



14

November 17, 1998

TO: The Board of Governors of Exhibition Place

FROM: Dianne Young
Interim General Manager

SUBJECT: Agreement with respect to Queen Elizabeth Theatre

Recommendations:

It is recommended that the Board:

- 1) Enter into a further agreement with O&Y/SMG for the marketing and the management of programming of the Queen Elizabeth Theatre and Lobby for a term of one year from January 1, 2000, on the terms and conditions as the previous agreement; and,**
- 2) The Interim General Manager in consultation with the General Manager, NTC report back to the Board on possible rental structures for the Theatre.**

Background:

At its meeting of September 25, 1998, the Board approved of the report entitled "Marketing of the Queen Elizabeth Theatre" which provided for an agreement between the Board and O&Y/SMG Canada respecting the Queen Elizabeth Theatre for a term ending December 31, 1999, with a right to renew for a further term of one year on the consent of the parties.

Discussion:

The Queen Elizabeth Theatre is a 1300 seat theatre that was built in 1957. The stage structure consists of a stage 86 foot by 36 foot, a 43 foot fly floor and 9 dressing rooms below the stage level. In recent years the Queen Elizabeth Theatre has been very underutilized. The last major production using this venue was "Patsy" which ran for about eight months in 1996. The CNE last used this venue in 1998 as part of its KidsWorld entertainment package, but did not use it in 1999 nor does it intend to use the Theatre in 2000.

Recognizing the under-utilization of the Theatre, the Board accepted a proposal from Mr. Ron Taylor, Managing Director, O&Y/SMG for O&Y/SMG to aggressively market the Theatre and manage the programming in the Theatre and Lobby. At that time, Mr. Taylor indicated that the main focus of O&Y/SMG's efforts would be to secure a long-term tenant such as secondary theatre companies for live productions, rehearsals and stage construction. Another market would be television studios such as talk show sets for local and independent productions with a secondary focus to be booking corporate seminars, annual general meetings, product launches, film festivals and community/school events.

In order to meet the objectives stated by Mr. Taylor, marketing efforts undertaken by O&Y/SMG included the production of a marketing brochure, a direct mail campaign with follow-up calls and site tours for producers, meeting planners, corporate seminar organizers and theatrical companies. The cost of these marketing efforts totaled of \$8,702.50 which cost was found within the 1999 marketing budget for the NTC Program approved by the Board.

As a result of the marketing efforts, the Theatre/Lobby hosted 8 events over 16 days/nights, 6 of which were associated with trade and consumer shows generating rental revenues of \$32,300.00. This marketing success of O&Y/SMG in 1999 is very similar to the number of bookings secured by the Board in 1998 renting the space for 7 events over 12 days/nights generating rental revenues of approximately \$25,000.00.

While the marketing efforts of O&Y/SMG to date have not achieved the desired results, I am recommending that the agreement between the Board and O&Y/SMG be renewed on the basis that the NTC Program continues to have the staff resources, marketing budget and client base to undertake a more focussed effort to sell the Theatre. The agreement would be for a further one year period ending on December 31, 2000, and be on the same terms and conditions as the previous agreement as set out in Appendix "A" attached.

Rental Structure of Theatre

As explained in my previous report dated September 14, 1998, there are several reasons why it is difficult to book productions into the Queen Elizabeth Theatre which are as follows:

- i. There is an over-capacity of theatre seats in the City of Toronto all of which are marketed to the same producers and promoters;
- ii. The location of this theatre is distant from the City's "theatre district" and ancillary venues used by the theatre customer such as restaurants, hotels etc;
- iii. Staging a production in the theatre is expensive for small companies and community groups because of the union agreements that govern the grounds; and
- iv. The fly floor height is below industry standard which limits its use for commercial theatre productions.

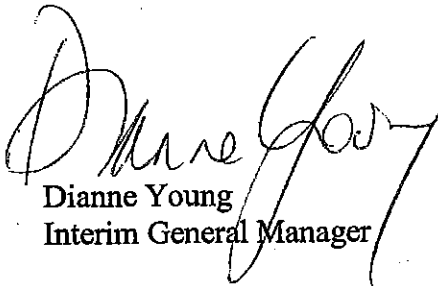
Since writing the 1998 report the marketplace has become even more competitive with the demise of Livent Theatre Productions and the decrease in tourism to the City of Toronto. In these circumstances it is even more difficult to attract productions to this Theatre when other theatres in the downtown core are either reducing or waiving rental fees.

One of the more high profile events held in the Theatre in 1999 was a Board sponsored and managed event, the "Women and Film" Crystal Awards. This event came to the Theatre on an emergency basis because City of Toronto Housing required use of the Fort York Armories for the homeless and dislocated the event from the Armories to the Theatre. The City of Toronto not only sponsored the "Women and Film" event at Exhibition Place but also paid the cost of services incurred because of this dislocation. As stated above, this was a successful one day event for the Theatre which received wide media coverage and certainly the organizers were very pleased with the setting provided by the Theatre for their event and have indicated a desire to return in 2000. However, it likely will be difficult, if not impossible for such a group to cover the rental and service costs. The daily rate for non-ticketed events is \$2,100.00 to \$2,650.00.

Given, the realities of the Theatre in the context of the Toronto marketplace, I am recommending that I, along with O&Y/SMG staff, investigate the positions taken at other theatre venues in Toronto and report back to the Board on a possible revised rental structure for the Theatre.

Conclusions:

This report recommends entering into a short-term agreement with O&Y/SMG for the marketing and management of productions at the Queen Elizabeth Theatre. This agreement will be separate from the present agreement between O&Y/SMG and the Board as this agreement is not a "management agreement" in the form of the NTC agreement. Rather, the agreement proposed in this report will contract with O&Y/SMG to market and book productions into the Theatre and Lobby and then manage those productions in the Theatre.



Dianne Young
Interim General Manager

Appendix A

Terms and Conditions of Agreement

- 1) **Term:** One (1) year commencing January 1, 2000 with a right to renew for a further year on mutual consent of the parties.
- 2) **Fees:** The Board will pay O&Y/SMG 15% of all net income related to the Queen Elizabeth Theatre. Net income will be defined to include all event revenue from rents, participation rent, commissions from food and beverage sales within the Theatre and Lobby and advertising revenues less all expenses associated with marketing costs and the direct operating costs, including the cost of utilities for the Theatre and Lobby.
- 3) **Advertising/Signage Rights:** The promoter would be permitted advertising and signage rights within the Theatre and Lobby and be permitted, subject to the approval of the General Manager of Exhibition Place, to erect signage on the exterior of the Theatre related directly to the production being performed. The promoter shall also have access to promote its production on the two Lakeshore signs and the marquee sign to be erected by the Board subject to any policies adopted by the Board with respect to these signs as they may change from time to time.
- 4) **Booking Policy:** O&Y/SMG shall book the Theatre and Lobby in accordance with the Booking Guidelines attached as Schedule I which provides for the following rental rates:
 - (i) A daily rate for non-ticketed events of \$2,100.00 to \$2,650.00 being the present published rate for the Board;
 - (ii) A daily rate for ticketed events of up to 10% of gross revenues as defined by gate receipts provided that prior to waiving the daily rental rate, O&Y/SMG presents, for approval of the General Manager of Exhibition Place, a business plan respecting the event/production. The General Manager may withhold his/her approval if, in the opinion of the General Manager for Exhibition Place, acting reasonably, there is no reasonable expectation of financial return for the Board. O&Y/SMG will work together with the General Manager of Exhibition Place to develop criteria to be used to assess any business plan.
 - (iii) The existing Board rental rate for charitable organizations shall continue;
 - (iv) Provided that there are no previous third party bookings, the Board may use the Theatre and/or Lobby for the purposes of the Board at no cost to the Board; and,
 - (v) Prior to the Theatre and/or Lobby being booked for an event that is primarily related to the CNE, O&Y/SMG shall negotiate with the CNEA, the terms and conditions of such event agreement all as satisfactory to the CNEA.
- 5) **Maintenance/Capital Costs:** The Board will be responsible for all maintenance and capital costs for the Theatre and Lobby at a standard established by the Board and within the annual operating and capital budgets approved by the Board;
- 6) **Insurance:** The Board will continue to be responsible for all insurance costs related to the Theatre and Lobby provided that O&Y/SMG shall ensure that the producer of any event to

be held in the Theatre and Lobby provide at least \$5,000,000 of insurance coverage as set out in the Booking Guidelines attached as Schedule 1.

- 7) Exclusivity: O&Y/SMG shall have the exclusive right, as agent for the Board, to book the Theatre and Lobby for events/productions and manage those productions.
- 8) Union Agreements: O&Y/SMG will conform and abide by all collective agreements in force and effect from time to time between the Board and any union or association.
- 9) Services: All services provided to O&Y/SMG in relation to the management of any event/production shall be at cost plus a 12% mark up.
- 10) Records: O&Y/SMG will keep full and accurate accounting records relating to the marketing and management of productions at the Theatre and Lobby in keeping with generally accepted accounting principles and shall submit to the Board within 30 days following the end of each calendar quarter statements as to revenues and expenses for the Theatre and Lobby. The Board shall have the right to have access to such records on reasonable notice.
- 11) Reporting: O&Y/SMG shall report to the Board on a monthly basis on its activities related to the marketing and management of productions at the Theatre and Lobby.
- 12) 1999 Marketing Budget: The funding of any expenditures to be made by O&Y/SMG in relation to the services to be provided by O&Y/SMG under this agreement shall be provided and funded without the hiring of any additional staff or the provision of additional funding but shall be achieved within the 1998 marketing budget approved for the NTC program and the 1999 marketing budget to be approved by the Board. The direct cost of all resources and staff used in marketing the Theatre and Lobby shall be shown as a separate expenditure line within that budget and a charge back to the Theatre and Lobby operations.

Schedule I Booking Guidelines

Space Availability

A hold can be placed on the theatre on any unconfirmed date(s). All holds are subject to previous requests or first-position holds. The maximum allocation for holds for one event/artist is five. Each hold must be event/artist specific. To confirm a date, you must obtain a first-position hold, and pay a security deposit of \$2,500 per event/show.

Date Challenges

If your hold is not in first-position, and you wish to obtain first hold and confirm a date, you must challenge the hold(s) ahead of you. To challenge, you must provide the security deposit, as a certified cheque or money order. Each previous hold will be issued a challenge in writing from the facility manager, and provided two(2) business days to respond with a confirmation of date accompanied by a security deposit.

Deposits

A non-refundable, non-transferable security deposit is due and payable upon date confirmation. The second deposit equivalent to 100% of the theatre rental is due 60 days prior to first day of event. Rent is non-transferable and non-refundable if the booking is cancelled. Final deposit is the balance of event services payable 2 weeks prior to event date.

Cancellations

A hold can be released without obligation. All deposits are non-refundable and non-transferable.

Theatre Rental Fees

Daily rental rate for ticketed events is up to 10% of gross revenue defined as gate receipts provided that prior to waiving the daily rental rate, O&Y/SMG presents, for approval of the General Manager of Exhibition Place, a business plan respecting the event/production. The General Manager may withhold his/her approval if, in the opinion of the General Manager for Exhibition Place, acting reasonably, there is no reasonable expectation of financial return for the Board. O&Y/SMG and the General Manager will develop criteria to be used in assessing a business plan.

Daily rate for non-ticketed events is \$2,100.00 to \$2,650.00 plus GST.

The existing Board rental rate for charitable organizations shall continue.

Provided that there are no previous third party bookings, the Board may use the Theatre and/or Lobby for the purposes of the Board at no cost to the Board.

Prior to the Theatre and/or Lobby being booked for an event that is primarily related to the CNE, O&Y/SMG shall negotiate with the CNEA, the terms and conditions of such events agreement all as satisfactory to the CNEA.

Lobby Bookings

If the theatre is dark, the lobby can be booked separately, not earlier than 30 days before the event date. If lobby confirmation is required earlier, then applicable theatre rental rates apply. Deposit, cancellation, and similar booking terms are as above.

Box Office Fee

The on-site box office service will be provided by O&Y/SMG. All related costs for Box Office will be borne by Licensee

CRF Surcharge

Capital Replacement Fund surcharge will be \$0.50 on each ticket sold.

Insurance

General liability (\$5,000,000) and Property Damage Certificate required 45 days prior to event.

S.O.C.A.N.

Licensee is responsible for all costs related to live music royalty fees applied by Society of Composers, Authors & Music Publishers of Canada.

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