

The Board of Governors on July 10, 2009 approved the recommendations embodied in this report.

June 23, 2009

To: The Board of Governors of Exhibition Place
From: Dianne Young
CEO

ACTION REQUIRED

Subject: **Amendment to Lease with Toronto Centre for the Promotion of Fashion Design**

Purpose:

At its meeting of May 29, 2009, the Board had before it a recommendation to enter into a new lease with Toronto Centre for the Promotion of Fashion Design carrying on business as Toronto Fashion Incubator (TFI) for the Music Building commencing on June 15, 2009, on certain financial terms and conditions. Following approval of this report, TFI approached Exhibition Place staff seeking further concessions given the many negative market factors affecting them. This report seeks authority to amend the financial terms of the proposed three (3) year lease to reduce the rent for the two additional pods for a six-month period (rather than a 3-month period) in recognition of fixturing and marketing that TFI will have to undertake. All other terms and conditions as set out in the report before the Board at its meeting of May 21, 2009 will remain the same.

As indicated in the previous report, TFI has occupied one-third (Pod 3) of the Music Building over the last two years. TFI is a non-profit, small business centre dedicated to supporting new fashion entrepreneurs and providing an environment where new fashion entrepreneurs can learn the business of fashion through personalized consultations, networking activities, seminars and webcasts. The TFI has been in operation since 1987 and 48% of its funding is a grant from the City of Toronto. It is one of the most successful business centres of its kind and many cities have copied the model set in Toronto.

Unfortunately, given that funding of TFI is through three sources that have been severely impacted by the economic recession: a City of Toronto grant; general fundraising/fashion shows; and space rentals to new fashion designers.

Recommendations:

It is recommended that the Board amend the proposed lease to TFI to reduce the first year rent on Pods 1 and 2 as detailed in this report.

Financial Implications:

The previously proposed three-year lease of the Music Building to TFI would have resulted in rental income to the Board of approximately \$222,707 over the Term of the Lease. This further amendment would reduce this income by \$14,351.

Decision History:

At its meeting of July 13, 2007, the Board approved of the lease of one-third of the building to the TFI for a term of three (3) years, including an option to lease the remaining two-thirds of the building after the space is vacated by the Sustainable Condo display. This lease expires on August 31, 2010.

At its meeting in May 2009, the Board approved of terminating the existing lease with TFI for Pod 3 and enter into a new lease with TFI for the entire Music Building for a term of three (3) years commencing on June 15, 2009 on the same terms and conditions as the existing lease and the additional financial terms provided in the May 21st report

Issue:

As stated in the May 21st report, TFI is prepared to expend \$150,000 on leasehold improvements

in the Music Building which is in addition to the \$120,000 spent in 2007. While it has found subtenants for part of the space, the one potential sublessee proposed to rent all of Pod 1 has withdrawn its offer. In addition, the TFI funding sources have all been impacted by the present financial crisis - 48% from the City of Toronto and the remainder from space rentals to new fashion designers and general fundraising. For all these reasons, TFI has requested a longer rent-free period.

Comments:

Given the nature of this tenant which leads one of the City's economic initiatives and the financial circumstances existing at this time, Exhibition Place staff are recommending a reduced rent structure as follows:

Rent: Basic Rent shall be:

- June 15, 2009 to August 31, 2009 - \$5,150.00 for Pod 3 and a rent free period for the construction of leasehold improvements in Pods 1 and 2;
- September 1, 2009 to December 31, 2009 – \$6,866.68 for Pod 3 for the 4 month period (\$1,716.67 p/m) and a further rent free period for the construction of leasehold improvements and marketing of the improved space in Pods 1 and 2;
- January 1, 2010 to August 31, 2010 - \$63,654 p/a or \$5,304.50 p/month
- Rent for the year from September 1, 2010 to August 31, 2011 will increase by the lesser of three per cent (3%) or the increase in the Consumer Price Index for the GTA over the pervious year, and there will be a corresponding adjustment to the Rent for the stub year from September 1, 2011 to June 14, 2012.