

May 21, 2009

To: The Board of Governors of Exhibition Place

From: Dianne Young
CEO

Subject: **Lease with Toronto Centre for the Promotion of Fashion Design**

Purpose:

This report seeks authority to enter a new three (3) year lease with the Toronto Centre for the Promotion of Fashion Design carrying on business as Toronto Fashion Incubator (TFI) for the entire Music Building commencing on June 15, 2009, on the terms and conditions of the existing lease as set out in Appendix "A" for the information of the Board save and except for those additional terms specifically highlighted in this report and including the termination of the existing lease.

TFI has occupied one-third (Pod 3) of the Music Building over the last two years. TFI is a non-profit, small business centre dedicated to supporting new fashion entrepreneurs and providing an environment where new fashion entrepreneurs can learn the business of fashion through personalized consultations, networking activities, seminars and webcasts. The TFI has been in operation since 1987 and 48% of its funding is a grant from the City of Toronto. It is one of the most successful business centres of its kind and many cities have copied the model set in Toronto.

Our relationship with TFI over the last two years has been very positive. It has brought many interested parties to the grounds for seminars and other events related to the fashion industry. While its use of the Music Building is as a business office, this use has been very compatible with the other events on the grounds.

Recommendations:

It is recommended that the Board:

- 1. Terminate the existing lease with TFI for Pod 3 and enter into a new lease with TFI for the entire Music Building for a term of three (3) years commencing on June 15, 2009 on the same terms and conditions as the existing lease (as set out in Appendix "A") and the additional terms noted below in this report; and,**
- 2. Request Exhibition Place staff take all actions required with respect to both the proposed lease and use of the Music Building to give effect thereto.**

Financial Implications:

The three-year lease of the Music Building will result in rental income to the Board of approximately \$222,707 over the Term of the Lease.

Decision History:

At its meeting of July 13, 2007, the Board approved of the lease of one-third of the building to the TFI for a term of three (3) years, including an option to lease the remaining two-thirds of the building after the space is vacated by the Sustainable Condo display. This lease expires on August 31, 2010.

Issue:

The Sustainable Condo display will be leaving the grounds by June 5, 2009 and TFI has given notice that it intends to exercise its option to lease the entire space commencing on June 15, 2009. It already has marketed the premises and have at least nine (9) new designers committed to locating within this space. TFI proposes to invest at least \$150,000 to upgrade the space and has requested a term of three years as a reasonable period to have the benefit of the investment and in order to attract other designers to commit to relocation of their business to the Music Building. As stated above, the term of the existing lease is set to expire in August 2010, just 12 month after the completion of the proposed renovations.

Comments:

TFI is a non-profit, small business centre dedicated to supporting new fashion entrepreneurs and providing an environment where new fashion entrepreneurs can learn the business of fashion through personalized consultations, networking activities, seminars and webcasts. The TFI has been in operation since 1987 and 48% of its funding is a grant from the City of Toronto. It is one of the most successful business centres of its kind and many cities have copied the model set in Toronto.

TFI has successfully operated within one pod of the Music Building for two years. Their tenancy has been very positive and certainly compatible with other operations and events on the grounds. Prior to taking possession of the one pod, TFI undertook renovations costing approximately \$120,000 and now intends to commit a further \$150,000 to upgrades to the space. Over the past two years, the pod has been used for staff offices and two (2) small designer offices and with the additional space, TFI has been able to attract at least nine more designers to locate here and hopes this number will increase following renovations and prior to reopening the two renovated pods in September 2009.

The best approach is to have one lease that deals with the entire leased premises, so Exhibition Place staff are recommending that the existing lease with TFI for one pod within the Music Building be terminated and the parties enter into a new three-year lease commencing June 15, 2009, on the same terms and conditions of the existing lease which are set out in Appendix "A" (which is taken from the report which authorized and describes the terms of the existing lease) except for amendments as follows:

- a) Term: June 15, 2009 to June 14, 2012
- b) Parking: The Board will provide ten (10) parking permits to the Exhibition Place parking lots for use by the Tenant's staff throughout the Term, except during the Toronto Honda Indy and the CNE.
- c) Rent: Basic Rent shall be as follows:
 - June 15, 2009 to August 31, 2009 - \$5,150.00 for Pod 1 and rent abatement for Pods 2 and 3 during the renovation period which ends on August 31, 2009;

- September 1, 2009 to August 31, 2010 - \$63,654 p/a or \$5,304.50 p/month
- Rent for the year from September 1, 2010 to August 31, 2011 will increase by the lesser of three per cent (3%) or the increase in the Consumer Price Index for the GTA over the previous year, and there will be a corresponding adjustment to the Rent for the stub year from September 1, 2011 to June 14, 2012.

Contact:

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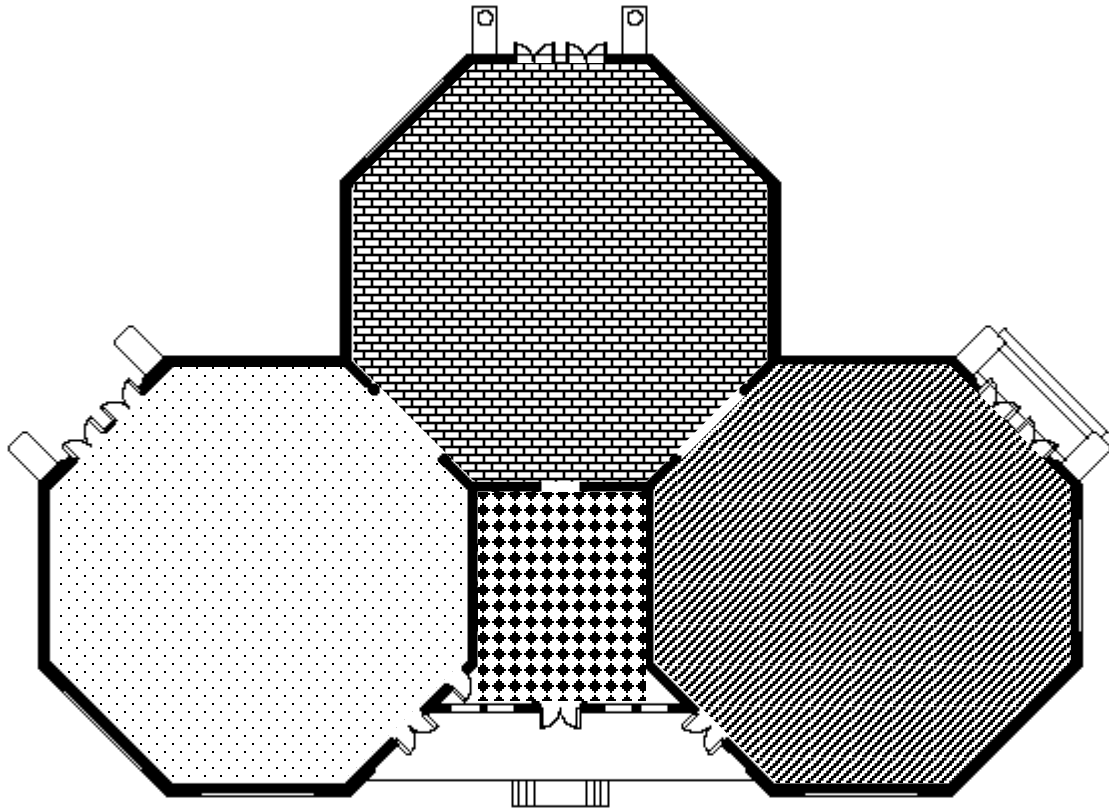
Submitted by:

Dianne Young
CEO

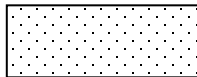
Appendix "A"

1. Leased Property: From the Commencement Date, the entire Music Building (the "Building").
2. Use: A small business centre supporting new 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: As set out in the report it will be for Three (3) years, commencing on June 15, 2009 and terminating on a date three years later.
4. Basic Rent: Basic Rent will be paid in equal monthly installments, in advance, as set out in the 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, 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 shall not be permitted to assign the Lease or its rights or interest under the Lease without the prior written consent of the Board, which may be arbitrarily and unreasonably withheld.
 - (c) 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.
 - (d) 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.

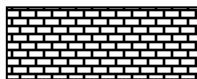
12. Indemnification: The Tenant shall indemnify the Board, the City of Toronto and the Canadian National Exhibition Association against any and all claims and damages arising as a result of the Tenant's occupation and use of the Leased Property.
13. Parking: The Board retains all rights to all parking 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.



MUSIC BUILDING - MAIN FLOOR



Pod 1 – Formerly Sustainable Condo



Pod 2 – Formerly Flexible Space used by both tenants



Pod 3 – Existing Toronto Fashion Incubator



Washrooms & Mechanical Rooms