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## EXHIBITION PLACE

March 28, 2000

To: The Board of Governors of Exhibition Place

From: Kathryn Reed-Garrett  
Director of Business Development

Subject: **Lease with Immersion Studios – Music Building**

### **Recommendations:**

**It is recommended that the Board enter into an agreement with Immersion Studios for the lease of the Music Building for a period of three years, to expire May 31, 2003, on the terms and conditions recommended in this report and such other terms as are required by the Interim General Manager and the City Solicitor.**

### **Background:**

The present three-year agreement with Immersion Studios for the lease of Music Building expires May 31, 2000.

### **Discussion:**

In 1997, the Board and the CNEA entered into a three year lease with Immersion Studios to lease the Music Building which lease provided for an entertainment program to be held during the CNE in each of the three years of the term.

In 1998, the CNEA exercised its right to terminate the entertainment program condition for 1999 and 2000 in exchange for a lump sum payment of \$100,000.00, and Immersion Studios continued to operate its special effects software development business without providing an entertainment program during the CNE. However, in 1999 Immersion Studios and the CNEA agreed to open two of the three pods in the Music Building to the public during the 1999 CNE, and the Metronome exhibit and an exhibit from Exhibition Place Archives were installed and were open to the public. In exchange, Immersion Studios received a rental rebate equal to the pro-rata share of the building that was open to the public (66% of monthly rent of \$6,000, or \$3,960.). In addition, the CNEA assumed all costs associated with relocating Immersion Studios' equipment and other related costs.

The CNEA and Immersion Studios have had preliminary discussions for similar provisions for the 2000 CNE, specifically that one of the three pods may be made available to the CNEA to

open to the public during the 2000 CNE, provided that the CNEA confirms details on/before the first of May, 2000.

This report recommends that the Board enter a new three-year lease with Immersion Studios on the basis of the following substantial terms and conditions and such other applicable terms and conditions contained in the previous lease agreement:

EXISTING LEASE TERMS	PROPOSED LEASE TERMS
3 years	3 years
<u>Minimum Rent:</u>	<u>Minimum Rent:</u>
Year 1 \$3,000./mo or \$3.60 psf \$21,000. P/A	Year 1 \$5,075./mo or \$6.09 psf \$60,900. P/A
Year 2 \$4,000./mo or \$4.80 psf \$48,000. P/A	Year 2 \$5,151./mo or \$6.18 psf \$61,814. P/A
Year 3 \$5,000./mo or \$6.00 psf \$60,000. P/A	Year 3 \$5,228./mo or \$6.27 psf \$62,741. P/A
Average over term \$4.30 psf \$129,000.	Average over term \$6.18 psf \$185,455.
Utilities, taxes and operating costs paid by tenant	Utilities, taxes and operating costs paid by tenant

In addition to the above, this report recommends that the following condition be included in the new lease:

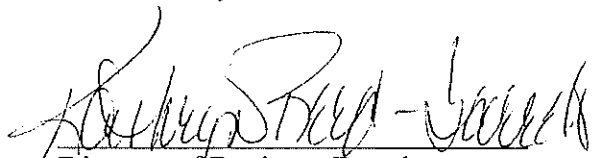
The CNEA may, at its option, sublease from Immersion Studios one pod of the Music Building for a period of no more than five (5) weeks in any year for the purpose of a public display during the CNE in 2000, 2001 and 2002, provided that the CNEA gives notice on/before May 1 of each year of the term to Immersion Studios of its intent to exercise this option and that the CNEA enters into a sublease agreement with Immersion Studios on/before May 1 of each year. In exchange, the CNEA will reimburse Immersion Studios an amount equal to the pro-rata rental rate and the pro-rata of utilities for that five (5) week period, as well as all necessary costs associated with security, the relocation of Immersion Studios equipment, and other related costs as agreed to by both parties.

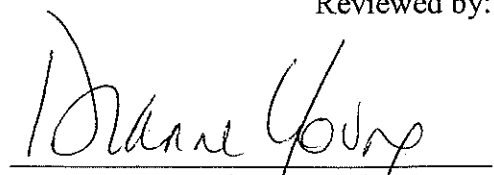
**Conclusion:**

This report recommends entering into an agreement with Immersion Studios for the lease of the Music Building for a period of three years, to expire on May 31, 2003, on the terms and conditions set out and such other terms required by the City Solicitor. Mr. David Bednar has been part of the negotiations with Immersion Studios and is satisfied with the terms proposed.

Submitted by:

Reviewed by:

  
 Director of Business Development

  
 Interim General Manager