



Exhibition Place

Item No. 18

June 19, 2014

To: The Board of Governors of Exhibition Place

ACTION REQUIRED

From: Dianne Young, Chief Executive Officer

Subject: **Operation of Muzik Clubs Inc. during the CNE Period**

Summary:

This report provided information to the Board with respect to the operation of Muzik Clubs Inc. (“Muzik”) during the CNE period pursuant to the lease dated February 16, 2004 between and the Board and Muzik (the “Lease”) and in accordance with the provisions of the Master Agreement dated July 2, 2013, between the Board, the City and the Canadian National Exhibition Association (CNEA).

The report also addresses issues raised by the CNEA Board of Directors related to the reputation of the “CNE” as a brand which CNEA issue is addressed in Appendix “A” of the Confidential Attachment 1 to this report.

Recommendations:

It is recommended that:

- 1. The Board direct Exhibition Place staff, in consultation with CNEA staff as appropriate, to implement the media protocol as set out in this report.**
- 2. The Board direct that the confidential information contained in Confidential Attachment I to this report not be released publicly as it relates to the security of the property of the Board.**

Financial Impact:

Revenues earned from long-term tenants at Exhibition Place and from the CNEA both have a positive impact to the operating budget.

Decision History:

The Exhibition Place 2014-2016 Strategic Plan had a Business Goal to *integrate and develop each of the business enterprises across Exhibition Place and pursue new complementary business enterprises to stimulate local and regional economic growth and promote Exhibition Place as an international centre of business excellence*, and as a Strategy to support this Goal *we will achieve our recurring events business revenue*.

At its meeting of April 25, 2003, the Board approved the Lease with Muzik which was subsequently approved by City Council at its meeting of June 24, 25, and 26, 2003.

At its meeting of January 27, 2012, the Board approved a Master Agreement with the CNEA and City of Toronto to set out the terms of the independence of the CNEA from the Board and City commencing April 1, 2013.

At its meeting of May 23, 2014, the Board approved of a Member Motion Without Notice requesting that Exhibition Place staff report to the Board of Governors at their next meeting on the implications of extended hours of operations on the operations of the CNE and any concerns and mitigation measures planned related to Muzik Clubs Inc.

Issue Background:

The CNEA Board of Directors has raised issues of concerns with respect to the operations of Muzik during the 2014 CNE period which are addressed in this report.

Comments:

Rights of Exhibition Place Tenants during the CNE Period

All of the long-term tenants at Exhibition Place entered into agreements with the Board at a time when the CNEA was a program of the consolidated operations of the Board and the CNEA Board of Directors had four members on the Board of Governors. In 1999, the Board put in place a strategic direction to publicly solicit interest from the private sector to enter into long-term tenancies for the underutilized buildings on site. Generally, the purposes of this strategic direction were as follows:

- Bring all-year entertainment activities to buildings that were only used 18-days a year;
- Generate substantial capital investment by the private sector as most of these buildings had no capital investment for many years and some lacked basic servicing such as heating and air-conditioning;
- Have the private sector assume costs related to the “state-of-good-repair” for these buildings as the Exhibition Place / City Capital Program did not include nor could afford these costs;
- Generate basic rental income and property tax payments from the tenants to subsidize the other operations on the grounds which on a consolidated basis (including the CNEA operations) were posting annual losses;
- Generate incremental revenues from parking, services and percentage rent for the Board and which incremental revenues are tied into and driven by the success of each of the tenants.

While the offers made to the public with respect to each of the private enterprises on the grounds spoke to the major events held on Exhibition Place (CNE, Honda Indy, potential PanAm Games etc.) there was a recognition that Exhibition Place would work with tenants to allow them to succeed. Both the Board’s ability to limit the tenants operations and the Board’s obligations to allow the tenant to operate are set out in each of the tenant’s lease agreements. However, in practice, the Board and the CNEA have worked with each of the tenants to allow them to operate during the CNE Period.

With the independence of the CNEA in 2013, the relationship between the CNEA and the City / Board changed and also the relationship between the CNEA and each of the tenants changed and the parties contemplated and addressed this change within subclause 5.7(a) of the Master Agreement that provides as follows:

“Persons who have entered into a lease or licence with the Board as of the date of this Agreement (“Current Tenants”), shall, for the term of their current agreements with the Board and any renewals of those agreements, have the specific right during the CNE as set out in Schedule “F” subject to the Board’s contractual rights in the Board’s agreements with the Current Tenant”.

Consent Agreement with Muzik

Schedule “F” to the Master Agreement sets out specific terms with respect to opening during the CNE period for each of the Current Tenants and with respect to the Muzik Leased Premises, Paragraph E2 provides as follows:

- (a) The CNEA shall construct its westerly fence line for the CNE to ensure that westerly landscaped area and entrance to the Muzik that are part of the Muzik Leased Property is outside the CNE westerly perimeter and for clarity, the CNEA’s westerly fence line is outside the limits of the Muzik Leased Property unless otherwise agreed to by Muzik.
- (b) The CNEA shall work co-operatively with Muzik if Muzik decides to develop special programs that will be offered during the CNE
- (c) During the CNE, the CNEA shall provide to Muzik 21, 18-Day Admission passes (CNE6); 5, 18-day Essential Services passes; and 21, 18-Day West Grounds Parking passes
- (d) Muzik, its staff and invitees, shall have continuous and full access to the Muzik Leased Property during the CNE provided that all persons follow the CNEA rules applicable throughout the grounds during the CNE
- (e) Any persons attending Muzik during the CNE and arriving after 10 pm shall be charged normal Exhibition Place parking rates not CNEA Parking rates.

Before 2013, the manner in which each of the tenants operated during the CNE was worked out through meetings with each of them and except for Muzik, this still continues to be the practice. However, with respect to Muzik, the CNEA requested that a formal written agreement be done for the 2013 CNE and following intense negotiations with the CNEA and Muzik, an agreement was reached and executed by the Board and Muzik. Exhibition Place staff have proposed the same direction be adopted for the 2014 CNE period and are currently in discussions with Muzik.

Media Protocol

Prior to the 1990’s, the major activity at Exhibition Place was the annual CNE event. However, with the development and opening of major venues on the site such as Direct Energy Centre, Allstream Centre, Ricoh Coliseum and BMO Field; the introduction of another eight commercial entertainment venues; and the location five public sector operations; Exhibition Place has become a year round destination. Over the last 15 years, the number of annual events on the grounds has increased by 261% (or from 85 to 222) and with the hotel set to open in 2015, this activity will increase even more.

While Exhibition Place has throughout this last 15 years undertaken directions to promote a better understanding by the public and media of the identification, nature and ownership of the grounds, a 100 years old history of referring to the grounds as the “CNE grounds” will take time, particularly given the substantial marketing plan put in place by the CNEA which results in thousands of media hits not only during the four month period leading up to and immediately following the CNE event, but also references to the CNE throughout the year but still related to the CNE event, past or future.

For example, Exhibition Place staff had its online media monitoring service do a scan of 2013 media (all sources) that mentioned “CNE” and “CNEA” and there were over 2000 mentions. A general review of the scan shows that almost 1500 of these mentions were leading up to, during or immediately following the 2013 CNE event. In addition, there were almost 200 references to past CNE events such as when the tightrope walker, Jay Cochrane died. There were also substantial media hits about the casino and while most identified the casino development at Exhibition Place, this media also made reference to the CNEA opposition. However, one significant misidentification occurred in February 2013, when there were 18 media mentions of the “CNE grounds” in relation to a “murder” and “man shot” in the parking lot on the Exhibition Place site.

Given the CNEA is now an independent organization as of April 2013, Exhibition Place staff believes it is important to renew our plan to proactively and reactively ensure accurate identification of the grounds. Exhibition Place will issue a notification to media outlets on the different sites on the grounds and Exhibition Place staff will also scan all media on a daily basis and if the site is incorrectly described as the “CNE grounds” rather than Exhibition Place, staff will actively inform the media and request a retraction/ correction.

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Submitted by:

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