

Amendment to Liberty Grand Entertainment Complex Inc. Lease

Date: May 12, 2021

To: General Government and Licensing Committee

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

Wards: Ward 10 – Spadina-Fort York

REASON FOR CONFIDENTIAL INFORMATION

This report deals with a proposed or pending acquisition or disposition of land by the City of Toronto (the "City") and the Board of Governors of Exhibition Place (the "Board").

SUMMARY

The Board of Governors of Exhibition Place (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 (the "Leased Property"), which lease was subsequently assigned, with the Board's consent, by 1309320 to Liberty Grand Entertainment Complex Inc. (the "Tenant") (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").

The Tenant requested an extension of the Existing Lease or a new lease for a further twenty (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 Council by its adoption of Item GL12.12 at its meeting of June 29 and 30, 2020.

The Tenant, on January 21, 2021, wrote to the Chief Executive Officer, Exhibition Place requesting certain amendments to the New Lease. These amendments were approved by the Board, subject to obtaining Council approval, by adoption of Item EP17.2 at its meeting of April 15, 2021.

This report recommends that City Council approve the requested amendments to the New Lease on the terms and conditions provided in this report (Appendix A and Confidential Attachment 1).

RECOMMENDATIONS

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

1. City Council 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 of Governors of Exhibition Place, 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 and the Chief Executive Officer, Exhibition Place (the "CEO"), and in a form satisfactory to the City Solicitor.
2. City Council 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 of Toronto and the Board of Governors of Exhibition Place.

FINANCIAL IMPACT

It is estimated that the financial implications of the proposed amendments to the New Lease over its full term of twenty (20) years will be a decrease in total revenues to the City in the amount of \$1.729 million as outlined in Confidential Attachment 1 based on projected participation rent.

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, 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>

At its meeting of April 15, 2021, the Board, by its adoption of Item EP17.2, approved, subject to obtaining Council approval, the amendments set out in Appendix A and Confidential Attachment 1.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EP17.2>

COMMENTS

Amendments to New Lease

Attached as Appendix A and Confidential Attachment 1 are the proposed amendments to the New Lease. The proposed amendments are as follows:

- Participation Rent (see Confidential Attachment 1)
- Amendment to a reference in the New Lease regarding compliance with an exclusivity right in favour of another tenant at Exhibition place (Toronto Event Centre Inc.). The amendment makes it clear that the Tenant is only required to comply with this exclusivity right until the expiry of the current term of the Toronto Event Centre Inc. lease.

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, Exhibition Place, 416-263-3020,
LPurdy@explace.on.ca

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

Alison Folosea, Director, Transaction Services, Corporate Real Estate Management, 416-338-2998, Alison.Folosea@toronto.ca

SIGNATURE

Josie Scioli
Deputy City Manager, Corporate Services, City of Toronto

Don Boyle
Chief Executive Officer, Exhibition Place

ATTACHMENTS

Appendix A - Amendments to New Lease
Confidential Attachment 1 - Financial Analysis and Terms

APPENDIX A - AMENDMENTS TO NEW LEASE

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

Participation Rent: The Tenant has requested an amendment to the previously approved amount of Participation Rent. See Confidential Attachment 1.

The New Lease, as previously approved, included the following as Section 5.2(v):

(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.

The Tenant has requested an amendment to this clause, as follows:

(v) until the expiry of the current term of the lease of the Horticulture Building dated February 16, 2004 from the Board to Muzik Clubs Inc. (now Toronto Event Centre Inc.), 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.