



# Exhibition Place

14b

November 27, 2015

To: The Board of Governors of Exhibition Place

**ACTION REQUIRED**

From: Business Development Committee

Subject: **City of Toronto Lease – 275 Manitoba Drive – Supplementary Report**

## Summary:

This report provides additional information related to the building at 275 Manitoba Drive and the proposed lease to City PF&R.

## Recommendation:

**It is recommended that the Board approve of an additional term to the LOI attached as Appendix “A” to Report No. 14 which term is set out in this Supplementary Report and now included as part of Report No. 14.**

## Financial Impact:

There are no changes to the financial implications as set out in Report No. 2.

## Decision History:

As a part of the 2014 to 2016 Strategic Plan, Exhibition Place has 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 held on October 23, 2015, the Board adopted a motion deferring the City of Toronto Lease for 275 Manitoba Drive to the Business Development Committee for consideration with a report back to the Board.

At its meeting of November 27, 2015, the Business Development Committee reviewed subject report and recommend it for approval.

## Issue Background:

At its meeting of October 23, 2015, the Board raised questions on the benefit to Exhibition Place of leasing this building to City PF&R for nominal consideration without seeking interest from third parties for market-value rent.

## Comments:

As part of the 2014-2016 Strategic Plan there was a goal to seek new tenants for vacated properties on the grounds. The two properties that were vacated in 2013 and 2014 were the Police Building and the Queen Elizabeth Executive Offices. In accordance with the Strategic Plan, Exhibition Place started considering how to market these opportunities, first seeking advice from City Real Estate and also approaching real estate brokerage firms to market these opportunities. Neither direction was successful.

However, during this process, the Police Building which was vacated by the Toronto Police Service (TPS) on December 31, 2013, was again occupied on a short-term licence in the summer of 2014 and again in 2015 for the PanAm Games and TPS initially expressed interest in renewing its occupancy but has since decided not to proceed.

The building is one of three buildings that sit side by side and have all been occupied continuously for decades by City departments / agencies. 275 Manitoba is sited between the other two buildings that continue to be under long term leases with the Toronto Fire Services and Toronto Emergency Services and 275 Manitoba Drive is also physically joined by a common wall to the Toronto Fire Services fire hall.

The property is only 4,010 sq. ft. with 3,090 sq. ft. on the ground level and 920 sq. ft. on the second floor. It is not accessible and generally was built for use by TPS with an actual jail area on the ground floor. Built in 1912, it is listed by City Heritage Preservation Services as a heritage property and therefore, any renovations to the building will require additional approvals by City Preservation. Since the building had not been upgraded by TPS for many years and has basically been unoccupied for two years, it will require investment / renovations before it can be occupied.

An initial assessment by real estate brokerage firms was that the marketability of the building was very low for the following reasons:

- Size of the building;
- Condition of the building;
- Heritage listing;
- Location;
- Limitations on access. The building cannot be accessed at all during the 4 days of the Honda Indy because it is in the middle of the racetrack and vehicle access to the building is very limited during the CNE period because it is inside the CNE gates.

Accordingly, when City PF&R identified a need for a location to support its service activities for Wards 14, 18, 19 & 20 which wards include and surround Exhibition Place, Exhibition Place staff believed this was a good option / use for the building. Since the City of Toronto owns all the buildings on the grounds, leasing property to a department of the City without going to the market and for nominal rent would not be considered sole-sourcing or bonusing under the *City of Toronto Act*.

While the rent being recommended is nominal rent, there are several financial benefits to be derived from a lease with PF&R as follows:

- The lease will be in effect on January 1, 2016;
- PF&R intends to immediately undertake interior upgrades valued at \$30,000 at a minimum;
- From the commencement of the lease, PF&R will be responsible for all preventative maintenance costs which have averaged \$4,500 annually; and all utility costs which averaged \$10,000 annually;
- Given its intended use as offices, PF&R renovations will not impact the heritage elements of the building;
- PF&R will not be affected by the closure requirements of the building due to its location;
- All base building capital repairs / upgrades will be at the cost of PF&R; and,
- As indicated previously, PF&R provides all basic horticultural and turf services to Exhibition Place at no cost to the Board. PF&R is prepared to include a term in the Lease Agreement that would contractually commit the continued provision of this service to Exhibition Place for the duration of the Lease and will continue to provide staff / equipment solely to Exhibition

Place for the provision of these services and Exhibition Place will continue to provide space under the Gardner for storage and this dedicated equipment.

For the reasons noted in the Report No. 2 and in this supplementary report, Exhibition Place staff continue to recommend approval of a lease on the terms and conditions set out in the LOI attached as Appendix "A" to Report No. 2 along with the following additional term:

"The Tenant agrees to provide, at no cost to the Board, general horticulture and turf services for the Term of the Lease."

Contact:

Dianne Young, Chief Executive Officer

Tel: 416-263-3010

Fax: 416-263-3690

Email: [dyoung@explace.on.ca](mailto:dyoung@explace.on.ca)