

June 25, 2009

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To: The Board of Governors of Exhibition Place

From: Dianne Young
Chief Executive Officer

ACTION REQUIRED

Subject: **Rental Rates for 2010 to 2015**

Summary:

This report recommends rental rates for all facilities within the Exhibition Place grounds for the period of 2010 to 2015. The 2010 rates for exhibit space is a change (2% increase) from the one recommended and adopted by the Board in 2008 (3% increase) as it is responding to the rates now released by other competitive venues and the anticipated cost increases. The rates for the new Allstream Centre have been developed based on industry rates in Toronto and the GTA and consultation with the Board's exclusive caterer for the venue, and Tourism Toronto.

Recommendations:

It is recommended that the Board approve:

- 1. A market adjustment for meetings, conventions and exhibitions in all facilities across the grounds, excluding the Allstream Centre to:**
 - a) amend the 2010 rental rates to reduce them from the 3% increase as previously approved by the Board to a 2% increase;**
 - b) increase the rental rates by 3% for 2011;**
- 2. For meetings, conventions and exhibitions in all facilities across the grounds, including the Allstream Centre, increase rental rates in 2012, 2013, 2014 and 2015, as specifically outlined in Appendix "A" attached which varies depending on the facility; and**
- 3. Report back to the Board in 2011 as part of the 2012 marketing plan on the rental rates proposed in this report for 2012, 2013, 2014 and 2015.**

Financial Impact:

The rental rate increases set out in this report are proposed to offset a portion of the unavoidable operating cost increases, estimated to be \$350,000 in 2010. The 2010 rental rate increase will result in estimated increased revenues of \$200,000. Increases to show services pricing will result in increased revenue to cover the remaining operating cost.

Decision History:

At its meeting of May 2, 2008, the Board approved a rental rate schedule for 2009 and 2010 for meetings, conventions and exhibitions in all facilities across the grounds, including the Allstream Centre. Rental rates are adjusted on an annual basis in response to increases in operating costs and in keeping with the practice of competitive venues.

Issue Background:

This report reconsiders the rental rates for the exhibit space for 2010 and recommends proposed rental rates for 2011 to 2015. In addition to the proposed rental rates for the Direct Energy Centre and other exhibit buildings, the Sales Team is setting the rental rates for the Allstream Centre, as they are actively pursuing new convention and corporate meeting bookings for 2011 to 2015. The Association & Meetings Industry typically book events 2-10 years in advance, and require rental rate information to plan their budget. Pursuant to the Food Services Provider Letter of Intent for the Allstream Centre, Exhibition Place staff have met with Cerise Catering and reviewed and mutually agreed upon these rental rates.

Comments:

As the Board is aware, Toronto is one of the most competitive markets for trade and consumer shows, as we are competing with two other major local facilities for this business, the Metro Convention Centre and the International Centre. It is vital to the success of the Direct Energy Centre and Exhibition Place, that our rental rates and service rates be competitive, as clients will price each venue prior to signing contracts. It is our understanding that the 2010 rates for competitive venues range from 14.98 to 15.6 cents per square foot. In a discussion with venues from across Canada the direction is that rental rates in venues will increase in 2010 by only the increase in costs.

Due to the uncertainty in the economy over the last year it has been a challenging time for show producers especially related to the sale of space to exhibitors a main revenue source for the major shows. Trade shows have seen a consolidation of exhibitors as exhibitors choose to attend but take less space or order less services. While trade shows are one of the most effective marketing tools available to companies, the economic climate has resulted in certain companies not participating/exhibiting in shows as they look to reduce overall budgets. Consumer shows have also experienced a reduction in exhibitor participation, especially in certain industries such as the boating industry. All of our long-standing show producers have approached us and asked for some form of relief or assistance to make their shows viable.

Accordingly, staff recommend that the Board adjust the rental rates for 2010 for meetings, conventions and exhibitions, in all facilities across the grounds, excluding the Allstream Centre, by reducing the increase from 3 to 2% to allow the recovery of increases in our operating costs; and increase the rental rates by 3% for 2011 to 2015 for Direct Energy Centre, Queen Elizabeth Building, Better Living Centre and the grounds; and a 3% increase every other year for the Allstream Centre; all as illustrated in the table below.

Contact:

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Appendix "A"				
Exhibit Halls	2009 Rental Rates/Sq. Ft.	% Increase	2010 Rental Rates/Sq. Ft.	% Increase
Hall A	15.0 cents/sq. ft.	2%	15.3 cents/sq. ft.	2%
Hall B	15.0 cents/sq. ft.	2%	15.3 cents/sq. ft.	2%
Hall C	15.0 cents/sq. ft.	2%	15.3 cents/sq. ft.	2%
Hall D	15.0 cents/sq. ft.	2%	15.3 cents/sq. ft.	2%
Heritage Court	15.1 cents/sq. ft.	2%	15.4 cents/sq. ft.	2%
Hall E (West Annex) 1 st Floor	7.7 cents/sq. ft	2%	7.8 cents/sq. ft	2%
Hall E (West Annex) 2 nd Floor	3.8 cents/sq. ft.	2%	3.9 cents/sq. ft.	2%
Hall F (East Annex) 1 st floor	7.7 cents/sq. ft.	2%	7.8 cents/sq. ft.	2%
Hall F (East Annex) 2 nd floor	3.8 cents/sq. ft.	2%	3.9 cents/sq. ft.	2%
Hall G (Industry)	11.2 cents/sq. ft.	2%	11.4 cents/sq. ft.	2%
Hall H (North Extension)	11.2 cents/sq. ft.	2%	11.4 cents/sq. ft.	2%
Queen Elizabeth Exhibit Hall	11.2 cents/sq. ft.	2%	11.4 cents/sq. ft.	2%
Queen Elizabeth Theatre (matinee & evening)	\$2,703.00/day	2%	\$2,757.06/day	2%
Queen Elizabeth Theatre (matinee or evening)	\$2,142.00/day	2%	\$2,184.84/day	2%
Better Living Centre - Trade/Consumer Shows	10.7 cents/sq. ft.	2%	10.9 cents/sq. ft.	2%
Better Living Centre - Other Uses	10.2 cents/sq. ft.	2%	10.4 cents/sq. ft.	2%
Exhibition Place Grounds and Parking Lot Uses	2.0 cents/sq. ft.	2%	2.1 cents/sq. ft.	2%
Allstream Centre (MICE Rental Rates)	2009		2010	% Increase
Meeting Rooms - Over 2,000 sq. ft. Daily Rate (8am - 5pm)	- .50 cents/sq. ft	0%	- .50 cents/sq. ft	0%
24 Hour Hold Rate	-daily rate plus an increase of up to 40%		-daily rate plus an increase of up to 40%	
Meeting Rooms - Under 2,000 sq. ft. Daily Rate (8am - 5pm)	- .55 cents/sq. ft.	0%	- .55 cents/sq. ft.	0%
24 Hour Hold Rate	-daily rate plus an increase of up to 40%.		- daily rate plus an increase of up to 40%.	
Ballrooms Daily Rate (6 am-12 am)	- .55 cents/sq. ft.	0%	- .55 cents/sq. ft.	0%
Pre-Function Space Ballroom Space with Exhibits Daily Rate (6 am-12 am)	- .55 cents/sq. ft. - daily rate plus an increase of up to 40%	0%	- .55 cents/sq. ft. - daily rate plus an increase of up to 40%	0%

Exhibit Halls	2011 Rental Rates/Sq. Ft.	% Increase	2012 Rental Rates/Sq. Ft.	% Increase	2013 Rental Rates/Sq. Ft.	% Increase
Hall A	15.8 cents/sq. ft.	3%	16.3 cents/sq. ft.	3%	16.8 cents/sq. ft.	3%
Hall B	15.8 cents/sq. ft.	3%	16.3 cents/sq. ft.	3%	16.8 cents/sq. ft.	3%
Hall C	15.8 cents/sq. ft.	3%	16.3 cents/sq. ft.	3%	16.8 cents/sq. ft.	3%
Hall D	15.8 cents/sq. ft.	3%	16.3 cents/sq. ft.	3%	16.8 cents/sq. ft.	3%
Heritage Court	15.9 cents/sq. ft.	3%	16.3 cents/sq. ft.	3%	16.8 cents/sq. ft.	3%
Hall E (West Annex) 1 st Floor	8.0 cents/sq. ft.	3%	8.3 cents/sq. ft.	3%	8.5 cents/sq. ft.	3%
Hall E (West Annex) 2 nd Floor	4.0 cents/sq. ft.	3%	4.1 cents/sq. ft.	3%	4.3 cents/sq. ft.	3%
Hall F (East Annex) 1 st floor	8.0 cents/sq. ft.	3%	8.3 cents/sq. ft.	3%	8.5 cents/sq. ft.	3%
Hall F (East Annex) 2 nd floor	4.0 cents/sq. ft.	3%	4.1 cents/sq. ft.	3%	4.3 cents/sq. ft.	3%
Hall G (Industry)	11.8 cents/sq. ft.	3%	12.1 cents/sq. ft.	3%	12.5 cents/sq. ft.	3%
Hall H (North Extension)	11.8 cents/sq. ft.	3%	12.1 cents/sq. ft.	3%	12.5 cents/sq. ft.	3%
Queen Elizabeth Exhibit Hall	11.8 cents/sq. ft.	3%	12.1 cents/sq. ft.	3%	12.5 cents/sq. ft.	3%
Queen Elizabeth Theatre (matinee & evening)	\$2,839.77/day	3%	\$2,924.96/day	3%	\$3,012.71/day	3%
Queen Elizabeth Theatre (matinee or evening)	\$2,250.39/day	3%	\$2,317.90/day	3%	\$2,387.43/day	3%
Better Living Centre - Trade/Consumer Shows	11.3 cents/sq. ft.	3%	11.6 cents/sq. ft.	3%	11.9 cents/sq. ft.	3%
Better Living Centre - Other Uses	10.7 cents/sq. ft.		11.0 cents/sq. ft.		11.4 cents/sq. ft.	
Exhibition Place Grounds and Parking Lot Uses	2.1 cents/sq. ft.	3%	2.2 cents/sq. ft.	3%	2.3 cents/sq. ft.	3%
Allstream Centre (MICE Rental Rates)	2011		2012		2013	
Meeting Rooms - Over 2,000 sq. ft. Daily Rate (8am - 5pm) 24 Hour Hold Rate	-.52 cents/sq. ft. -daily rate plus an increase of up to 40%	3%	-.52 cents/sq. ft. -daily rate plus an increase of up to 40%	0%	-.54 cents/sq. ft. -daily rate plus an increase of up to 40%	3%
Meeting Rooms - Under 2,000 sq. ft. Daily Rate (8am - 5pm) 24 Hour Hold Rate	-.57 cents/sq. ft. - daily rate plus an increase of up to 40%.	3%	-.57 cents/sq. ft. - daily rate plus an increase of up to 40%.	0%	-.59 cents/sq. ft. - daily rate plus an increase of up to 40%.	3%
Ballrooms Daily Rate (6 am-12 am)	-.57 cents/sq. ft.	3%	-.57 cents/sq. ft.	0%	-.59 cents/sq. ft.	3%
Pre-Function Space Ballroom Space with Exhibits Daily Rate (6 am-12 am)	-.57 cents/sq. ft. - daily rate plus an increase of up to 40%	3%	-.57 cents/sq. ft. - daily rate plus an increase of up to 40%	0%	-.59 cents/sq. ft. - daily rate plus an increase of up to 40%	3%

Exhibit Halls	2014 Rental Rates/Sq. Ft.	% Increase	2015 Rental Rates/Sq. Ft.	% Increase
Hall A	17.3 cents/sq. ft.	3%	17.8 cents/sq. ft.	3%
Hall B	17.3 cents/sq. ft.	3%	17.8 cents/sq. ft.	3%
Hall C	17.3 cents/sq. ft.	3%	17.8 cents/sq. ft.	3%
Hall D	17.3 cents/sq. ft.	3%	17.8 cents/sq. ft.	3%
Heritage Court	17.3 cents/sq. ft.	3%	17.9 cents/sq. ft.	3%
Hall E (West Annex) 1 st Floor	8.8 cents/sq. ft.	3%	9.0 cents/sq. ft.	3%
Hall E (West Annex) 2 nd Floor	4.4 cents/sq. ft.	3%	4.5 cents/sq. ft.	3%
Hall F (East Annex) 1 st floor	8.8 cents/sq. ft.	3%	9.0 cents/sq. ft.	3%
Hall F (East Annex) 2 nd floor	4.4 cents/sq. ft.	3%	4.5 cents/sq. ft.	3%
Hall G (Industry)	12.9 cents/sq. ft.	3%	13.3 cents/sq. ft.	3%
Hall H (North Extension)	12.9 cents/sq. ft.	3%	13.3 cents/sq. ft.	3%
Queen Elizabeth Exhibit Hall	12.9 cents/sq. ft.	3%	13.3 cents/sq. ft.	3%
Queen Elizabeth Theatre (matinee & evening)	\$3,103.10/day	3%	\$3,196.19/day	3%
Queen Elizabeth Theatre (matinee or evening)	\$2,459.06/day	3%	\$2,532.83/day	3%
Better Living Centre - Trade/Consumer Shows	12.3 cents/sq. ft.	3%	12.7 cents/sq. ft.	3%
Better Living Centre - Other Uses	11.7 cents/sq. ft.		12.1 cents/sq. ft.	
Exhibition Place Grounds and Parking Lot Uses	2.3 cents/sq. ft.	3%	2.4 cents/sq. ft.	3%

Allstream Centre (MICE Rental Rates)	2014		2015	
Meeting Rooms - Over 2,000 sq. ft. Daily Rate (8am - 5pm) 24 Hour Hold Rate	- .54 cents/sq. ft. - daily rate plus an increase of up to 40%	0%	- .56 cents/sq. ft. - daily rate plus an increase of up to 40%	3%
Meeting Rooms - Under 2,000 sq. ft. Daily Rate (8am - 5pm) 24 Hour Hold Rate	- .59 cents/sq. ft. - daily rate plus an increase of up to 40%	0%	- .61 cents/sq. ft. - daily rate plus an increase of up to 40%	3%
Ballrooms Daily Rate (6 am-12 am)	- .59 cents/sq. ft.	0%	- .61 cents/sq. ft.	3%
Pre-Function Space Ballroom Space with Exhibits Daily Rate (6 am-12 am)	- .59 cents/sq. ft. - daily rate plus an increase of up to 40%	0%	- .61 cents/sq. ft. - daily rate plus an increase of up to 40%	3%

In accordance with our present practices and the practices of all competing hotel and banquet facilities, the following exceptions will apply:

- (1) Direct Energy Centre space – rent may be waived if a banquet event is exclusively Food & Beverage, and has revenue that exceeds three (3) times the daily rent.
- (2) Allstream Centre space - For gala and banquet bookings that require the Allstream Centre Ballroom, rent may be waived if the Food and Beverage Revenue exceeds 1.5 times the daily rent, as identified in clause 11(c) of the LOI with Exhibition Place and the Food Services Provider.
- (3) Halls F, G and the Queen Elizabeth Exhibit Hall and Better Living Centre will continue to offer a 25% reduction on move-in and move-out days only for any type of event rental.