



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Toronto Fashion Incubator Lease

Date: September 3, 2020

To: Board of Governors of Exhibition Place

From: Don Boyle, Chief Executive Officer

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

This report deals with a proposed or pending acquisition or disposition of land by the City and the Board.

SUMMARY

The Board and Toronto Centre for the Promotion of Fashion Design, carrying on business as Toronto Fashion Incubator (the "Tenant"), entered into a lease of the Music Building at 285 Manitoba Drive dated June 15, 2016, which expired on December 14, 2019 (the "Existing Lease").

Pursuant to Section 3.2 of the Existing Lease, the Tenant surrendered the portion of the Music Building known as Pod 1 from the Leased Property, effective December 14, 2016.

The Tenant requested a 4 year extension of the Existing Lease with respect to Pods 2 and 3 of the Music Building, commencing December 15, 2019 and concluding December 14, 2023 which was approved by the Board at its meeting of September 19, 2019.

In early March 2020 the Tenant found out that the annual operating grant the Tenant receives from the City of Toronto Economic Development is being significantly reduced in 2021 and 2022, with the funding cut retroactive to January 2020 and therefore at this time the Tenant is unable to commit to a 4-year lease. The Tenant's Board is requesting a two-year lease instead, commencing December 15, 2019 and ending December 14, 2021 with two one-year renewal options, with an early termination provision of June 1, 2021 and June 1st of each renewal option year. The early termination provision would require the Tenant to give two months written notice.

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") between the City of Toronto, as landlord (the "City"), Toronto Centre for the Promotion of Fashion Design, carrying on business as Toronto Fashion Incubator, as tenant, and the Board, for a term of two (2) years commencing December 15, 2019 and ending December 14, 2021, substantially on the terms and conditions set out in Appendix "A" and Confidential Attachment 1, and such other terms and conditions deemed appropriate by the Deputy City Manager, Corporate Services (the "DCM"), the Chief Executive Officer of the Board (the "CEO"), and in a form satisfactory to the City Solicitor.
2. The Board authorize the CEO to request the necessary City authorities to approve and enter into the Lease.
3. The Board direct that Confidential Attachment 1 to this report remain confidential in its entirety and not be released publicly as it pertains a proposed or pending acquisition or disposition of land by the City and the Board.

FINANCIAL IMPACT

It is estimated that the annual positive financial implications of the proposed Lease for Basic and Additional Rent over its full term, if extended, will be \$275,194 as outlined in Confidential Attachment 1.

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 June 10, 2016, the Board approved entering into a lease with the Tenant for a term of three (3) years commencing June 15, 2016 and concluding December 14, 2019.

<https://www.explace.on.ca/files/file/58c6a795cecfb/Item-14-TFI-Lease-Combined.pdf>

At its meeting on September 19, 2019, the Board approved entering into a lease with the Tenant for a term of four (4) years commencing December 15, 2019 and concluding December 14, 2023

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP6.11>

COMMENTS

The Tenant is a non-profit small business centre which has been dedicated to supporting fashion entrepreneurs in Toronto for over 30 years. The Tenant has successfully operated within 285 Manitoba Drive since 2007 and attracts thousands of visitors annually.

The Tenant has been a tenant since 2007. It has over the last 11 years (2009 to 2019) of its tenancy at Exhibition Place contributed approximately \$827,000 to Exhibition Place in rent, utilities, property tax, maintenance, and other related services, not including the parking revenue derived from its visitors and guests. The Tenant invested \$150,000 in leasehold improvements which monies were received as a grant from Ontario Trillium Foundation.

Other information about the Tenant:

1. A Nonprofit Agency since 1987 as per its Letter of Incorporation, there is no purpose of gain or profits for its members and is non-commercial in nature.
2. The Tenant is the world's first official fashion incubator and has fostered many of Canada's most celebrated fashion designers. It is one of the most successful business centres of its kind and many cities have copied the model set in Toronto.
3. Created by the City through TEDCO and work with TEDCO; the Tenant's offices were previously at the City of Toronto. After TEDCO was dismantled, the Tenant worked directly with City Economic Development who is supportive of its continued tenancy.
4. Funded 46% (\$187,000 in 2019) by the City through Incubator Grant Program and supported in part by public funds through donations, legacy, gifts, grants, etc.
5. Object of Incorporation for its Members is to promote professional dialogue, interaction, novel ideas and concepts all of which is educational in nature.
6. Another object is to promote public awareness of the fashion profession, this benefits the community at large without charge.
7. Provides an outreach program for students and home based fashion designers. Designers are developing their entrepreneurial skills, building careers, and creating business in fashion and design.
8. Board/City receives monies in rent and additional rent (including property tax) to offset/avoid utilities.
9. Restrictions – Closed during the Indy, Caribbean Carnival, Royal Agricultural Winter Fair, and the CNE due to parking and logistical issues.
10. The Tenant attracts over 75,000+ to its onsite and online Resource Centre, and shared over 12 million pieces of fashion and business data with clients around the globe.
11. The Tenant recognizes Exhibition Place as a TFI Partner with a sponsor logo and hotlink on its website.

The Tenant's tenancy has been very positive and certainly compatible with other operations and events on the grounds.

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Attached as Appendix A to this report are the proposed terms and conditions of the new Lease. Appendix B shows the site location and floor plan. Confidential Attachment #1 attached to this report provides further details of the financial analysis of the Lease.

CONTACT

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SIGNATURE

Don Boyle
Chief Executive Officer

ATTACHMENTS

Appendix A - Terms and Conditions of Lease Agreement

Appendix B - Site Location and Floor Plan

Confidential Attachment #1 - Financial Analysis