

May 4, 2016

To: Business Development Committee

**ACTION REQUIRED**

From: Dianne Young, Chief Executive Officer

Subject: **Renewal Lease for Tenancy in 285 Manitoba Drive**

**Summary:**

This report recommends that the Board enter into a three (3) year, six (6) month lease with Toronto Centre for the Promotion of Fashion Design carrying on business as Toronto Fashion Incubator (TFI) at 285 Manitoba Drive commencing on June 15, 2016 and expiring on December 14, 2019, substantially on the terms and conditions of the existing lease, except for the rent and the term. A summary of the key lease terms is set out in Appendix "A" and Confidential Attachment 1 for the information of the Board. The site location and floor plan are identified in Appendix "B" and the original confidential proposal received from TFI is attached as Appendix "C" as part of Confidential Attachment I.

**Recommendation:**

**It is recommended that the Board:**

- (1) Approve a lease with TFI for 285 Manitoba Drive commencing June 15, 2016, for a term of three (3) years and six (6) months on the terms set out in Appendix "A" which includes Basic Rent increases each year of the term; and,**
- (2) Direct that the confidential report contained in Attachment 1 to this report not be released publicly in order to protect the competitive position and future economic interests of the Board.**

**Financial Impact:**

Over the proposed term of the Lease, the Board will earn increased revenues of approximately \$0.250M and relieve the Board of the operating expenses for 285 Manitoba Drive.

**Decision History:**

As part of the 2014 to 2016 Strategic Plan, Exhibition had a goal to *seek additional revenue opportunities and as a strategy to seek new and/or expand revenues from tenants/naming partners / third parties / existing operations.*

At its meeting of November 4, 2011, the Board approved a four-year renewal lease with TFI that commenced on June 15, 2012 and expires on June 14, 2016.

<http://www.explace.on.ca/database/rte/files/TFI%20Lease.pdf>

**Issue Background:**

TFI is a non-profit small business centre which has been dedicated to supporting fashion entrepreneurs in Toronto since 1987. TFI has successfully operated within 285 Manitoba Drive since 2007 and attracts an estimated 8,000+ visitors annually to the venue. TFI has, through its tenancy at Exhibition Place, contributed approximately \$1.0M to Exhibition Place in rent, utilities,

property tax, maintenance and other related services, not including the parking revenue derived from its guests and visitors. City of Toronto Economic Development estimated that TFI contributed \$33.15M to Toronto's gross domestic product in 2007. TFI's tenancy has been very positive and certainly compatible with other operations and events on the grounds and both parties have negotiated a renewal of the lease.

Comments:

TFI is a non-profit small business centre dedicated to supporting fashion entrepreneurs and providing an environment where fashion entrepreneurs can learn the business of fashion through personalized mentorships, networking activities, seminars and events. TFI has been in operation since 1987 and 27% of its funding is provided by the City of Toronto through a grant. It is the world's first fashion incubator and one of the most successful business incubator centres of its kind and many cities have copied the model that originated in Toronto.

Exhibition Place initially entered into a lease agreement with TFI for only one POD of the building during a period when the other two PODS were leased to the Sustainable Condo display which was an environmental display constructed through a cooperative effort of the City of Toronto, CMHC, CNEA and Exhibition Place. When the Sustainable Condo display terminated its lease in 2009, TFI assumed a lease for the entire building.

Since its occupancy of the building, TFI has brought many interested parties to the grounds for seminars and other events related to the fashion industry. While its use of 285 Manitoba Drive is as a business office, this use has been very compatible with the other events on the grounds.

As noted in Appendix "B" attached, the Music Building has three PODS. POD 3 is the administration offices for TFI; POD 2 is used for its "residency program" which supports 10 emerging fashion entrepreneurs with exclusive work studios and an open work area with specialized apparel production equipment for their shared use. POD 1 has been occasionally used for various ancillary activities / demonstrations / meetings / training sessions that are organized by TFI for the Toronto fashion industry. Pursuant to its present proposal, TFI is looking to utilize more fully POD 1 in the future term for an Accelerator program focusing on subtenancies with four emerging designers whose businesses require larger space than the Residency program.

TFI's confidential submission in support of its ongoing tenancy is attached as Confidential Appendix "C". Staff have reviewed the proposal and met with TFI representatives (including the City of Toronto Economic Development & Culture advisors for Fashion/Apparel & Design and Entrepreneurship Services, both of whom are supportive of TFI's continued tenancy). Exhibition Place staff reviewed the proposal and negotiated certain changes which are reflected in the recommended terms and conditions in Appendix "A" and the Confidential Attachment.

In addition to the direct benefits of the lease, TFI has also indicated that they will look to enhance their partnership with Exhibition Place by hosting fashion events at Exhibition Place venues in the future including a 30<sup>th</sup> Anniversary gala in 2017. TFI will also recognize Exhibition Place as a TFI Partner with a sponsor logo and hotlink on TFI's website.

Contact:

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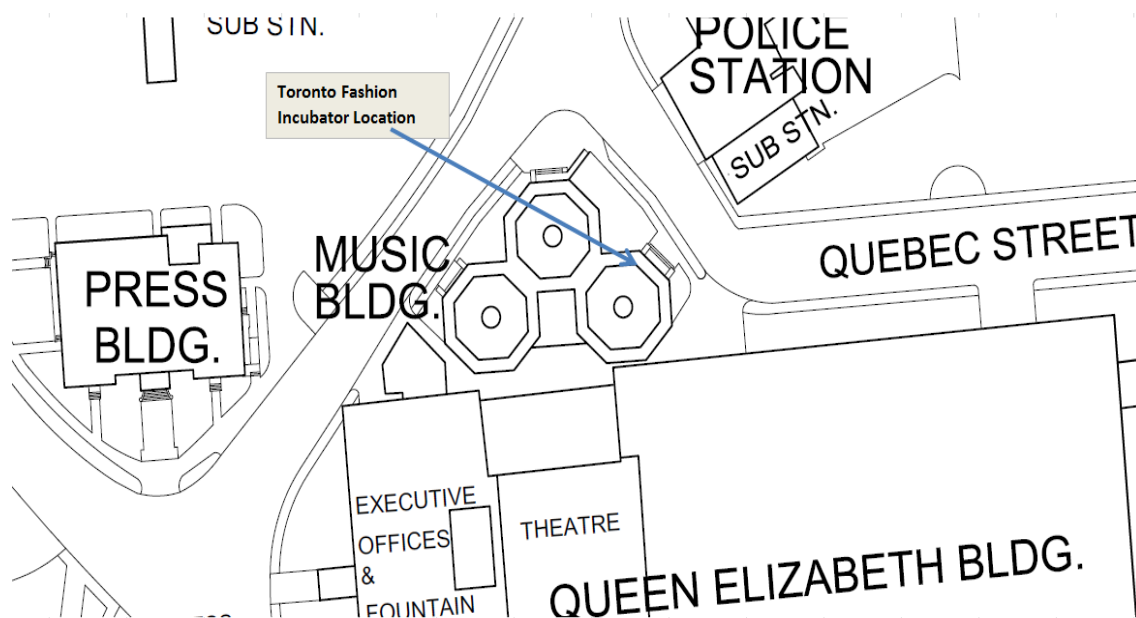
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Appendix "A"  
Letter of Intent

1. Leased Property: 285 Manitoba Drive made up of PODS 1, 2 and 3 (the "Building").
2. Use: A small business centre supporting fashion entrepreneurs including offices and design studios, production studio and library resource centre and as ancillary thereto, fashion shows, sales centre, showroom, events, presentations and seminars and the filming thereof, provided that the filming is related to the Tenant's primary business.
3. Term: Three (3) years and Six (6) months commencing on June 15, 2016 and terminating on December 14, 2019 subject to the right of the Tenant, at its sole discretion, to terminate its tenancy of POD 1 on or before December 14, 2016. If terminated, the Board has full right to lease or licence POD 1 to a third party.
4. Basic Rent: Basic Rent will be paid in equal monthly installments, in advance, as set out in the Confidential Attachment 1 to this report.
5. Additional Rent: The Lease is fully net to the Board. The Tenant pays all costs, charges, taxes, rates and levies associated with the Leased Property and its occupation of the Leased Property including, but not limited to, utilities, services, maintenance, waste removal and insurance. The Tenant will pay for all Building utility charges, maintenance and repair costs subject to paragraph 6 below.
6. Board's Repair Responsibilities: The Board will be responsible, at its sole expense, for the cost of all repairs to, maintenance of, and (when necessary) replacement of the foundations, structure, roof, heating and air-conditioning and base building systems of the Building in order that the Building is suitable for year-round use. The Board, at its sole expense, will maintain the grounds around the Building, including snow removal.
7. Tenant's Repair Responsibilities: The Tenant shall, at its sole cost, be responsible for maintaining and preserving the interior of the Leased Property and for effecting non-structural maintenance of the exterior of the Leased Property (for example, window cleaning and caulking and painting).
8. Capital/Leasehold Improvements: The Tenant shall, at its sole expense, perform all leasehold improvements, if any, required by it in the Leased Property. At the end of the Term, the Tenant may be required by the Board to remove at the Tenant's cost some or all leasehold improvements.
9. Insurance: The Board shall insure the Building at its sole cost. The Tenant shall take out and keep in full force and effect property and general liability insurance in an amount and in a form satisfactory to the City Risk Manager.
10. Closure of the Lands/Building: The Tenant acknowledges that from time to time during the Term, Exhibition Place may be totally closed to the public on a temporary basis and/or an admission fee may be charged to enter the Lands. At such times, (e.g. CNE, Honda Indy, Olympics, Pan Am Games, World Fair) special terms and conditions will apply access to the Leased Property and parking facilities by the Tenant and its patrons.
11. Restrictions/Conditions:
  - (a) All collective agreements between the Board and Labour/Trade unions must be recognized and complied with for all work at Exhibition Place;
  - (b) The Tenant acknowledges that the Board retains sole and exclusive claim to all sponsorship rights throughout Exhibition Place, including naming rights and signage, with the exception of signage to be located within the Leased Property.
  - (c) The Tenant shall not use the Leased Property for any other purpose than that specified in the Lease, nor for the following uses: a themed dinner theatre, trade and consumer shows and any activity related to trade and consumer shows, professional sporting events; banquet, corporate meetings, nightclub/concert venue and a casino.
12. Indemnification: The Tenant shall indemnify the Board and the City of Toronto against any and all claims and damages arising as a result of the Tenant's occupation and use of the Leased Property.

13. **Parking:** The Board retains all rights to all parking facilities and the revenues derived therefrom. The Board will provide ten (10) parking permits to Exhibition Place for use by the Tenant's staff throughout the Term, except during the Toronto Honda Indy and the CNE. The parking permits allow the permit holder a right in common with all other permit holders to park in the parking facilities at Exhibition Place, but do not provide a reserved spot or guarantee the availability of a space in a particular location or parking lot. The parking permits will not permit access to Exhibition Place parking facilities during the Toronto Honda Indy or the CNE.
14. **Assignment:** The Tenant is not permitted to assign the Lease without the prior written consent of the Board, which consent may be arbitrarily and unreasonably withheld. However, the Tenant has been granted certain rights to sublease and sublicense portions of the Leased Property. In particular, subletting is permitted provided that: (a) the subtenant is a member of the Tenant's organization; (b) the area to be sublet cannot exceed 2,781 sq. ft. of the Leased Property; and (c) the time period of any sublease must expire prior to the end of the existing Lease. The Tenant may also enter into short-term licenses (up to 5 business days in length) without the Landlord's prior consent for any uses or events, either within or outside the fashion industry, subject only to the following restrictions: (a) the licensee would not be an individual or company who would otherwise lease or license other space at Exhibition Place from the Landlord; (b) the uses would comply with the restrictions placed on new tenants within the grounds, such as prohibitions against a themed dinner theatre, trade and consumer shows and any activity related to trade and consumer shows (other than related to the Fashion Industry), professional sporting events; banquet, nightclub/concert venue and a casino; and (c) the uses would be for reasonable purposes similar to other businesses operating at Exhibition Place and would not constitute a nuisance.

Appendix "B"  
Site Location



285 Manitoba Drive Building Floor Plan

