

June 29, 2010

ACTION REQUIRED

To: The Board of Governors of Exhibition Place

From: Dianne Young, Chief Executive Officer

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

Summary:

This report seeks authority to amend the existing three (3) year lease with the Toronto Centre for the Promotion of Fashion Design carrying on business as Toronto Fashion Incubator (TFI) for the three pods of the Music Building (the "Lease") on the terms and conditions set out in this report.

TFI occupied one-third of the Music Building (Pod 3) for two years until that lease was terminated and the current Lease for all three pods was approved by the Board at its meeting of July 10, 2009. TFI is a non-profit small business centre which has been dedicated to supporting fashion entrepreneurs and providing an environment where fashion entrepreneurs can learn the business of fashion through personalized consultations, networking activities, seminars and webcasts. TFI has been in operation since 1987 and 48% of its funding is provided by the City of Toronto through a grant. It is one of the most successful business incubator centres of its kind and many cities have copied the model used in Toronto.

TFI expanded its operation into the entire building since last year but has only been able to make use of one of the three pods occasionally due to the effects of the economic downturn. The financial burden of supporting the Lease for the entire building has been difficult for TFI to manage. The current Lease allows TFI only to sublease up to 300 sq. ft. to any one subtenant, and only to fashion related subtenants. As a result, this report is seeking approval from the Board to allow TFI to sublease and/or license up to one entire pod (up to 2,781 sq ft) on certain terms and conditions, and to make some other minor changes to the Lease to reflect TFI's current business model.

Exhibition Place's relationship with TFI over the last three years has been very positive. TFI 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 approve of amending the existing Lease with TFI to allow TFI to sublease and/or license up to one entire pod (up to 2,781 sq ft) and to make other minor amendments to the Lease, all as noted in detail below in the report.

Financial Impact:

The three-year lease currently results in rental income to the Board of approximately \$222,707 and the amendment itself will have no negative or positive financial implications to the Board.

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 was vacated by the Sustainable Condo display. At its meeting of May 29, 2009, the Board approved a new Lease for the entire Music Building that commenced June 15, 2009 and expires on June 14, 2012.

Issue Background:

TFI has marketed the premises and proposed to have twelve (12) new designers locating within the building, however, due to the economic downturn only eight (8) designers have relocated, resulting in decreased revenues and increased cost to TFI of supporting the entire building. TFI is therefore seeking more liberal rights to sublease and license portions of the Leased Property in order to generate more revenue and are also proposing some minor changes to the wording of the Lease to reflect their current operations.

Comments:

TFI has successfully operated within one pod of the Music Building for two years and has occupied the entire building for one year. Their tenancy has been very positive and certainly compatible with other operations and events on the grounds. In order to allow TFI to continue to operate successfully, staff is recommending that the Lease with TFI be amended follows:

- (1) Section 5.1(1) – Use – Amend to delete the word "new" from the following phrase "The Tenant shall use the Leased Property solely for the purposes of a small business centre for the support of *new* fashion entrepreneurs";
- (2) Section 16.2(4) - the Assignment provisions relating to a Permitted Sublease as defined in the Lease be amended to: (a) describe the parties to which TFI can sublease as "*members* of the Tenant as such term is commonly used in the Tenant's business dealings" rather than "resident members"; (b) allow the Tenant to sublease up to 2,781 sq ft (as opposed to the current maximum allowable subletting of 300 sq ft) of the Leased Property for any time periods provided they expire prior to the end of the existing Lease; and (c) delete "a design studio" from the description of the uses permitted in a Permitted Sublease; and
- (3) add a new subparagraph 16.2(4)(g) to include the concept of a Permitted License, whereby the Tenant may 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: (i) the licensee would not be an individual or company who would otherwise lease or license other space at Exhibition Place from the Landlord; (ii) 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 (iii) the uses would be for reasonable purposes similar to other businesses operating at Exhibition Place and would not constitute a nuisance.

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