REPORT FOR ACTION

Exhibition Place

Fountainblu Lease Renewal for the Fountain Dining Room

Date: January 28, 2020
To: Board of Governors of Exhibition Place
From: Don Boyle, Chief Executive Officer
Wards: All

SUMMARY

The Board and 16730801 Ontario Ltd. (the "Tenant") entered into a lease for the Fountain Dining Room ("FDR"), being part of the Queen Elizabeth complex, dated November 1, 2010, which expires on April 30, 2020. Fountainblu is formerly known as the Fountain Dining Room.

At its meeting of September 19, 2019 the Board approved a new lease between the City of Toronto as Landlord and the Tenant for a term of ten (10) years commencing May 1, 2020 and ending April 30, 2030.

The Tenant on January 9, 2020 wrote to the CEO of Exhibition Place requesting a term of twenty (20) years expiring April 30, 2040, instead of the ten (10) years approved by the Board in September 2019.

The Board and the Tenant also have entered into a Lease agreement for the Queen Elizabeth Theatre ("QET"). At its meeting on June 13, 2019, the Board approved of the staff recommendation to enter into a new lease with the Tenant for the QET to April 30, 2030. This would make both the QET lease and Fountain Dining Room Lease coterminous on April 30, 2030.

On January 9, 2020 the Tenant also wrote to the CEO of Exhibition Place requesting a term of twenty (20) years for the QET, which would make the leases co-terminous on April 30, 2040. This request is the subject of a separate report.

Since the Tenant took possession of the Fountain Dining Room, the Tenant has undertaken renovations in the leased premises as follows:

- Invested approximately $800,000 for upgraded washroom facilities, bar area, kitchen equipment, and upgrades to the entrance/foyer.

- Is required to invest $450,000 within the first year of the new Lease to upgrade washroom fixtures, upgrading the front lobby/entrance, and refurbishing the kitchen/bar area.

RECOMMENDATIONS

The Chief Executive Officer recommends that:

1. Subject to obtaining the necessary City of Toronto authorization, the Board approve a new lease (the "Lease") for the Fountain Dining Room between the City of Toronto, as landlord (the "Landlord"), 16730801 Ontario Ltd., as tenant (the "Tenant"), and the Board, for a term of ten (10) years commencing May 1, 2020 and ending April 30, 2030, with an option to extend the Lease in favour of the Tenant for a further term of ten (10) years from May 1, 2030 to April 30, 2040, substantially on the terms and conditions set out in Appendix "A" and such other terms and conditions deemed appropriate by the Deputy City Manager, Corporate Services (the "DCM"), the Chief Executive Officer, Exhibition Place (the "CEO"), and in a form satisfactory to the City Solicitor.

2. The Board authorize the CEO to request the necessary City of Toronto authorities to approve and enter into the Lease.

FINANCIAL IMPACT

Over the first ten (10) year term, the estimated financial return to the Board from this lease is approximately $1.754 million made up of Basic Rent, Additional Rent, Services, and Net Parking income. As well, in accordance with the new Lease, the Tenant must invest in upgrades of approximately $450,000 within the first year of the new Lease.

Over the ten (10) year extension term, the estimated financial return to the Board is approximately $2.854 million made up of Basic Rent, Additional Rent, Services, and Net Parking income.

DECISION HISTORY

The 2017 - 2019 Strategic Plan has a Business Development goal to grow event activity and maintain strong relationships with existing clients and identify areas for revenue enhancements.

At its meeting on July 23, 2010 the Board approved entering into a lease with the Tenant for the FDR for a term of 9 years 6 months commencing November 1, 2010 and concluding April 30, 2020.
https://www.explace.on.ca/files/file/58c6c8f95c0d0/Item-20-FDR-Lease-Bus-Dev-to-BOG.pdf

At its meeting on June 13, 2019, the Board approved of the staff recommendation to extend the term of the lease with the Tenant for the QET to April 30, 2030, on the terms and conditions set out in the staff recommendation.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP3.22

At its meeting of September 19, 2019 the Board approved a new Lease for the FDR for a term of ten (10) years commencing May 1, 2020 and ending April 20, 2030.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP6.14

COMMENTS

The FDR was built in 1957 and consists of a 5,361sq ft dining room, two office/boardroom spaces, a lobby, washrooms, and a commercial kitchen space location on the second floor.

Mr. Bruno Sinopoli is the principal of 1673081 Ontario Ltd and its sole shareholder. According to Mr. Sinopoli, 1673081 Ontario Ltd. is a company that has existed since 2006. Since 2006, 1673081 Ontario Ltd. has successfully brought more than 300 shows to the QET.

Mr. Sinopoli is also the sole shareholder of Corner Pocket Billiards Club Inc. which carries on business in the name of The Mod Club on College Street. Mr. Sinopoli has been in the restaurant and entertainment business for 25 plus years operating the successful MOD Club venue for 16 plus years.

Since the business model for the FDR is tied to the activities in the QET, staff recommends that the term of the FDR lease be co-terminous with the expiration of the QET Lease on April 30, 2040.

The Tenant on January 9, 2020 wrote to the CEO of Exhibition Place requesting a term of 20 years instead of 10 years which is now set to expire on April 30, 2040 based on his current upfront capital investment, his performance, and good standing over the years so that he is better position to recoup his investment and sustain his business model. Exhibition Place staff has met to consult with City Real Estate staff and they are supportive with the direction to move forward as set out in this report.

In our lease negotiations in the summer of 2019, the Tenant initially proposed a 20 year term; however Exhibition Place and City Real Estate negotiated a 10 year term due to the Master Planning Development Study being undertaken by the City Planning. So far, nothing in the draft guiding principles of the Master Plan would indicate that a 20 year lease cannot be done at this time.

Proposed Renovations

The Tenant has committed to upgrade the Fountain Dining Room in the amount of approximately $450,000 within the first year of the new Lease.

- Upgrade the washroom fixtures
- Upgrading the front lobby / entrance
- Refurbishing the kitchen / bar area

Attached as Appendix A to this report are the proposed terms and conditions of the new Lease.

CONTACT

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SIGNATURE

Don Boyle
Chief Executive Officer

ATTACHMENTS

Appendix A - Terms and Conditions of Lease Agreement