



28

November 13, 2006

To: The Board of Governors of Exhibition Place

From: Dianne Young  
General Manager & CEO

Subject: 2007 Wizard World

Purpose:

This report recommends the terms for a one-year license agreement with Astro Zodiac Enterprises Limited for the operation of 2007 Wizard World attraction in the Better Living Centre in March of 2007.

Financial Implications & Impact Statement:

The approval of the recommendations contained in this report will result in the Board earning approximately \$61,000 in gross revenues from venue rental, parking and the provision of labour and services to support the execution of this event.

Recommendation:

**This report recommends that the Board approve a one-year license agreement with Astro Zodiac for the operation of the 2007 Wizard World attraction in the Better Living Centre during 2007 March Break, on the terms and conditions set forth in this report and any other such terms and conditions as may be required of the General Manager or the City Solicitor.**

Background:

At its meeting of January 2006, the Board approved the terms for a one-year license agreement, wherein the venue rental for the 2006 event would be waived, but the 2007 event would be charged at 25% of the standard list prices.

Comments:

At its meeting of January, 2004, the Board received a report from staff which recommended the business terms for a three-year license agreement with Astro Zodiac for the operation of a new children's attraction that would operate in the Better Living Centre during March Break. The three-year recommendation was based on assisting the operators to develop and launch this new event, and the business terms recommended by staff proposed a gradual claw-back of the Board's

assistance during the three-year term. One of the major concessions for this new event was the waiver of building rent and rental costs of the Board's equipment (subject to availability).

However, the Board only approved the terms for a one-year license agreement and requested that staff report back to the Board on the actual experience and recommendations for future licence agreements. In 2005, the Board earned gross revenues of \$48,600.00 (rent waived; \$10,344.31 from parking, \$36,613.00 from labour and services, and \$2,287.00 in retained concessions income). The operators report having lost approximately \$25,000.00 after expenses and capital investments totaling approximately \$60,000.00 and utility costs of \$5,892.00.

In 2006, the Board earned gross revenues of \$42,200.00 (rent waived, \$18,062.00 from parking, \$19,870.51 from labour and services, and \$4,315.89 from concessions). The operators report a net operating loss of \$19,505.07 after expenses, which include utility costs totaling \$10,113.70 (electrical – \$2,794.83, gas – \$6,224.50 and water - \$1,094.37).

However, despite these losses, the operators are still positive about the future of the event, and are making adjustments for the 2007 event. The operators request that the Board maintain the same level of assistance in 2007 as it provided in 2004, 2005 and 2006 so the event can grow on the grounds, as the Board has done with the Screemers event which is also managed by the same operator.

This is a very positive event for Exhibition Place bringing families and children to the grounds and renting a building that has typically been vacant during the March period. Therefore, staff are recommending that the Board enter into a one-year agreement with Astro Zodiac with the following exceptions to the Board's standard license agreement:

- a) Building Rent: As approved by the Board in January 2006, Wizard World will be charged 25% of the building rental rate for the percentage of the building used for only the event days used and not for any move-in or move-out days. This translates into a venue rental for the seven (7) days of operation (square footage x rate/sq ft x 25%) \$3,436.95/day and \$24,058.65 for the week; waive the venue rental of the building for the move-in and move out days (equivalent to 41 days - 27 move in and 14 move out) \$3,436.95/day x 41 days = \$140,914.95); charge 100% of utilities for move in and move out period, and 75% for the event days;
- b) Board's Equipment: waive the standard rental rates for the use of the Board's Equipment that is available (i.e. not rented to another client);
- c) Labour and Services: waive the standard posted rates for labour and services and charge only Time+Material+12%;
- d) Food and Beverage Commissions: share 50% of all commissions from the sales of F&B;

For the Board's information, the standard License agreement provides that the Board will receive sponsorship recognition equivalent to any discounts or rebates, in a manner that is consistent with the Operators' standard recognition of its corporate sponsors. In 2004, 2005 and 2006, the logo of Exhibition Place was positioned with the logos of other corporate sponsors for Wizard World in all printed materials, on the operator's website and in transit, billboard and electronic advertising.

Conclusion:

This report recommends that the Board approve the terms of a one-year license agreement with Astro Zodiac for the operation of the 2007 Wizard World attraction and, furthermore, that staff report back to the Board at the conclusion of this event with results and recommendations for moving forward with this operator.

Contact:

Debbie Sanderson

Booking/Tenant Administrator

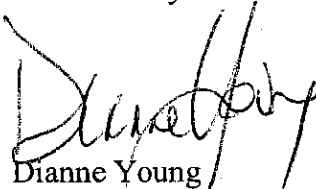
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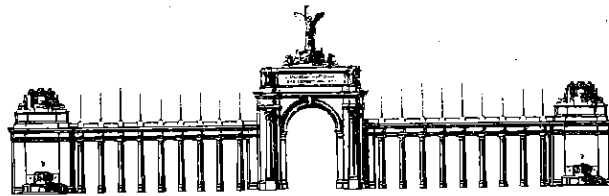
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Submitted by:



Dianne Young  
General Manager & CEO





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## EXHIBITION PLACE

December 15, 2006

To: The Board of Governors of Exhibition Place

From: Dianne Young  
General Manager & CEO

Subject: 2007 Wizard World – Supplementary Report

Purpose:

This is a supplementary report with respect to the Wizard World event to provide staff feedback to the counter proposal being made by Wizard World.

Financial Implications & Impact Statement:

The approval of the recommendations contained in this report will result in the Board earning approximately \$46,000 in gross revenues from the provision of venue rental, labour and services, parking and concessions to support the execution of this event. This amount is approximately \$15,000 less than the amount budgeted for this event in the 2007 Operating Budget.

Recommendation:

If the Board wishes to revise its previous direction to staff in keeping with the counterproposal made by Wizard World, staff would recommend that the Board approve:

- (a) a one-year revised rental agreement in the amount of \$9,200.00 with Astro Zodiac for the operation of the 2007 Wizard World attraction in the Better Living Centre;
- (b) direct staff to invoice 100% of utilities for move in and move out period, and 75% for the event days;
- (c) the terms and conditions save and accept the rent as outlined in Report 28 dated November 13, 2006 of the Board's Agenda, and;
- (d) any other terms as may be required of the General Manager or the City Solicitor.

Background:

In Report No. 28, before the Board at its meeting of December 15, 2006, Exhibition Place staff recommended (in accordance with the Board's previous directive) a rent for Wizard World equivalent to 25% of listed rates for the Better Living Centre, which rent translated into \$24,058.65 for 2007.

Comments:

Exhibition Place staff were informed on December 14, 2006, by the proprietors of Wizard World (Ardo Gidaro & Roseanne Tilford) that in their deputation to the Board they plan to propose an alternative to the staff recommendations in Report No. 28. The alternative proposal is a rent structure based on a percentage of gross ticket sales as follows:

- Year 1 – 2007 – 5%
- Year 2 – 2008 – 7.5%
- Year 3 – 2009 – 10%

According to the unaudited financial statements provided by Wizard World for their 2006 event, in 2006 it had net revenue of \$184,000. Therefore, the above noted percentages would result in the Board receiving the following rents:

- Year 1 – \$9,200
- Year 2 – \$13,800
- Year 3 - \$18,400

Except for the CNE period, Exhibition Place has not negotiated percentage rents for events. Rather, as a "landlord" for Exhibition Place properties it has set publicly listed rental costs per square foot for buildings and then charged events these rents. Any exceptions to the rent structure (ie rent relief or discounts) must be approved by the Board. There are several reasons for this practice:

- As a public body just applying a rate sheet for any event ensures transparency and equal treatment;
- Percentage rents require the Board to be involved in the event and be subject to how good or bad the event is managed and makes it impossible to ever predict operating budgets for events; and
- Requires the Board, like the CNE, to set up a costly auditing feature to ensure that all gross receipts are reported or in the alternative would require the event to provide a full audited financial statement by an reputable audit firm (ie Ernst & Young) which would be costly to the event organizer.

Because of these operational difficulties, Exhibition Place staff would not recommend the Board adopt the alternative proposal made by Wizard World. To do so would be counter to the practices to date and would be a precedent for the Board which may result in requests from other events that would then have to be considered by staff.

However, if the Board wishes to adopt the direction proposed by Wizard World, staff would suggest that the original rent recommendation for 2007 in Report No. 28, be lowered as proposed in this report. For years 2008 and 2009, staff use as a base for their negotiation of the rent the percentages recommended by Wizard World as based on 2007 and 2008 gross ticket revenues, respectively.

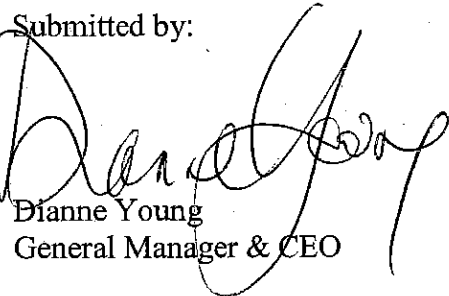
Conclusion:

This report addresses the alternative proposal that Astro Zodiac intends to present in its depositions and recommends an alternative approach for the Board to consider that meets the financial needs indicated by Wizard World but maintains the long-standing rental practice of the Board.

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