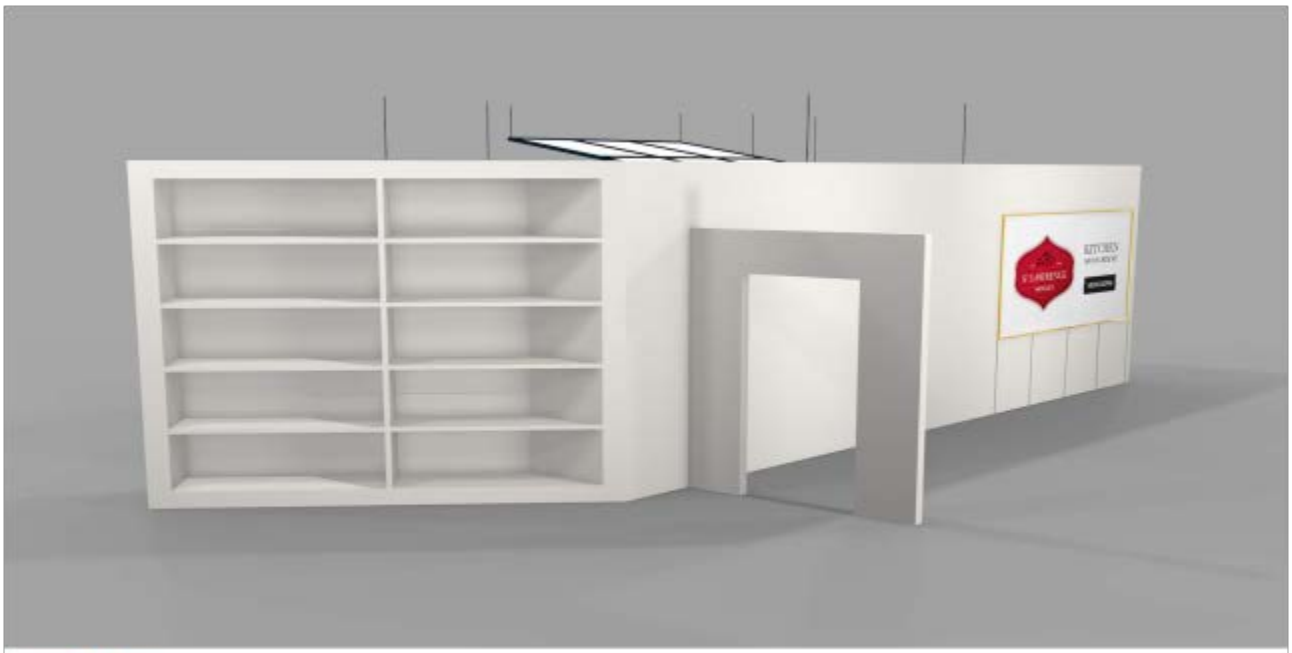
Josie Scioli
Chief Corporate Officer

## ATTACHMENTS

Attachment 1 - Millwork Design and List of Installed Appliances

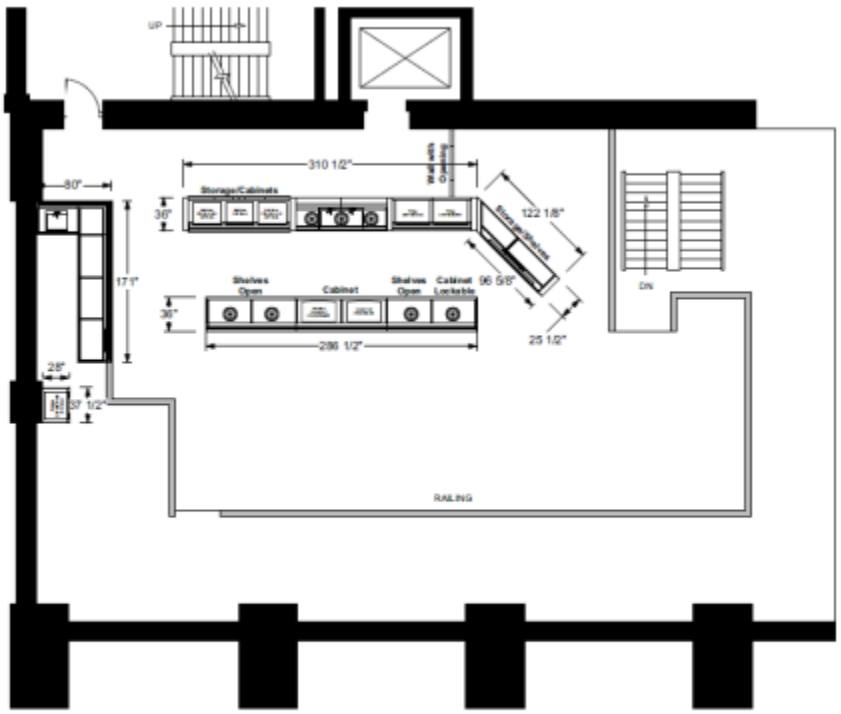

CVS
CREATIVE
VISUAL SOLUTIONS


MONOGRAM
CVS
CREATIVE
VISUAL SOLUTIONS
MABE
St. Lawrence Market Sponsored by Monogram - Bar
August 4, 2016
Version #: 3



CREATIVE VISUAL SOLUTIONS

**NOTES: Ceiling not shown.**




Plan - Overall

Grid Spacing: 1 Square = 12"

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CREATIVE VISUAL SOLUTIONS

**MABE**

St. Lawrence Market Sponsored by Monogram

Drawing Number: 3 Show Date: Booth Number: . Revision Date: **August 4, 2016**

| | |
|---|---|
| Account Rep | Sean Clarke |
| Job Number | 0000 |
| Start Date | July 15, 2016 |
| Designer | CS |

Appliances

| Appliance | Model # | Quantity |
|---|---|---|
| Wall Ovens (French Door) | ZET1FHSS | 2.00 |
| Wall Oven (Drop Door) | ZET1PHSS | 1.00 |
| Speed Oven Advantium Pro | ZSC2202JSS | 1.00 |
| 36" Induction Cooktops | ZHU36RSJSS | 2.00 |
| 36" All Fridge - Right | ZIRP360NHRH | 1.00 |
| 36" All Fridge - Left | ZIRP360NHLH | 1.00 |
| 30" Glass Front Fridge | ZIK30GNHII | 1.00 |