

Liberty Grand Entertainment Complex Inc. Lease

Date: March 30, 2021

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 1309320 Ontario Inc. ("1309320") entered into a lease dated December 7, 2000, for premises known as the Ontario Government Building and certain adjacent lands, which lease was subsequently assigned, with the Board's consent, by 1309320 to Liberty Grand Entertainment Complex Inc. (such lease, as assigned, is hereinafter the "Existing Lease"). The term of the Existing Lease was 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 \$4.65 million excluding food and beverage equipment. Renovations to the roof, windows, HVAC systems, kitchen upgrades, washrooms, interior finishes, carpet, paint, and other miscellaneous items over the last 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 requested an extension of the Existing Lease or a new lease for a further 20-year term, commencing January 1, 2021 to December 31, 2040. The new lease was approved by the Board by its adoption of Item EP8.13 at its meeting of December 19, 2019, and by Toronto City Council ("Council") by its adoption of Item GL12.12 at its meeting of June 29 and 30, 2020. Under the new lease, the Tenant will invest an additional \$8.025 million in various improvements during the first 5 years of the new term, which will significantly improve this City asset and the commercial viability.

The Tenant, on January 21, 2021 wrote to the CEO of Exhibition Place requesting certain amendments to the new lease.

This report is recommending that, subject to obtaining Council approval, the Board approve the requested amendments on the terms and conditions provided in this report.

RECOMMENDATIONS

The Chief Executive Officer recommends that:

1. Subject to obtaining Council approval, the Board approve the amendments to the new lease (the "New Lease") between the City of Toronto, as landlord (the "Landlord"), Liberty Grand Entertainment Complex Inc. (the "Tenant"), and the Board, 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, 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 direct the Chief Executive Officer to work with the Deputy City Manager, Corporate Services, to seek Council's approval for the amendments to the New Lease set out in Recommendation 1.
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 positive financial implications of the New Lease, as amended, over its full term of 20 years will be \$25.549 million as outlined in Confidential Attachment 1. The various capital improvements of \$8.025 million in the first 5 years is in addition to the positive financial implications noted above.

DECISION HISTORY

The Exhibition Place 2017 - 2019 Strategic Plan has a Financial Goal to maintain a positive financial performance across Exhibition Place and all its businesses, and as a Strategy to support this Goal to ensure operating results meet or show positive revenue surplus or positive under expenditure to budget.

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 27, 2000, the Board approved a proposal from the Liberty Entertainment Group to redevelop the Ontario Government Building and operate a corporate function and banquet facility.

Subsequently, at its meeting on August 1, 2, 3 and 4, 2000, City Council adopted the above proposal.

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

The Board entered into the Existing Lease for a term of 20 years commencing January 1, 2001 and expiring on December 31, 2020.

At its meeting on March 30, 2001, the Board approved of the assignment of the Existing Lease from 1309320 Ontario Inc. operating as Liberty Entertainment Group, to the Tenant.

At its meeting of December 19, 2019 the Board of Governors, by its adoption of Item EP8.13, approved the New Lease; which was subsequently approved by City Council by its adoption of Item GL12.12 at its meeting of June 29 and 30, 2020.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.GL12.12>

COMMENTS

The Ontario Government Building was originally constructed in 1926 and was only used during the annual CNE. The 100,000 square foot complex underwent complete renovations and reopened to the public under the operation of Liberty Entertainment Group. 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 its restoration, the property 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 "Top Ten Venues in Canada" and 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, Chief's of Police Gala, Motionball for Special Olympics, Canada's Walk of Fame, ICCO Business Excellence Awards, and Make-A-Wish Princess Ball, to name a few.

Under the New Lease, the Tenant will invest an additional \$8.025 million in various improvements during the first 5 years. The improvements will be in the areas of infrastructure such as HVAC, 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.

Attached as Appendix A to this report are the proposed terms and conditions of the New Lease, indicating the Tenant's proposed amendments. Confidential Attachment 1 attached to this report provides further details of the financial analysis and recommended amendments to the New Lease.

CONTACT

Laura Purdy, General Manager, 416-263-3020, Lpurdy@explace.on.ca

Gilles Bouchard, Director, Event Management Services, 416-263-3060, GBouchard@explace.on.ca

SIGNATURE

Don Boyle
Chief Executive Officer

ATTACHMENTS

Appendix A - Terms and Conditions of New Lease, as amended

Confidential Attachment 1 - Financial Analysis and Terms