



REPORT FOR ACTION

Multi-Year Licence Agreement with Royal Agricultural Winter Fair and Lease of Office Space

Date: May 16, 2018
To: Board of Governors of Exhibition Place
From: Dianne Young, Chief Executive Officer
Wards: Wards 14 and 19

SUMMARY

As reported in 2017, commencing in 2016, the Board Chair and the Chair of the Royal Agricultural Winter Fair ("RAWF") Board of Directors had several meetings with Exhibition Place staff and the General Manager, Toronto Economic Development & Culture Division to discuss and to negotiate the development of a long-term plan for the RAWF on the Exhibition Place grounds.

The RAWF is a 96-year old cultural event in Toronto and the objective of the multi-year agreement for both event and office space at Exhibition Place is to provide the RAWF with a known and sustainable occupancy cost for the next 5 years from 2018 to 2022, based on the RAWF's operating results, while reducing the existing level of subsidization now provided by Exhibition Place and the City through a grant from Toronto Economic Development & Culture Division. This negotiated agreement achieves both these directions.

RECOMMENDATIONS

The Chief Executive Officer recommends that subject to approval of City Council, the Board:

1. Approve a five-year rental agreement with Royal Agricultural Winter Fair for the 2018-2022 Royal Fair under the terms and conditions of the standard licence agreement for the Enercare Centre and specific terms outlined in Appendix "A" and such other terms and conditions as satisfactory to the CEO and City Solicitor.
2. Approve an initial five-year lease agreement term with Royal Agricultural Winter Fair, commencing from January 1, 2018 and ending on December 31, 2022, with an option right to the Royal Fair of a renewal/extension of five (5) years for use of office space in the Coliseum Building provided that the Royal Fair has entered into a licence agreement

with the Board to continue operating the Fair during the extended term on the terms and conditions outlined in Appendix D to this report, and such other terms and conditions as may be satisfactory to the relevant City of Toronto authorities as required and by the Chief Executive Officer and in a form acceptable to the City Solicitor.

3. Request City Council to direct that the City's support for the Royal Agricultural Winter Fair, currently \$969,110.00, be paid to Exhibition Place, starting in 2019 and for future years, for specific application as a subsidy to the Board of Governors of Exhibition Place towards the market rent costs for the licenced space used for the annual Fair.

FINANCIAL IMPACT

Combined, the City / Board in 2018 will provide an overall grant / discount of \$1,512,513 which represents an 87.0% reduction to the Board / Council approved 2018 rental rates for the Enercare Centre space used by the RAWF and a final 2018 net rental rate and payment by the RAWF of \$226,077 inclusive of the additional space for Bandshell Park and Lot 859 use. The future year budgets will reflect the terms of this multi-year agreement and will reduce the rent reduction from 87.0% to 83.4% by 2022 as outlined in the Table 1 below.

	[A]	[B]	[C]			[D]		[E]	[F]		[G]	[H]
			[A]+[B]		[D1]	[D2]	[D1]+[D2]	[D]/[C]	[D]/[A]		[A]-[D]	[B]+[G]
Year	Explace & Enercare market rent	Estimated Ricoh rent	Combined rent		Explace discount	City Grant	Explace discount & City grant	% discount vs combined rent	% discount vs Explace & Enercare rent		Net Explace & Enercare rent	Net combined rent
2017	1,687,951	152,834	1,840,785		514,414	969,110	1,483,524	80.6%	87.9%		204,427	357,261
2018	1,738,590	157,419	1,896,009		543,403	969,110	1,512,513	79.8%	87.0%		226,077	383,496
2019	1,790,748	162,142	1,952,889		572,797	969,110	1,541,907	79.0%	86.1%		248,841	410,982
2020	1,844,470	167,006	2,011,476		602,592	969,110	1,571,702	78.1%	85.2%		272,768	439,774
2021	1,899,804	172,016	2,071,820		632,788	969,110	1,601,898	77.3%	84.3%		297,906	469,922
2022	1,956,798	177,176	2,133,975		663,380	969,110	1,632,490	76.5%	83.4%		324,308	501,485
2018-2022 total	9,230,410	835,759	10,066,169		3,014,960	4,845,550	7,860,510	78.1%	85.2%		1,369,900	2,205,659

DECISION HISTORY

The Exhibition Place 2017-2019 Strategic Plan recognizes the RAWF as part of the cultural fabric of Exhibition Place and the City. Exhibition Place has a Business Development Goal to maintain strong relationships with existing clients/events and to identify areas for revenue enhancements.

At its meeting of May 18, 2017, the Board approved the terms of the 2017 Licence Agreement for the RAWF event, and the Board approved that Exhibition Place release facility preparation dates to the RAWF 2017, no later than June 1, 2017 for all Class B Halls, and no later than August 1, 2017 for the remaining space; and that Exhibition Place provide the RAWF 36,800 square feet of Bandshell Park for \$0.012 per square foot / per day for the operation by the RAWF of an RV area with setup at the sole cost

of the RAWF including cost of electrical and mechanical services as ordered through the Board's exclusive supplier, ShowTech Power & Lighting.

<https://www.explace.on.ca/files/file/59147f1d968e2/EP3.19---RAWF-2017-Licence.pdf>

<https://www.explace.on.ca/files/file/59147f1c8525e/EP3.19---RAWF-2017-Licence---Appendix-A.pdf>

<https://www.explace.on.ca/files/file/59147f1cdc512/EP3.19---RAWF-2017-Licence---Appendix-B.pdf>

<https://www.explace.on.ca/files/file/59147f1d487d4/EP3.19---RAWF-2017-Licence---Appendix-C.pdf>

COMMENTS

The Royal Agricultural Winter Fair is a not-for-profit organization that produces one of the City's most prestigious heritage events each November at Exhibition Place and has done so for nearly a century. The nature of the event which celebrates and educates the public about agriculture, including horses show and livestock displays, and farm practices, poses many financial and logistical challenges, especially given its location in Toronto's growing urban core. RAWF is both a major attraction and an important cultural institution. For these reasons, the City and Exhibition Place have provided annual operating subsidies over the history of the fair. The proposed agreement recognizes these financial pressures by maintaining the level of the existing grant / discounts in 2018 with a gradual reduction over 5 years.

Combined, in 2018, the City / Board will be providing an overall grant / discount of \$1,512,513 which represents 87.0% reduction to the Board / Council approved 2018 rental rates for the Enercare Centre space used by the RAWF and a final 2018 net rental rate and payment by the RAWF of \$226,077 which includes the additional space in 2018 for use of Bandshell Park and Lot 859. If combined with the rent paid to Maple Leaf Sports & Entertainment (MLSE) for Ricoh Coliseum, the RAWF will pay a total of \$383,496 in 2018 and approximately \$2,205,659 over the five year term which reflects a total percentage reduction of market rent from 79.8% to 76.5%.

Enercare Centre Building Rent and Discounts / Grants

The value of the licenced space based on the move-in, event, and move-out dates used by the RAWF in 2017; proposed for 2018; and as listed on Appendix B is calculated as follows:

- Based on Board / Council approved 2018 rates for the Enercare Centre, the actual rent to be charged to third parties for this space and dates is \$1,738,590;
- A Board discount of 30.46% was then applied resulting in a reduction to the RAWF licence rent by \$543,403;
- As a result, the proposed 2018 rental rate for the RAWF for the Enercare Centre is \$1,195,187 which is a \$21,650, or a 1.8% increase over the 2017 rent (\$1,173,537) paid by the RAWF;
- The City has maintained its 2017 grant level for 2018 at \$969,110, in effect reducing the required payment by the RAWF, after application of the grant, for net rent for all move-in, event, and move-out days to \$226,077.

If City Council considers directing the payment of the support to Exhibition Place in 2019 and future years, the Board will provide a budget line item for the RAWF grant currently \$969,110, to be received from the City, which will be applied to reduce the RAWF's occupancy rent for each year. The City has already paid to the Royal in 2018 a grant of \$969,110. By 2022 the overall discount/subsidy will drop from 87.0% (\$1,512,513) to 83.4% (\$1,632,491). The actual dollar value of the subsidization increases due to inflation, however the percentage of subsidization over the 5-year term drops by 3.6%.

A summary of the history of this annual request from the RAWF is as follows:

- The last year the City / Board grant / discount equalled the RAWF rent was in 2007.
- In 2008 the Board approved rental rate increased by 6.7% and the City grant was the same as in 2007, and at that point the RAWF rent exceeded the grant by \$62,884. While the RAWF requested additional grants / discounts in 2007, the Board did not approve.
- In 2009, the RAWF determined it wanted to expand its event and rent Hall D. This was an additional RAWF cost of \$60,000 for rent plus the service costs of programming this added hall. The Board increased assisted use of this additional space determined by the RAWF with a further rent discount in year 2009, and the City grant increased to \$920,700. However, overall the rent in 2009 exceeded the grant / discounts by \$104,294.

RAWF Requested Facility Preparation Days

As indicated on Appendix B, there are move-in, event and move-out days in the Enercare Centre which are exclusively booked by the RAWF and for which the RAWF pays the rent detailed above.

However, like all major shows at Exhibition Place, there are "general contractor requested" facility preparation dates. These dates are provided, only if available and at the discretion of Exhibition Place, to allow for general service contractors and venue contractors to do some preparation work in halls that are not occupied. The facility preparation days are provided at no cost to the show, however, these dates are typically not confirmed until one month in advance of the licenced dates because once the halls are provided for facility preparation, the right of the Board to market these halls exclusively to another third party ceases.

As a Board concession to the RAWF in 2017, and now included as part of the multi-year terms in Appendix A, Exhibition Place is proposing it would confirm the availability of the RAWF requested facility preparation dates (as outlined in Appendix B) by June 1, 2018 for the Class B halls and by August 1, 2018 for the rest of the space. This is 3 months in advance of the RAWF first paid move-in dates. If all the facility preparation dates requested by the RAWF are used (see Appendix B) then this would represent a benefit / discount of \$1,648,877 in 2018 although this has not been the experience in previous years and may not happen in 2018 because Exhibition Place continues to market these spaces to third parties at market rates.

Ricoh Coliseum

As reported in 2017, the former 1922 Coliseum Arena was completely renovated by the City at a cost of \$38.0M in 2003 to become the Ricoh Coliseum. This renovation changed the 1922 building into a Class A multi-use arena with approximately 8,200 seats (plus suites). Special design features of the arena were included in the renovation to accommodate the show ring required by the RAWF. The City loan for this renovation continues to be outstanding and paid by the Board / City.

The new Ricoh Coliseum has always been a tenanted facility with the long-term lease being with BPC Coliseum Inc. (a company of OMERS) and an existing sublease from BPC Coliseum Inc. to Maple Leaf Sports & Entertainment Inc. (MLSE). While the sublease agreement with MLSE provides a right for the RAWF to utilize the leased premises, the rental rates and licence agreement is between the RAWF and the Subtenant, although in accordance with the MLSE Sublease, annual increases in rentals rates to the RAWF are limited to Toronto CPI.

Office Lease

The RAWF has been operating in the office space located on the second level of the Coliseum Building of approximately 18,620 sq. ft., which is comprised of office space (11,813 sq. ft.); Agricultural Hall of Fame Offices (1,382 sq. ft.); Presidents Room (2,523 sq. ft.); Tanbark Room (1,046 sq. ft.); and Bird Room (1,856 sq. ft.). In addition, the RAWF has also been using 37,377 square feet of storage areas in the Horse Palace, Upper East Annex (Hall F), under the Gardiner that are now proposed to be confirmed, and identified in Schedules B - F of the proposed lease.

The substantial terms being recommended, are generally based on the same terms and conditions as outlined in Appendix D.

CONTACT

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SIGNATURE

Dianne Young
Chief Executive Officer

ATTACHMENTS

Appendix A - Terms of 2018 Licence Agreement

Appendix B - Exclusive Licenced Move-in, Event and Move-out dates & Requested Facility Preparation Days by RAWF

Appendix C - RAWF - Summary of Net Profit (Loss), Investment Funds, City Grant, Board Discounts, Rent and Services

Appendix D - Terms of Office Lease