

EXHIBITION PLACE

July 23, 2011

ACTION REQUIRED

To: The Board of Governors of Exhibition Place

From: Dianne Young
Chief Executive Officer

Subject: **Food Building Rental Agreements for
CNEA Exhibitors – 2012 to 2015**

Summary:

This report recommends approval of Rental Agreements for CNEA Exhibitors in the Food Building for the 2012, 2012, 2013 and 2014 CNE's.

The conclusion of the 2011 CNE will mark the end of current three-year agreements with Food Building Exhibitors. The CNEA is proposing to include a four-year agreement option to renew, at the beginning of the 2012 CNE cycle. CNEA staff will be working with their exhibitors to continue to encourage energy conservation and waste diversion. The attached rate structure (Appendix "A") coupled with a four-year agreement from the CNEA strikes a balance in maintaining a vital CNE tradition while recognizing ongoing cost facts and the mix of exhibitors in the building.

Recommendation:

It is recommended that the Board authorize the CNEA to enter into four-year agreements with the Food Building Exhibitors to be located in the Food Building for the 2012, 2013, 2014 and 2015 CNE's generally on the same terms and conditions as the previous licence agreement and any other terms and conditions required by the CNEA GM and the City Solicitor.

Financial Impact:

Based on the existing mix of food vendors, the attached Appendix "A" indicates the increase in revenues to the CNEA over a four-year period.

Decision History:

At its meeting of July 18, 2008, the Board of Governors approved CNEA rental rates and three-year agreements with Food Building Concessionaires which expire following the 2011 CNE.

Pursuant to CNEA By-Laws any agreement in excess of one year must be approved by the Board of Governors of Exhibition Place.

At its meeting of May 25, 2011, the CNEA Board of Directors approved the 2012 CNEA Operating Budget which included annual 2% increases for a four-year agreement term for Food Building Exhibitors. On page 5 of the CNEA Management Report dated July 2011 and included as Item #5 on this agenda, the CNEA indicates that "The conclusion of the 2011 fair marks the end of a three-year agreement with Food Licensee's in the Food Building. We are proposing to enter into a 4-year agreement option to renew, at the beginning of the 2012 cycle. The Food Building Licensee Fees Schedule will be based on the approved 2% incremental annual rate increase until the end of the 2015 Canadian National Exhibition". This report was received for information by the CNEA Board at its meeting of July 21, 2011.

Issue Background:

The conclusion of the 2011 CNE will mark the end of current three-year agreements with Food Building Exhibitors. The CNEA is proposing to include a four-year agreement option to renew, at the beginning of the 2012 CNE cycle.

Comments:

The CNE Food Building is a unique attraction that no other fair in North America has been successful in duplicating. Research indicates that over 40% of visitors to the Food Building indicated that if it was not at the CNE they would be less likely to attend the fair. The Food Building is one of the motivating factors for CNE visitors when deciding whether or not to attend the fair – with over 80% of CNE customers visiting the building each year.

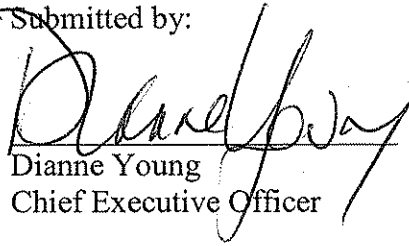
Unlike other buildings where exhibit space is rented at the CNE, the 80 Food Building exhibitors are required to make significant capital investments in their booths. The 7 new exhibitors for 2011 have spent approximately \$100,000 in capital costs, and annual renovations and updates continue to cost all exhibitors capital funds each year. These capital costs, combined with the high cost of food product, staff costs, environmental/energy conservation initiatives and increases in rental rates for the period of 2012 to 2015 all continue to make the Food Building an expensive venue to exhibit in. By providing these exhibitors with a four-year agreement, they are encouraged to invest in their booths. As well, Food Building Exhibitors may also enter into one-year agreements if they wish.

The CNEA reviews all rental rates annually and may impose larger rent increases if conditions warrant in future years. In such a case, Food Building Exhibitors who have not signed a four-year agreement may face larger rent increases. All rental agreements allow the CNEA to terminate an agreement for cause; including non-payment of rent or other breach contract or contractual rules and regulations. The standard licence agreement used by the CNEA for the Food Building Exhibitors were drafted in consultation with City Legal and have all necessary indemnities, insurance and liability clauses to protect both the CNEA and the Board.

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Submitted by:



Dianne Young
Chief Executive Officer

Appendix "A"
2012 Food Building Licensee Fees Schedule

The Food Building Licensee Fees Schedule will be based on the proposed 2% incremental rate increase annually at the end of the 2015 Canadian National Exhibition.

Location Description	2011* Actual Rate	2012* Rate (2%)	2013* Rate (2%)	2014* Rate (2%)	2015* Rate (2%)
'A' – no corner and no seating	\$ 3,935.00	\$ 4,013.70	\$ 4,093.97	\$ 4,175.85	\$ 4,259.37
'A' – Special A – no corner and no seating	\$ 3,066.00	\$ 3,127.32	\$ 3,189.87	\$ 3,253.67	\$ 3,318.74
'A' – Special B – no corner and no seating	\$ 3,944.00	\$ 4,022.88	\$ 4,103.32	\$ 4,185.39	\$ 4,269.10
'B' – No seating with corner	\$ 4,439.00	\$ 4,527.78	\$ 4,618.33	\$ 4,710.70	\$ 4,804.91
'C' – No corner with seating	\$ 4,439.00	\$ 4,527.78	\$ 4,618.33	\$ 4,710.70	\$ 4,804.91
'D' – Corner with seating	\$ 4,945.00	\$ 5,043.90	\$ 5,144.78	\$ 5,247.68	\$ 5,352.63
'E' – No corner only	\$ 3,441.00	\$ 3,509.82	\$ 3,580.02	\$ 3,651.62	\$ 3,724.65
'F' – Corner only	\$ 3,944.00	\$ 4,022.88	\$ 4,103.33	\$ 4,185.40	\$ 4,269.11
Kiosk D and Courtyard	\$ 4,564.00	\$ 4,655.28	\$ 4,748.39	\$ 4,843.36	\$ 4,940.23

* All rental rates are subject to a 13% HST along with a Food Products Association Fee of \$25.00, an Environmental Deposit Fee of \$200.00, and a C.A.F.E Levy Fee of \$10.00 per Licensee.