

REPORT FOR ACTION

Basin Media Hub – Term Sheet Update

Date: September 30, 2021

To: Toronto Port Lands Company Board of Directors

From: Executive Vice President, Strategic Development, CreateTO

Wards: 14 – Toronto-Danforth

REASON FOR CONFIDENTIAL INFORMATION

Confidential Attachments 1 and 2 to this report deals with a pending disposition of land by the Board of Directors of CreateTO and the City.

Confidential Attachments 1 and 2 to this report are about a position, plan, or instruction to be applied to negotiations carried on or to be carried on by or on behalf of the Board of Directors of CreateTO.

SUMMARY

The Basin Media Hub is a development proposal being advanced by CreateTO on behalf of Toronto Port Lands Company (TPLC), for a purpose-built and state-of-the-art film, television, and digital media complex in the Film Studio District of the Port Lands. This development will significantly contribute to the ongoing growth of Toronto's screen-based industries and represent a major step forward in the revitalization of the Port Lands.

Following direction from the Board in May 2021, TPLC has concluded negotiations on a non-binding term sheet (the "Term Sheet") with the Proponent of the Basin Media Hub development, for a lease of the TPLC-owned properties at 29, 35, and 41 Basin St. The Term Sheet will be substantially as set out in the Confidential Attachments to this report, and will be entered into by an entity to be formed by the Proponent (the "Tenant").

The purpose of this report is to provide a summary of the selection process and successful proposal and to seek the Board's approval of the Term Sheet. The Confidential Attachments to the report summarize the agreed upon terms and describe the next steps for the proposal. Due to the duration of the ground lease proposed, it is recommended that, pending Board approval, this report be forwarded to the Executive Committee and to Toronto City Council for its endorsement and approval. Following City Council approval, management will enter into negotiations on a binding ground lease (the "Lease") with the Tenant. A finalized Lease will be brought forward to the Board later this year for final approval.

RECOMMENDATION

The Executive Vice President, Strategic Development, CreateTO recommends that:

1. The Board approve the Term Sheet in substantially the form attached as a Confidential Attachment 2.
2. The Board request that the Chief Executive Officer, CreateTO transmit the Board's decision to the CreateTO Board of Directors with the request that the CreateTO Board approve this report, including Confidential Attachments 1 and 2, and recommend it to City Council for approval and to maintain the confidentiality of the Confidential Attachments.
3. Subject to approval from City Council pursuant to Recommendation 2 above, the Board:
 - a. authorize any two Officers of TPLC to execute the Term Sheet; and
 - b. direct Management to negotiate a lease with the Proponent and report back to the Board at a subsequent meeting for approval of the Lease.
4. The Board direct that the name of the Proponent be made public at the discretion of the Chief Executive Officer of CreateTO following the approval of the Term Sheet by City Council, and that the remainder of Confidential Attachments 1 and 2 remain confidential as they are about a pending disposition of land by the Board of Directors of TPLC and about a position, plan or instruction to be applied to negotiations carried on or to be carried on by or on behalf of the Board of Directors of TPLC.

FINANCIAL IMPACT

Please see Confidential Attachments 1 and 2.

DECISION HISTORY

At its meeting on May 27, 2021, the Board of Directors of TPLC received a confidential status report on the Request for Proposals for development of the Basin Media Hub from the Executive Vice President, Strategic Development, CreateTO. The Board confirmed selection of the Preferred Proponent and directed management to negotiate a non-binding term sheet with the Preferred Proponent and report back to the Board for authorization and approval.

<https://createto.ca/wp-content/uploads/2021/05/Corporate-BOD-Agenda-210527-FINAL-web.pdf>

At its meeting on March 8, 2021, the Board of Directors of TPLC received a confidential status report on the Basin Street Media Hub from the Executive Vice President, Strategic Development, CreateTO.

<https://createto.ca/wp-content/uploads/2021/05/Corporate-BOD-Minutes-Public-210308-Final-signed-web-version.pdf>

At its meeting on November 25, 2019, the Board of Directors of TPLC received a verbal update on the Basin Media Hub RFP from the Senior Vice President, Strategic Development, CreateTO.

https://createto.ca/wp-content/uploads/2020/01/Corporate-BOD-Minutes-Public-191125_Web.pdf

At its meeting on September 24, 2019, the Board of Directors of TPLC received a verbal update on the Basin Media Hub RFP from the Senior Vice President, Strategic Development, CreateTO.

https://createto.ca/wp-content/uploads/2019/12/Corporate-BOD-Minutes-Public-190924_Web.pdf

At its meeting on December 10, 2018, the Board of Directors of TPLC received a confidential report from the Executive Advisor, Asset & Portfolio Management & Major Projects, CreateTO, entitled *Film Opportunities on Basin Street – Next Steps*.

https://createto.ca/wp-content/uploads/2019/02/Corporate-BOD-Minutes-Public-181210_Web.pdf

At its meeting on November 27, 2018, the Board of Directors of TPLC received a report by the Executive Advisor, Asset & Portfolio Management & Major Projects entitled *Basin Street Update – Next Steps*. The Board authorized management to work towards identifying a development partner for the lands 29-41 Basin Street through a RFI/RFP proposal process.

https://createto.ca/wp-content/uploads/2019/02/Corporate-BOD-Minutes-Public-181127_Web.pdf

At its meeting on April 24, 2018, City Council adopted recommendations put forth in the report *Film Studio Capacity Replacement and Future Growth* by the General Manager, Economic Development and Culture. The Council decision and report are available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.ED28.4>

At its meeting on March 26 and 27, 2018, City Council requested the General Manager, Economic Development and Culture to provide an update report to the Economic Development Committee on the results of the *Option for Film Studio Infrastructure* report. The Council decision is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.ED27.8>

COMMENTS

Toronto's Film, Media, and Television Cluster

The City of Toronto is the largest economic cluster for the creative economy in Canada, and among the top five film and television clusters in North America. The local film and television industry creates jobs across various economic sectors and is one of Toronto's key economic drivers, attracting over 1,500 productions annually and over \$2.2 billion in production investment in 2019.

The screen industry directly employs over 30,000 Torontonians and plays a major role in Toronto's evolution as a global leader in film, television, digital media, gaming, virtual reality technology, and production innovation. Film and television global production volumes are at historical highs and set to grow significantly over the next 10 years.

In 2017, City council adopted Spotlight on Toronto: A Strategic Action Plan for the Toronto Film, Television and Digital Media Industry, to promote and grow the city's film sector. The Action Plan has led to numerous initiatives which have resulted in expansion of studio space and investment in the industry. However, despite recent and upcoming physical space growth, Toronto's studio spaces continue to operate at capacity, resulting in productions going elsewhere to find available studio space.

Streaming services like Netflix, Hulu, Amazon and more recently Apple and Disney, have increased production volumes alongside the traditional studios and broadcasters. Between the streaming video on-demand major services, annual production spending is projected to increase from \$40 billion in 2018 to a projected \$65 billion or more by 2022. The value of the global post-production market is also projected to increase by 25% in the next three years given the global consumption demand. Toronto is well-positioned to take advantage of this growth as it is one of the premier and highly sought after destinations for Film and Television production in North America and has a highly skilled and growing post-production and visual special effects industry that will only be further catalyzed and stimulated with more studio and production space coming on stream.

Basin Media Hub

The Basin Media Hub property comprises 8.9 acres of land at 29, 35 and 41 Basin Street (the "Subject Property"; Fig. 1) in the heart of the Media City District. The Subject Property also fronts onto the north Ship Channel, providing an opportunity for a public water's edge promenade as proposed in the Port Lands Planning Framework and the Central Waterfront Secondary Plan. The Subject Property currently hosts film production activity in the historic Sun Oil Company building and is used as a film back lot, which will be re-purposed as part of the new development proposal.

The Basin Media Hub is envisioned as a purpose-built complex including state-of-the-art sound stages and production support and office space to support film, television, music, and digital production. The sound stages are expected to be designed and engineered

to anticipate industry advances and to accommodate new digital media industries, technological innovation, and changes to workforce dynamics. Sustainable design elements will be included to support alignment with Council's climate action strategy.

The plan will substantially improve the public realm in this area of the Port Lands and includes the opportunity to build a public waterfront promenade and additional publically-accessible open space.

With this offering, CreateTO is anticipating that the successful Proponent will create a vibrant, sustainable and thriving "high-intensity, high-tech, high flex" Film-Media Hub which meets both the needs of the industry today, as well as anticipates the needs of the industry in the future. The completion of this project will mark a major milestone in the transition of this area of the city into a major centre for screen-based industries, interactive and digital media, and other creative enterprises.

In 2018, CreateTO completed a minor variance application to permit a communications and broadcasting establishment within the current I4 D2 zoning. This minor variance brought the potential property uses in line with the surrounding Media City District, and any future uses projected as part of the Production, Interactive and Creative ("PIC") policies of the Port Lands Planning Framework and implementing Official Plan Amendments.

The City is drafting a zoning by-law amendment that could affect the Subject Property, providing for additional land uses beyond the permissions granted with the communications and broadcasting establishment variance. The proposed by-law amendment is generally consistent with the PIC Core employment-focused uses within the Port Lands Planning Framework and will include new performance standards developed in coordination with the PIC Core Urban Design Guidelines.

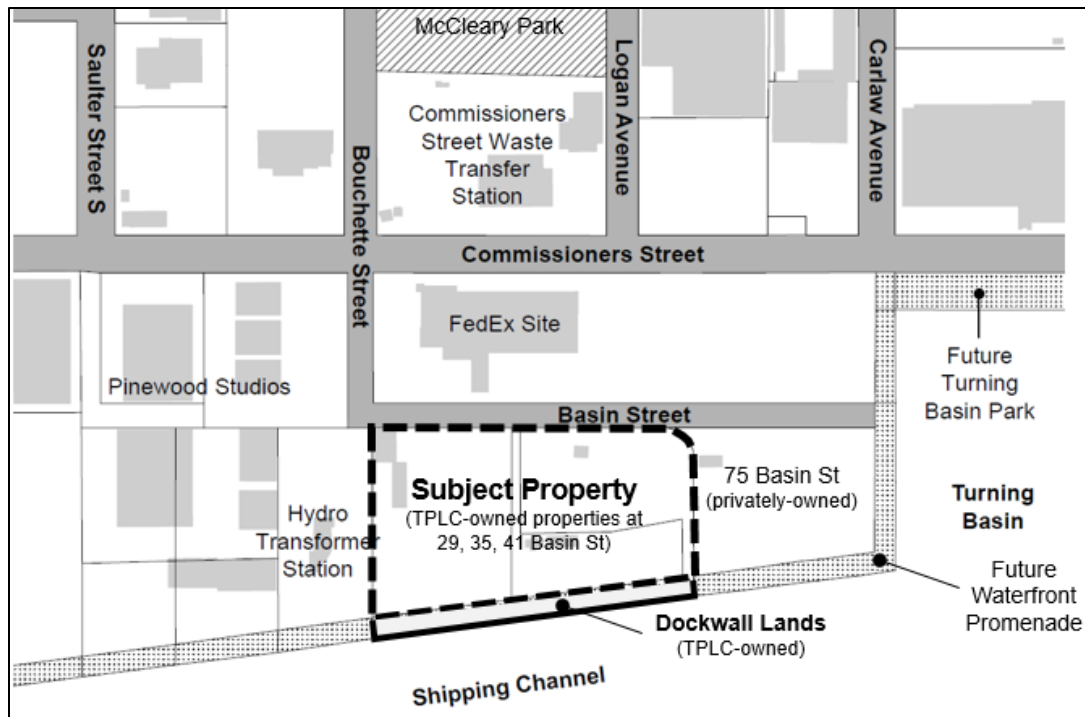


Figure 1. The Basin Media Hub Property

Summary of Selection Process & Term Sheet

CreateTO implemented a multi-stage offering process to select the Proponent for the Basin Street Media Hub proposal, supported by consultant experts and City of Toronto representatives.

A brokerage firm was engaged through a competitive RFP process to lead the Basin Media Hub development brokerage offering. The offering was launched in the fall of 2020 as a two-stage open market procurement process consisting of a Request for Expressions of Interest (RFI) followed by a Request for Proposals (RFP). The process began with meetings between staff from the City, Economic Development & Culture, City Planning, and CreateTO to ensure consistency with the Port Lands Planning Framework, Central Waterfront Secondary Plan, and Official Plan.

Participation in the RFI entitled interested Proponents to access to an online Data Room containing background materials and a Confidential Information Memorandum (CIM) detailing the vision and supporting materials in support of the Basin Media Hub. Extensive economic research on Toronto’s film, television and media industry, planning and design analysis of the site’s context, constraints, and specifications, extensive engineering materials, and the submission requirements for selecting a successful Proponent was included in the Data Room. Information about the Port Lands Planning Framework, Central Waterfront Plan, proposed Zoning Amendments, and Official Plan, was also included in the Data Room and CIM to ensure that the planned street network and future accommodations of the Basin Hydro Station were considered. Draft PIC Core

Urban Design Guidelines were also provided to further frame the vision of Basin Media Hub with respect to the built form, environmental performance, and public realm contribution.

An Evaluation Committee, composed of representatives from CreateTO and the City, reviewed the replies to the RFI and invited shortlisted proponents to the RFP stage of the development offering. Each response to the RFP was reviewed and analyzed by the CreateTO broker for completeness and adherence to the RFP. A Technical Review Committee comprised of development industry experts and CreateTO staff reviewed all technical issues of each. In addition, a financial services firm was retained to peer review the financial aspects of each proposal to ensure feasibility and accuracy, assess risk and to level-set the economic and financing terms of all proposals.

The submissions were evaluated on eight criteria:

1. Development Timeline
2. Financials
3. Business and Marketing Plans
4. Development Strategy, Vision and Site Organization
5. Sustainability Vision and Implementation
6. Economic Impact Assessment and Community Benefits Plans (including specific to the domestic film industry)
7. Term Sheet and Proposed Business Terms
8. Proponent Interviews

Each Proponent was required to give a one-hour virtual presentation and address initial comments from the Evaluation and Technical Committees. The submissions were then reviewed and scored independently by members of the RFP Evaluation Committee. A consensus scoring meeting was led by an external Evaluation Fairness Advisor. The Evaluation Fairness Advisor was responsible for ensuring the fairness and integrity of the entire process and oversee the evaluation deliberations.

Through their review of procurement documents and observance of the related activities, the Evaluation Fairness Advisor confirmed that the procurement was conducted in accordance with the process set out by CreateTO in the procurement documents. The principles of openness, fairness, consistency and transparency were properly established and maintained throughout the procurement process and all Proponents were treated consistently in the evaluation process.

The Preferred Proponent was confirmed by the Board of Directors of TPLC in May 2021. For the past four months, CreateTO's Executive Leadership Team, with support from technical experts, have negotiated a Confidential Term Sheet with the Successful Proponent, which will provide direction to staff for negotiating the binding Lease.

The Term Sheet organizes the core objectives of the successful proposal and seeks to balance public interest objectives and conditions for a successful studio operation, accounting for both the site value and required investments. Due to the commercially sensitive nature of ongoing negotiations with the Proponent, details concerning the proposal, including the identity of the Proponent and the Term Sheet are included as a confidential attachment to this report.

Economic Development Potential

The Basin Media Hub presents an important opportunity to support the ongoing development of Toronto's film industry and the Film Studio District. After completion of the construction phase, the expected economic impact of on-going film studio operations on the Subject Property includes \$280 million in economic activity, \$119 million in net contribution to GDP, \$32 million in tax revenues across all levels of government, and 750 direct jobs created on-site as well as 880 indirect or induced jobs in the broader community.

Next Steps

Due to the proposed duration of the lease term described in the Term Sheet, City Council authorization is required to proceed. Conditional on Board approval, this report recommends that the report and Confidential Attachments be forwarded to City Council for approval.

Following approval by City Council, CreateTO management will negotiate a Lease with the Tenant, substantially in accordance with the Term Sheet.

A final agreed upon Lease will be brought back to the Board for approval before the end of the year. Following execution of the Lease, the Tenant is expected to submit a Site Plan Control Application in early 2022.

CONTACT

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ATTACHMENTS

Confidential Attachment 1: Confidential Summary of Selection Process, Successful Proposal & Key Term Sheet Conditions

Confidential Attachment 2: Term Sheet