



28(a)

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.

Contact:

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Booking/Tenant Administrator

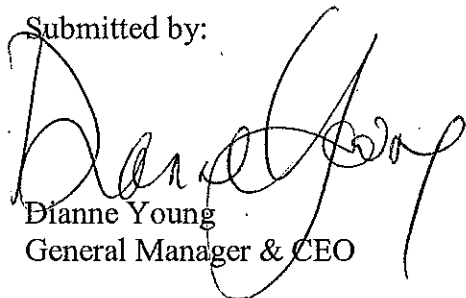
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Submitted by:

A handwritten signature in black ink, appearing to read "Dianne Young", written over the printed name and title.

Dianne Young

General Manager & CEO

