



2017 Licence Agreement with Royal Agricultural Winter Fair

Date: May 1, 2017

To: Board of Governors of Exhibition Place

From: Dianne Young, Chief Executive Officer

Wards: Wards 14 and 19

SUMMARY

Commencing in 2016, the Board Chair and the Chair of The Royal Agricultural Fair ("RAWF") Board of Directors met along with staff to discuss the development of a long-term plan for the RAWF on the Exhibition Place grounds. Joined by the Vice-Chairs of both boards, these meetings started again in 2017 and are continuing on a monthly basis.

Discussions to date have been productive with a review of the City / Provincial / Federal Agreements related to construction of the Coliseum buildings confirming that the City is the sole owner of all assets. In addition, there was a review of the operating agreements in place for RAWF/ City / Exhibition Place since the 1920's specifically pre-1950 agreements reached between the City / Province / Federal governments relating to rent relief. Finally, a detailed review of the past 10 years of the RAWF income, expenses and profits has started and continues. Both parties also determined that to conclude a long-term agreement, it was essential to have in place the future strategic plans for both organizations which will happen shortly. The intent of these discussions / meetings would be a presentation of a long-term plan to the Board and to City Council in the Fall 2017.

However, in the meantime, the parties agreed to move forward with a one-year agreement for the RAWF office space and the RAWF Licence Agreement and this report is recommending the terms of a licence agreement for the 2017 event.

In 2016, all City departments and agencies were charged with developing a 2017 Operating Budget to either reduce expenditures and / or increase revenues or surplus in order to achieve the 2.6% overall budget reduction. This has in many instances required a reduction in grants provided and / or increases in rental rates by City and its agencies. However, in the case of the 2017 RAWF Licence Agreement, Exhibition Place and the City of Toronto are not recommending reducing its financial support. Combined, the City / Board will be providing an overall grant / discount of \$1,394,727

which represents 88.9% reduction to the Board / Council approved 2017 rental rates for the Enercare Centre space used by the RAWF and a final 2017 rental rate and payment by the RAWF of \$173,826.

RECOMMENDATIONS

The Chief Executive Officer recommends that the Board:

1. Approve a one year rental agreement with RAWF for the 2017 Royal Agricultural Winter Fair under the terms and conditions of the standard licence agreement for the Enercare Centre and specific terms outlined in Appendix "A" and such other terms and conditions as satisfactory to the CEO and City Solicitor.

FINANCIAL IMPACT

Combined, the City / Board to provide an overall grant / discount of \$1,394,727 which represents 88.9% reduction to the Board / Council approved 2017 rental rates for the Enercare Centre space used by the RAWF and a final 2017 rental rate and payment by the RAWF of \$173,826. This rental amount is \$44,414 less than the Board / Council approved 2017 Operating Budget and this shortfall will need to be made up by Exhibition Place in other areas throughout the year.

DECISION HISTORY

The Exhibition Place 2014-2016 Strategic Plan has a Business Development Goal to integrate each of the business enterprises across Exhibition Place to stimulate local and regional economic growth and promote Exhibition Place as an international centre of business excellence.

At its meeting of September 30, 2016, the Board approved the terms of the 2016 Licence Agreement for the 2016 RAWF event, and the Board approved a further discount to the 2016 RAWF licence fee in the amount of \$27,000.

<https://www.explace.on.ca/files/file/58b5f8f078281/Item-12-RAWF-Licence-Agreement-2016.pdf>

COMMENTS

As part of the meetings led by the chairs of the boards, the terms, conditions, grants and discounts as set out in Appendix A for the 2017 RAWF licence agreement were tabled and are now before the Board for consideration.

Enercare Centre Building Rent and Discounts / Grants

The value of the licenced space based on the move-in, event, and move-out dates as was used by the RAWF in 2016 and as listed on Appendix B is calculated as follows:

- Based on Board / Council approved 2017 rates for the Enercare Centre, the actual rent to be charged to third parties for this space and dates is \$1,568,553;
- A Board discount of 27.1% was then applied resulting in a reduction to the RAWF licence rent by \$425,617;
- As a result, the proposed 2017 rental rate for the RAWF for the Enercare Centre is \$1,142,936 which is a 3% increase over the 2016 rent paid by the RAWF;
- The City has indicated it will maintain its 2017 grant level at \$969,110 thus reducing the required payment by the RAWF for rent for all move-in, event, and move-out days to \$173,826.

The RAWF has requested that the City / Board considering providing grants / discounts at a level equal to the 2017 rent - in other words an additional grant / discount of \$173,826.

The last year the City / Board grant / discount equaled the RAWF rent was in 2007. In 2008 the Board approved rental rate increased by 6.7% and the City grant was the same as in 2007, and at that point the RAWF rent exceeded the grant by \$62,884. While the RAWF requested additional grants / discounts in 2007, the Board did not approve. Further, in 2009, the RAWF determined it wanted to expand its event and rent Hall D. This was an additional RAWF cost of \$60,000 for rent plus the service costs of programming this added hall. The Board increased its rent discount in this year, and the City grant increased to \$920,700, and overall the rent in 2009 exceeded the grant / discounts by \$104,294. In the 9 years from 2009 to 2017, the rent gap that has resulted from the 2009 decision has increased from \$104,294 to \$173,826 or by a total 15.2% over the 9 years (average of \$7,725 or 1.7% per year).

RAWF Requested Facility Preparation Days

As indicated on Appendix B, there are move-in, event and move-out days in the Enercare Centre which are exclusively booked by the RAWF and for which the RAWF pays the rent detailed above.

However, like all major shows at Exhibition Place, there are "general contractor requested" facility preparation dates. These dates are provided, if available and at the discretion of Exhibition Place, to allow general service contractors and venue contractors to do some general preparation work in halls that are not occupied (ie marking floors, high reach work, rigging, installation of electrical and IT prior to booth carpet installation during move in etc). The facility preparation days are provided at no cost to the show, however, these dates are not confirmed prior to one month in advance of the licenced dates because once the halls are provided for facility preparation, the right of the Board to market these halls exclusively to another third party ceases. This has major financial implications for the Board. For example just one day of market rent for the major Class "A" halls is as follows: Hall A (\$23,625); Hall B (\$20,297); Hall C (\$11,022) and Hall D (\$12,801).

As a concession to the RAWF and as part of the proposed 2017 terms and conditions in Appendix A, Exhibition Place is proposing it would confirm the availability of the RAWF requested facility preparation dates (as outlined in Appendix B) by August 1, 2017, fully 3 months in advance of the RAWF first paid move-in dates. If all the facility preparation dates requested by the RAWF are used (see Appendix B) then this represents a benefit / discount of \$1,645,498 in 2017 as no rent will be charged the RAWF during these facility preparation dates.

Ricoh Coliseum

The former 1922 Coliseum Arena was completely renovated by the City at a cost of \$38.0M in 2003 to become the Ricoh Coliseum. This renovation changed the 1922 building into a Class A multi-use arena with approximately 8,200 seats (plus suites). Special design features of the arena were included in the renovation to accommodate the show ring required by the RAWF. The City loan for this renovation continues to be outstanding and paid by the Board / City.

The new Ricoh Coliseum has always been a tenanted facility with the long-term lease being with BPC Coliseum Inc. (a company of OMERS) and an existing sublease from BPC Coliseum Inc. to Maple Leaf Sports & Entertainment Inc. (MLSE). While the sublease agreement with MLSE provides a right for the RAWF to utilize the leased premises, the rental rates and licence agreement is between the RAWF and the Subtenant.

CONTACT

Arlene Campbell, General Manager, Sales & Events, 416-263-3030,
ACampbell@enercarecentre.com

SIGNATURE

Dianne Young
Chief Executive Officer

ATTACHMENTS

RAWF Licence Agreement 2017

Appendix A - Terms of 2017 Licence Agreement

Appendix B - Exclusive Licenced Move-in, Event and Move-out dates & Requested Facility Preparation Days by RAWF

Appendix C - RAWF - Summary of Net Profit (Loss), Investment Funds, City Grant, Board Discounts, Rent and Services