



Exhibition Place

Item No. 22

January 27, 2014

To: The Board of Governors of Exhibition Place

ACTION REQUIRED

From: Dianne Young, Chief Executive Officer

Subject: **Agreement with Green Savoree Toronto ULC for Honda Indy**

Summary:

This report recommends a three-year agreement with Green Savoree Toronto ULC (“GST”) for 2015, 2016 and 2017 races.

While the Toronto Honda Indy is a significant event for Exhibition Place, more importantly is the economic impact on the City of Toronto. The Honda Indy Toronto has a direct economic impact on the city of \$34.7 million, and indirect impact of \$12.0 million for a Total Economic Impact of \$46.7 million. The direct impact of spectators attending the event is \$29.1 million of which \$16.9 million is from spectators outside the Toronto Metropolitan Area and \$12.2 from locals. The indirect impact is \$12.0 million which consists of \$1.3 million of impact from INDYCAR and INDYCAR teams and \$10.7 million of spending from the promoter. The City of Toronto also generates additional domestic & international measured media value in excess of \$10.2 million. Charitable initiatives generate \$87,000 for the Make-A-Wish Foundation and the Toronto Downtown YMCA annually. Although an economic generator for the City and the Province, the Toronto race has up until recently experienced significant financial losses. .

Recommendations:

It is recommended that the Board:

- 1) Approve of entering into a three-year agreement with GST, substantially on the terms and conditions contained in this report and the Confidential Attachment 1, and such other terms and conditions satisfactory to the Board’s Chief Executive Officer and the City Solicitor; and**
- 2) Direct that the confidential information contained in Attachment 1 to this report not be released publicly in order to protection the competitive position and future economic interests of Exhibition Place and the City of Toronto.**

Financial Implications:

The proposed Operating Budget for 2015 will include the financial return as set out in this report and the attached Confidential Attachment 1 which for the Board is a total net profit inclusive of parking and services of approximately \$1.5M over the three-year term.

Decision History:

At its meeting of March 4, 2011, the Board approved entering into an agreement with Green Savoree Toronto ULC (Green Savoree) with respect to the 2012, 2013 and 2014 Honda Indy

aces. At its meeting of October 25, 2013 the Board approved an amendment to the agreement with regards to the date of the 2014 race.

The Exhibition Place 2009 - 2012 Strategic Plan had a Financial Goal to *Maintain a positive operating financial performance across Exhibition Place and all its businesses* and as Strategies to support this Goal to *seek new or expand revenue opportunities within our existing operations and ensure operating budgets are met or show a positive surplus to budget.*

Issue Background:

While Green Savoree view the Toronto race as one of the marquee racing events, the co-owners indicated in 2009 that they would not be able to sustain the substantial losses that had been experienced by the former race owners. The Toronto race is one of the most expensive venues in the entire racing circuit because of the lack of any permanent seating; and the high cost of unionized labour that must be used to erect all the suites and bleachers on site. Also, other races in the circuit receive substantial cash or in-kind support from local and state governments to attract the race to its city given the very positive economic impact of the race.

Because of the positive economic impacts of the race for the City of Toronto, Exhibition Place, City of Toronto departments, Toronto Tourism and the Province of Ontario provided some financial relief and/or benefits for the race which have continued throughout the three year agreement that expires after the 2014 race. This new agreement has been negotiated in consideration of the existing financial terms and also considering the significant physical changes to the Exhibition Place site as noted below.

Comments:

Commencing in 1986 as part of the Championship Auto Racing Teams ("CART") and sponsored by Molson Breweries, an international racing series was held at Exhibition Place every summer. In December 2003, CART declared bankruptcy, and in January 2004, the assets of CART were sold to a private entity Open Wheel Racing Series LLC ("OWRS") which changed its name to Champ Car World Series LLC (Champ Car) and in 2008, Champ Car merged and became part of the Indy Racing League (IRL). Given this merger happened in early 2008, there were too many combined race dates to run in the one IRL league in the summer of 2008 which resulted in cancelling the Toronto race. However, in March 2008, Andretti Green Promotions signed a letter of intent to purchase the former Grand Prix of Toronto, secured a major naming sponsorship with Honda and secured race dates for three years in July of 2009, 2010 and 2011 for the new Toronto Honda Indy international race.

Green Savoree and its corporate predecessors have been operating since 2004 when it announced it would stage the Indy Racing League's first non-oval event at St. Petersburg, Florida. Kevin Savoree and Kim Green, are co-owners of Green Savoree based in Indianapolis, USA.

Because of the significance of this event to the City, Exhibition Place was asked in 2009 to be part of the City team to continue to secure this event under reduced financial terms. Green Savoree has now operated four races in Toronto and the existing agreement expires after the 2014 Race. The experience in Toronto continues to be very positive with growth of fans coming to the Race and Green Savoree are anxious to secure a further 3-year agreement with Exhibition Place so that it can seek long-term contracts respecting the Race. Green Savoree is currently working to secure continued financial assistance from the Province and Toronto Tourism for 2015 – 2017.

Attached as Appendix I to this report are the terms and conditions of a proposed agreement for 2015, 2016 and 2017. The terms and conditions still offer some financial cost reductions to Green Savoree as compared to the agreements in place prior to 2008. However, in 2016 and 2017 the terms have eliminated the cost reduction for services in the previous agreement.

A major consideration during the negotiations with Green Savoree was the impact of the construction of the hotel on the race circuit. The hotel construction has required seating and suites to be relocated and/or reduced. However, Exhibition Place has ensured the ability for the Race to have pedestrian access through the hotel site to the Allstream Centre, even though construction will be in progress subject of course, to any orders under the *Occupational Health & Safety Act*.

Another major consideration in 2015 is the Pan Am Games that will cause Honda Indy to change the dates of the race to early June, reduce the space available for both outdoors and activity within the Direct Energy Centre and reduce the move out period as compared to the current agreement.

Some of the other positive directions to note in the proposed agreement are:

- Definitive race dates for all three years in advance to allow our other tenants to organize their events
- A reduced move out period
- Approximately \$300,000 higher three year net return to the Board over the previous three year term
- Earlier requirement for GST to notify the Board of termination (based on specific conditions)

With these factors in mind, staff is recommending a three-year agreement with Green Savoree on the terms and conditions set out in Appendix “A” and the Confidential Attachment.

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Submitted by:

Dianne Young

Chief Executive Officer

Appendix 'A'
Terms and Conditions for Honda Indy Contract 2012 to 2014

Green Savoree Toronto ULC hereinafter referred to as "GST"

- (a) Term – Three (3) years commencing January 1, 2015.
- (b) Race Days: The automobile race shall be run over four (4) consecutive days commencing on a Thursday and ending on the Sunday which falls on June 4, 5, 6 and 7, 2015 and, subject to the approval of the Sanctioning Body (IRL), on July 14, 15, 16 and 17, 2016 and on July 13, 14, 15 and 16, 2017, provided that GST shall, by November 1st of the year preceding the race, give notice of any adjustment to these proposed dates for the race in 2015, 2016 or 2017 as may be required by the Sanctioning Body (IRL) and propose alternate dates for the approval of the Board. If the featured final race cannot be run on the Sunday because the Sanctioning Body (IRL) rules the Track unsafe for any reason, the featured final race may be run on the Monday immediately following, provided that GST shall be responsible for all additional Board's Costs, net of Recoverable Taxes, incurred by the Board by reason of the delay.
- (c) Occupation of the Site: For the race days of the Honda Indy, GST shall be entitled to occupy the grounds of Exhibition Place, except for the buildings on the Site, bounded by the Gardiner Expressway, Strachan Avenue, Lake Shore Boulevard and the fence-line running from Dufferin Gate to Lake Shore Boulevard. The Site and the buildings on the Site shall continue to be accessible to the Board and its employees to perform essential services and the tenanted buildings within these boundaries shall continue to be accessible to the employees to perform essential services. GST acknowledges that the hotel will be operational during the race days and be accessible to guests and employees through the DEC entrance.
- (d) Use of Buildings: GST may, with the prior approval of the Board, such approval not to be unreasonably withheld or delayed, be permitted to use other buildings on the Site (save and except for BMO Field, the Conference Centre and hotel facilities and any building leased to a third party during the term of this Agreement) during the period of the Race Days solely for the purposes of the Event at no additional building rental charge to GST (with the exception of the payment of Utilities), provided that GST has first entered into the Board's standard licence agreement with respect to the use of such buildings.
- (e) Parking – The base rental fee includes the right of GST to 2,000 parking spaces on the grounds with a right to resell 1,750 spaces to ticket holders. If any of these spaces are not sold or remain vacant on a race day, the Board has a right to resell such spaces to the general public and retain all revenues from such sales. Furthermore, the Board has the right to operate certain parking lots immediately following the last race of each day to facilitate the patrons of its other tenants such as Medieval Times, Liberty Grand, Muzik Club, Gossip Restaurant and Ricoh Coliseum. GST acknowledges that during the race days, guests of the hotel will be provided with parking in the DEC garage.
- (f) Utilities – GST will reimburse the Board the full cost of utilities used in the DEC or other buildings occupied by GST.
- (g) Equipment – The Board will provide, if available, rental equipment to GST at no cost provided that GST is responsible for repairing any damage caused to such equipment.
- (h) Sponsorship – GST shall have the exclusive right to automobile and motor oil sponsorship within the Direct Energy Centre for the days of its race, but shall not have the right to remove or cover any third party advertisements on the Clarity Outdoor Media Inc (formerly Viacom), Astral Media Outdoor L.P.(formally Omni) or BMO Field signs, the Carillon Tower, the Lake Shore Entrance signs, the Ricoh Coliseum video boards or elsewhere on the grounds, or to cover any signs related to the naming of a building.
- (i) Direct Energy Centre – GST shall have the right to use the DEC (excluding the West Annex and the Ricoh Coliseum) from the Monday preceding the race on the terms and conditions of

- the standard licence and the Board shall provide, if available, office space to GST by the first day of move-in prior to the race provided GST pays all costs associated with such space.
- (j) Conference Centre – GST may, with the prior approval of the Board, such approval not to be unreasonably withheld or delayed, be permitted to use the Conference Centre in 2015, 2016 and 2017 for a period of five (5) days for the purposes of: 1) a gala or food & beverage event at no additional building rental charge to the GST provided that the Board’s exclusive caterer has the right to provide food services and provided that the GST enter into a standard licence agreement with respect to the use of the Conference Centre and pays for all costs of utilities and services provided. 2) a media centre using rooms 200 and 206. GST will advise the Board of their intention to use the conference centre no less than 180 days prior to the event otherwise the Board will retain the right to use the conference centre. The Board shall provide GST with pedestrian access during the Event from the DEC underground garage through the ground floor level of the Conference Centre.
 - (k) Conference Centre Landscape Area: Commencing at 7 pm on the Wednesday before the Event, GST shall be entitled to enter and use the landscaped area to the south of the Conference Centre included as part of the proposed Conference Centre provided that GST shall utilize the Board’s exclusive food and beverage supplier for all catering within this area.
 - (l) BMO Field - The Board agrees that the use of the BMO Field for holding of CSA Soccer Games or Team Soccer Games on one or more of the Race Days may occur only with the prior written approval of GST, acting reasonably.
 - (m) Storage - The Board will provide at no cost year-round storage for flatbed trailers, van trailers and various material and equipment owned by GST at a location to be determined by the Board subject to GST entering into a standard licence agreement with the Board for such storage.
 - (n) Set-up/Take-Down – The parties shall agree on a chronological schedule for the set-up and take-down of all structures, seats, etc., necessary for the race and GST shall abide by such schedule provided the move-in schedule will be no longer than 6 weeks prior to the first race day and the move-out is no longer than 12 days following the last race day.
 - (o) Concessions – GST shall be solely responsible for arranging concessions and sponsorships and shall be entitled to all revenues derived there from save and except for the hotel caterer which will continue to provide catering services in the hotel and the restaurants located in the hotel which will continue to provide food services.
 - (p) Track – GST shall, at its sole cost, be responsible for erecting/ removing all fencing, barriers, all stands and seating, removing and reinstalling all movable trees /shrubs and repainting/ restoring all roadway lines affected by the race .
 - (q) Approvals – GST shall be responsible for obtaining the consent of the City of Toronto to hold the race and close Lake Shore Boulevard West and for complying with the terms of those approvals.
 - (r) Collective Agreements – GST shall abide by all collective agreements between the Board and its unions and the City and its unions.
 - (s) Insurance/Indemnities – GST will obtain insurance of not less than \$20 million U.S. per occurrence and will provide indemnities as required by the City Solicitor.
 - (t) Redevelopment - GST hereby acknowledges and agrees that it has received notice that the Harbourfront LRT Extension west, hotel Phase 2, DEC expansion, BMO Field expansion projects, development of the Lot 6 site (the “Contemplated Projects”) may be proceeding and that, if any or all of the Contemplated Projects proceed, the project(s) will have a significant impact on the Event and the Site and on access to the Site, including the possibility that the Event must be cancelled or rescheduled or that the course of the Track must be adjusted/realign at GST’s and the Board’s expense which will be equally shared; and GST agrees that it will not be entitled to any compensation whatsoever from the Board or the City of Toronto, including but not limited to any reduction or abatement of license fees or fees for services provided by the Board, as a result of such impact. Notwithstanding the above, the

Board shall provide GST with notice that a Contemplated Project will proceed by October 1st of the year prior to the year of the affected Event and as part of said notice will provide GST with as many particulars as available to the Board about such Contemplated Projects and will provide GST with the opportunity to participate in the planning process for the implementation of the Contemplated Project to the extent and in a manner consistent with the rights and obligations of the parties herein, provided that nothing in this paragraph shall limit the Board's discretion in respect of implementation.

- (u) Suite: GST shall provide to the Board fifty (50) tickets for a suite along with fifty (50) pit and fifty (50) parking passes as typically provided pursuant to previous agreements.
- (v) Termination – If GST decides to cancel the Event it must give the Board notice of such cancellation no later than November 30th for the Event to be held in the following year and no Licence Fee will be owing or payable and in addition, GST may decide in its sole discretion (subject to specific conditions) to cancel the Event in any particular year of the Term, provided that it is otherwise in compliance with the terms of this Agreement and provided notice of cancellation is given as follows:
 - Prior to November 30th, for convenience without payment of the License Fee or Board Costs, with the exception of Board Costs which have been authorized by GST and incurred by the Board prior to November 30th.
 - After November 30th and before April 16th of the then current year with respect to the Event to be held that year, along with a payment by certified cheque to the Board of one half (1/2) of the Licence Fee owing with respect to the cancelled Event and the Board's Cost (without deduction of the Board's Grant) or other expenses incurred by the Board with respect to the cancelled Event up to the date that the notice of cancellation is received by the Board; or
 - After April 15th of the then current year with respect to the Event to be held that year, along with a payment by certified cheque to the Board of the entire Licence Fee owing and the Board's Cost (without deduction of the Board's Grant) or other expenses incurred by the Board with respect to the cancelled Event up to the date that the notice of cancellation is received by the Board.