



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Wind Turbine Lease

Date: February 4, 2021

To: Board of Governors of Exhibition Place

From: Don Boyle, Chief Executive Officer

Wards: All Wards

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 of Governors of Exhibition Place (the "Board"), as landlord and Toronto Hydro Energy Services Inc. ("THESI") and Toronto Renewable Energy Cooperative Windpower Co-Operative (No. 1) Incorporated ("TREC", and THESI and TREC are collectively referred to as the "Tenant") entered into a lease dated February 15, 2002, as extended by a Lease Extension Agreement dated March 1, 2017 (collectively, the "Existing Lease") for certain lands near the west end of the Exhibition Place grounds, on which the Tenant constructed a wind turbine, for a term expiring on February 28, 2021.

On March 4, 2019, a written request was received from THESI for it to be removed as a Tenant under the Existing Lease, so that the co-Tenant TREC would become the sole Tenant. The Board advised the Tenant that this would constitute an assignment by THESI of its interest in the Lease to TREC. Article 15 of the Existing Lease provides that the Tenant shall not effect any assignment of its interest in the Existing Lease without first obtaining the written consent of the Landlord, and that no assignment will relieve the assigning tenant of its obligations under the Existing Lease.

At its meeting of June 13, 2019, the Board consented to the assignment by THESI of its interest in the Existing Lease to TREC, (the Assignment), provided that the Assignment would not release THESI of its obligations under the Existing Lease, in accordance with Article 15 thereof. Since THESI would remain liable, it elected not to proceed with the Assignment. However, THESI has no interest in continuing to be a tenant under an extension of the Lease or a new lease for the wind turbine premises.

Exhibition Place staff met with TREC in early December 2019 at their request to review their vision for the wind turbine. TREC wrote to Exhibition Place subsequently on January 21, 2020 to indicate that its members passed a resolution to pursue the continued operation of the wind turbine project following the expiry of the Lease.

Staff from Exhibition Place and City Corporate Real Estate Management ("CREM") has since worked with TREC to negotiate terms and conditions for a new lease for a term of eight (8) years to commence on March 1, 2021 and ending on February 28, 2029 and otherwise on the terms set out in this report.

All energy produced by the wind turbine is fed to the Exhibition Place electrical grid and used on site which assists the Board in achieving its Environment Objective to target net "0" grid supplied electricity use. The City of Toronto is the only city in the world to host a wind turbine in its downtown core.

This report is recommending that, subject to obtaining the necessary City of Toronto authorization, the Board approve entering into a new lease with TREC, or a limited partnership consisting of TREC and a City-approved financial partner or such other corporate entity acceptable to the Board and the City, on the terms and conditions provided in this report.

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, (the "City"), as landlord, TREC, or a limited partnership consisting of TREC and a City-approved financial partner or such other corporate entity acceptable to the Board and the City, as tenant, and the Board, for a term of eight (8) years commencing March 1, 2021, and ending February 28, 2029, 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 Exhibition Place (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 to 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 Lease for Basic Rent over its full initial term (8 years) will be \$56,024.00; plus an additional \$113,256.00 if the

lease option to extend for an additional twelve (12) years is exercised, as outlined in Confidential Attachment 1.

The tenant is also responsible for property tax payment which in 2020 was \$3,030.00.

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 of May 25, 2001, the Board approved of the terms and conditions of the Existing Lease, which terms were subsequently approved by City Council pursuant to Clause No. 5 of Report No. 9 of the Policy and Finance Committee, approved without amendment by City Council at its meeting of June 26, 27 & 28, 2001.

<https://www.toronto.ca/legdocs/2001/agendas/council/cc010626/pof9rpt/cl005.pdf>

At its meeting on May 18, 2017 the Board approved an extension of the Existing Lease for a term commencing March 1, 2017 and expiring February 28, 2021.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EP3.9>

At its meeting of June 13, 2019, the Board consented to the Assignment by THESI of its interest in the Existing Lease to TREC.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP3.21>

COMMENTS

Discussion/Background Information on installation of current Wind Turbine:

In 1999, THESI and TREC formed a joint venture to construct up to three utility-scale wind turbines on the Toronto waterfront. The purpose of these projects were to showcase this form of emissions-free electrical generation that can help address urban smog and global climate change. The City of Toronto has been a strong supporter of the windmill project.

TREC is the first community-based greenpower co-op in Canada and models itself on the highly successful Danish model. Half of the electricity generated is sold to Toronto Hydro Energy Services subscribers as a green power product. The estimated 1,000 members of the Toronto Renewable Energy Co-operative will own the other half of the electricity. Members of the Co-operative will receive a credit for their share of the energy produced by the project. It is estimated that the wind turbine generates enough energy for the equivalent of approximately 250 four-person households without harmful emissions associated with coal power plants.

In siting the wind turbines within Toronto, THESI/TREC established some essential criteria that are: greater than 200 meters to the nearest residents; not on lands governed by Transport Canada's regulation for the Toronto Island Airport; clean winds averaging speeds greater than 5 m/s; suitable soil and ground water conditions;

predominant SW and WSW wind exposure; able to accommodate a turbine of no less than 660 kW with a standard tower height; within 200 meters of the nearest interconnection point; and greater than 80 meters to the nearest hydro transmission line.

The wind turbine at Exhibition Place meets all of these essential criteria and in addition, this site meets the additional objective of strong public visibility and public accessibility. Exhibition Place provides not only strong wind resource to enable the turbine to generate maximum electricity, but more importantly it is visible to millions of visitors and passers-by annually and affords an educational component around the turbine.

The education program also provides for a presence by THESI/TREC at larger events on the grounds such as during the period of the CNE.

Before its installation, there was some public concern about the level of noise produced by the wind turbine. The noise level directly under the turbine is approximately 70 db(A) and 45 db(A) 200 meters from the turbine. Both these noise levels are well below the ambient noise levels produced by Lake Shore Boulevard, the Gardiner Expressway and general city noises. In fact, the 45 db(A) level is lower than ambient noise level in a typical office.

New Lease:

With THESI no longer a tenant after the expiry of the Existing Lease, Exhibition Place and CREM wanted to ensure that TREC has a partner with sufficient operational expertise and financial wherewithal before we entered into negotiations for a new lease. Information on TREC's financial partner is included in Confidential Attachment 1 to this report.

Tenant Background/History:

Toronto Renewable Energy Co-operative was formed in 1998 with the vision to showcase the benefits of a wind energy project as a sustainable option for energy needs. During the late '90s, Exhibition Place stepped forward as a willing host to showcase such a vision, embracing what would become the first urban wind turbine in North America.

In 2002, Toronto Renewable Energy Co-operative spawned TREC Windpower Co-op (No.1) Incorporated (operating as WindShare) to own and operate the Exhibition Place wind turbine in joint partnership with Toronto Hydro. As a cooperative, WindShare quickly gained over 420 members, who were keen to realize the sustainability vision. The membership not only included individuals but also businesses such as Unilever and Mountain Equipment Co-op.

The project entered into construction phase in late 2002 at a capital cost of \$1.80 million and resulted in the installation of a Lagerwey L52 wind turbine. The turbine began producing electricity on January 23, 2003 and since then has become, and remained, a landmark of the City of Toronto.

Over the years the wind turbine hosted numerous educational tours for school children, and “Climb the Turbine” events for the community at large, inspiring all generations. The goodwill generated by the project for visitors of Toronto is substantial. While visiting the City, President Bill Clinton even commented that any city with a wind turbine in it has to be good.

The movement created by the project towards sustainable energy sources resulted in a fundamental shift away from coal fired generation in Ontario. The fruit of this shift is the smog free days we enjoy in the City today. Today, the Exhibition Place wind turbine project remains one of the most visible renewable energy project worldwide as it is usually seen by over 67,000 commuters on a daily basis.

Toronto Renewable Energy Co-operative is currently led by a Board with over 70 years of wind energy experience. With access to such experience and support, the membership reaffirmed its commitment to continue the Exhibition Place wind turbine project in order to educate and inspire, to explore novel technologies combining renewable generation sources, and to showcase the City of Toronto as a leader in sustainability for decades to come.

Other information about the Tenancy:

The tenant under the Existing Lease has, over its 19 year Term, contributed \$53,000.00 to Exhibition Place in rent payments. The Tenant invested \$1.80 million in capital costs to install the existing turbine.

Over the past 19 years (to January 31, 2021) the wind turbine has produced approximately 12,954,000 kWh of clean energy. It generates energy by using environmentally–friendly Technology which has been fed into the Exhibition Place electrical grid to power the buildings on site. In addition to the clean energy produced by the turbine, WindShare has an on annual basis organized in cooperation with the Toronto District School Board to produce at Exhibition Place classes for hundreds of elementary students to learn about wind technology and the specifics of the Exhibition Place wind turbine. The wind turbine is an icon of the Exhibition Place site and remains one of only a few major turbines operating within a large urban centre in North America.

All energy produced by the wind turbine is fed to the Exhibition Place electrical grid and used on site which assists the Board in achieving its Environment Objective to target net "0" grid supplied electricity use.

The site location, between the Ontario Government Building and Scadding Cabin, meets all the wind criteria for the wind turbine project while not negatively impacting the Exhibition Place Grounds.

Attached as Appendix A to this report are the proposed terms and conditions of the new Lease. Appendix B shows the location of the leased premises. Appendix C shows the Site Plan Map. Confidential Attachment #1 attached to this report provides further details of the financial analysis of the Lease and TREC's financial partner. Confidential Attachment #2 attached to this report provides a power point summary of the Financial Partner Asset Management Proposal.

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SIGNATURE

Don Boyle
Chief Executive Officer

ATTACHMENTS

Appendix A - Terms and Conditions of Lease Agreement

Appendix B - Premises Location

Appendix C - Site Plan Map

Confidential Attachment #1 - Financial Analysis and Information on Financial Partner

Confidential Attachment #2 - Financial Partner Asset Management Proposal