

REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Agreement with Toronto Event Centre Inc.

Date: March 30, 2021

To: Board of Governors of Exhibition Place

From: Don Boyle, Chief Executive Officer

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report is about a position, plan or instruction to be applied to negotiations carried on or to be carried on by or on behalf of the City of Toronto (the "City") and The Board of Governors of Exhibition Place (the "Board").

SUMMARY

The Board and Muzik Clubs Inc. ("Muzik") entered into a lease dated February 16, 2004, for premises consisting of the Horticultural Building and a surrounding patio area which lease was subsequently assigned by Muzik to Toronto Event Centre Inc. (the "Tenant") on April 27, 2017, and which expires on February 15, 2024 (the "TEC Lease").

At its meeting of June 13, 2019 the Board approved of entering into an agreement with the Tenant respecting Article 4 of the TEC Lease, subject to obtaining the necessary City authorization on the terms set out in Confidential Attachment 1 to the report dated May 30, 2019 from the Chief Executive Officer of the Board (the "CEO"). The Board also directed the CEO to report back on the Tenant's compliance with the agreement.

At its meeting of September 19, 2019 the CEO reported back to the Board as directed and the Board referred the item to the CEO, Exhibition Place with a request to meet with the Tenant and report back to the October 24, 2019 meeting of the Board.

At its meeting of October 24, 2019 the CEO reported back to the Board as directed and the Board, subject to obtaining the necessary City authorization, adopted certain confidential instructions to staff set out in Confidential Attachment 1 to the report dated October 22, 2019 from the CEO.

At its meeting of December 19, 2019, the Board approved, subject to obtaining the necessary City of Toronto authorization, an agreement with the Tenant substantially on

the terms and conditions set out in Confidential Attachment 1 to the report (November 29, 2019) from the Chief Executive Officer, Exhibition Place, as amended by the Board in closed session, and on the additional terms and conditions, set out in Confidential Attachment 1 to the supplementary report (December 16, 2019) from the Chief Executive Officer, Exhibition Place, and on such other terms and conditions as deemed appropriate by the Chief Executive Officer and the Deputy City Manager, Corporate Services (the "DCM") or her delegate, and in a form satisfactory to the City Solicitor.

Since the foregoing meeting, Board and City of Toronto staff have undertaken further negotiations with the Tenant. This report recommends that the Board recommend that the necessary City authorities approve the entering into of an agreement with the Tenant, on the terms and conditions set out herein.

RECOMMENDATIONS

The Chief Executive Officer recommends that:

1. Subject to obtaining the necessary City of Toronto authorization, the Board approve an Agreement with the Toronto Event Centre Inc. substantially on the terms and conditions set out in Confidential Attachment 1, and such other terms and conditions as deemed appropriate by the CEO and the Deputy City Manager, Corporate Services (the "DCM") or her delegate, and in a form satisfactory to the City Solicitor (the "Agreement").
2. The Board direct the Chief Executive Officer to work with the Deputy City Manager, Corporate Services, to seek Council's approval for the Agreement as 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 this report is about a position, plan or instruction to be applied to negotiations carried on or to be carried on by or on behalf of the Board and the City.

FINANCIAL IMPACT

The financial implications resulting from this report are provided in the Confidential Attachment 1.

DECISION HISTORY

The Exhibition Place 2017 to 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.

At its meeting dated June 12, 2003, the Board approved entering into a lease with Muzik for a term of twenty (20) years, which report was subsequently approved by City Council at its meeting of June 24, 25 and 26, 2003.

<https://www.toronto.ca/legdocs/2003/agendas/council/cc030624/pof5rpt/cl017.pdf>

At its meeting of June 13, 2019 the Board, subject to obtaining the necessary City authorization, approved an agreement respecting Article 4 of the TEC Lease, substantially on the terms and conditions set out in Confidential Attachment 1 to the report (May 30, 2019) from the CEO, and any such other terms and conditions deemed appropriate by the DCM and the CEO and in a form satisfactory to the City Solicitor.

In addition, at its meeting of June 13, 2019, the Board directed the CEO to report back to the Board on the compliance with the above agreement.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP3.23>

At its meeting of September 19, 2019 the CEO reported back to the Board as directed and the Board referred the item EP6.16 to the CEO with a request he meet with the Tenant and report back to the October 24, 2019 meeting of the Board.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP6.16>

At its meeting of October 24, 2019 the CEO reported back to the Board as directed and the Board, subject to obtaining the necessary City authorization, adopted certain confidential instructions to staff set out in Confidential Attachment 1 to the report dated October 22, 2019 from the CEO.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP7.4>

At its meeting of December 19, 2019, the Board approved, subject to obtaining the necessary City of Toronto authorization, an agreement with the Tenant substantially on the terms and conditions set out in Confidential Attachment 1 to the report (November 29, 2019) from the Chief Executive Officer, Exhibition Place, as amended by the Board in closed session, and on the additional terms and conditions, set out in Confidential Attachment 1 to the supplementary report (December 16, 2019) from the Chief Executive Officer, Exhibition Place, and on such other terms and conditions as deemed appropriate by the Chief Executive Officer and the Deputy City Manager, Corporate Services (the "DCM") or her delegate, and in a form satisfactory to the City Solicitor.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP8.11>

COMMENTS

The term of the TEC Lease commenced on February 16, 2004 and is set to expire on February 15, 2024. During the first two years of the TEC Lease, the Tenant carried out substantial renovations to the former Horticulture Building and formally opened for business on February 16, 2006 as a high-end night club venue.

In 2013, the Tenant undertook approximately \$5.0M of upgrades to develop a patio / pool venue around the indoor premises. In order to finance this enhancement to the Leased Property, the Tenant had requested a ten-year extension to the current lease term, for a total term of 30 years, to February 15, 2034. This amendment was approved

by the Board at its meeting in December 2012 (Item # 19), subject to Council approval. The amendment was never approved by Council, since at the time the City was prohibited from entering into a lease with a cumulative term exceeding twenty-one years for lands designated in the City Official Plan as Parks and Open Space, without an Official Plan Amendment. Since then, the provisions of the City's real estate sales by-law have changed so that a lease or lease extension of Parks and Open Space lands may be entered into, provided the remaining term of the lease plus any extension is no longer than twenty-one years.

More recently as noted above, the Tenant rebranded from the Muzik Night Club to the Toronto Event Centre and expanded the operations to include marketing to corporate events. In 2018, the Tenant again undertook interior renovations to support the added entertainment offering as a "supper club" and launched and promoted this new brand in late 2018.

The Board decision of June 13, 2019 was to approve an agreement with the Tenant to allow the Tenant an opportunity to develop the new entertainment direction, subject to obtaining any required City approvals, and to report back to the Board at its meeting on September 19, 2019 on the Tenant's compliance with the agreement.

At the September 19, 2019 Board meeting, the CEO reported back as directed and requested the adoption of certain confidential instructions to Exhibition Place staff. The Board referred the item to the CEO with the request that he meet with the Tenant and report back to the October 24, 2019 Board meeting.

At the October 24, 2019 Board meeting, the CEO reported back as directed and requested the adoption of certain confidential instructions to Exhibition Place staff. The Board, subject to obtaining the necessary City authorization, adopted the confidential instructions to staff set out in Confidential Attachment 1 to the report dated October 22, 2019 from the CEO.

At its meeting of December 19, 2019, the Board approved, subject to obtaining the necessary City of Toronto authorization, an agreement with the Tenant substantially on the terms and conditions set out in Confidential Attachment 1 to the report (November 29, 2019) from the Chief Executive Officer, Exhibition Place, as amended by the Board in closed session, and on the additional terms and conditions, set out in Confidential Attachment 1 to the supplementary report (December 16, 2019) from the Chief Executive Officer, Exhibition Place, and on such other terms and conditions as deemed appropriate by the Chief Executive Officer and the Deputy City Manager, Corporate Services (the "DCM") or her delegate, and in a form satisfactory to the City Solicitor.

Since the foregoing meeting, Board and City of Toronto staff have undertaken further negotiations with the Tenant, and this report recommends that the Board recommend that the necessary City authorities approve the entering into of an agreement with the Tenant, on the terms and conditions set out in Confidential Attachment 1 hereto.

CONTACT

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SIGNATURE

Don Boyle
Chief Executive Officer

ATTACHMENTS

Confidential Attachment 1 - Agreement Pursuant to Toronto Event Centre Lease