



Exhibition Place

Item No. 1

August 13, 2014

To: Board of Governors of Exhibition Place

ACTION REQUIRED

From: Dianne Young, Chief Executive Officer

Subject: **Development Site – Parking Lot 6**

Summary:

Since 2001, the Board has identified Parking Lot 6 as a potential development site for the grounds. The Toronto Waterfront report also identified this area for intensive development. While no actions had been taken to seek this development because of other directions initiated, the approved 2014 – 2016 Strategic Development Plan directed staff to develop a process for taking this development proposal to the public.

However, early in 2014, Maple Leaf Sports & Entertainment (MLSE) approached the City Manager's Office about the possibility of locating a Basketball Training Centre on the Exhibition Place grounds. This was not a new idea, as MLSE had explored this possibility a few years earlier although the project never proceeded.

As this matter had many facets – development of Exhibition Place grounds; lease of land for greater than 21 years; provision of community uses; and taxation issues related to municipal uses, a team was formed with City Finance, Parks, Legal and Exhibition Place to negotiate the terms and conditions of a Letter of Intent (LOI) with MLSE.

An information session was held on August 11, 2014 for community residents, Exhibition Place tenants and major event producers. Generally, all were supportive of having a Basketball Training Facility located at Exhibition Place, however some of the major issues raised at the meeting were as follows:

- Location of the facility and consideration of other areas on the grounds
- Loss of parking
- Loss of greenspace
- Design of the facility
- Traffic congestion and transportation issues to the site
- Community facilities (i.e. dog park)
- One attendee who suggested he represented the coordinator of the CNE Pee Wee Baseball Tournament requested a new baseball diamond be built south of BMO Field, although it was later confirmed by the General Manager of the CNEA that this was not the position of the CNEA

A representative from City Planning attended the meeting and all issues will be considered and addressed as part of the Site Plan Approval process which Exhibition Place and this development is subject to.

Recommendations:

It is recommended that the Board:

1. Request that City Council declare the Leased Lands surplus and approve the City and the Board of Governors of Exhibition Place entering into a lease agreement with Maple Leaf Sports & Entertainment Ltd. for use of the Leased Lands for the construction and operation of a basketball training facility, substantially on the terms and conditions of the Letter of Intent ("LOI") contained in Appendix "A" and on such other terms and conditions deemed appropriate by the Board's Chief Executive Officer, the City's Chief Financial Officer and the City Solicitor.
2. Request that City Council exempt the approximately 1.4 acre shown on the sketch attached as Appendix "B" (the "Leased Lands") from the notification requirements set out in Item MM52.17 adopted by City Council at its meeting held on June 10, 11, 12 and 13, 2014.
3. Support City Council authorizing and directing City staff to take all steps necessary with respect to the Leased Lands to comply with the City's real estate disposal process set out in Chapter 213 of the City of Toronto Municipal Code:
 - a) City Council pass a by-law pursuant to Section 252 of the City of Toronto Act, 2006, providing authority to: enter into a municipal capital facility agreement with Maple Leaf Sports & Entertainment Ltd. in respect of the portions of the high-performance basketball training centre ("Basketball Training Facility") within the Leased Lands that will be used as an eligible municipal capital facility for cultural, recreational and tourist purposes as a result of public use for the majority of the operating hours of the facility, when such portions can be determined ("the MCF Portion of the Facility");
 - b) exempt the MCF Portion of the Facility from property taxation for municipal and school purposes, which tax exemption is to be effective from the later of the following dates: the date the municipal capital facility agreement is signed, the date the tax exemption by-law is enacted, or the commencement date of the Lease with Maple Leaf Sports & Entertainment Ltd.; and
 - c) exempt the MCF Portion of the Facility from development charges if such charges would otherwise be exigible.
4. Support Council declaring the MCF Portion of the Facility to be for the purposes of the City and for public use.
5. Request City Council to authorize the City Clerk to give written notice of the By-law when enacted pursuant to the requirements of the City of Toronto Act, 2006.

Financial Impact:

See the report of the City Manager dated August 6, 2014 and entitled Proposed Basketball Training Centre at Exhibition Place.

Decision History:

The Exhibition Place 2014 – 2016 Strategic Plan had a Business Development Goal to *actively support the expansion and enhancement of entertainment facilities* and as a Strategy to support this Goal *we will explore opportunities for the private sector to locate a multi-use sports / entertainment / education / community facility on the site.*

Issue Background:

See the report of the City Manager dated August 6, 2014 and entitled Proposed Basketball Training Centre at Exhibition Place.

Comments:

See the report of the City Manager dated August 6, 2014 and entitled Proposed Basketball Training Centre at Exhibition Place.

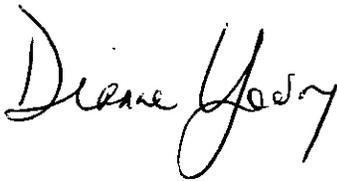
Contact

Dianne Young, Chief Executive Officer

Telephone: 416 263-3611

Fax: 416 263-3690

E-mail: dyoung@explace.on.ca



Dianne Young
Chief Executive Officer



**STAFF REPORT
ACTION REQUIRED**

Proposed Basketball Training Centre at Exhibition Place

Date:	August 6, 2014
To:	Executive Committee
From:	City Manager
Wards:	19
Reference Number:	P:\2014\Internal Services\Cf\Ec14025Cf (AFS #20143)

SUMMARY

This report seeks Council's approval for the long-term lease of a land parcel at the west end of the Exhibition Place grounds to Maple Leaf Sports & Entertainment Ltd. ("MLSE") for the construction and operation of a 68,000 sq. ft. high-performance basketball development and training centre and to declare the subject lands surplus to City requirements. This training centre will include two indoor basketball courts along with a range of ancillary areas.

MLSE has committed, as part of the proposed lease agreement, to making the majority of the daytime and evening basketball court time available for community use. The majority of the remaining time will be used for the training of the Toronto Raptor National Basketball League team. Parks staff have indicated that the availability of these basketball courts for community use will address a shortage of premium indoor basketball space in the south downtown.

Staff have also determined that the proposed level of community usage will make the portion of the centre that is open to the public eligible for a property tax and development charge exemption if the facility is designated as a Municipal Capital Facility. This report recommends that Council direct staff to enter into a Municipal Capital Facility agreement with MLSE for the proposed facility.

The proposed land lease will result in an annual rental payment of \$205,000, with periodic adjustments for inflation, to the Board of Governors of Exhibition Place. The financial terms for the proposed lease have been determined through an independent appraisal carried out for the City by Altus Group Limited and have also been reviewed by the City's Real Estate staff.

This report recommends approval of the attached Letter of Intent ("LOI") between the City, the Board of Governors of Exhibition Place and MLSE because the proposal will achieve the following City objectives:

- Extensive public access to a premium grade indoor basketball facility
- Substantial fiscal benefit to Exhibition Place as a result of the ground rent that will be paid by MLSE
- Consistent with the goals set out in the Exhibition Place 2014-2016 Strategic Plan.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council exempt the approximately 1.4 acre shown on the sketch attached as Appendix "B" (the "Leased Lands") from the notification requirements set out in Item MM52.17 adopted by City Council at its meeting held on June 10, 11, 12 and 13, 2014.
2. City Council declare the Leased Lands surplus and approve the City and the Board of Governors of Exhibition Place entering into a lease agreement with Maple Leaf Sports & Entertainment Ltd. for use of the Leased Lands for the construction and operation of a basketball training facility, substantially on the terms and conditions of the Letter of Intent ("LOI") contained in Appendix "A" and on such other terms and conditions deemed appropriate by the Board's Chief Executive Officer, the City's Chief Financial Officer and the City Solicitor.
3. City Council authorize and direct staff to take all steps necessary with respect to the Leased Lands to comply with the City's real estate disposal process set out in Chapter 213 of the City of Toronto Municipal Code.
4. City Council pass a by-law pursuant to Section 252 of the *City of Toronto Act, 2006*, providing authority to:
 - a. enter into a municipal capital facility agreement with Maple Leaf Sports & Entertainment Ltd. in respect of the portions of the high-performance basketball training centre ("Basketball Training Facility") within the Leased Lands that will be used as an eligible municipal capital facility for cultural, recreational and tourist purposes as a result of public use for the majority of the operating hours of the facility, when such portions can be determined ("the MCF Portion of the Facility");
 - b. exempt the MCF Portion of the Facility from property taxation for municipal and school purposes, which tax exemption is to be effective from the later of the following dates: the date the municipal capital facility agreement is signed, the date the tax exemption by-law is enacted, or the

commencement date of the Lease with Maple Leaf Sports & Entertainment Ltd.

- c. exempt the MCF Portion of the Facility from development charges if such charges would otherwise be exigible.
5. Council declare the MCF Portion of the Facility to be for the purposes of the City and for public use.
6. City Council authorize the City Clerk to give written notice of the By-law when enacted pursuant to the requirements of the *City of Toronto Act, 2006*.

Financial Impact

Rental Income for Exhibition Place

Under the terms of the Letter of Intent ("LOI"), the Board of Governors of Exhibition Place will, following completion of the proposed facility, receive an annual land rent of \$205,000 which will be adjusted once every 5 years in accordance with the Consumer Price Index. The total value of rental payments over the base 20-year term is estimated to be approximately \$4.4 million in nominal terms or \$2.6 million in present value terms. If MLSE elects to extend the term by 10 years, this estimated total amount will increase to approximately \$7.6 million in nominal terms or \$3.7 million in present value terms.

Capital Costs

In order to compensate for the reduction in parking inventory resulting from the proposed development, Exhibition Place has proposed that the underutilized baseball diamond located to the east of the proposed development site be converted into surface parking. It is estimated that this conversion will have a total construction cost of approximately \$1 million. This amount will be funded from the Exhibition Place capital budget as Exhibition Place will receive all of the parking revenues from the lot.

The capital cost to construct the basketball training facility is estimated to be \$30 million. This cost is to be entirely funded by MLSE. All other capital costs for the project, including any unanticipated capital, geotechnical or environmental remediation costs, will also be borne by MLSE.

Operating Costs

All operating costs for the facility will be borne by MLSE, including the portion that will be deemed a Municipal Capital Facility.

Property Tax Revenue and Development Charges

This report recommends that the portion of the proposed facility with public use during the majority of the time when the facility is open be designated as a Municipal Capital Facility and exempted from the payment of property taxes and development charges. This public use area will account for approximately 32% of the total facility floor area. Regular commercial property taxes will still be payable for the remaining portions, currently estimated to be 68% of the facility, which will be exclusively for the use of the Toronto Raptors.

Lease Termination Payment

The base term for the lease will be twenty years but MLSE has the option to extend the lease for two further terms of ten years each, provided however, that the City has the right to decline to proceed with the second renewal term. If MLSE exercises its second renewal option but the City determines for any reason that it does not want the lease to continue, or the parties cannot agree on the rent to be paid, acting reasonably, the City may elect to end the lease after thirty years but would be required to pay the sum of \$1.5 million to MLSE in 2044. No payment would be required if either:

- MLSE does not exercise the second renewal option or
- MLSE does exercise its second renewal option and the City allows the lease to continue

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting held on June 10, 11, 12 and 13, 2014, City Council adopted Item MM52.17 titled "Community Notification with Respect to the Declaration of City Land as Surplus and the Disposal of the Land". Adoption of this Item imposed new notification requirements that must be satisfied as part of the process of declaring land surplus, including the need to place signage on the designated land for a minimum period of 60 days prior to the commencement of the process of declaring the land surplus.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.MM52.17>

ISSUE BACKGROUND

Description and Current Use of Lands to be Leased

As shown in Schedule A of the attached Letter of Intent, the 1.4 acre site proposed to be leased to MLSE is located within a broader 7 acre area west of the Medieval Times building. This broader 7-acre area currently includes 5 acres used for surface parking that

serves nearby tenant premises and a 2-acre fenced baseball diamond that is used annually for the CNE Pee Wee Baseball Tournament and also for overflow CNE parking.

At present, the existing surface parking lot provides approximately 660 parking spaces. These spaces are actively used and the prime parking area for the tenants (Medieval Times, Liberty Grand, Muzik Clubs) whose long term leases require the provision of parking by Exhibition Place. This is also an important lot during peak days when Exhibition Place hosts some of North America's largest consumer shows such as the National Home Show, National Boat Show and the Royal Agricultural Winter Fair. It is also a significant lot for the Canadian National Exhibition; the largest one at the west end of the grounds.

The 2 acres which are presently used for the Pee Wee Baseball Tournament and temporary parking during the CNE period, has been a baseball diamond for many years. However, it is not a regulation size field and has no support facilities such as change rooms or washrooms. Following the expansion of the baseball fields in Coronation Park, the diamond at Exhibition Place has not been used by City Parks or by the community outside the CNE period. At one point there was an exploration of converting the area to a BMX track and at that time, the CNEA explored with City Parks the possibility of moving the Pee Wee Baseball Tournament into Coronation Park. While there were some issues with such a move, City Parks will explore this option for 2015 and future years.

Planning and Development Status of Site

The City Official Plan designates this area of the Exhibition Place grounds as a Regeneration Area. This designation permits a wide range of residential, commercial, institutional and even light industrial uses. Regeneration Areas are intended to reintegrate parts of the City "that are no longer in productive urban use due to shifts in the local or global economies".

Since 2001, this area has also been designated by the Board of Governors of Exhibition Place as a development site within the Exhibition Place Strategic Plan. The 2014 – 2016 Strategic Plan, approved by the Board of Governors in February 2014, directed Exhibition Place staff to seek proposals from the private sector for development of this site. The Board's position has specifically been to seek commercial or institutional uses, and not residential uses, for the site in order to avoid conflicts with other land uses on the Exhibition Place grounds.

In addition, the Board's agreements with existing tenants on the grounds preclude certain types of commercial uses that already exist, or will soon exist, on the grounds such as banquet halls, conference and trade show facilities, or a hotel.

This development, both the training facility and the proposed parking lot, are subject to the full Site Plan Approval process by City Planning.

Site Limitations

Within the broader 7 acre area, there are some limitations that would have had to be addressed in any development proposal which include:

- A major Hydro One high voltage line / easement traverses the site
- An area to the north of the site is reserved for the future LRT
- In its present roadway configuration the site would have difficulty servicing a development that would attract high volume of cars.

In addition, the parcel is situated in a heritage area of the grounds dominated by 2 storey buildings designated under the Ontario Heritage Act.

COMMENTS

City and Exhibition Place staff were approached by MLSE with a proposal to develop a site within Exhibition Place for use as a high performance basketball development and training centre. Negotiations that included staff from Exhibition Place, City Parks, Forestry and Recreation, and City Finance took place, which led to the proposed Letter of Intent attached as Appendix "A". The following discussion highlights some of the principal elements of the proposal.

Description of Proposed Basketball Development and Training Centre

Training Centre Building

MLSE has proposed to construct and operate a 68,000 sq. ft. high performance basketball development and training centre on a 1.4 acre portion of the broader 7 acre site described above. This 1.4 acre site is located in the south-east corner of the broader area in order to avoid conflicts with the Hydro One easement discussed above.

The proposal calls for two basketball courts, of which one will be primarily used by the Toronto Raptors and another will be primarily for community use. The majority of the building area (approximately 68% of the above-grade space) will be made up of administrative, change-room, specialized fitness, kitchen, storage, and video replay space that will be entirely reserved for use by the Toronto Raptors.

MLSE has indicated that the estimated total construction cost for the facility will be approximately \$30 million.

Parking Replacement

Exhibition Place staff have estimated that the construction of the proposed training centre will reduce the capacity of the existing parking lot by approximately 200 spaces.

However, in order to address this loss, Exhibition Place staff have proposed that the existing baseball diamond to the east of the proposed centre be converted to surface parking. This baseball diamond is not a regulation-size park, has no amenities and is only used by the CNE.

The proposed conversion would replace the lost spaces and actually increase the overall parking inventory by 50 spaces. As a result, there would be no negative impact on the parking needs of the tenants and shows, nor the parking revenues earned by Exhibition Place or the CNEA. It is estimated that the cost of converting the baseball diamond to surface parking will be approximately \$1 million. This cost would be funded from the Exhibition Place capital budget and funded from revenues earned from the parking lot combined with the MLSE rental revenue.

While the proposed parking lot removes greenspace, the LOI incorporates an obligation for MLSE to provide new community greenspace in the vicinity of the development. The potential location and extent of this greenspace will be considered during the City Site Plan process. However, Exhibition Place staff have indicated the possibility of converting the parking area north of Medieval Times to greenspace as it is near Dufferin Street and the existing community, and there are already washroom facilities located in that area.

Proposed Lease Arrangements

Responsibility for Costs and Facility Management

Under the terms of the proposed Letter of Intent, MLSE will be responsible for managing the construction and operation of the proposed facility. They will also be responsible for all capital and operating costs associated with the facility. This will include responsibility for any unanticipated capital, geotechnical or environmental remediation costs.

Term

The base term for the land lease will be 20 years. MLSE has the option to extend the lease term for two further terms of ten years each, provided however that the City has the right to decline to proceed with the second renewal option. If MLSE exercises its second renewal option but the City determines for any reason that it does not want the lease to continue, the City may elect to terminate the lease at the end of the first renewal term, but would require to pay the sum of \$1.5 million to MLSE in 2044. No payment would be required if either:

- MLSE does not exercise the second renewal option or
- MLSE does exercise its second renewal option and the City allows it to continue

Surplus Designation

This report seeks approval of an exemption to the new surplus land notification requirements imposed by City Council at its meeting in June, 2014, which require giving notice for a period of 60 days before a property is declared surplus, and including in such notice advice to local residents. The requirement also applies to leases over 21 years, such as the one being recommended in this report.

Giving such a notice would be misleading under the circumstances. Further, given the shortened Council meeting schedule this year, adhering to the requirement would delay the commencement of construction for several months making completion of the project in time for the 2016 all-star game impossible. Therefore, this report recommends that City Council exempt the subject lands from these notification requirements.

End of Term Requirements

At the end of the lease, the ownership of the building will revert to the City. Under the terms of the LOI, MLSE will be responsible for maintaining the building in good condition until the end of the lease.

Rent

MLSE will have an initial rent-free period during the facility construction period. This period will extend for the lesser of 2 years or until the time the facility is granted a partial occupancy permit.

After this initial period, MLSE will pay the Board of Exhibition Place an annual rent of \$205,000 per year with adjustments every five years that are equal to the increase in the Consumer Price Index.

The proposed rental amount is based on the results of an appraisal carried out by Altus Group Limited. This appraisal estimated that the site has a total value of approximately \$3.9 million and that an appropriate annual rental amount would be \$205,000 based on a capitalization rate of 5.25%. MLSE has agreed to pay the costs of the appraisal.

Altus developed its land value estimate based on a comparison of the subject site with other commercial properties in Toronto which have similar characteristics. City Real Estate staff have reviewed the appraisal and agree with its conclusions.

Conditions

The LOI is subject to several conditions which must be fulfilled on or before December 15, 2014, including: approval by City Council, the Board of Governors of Exhibition Place and the MLSE Board of Directors; satisfactory completion of the site plan approval process; MLSE making satisfactory arrangements with the CNEA for use of the lands without the two years' notice required under the current City and Board agreement with

the CNEA; MLSE receiving satisfactory assurances that it will not have to interrupt construction in 2015 during the Pan Am Games and the CNE; MLSE being satisfied with its due diligence investigations regarding environmental, geotechnical and hydrogeological conditions; the parties having agreed upon all material terms of the ground lease; MLSE being satisfied with the municipal capital facility designation; and the Leased Lands having been declared surplus.

Community Use

The LOI requires that MLSE ensure that that community use will account for the majority of the facility's typical opening hours. Community use has been defined in the LOI as use by non-professional recreational or competitive basketball and non-competitive badminton or volleyball users. This will include use through City of Toronto Parks and Recreation programs, the TDSB and TCDSB for select events, the MLSE Community Outreach Program, the Toronto Raptor Foundation; not-for-profit community sports/recreation associations, leagues, or clubs, high level teams and potentially for a youth basketball tournament during the CNE.

During the 6-7 week period from the end of the elementary public school year to the commencement of the CNE, the programming and use of one of the courts ("the Community Court") will be carried out exclusively by City Parks, Forestry and Recreation. The City will not be charged for the use of this court during this calendar period.

MLSE will be responsible for the scheduling of the remaining community use during the Toronto Raptor's playing season in order to prevent conflicts with the Raptor schedule. However, once the Raptor schedule is confirmed in September each year MLSE may turn over up to 10 % of time during for scheduling through the City Parks, Forestry & Recreation permitting system. These blocks will be offered to public at City of Toronto's Council approved permit rates for this type of facility. Parks, Forestry and Recreation will remit to MLSE the fees for the time actually permitted. There is no cost to the City for time that is not permitted by the community.

MLSE will prepare an annual report of community usage in order to demonstrate that the majority of the community usage requirement has been achieved. The City will have the ability to audit the usage records and request any necessary backup information.

Municipal Capital Facility Designation

The *City of Toronto Act*, 2006 provides for the opportunity to designate certain types of cultural, recreational and tourism facilities as Municipal Capital Facilities, and then exempt these facilities from property taxation and development charges. Such facilities must be owned by the City or a limited number of other prescribed public sector entities and City Council must declare by resolution that these facilities are for the purposes of the City and are for public use.

As a result of the high level of public access being proposed for this facility through the proposed community usage, staff are recommending in this report that the public access portion of the facility (both basketball courts together with ancillary public space) be designated as a Municipal Capital Facility and exempted from the payment of property taxes and development charges. The facility site is owned by the City and this report recommends that Council declare the public access portion of the Basketball Training Facility to be for the purposes of the City and for public use in light of the proposed community use of that portion of the facility.

Benefits of Proposed Lease

Community Use

The principal benefit to the City arising from the project will be the extensive availability of premium basketball court space for community use.

Currently, the City of Toronto has 78 indoor gymnasiums where basketball is played, in addition to 32 outdoor basketball courts. The time allocated to Parks, Forestry and Recreation at the new training centre will increase the available permits for basketball by 10% and increase the capacity of City instructional programs by 3%.

In addition to providing a general increase in basketball facility inventory offered through City Parks, Forestry and Recreation permitting and programs, this project will also result in a new opportunity for the community to take advantage of a particularly well-equipped and high-quality facility. The 29 existing City gyms in the South District are smaller class B and class C facilities which lack features such as scoreboards and designated change rooms. Therefore, the new state of the art MLSE facility, which incorporates the full range of Class A features, will close a gap in the south district and will significantly add capacity to Parks, Forestry and Recreation portfolio. Higher-level teams such as Canada Basketball and international-level teams will be particularly able to take advantage of this type of high-quality facility.

Other Benefits

The proposal will also result in the following benefits to the City and Exhibition Place:

- Generates \$205,000 in annual rental income for the Board of Governors of Exhibition Place
- Redevelops the site in a way that is:
 - compatible with the built forms and uses of the existing nearby buildings on the Exhibition Place grounds and
 - consistent with the objectives set out in the Exhibition Place 2014-2016 Strategic Plan

- Creates an interim use for the site while allowing for potential long-term changes in land use after 30 years when new infrastructure, such as the LRT, may allow for much more intensive use of the site
- Does not require any changes to the existing Hydro One easement.

CONTACT

Joe Farag, Director of Corporate Finance, Tel: 416-392-8108
Email: jfarag@toronto.ca

Janie Romoff, Acting General Manager, Parks, Forestry and Recreation
416-392-8182, Email: jromoff@toronto.ca

Dianne Young, Chief Executive Officer, Exhibition Place
416-263-3611, Email: dyoung@explace.on.ca

SIGNATURE

A handwritten signature in black ink, appearing to read 'J. Pennachetti', is written over a horizontal line.

Joseph P. Pennachetti
City Manager

ATTACHMENTS:

Appendix A - Proposed Letter of Intent from Maple Leaf Sports and Entertainment Ltd. to the Board of Governors of Exhibition Place and the City of Toronto

Appendix A

August ●, 2014

Delivered

The Board of Governors of Exhibition Place
Queen Elizabeth Building
Exhibition Place
Toronto, ON M6K 3C6

Attention: Dianne Young
Chief Executive Officer

City of Toronto
Toronto City Hall, 2nd Floor
100 Queen St. West
Toronto ON M5H 2N2

Attention: Mr. Joe Pennachetti
City Manager

Dear Sir and Madam:

Re: Proposal for New High Performance Basketball Development and Training Centre at Exhibition Place

This letter will constitute a Letter of Intent (“**LOI**”) in respect of a proposed ground lease to be granted by The Board of Governors of Exhibition Place (the “**Board**”) and the City of Toronto (the “**City**”) to Maple Leaf Sports & Entertainment Ltd. (“**MLSE**”) and ancillary agreements outlined herein in furtherance of the steps required to bring the proposed basketball training centre described below to fruition on the grounds of Exhibition Place.

1. Summary of Project: The proposal is for the development, management and operation of a new high performance basketball development and training centre (the “**Basketball Training Centre Project**”) on the Site (as that term is defined in Section 9 below) to act as the official training centre (the “**Basketball Training Centre**”) for the Toronto Raptors. The Basketball Training Centre will be designed to provide a National Basketball Association (“**NBA**”) level Basketball Training Centre for the Toronto Raptors and will consist of two (2) full size courts, weight room, therapy and areas for coaching, management and support staff with locker rooms, video replay viewing space, a full service kitchen and lunch room. It will include

storage space, press facilities and limited underground parking (for use only by Toronto Raptors staff and players and not available for any purpose to members of the public).

Both courts of the Basketball Training Centre will be made available by MLSE for other uses including community programming as set out in Schedule B attached hereto.

The building housing the Basketball Training Centre will be approximately 68,500 square feet in gross floor area. The Basketball Training Centre is intended to open in early 2016. MLSE estimates that the Basketball Training Centre Project will have an approximate budgeted construction cost of up to \$30 million.

2. **Pre-Conditions:**

Approvals. The parties acknowledge and agree that this LOI, when signed by the Board, City and MLSE will be subject to the receipt of approvals from the Board and City Council and the Board of MLSE.

3. **No Fettering of City:** Nothing in this LOI derogates from, interferes with, or fetters the exercise by the City, its officers, employees, agents, representatives or elected and appointed officials, of all of its rights and obligations as a municipality (whether discretionary or mandatory), or imposes any obligations on the City in its role as a municipality, and the City shall not be prevented from or prejudiced in carrying out its statutory rights and responsibilities, including its planning rights and responsibilities.

4. **Conditions**

(a) **Basketball Training Centre Project.** The following conditions relating to the Basketball Training Centre Project must be satisfied (and/or waived by the respective party having the benefit of the condition in whole or in part) prior to December 15, 2014, failing which each of MLSE and the City/Board, in each of their sole discretion, exercised reasonably, shall have the right to terminate the arrangements relating to the Basketball Training Centre Project. In such case, the terms outlined in this LOI would be of no force and effect and the parties would have no liability to each other with respect to such arrangements:

- (i) MLSE and the Board, each acting reasonably, shall be satisfied that it has obtained all the necessary planning approvals from the City, including but not limited to, site plan control on terms and conditions satisfactory to MLSE and the Board;
- (ii) MLSE will be able to continue construction of the facility in 2015 during the Pan Am Games and the CNE provided that in advance of these events it has completed construction of the temporary gravel parking as set out in Section 20 below;
- (iii) Based upon the investigations described in Section 7 below MLSE shall have been satisfied, acting reasonably, that the costs of any required environmental remediation to the Site, the removal of any existing sub-

surface structures determined necessary for the construction of the Basketball Training Centre Project, and the geotechnical and hydrogeological conditions of the Site will not adversely impact the delivery of the Basketball Training Centre Project within the construction budget;

- (iv) MLSE shall have complied with the terms of the agreement between the City, Board and the CNEA dated July 2, 2013 (the “**CNEA Agreement**”) with respect to construction disruption and the removal of lands or buildings from use by the CNEA, including negotiating a satisfactory arrangement in lieu of the provision of two years’ notice as required under the CNEA Agreement and any other compensation to which CNEA might be entitled in respect of material financial loss resulting from the removal of such lands from its use, which arrangement shall be at no cost to the City/Board, and the complete details of which shall be provided to and be acceptable to the City/Board, acting reasonably;
- (v) MLSE and the City/Board shall have agreed upon all material terms of the Ground Lease.
- (vi) MLSE shall be satisfied, acting reasonably, with the extent of the designation of the Basketball Training Centre as a municipal capital facility (“**MCF**”) and be exempt from property taxes as contemplated in Section 17 of this LOI.
- (vii) MLSE shall be satisfied, acting reasonably, that the Leased Lands shall have been declared to be surplus by the City.

5. Timing/Cooperation and Assistance: The City/Board agree that MLSE’s proposed timing for the Basketball Training Centre Project is as follows:

- (i) commence mobilization – October 15, 2014;
- (ii) complete the creating of a temporary gravel parking area within the former Exhibition Place Ballpark –January 1, 2015;
- (iii) commence excavation – November 1, 2014 subject to receipt of site plan approval;
- (iv) completion of Basketball Training Centre construction – February, 2016.

Subject to Section 3 above, the City agrees to use reasonable efforts to cooperate and assist MLSE in achieving the above dates and in particular, assisting MLSE with expediting any permits and approvals as may be required by the City to undertake and complete the work. MLSE agrees to co-operate with the City and use best efforts to supply on a timely basis full and complete information that may be required by City divisions in order to issue the permits and approvals MLSE is seeking. The parties hereto agree that time is of the essence.

The City acknowledges that the approval by City Council of this LOI will constitute the approval of the City under Section 406(2)(e) of the *City of Toronto Act, 2006* to the uses of the Site contemplated by the Basketball Training Centre Project.

6. Construction Risk/Environmental Remediation: MLSE will solely be responsible for all costs of construction, including construction overruns and environmental remediation, including any remediation (i.e. soil or debris removal) required to provide sufficient support for structural footings taking into consideration the nature of the soil/subsurface conditions of the Exhibition Place grounds, with respect to the Site including the Leased Lands (as those terms are defined in Section 9 below). For greater clarity, the City/Board shall not be responsible for any construction risk or any environmental remediation of any known or reasonably inferable nature including soil contamination and/or debris removal. The Ground Lease will require MLSE to provide security by way of bonding to the City/Board in respect of construction to be carried on by MLSE for the Basketball Training Centre Project.

7. Due Diligence: Following execution of this LOI, MLSE may carry on due diligence in its sole discretion, that it deems advisable in respect to the Basketball Training Centre Project including without limitation title, physical and engineering, geotechnical, structural and environment investigations of the Site, the status and requirements of any agreements with third parties (including tenants, licensees, utility providers and the CNEA Agreement) affecting the Site, the status of all applicable laws and regulations and any other matters of interest to MLSE with respect to the Site. The Board agrees to provide a right of entry to allow MLSE and its consultants to carry out such investigations including geotechnical and environmental testing in its usual form for such purposes provided such investigations do not interfere with the business activities of the Board or its invitees, and shall provide authorizations permitting the release of any relevant information to MLSE or its consultants. The City and/or the Board will, subject to MFIPPA, provide all copies of all reports, studies, agreements, information, leases, files and accounts for the Site and such other documents as MLSE and its consultants may reasonably request in connection with its inspections and investigations and determination of the feasibility and development of the Basketball Training Centre Project (the "**Site Information**"). MLSE agrees that it shall proceed at its own risk and that the City and the Board make no representations or warranties with respect to the accuracy of such Site Information. MLSE shall provide the Board with copies of all reports respecting such investigations and shall keep confidential all results of these investigations. Cost of all due diligence investigations will be to the account of MLSE. MLSE shall be responsible for obtaining all permits, licenses, approvals and agreements required to proceed with the proposal.

8. Ground Lease Basic Terms: The Basketball Training Centre Project will be implemented through a ground lease from the Board/City to MLSE on the key commercial terms set out in this LOI (the "**Ground Lease**" or "**Lease**"). MLSE agrees to pay the cost of the City's consultant to do a market value assessment of the Site land value and ground rent and such payment shall be made within 25 days of receipt of the invoice from the City together with any backup information requested by MLSE acting reasonably. The parties will use commercially reasonable best efforts to settle the additional terms and conditions of the Ground Lease on or before December 31, 2014, following the later of the approval of this transaction by City Council and execution of this LOI. The Ground Lease will be prepared by the Board and will contain usual City and Board terms and conditions for a ground lease for property on the grounds of

Exhibition Place together with such amendments as mutually agreed between the parties. The Ground Lease will be triple net to the City/Board except as may be specifically set out in the Lease. Without limiting the generality of the foregoing, the parties agree that the ground rent for the Ground Lease will be on market terms and will require MLSE to complete and provide to the City a Heritage Impact Statement. The Ground Lease shall be subject to compliance with the Planning Act.

9. Site and Leased Lands: The proposed lands to accommodate development of the Basketball Training Centre and the Board Parking Area (as defined in Section 20) are shown on Schedule A (the “**Site**”) and will be finalized during the condition period set out in Section 4 of this LOI. The parties acknowledge that approximately 200 parking spaces will be relocated to the Board Parking Area in accordance with Section 20 of this LOI. The parties acknowledge that modifications to the area of the Site may occur during the site plan approval process. The lands to be leased to MLSE under the Ground Lease will be that portion of the Site upon which the structure of the Basketball Training Centre is located along with appropriate immediate landscaped and egress areas, vehicle passenger drop off area, truck loading and improvements around the building (the “**Leased Lands**”) as shown on Schedule A. Landlord agrees to grant easements over all roadways, walkways and the like for vehicular and pedestrian traffic to and from the Leased Lands, subject to restrictions on access as contemplated in Section 24 of this LOI, and as may be required in order to ensure the provision to the Leased Lands of all required utilities and in addition the Landlord will provide 20 parking passes for the surface parking lot in the immediate vicinity of the Basketball Training Centre subject to the limitations imposed by certain special designated events as set out in Section 24.

10. Ground Rent: The Ground Rent has been calculated based on vacant land value only taking into account all restrictions on use and extraordinary development costs and excluding the value of any improvements to be made by MLSE and is agreed to be the amount of \$205,000. Payment of the Ground Rent will commence on a date which is the earlier of (a) two (2) years from the Lease Commencement Date and (b) the issuance of a partial occupancy permit for the practice courts within the Basketball Training Centre for the Basketball Training Centre by the City (the “**Rent Commencement Date**”). On the fifth anniversary of the Lease Commencement Date (the “**Rent Adjustment Date**”), and on the fifth anniversary of each Rent Adjustment Date thereafter, the Ground Rent will be adjusted based upon CPI and using the CPI Index Ratio as set out in Schedule C.

11. Term and Renewal

- (a) The term of the Ground Lease (the “**Term**”) will commence on the date MLSE commences mobilization on the Site (the “**Lease Commencement Date**”) and will expire on the date which is 20 years from the Rent Commencement Date.
- (b) The Term may be extended at the sole election of MLSE for a first renewal term (the “**First Renewal Term**”) of 10 years, to be exercised not less than nine (9) months and not more than twelve (12) months prior to the expiry date of the Term. The Term may be extended for a second renewal term (the “**Second Renewal Term**”) of 10 years at the election of MLSE to be exercised not less than nine (9) months and not more than twelve (12) months prior to the expiry

date of the First Renewal Term but subject to the consent of the City which consent may be unreasonably withheld.

- (c) The Lease for the First Renewal Term shall be on the same terms and conditions applicable to the original Term including Ground Rent which shall continue subject to the periodic adjustments based on CPI as set out in Schedule C.
- (d) The Lease for the Second Renewal Term shall be on the same terms and conditions applicable to the original Term except for Ground Rent which shall be negotiated by the parties and approved by the Board and City Council.
- (e) If MLSE requests to renew for a Second Renewal Term in accordance with Section 11 (b) of this LOI, and either the City does not consent to such request or the City consents to MLSE's request but the terms for the Second Renewal Term are not agreed upon, and provided that MLSE has acted reasonably in its negotiations with the City and MLSE acknowledges that it would be unreasonable for MLSE to take any issue with the Ground Rent for the Second Term if it is in line with the CPI adjustment as set out in Section 11(c) above, the City will pay to MLSE the amount of \$1,500,000 (for clarity such amount is not subject to any escalation) on account of the residual value of the Basketball Training Centre.

12. Building and Improvements: The Ground Lease will expressly require MLSE to complete construction of the Basketball Training Centre Project having a construction cost of approximately \$30,000,000 in a good, expeditious and workerlike manner. MLSE shall have ownership of the Basketball Training Centre over the Term and shall be entitled to claim all depreciation in respect of such improvements. MLSE shall provide evidence of the full cost of the Basketball Training Centre Project and as built drawings for the Basketball Training Centre no later than one year following substantial completion. MLSE shall maintain and operate the Basketball Training Centre in good order and condition in a first class manner. At the expiry of the Term or any renewal thereof, the Basketball Training Centre shall become the property of the Landlord, and the Tenant shall have no right or obligation to remove anything other than its signage (including any of its marks and logos) and its chattels and trade fixtures. There shall be no obligation on MLSE to demolish the Basketball Training Centre at the end of the Term.

13. Use: The Leased Lands shall be used primarily for the purpose of an NBA-quality Basketball Training Centre for training associated with basketball, housing up to two basketball courts. Ancillary uses such as a weight room, therapy and areas for coaching, locker rooms, a full service kitchen and lunchroom, areas for coaching, management and support staff, video replay viewing space, offices, storage and press facilities are permitted. Under no circumstances will the Basketball Training Centre or any of the ancillary areas within it be rented out for or used for external entertainment purposes; however, MLSE shall be permitted to rent out for or use the Basketball Training Centre or any of the ancillary areas within it for entertainment purposes for itself, the Team and their respective sponsors but such purposes shall not include the Prohibited Uses or a trade and consumer show. The courts will also be used for community use and other purposes. The Basketball Training Centre may also be used for other indoor sports played on courts such as but not limited to volleyball and badminton. Except as set out in Schedule B with respect to the community use programming, there shall be no obligation on

MLSE to use the Basketball Training Centre on a continuous basis at all times provided that MLSE will continuously operate and maintain the Basketball Training Centre at a Class A standard for such facilities.

The Leased Premises shall not be used for any of the following purposes (“**Prohibited Uses**”):

- a permanent themed dinner theatre
- professional live hockey, soccer or racing sports events
- a permanent liquor licensed venue/night club solely for the purpose of providing live and recorded musical entertainment for standing room crowd capacities of greater than 500 persons but less than 2999 persons
- a ticketed concert venue, promoted to the general public, for over 500 seats
- a hotel
- casino or gaming facility.

14. Assignment/Subletting

- (a) The Ground Lease will provide that the Tenant will not assign, sublet or part with the possession of the Leased Lands or any part thereof to an arm’s length assignee without first obtaining the consent of the Board in writing, which consent shall not be unreasonably withheld or delayed. The Tenant will not, under any circumstances, license or sublease all or any portion or portions of the Basketball Training Centre other than to a licensee or subtenant that has otherwise been approved by the Board in accordance with the Lease.
- (b) It shall be unreasonable for the Board to withhold its consent to an assignment of the Lease where the proposed assignee is:
 - (i) an entity which is a successor of the Tenant by way of amalgamation, merger, consolidation, or other form of reorganization (a “**Tenant Successor**”) provided that such Tenant Successor has control of the ownership and operations of the Toronto Raptors National Basketball Team (the “**Toronto Raptors**”); or
 - (ii) an entity that is purchasing from the Tenant the Toronto Raptors provided such purchaser (the “**Toronto Raptors Purchaser**”) has been approved by the National Basketball League.
- (c) Any Tenant Successor or Toronto Raptors Purchaser, as the case may be, shall be required to covenant in writing with the Board, under an assumption agreement in form satisfactory to the Board, acting reasonably (the “**Assumption Agreement**”) under which such party agrees to be bound by all of the terms, conditions, covenants and agreements contained in the Lease on the part of the Tenant to be paid, kept, observed and performed from and after the date of such transfer, and upon the execution of such Assumption Agreement.
- (d) Notwithstanding the foregoing, the Tenant shall have the right without the consent of the Board or the City but on notice to the Board to license or sublease premises

within the Basketball Training Centre to third parties for purposes which are ancillary to the permitted uses of the Basketball Training Centre such as, by way of example only and without limitation, licenses or subleases for community uses.

15. Naming and Signage Rights: The name of the Basketball Training Centre shall be approved by the Board, which approval shall not be unreasonably withheld or delayed. All exterior signage will be subject to the Board's policies relating to signage at Exhibition Place, as well as normal site plan and development approvals. Any change to the name of the Basketball Training Centre shall require the Board's prior approval, which approval shall not be unreasonably withheld, provided however it shall not be deemed unreasonable for the Board to withhold consent where the proposed name conflicts with signage, sponsorship or advertising rights granted by the Board to other parties and which rights are in effect at the time of Tenant's request. MLSE shall be permitted to erect on the Basketball Training Centre, subject to the receipt of required City approvals, two exterior signs, one digital and one backlit, approximately 450 square feet and 350 square feet in area with exposure to the Gardiner Expressway for team identification and sponsorship signage, and two exterior signs, nondigital, a logo and a Raptor Claw each approximately 10 feet by 10 feet in size located on the southwest corner of the Basketball Training Centre. MLSE shall have full control over all signage, advertising and display facilities located within the Basketball Training Centre.

16. Lenders/Security: MLSE shall be permitted without Board approval to obtain leasehold mortgage financing from one or more lenders of MLSE being any current or future arm's length, institutional lenders to MLSE provided that such lender(s) contemporaneously hold security in MLSE's assets including its interests in the Toronto Raptors and the NBA and to give security over the Lease with respect thereto. Such mortgage lenders shall receive certain protections including notice of default, reasonable opportunity to cure default (being a period beyond the tenant's grace period), and a right to an assignment or replacement of the Lease on the same continuing terms if the tenant's default is not curable. The Board agrees to enter into a tripartite agreement with any such lender and the Tenant reflecting on terms which include the foregoing protections reasonably satisfactory to all parties.

17. Municipal Capital Facility: Section 252 of the *City of Toronto Act, 2006* provides that the City of Toronto may enter into agreements for the provision of a municipal capital facility by any person and that the City may exempt from taxation for municipal and school purposes land or a portion of land on which municipal capital facilities are located. If approval is given for this LOI, and if other considerations regarding the proposed use of the Basketball Training Centre result in a determination by the City that such a designation is appropriate, the City will proceed to take steps have a portion of the Basketball Training Centre designated as a municipal capital facility ("MCF") and be made exempt from taxation. The parties agree to work together to the extent feasible and legally possible, having regard to MLSE's use of the Leased Lands, to minimize the property tax assessment of the Basketball Training Centre.

18. Community Use: The Ground Lease shall provide for a commitment by MLSE to provide time within the Basketball Training Centre for 'community use' generally for the uses and for the time periods and on the terms set out in Schedule B to this LOI.

19. Early Termination: In the event of Major Destruction, MLSE shall have the right to terminate this Lease on notice to the Board given within 45 days after such damage or destruction. Major Destruction means the Basketball Training Centre cannot be restored or made fit within 24 months of such occurrence. During the Renewal Term, if any, MLSE may terminate the Lease on 24 months' prior written notice to the Board at any time.

20. Parking: MLSE shall construct, at its own cost, the temporary gravel parking (the "**Temporary Parking**") for approximately 200 vehicles generally in the location shown as Board Parking on Schedule A as contemplated in Section 5(ii) of this LOI provided the Board has obtained, at the Board's own cost, all approvals, if any, for this work. The parties agree that the site plan application for the Basketball Training Centre shall include the Temporary Parking, the Board Parking and the New Public Green Space (as defined in Section 20A). The Board shall construct, at the Board's own cost, on the Site generally in the location of the Temporary Parking (the "**Board Parking Area**") a permanent surface parking lot following the construction of the Basketball Training Centre Project (the "**Board Parking**"). The Board shall be responsible, at the Board's own cost, for all approvals required for the Board Parking. The Temporary Parking and the Board Parking, once constructed, shall be operated and maintained by the Board with all revenue accruing to the Board. The Lease will include the right of MLSE and its contractors to occupy an area for a construction staging and laydown area without charge for all purposes relating to the construction of the Basketball Training Centre Project.

20A. Public Green Space: MLSE shall construct an open green space for public use (the "**New Public Green Space**") within or in the immediate vicinity of the Site as determined under the site plan approval process for the Basketball Training Centre including the Board Parking. The New Public Green Space shall be constructed following the completion of the Basketball Training Centre and at the time of the completion of the Board Parking and will be operated and maintained by the Board at its cost.

21. Waterfront Revitalization: MLSE shall familiarize itself with the Central Waterfront Secondary Plan and/or the initiatives of the Toronto Waterfront Revitalization Task Force, and acknowledges that the Board may require that the use and occupation of the Site conforms with all policies and processes that City Council may adopt as a result of the Waterfront Revitalization, except where such use may be specifically exempted by City Council.

22. Collective Agreements

- (a) MLSE acknowledges that the Board has collective agreements with the following local unions and MLSE will take all necessary action in the construction and operation of the Practice Facility not to put the Board in breach of any of these agreements:
 - (i) Labourers' International Union of North America, Local #506 (Material Handling/Cleaning);
 - (ii) The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local Union 46;

- (iii) The International Alliance of Theatrical Stage Employees and Moving Picture Technicians, Artists and Allied Crafts 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 (Parking Services);
 - (vi) International Brotherhood of Electrical Workers, Local Union 353;
 - (vii) Canadian Union Public Employees Local 5116 (Security); and
 - (viii) International Brotherhood of Painters and Allied Trade District Council 46.
- (b) MLSE agrees that it shall comply with the foregoing collective agreements and any future collective agreements to which the Board becomes bound with respect to the operation of the Practice Facility (collectively the “**Collective Agreements**”). The Board agrees to provide written notice to MLSE of the Collective Agreements together with a copy thereof and copies of any amendments to such Collective Agreements, any grievances filed thereunder with respect to operation of the Practice Facility and ongoing status reports with respect to such grievances thereafter. In addition, in the event a party successfully asserts through the grievance and arbitration procedure of a Collective Agreement that the Board is in breach thereof and said breach was caused solely by the MLSE’s failure to comply with same, then MLSE shall indemnify the Board in respect of an arbitration award rendered by an arbitrator, Ontario Labour Relations Board or other adjudicative body with jurisdiction to make such an award against the Board to the extent directly resulting from such MLSE’s breach notwithstanding that such grievance is filed after termination or earlier expiry of this Lease provided such grievance is filed within the time limits set out in the applicable Collective Agreement or as otherwise permitted by Applicable Laws and relates to that period of time the Lease was in effect. Notwithstanding the foregoing, the indemnity of MLSE shall only apply if such grievance is filed within two years of the termination or early expiry of this Lease. MLSE shall not be considered to have breached its obligations under this paragraph if MLSE’s actions which resulted in the grievance were taken in good faith and without intent to cause the Board to be in breach of the collective agreement in question, and provided that MLSE fully reimburses the Board in respect of its said damages awarded.
- (c) In the event that the Board becomes aware of a possible grievance or a filing of a grievance, the Board shall forthwith notify MLSE of same and shall thereafter respond to such grievance in continued consultation with MLSE during its defence and shall defend against such grievance to the same extent and with the same interest as if MLSE was not indemnifying the Board pursuant to this Section

22. The Board will seek the Approval of MLSE with respect to any settlement of such grievance. The provisions of Section 22 shall not apply to the indemnity by the Manager of the Board under this Section 22.

- (d) For greater certainty, MLSE and the City agree that the MLSE's liability under this Section 22 shall include the payment by the Board of any settlement amount with respect to such a grievance but only if such payment is made with the approval of MLSE. In addition, MLSE shall pay any reasonable costs incurred by the Board in respect of the defence of any such grievance (including reasonable legal fees) provided the Board provides a full satisfactory accounting of any such costs and any additional background information requested by MLSE, acting reasonably.
- (e) MLSE further acknowledges that some work performed at Exhibition Place is governed by provincial collective agreements. Provincial ICI (Industrial, Commercial and Institutional) certification is possible in relation to construction work related to the collective agreements described in (i) – (viii) above, resulting from negotiations which are not controlled or negotiated by the Board. In the event a union successfully asserts through the grievance and arbitration procedures of the collective agreement that the Board is in breach thereof, and if the said breach was caused solely by MLSE's failure to comply with same, then MLSE shall make the Board whole in respect of an arbitration award rendered by an arbitrator against the Board to the extent directly resulting from MLSE's breach of its obligations under the Ground Lease. MLSE shall not be considered to have breached its obligations in this paragraph if MLSE's actions which resulted in the grievance were taken in good faith and without intent to cause the Board to be in breach of the collective agreement in question, and provided that MLSE fully reimburses the Board in respect of its said damages awarded.

23. Green Policies: MLSE acknowledges that the Board is promoting the implementation of "green", environmentally-sensitive practices and has adopted an environmental policy for Exhibition Place. MLSE agrees to use reasonable commercial efforts to comply with the Board's environmental policy as it may be amended from time to time, and to implement environmentally-friendly practices, including adopting procedures and systems in the conduct of its business at the Basketball Training Centre which will promote adherence to the Board's environmental policy.

24. Restrictions on Access: MLSE acknowledges and the Lease will reflect the fact that access to certain areas of Exhibition Place will be limited during certain designated special events including, but not limited to, the Honda Indy, the CNE, and any future Olympics, Pan Am Games or World's Fair, which will cause inconvenience to guests, visitors, employees and suppliers of the Basketball Training Centre. The Lease will provide for MLSE to acknowledge and agree that it shall have no claim against the Board or the City for any inconvenience or costs incurred as a result thereof, provided that during such designated special events, reasonable 24/7 access and egress, without charge, for vehicles and pedestrians (which shall be delineated in the Lease) is maintained to the Leased Lands. MLSE and the City acknowledge that the Basketball Training Centre is located outside the CNEA "paid admission" gates.

25. Real Property Taxes: Subject to any Municipal Capital Facility in respect to a portion of the Basketball Training Centre, MLSE shall pay all taxes, rates, duties, assessments, license fees and other charges that are levied, charged or assessed against or in respect of all businesses, improvements, equipment and facilities of MLSE, its subtenants, assignees, licensees, franchises and other occupants on or in the Leased Lands or any part or parts thereof, or against or in respect of the City/Board on account of its ownership thereof or interest therein to the extent that the City/Board is assessed for any such taxes, duties, assessments and other charges in lieu of the same being levied, rated, charged or assessed against MLSE.

26. Insurance: The Tenant shall be responsible for maintaining all policies of insurance as are required pursuant to the Board's standard form lease including, but not limited to, fire and other destruction on an all risk basis, public liability coverage in a minimum amount of Fifteen Million Dollars (\$15,000,000.00), standard owner's automobile liability insurance, and additional coverage related to construction risks during any period of construction. All policies shall be in an amount, a form and from insurers acceptable to the landlord with the landlord as a loss payee.

27. Timetable: The parties acknowledge that they have developed the following proposed timetable for completing the work on the matters required for the Basketball Training Centre.

(a) MLSE Board Approval of LOI	September 15, 2014
(b) Board of Governors Approval of LOI	August 14, 2014
(c) City Executive Committee	August 20, 2014
(d) City Council Approval of LOI	August 25-29, 2014
(e) Site Mobilization	October 15, 2014
(f) Condition Dates	December 15, 2014
(g) Negotiation and Finalization of Agreements	December 31, 2014
(h) Site plan control approval obtained and building permits available	November 30, 2014
(i) Completion of Basketball Training Centre	February, 2016

28. Exclusivity: From the date this letter is approved by The Board of Governors of Exhibition Place and City Council and until formal documentation has been executed by the parties or negotiations have been discontinued, the parties agree not to take any action or engage in any negotiations with unrelated third parties either for the construction, management or use of the Basketball Training Centre or similar facilities within the Greater Toronto Area.

29. Public Disclosure: Once this letter has been delivered, the Board/City will be permitted to publicly disclose the terms and conditions outlined in this letter agreement in its sole and absolute discretion.

30. Indemnity: MLSE will indemnify and hold harmless the Board, the City of Toronto, and their respective elected officials, directors, officers, agents and employees from and against any

and all losses, claims, liability, damage, action or expense (including without limitation, costs and legal fees) arising out of or relating in any way to the negligence or wilful misconduct of MLSE in the entering into or performance or purported performance of their obligations under this LOI or any negligence or wilful misconduct of any person for whom they are in law responsible.

31. Assignment: MLSE may not assign, convey or transfer in any way its rights under this LOI without the prior written consent of the Board and the City, which may be arbitrarily and unreasonably withheld.

32. Termination: If any party fails to provide information or perform any other obligations required pursuant to this LOI within the time periods stipulated, the other party may give notice to the non-performing party of said failure to perform and, if the non-performing party fails to rectify the situation within ten (10) days following receipt of said notice, the party giving notice may terminate this LOI.

In each and every such instance, if a party exercises its right to terminate this LOI, the other party hereby acknowledges and agrees that it will have no claim against the terminating party for any costs and expenses incurred by it prior to the date of termination.

33. Good Faith Negotiations: Upon execution of this LOI by the parties, the parties agree to work diligently, co-operatively, and in good faith with one another toward the shared goal of negotiating, finalizing and executing binding agreements along the lines set out in this LOI. For clarity, the parties acknowledge that many of the particulars set out in this LOI are statements of principle and in developing the final binding agreements the implementation of these principles will necessarily require a number of related amendments to any of the existing agreements contemplated to be amended in this LOI. If the parties are unable, notwithstanding good faith efforts, to finalize the required Agreements to implement this LOI within 60 days following the later of the approval of this transaction by City Council and execution of this LOI to settle the additional terms and conditions of the required Agreements, and unless this time period is extended by mutual agreement, this LOI is terminated and neither party shall have a claim against the other with respect to this LOI or any matters arising therefrom.

34. Force Majeure: Each of the parties will be excused from the performance of any obligation hereunder to the extent that such obligation is hindered or prevented by any strike, boycott, lockout or other labour dispute, any act of God, any riot, civil disturbance, act of terrorism or any act of war or of the public enemy; any fire or theft, any present or future governmental law, ordinance, rule or regulation, or any other cause or contingency beyond the parties' control (other than a lack of financial resources).

35. Representations: The parties all represent and warrant as of the date hereof as follows and acknowledge that the other parties are relying on such representations and warranties in connection with the transactions contemplated by this LOI:

- (a) Each party is a corporation duly incorporated, organized and subsisting under the laws of the Province of Ontario.;

- (b) They have the power, authority and right to: (i) enter into and deliver this LOI; and (ii) perform their obligations under and as contemplated to be performed pursuant to this LOI;
- (c) This LOI is binding on the parties as set out herein, and constitutes valid and legally binding obligations of the parties; and
- (d) The entering into and the delivery of this LOI and the performance of the obligations of the parties hereunder will not result in the violation of:
 - (i) any of the provisions of the constating documents or by-laws of any party; or
 - (ii) any agreement or other instrument to which they are a party or by which they are bound.

36. Execution: This letter may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same.

If you are interested in pursuing the transactions contemplated by this letter on the basis outlined herein, please acknowledge by executing one copy of the letter where indicated and returning same to the undersigned as soon as possible.

Yours truly,

MAPLE LEAF SPORTS & ENTERTAINMENT LTD.

Per: _____
 Timothy J. Leiweke
 President and Chief Executive Officer

AGREED TO AND ACCEPTED this ___ day of _____, 2014.

CITY OF TORONTO

Per: _____
 Name:
 Title:

Per: _____
 Name:
 Title:

THE BOARD OF GOVERNORS OF EXHIBITION PLACE

Per: _____

Name:

Title:

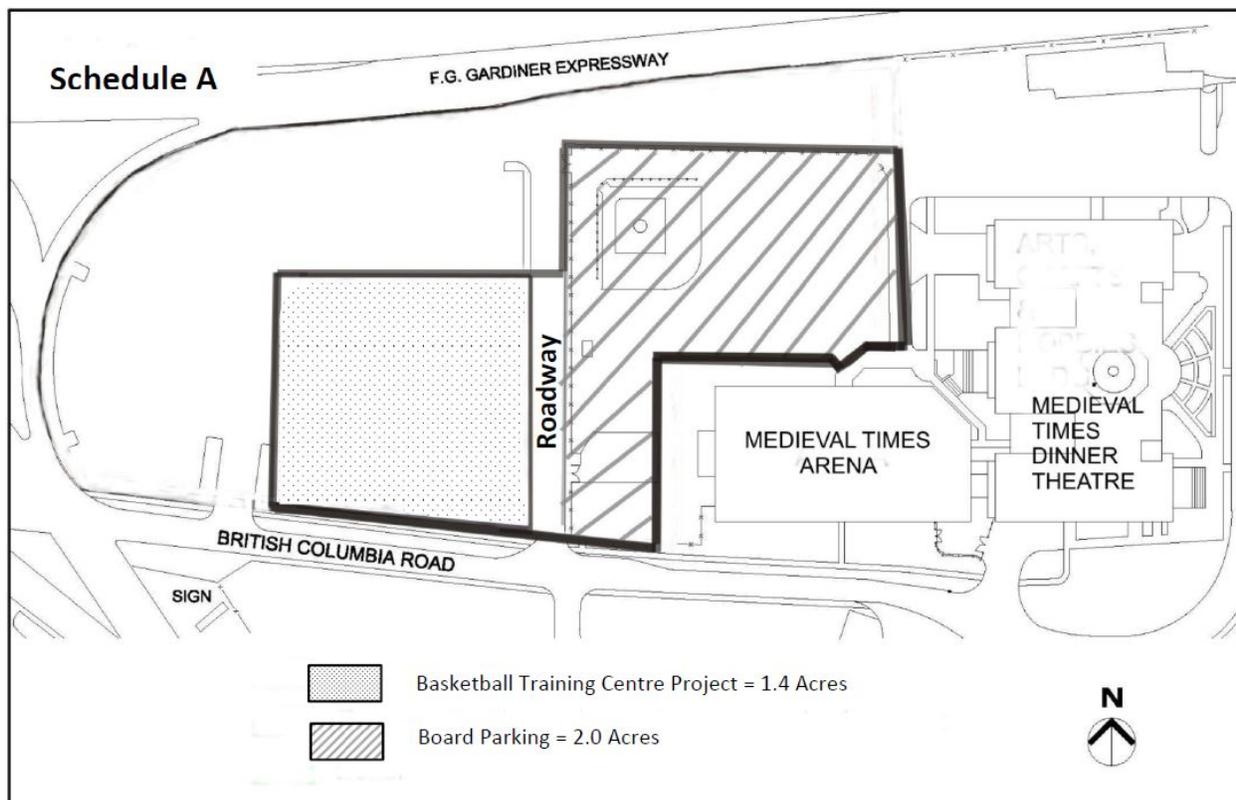
Per: _____

Name:

Title:

Schedule A

Leased Lands and Board Parking Area



Schedule B

Community Use Provisions

1. Defined Terms

- (i) **“Actual Community Use”** has the meaning given in Section 2.
- (ii) **“Actual Community Use Table”** has the meaning given in Section 2.
- (iii) **“Annual Period”** has the meaning given in Section 3.
- (iv) **“Available Court Time”** means the total available time of court use over both Courts calculated on the basis of a minimum of 18 hours per day over the full calendar year, Statutory holidays observed in Ontario will be excluded.
- (v) **“City Permitting Use”** means portions of the Available Court Time of the Community Court made available to the City to post for use by not-for-profit community sports/recreation associations, leagues, or clubs.
- (vi) **“City Use Period”** means the approximate 6-7 week period from the end of the lower level public school year to the commencement of the CNE for exclusive programming and use of the Community Court by City Parks, Forestry and Recreation.
- (vii) **“Community Court”** means the northerly basketball court.
- (viii) **"Community Use"** means use of the Community Court or the Team Court by Community Users.
- (ix) **"Community Use Categories"** means categories of users according to the extent to which they would pay a fee, being those who do not pay any fee or charge, those who would pay a cost recovery charge and those who would pay a full use fee.
- (x) **"Community Use Tables"** has the meaning given in Section 3.
- (xi) **"Community Users"** means non-professional recreational or competitive basketball and non-competitive badminton or volleyball users including use by City of Toronto Parks programs, TDSB and TCDSB for select events, MLSE Community Outreach Program, Toronto Raptor Foundation; not-for-profit community sports/recreation associations, leagues, or clubs, High Level Teams and the CNEA during the CNE.
- (xii) **"Courts"** means both the Community Court and the Team Court.

- (xiii) "**High Level Teams**" means Canada Basketball, international level teams and other similar level teams/organizations.
 - (xiv) "**Non-Team Season Period**" means that portion of the Annual Period less the Team Season Period.
 - (xv) "**O & M Charge**" has the meaning given in Section 10.
 - (xvi) "**O & M Costs**" has the meaning given in Section 10.
 - (xvii) "**Playoff Period**" means the time period the Team is in the NBA Playoffs.
 - (xviii) "**Report of Community Use**" has the meaning given in Section 11.
 - (xix) "**Required Community Use**" has the meaning given in Section 2.
 - (xx) "**Team Court**" means the southerly basketball court.
 - (xxi) "**Team**" means the Toronto Raptors NBA Basketball Team.
 - (xxii) "**Team Season Period**" means the period from the commencement of training camp to the end of the NBA regular season together with any Playoff Period.
 - (xxiii) "**Use Fee**" has the meaning given in Section 10.
2. The basis of the Municipal Capital Facility designation of the Basketball Training Centre is that there will be a majority of Community Use of the Available Court Time on the Courts by Community Users (the "**Required Community Use**"). MLSE shall endeavour at all times to achieve the Required Community Use. The amount of actual use of the Community Court and the Team Court by Community Users ("**Actual Community Use**") will be set out by MLSE in an "**Actual Community Use Table**" and MLSE shall keep records of such Actual Community Use for rolling five-year periods.
 3. MLSE will prepare tables ("**Community Use Tables**") annually during the months of January and February for the twelve month period commencing September 15 (currently being the approximate date of commencement of the Team training camp) (the "**Annual Period**"). The Community Use Tables will initially set out the anticipated Available Court Time of both the Community Court and the Team Court. The Community Use Tables will separately show anticipated Available Court Time for the Team Season Period and the Non-Team Season Period.
 4. MLSE will update the Community Use Tables within 30 days of the date of the announcement by the of the National Basketball Association ("**NBA**") of its regular season schedule for the following year, currently announced during the first week of August. In the event of a change in the NBA regular season MLSE and the City will cooperate to adjust any of the dates set out herein so that they continue to relate to the NBA schedule in the manner contemplated.

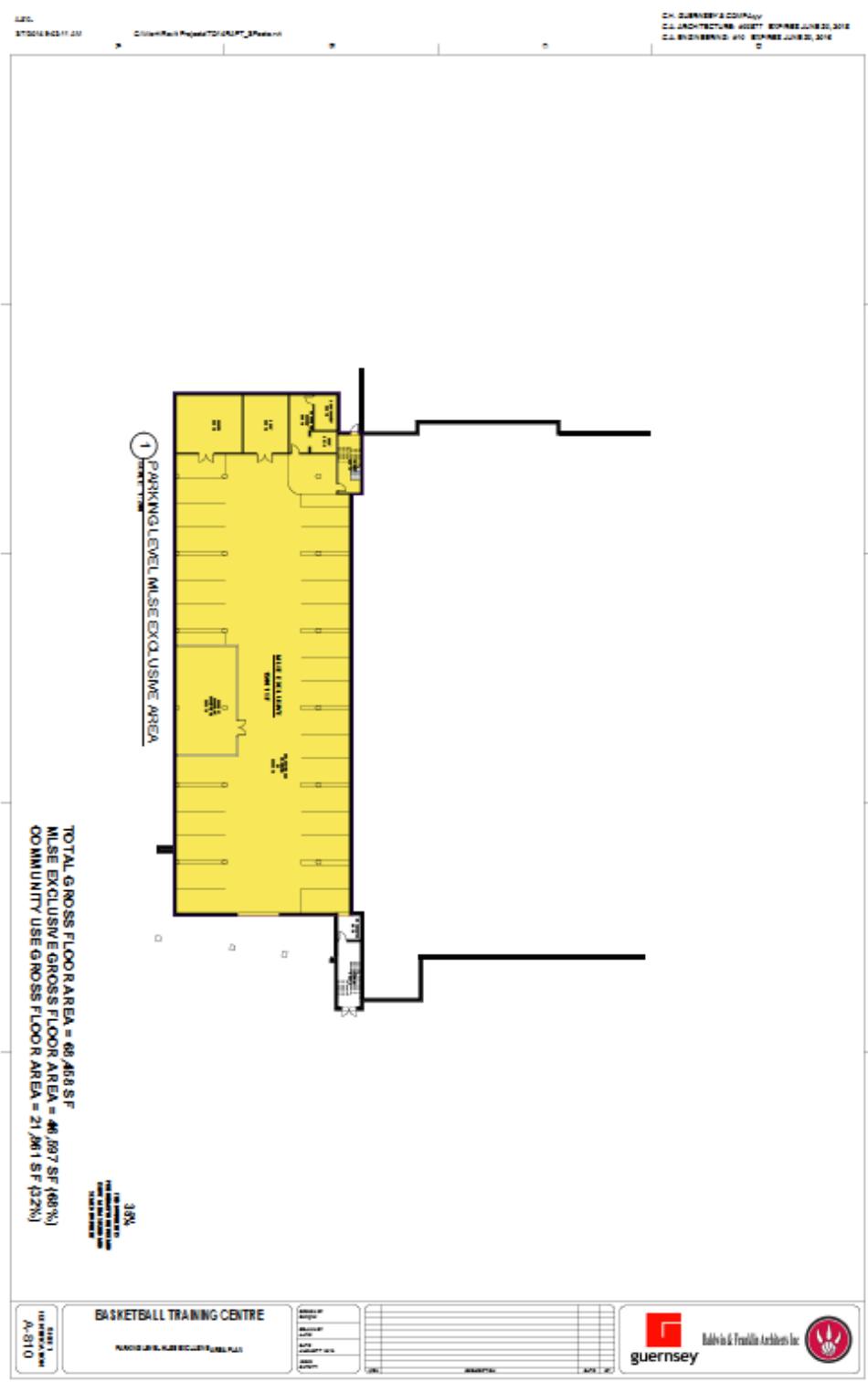
5. MLSE will be responsible for programming Community Use of the Courts for the Annual Period except that for the City Use Period or for any City Permitting Use the City will be responsible for programming at its cost. During the City Use Period, Actual Community Use will be deemed to be ten hours per day. The hours of any City Permitting Use provided to the City under Section 15 will be deemed to be Actual Community Use.
6. MLSE will make the Community Court available to the CNEA for use during the CNE for tournament level games and the Team Court available for High Level Team tournament games. During the CNE Actual Community Use will be deemed to be the greater of ten hours or the time of actual use.
7. Community Use of the Team Court will be limited to High Level Teams and selected MLSE Community Outreach Program participants and during the Team Season Period will generally be available when the Team is out of Toronto playing away games.
8. The Community Use Tables will be prepared on a basis which identifies the actual Community Use by Community Use Categories.
9. MLSE shall endeavour, based upon experience gained through the use of the Basketball Training Centre by the Team and the improved ability to forecast the Team use requirements, to provide as much notice as possible to Community Users of available time of the Courts for Community Use. MLSE will endeavour to meet Community Use Category targets established by MLSE and the City on a reasonable basis. These targets may be reviewed from time to time at the request of MLSE or the City.
10. MLSE shall be responsible for all operating, maintenance and repair costs (“**O & M Costs**”) of the Basketball Training Centre. MLSE may charge Community Users a fee for their use of the Courts (a “**Use Fee**”) and a charge representing a fair amount on account of O & M Costs (the “**O & M Charge**”). For clarity no Use Fee or O & M Charge will be made in respect to City Parks, Forestry and Recreation use or use by any public school board.
11. Within 60 days of the end of each Annual Period MLSE will prepare and deliver to the City, a “**Report of Community Use**” for the Annual Period just ended setting out the monthly Community Use by Community Use Category for each Court. The City may at any time request MLSE to produce the backup information to the Report of Community Use for review and/or audit as the City may determine provided such request cannot go back more than five Annual Periods. Within a reasonable period of time following the delivery of the annual Report of Community Use the City and MLSE will meet to discuss the Report and the Community Use of the Courts with a view to continuing to find ways to optimize the Community Use of the Courts.
12. The City will designate a portion of the Basketball Training Centre as exempt from City and school board property taxes and from development charges on the basis of the Required Community Use of the Basketball Training Centre set out in Section 2. The portion so designated will be the percentage of the gross floor area of the Basketball Training Centre comprised of those areas which are not exclusively used by the Team.

Appendix 1 contains the floor plans of the Basketball Training Centre and sets out this gross floor area calculation which shows the portion to be designated for exemption. This portion is currently estimated at 32 percent.

13. MLSE may turn over to the City Available Court Time of the Community Court from MLSE which is suitable for the City Parks, Forestry and Recreation to post on the City's on-line reservation system for use by not-for-profit community sports/recreation associations, leagues, or clubs on the same basis as the City posts such use at other community facilities. The amount of such Available Court Time will not exceed ten percent of the total Available Court time in any year. Such Available Court Time once taken by the City for posting shall be considered as Actual Community Use of the Community Court. Fees for such use will be in accordance with the City Council approved fee structure and the Basketball Training Centre shall be characterized as a "Premier" facility under this fee structure. While the City will program this use, MLSE will administer the use and the City and MLSE will establish an appropriate communication, information, administration and billing protocol.

Appendix 1

Floor Plans and Gross Floor Area Calculation



Schedule C

“**CPI**” means the All-Items Consumer Price Index of the City of Toronto as published by Statistics Canada (or by a successor or other government agency, including a provincial agency), or, if the Consumer Price Index is no longer published or is not published for the relevant period or time, or any comparable replacement index designated by the Landlord, acting reasonably, and in consultation with the Tenant. If a substitution or replacement is required, the Landlord, acting reasonably, and in consultation with the Tenant, will make the necessary conversions. If the base year for the Consumer Price Index (or the substituted or replacement index) is changed by Statistics Canada (or by its successor or other governmental agency), the Landlord will make the necessary conversion. If any calculation is required to be made under the Lease based on the CPI as at a particular date or for a particular period and the CPI for such date or period is not available as at the time such calculation is required to be made, the Landlord, acting reasonably, and in consultation with the Tenant, shall be entitled to estimate the CPI for the purposes of such calculation, subject to adjustment following the CPI for the relevant date or period becoming available;

“**CPI Index Ratio**” means a fraction, the numerator for which is the CPI for the month ended immediately prior to a Rent Adjustment Date, and the denominator of which is, for the first Rent Adjustment Date, the CPI for the month ended immediately prior to the Lease Commencement Date, and for each successive Rent Adjustment Date is the CPI for the month ended immediately prior to the preceding Rent Adjustment Date.