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AGRICULTURAL WINTER FAIR

**DISCUSSION DOCUMENT REGARDING
EXHIBITION PLACE AGREEMENTS FOR 2016 AND BEYOND**

August 11, 2016

Presented to:

Councillor Mark Grimes, Chairman, The Board of Governors of Exhibition Place
Michael Williams, General Manager, Economic Development, City of Toronto
Councillor, Michael Layton, City of Toronto
Dianne Young, Chief Executive Officer, Exhibition Place
Hardat Persaud, Chief Financial Officer, Exhibition Place
Arlene Campbell, General Manager, Sales and Event Management, Exhibition Place

Presented by:

Andrew McKee, President & Chairman of The Board of Directors, The Royal Agricultural Winter Fair
Robert Flack, Vice President of The Board of Directors, The Royal Agricultural Winter Fair
Charlie Johnstone, Chief Executive Officer, The Royal Agricultural Winter Fair
Janet Scott, Director of Finance, The Royal Agricultural Winter Fair

Executive Summary

The Royal is a non-profit, charitable organization exhibiting the best in Canadian agriculture and equestrian sport at Exhibition Place since 1922.

The Royal is managed by a volunteer Board of Directors, a small dedicated staff and a large contingent of impassioned volunteers.

Since its inception, The Royal has been a significant contributor to the economic growth, social fabric and progressiveness of the city of Toronto. Historically, primary funding for The Royal was secured with strong support from the federal, provincial and municipal governments and private benefactors. Currently, the economic impact of The Royal is estimated at more than \$40M annually.

In 1997, the funding model whereby the city of Toronto grant to The Royal was consistent with the license fee charged by Exhibition Place shifted. Since this time the discrepancy between the grant from the city and the fee paid to Exhibition Place has varied from as little as \$1,000 in 2005 to as much as \$332,000 in 2015. During this same period, The Royal's ability to execute the Fair with a surplus has varied widely from a net operating surplus of \$771,000 in 2006 to a net operating loss of (\$880,000) in 2012.

Current Status

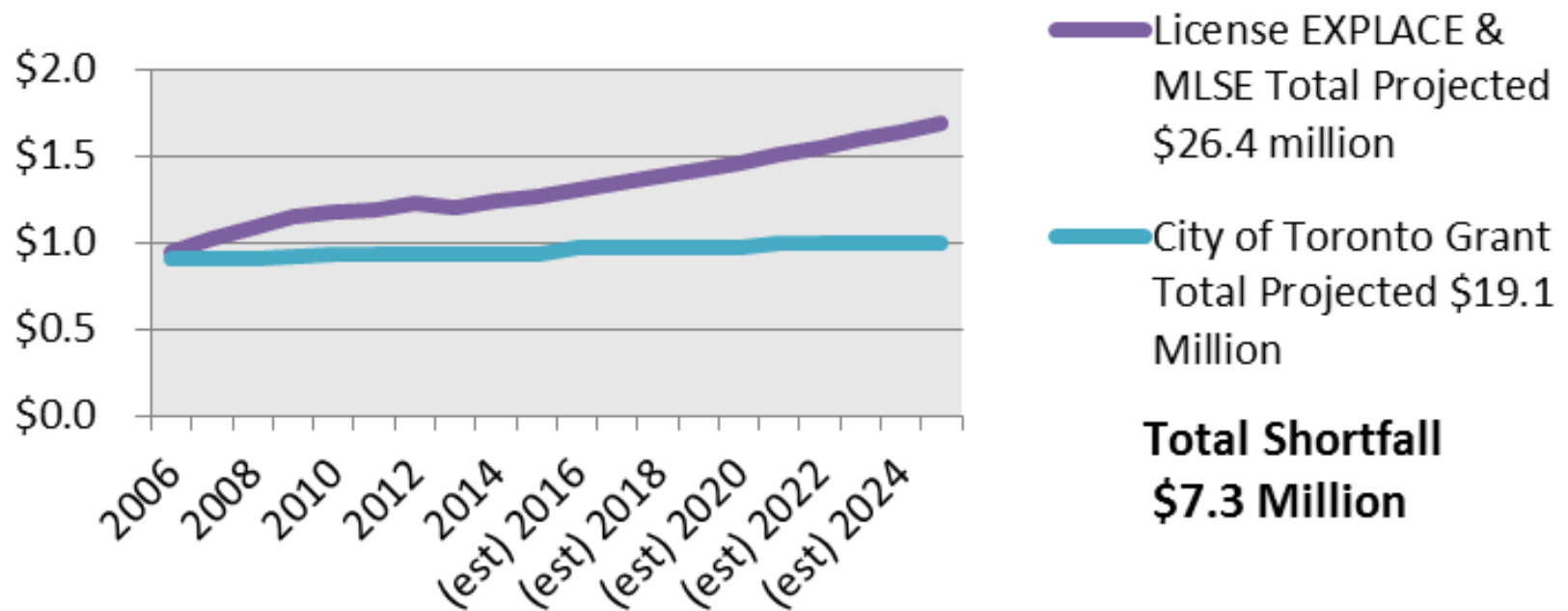
The recent developments on the site (e.g. Hotel X, BMO Field expansion, and BioSteel Centre), the increase in competing events (e.g. Toronto FC, Toronto Argonauts), and the expected continued development on the site all combine to have a material negative impact on the experience of attending The Royal. Additionally, we're experiencing a substantial reduction in the services provided by Exhibition Place (e.g. available parking and the outsourcing of electrical and mechanical services, and equipment availability). The combination of increasing development, competing events, along with a reduction of services poses a serious business challenge to The Royal when the proposed licensee fee continues to increase.

Our historical understanding is that the purpose of the grant from the city of Toronto was to cover the licence fee charged by Exhibition Place. This licence fee paid to Exhibition Place, including the indirect rent paid to MLSE for the Ricoh Coliseum, over the past ten (10) years has been in excess of \$11.5M, while the funding from the city of Toronto for the same period has only been \$9.3M. This shortfall in funding of \$2.2M has been provided from The Royal's operations.

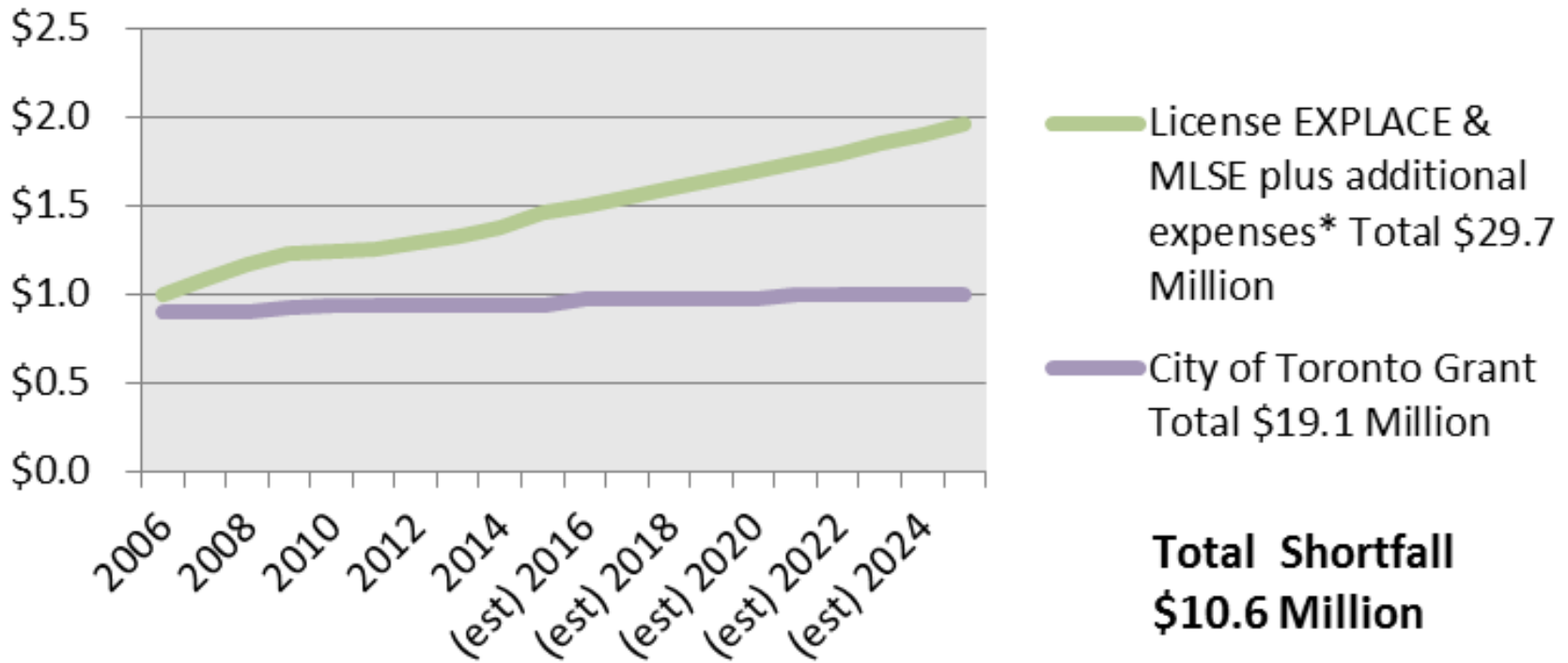
Based on ten (10) year historical data and the proposed fees moving forward, the shortfall in funding could increase to almost \$11,000,000 between now and 2025. The following graphs illustrate a projected shortfall of \$7.3 Million based solely on the gap between the grant from the city and the Ex Place/MLSE license fees (graph #1). When we add the additional expenses now incurred by The Royal that used to be provided within our licence agreements with Ex Place/MLSE the gap grows to \$10.6 Million (graph #2). Finally, as Ex Place has now outsourced several services to third party vendors, the gap is now projected to reach \$10.9 Million (graph #3) by 2025.

The Royal cannot continue to operate at Exhibition Place under these circumstances.

Historical plus Projected 10 year EXPLACE, MLSE License versus city of Toronto Grant \$Million's



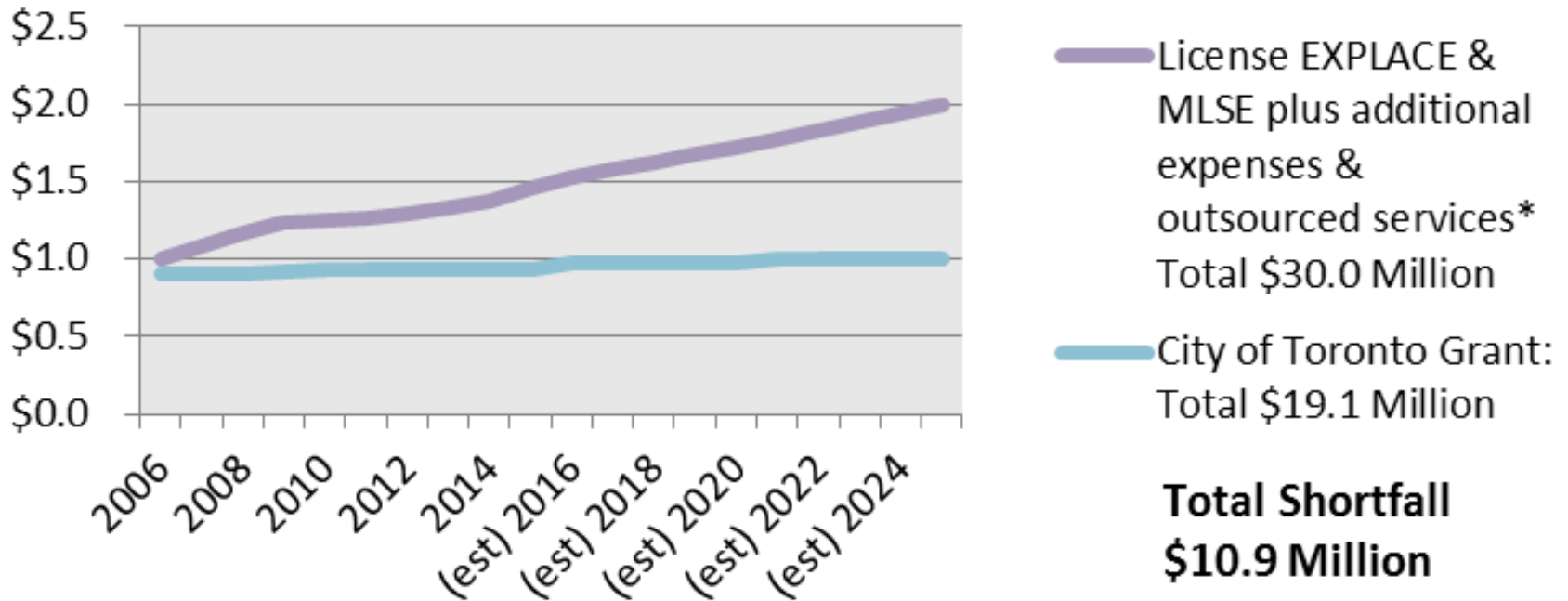
Historical plus Projected 10 Year-EXPLACE, MLSE License plus additional expenses* versus city of Toronto Grant \$Million's



*Additional expenses include Ontario Place Parking, Security, Parking Lot Rentals, Marshalls, Equipment Rental, Storage, and MSLE Conversion Costs.

Historical plus Projected 10 Year-EXPLACE, MLSE License plus additional expenses & outsourced services* versus city of Toronto Grant

\$Millions



*Additional expenses include Ontario Place Parking, Security, Parking Lot Rentals, Marshalls, Equipment Rental, Storage, and MSLE Conversion Costs. Outsourced services include electrical and plumbing (Showtech).

Goal

To develop a business model that provides The Royal with a reasonable amount of financial and operational stability regarding dates (including move-in and move-out), labour, and License fees to enable The Royal to develop a long-term strategy to continue to host this annual heritage event at Exhibition Place.

Proposal – The Fair

The following endeavours to provide a foundation upon which The Royal, city of Toronto and Exhibition Place can develop long-term growth plans from both strategic and financial perspectives.

For each year of a new license agreement the key points of this proposal are as follows:

License Fee

1) The fees paid by The Royal to Exhibition Place/MLSE are directly equal to the grant provided by the city of Toronto to The Royal.

Facilities

1) To be defined as the entire footprint currently occupied by The Royal including, but not limited to, the Enercare Centre (all halls, upper and lower annexes, salons, storage spaces, Fox room, and Galleria), The Horse Palace, The Coliseum, Industry Building, North Extension, and Heritage Court and any future development or expansion thereof . Additional year round facilities to include, but not limited to, the entire footprint currently occupied by The Royal for administrative offices, President’s Room, Canadian Room, Royal Ballroom, and storage space under the Gardiner Expressway.

2) It is further agreed that should The Royal decide, at its sole discretion, not to use any part of these facilities during the event dates, that Exhibition Place will not lease the space out to another client without written approval from The Royal, acting reasonably.

Operations

1) The Royal is guaranteed dates, including move-in and move-out, that enable The Royal to efficiently and effectively execute the Fair. A proposed schedule for 2016 is included in Appendix #1.

2) The Royal is guaranteed sufficient and qualified labour manpower from Exhibition Place to fulfill these timing requirements. If Exhibition Place is unable to fulfill this commitment The Royal retains the ability to outsource this manpower to a qualified third party vendor.

Term

1) The Royal proposes a twenty (20) year term with the option to renew for another twenty (20) years.

Proposal – Future Initiatives

Perhaps more than at any point in our recent history, food and agriculture are of critical importance and relevance in today's society. By our very nature, The Royal is in a unique position to develop a business strategy that has the potential to develop a year round presence focused on our core mandate to provide innovative curriculum-based educational programs.

Accordingly, the following endeavours to provide a foundation upon which The Royal, city of Toronto and Exhibition Place can develop long-term growth plans from both a strategic and financial perspective. In doing so, this proposal would facilitate a fundamental shift in the relationship between the organizations as we move from a tenant/landlord relationship to a business/partner relationship.

The Horse Palace, Sunnybrook Stables and Riverdale Farm

1) The Royal be provided the ability to develop a business proposal for the year round management and operations of The Horse Palace at Exhibition Place, Sunnybrook Stables in Sunnybrook Park and Riverdale Farm in Riverdale. Such proposal may include, but is not limited to a riding school(s), an education based working barn and farm, equine competitions, and urban agriculture initiatives.

The Coliseum

2) Should MLSE be released from or terminate their rights to the Coliseum at Exhibition Place, The Royal will be provided the first right to develop a business proposal for the year round management and operations of the Coliseum. Such proposal may include, but is not limited to a riding school(s), an education based working barn and farm, equine and agricultural competitions, and special events.

Revenue share

1) Exhibition Place and/or the city of Toronto would receive a mutually agreed upon percentage of all net operating surplus from these initiatives.

APPENDIX #1

2016 Proposed Move-In and Move-Out dates

2016 RAWF Move in / Move out						
Event Dates: Nov 4 - 13						
MOVE IN				MOVE OUT		
Hall Access Begins		Total Week Days		Hall Access Ends		Total Week Days
HALL A	Oct 24th	6:00 AM	9	Nov 16th	6:00 PM	3
HALL B	Oct 24th	6:00 AM	9	Nov 16th	6:00 PM	3
HALL C	Oct 24th	6:00 AM	9	Nov 16th	6:00 PM	3
HALL D	Oct 24th	6:00 AM	9	Nov 16th	6:00 PM	3
HALL E (LWA)	Oct 17th	6:00 AM	14	Nov 16th	6:00 PM	3
HALL F (LEA)	Oct 17th	6:00 AM	14	Nov 25th	6:00 PM	10
HALL G (IND)	Sept 26th	6:00 AM	27	Dec 2nd	6:00 PM	15
HALL H (N. Ext)	Sept 26th	6:00 AM	27	Dec 2nd	6:00 PM	15
Heritage Court	Oct 17th	6:00 AM	14	Nov 16th	6:00 PM	3
Horse Palace	Oct 24th	6:00 AM	9	Nov 25th	6:00 PM	10
F1, F2	Sept 6th	6:00 AM	40	Dec 2nd	6:00 PM	15
G6	Oct 11th	6:00 AM	18	Dec 2nd	6:00 PM	15
Salons	Oct 31st	6:00 AM	4	Nov 16th	6:00 PM	3