

**Tracking Status**

- This item will be considered by City Council on December 10, 2008.

**City Council consideration on December 10, 2008**

CC29.1	ACTION			
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**Filmport Development Update**

*The City Manager has submitted a report on this Item (CC29.1a - With Recommendations)*

**Confidential Attachment - The security of the property of the municipality or local board**

**Recommendations**

The Board of Directors of TEDCO recommends that:

1. City Council approve the Filmport lease amendments contained in Confidential Attachment 1
2. Confidential Attachment 1 remain confidential under the provisions of the City of Toronto Act, 2006 as it relates to the security of the property of the municipality or a local board.

**Summary**

At its meeting on December 8, 2008, the TEDCO Board of Directors considered a report from the Acting President and CEO on amendments to the Film Port lease and is forwarding its recommendations to City Council for approval.

**Background Information**

(December 8, 2008) report from the Corporate Secretary and General Counsel, Toronto Economic Development Corporation (TEDCO) (CC29.1)

(<http://www.toronto.ca/legdocs/mmis/2008/cc/bgrd/backgroundfile-17704.pdf>)

(December 10, 2008) supplementary report from the City Manager (CC29.1a)

(<http://www.toronto.ca/legdocs/mmis/2008/cc/bgrd/backgroundfile-17703.pdf>)

Public Report on TEDCO Letterhead

Report with Confidential Attachment

December 8, 2008

To: City Council

From: Corporate Secretary and General Counsel  
Toronto Economic Development Corporation (TEDCO)

Re: Filmport Development Update

**Reason for Confidentiality**

This report involves the security of property belonging to the City or one of its agencies, boards, and commissions.

**Recommendations:**

The Board of Directors of TEDCO recommends that:

1. City Council approve the Filmport lease amendments contained in Confidential Attachment 1
2. Confidential Attachment 1 remain confidential under the provisions of the City of Toronto Act, 2006 as it relates to the security of the property of the municipality or a local board.

**Background:**

At its meeting on December 8, 2008, the TEDCO Board of Directors considered a report from the Acting President and CEO on amendments to the Film Port lease and is forwarding its recommendations to City Council for approval.

Jerry Prypasniak  
Corporate Secretary and General Counsel



**STAFF REPORT with  
confidential attachment 1  
ACTION REQUIRED**

**Filmport Development Update**

<b>Date:</b>	December 10, 2008
<b>To:</b>	City Council
<b>From:</b>	City Manager
<b>Wards:</b>	All
<b>Reference Number:</b>	To be considered along with TEDCO report entitled "Filmport Development Update" dated December 8, 2008

**SUMMARY**

This report provides assurance to Council that senior City staff who serve on the interim board of TEDCO have considered the details of the changes to the lease and support the recommendations contained in the TEDCO report.

**REASON FOR CONFIDENTIALITY**

This report involves the security of property belonging to the City or one of its agencies, boards, or commissions.

**RECOMMENDATIONS**

**The City Manager recommends that:**

1. Council consider the comments in Confidential Attachment 1 to this report in conjunction with the report from TEDCO entitled "Filmport Development Update" containing the recommendations approved by the TEDCO Board; and .
2. Confidential Attachment 1 remain confidential under the provisions of the City of Toronto Act 2006 as it relates to the security of the property of the municipality or an agency, board, or commission.

**Financial Impact**

Contained in Confidential Attachment 1

**DECISION HISTORY**

In September 2005, Council approved the terms of the Filmport lease from TEDCO and in June 2007 TEDCO entered into a 99 year lease. TEDCO is required to obtain approval from Council for long-term leases and material changes to such leases. Circumstances require that the terms of the lease be amended at this time and the TEDCO Board of Directors (currently comprised of the City Manager, City CFO, City CCO, the Deputy Mayor and the Chair of the City Economic Development Committee) has reviewed and approved the necessary amendments and has forwarded a report to Council for approval.

**COMMENTS**

Contained in Confidential Attachment 1

**SIGNATURE**

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Joseph P. Pennachetti  
City Manager

**ATTACHMENTS**

Confidential Attachment 1

## Attachment 1 – Confidential Information

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### Filmport Development Update

#### FINANCIAL IMPACT

There are both financial benefits to TEDCO and additional costs associated with the various recommended changes to the lease terms. TEDCO staff have estimated a range for each impact as noted in the "Analysis" section at the end of the report. In total, the worst case financial impact of the changes is an overall cost to TEDCO of \$0.8 million, but with a possible upside benefit of \$9 million. If these changes are not made, TEDCO staff predict that the Rose Corporation will likely stop funding and go into default under the Ground Lease and GE would then have the right to take the TEDCO \$9 million guarantee.

#### COMMENTS

Commencing June 22, 2007, Filmport leased from TEDCO for 99 years approximately 10 acres of land on the south side of Commissioners Street to construct 250,000 sf of film production space including 7 sound stages. At the same time, Filmport signed an Option Agreement which gave them the right over the subsequent 10 years to lease up to an additional 35 acres of adjacent land to expand the studios and construct and lease a film and media convergence zone for film equipment suppliers, film processors, media producers, and other related industries and supporting uses. By the end of this year, Filmport is expected to complete the last sound stage which is the largest purpose built stage in North America.

Rose Corporation is the primary Filmport shareholder with 80% of the shares and Comweb Holdings has the remaining 20%. Due to a range of circumstances including general economic downturn and issues facing the film industry at this time, the Rose Corporation has entered into an agreement to sell 60% of its share in Filmport to a group consisting of Pinewood Shepperton PLC, ROI Capital Limited, and Castlepoint Studio Partners Inc. The new partners have negotiated amendments to the lease with TEDCO. This opportunity is available for a limited time.

Adding three more partners to Filmport will improve the overall financial strength of Filmport and enable the sale to Pinewood that will ensure that an experienced and well connected studio operator will continue to manage this world class facility in this difficult financial environment and increase Filmport's ability to finance subsequent phases of the development.

These changes will further encourage denser development in line with City urban design objectives by granting reductions in density rent and reduce restrictions on TEDCO's ability to lease Portlands properties.

Public Report on TEDCO Letterhead

Report with Confidential Attachment

December 8, 2008

To: City Council  
From: Corporate Secretary and General Counsel  
Toronto Economic Development Corporation (TEDCO)  
Re: Filmport Development Update

**Reason for Confidentiality**

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**Recommendations:**

The Board of Directors of TEDCO recommends that:

1. City Council approve the Filmport lease amendments contained in Confidential Attachment 1
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Jerry Prypasniak  
Corporate Secretary and General Counsel

Public Report on TEDCO Letterhead

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Toronto Economic Development Corporation (TEDCO)

Re: Filmport Development Update

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[Any additional information that can be made public]

Jerry Prypasiak  
Corporate Secretary and General Counsel

December 8, 2008

To: City Council

From: Corporate Secretary and General Counsel  
Toronto Economic Development Corporation (TEDCO)

Re: Filmport Development Update

At its meeting on December 8, 2008, the TEDCO Board of Directors approved the following amendments to the Filmport Lease and directed that these be submitted to City Council for approval.

**Filmport Lease Amendments:**

1. Eliminate the cap on TEDCO's responsibility for environmental remediation of all of the 6 acre Connected Lands south of Commissioner's Street.
2. Reduce TEDCO's contribution for extraordinary foundations to \$400,000 per acre and give TEDCO an option to repay this contribution over a 20-year period by way of a rental rate reduction.
3. Approve the sale of an approximately 60% leasehold interest in the Ground Lease and the Option Agreement for the Phase 2 Complex Lands and Connected Lands south of Commissioners Street to the Pinewood consortium consisting of Pinewood Shepperton plc, ROI Capital Limited, and Castlepoint Studio Partners Inc. and approve separating the Option Agreement into two agreements: one covering the lands south of Commissioners Street and one covering the Surrounding Lands north of Commissioners Street which will remain with the existing parties.
4. Extend the period for exercising the options on all 35 acres of the option lands to 15 years from the current 7 years and 9 years contained in the agreement but require certain land areas be optioned by the fifth and tenth year or lose option rights.
5. Modify the Density Rent to exempt development of the first 1 million sq. ft. on the "outside the gate" Connected and Surrounding Lands.
6. Eliminate the cross-default provisions between each future option project but provide that the Option Agreement will terminate if the film studios cease operating.
7. Define permitted uses using current zoning bylaw terms without increasing the retail store size limit of 10,000 sq ft. while maintaining the overall objective of a screen based and creative convergence zone.



8. Clarify the market value language for setting rents after 40 years so that appraisers can more easily assess the land value.
9. Eliminate the "proportionality" requirement that requires further expansion to the "inside the gate" studios in order to be eligible for more than 14.8 acres of Option Lands outside the gate.
10. Reduce the restrictions on TEDCO for leasing its other lands in the Portlands to a prohibition on leasing of studios for film production.

**Analysis:**

The financial impact of implementing these amendments is as follows:

- |                                                      |                            |
|------------------------------------------------------|----------------------------|
| 1) Eliminate environmental cap                       | cost \$2 million           |
| 2) Place Foundation Cap of \$400,000/ acre           | benefit \$6 - \$11 million |
| 3) Eliminate Density rent on first 1 million sq. ft. | cost up to \$4.8 million   |

Total net cost/benefits ranges from \$0.8 million cost to \$9 million benefit

The alternative to not implementing these amendments will likely result in Rosecorp stopping funding and going in default under the Ground Lease and the GE Loan which would give GE the right to take our \$9 million guarantee along with Rose Corporation's \$5 million guarantee and will then attempt to sell the property.



## CONFIDENTIAL ATTACHMENT 1

Toronto Economic Development Corporation (TEDCO)

Metro Hall  
55 John Street, 7<sup>th</sup> Floor  
Toronto, ON M5V 3C6  
Tel: 416-214-4640  
Fax: 416-214-4660  
Website: www.tedco.ca

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**To:** City Council

**From:** Corporate Secretary and General Counsel  
Toronto Economic Development Corporation (TEDCO)

**Date:** December 8, 2008

**Re:** Filmport Development Update

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  7. Define permitted uses using current zoning bylaw terms without increasing the retail store
-



## CONFIDENTIAL ATTACHMENT 1

Toronto Economic Development Corporation (TEDCO)

Metro Hall

55 John Street, 7<sup>th</sup> Floor

Toronto, ON M5V 3C6

Tel: 416-214-4640

Fax: 416-214-4660

Website: [www.tedco.ca](http://www.tedco.ca)

size limit of 10,000 sq ft. while maintaining the overall objective of a screen based and creative convergence zone.

8. Clarify the market value language for setting rents after 40 years so that appraisers can more easily assess the land value.
9. Eliminate the "proportionality" requirement that requires further expansion to the "inside the gate" studios in order to be eligible for more than 14.8 acres of Option Lands outside the gate.
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### Analysis:

The financial impact of implementing these amendments is as follows:

- 1) Eliminate environmental cap - cost \$2 million
  - 2) Place Foundation Cap of \$400,000/ acre - benefit \$6 - \$11 million
  - 3) Eliminate Density rent on first 1 million sq. ft. - cost up to \$4.8 million
- Total net cost/benefits ranges - from \$0.8 million cost to \$9 million benefit

The alternative to not implementing these amendments will likely result in Rose Corporation stopping funding and going in default under the Ground Lease and the GE Loan which would give GE the right to take our \$9 million guarantee along with Rose Corporation's \$5 million guarantee and will then attempt to sell the property.