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EXHIBITION PLACE

January 9, 2006

To: Board of Governors of Exhibition Place
From: Dianne Young, GM & CEO
Subject: **Lease for Riding School in Horse Palace**

Purpose:

This report recommends a further lease with Sunnybrook Stables Inc. ("Sunnybrook") for a portion of the Horse Palace stables.

Financial Implications and Impact Statement:

The value of the proposed three-year lease with Sunnybrook is approximately \$40,500 over the term of the lease plus property taxes of approximately \$1,500.00 annually. The negative value of the early lease termination and reduction of lease space is \$3,000.

Recommendations:

It is recommended that the Board approve of:

- (1) An early termination of the present lease with Sunnybrook on December 31, 2005; and**
- (2) Entering into a three (3) year lease with Sunnybrook for the operation of an equestrian riding school in the Horse Palace on the same terms and conditions as the present lease except for the changes outlined in this report and such other terms and conditions satisfactory to the City Solicitor and the Board's General Manager & CEO.**

Background:

At its meeting in April 2003, the Board approved of entering into a three-year lease with Sunnybrook which term expires on May 31, 2006.

Comments:

Since 1992, there had been a small riding school operating in the Horse Palace. One of the major challenges of a riding school operating at Exhibition Place is the requirement to cease operation and vacate the premises twice a year for the CNE and the RAWF period. This results in a closure of approximately two months every year. Also, the timing of these temporary closures is

during the prime operating times for a riding school, ie when a school would normally have summer camps in August and in November which is generally a very popular time for lessons. Furthermore, any lessee who operates a riding school in the Horse Palace must also share the exercise ring with the Mounted Police Unit. All of these site-specific requirements have some bearing on the ability for an operator to conduct a viable business and remit to the Board a reasonable rent for the use of the premises.

Sunnybrook and its owner, Mr. Walter Shanly, has been operating a successful riding school in the vicinity of Sunnybrook Hospital since 1979 and expanded its business to Exhibition Place in the Fall 2003, following the completion of upgrades in the Horse Palace valued at approximately \$100,000.

Sunnybrook has established a first-class equestrian riding school in the Horse Palace that includes special riding programs such as: English riding lessons, holiday day camps, "Youth Assisting Youth" community outreach, therapeutic riding lessons for disabled persons, clinics, introductory riding lessons for children and adults, one-day group orientation classes, student co-op programs, Equine Canada Certificate accreditation. The Exhibition Place Riding School has established a very positive reputation in the area and industry and, as importantly, it has established very positive working relationships with the Toronto Mounted Unit, the RAWF and the CNE and has been an excellent tenant on the site.

Sunnybrook, however, has found it difficult to grow their business with the operating restrictions as noted above. These operating limitations were further increased in the summer of 2005, when the CNE decided to hold an expanded Horse Show the first two weeks of August. As a result of this new CNE event, Sunnybrook had to cancel two weeks of its summer days camps and adult lessons because use of the exercise ring was very limited and also the increased equestrian and spectator traffic in the Horse Palace posed serious risks and potential liability of falls by students, mostly children just beginning to ride. This resulted in a loss of income to Sunnybrook of approximately \$12,000 for this two-week period in August. This loss becomes even more significant because it must be added to the losses that Sunnybrook experienced since opening which have been in the range of \$160,000 with \$100,000 related to first-year set-up, marketing and staffing expenses and the remainder representing on-going annual losses.

While Sunnybrook remains fully committed to the riding school at Exhibition Place and wants to enter into a further 3-year lease with the Board, Mr. Shanly has approached the Board to request an adjustment to the rent based in the on the following:

- (a) The CNE will continue to operate its expanded CNE Horse Show at the beginning of August and Sunnybrook School will no longer be able to hold children's day camps during any of the CNE period thereby reducing its ability to use the Leased Premises from 8 weeks to 10 weeks.
- (b) Pursuant to the terms of the present lease, Sunnybrook was to rent a minimum of 26 stalls as of June 1, 2005. However, the present business level of Sunnybrook only requires 18 stalls and the new lease will reflect the decrease in leased space from 26 to 18 stalls.

Accordingly, staff recommends that the Board approve of an early termination of the present lease (December 31, 2005) since this lease reflects the use of a greater area than actually occupied in 2005 at a higher rent and a more limited use by the CNE than one used in 2005 and planned for 2006 going forward. In addition, staff recommends the approval of a new three-year agreement with Sunnybrook commencing on January 1, 2006 on generally the same terms and conditions as the previous lease except for Basic Rent which shall be \$13,500 annually for only 18 stalls for its equestrian operations. In addition, if during the Term, the riding school business grows then Sunnybrook will pay an additional \$75.00 per stall per month for any added stalls used for the riding school operations.

Conclusion:

This report recommends that the Board enter a three (3) year lease with Sunnybrook for the operation of an equestrian riding school at the Horse Palace at Exhibition Place commencing January 1, 2006, under the same terms and conditions as contained in its present lease except for the terms specifically outlined in this report.

Contact:

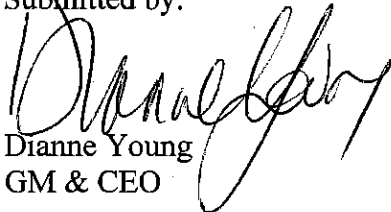
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Submitted by:



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