



November 17, 1999

TO: The Board of Governors of Exhibition Place

FROM: Kathryn Reed-Garrett
Director of Business Development

SUBJECT: Ernie's Arcade, operating as The Bandshell Café

Recommendations:

It is recommended that the current agreement with Ernie's Arcade for the use of the Bandshell Café be extended for one year, to December 31, 2000 on the terms and conditions recommended in this report and such other terms as required by the City Solicitor.

Background:

At its meeting of October 31, 1997, the Board approved entering into a lease with Ernie's Arcade which lease expires December 31, 1999.

Discussion:

Ernie's Arcade has been operating a food and beverage business in the Bandshell Café. The present agreement with the Board provides for base rent of 8% of gross sales or \$18,000 per annum, whichever is greater, plus 50% of realty taxes, plus the cost of all utilities and interior maintenance. Under the present agreement, the Board assumes all responsibility for the cost of exterior maintenance, maintenance of the Board's equipment which includes kitchen equipment as well as HVAC equipment, and 50% of the realty taxes assessed against the business of Ernie's Arcade. This agreement expires on December 31st and Ernie's Arcade wishes to renew their lease with the Board for a period of one year.

Staff recommend that the terms of the present agreement be revised to reflect full recovery of realty taxes from Ernie's Arcade, and that the Board enter into a one year agreement under the terms and conditions of the Indenture of Lease as prescribed by the City Solicitor and the Interim General Manager.

Staff further recommend that no increase be applied to the rental structure of the present agreement, which is \$18,000 per annum or 8% of gross sales, whichever is greater. Upon reviewing the financial statements for both 1998 and 1999 (fiscal year ending September 30th), staff note that Ernie's Arcade indicates a reduction in gross sales for 1999, year-to-year, of approximately 38%. Therefore, staff believe that the anticipated increase of the full recovery of

realty taxes (which will result in an additional expense of approximately \$12,000 per annum) will be a sufficient increase in overall operating expenses for the tenant.

Staff will review the sales performance of Ernie's Arcade again in 2000 and will report back to the Board with recommendations for extending the lease agreement beyond December 31, 2000.

Accordingly, the substantial terms of the agreement for 2000 are as follows:

- (a) Term: One year commencing January 1, 2000;
- (b) Rent: \$18,000 per annum or 8% of gross sales, whichever is greater; plus payment of all realty taxes, all utility costs, all interior maintenance costs and any other associated occupancy costs;
- (c) Permitted Uses: the operation of a licensed food and beverage business, but not for any themed dinner theatre, trade and consumer show, corporate product launch for past or present clients of the Board, vendor shows or meetings that are related to any trade and consumer show, sporting event or any casino use. In cooperation with the clients of the National Trade Centre, and by mutual agreement only, Ernie's Arcade may provide hospitality rooms and services to the Exhibitors of any trade or consumer show that is a client of the Board;
- (d) Insurance: Property and liability insurance with limits of \$5 million in form satisfactory to City; and,
- (e) Operation during the Canadian National Exhibition: Ernie's Arcade agrees to operate the Bandshell Café during the hours of operation as prescribed by the CNEA and the Board; and will observe hours of operation during the balance of the operating year as prescribed by the Interim General Manager.

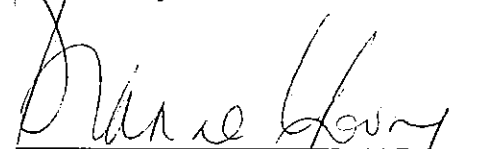
Conclusion:

This report recommends extending the current agreement with Ernie's Arcade for the operation of The Bandshell Café for a period of one year, to expire on December 31, 2000, on the terms and conditions set out and such other terms required by the City Solicitor.

Submitted by:


Director of Business Development

Reviewed by:


Interim General Manager