



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Liberty Grand Entertainment Complex Inc. Lease at 25 British Columbia Road

Date: February 24, 2020

To: General Government and Licencing Committee

From: Deputy City Manager, Corporate Services and Chief Executive Officer,
Exhibition Place

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

This report is about a proposed or pending acquisition or disposition of land by the City of Toronto (the "City") or one of its local Boards.

SUMMARY

The Board of Governors of Exhibition Place, as landlord, and 1309320 Ontario Inc. ("1309320"), as tenant, entered into a lease dated December 7, 2000, for premises known as the Ontario Government Building and certain adjacent lands. The lease was subsequently assigned by 1309320 to Liberty Grand Entertainment Complex Inc. with the Board's consent (such lease, as assigned, is hereinafter the "Existing Lease"). The term of the Existing Lease is twenty (20) years, commencing on January 1, 2001 and expiring on December 31, 2020 (the "Existing Term").

Throughout the Existing Term, the Tenant has undertaken significant renovations in the leased premises at a value of approximately \$4.650 million excluding food and beverage equipment. Renovations to the roof, windows, heating, ventilation, and air conditioning systems, kitchen upgrades, washrooms, interior finishes, carpet, paint and other miscellaneous items over the last twenty (20) years have kept the facility in a state of good repair without having cost the Board and the City any financial resources.

The Tenant is requesting a new lease for a twenty (20) year term, commencing January 1, 2021 and expiring on December 31, 2040. Should such a lease be approved by City Council, the Tenant will invest an additional \$8.025 million in improvements, primarily during the first five (5) years of the term, which will significantly improve the property.

This report recommends that City Council approve entering into a new lease with the Tenant on the terms and conditions provided in this report (Appendix A). The rent and other terms and conditions of the new lease reflect current market value according to market research and valuation conducted by Corporate Real Estate Management staff.

RECOMMENDATIONS

The Deputy City Manager, Corporate Services and Chief Executive Officer, Exhibition Place, recommend that:

1. City Council approve a new lease (the "New Lease") between the City of Toronto, as landlord (the "Landlord"), Liberty Grand Entertainment Complex Inc., as tenant (the "Tenant"), and the Board of Governors of Exhibition Place, for a term of twenty (20) years commencing January 1, 2021 and ending December 31, 2040, substantially on the terms and conditions set out in Appendix A and Confidential Attachment 1 to this report, and such other terms and conditions deemed appropriate by the Deputy City Manager, Corporate Services, and the Chief Executive Officer, Exhibition Place, and in a form satisfactory to the City Solicitor.
2. City Council authorize the Executive Director, Corporate Real Estate Management, or his/her designate, and the Chief Executive Officer, Exhibition Place to execute the lease and any related documents on behalf of the Landlord and the Board, respectively.
3. City Council direct that Confidential Attachment 1 to this report remain confidential in its entirety and not be released publicly as it pertains to a proposed or pending acquisition or disposition of land by the City of Toronto or one of its local Boards.

FINANCIAL IMPACT

It is estimated that the total revenues to the City from the proposed Lease over its full term of twenty (20) years, if approved, will be \$33.038 million as outlined in Confidential Attachment 1. This is in addition to the \$8.025 million worth of improvements that the Tenant will be investing into the property, primarily within the first five (5) years of the term.

The Chief Financial Officer and Treasurer has been provided with the financial impact information.

DECISION HISTORY

At its meeting on May 18, 2017, the Board of Governors of Exhibition Place adopted the 2017-2019 Exhibition Place Strategic Plan of which two major goals will be met by the New Lease, including Business Development and Financial Responsibility. Strategies to achieve these goals include growing event activity, maintaining strong relationships with

existing clients, identifying areas for revenue enhancements, and to ensure operating results meet or show positive revenue surplus or positive under expenditure to budget.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EP3.8>

At its meeting on August 1, 2, 3 and 4, 2000, City Council adopted a proposal from Liberty Entertainment Group to redevelop the Ontario Government Building and operate a corporate function and banquet facility. The proposal was recommended to Council after being approved by the Board of Governors of Exhibition Place at its meeting on July 27, 2000.

<https://www.toronto.ca/legdocs/2000/agendas/council/cc/cc000801/pof10rpt/cl027.pdf>

At its meeting on March 30, 2001, the Board of Governors of Exhibition Place approved of the assignment of the lease for the Ontario Government Building from 1309320 to the Tenant.

<https://www.explace.on.ca/files/file/5cffd36c27969/Item-10---Assignment-of-Lease-for-Liberty-Grand-Entertainment-Complex-Ontario-Government-Building.pdf>

At its meeting of December 19, 2019, the Board of Governors of Exhibition Place approved, subject to obtaining Council approval, a new lease in favour of the Tenant on the terms and conditions set out in this report.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP8.13>

COMMENTS

The Existing Term commenced on January 1, 2001 and is set to expire on December 31, 2020. During the first few years of the Existing Term, the Tenant carried out substantial improvements and renovations to refurbish the former Ontario Government Building to what it is today.

The Ontario Government Building was originally constructed in 1926 and was only used during the annual Canadian National Exhibition. The 100,000 square foot complex underwent complete renovations and reopened to the public under the operation of the Tenant. The space gracefully blends the exuberant Beaux Arts of the banquet rooms with the classic exterior finishes and is a prized City of Toronto Heritage Building while also being one of the City's most prolific special event venues, hosting over 450 events per year.

In regards to the properties restoration done to date, it has been recognized by the Toronto Construction Association "Best of the Best Award", as well as a commendation from the City of Toronto for the restoration of the site.

As a top venue, Liberty Grand has also been recognized by several industry publications, including Canadian Event Perspectives Magazine's "Top Ten Venues in Canada", and by BizBash's "Top 100 Events". As well, Liberty Grand received an award in the category of "Entertainment Complex", presented by the Toronto Sun's Readers' Choice Awards. Liberty Grand has hosted events such as The Children's Breakfast Club, Chiefs of Police Gala, Motionball for Special Olympics, Canada's Walk of

Fame, Italian Chamber of Commerce of Ontario Business Excellence Awards, and Make-A-Wish Princess Ball, to name a few.

Upon City Council approval of the New Lease, the Tenant will invest an additional \$8.025 million in various improvements, primarily during the first five (5) years of the term. The improvements will be in the areas of infrastructure such as heating, ventilation and air conditioning, dome and roof repairs, repointing heritage structure, remedial repairs to stonework and towers, exterior improvements such as landscaping and courtyard redesign, and interior improvements such as ballrooms, restrooms and kitchen facilities.

Appendix A outlines the proposed terms and conditions of the New Lease. Confidential Attachment 1 provides further details of the financial analysis of the New Lease. The rent and other terms and conditions of the New Lease reflect current market value according to market research and valuation conducted by Corporate Real Estate Management staff.

CONTACT

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SIGNATURE

Josie Scioli
Deputy City Manager, Corporate Services

Don Boyle
Chief Executive Officer, Exhibition Place

ATTACHMENTS

Appendix A – Terms and Conditions of New Lease
Confidential Attachment 1– Financial Analysis and Terms

Appendix A - Terms and Conditions of New Lease

Material Terms and Conditions of Lease (the "Term Sheet")

Background:

By a lease dated December 7, 2000 (the "Existing Lease"), the Board of Governors of Exhibition Place (the "Board") leased to 1309320 Ontario Inc. ("1309320"), as tenant, the Leased Property for a term of twenty (20) years commencing on January 1, 2001 and expiring on December 31, 2020.

The Existing Lease was subsequently assigned, with the Board's consent, by 1309320 to Liberty Grand Entertainment Complex Inc. (the "Tenant").

The Tenant has proposed to enter into a new lease (the "New Lease") on the terms and conditions set out below.

All capitalized terms not otherwise defined herein have the meaning given them in the Existing Lease.

Terms and Conditions of New Lease:

1. Existing Lease: The New Lease shall be materially on the same terms and conditions as the Existing Lease, save as modified or amended in this term sheet and subject to any necessary changes to reflect the City of Toronto, rather than the Board, as Landlord.
2. Landlord: City of Toronto.
3. Board Execution: The Board will also execute the New Lease and, unless the Landlord advises otherwise and save as expressly otherwise provided in the New Lease, all rights, covenants and obligations of the Landlord may be exercised, performed or complied with by the Landlord and/or the Board.
4. Tenant: Liberty Grand Entertainment Complex Inc.
5. Leased Property: The Building known as the Ontario Government Building and adjacent lands as defined in the Existing Lease, located at Exhibition Place and known municipally as 25 British Columbia Road, and shown attached hereto on Schedules "A" and "B" hereto.
6. Term: Twenty (20) years, commencing January 1, 2021 and expiring December 31, 2040 (the "Term").

7. Basic Rent: See Confidential Attachment 1.

8. Participation Rent: See Confidential Attachment 1.

9. Additional Rent: The Tenant shall pay Additional Rent in accordance with the Existing Lease.

10. Payment of Rent: All payments of Basic Rent, Participation Rent and Additional Rent, shall, unless the Landlord advises otherwise, be paid to the Board.

11. Net Lease: As in the Existing Lease, the Lease is a carefree and absolutely net lease to the Landlord, except as expressly set out, and that the Landlord shall not be responsible during the Term for any costs, charges, expenses, and outlays of any nature whatsoever arising from or relating to the Leased Property, the contents, the use or occupancy thereof, or the business carried on therein. The Tenant shall pay all charges, impositions, costs and expenses of every nature and kind, extraordinary as well as ordinary and foreseen as well as unforeseen, relating to the Leased Property. Any amount and any obligation relating to the Leased Property not expressly declared in the New Lease to be the responsibility of the Landlord shall be the responsibility of the Tenant.

12. Use of Leased Property: The Tenant shall use the Leased Property solely for the purposes permitted under, and in full compliance with, Article 5 of the Existing Lease (Use of Leased Property), as amended herein.

13. Section 5.1 shall be amended as follows:

a. The following sentence in Section 5.1 of the Existing Lease is deleted:
For greater certainty, the Leased Property shall not be used for any of the following purposes:

- (i) a themed dinner theatre;
- (ii) trade and consumer shows and any activities (including the provision of food and beverages) related to trade and consumer shows;
- (iii) professional sports events;
- (iv) a casino

and replaced by the following:

The use of the Leased Property by the Tenant shall be subject to all existing contractual obligations of the Landlord and the Board respecting the use of the Lands and, in addition to the restrictions set out above, the Leased Property shall not be used for any of the following purposes:

- (i) a themed dinner theatre;
- (ii) trade and consumer shows and any activities (including the provision of food and beverages) related to trade and consumer shows;
- (iii) professional sports events;
- (iv) a casino; and
- (v) during such time as the tenant under the lease of the Horticulture Building dated February 16, 2004 from the Board to Muzik Clubs Inc.

(now Toronto Event Centre Inc.) has the benefit of the exclusivity rights set out in Section 5.2 therein, a permanent indoor live performance venue/nightclub providing live and recorded musical entertainment for standing room crowd capacities of greater than 500 persons but less than 2,999 persons.

b. The remainder of Section 5.1 following the sentence "Office uses that are necessarily ancillary to the Permitted Uses will be permitted to occupy not more than 9,000 square feet of the basement of the Building." shall be deleted.

14. Leasehold Improvements: Section 6.1 of the Existing Lease shall be amended by deleting all provisions specifically relating to the Initial Improvements, Additional Improvements, Required Improvements, Opening Goods and Services and Required Expenditures, and adding provisions requiring the Tenant to undertake the improvements set out in Schedule "C" attached hereto (the "Improvements") within the timelines set out in Schedule "C". Such provisions shall be on terms and conditions acceptable to the Chief Executive Officer, Exhibition Place (the "CEO") and Deputy City Manager, Corporate Services (the "DCM"), and in a form satisfactory to the City Solicitor.

15. Commencement and Completion: Section 6.3 of the Existing Lease shall be deleted and replaced with such provisions regarding the commencement, construction and completion of the Improvements in accordance with Schedule "C" as are acceptable to the CEO and DCM, in a form satisfactory to the City Solicitor.

16. Services Requested by Tenant: Section 10.6 of the Existing Lease shall be deleted in its entirety.

17. Insurance: Article 12 of the Existing Lease shall be updated and amended to the extent required to conform with the City's current insurance requirements, satisfactory to the City's Internal Risk Management division.

18. Compliance with Collective Agreements at Exhibition Place: Section 15 of the Existing Lease shall be deleted and replaced with the current standard clause for Exhibition Place leases regarding compliance with Collective Agreements at Exhibition Place.

19. Assignment, Subletting: Section 16.6(2) of the Existing Lease (regarding the use of the Leased Property by an "Operator" during the first five (5) years of the Existing Term) shall be deleted in its entirety.

20. Closure of Lands: Section 17.2 shall be amended and updated to the extent required to conform to the current standard provisions for Exhibition Place leases.

21. Default: Section 18.2 and 18.4 of the Existing Lease shall be amended by deleting references to Required Improvements and replacing them with references to Improvements, as defined above.

22. Schedule "A" of the Existing Lease (Exhibition Place Site Plan) shall be deleted and replaced by Schedule "A" attached hereto.

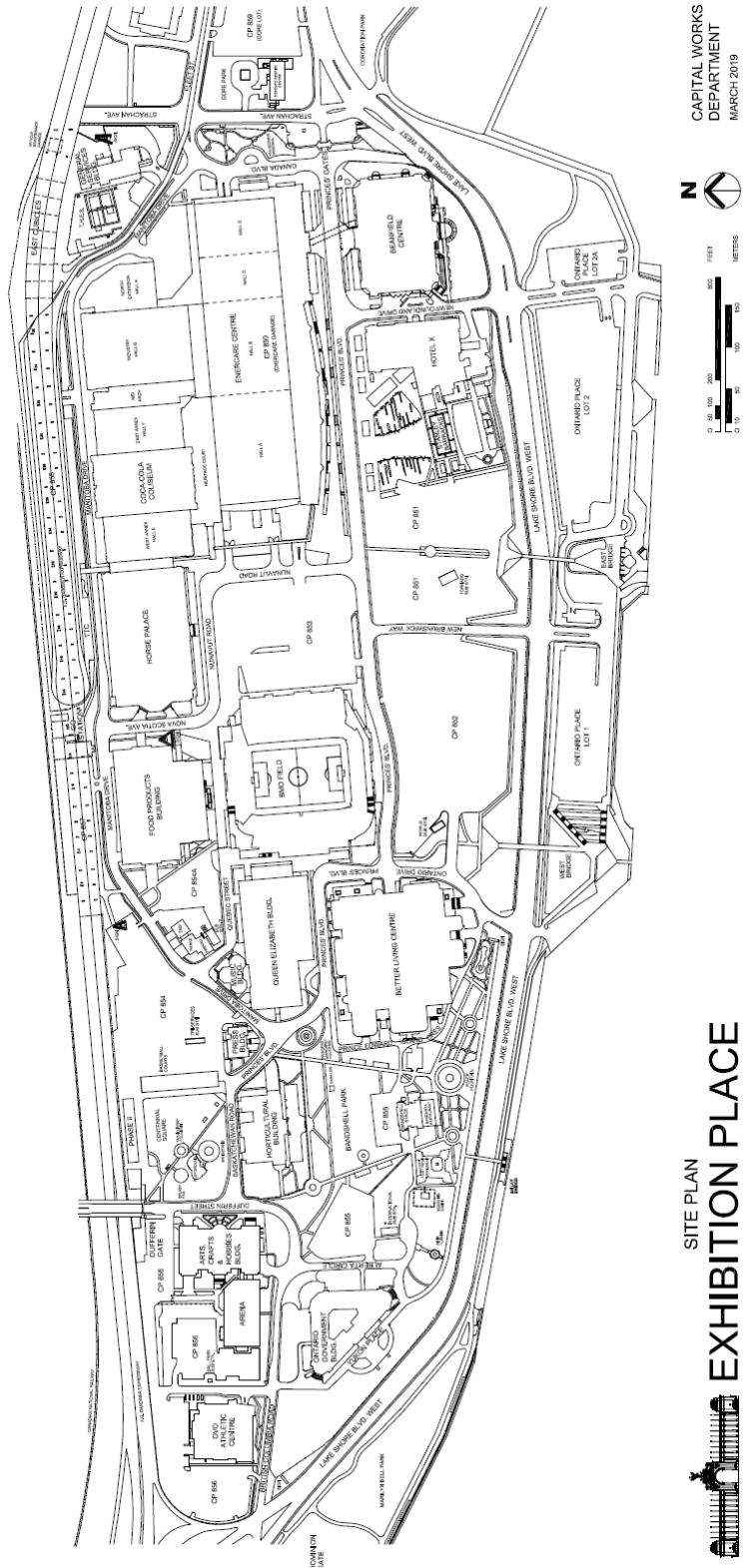
23. Schedule "B" of the Existing Lease (Site Plan of Leased Property) shall be deleted and replaced by Schedule "B" attached hereto.

24. Schedule "F" of the Existing Lease (Operating Protocol) shall be deleted in its entirety.

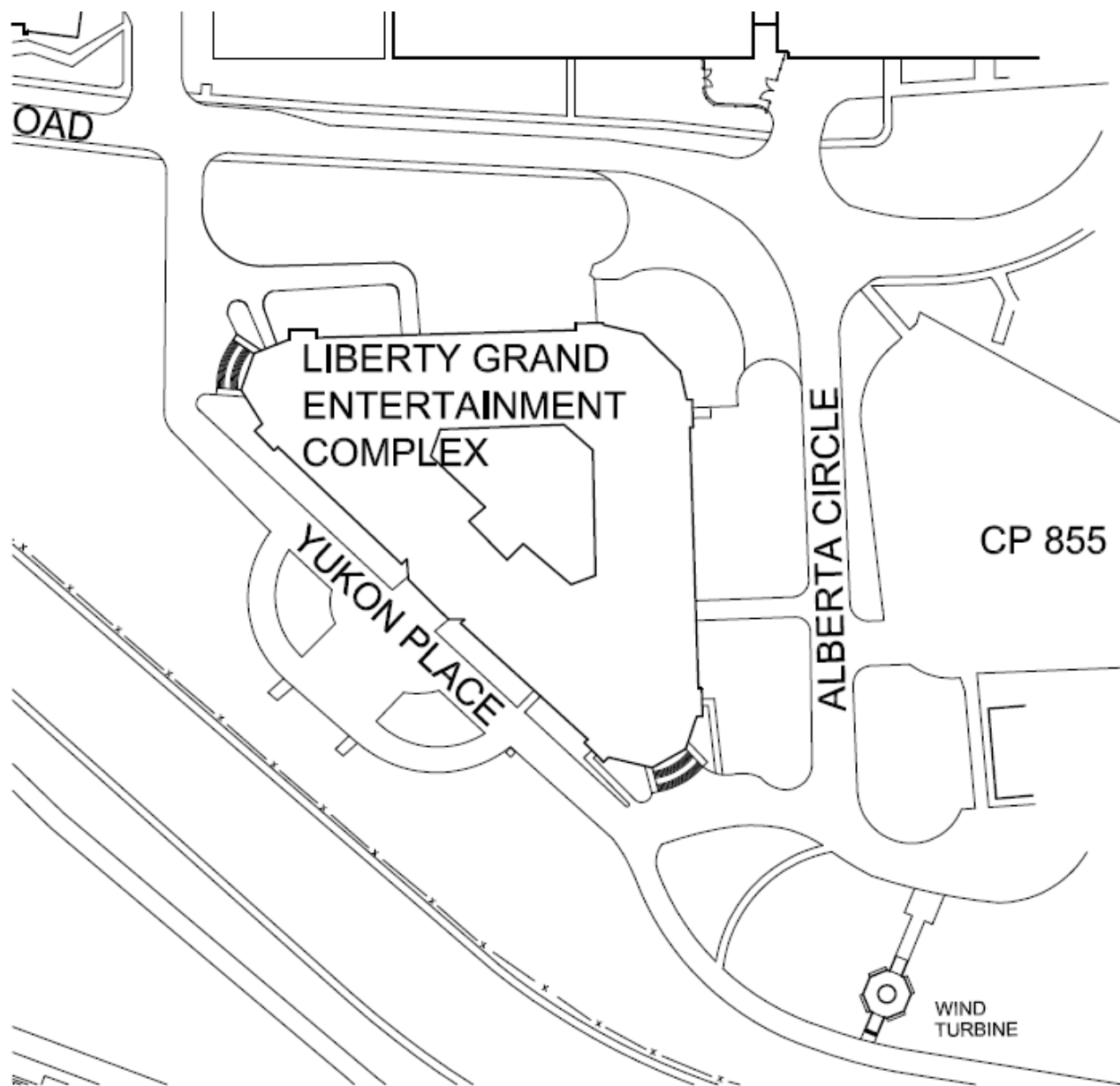
25. Schedule "G" of the Existing Lease (Pre-Construction/Construction Period) shall be deleted and replaced with Schedule "C" attached hereto.

26. Lease Documentation: If the Tenant's proposal to enter into the New Lease on the terms and conditions herein is authorized by Council, the lease agreement shall be prepared by the Landlord on the Landlord's standard form and shall incorporate the terms set out herein. This term sheet contains the basic terms and conditions upon which the Landlord will lease the Leased Property to the Tenant, and supplementary terms and conditions and revisions to the terms and conditions of this term sheet may be contained in the Lease. Without limitation to the foregoing, certain provisions in the Landlord's standard form (including, without limitation, those which are specifically noted above in this Appendix A) have been amended or updated since the Existing Lease documentation. All documentation shall be in a form and content satisfactory to the City Solicitor.

Schedule A - Exhibition Place Site Plan



Schedule B - Site Plan of Leased Property



Schedule C - Construction of Improvements

TENANT PROPOSED - VARIOUS IMPROVEMENTS			
Section 3 of Lease Proposal			
Item Description	Timing		Amount
3.3 A - Infrastructure Renewal			
HVAC	In years 2 to 4		1,800,000
Dome repairs	within first 5 years		800,000
Roof repairs	within first 5 years		980,000
Repointing heritage structure	within first 2 years		450,000
Stonework - remedial repairs	within first 5 years		800,000
Tower Repairs - structural Integrity	In years 2 to 5		120,000
Tower Repairs - long-term	In years 5 to 8		750,000
			5,700,000
3.3 B - Exterior Improvements			
Courtyard redesign and re-landscape	within first 5 years		175,000
New signage	within first 5 years		250,000
			425,000
3.3 C - Foyers/Ballrooms/Bridal Suites			
Ballrooms, Foyers and Bridal Suites	within first 5 years		800,000
Restrooms	within first 5 years		300,000
			1,100,000
3.3 D - Kitchen Facilities / Storage Area			
Kitchen equipment and renovations	In years 3 to 7		800,000
			800,000
TOTAL RENOVATIONS			8,025,000