

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**

Summary:

This report recommends a lease with the City of Toronto (City) for Parks Forestry & Recreation (PFR) use of the 275 Manitoba Drive for a 10-year term commencing January 1, 2016 on the terms and conditions outlined in this report. PF&R have maintained work trailer locations on Exhibition Place grounds for numerous years and continue to deliver all turf and horticulture maintenance at Exhibition Place.

Recommendations:

It is recommended that the Board, subject to the approval of City Council, approve of a lease with City of Toronto / PF&R for the use of 275 Manitoba Drive for a 10-year term, based on the terms and conditions outlined in this report, and any other terms that may be required by the Chief Executive Officer and City Solicitor.

Financial Impact:

As with other City operations located at Exhibition Place, the lease rent is nominal, however PFR must pay for the full cost of all services delivered to it by Exhibition Place staff which cost includes an administrative mark-up of 12% on the service cost and also all costs related to the maintenance and capital repairs for the building which is now a cost paid by the Board.

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.

Attached as Appendix B is the draft excerpt of the Board Minutes held October 23, 2015 related to this report.

At its meeting of November 27, 2015, the Business Development Committee reviewed subject report and Supplementary Report 14b and recommended both to the Board for approval on the basis of the following amendments to the terms and conditions submitted to the Board at its meeting of October 23, 2015:

- The Term shall be for only ten (10) years with no right of renewal but a right of the parties to negotiate a renewal in the last year of the Term subject to agreement of both parties.
- As indicated in the Supplementary Report 14b, a new condition should be added to the effect that the Tenant agrees to provide, at no cost to the Board, general horticulture and turf

services for the Term of the Lease and will continue to provide staff / equipment for the provision of these services at Exhibition Place provided that Exhibition Place continue to provide space under the Gardiner for storage of this dedicated equipment.

Issue Background:

The PFR have occupied semi-permanent offices within trailers located under the Gardiner Expressway at Exhibition Place and pursuant to this new lease, PFR will be in full occupation of the building at 275 Manitoba Drive year round. The existing office trailers are in a deteriorating condition and this new occupancy will allow PFR to consolidate staff currently reporting to Exhibition Place, Coronation Park and the Booth Yard and to relieve the Board of any maintenance and capital costs associated with this property.

Comments:

The property was occupied for many years by Toronto Police Services (TPS) as a community police station connected to 14 Division. However, it was vacated in 2013 by TPS with the construction and opening of the new expanded 14 Division headquarters. Since then the building has remained vacant except for a short period of occupancy by TPS in the summer of 2015 supporting the summer events including the Pan Am Games.

It is to the advantage of the Board to have regular activity in 275 Manitoba Drive as the building was built in 1912 and it is in need of ongoing maintenance and capital repairs that are now being paid by the Board. PFR will take on all costs associated with the building including all necessary capital costs and general day-to-day operating costs (including utilities) relieving Exhibition Place of this expense. Furthermore, since PFR provides all necessary grounds landscaping to Exhibition Place throughout the year, on-site occupation by PFR is beneficial to the Board.

PFR Toronto and East York Parks District requires space to maintain and service spring / summer / fall operations in Wards 19 & 20 and winter operations in Wards 14, 18, 19 & 20. The current arrangements are not satisfactory to the PFR needs and they require more space to accommodate their obligations

Accordingly, staff recommends that the Board approve a lease with the City of Toronto on the terms and conditions outlined in the Letter of Intent in Appendix "A" attached and such other terms as directed by the Chief Executive Officer and City Legal Department.

Contact:

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Appendix "A"
Term Letter for Former Police Station - 275 Manitoba Drive

1. Premises: The premises are located at 275 Manitoba Drive, Toronto, Ontario being a former police station which consists of a main level (3,090) square feet and an upper level comprising of (920) square feet for a total rentable amount of space totally (4,010) square feet. The property is adjoined to another premises located at 90 Quebec Street which is occupied by Toronto Fire Prevention Services and collectively form the "Building" located on Exhibition Place lands (the "Premises").
2. Term: The Tenant shall lease the Premises from the Landlord for a term of ten (10) years provided in the last year of the Term, the Landlord will enter into negotiation with the Tenant for an extension of the Lease on terms and conditions to be negotiated and agreed to by the parties.
3. Commencement Date: The Term shall commence on January 1, 2016.
4. Rent: The Tenant shall pay to the Landlord, Basic Net Rent and Additional Rent, both as hereinafter defined:
 - (a) Basic Net Rent of \$1.00 for the Term; and
 - (b) Additional Rent: "Additional Rent" means:
 - (i) all costs of development and renovation/construction of the Premises to be paid by the Tenant to the appropriate and proper parties as contemplated in the Lease Agreement;
 - (ii) all taxes, rates, local improvement rates, duties or assessments which may be levied, rated, charged or assessed against the Premises or any parts thereof, whether real or personal property, by any authority having jurisdiction, and any taxes which may be imposed by such authority on the Board or the Tenant or anyone else with respect to the Premises;
 - (iii) all costs of utilities and supplies for the Premises, including electrical power and all costs of operation, maintenance, replacement and repair of the Premises except as otherwise provided in this Term Letter or in the Lease Agreement;
 - (iv) its proportionate share of costs incurred by the Landlord for expenses and charges incurred in and about the operation and management of the Building and the Premises, except for such costs, expenses and charges which are required to be paid by the Board pursuant to this Term Letter or the Lease Agreement. Without limiting the generality of the foregoing, the Tenant acknowledges that the Building has one fire suppression system which serves both the Premises and the adjoining unit at 90 Quebec Street, the costs of which will be allocated by the Landlord between the two units; and
 - (v) any and all sums of money or charges required to be paid by the Tenant under this Term Letter or the Lease Agreement (except for Annual Net Rent) whether or not designated as "Additional Rent" or whether or not payable to the Board or to any other person;
 - (vi) Additional Rent shall be payable in monthly installments, in advance, on the first (1st) day of each month of the Term without set off or deduction.
5. Harmonized Sales Tax: The Tenant shall pay to the Landlord any harmonized sales or other goods and services taxes imposed by any governmental authority on the Landlord or the Tenant, based in whole or in part on the Rent payable under the Lease.
6. Tenant's Work: The Tenant accepts the Premises in an "as is" condition and agrees that it shall be solely responsible for the cost of construction of any improvements required for the purposes of its use and occupation of the Premises. Without limiting the generality of the foregoing:
 - (i) The Landlord agrees to co-operate and provide assistance to the Tenant, if required, on any requisite governmental approvals including heritage approvals that may be required by the Tenant

7. **Tenant Alterations:** The Tenant's Work and all further alterations undertaken by the Tenant throughout the Term shall be subject to the Landlord's prior written approval of the Tenant's plans and specifications for such work, which shall not be unreasonably withheld, conditioned, or delayed; and to the terms and conditions of the Lease contemplated herein.
- The Tenant, at its sole cost and expense, may make such alterations and improvements as the Tenant deems necessary for the conduct of business in the Premises, provided that no alterations shall be made to the structural portions of the Premises or the mechanical, heating, air-conditioning, plumbing and electrical equipment or systems without the consent of the Landlord, which consent shall not be unreasonably withheld.
- Notwithstanding the above, throughout the Term the Tenant, at its sole expense, shall have the right to make Cosmetic Alterations, as hereinafter defined, without Landlord's prior written consent.
- "Cosmetic Alterations" are minor alterations and improvements that are cosmetic in nature, as the Tenant deems necessary for the conduct of its business in the Premises, provided that no alterations shall be made to the structural portions of the Premises or the mechanical, heating, air-conditioning, plumbing and electrical equipment or systems and are completed at a cost of less than fifty thousand dollars (\$50,000.00) in the aggregate of any such alteration or improvement.
8. **Repairs:** The Tenant shall maintain the Premises in a state of good repair, reasonable wear and tear, and damage by fire, lightning, tempest or other casualty accepted.
9. **Compliance With Collective Agreements At Exhibition Place:**
- (a) The Tenant shall conform with and abide by all covenants and agreements in force and in effect from time to time between the Landlord or the City and any union or association and shall, without restricting the generality of the foregoing:
- (i) obtain any clearance required by any union or trade organization having any jurisdiction over any of work to be done by the Tenant in Exhibition Place; and
 - (ii) endeavour not to prejudice any relationship between the Landlord or the City and any union or trade organization.
 - (iii) The Landlord shall provide such reasonable information as the Tenant may from time to time require to fulfil its obligation herein.
- (b) Without diminishing its obligation under subsection (a) above, the Tenant acknowledges its awareness of collective agreements between the Landlord, and:
- (i) Labourers' International Union of North America, Local 506 (Operations);
 - (ii) The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local Union
 - (iii) The International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators of the United States and Canada, Local #58, Toronto;
 - (iv) The Ontario Provincial Council, United Brotherhood of Carpenters and Joiners of America (O.P.C.), Local Union 27;
 - (v) Canadian Union of Public Employees, Local 2840;
 - (vi) International Brotherhood of Electrical Workers, Local Union 353; and
 - (vii) International Brotherhood of Painters and Allied Trades District Council 46.
10. **Signs:** Any sign, lettering or design in the Premises that is visible from the exterior of the Premises shall be subject to approval by the Landlord and shall conform to the uniform pattern of identification signs for tenants as prescribed by the Landlord.
11. **Use of Premises:** The Premises may be used for the purpose of administrative offices provided that nothing contained in this offer shall obligate the Tenant to conduct any business in or on the Premises or to otherwise occupy the Premises. If the Tenant proposes to use the Premises for other purposes, it shall not do so without consulting with and obtaining the prior approval of the Landlord. In no event will the Tenant be permitted to carry on any of the Prohibited Uses described in Section 13 below.
- The Tenant acknowledges that the Landlord has adopted an Environmental Policy and Green Standard (the "Environmental Policy") in respect of operations at Exhibition Place, a copy of which is attached hereto. The Tenant agrees to comply with the provisions of

- the Environmental Policy in its Tenant's Work and its operations at the Premises, except to the extent that such provisions contravene applicable heritage guidelines for the restoration or use of the Premises, in which case the Tenant shall not be bound by the Environmental Policy but shall use reasonable efforts to comply with it to the extent possible.
12. Prohibited Uses: The use of the Premises by the Tenant shall be subject to all existing contractual obligations of the Landlord respecting the use of the Lands, including rights granted with respect to the BMO Field, Arts, Crafts and Hobbies Building ("Medieval Times Dinner Tournament"), Coliseum Arena (Ricoh Coliseum), renovated Automotive Building (Conference Centre), Ontario Government Building (Liberty Grand Entertainment Complex) and Horticulture Building (Muzik Clubs), and, in addition to the restrictions set out elsewhere in this letter, the Premises shall not be used for any of the following purposes:
 - i. a themed dinner theatre;
 - ii. trade and consumer shows and any activities (including the provision of food and beverages) related to trade and consumer shows;
 - iii. conferences, weddings or social events or receptions;
 - iv. professional sports events;
 - v. formal sit-down banquets;
 - vi. a casino; and
 - vii. a permanent indoor live performance venue/nightclub providing live and recorded musical entertainment for standing room crowd capacities of greater than 500 persons but less than 2,999 persons
 13. Parking: The landlord will continue to offer (3) three year round parking passes for full time staff along with (15) fifteen seasonal passes on an as needed basis for seasonal staff. A public parking lot is located across the street from the premises and parking is not always guaranteed. Exhibition Place retains the rights to all parking revenues.
 14. Assignment: The Tenant shall not assign this offer and any lease executed pursuant to this offer or to sublet all or any part of the Premises at any time.
 15. Restoration of Premises: At the end of the Term, or any extension thereof, the Tenant shall not be required to remove any leasehold improvements or restore the Premises.
 16. Heritage Asset: The Tenant acknowledges that by By-Law No. 443-85 the Building has been designated by the Council of the City under authority of the *Ontario Heritage Act*, R.S.O. 1990, c. O.18 as being of architectural and historic value or interest. The Tenant shall comply with any and all requirements under the *Ontario Heritage Act* and other applicable legislation and/or any by-law or regulation pursuant to such act or legislation with regard to those matters which are its responsibility with respect to the Premises, and to ensure that all renovations, repairs, and any and all other work undertaken by the Tenant on, at or upon the Premises are in full compliance with the *Ontario Heritage Act*.
 17. Closure of Lands
 - (a) 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 Exhibition Place. At such times, special provision will be made by the Landlord to facilitate access to the Premises by the Tenant. If access to the Premises is prevented for any length of time due to reasons of "force majeure" or any other reason not within the control of the Landlord, there shall be no abatement or reduction of Basic Rent, Additional Rent, or any compensation for loss of business or claim of any kind. By way of example only, among the types of events which give rise to such closures on a short term basis are the CHIN Picnic and Toronto Caribbean Carnival celebrations.
 - (b) The Tenant acknowledges that the Landlord shall have the right, for the purposes of the annual CNE, to close the grounds of Exhibition Place, and to interfere with, interrupt or prevent access to the Premises commencing with the pre-CNE move-in period approximately one (1) week prior to the opening day of the CNE and including the move-out/tear down period after the end of the CNE. During the CNE, the Landlord will facilitate

- access to the Premises by Tenant's staff for essential business operations only. Any other access or operation of the Premises will be subject to the prior consent of the Association and the following conditions:
- (i) the Tenant shall not be permitted to park any vehicle adjacent to the Premises; and
 - (ii) No loading or unloading associated with the Premises shall be permitted between the hours of 10 a.m. and 11 p.m.
- (c) The Tenant acknowledges that the Landlord shall have the right, during the annual Honda Indy weekend (from Wednesday through to and including Sunday with a possible Monday "rain-day"), to close the grounds of Exhibition Place, and to interfere with, interrupt or prevent access to the Premises except in cases of emergency within the Premises. In addition, the Tenant acknowledges that in the nine (9) to twelve (12) weeks in advance of the actual race weekend, the typical Grand Prix layout is being constructed around the Premises.
 - (d) The Tenant acknowledges that, during or in connection with any future Olympics, Pan Am Games or World's Fair or other event of comparable significance, the Landlord shall have the right to close the grounds of Exhibition Place, and to interfere with, interrupt or prevent access to the Premises. During such events, the Landlord will facilitate access to the Premises by Tenant's staff for essential business operations only.
 - (e) The Landlord will give the Tenant notice in writing not less than six (6) months prior to any proposed closing for the purposes set out in subsection (d) above.
 - (f) If access to the Premises is prevented for any length of time due to any reason under subsection (a), (b) or (c), there shall be no abatement or reduction in Basic Rent, Additional Rent or Participation Rent, nor shall the Tenant receive any compensation for loss of business or claim of any kind.
18. CNE: The Tenant agrees to work with the Canadian National Exhibition Association (the "Association") on a cooperative basis to incorporate its Use into the operation of the annual CNE each year during the Term. The Tenant acknowledges that it shall have no claim against the Board or the Association with respect to the disruption of its occupation, use and enjoyment of the Leased Property as a result of impacts from the operation of the CNE.
 19. Standard Agreement Terms: The Tenant acknowledges and agrees that the Lease Agreement shall contain the following terms:
 - (a) The Tenant will ensure that all agents, operators, and contractors of the Tenant maintain adequate security and insurance;
 - (b) The Tenant shall be responsible, at its sole expense, for obtaining any and all government approvals required for the operation of the concept, and the construction of any required structures and improvements, including the issuance of any required permits;
 - (c) All plans for construction shall be subject to the prior approval of the Board;
 - (d) The Board at its sole expense will maintain the grounds around the Premises including snow removal to a service level provided throughout the grounds of Exhibition Place;
 - (e) The Tenant agrees to provide, at no cost to the Board, general horticulture and turf services for the Term of the Lease and will continue to provide staff / equipment for the provision of these services at Exhibition Place provided that Exhibition Place continue to provide space under the Gardiner for storage of this dedicated equipment.
 - (f) Such other commercial terms as may be required by the CEO and the City Solicitor.
 20. Time of the Essence: Time shall be of the essence of this offer.
 21. Documentation: The lease shall be prepared by the Landlord and shall incorporate the terms of this proposal. Notwithstanding any terms and conditions contained or not contained in this proposal, all documentation shall be in a form and content satisfactory to the City Solicitor. The lease shall not contain any relocation or demolition clauses.

22. Administration and Management: The Director of Real Estate Services (the "DRE") and/or the Chief Corporate Officer (the "CCO"), their successor or designate shall administer and manage the Lease on behalf of the Tenant, including the provision of any consents, approvals, waivers, notices and notices of termination provided that the DRE or CCO may, at any time, refer consideration of such matter (including their content) to City Council for its determination and direction.

Draft Excerpt of Board Minutes held October 23, 2015

CITY OF TORONTO LEASE – 275 MANITOBA DRIVE

Connie Dejak noted that she is not in agreement with providing the City Parks Forestry & Recreation with a ten-year lease and the options noted to further extend this lease, and that this proposed lease needs to be considered by the Business Development Committee.

Dianne Young explained that when City staff is looking for available space at its agencies, this is the process followed for these types of leases and the negotiation of same.

Giorgio Mammoliti noted that the Board should not approve a new tenant lease until the Strategic Plan for 2017 to 2020 is developed.

Dianne Young noted that the development of the lease in question was part of the 2014 to 2016 Strategic Plan.

On a question from Justin Di Ciano with respect to this building being placed on the market, Dianne Young responded that a real estate agent did assess the building and reported that it was a small building and would require renovations given the jail cells would need to be removed and other areas of the building would require renovations.

On motion duly made by Connie Dejak, seconded and **CARRIED**, it was **RESOLVED** that Report No. 11 dated October 5, 2015 from the Chief Executive Officer with respect to the City of Toronto Lease for 275 Manitoba Drive, be **DEFERRED** to the Business Development Committee for consideration.

Mike Layton reminded the Board that it should be working with City staff given we are an agency of the City.

Giorgio Mammoliti noted that City Parks Forestry & Recreation are known for negotiating these types of leases.