



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Withrow Common (formerly Queen Elizabeth Executive Offices) Lease

Date: October 9, 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 the Canadian National Exhibition Association (CNEA) (the "Tenant") entered into a lease for the Queen Elizabeth Executive Offices (renamed Withrow Common) and certain ancillary areas dated November 1, 2016, which expires on October 30, 2020 (the "Existing Lease").

The Tenant requested a 5-year extension of the Existing Lease with respect to Withrow Common, commencing November 1, 2020 and concluding October 30, 2025 which was approved by the Board at its meeting of September 19, 2019.

In close consultation with the provincial and municipal governments, the CNEA Board of Directors voted on May 7, 2020 to cancel the event this year out of an abundance of precaution to safeguard the health of its employees, volunteers, visitors, vendors, and artists, and its shared responsibility in protecting public safety during this unprecedented health crisis. On May 12, 2020 the Tenant through a press release announced that Canada's largest fair and an iconic Toronto celebration, will not light up this summer, and with the support of the Province of Ontario and City of Toronto, this year's CNE will not move forward due to the COVID-19 pandemic with its 18-day event slated for August 21 to September 7, 2020 at Exhibition Place. The historic decision marks only the second occasion in its 142-year history, and not since WWII, has the CNE closed in its entirety.

With the impact from the cancellation of the 2020 fair the Tenant will likely face financial challenges in 2020 and beyond, and therefore at this time the Tenant is unable to

commit to a 5-year lease. The Tenant's Board is requesting a one-year lease instead, commencing November 1, 2020 and ending October 30, 2021; with four one-year extension options, provided written notice is given to the Landlord two months before the then existing expiration date, and with an early termination provision in favour of the Tenant effective December 31 in each of year 3, 4, and 5.

Since the Tenant took possession of Withrow Common in 2016, the Tenant has completed significant renovations in the leased premises as follows:

- The CNEA invested in excess of \$300,000 in leasehold improvements.
- Reception area, lobby, and central common area - painting, kitchen, flooring, washrooms, and lighting.
- Leasehold improvements concentrated on 'green' initiatives, and where possible eco-friendly choices were utilized in paint, lighting, and flooring finishes.

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 "Landlord"), CNEA, as tenant (the "Tenant"), and the Board, for a term of one (1) year commencing November 1, 2020 and ending October 30, 2021, with four (4) one (1) year Tenant options to extend, 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, 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.
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 over its full term, if extended, will be \$768,765 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 July 28, 2016 the Board approved entering into a lease with the Tenant for a term of 4 years commencing November 1, 2016 and concluding October 30, 2020.

<https://www.explace.on.ca/files/file/58c6a05c7d4e3/Item-16-QE-Executive-Lease.pdf>

At its meeting on September 19, 2019, the Board approved entering into a lease with the Tenant for a term of five (5) years commencing November 1, 2020 and concluding October 30, 2025.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP6.13>

COMMENTS

The Queen Elizabeth Executive Offices now renamed Withrow Common within the Queen Elizabeth Building is on the west side of the grounds near Dufferin Street and facing the Princess Margaret Fountain. Constructed in 1957, the building served as the corporate head office for the CNEA and the Board of Governors until August 2014. The building, listed on the inventory maintained by Toronto Heritage Preservation Services, is adjoined to the Queen Elizabeth Theatre, and the Fountainblu Dining Room is located on the second floor above the office space. Both the Queen Elizabeth Theatre and Fountainblu Dining Room are leased by the Board to 1673081 Ontario Ltd.

When previously occupied by Exhibition Place staff, annual operating costs including utilities for these offices were in the range of \$0.135M.

Generally, with the tenancy of these offices, all buildings / premises from this location to the western boundary of the Exhibition Place site will now be leased to third parties. The Queen Elizabeth Hall on the east side will continue to be managed by Exhibition Place as active exhibit / event space.

The CNEA is a legal entity without share capital created by Special Acts of the Legislature of Ontario. The CNEA is deemed to be an Agricultural Society as provided in the Agricultural and Horticultural Organizations Act of Ontario. The CNEA manages and operates an annual exhibition, the Canadian National Exhibition. With 142 years of experience in producing public events, the CNEA is looking at staying in the Queen Elizabeth Executive Offices, which has historic ties to the CNEA organization. Prior to 1986, this building was the head offices for the CNEA which managed the grounds on behalf of the City. The mosaic floor in the entrance lobby to the offices built in 1957 is a work of art and a representation of the CNEA trademarks at that time is embedded directly in the flooring.

The CNE is one of the largest fairs in North America and attracts more than 1.4 million visitors each year. The CNE has an annual economic impact of more than \$128 million on the province of Ontario and \$93 million on the Greater Toronto Area, and helps to employ more than 5,000 seasonal workers over its 18-day fair.

The CNEA has refurbished the offices and programs the space as a fluid, multi-purpose office, and community event space, which is utilized during the annual fair and balance of the year. During the annual Fair, the CNEA relocates its customer service areas such

as guest relations in the building and provides offices for security and audit services, all in an effort to enhance guest experience and facilitate improved site planning.

The main space is used to stage intimate and exclusive workshops and events in the CNEA's strategic areas of innovation, urban agriculture, environment, sustainability, and the arts and culture in order to complement the existing programming of the CNE.

During the year, the building has been used as a community hub in which the CNEA has hosted community workshops and interactive events such as the celebration of Native Canadian artist Chris Nahrgang, who created the 36 foot "Unity Pole" for the 2017 Canadian National Exhibition, as well as, many other events since its opening.

These initiatives have assisted with promoting year-round visits to Exhibition Place and have further assisted to integrate the venue within the community.

With the impact from the cancellation of the 2020 fair the Tenant will likely face financial challenges in 2020 and beyond, and therefore at this time the Tenant is unable to commit to a 5-year lease. The Tenant's Board is requesting a one-year lease instead, commencing November 1, 2020 and ending October 30, 2021; with four one-year extension options by written notice to the Landlord two months before the then current lease expiration date, and with an early termination provision in favour of the Tenant effective December 31 in each of year 3, 4, and 5.

Attached as Appendix A to this report are the proposed terms and conditions of the new Lease; Schedule A to Appendix A is an Exhibition Place site plan; Schedule B to Appendix A is floor plan of Withrow Common; and, 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

Confidential Attachment 1 - Financial Analysis