

August 31, 2016

To: The Board of Governors of Exhibition Place

**ACTION REQUIRED**

From: Dianne Young, Chief Executive Officer

Subject: **Licence Agreement for Royal Agricultural Winter Fair**

Summary:

This report recommends a one-year agreement with the Royal Agricultural Winter Fair ("RAWF") for production of the 2016 Royal Agricultural Winter Fair show held within the Enercare Centre for a building rent of \$1,154,368.88 to be paid to the Board which is a 2.4% increase over 2015's rent. City Council provides an annual grant to the RAWF of \$939,110 representing 81.3% of the proposed Exhibition Place building rent. In addition to the City grant, this report is recommending the Board provide discounts to the RAWF valued at approximately \$673,570.

The discounts / grants provided to the RAWF by the Board and the City recognizes the not-for-profit status of this event and also the historical / heritage nature of the event to Toronto and Exhibition Place as it has been continuously celebrating and promoting the importance of agriculture in Ontario and to the City of Toronto since 1922.

**Recommendations:**

**It is recommended that the Board:**

- 1. Approve a one year rental agreement with RAWF for the 2016 Royal Agricultural Winter Fair under the terms and conditions of the standard license agreement for the Enercare Centre and such other terms and conditions as satisfactory to the CEO and City Solicitor;**
- 2. Approve providing relief totalling approximately \$673,570 in the form of reduced rent and discounted services to the 2016 RAWF as detailed in the report and summarized as follows:**
  - a) A discount of 22.29% off the approved 2015 Board rental rates for the licenced dates of the 2016 RAWF**
  - b) Waive the increase in approved rental rates from 2015 to 2016**
  - c) Provide all Exhibition Place equipment at no cost**
  - d) Charge only Time & Materials plus a 12% mark-up on all Exhibition Place services ordered by the RAWF**
  - e) Provide a credit against specific Mechanical and Plumbing services**
  - f) Waive the Board's food and beverage rights along with beverage sponsorship rights within the Enercare Centre;**
- 3. Request that the Chair of the Board along with Exhibition Place staff work with the General Manager of Economic Development, City of Toronto to discuss the level of the City grant to the RAWF.**

Financial Impact:

A one-year agreement with RAWF secures the Royal Agricultural Winter Fair show within Enercare Centre, producing cumulative rental revenue of \$1,154,368.88, plus show services and parking for 2016. The 2016 Operating Budget is based on receiving this level of rent and services.

### Decision History:

The Exhibition Place 2014-2016 Strategic Plan has a Business Development Goal *to build on our strong base of recurring events to expand the scope and scale of business enterprises across the site, while maintaining our existing business* and as a Strategy to support this Goal *to achieve and grow our recurring events business revenue.*

At its meeting of March 2, 2007, the Board approved of entering into a six-year rental agreement with the RAWF providing relief to the RAWF in the form of discounted rent and services for the years 2007 to 2012.

At its meeting of September 6, 2013, the Board approved of entering into a three-year rental agreement with the RAWF providing relief to the RAWF in the form of discounted rent and services for the years 2013, 2014 and 2015.

[http://www.explace.on.ca/database/rte/files/Item%2024-RAWF\(2\).pdf](http://www.explace.on.ca/database/rte/files/Item%2024-RAWF(2).pdf)

### Issue Background:

Exhibition Place and the RAWF have been in negotiations for a Licence Agreement for the traditional dates of the RAWF event since March 16, 2016. The RAWF have requested relief continue for 2016; the effect of this will be that if the RAWF uses the same level of services as in 2015, then there will be significant benefits of approximately \$673,570 to the RAWF.

### Comments:

#### Exhibition Place Building Rent and Concessions / Discounts

In 2016, the RAWF have been offered their space at 2015 rates, a savings of \$32,980.85. The value of the licenced space (based on Board / Council approved 2015 rates) is \$1,485,483.05, and, as done in the past years, this rate is further discounted by 22.29%, a savings of \$331,114.17. As a result, the proposed 2016 rental rate for the RAWF for the Enercare Centre is \$1,154,368.88. This is a 2.4% increase over the 2015 rent paid by the RAWF. The approved 2016 Budget for Exhibition Place is based on this rent.

In addition to the exclusive use period under the Licence Agreement, it has been the past practice of Exhibition Place to facilitate the move-in and reduce the RAWF's labour costs by setting aside facility preparation days at no charge to the RAWF. The facility preparation days are subject to availability, as Exhibition Place staff work to maximize the use of the halls with other events, to generate revenue for the Board. However, the complimentary facility preparation days for the 2016 RAWF have a value of \$278,000 based on the Board's approved rental rates. Exhibition Place retains control of the Halls but always cooperates with the RAWF to allow it to move in early if there are no bookings immediately in advance of the RAWF event and will continue to implement this practice.

In addition to the reduced rent and "no charge" facility days (\$278,000), the following discounts / financial assistance is also provided to the RAWF in 2016:

- Food and beverage rights along with beverage sponsorship rights within the Enercare Centre for an estimated benefit value of \$142,000.
- Use of the Board equipment for no charge.
- If, at the sole determination of the RAWF, the RAWF orders services from Exhibition Place then those services will be charged at Time & Materials plus a 12% mark-up which based on previous years' experience is an estimated benefit of \$150,000.
- A credit of \$17,475 against specific Mechanical and Plumbing services.

Finally, Exhibition Place also provides the RAWF with extensive additional event coordination/ facility coordination time at no charge and space for the RAWF's head office at a nominal annual rent.

### Parking Issues

An additional concern of the RAWF is the impact competing events at BMO Field have on the available parking. With construction on BMO Field completed and the underground parking in the hotel expected to be open shortly, the parking capacity on the grounds will be increasing from 5721 parking spaces (2013) to 6455 parking spaces (2106/2017) which is a benefit to the RAWF. However, in 2016, with the Grey Cup and the Winter Centennial Classic occurring, MLSE has recently presented a proposal for the construction of bleachers south of BMO Field which will again impact the RAWF albeit to a lesser extent than what happened in 2015. Exhibition Place is working with the RAWF and MLSE to put in place a traffic management plan similar to the one used in 2015 which will be at the cost of Exhibition Place.

### City Grant

On August, 11, 2016, a meeting was held with Councillor Mark Grimes, Councillor Mike Layton, Andrew McKee, President & Chairman of the RAWF Board, Robert Flack, Vice President of the RAWF Board, Mike Williams, General Manager of Economic Development and staff representatives of Exhibition Place and the RAWF.

The request made at the meeting by the RAWF was for an increase in the City grant to be equal to the building rent at Exhibition Place. The approved 2016 City grant is \$939,110, a difference of \$215,258, or 81.3% of the proposed 2016 rent. The history of the building rent, Board service costs, City grant and RAWF net profit from 2002 to date is provided to the Board for its information in Appendix A. In 2007, the City grant was \$902,710, very close to the rent for the Enercare Centre which was \$903,079 (2007). However, in 2009, the RAWF expanded its show to use Hall D, with an increase rent at a discounted rate of \$60,000. With the level of the grant being unchanged except for annual City increases; the additional space rented by the RAWF; and CPI rent increases approved by the Board / City Council; the gap between the rent and the grant in 2016 is now \$215,528, or 18.7%.

At the conclusion of the meeting, Mr. Williams along with Councillor Grimes undertook to lead a further discussion / meetings to consider all issues raised by the RAWF on a go-forward basis and not on the basis of historical practices. All participants stressed the importance of this heritage event to the City and the Board.

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## Appendix A

Royal Agricultural Winter Fair  
Summary of Net Profit (Loss), City Grant, Funds, Board Rent and Services  
2002-2015

Year	Net Profit (Loss)	City Grant	RAWF Restricted Fund - Internal	Unrestricted Fund	Long Term Investments	Board Rent	Board Services
2015	89,287	939,110	2,500,000	935,248	6,374,783	1,127,121	743,402
2014	287,325	939,110	2,500,000	858,925	6,426,100	1,093,611	876,331
2013	(43,095)	939,110	2,500,000	566,403		1,062,604	814,000
2012	(730,447)	939,110	2,500,000	601,303		1,082,040	808,639
2011	143,942	939,110	2,500,000	1,366,459		1,051,715	838,991
2010	499,884	939,110	2,500,000	1,211,843		1,046,825	838,991
2009	484,341	920,700	2,500,000	722,428		1,024,994	757,988
2008	437,985	902,710	2,000,000	734,855		965,594	694,519
2007	710,915	902,710	2,000,000	301,536		903,079	685,595
2006	788,989	902,710	1,579,443	-	-	-	-
2005	400,000	884,710	787,364	-	-	-	-
2004	75,000	804,710	380,203	-	-	-	-
2003	75,548	654,710	286,662	-	-	-	-
2002	(260,471)	654,710	461,120	-	-	-	-
	<u>2,959,203</u>	<u>12,262,330</u>				<u>9,357,583</u>	<u>7,058,456</u>

Avg    \$    211,372                      To Dec. 31, 2015

Note: Restricted Fund is made up of \$1.0M for Working Capital + \$1.5M for Stabilization Fund