

12

## EXHIBITION PLACE

February 7, 2001

TO: The Board of Governors of Exhibition Place

FROM: Dianne Young  
General Manager & CEO

SUBJECT: Agreement with respect to Queen Elizabeth Theatre

### Recommendations:

It is recommended that the Board:

- 1) Discontinue the agreement with O&Y/SMG for the exclusive marketing and management of programming of the Queen Elizabeth Theatre and Lobby;
- 2) Allow O&Y/SMG to market and book use of the Queen Elizabeth and Lobby for events, not limited to trade and consumer show events, as set out in this report; and,
- 3) Approve of the rental rates for the Theatre and Lobby as set out in Appendix "A".

### 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. At its meeting of November, 1999, the Board approved a renewal of this agreement until December 31, 2000.

### 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, it did not use it in 1999 or 2000 and is exploring use of the Theatre in 2001.

Recognizing the under-utilization of the Theatre, the Board accepted a 1998 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 \$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, in 1999 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 was 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. In 2000, the Theatre/Lobby hosted 4 events over 11 days/nights. Total rental revenues from these events was \$27,600.00

At this time, I am not recommending a continuation of the agreement between the Board and O&Y/SMG which grants O&Y/SMG the "exclusive" rights to book and program this facility. Rather, I would propose that joint marketing/rental strategy of both Exhibition Place staff and O&Y/SMG may be more successful. Exhibition Place has over the last two years solidified contacts and tenants that may use the Theatre while O&Y/SMG continue to have trade and consumer show clients that may be interested in this venue. Therefore, rather than renew the exclusive agreement the Board has with O&Y/SMG I would propose the following operating protocol:

- (a) O&Y/SMG be permitted, in accordance with Exhibition Place booking procedures, to book the Theatre and/or Lobby for events, not restricted to trade and consumer show events;
- (b) O&Y/SMG will manage any events it books in the Theater and/or Lobby, including quoting of estimates for rentals and services;
- (c) O&Y/SMG will retain all revenues earned from any events it books, such revenue to be included within the definition of "Gross Revenues" in the Management Agreement between the Board and O&Y/SMG;
- (d) O&Y/SMG will be responsible for all costs associated with any event booked in the Theatre or Lobby, including but not limited to the cost of services, utilities and any repairs to damage caused by the event;
- (e) Both the Board and O&Y/SMG will rent the Theatre and Lobby at the rental rates attached to this report as Appendix "A"; and,

- (f) Both the Board and O&Y/SMG acknowledge that prior to the Theatre and/or Lobby being booked for an event that is primarily related to the CNE, the Board and/or O&Y/SMG shall negotiate with the CNEA, the terms and conditions of such event agreement all as satisfactory to the CNEA.

### Rental Structure of Theatre

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

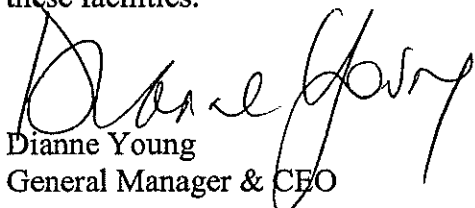
- i. There is an over-capacity of theatre seats in the City of Toronto all of which are marketed to the same producers and promoters;
- ii. The location of this theatre is distant from the City's "theatre district" and ancillary venues used by the theatre customer such as restaurants, hotels etc;
- iii. 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. 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.

Given, the realities of the Theatre in the context of the Toronto marketplace, I am recommending that the rental rate for the Theatre be reduced as set out in Appendix "A" attached to this report. This would allow the Theatre to be sold at affordable prices to non-for-profit and community groups which is sector which staff believe would be interested in the Theatre and which meets the "public purpose" mandate of the grounds. However, rentals would be maintained at present rates for "for-profit" businesses holding a corporate meeting or event in the Theatre with an added incentive for rentals over 7 days duration. In addition, if there was an opportunity for a run of a live theatre performance, the General Manager may negotiate specific terms and conditions of such rental.

### Conclusions:

This report recommends terminating the short-term agreement with O&Y/SMG for the exclusive marketing and management of productions at the Queen Elizabeth Theatre; enter into a non-exclusive marketing/booking arrangement with O&Y/SMG; and adopt a new rental structure for the Theatre and Lobby which will be followed by both the Board and O&Y/SMG in the rental of these facilities.

  
Dianne Young  
General Manager & CEO

## Appendix "A"

Trade and Consumer Show and Corporate Bookings:

Retain the existing Board approved 2001 year rental rate which defines matinee (single use) occupancy at \$2100.00 per day (plus GST), and matinee & evening use at \$2650.00 per day (plus GST). Package pricing for meeting use will also be retained as per the Board approved package rates (which include labour and materials) outlined in the Meeting Solutions brochure. (see attached photocopy).

Non-Profit, Schools and Charitable Institutions:

Waive the existing rental fee for the QE Theatre. Clients must incur LATSE costs plus 10% as it relates to all parts of the client's event and all cleaning costs or other set-up costs with regular mark-up as approved by the Board.

Rehearsal Bookings:

Rental will be applied dependent on the duration of the booking. If booking is 7 days or less, \$1000 rental plus services will apply per day. If booking is longer than 7 days, a reduced daily rental of \$500 per day, plus services will apply, with a guarantee of a minimum \$7000 rental.

Live Theatre, Long-Term Bookings:

Rental will be based on a combination of rent and percentage of ticket sales. A solid business case must be presented and approved by General Manager & CEO of Exhibition Place to justify the negotiated live theatre rental.

Meeting and Seminar Package Rates:

Flat rental rate of \$3,700 plus GST per day to include 1 podium with microphone, slide or overhead projector, stage lighting with special on podium; house sound system; 9x12 foot screen with dress kit; and cleaning.

Or

Flat rental rate of \$4,900 plus GST per day to include one podium with microphone, stage lighting with special on podium; house sound system; front or rear screen LCD projector, 9x12 foot screen with dress kit; and cleaning.