

Multi-Year Licence Agreement with the Royal Agricultural Winter Fair

Date: March 22, 2022

To: Board of Governors of Exhibition Place

From: Don Boyle, Chief Executive Officer

Wards: Wards All

SUMMARY

The Royal Agricultural Winter Fair ("RAWF") is a 100-year old cultural event in Toronto and the objective of the multi-year agreement for the event at Exhibition Place is to provide the RAWF with a known and sustainable occupancy cost for the next 5 years from 2023 to 2027, based on the RAWF's operating results, while maintaining the existing level of subsidization now provided by Exhibition Place and the City through a grant from Toronto Economic Development & Culture Division. This negotiated agreement achieves both these directions.

This report recommends subject to obtaining the necessary City of Toronto authorization, that the Board approve a five-year (5) rental licence agreement with RAWF for the 2023-2027 Royal Fair.

The substantial terms and conditions of the Licence Agreement are set out in Appendix A to this report.

Exhibition Place, City Economic Development & Culture Division and RAWF staff met in early 2022 to discuss the negotiated terms and the parties agreed to a five (5) year agreement on substantially the same terms and conditions of the existing agreement as amended per Appendix A.

RECOMMENDATIONS

The Chief Executive Officer recommends that:

1. Subject to City Council approval, the Board of Governors of Exhibition Place approve a five-year (5) licence agreement with the Royal Agricultural Winter Fair for the 2023-2027 Royal Fair on the terms and conditions of the standard licence agreement for the Enercare Centre and specific terms outlined

in Appendix A and such other terms and conditions as satisfactory to the Chief Executive Officer, Exhibition Place and in a form satisfactory to the City Solicitor:

2. The Board of Governors of Exhibition Place recommend that:

a. City Council approve a five-year (5) licence agreement with the Royal Agricultural Winter Fair for the 2023-2027 Royal Fair on the terms and conditions of the standard licence agreement for the Enercare Centre and specific terms outlined in Appendix A and such other terms and conditions as satisfactory to the Chief Executive Officer and in a form satisfactory to the City Solicitor.

b. City Council direct that the City's support for the Royal Agricultural Winter Fair, currently \$969,110 be paid to Exhibition Place, starting in 2023 and for future years, for specific application as a subsidy to the Board of Governors of Exhibition Place towards the market rental costs for the licenced space used for the annual Fair.

FINANCIAL IMPACT

Combined, the City / Board in 2023 will provide an overall grant / discount of \$1,684,030 which represents an 86.1% reduction to the Board / Council approved 2023 rental rates for the Enercare Centre space used by the RAWF and a final 2023 net rental rate and payment by the RAWF of \$272,768 inclusive of the additional space for Bandshell Park and Lot 859 use. The future year operating budgets will reflect the terms of this multi-year agreement and will reduce the rent reduction from 86.1% to 83.9% by 2027 as outlined in the Table 1 below.

The fair was cancelled in 2020 and 2021 due to the global pandemic, and for the sole purpose of providing support to the RAWF during this difficult time of financial hardship, the City and Board propose a five year (5) term on the same terms and conditions as the current agreement, save and except that the rental in the first two (2) years (2023 and 2024) would reflect the same net rental rate as for 2020 and 2021 respectively and the rental cost in year three (2025) would reflect the same rent charged in 2022.

The continued success for both the RAWF and Exhibition Place operations has positive financial implications for the City through revenues paid by the RAWF to Exhibition Place and economic activity related to the annual fair.

TABLE 1: ROYAL AGRICULTURAL WINTER FAIR RENT 2023 - 2027

	A	B	C	D = B + C	E = D / A	F = A - B - C
Year	Market Rent	ExPlace Discount	City Grant	ExPlace Discount and City Grant Combined	% Discount vs ExPlace Market Rent	Net Rent Payable
2022	1,956,798	663,380	969,110	1,632,490	83.4%	\$324,308
2023	1,956,798	714,920	969,110	1,684,030	86.1%	272,768
2024	1,956,798	689,783	969,110	1,658,893	84.8%	297,905
2025	2,015,502	722,084	969,110	1,691,194	83.9%	324,308
2026	2,075,967	772,820	969,110	1,741,930	83.9%	334,037
2027	2,138,246	825,078	969,110	1,794,188	83.9%	344,058
Total	10,143,311	3,724,684	4,845,550	8,570,234	84.5%	\$1,573,077

DECISION HISTORY

The Exhibition Place 2017-2019 Strategic Plan recognizes the RAWF as part of the cultural fabric of Exhibition Place and the City. Exhibition Place has a Business Development Goal to maintain strong relationships with existing clients/events and to identify areas for revenue enhancements.

At its meeting of May 18, 2017, the Board approved the terms of the 2017 Licence Agreement for the RAWF event, and the Board approved that Exhibition Place release facility preparation dates to the RAWF 2017, no later than June 1, 2017 for all Class B Halls, and no later than August 1, 2017 for the remaining space; and that Exhibition Place provide the RAWF 36,800 square feet of Bandshell Park for \$0.012 per square foot / per day for the operation by the RAWF of an RV area with setup at the sole cost of the RAWF including cost of electrical and mechanical services as ordered through the Board's exclusive supplier, ShowTech Power & Lighting.

<https://www.explace.on.ca/files/file/59147f1d968e2/EP3.19---RAWF-2017-Licence.pdf>

<https://www.explace.on.ca/files/file/59147f1c8525e/EP3.19---RAWF-2017-Licence---Appendix-A.pdf>

<https://www.explace.on.ca/files/file/59147f1cdc512/EP3.19---RAWF-2017-Licence---Appendix-B.pdf>

<https://www.explace.on.ca/files/file/59147f1d487d4/EP3.19---RAWF-2017-Licence---Appendix-C.pdf>

At its meeting of May 31, 2018, the Board approved a five-year (5) rental agreement with Royal Agricultural Winter Fair for the 2018-2022 Royal Fair under the terms and conditions of the standard licence agreement which was subsequently approved by City Council at its meeting of June 26, 27, 28, and 29, 2018.

At the same meeting, the Board approved an initial five-year (5) lease agreement term with Royal Agricultural Winter Fair, commencing from January 1, 2018, and ending on December 31, 2022, with an option right to the Royal Fair of a renewal/extension of five (5) years for use of office space in the Coliseum Building provided that the Royal Fair has entered into a licence agreement with the Board to continue operating the Fair during the extended term.

And further, City Council directed that the City's support for the Royal Agricultural Winter Fair grant, currently \$969,110, be paid to Exhibition Place, starting in 2019 and for future years, for specific application as a subsidy to the Board of Governors of Exhibition Place towards the market rent costs for the licenced space used for the annual Fair.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX35.41>

COMMENTS

The Royal Agricultural Winter Fair is a not-for-profit organization that produces one of the City's most prestigious heritage events each November at Exhibition Place and has done so for nearly a century. The nature of the event which celebrates and educates the public about agriculture, including horse shows and livestock displays, and farm practices, poses many financial and logistical challenges, especially given its location in Toronto's growing urban core. RAWF is both a major attraction and an important cultural institution. For these reasons, the City and Exhibition Place have provided annual operating subsidies over the history of the fair. The proposed agreement recognizes these financial pressures by maintaining the level of the existing grant / discounts in 2023 with a gradual reduction over the term.

Combined, in 2023, the City / Board will be providing an overall grant / discount of \$1,684,030 which represents an 86.1% reduction to the Board / Council approved 2023 rental rates for the Enercare Centre space used by the RAWF and a final 2023 net rental rate and payment by the RAWF of \$272,768 which includes the additional space in 2023 for use of Bandshell Park and Lot 859.

Enercare Centre Building Rent and Discounts / Grants

The value of the licenced space based on the move-in, event, and move-out dates used by the RAWF in 2022 and proposed for 2023, as set out in Appendix B is calculated as follows:

- Based on Board / Council approved 2022 rates for the Enercare Centre, the actual rent to be charged to third parties for this space and dates is \$1,956,798.
- A Board discount of 34% was then applied resulting in a reduction to the RAWF licence rent by \$663,380 for 2022.
- As a result, the proposed 2023-2027 total rental rate increase for the RAWF for the Enercare Centre is \$181,448 (\$2,138,246 - \$1,956,798) which is a 9.3% increase over the five-year term or an average of 1.86% annual increase paid by the RAWF.

- The City has maintained its grant level for 2022 at \$969,110, in effect reducing the required payment by the RAWF, after application of the grant, of the net rent for all move-in, event, and move-out days to \$324,308.

If City Council considers directing the payment of the support to Exhibition Place in 2023 and future years, the Board will provide a budget line item for the RAWF grant currently in the amount of \$969,110; to be received from the City, which will be applied to reduce the RAWF's occupancy rent for each year. The City did not provide the Royal grant in 2020 and 2021 of \$969,110 as the Fair was cancelled due to the Covid-19 pandemic. By the end of the term in 2027, the overall discount/subsidy will drop from 86.1% (\$1,684,030) to 83.9% (\$1,794,188). However, the actual dollar value of the subsidization increases due to annual inflation on the rental rates.

A summary of the history of this annual request from the RAWF is as follows:

- The last year the City / Board grant / discount equalled the RAWF rent was in 2007.
- In 2008 the Board approved rental rate increased by 6.7% and the City grant was the same as in 2007, and at that point the RAWF rent exceeded the grant by \$62,884. While the RAWF requested additional grants / discounts in 2007, none were approved.
- In 2009, the RAWF determined it wanted to expand its event and rent Hall D. This was an additional RAWF cost of \$60,000 for rent plus the service costs of programming this added hall. The Board increased assisted use of this additional space determined by the RAWF with a further rent discount in year 2009, and the City grant increased to \$920,700. However, overall the rent in 2009 exceeded the grant / discounts by \$104,294.

RAWF Requested Facility Preparation Days

As indicated on Appendix B, there are move-in, event, and move-out days in the Enercare Centre which are exclusively booked by the RAWF and for which the RAWF pays the rent detailed above.

However, like all major shows at Exhibition Place, there are "general contractor requested" facility preparation dates. These dates are provided only if available and at the discretion of Exhibition Place, to allow for general service contractors and venue contractors to do some preparation work in halls that are not occupied. The facility preparation days are provided at no cost to the show; however, these dates are typically not confirmed until one month in advance of the licenced dates because once the halls are provided for facility preparation, the Board loses the opportunity to market these halls exclusively to other third parties.

As a Board concession to the RAWF in 2018 to 2022, and now included as part of the multi-year terms in Appendix A, Exhibition Place is proposing it would confirm the availability of the RAWF requested facility preparation dates (as outlined in Appendix B) by June 1, 2022, for the Class B halls and by August 1, 2022, for the rest of the space. This is 3 months in advance of the RAWF first paid move-in dates. If all the facility preparation dates requested by the RAWF are used (see Appendix B) then this would represent a benefit / discount of \$1,910,804 in 2022 although this has not been the

experience in previous years and may not happen in 2022 because Exhibition Place continues to try and market these spaces to third parties at market rates.

Coca Cola Coliseum

The former 1922 Coliseum Arena was completely renovated by the City at a cost of \$38.0M in November 2003 to become the Ricoh Coliseum now the Coca Cola Coliseum. This renovation changed the 1922 building into a Class A multi-use arena with approximately 8,200 seats (plus suites). Special design features of the arena were included in the renovation to accommodate the show ring required by the RAWF. The City loan for this renovation continues to be outstanding and paid by the Board / City.

The Coliseum has always been a tenanted facility with the long-term lease being with BPC Coliseum Inc. (a company of OMERS) and an existing sublease from BPC Coliseum Inc. to Maple Leaf Sports & Entertainment Inc. (MLSE). While the sublease agreement with MLSE provides a right for the RAWF to utilize the leased premises, the rental rates and licence agreement is directly between the RAWF and the Subtenant, although in accordance with the MLSE Sublease, annual increases in rentals rates to the RAWF are limited to Toronto CPI.

Office Lease

The RAWF has been operating in the office space located on the second level of the Coliseum Building of approximately 18,620 sq. ft., which is comprised of office space (11,813 sq. ft.); Agricultural Hall of Fame Offices (1,382 sq. ft.); Presidents Room (2,523 sq. ft.); Tanbark Room (1,046 sq. ft.); and Bird Room (1,856 sq. ft.). In addition, the RAWF has also been using 37,377 square feet of storage areas in the Horse Palace, Upper East Annex (Hall F), and under the Gardiner.

The RAWF has an option right to a renewal/extension of five (5) years for use of the office space in the Coliseum Building provided that the Royal Fair has entered into a licence agreement with the Exhibition Place Board to continue operating the Fair.

RAWF Financial Information

Attached as Appendix C to this report provides certain historical financial information related to the RAWF.

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SIGNATURE

Don Boyle
Chief Executive Officer

ATTACHMENTS

Appendix A - Terms and Conditions of 2023-2027 Licence Agreement
Appendix B - Exclusive Licenced Move-in, Event, and Move-out dates & Requested
Facility Preparation Days by RAWF
Appendix C - Historical Financial Information (RAWF - Summary of Net Profit (Loss),
Investment Funds, City Grant, Board Discounts, Rent and Services)