

Application to the Imagination, Manufacturing, Innovation and Technology Property Tax Incentive Program

Date: June 18, 2024

To: Economic and Community Development Committee

From: General Manager, Economic Development and Culture

Wards: Ward 14 - Toronto-Danforth

SUMMARY

This report provides recommendations on an Imagination, Manufacturing, Innovation and Technology Program application for a film studio complex known as Basin Media Studios in the Port Lands, an area in Ward 14 (Toronto – Danforth).

The application was submitted by Hackman Capital Partners and CreateTO on May 24, 2023, and is subject to the City-Wide Community Improvement Plan, By-law 1207-2018, which was the bylaw in effect at the time of application. The applicant has also applied for the Brownfield Remediation Tax Assistance incentive.

By-law 1207-2018 states that City Council approval is required in cases where an application for Development Grants has an estimated construction value for the development exceeding \$150 million. Due to the potential financial implications to the City of approving an Imagination, Manufacturing, Innovation and Technology Program application for a project of this size, the City contracted with Hemson Consulting Ltd. to provide a third-party review and detailed analysis of the subject applications (Attachment 2).

For the reasons detailed in this report, staff recommends the approval of the application for 29, 35, 41 & 75 Basin St.

In Q4 2024, a new City-wide Community Improvement Plan for a Financial Incentive Program consisting of development grants will be brought forward to City Council. Until any new City-Wide Community Improvement Plan by-law is approved and in force, applications received under the existing program will continue to be considered and processed under the applicable in-force by-law at the date of the application's receipt.

This report was prepared by Economic Development and Culture division in consultation with City Planning, Finance and Treasury Services, and Social Development, Finance and Administration.

RECOMMENDATIONS

The General Manager, Economic Development and Culture, recommends that:

1. City Council approve Imagination, Manufacturing, Innovation, and Technology incentives for the following application:

- 29, 35, 41 & 75 Basin St. - BASIN MEDIA STUDIOS GP INC., as general partner for and on behalf of BASIN MEDIA STUDIOS LP, City of Toronto Economic Development Corporation in the estimated grant amount of \$21.6 million over 10-12 years

2. City Council authorize the General Manager, Economic Development and Culture to negotiate and execute a Financial Incentive Agreement for the application in Recommendation 1 above in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

As a film studio complex, the project falls under one of the “targeted sectors” under the Community Improvement Plan by-law 1207-2018 and is therefore eligible for enhanced grants. When this enhanced grant amount is combined with the Brownfield Remediation Tax Assistance, the total maximum grant amount available is equivalent to 77 per cent of the municipal tax increment over a 12-year period.

The combined grant amount for the development, if provided, is estimated to be \$21.6 million over 10-12 years, as summarized in Table 1. The financial implications of these grants will need to be included in future year Economic, Development and Culture budgets.

Over the grant period, the City is anticipated to receive approximately \$7.1 million in net new tax revenues from this development. Thereafter, the development will generate an estimated \$2.4 million in annual City property tax revenues.

Table 1 – Imagination, Manufacturing, Innovation and Technology Program Grant Amounts Based on Proposed Gross Floor Area

<i>Recommended for Imagination, Manufacturing, Innovation and Technology Program Grant Approval</i>				
Address	Use Eligibility	Square Feet	Construction Investment	Estimated Grants over 10-12 years
29, 35, 41 & 75 Basin St.	Film Studio Complex	565,000 sq/ft	\$225M	\$21.6M
TOTAL				\$21.6M

As of June 2024, the Imagination, Manufacturing, Innovation and Technology Program has approved 74 applications and disbursed or provided \$268.5 million in grants, with another \$45.1 million in grants projected for 2024. In addition, the estimated amount of grants that the program is committed to providing until 2038 is \$422 million. In all, the total cumulative value of Imagination, Manufacturing, Innovation and Technology grants approved to date is \$735.2 million.

Together, these 74 projects are forecast to yield approximately \$1.3 billion in new incremental property tax revenue for the City during the 10-year term of their Financial Incentive Agreements (or a 12-year term, in the case of the Brownfield Remediation Tax Assistance). While collectively receiving \$735.2 million in grants from the City, resulting in a net revenue gain for the City of \$564.8 million via increased municipal tax proceeds.

If the above application is approved, the City's total committed grants under this program are projected to be \$756.8 million by 2038.

Since January 2024, 5 applications with a combined grant value of \$234.1 million have been refused or withdrawn. The City is currently reviewing IMIT financial incentive applications for 12 other projects. These applications are at various stages in the review process, as described in Attachment 2. Were they all to be approved, these applications would result in financial commitments of up to \$69.1 million in the form of property tax incentives collectively over their 10-year (or with BRTA up to 12-year) grant terms. However, conditions in the local property market appear to be slowing if not jeopardizing the viability of some of the projects, although final determinations can only be made following the full application assessment process. The prevailing market conditions may impact the viability of some projects to move forward and therefore decline the City's exposure to new commitments.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as presented in the Financial Impact Section.

DECISION HISTORY

At its meeting on October 2, 2012, City Council adopted amendments to the City-wide, Waterfront, and South of Eastern Community Improvement Plans (CIPs) that enable the provision of financial incentives for economic development through the IMIT Program.

<https://secure.toronto.ca/council/agenda-item.do?item=2012.PG17.5>

At its meeting on April 24, 2018, City Council adopted a new Community Improvement Plan to modify the IMIT Program. This CIP was subsequently appealed.

<https://secure.toronto.ca/council/agenda-item.do?item=2018.EX30.6>

At its meeting on June 15, 2022, City Council accepted a settlement offer in relation to the appeal of the 2018 CIP. This settlement was presented to the Ontario Land Tribunal (OLT). An order was issued by the OLT on October 7, 2022, bringing the modified CIP into effect.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.CC45.8>

COMMENTS

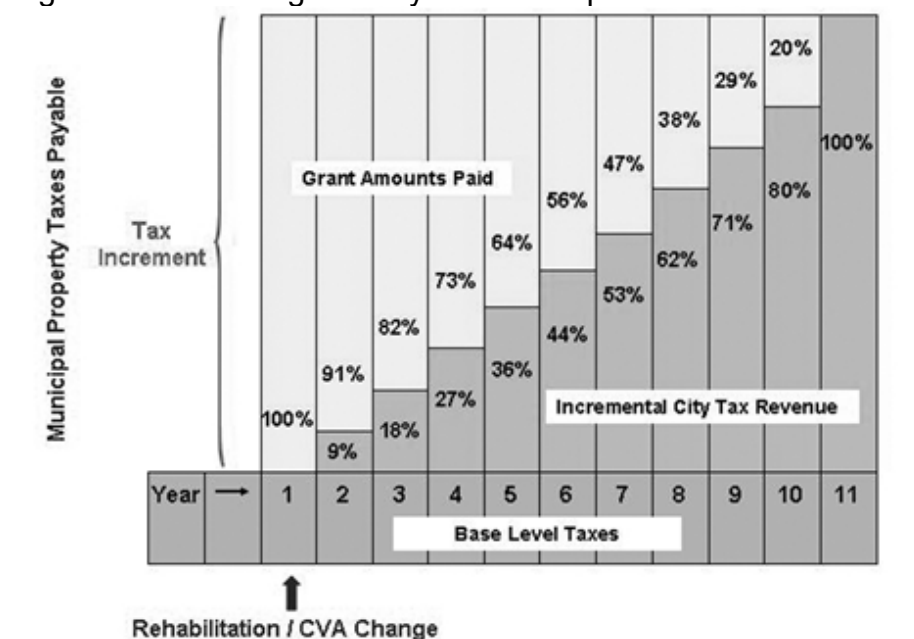
Background

Section 28 of the Planning Act authorizes municipalities to designate a Community Improvement Project Area (CIPA) where there is an Official Plan in effect that contains provisions relating to community improvement in the municipality. A Community Improvement Plan (CIP) may then be adopted for the CIPA that, among other things, may provide for grants directed to incentivize community improvement.

The Imagination, Manufacturing, Innovation and Technology Property Tax Incentive Program (the IMIT Program) is a CIP that provides development grants to support new construction or major renovation of buildings in targeted employment sectors and for certain uses throughout Toronto. The IMIT Program also includes an added grant element for brownfield remediation, namely the Brownfield Remediation Tax Assistance (BRTA).

The IMIT Program provides a property tax incentive to a qualified employment-generating development based on the incremental or new increased assessment value, as determined by the Municipal Property Assessment Corporation (MPAC), created by that development. A portion of the municipal property tax that is applied to that value is returned to the qualified applicant over a ten-year period (up to twelve years if brownfield remediation occurs). The total value of the IMIT grants is typically equal to 60% of the increased municipal property taxes which the City will receive over the first ten years following construction and reassessment. Thereafter, the City collects and retains the entire municipal property tax attributable to the project.

Figure 1 – IMIT Program Payment Example



An IMIT application for a development with a construction value greater than \$150 million requires Council approval. City Council has discretion to approve or refuse the application, based on its determination of whether granting or denying the application is in the City's best interests.

The primary purposes in the CIP for the IMIT Program are to stimulate building construction and expansion within key sectors of the economy and to support job growth across Toronto. However, there are other municipal purposes that City Council can consider when assessing an IMIT Program application.

Base IMIT Program Eligibility Criteria pursuant to By-law 1207-2018

- Applications must be submitted prior to issuance of the main building permit
- The property must not be in tax arrears
- The owner must develop a Local Employment Plan
- Construction must conform to all City processes and permits
- Construction value of at least \$3 million as evidenced on the application and the main building permit
- Meet the minimum Toronto Green Standard (Tier 1)
- Not be demolished over the term of the incentive
- The development must increase the amount of GFA for Eligible Uses by at least 500 m²
- Eligible location
- Eligible employment sector or use
- Applicant must be the owner of property or their designated agent
- Applicant agrees to meet annual reporting requirements

2022-2023 IMIT Program Review and the Development of a New City-wide CIP

The third comprehensive review of the IMIT Program took place in 2022-2023. The program review supported Council direction under the Updated Long-Term Financial Plan Report, which directed staff to evaluate the effectiveness and outcomes of financial incentives provided under the IMIT Program to date, and to recommend changes to its design, program objectives, or eligibility criteria, in consideration of its immediate and longer-term financial and economic impacts. At its meeting on February 6, 2024, City Council directed the Chief Planner and Executive Director, City Planning, in consultation with the General Manager, Economic Development and Culture, and the Chief Financial Officer and Treasurer, to bring forward for City Council's consideration, a new City-wide CIP for a Financial Incentive Program consisting of development grants substantially addressing the policy considerations in the staff report and the new program parameters (Item - 2023.EX11.6 – Attachment 1)

The development of the new City-wide CIP is currently underway and will be brought forward for City Council's consideration in Q4 2024. Until any new CIP by-law is approved and in force, applications received under the existing IMIT Program will continue to be considered and assessed according to the criteria set out in the applicable in-force by-law at the date of the application's receipt. This includes the list of IMIT Program applications received and under review as indicated in the IMIT Program Review Staff Report (Item - 2023.EX11.6) and any new applications that are received and deemed eligible prior to the dissolution of the existing CIP by-law. As such, the subject application of this report is being assessed under the current in-force By-law 1207-2018

Attachment 2 provides an updated summary of IMIT Program applications, including those currently under review, refused or withdrawn, or approved by the General Manager, Economic Development and Culture under delegated authority from City Council.

While exclusively assessed under the existing by-law, it's worth noting that had this application been submitted under the proposed new CIP by-law and program parameters coming to Council in Q4 2024, the proposed development would also be eligible, albeit for a shorter grant period.

Evaluation of the IMIT Program Application for 29, 35, 41 & 75 Basin St.

An IMIT Program and BRTA application for Basin Media Studios, a film studio complex at 29, 35, 41 & 75 Basin St. was submitted on May 24, 2023. The project is a partnership between CreateTO and Hackman Capital Partners (Hackman). The 13-acre site is partially owned by CreateTO with a long-term lease awarded to Hackman through an RFP process. A portion of the site has been acquired by Hackman.

Economic Development and Culture staff reviewed the application and requested additional information where clarification was required. The application was assessed by staff for adherence to base Program eligibility.

The following table indicates the total square footage, sector/use, and construction value for the applicant's project considered in this report. Attachment 1 provides additional details.

Table 2 – Details of the Applicant's Project

Applicant	Address	Use Eligibility	Square Feet	Construction Investment (\$ Millions)
Hackman Capital Partners	29, 35, 41 & 75 Basin St	Film Studio Complex	565,000 sq/ft	\$225M

Recommended for Approval

Staff recommend approval of the application for 29, 35, 41 & 75 Basin St.

Basis for Recommendation

1. Demonstrated Need for Incentives

The IMIT program currently in force is based on the premise that "but for" the provision of financial incentives in the form of development grants, the development would not occur, and the City would not realize the incremental tax revenues associated with the development.

Hemson Consulting Ltd. (Hemson) worked closely with the applicant, who provided detailed financial information regarding the Basin Media Studio project on a confidential basis. The assessment included standard financial feasibility measures and considered the broader market context, as well as specific details and risks associated with the proposed development.

Among other factors, the project-specific risks include challenging site conditions due to fill soil composition, constraints associated with road rights-of-way and the waterfront pedestrian walkway, escalating costs of construction materials and labour availability within the sector; and potential disruptions stemming from ongoing development activities in the Port Lands. Collectively, these factors impact the project's viability and pose heightened risks compared to other real estate ventures. Considering these factors and based on Hemson's analysis, the application passes the "But For" test.

It is also important to note that space to accommodate film and other land-intensive employment uses is in very short supply in Toronto. Furthermore, the stock of facilities is aging, declining in quality, and is threatened by pressure for conversion to residential uses in some locations. In a largely built-out city like Toronto, Tax Increment Equivalent Grants (TIEGs) can help overcome the cost challenges which hinder the retention and growth of businesses in land-intensive sectors, such as Film and TV Production.

2. Alignment with CIP By-law Objectives and City Planning Policy Directions

The project is supportive of the CIP By-law's primary objectives of brownfield remediation and development of targeted employment uses. The project's performance against the CIP by-law's objectives is summarized in Hemson's analysis of the application (Attachment 2).

Planning policy directions seek to promote economic development and competitiveness by supporting an appropriate mix and range of employment uses to meet long-term needs. This includes providing opportunities for a diversified economic base, including maintaining a range and choice of suitable sites for employment uses which support a variety of economic activities and take into account the needs of existing and future businesses.

The Basin Media Studios project is consistent with the Port Lands Official Plan and Central Waterfront Secondary Plan's land use and built form policies for the Turning Basin District, particularly in growing Toronto's screen-based industries; interactive and digital media; and arts, design and other creative enterprises.

The development will, as an IMIT Program requirement, also meet the minimum Tier 1 requirements of the Toronto Green Standard. Beyond this minimum requirement, the development proposes an all-electric film campus, one of the first of its kind in the world, that will achieve TGS Tier 3 greenhouse gas emissions limits. The project also includes the adaptive reuse of the 1931 Sun Oil Company building, designated by City Council under the Ontario Heritage Act on July 19, 2023. Furthermore, the broader redevelopment of the land will include the delivery of an 18-metre public waterfront promenade that will open the ship channel water's edge to the public for the first time in over a century.

3. Film Sector Development, Local Employment and Other Inclusive Community Benefits

Incentives support and encourage the construction of new buildings. The City is set to realize substantial returns from the increase in tax revenues, and the 1,200 new and retained jobs expected to be achieved through this development. In addition, Basin Media Studios presents opportunities to achieve equitable social and economic impact for Toronto residents, who can benefit from film sector development and other inclusive community benefits through local employment.

The Film and TV Production industry is a large and growing sector within Toronto and was recently named by Movie Maker Magazine as the number one city to live and work as a Movie Maker outside of New York and Los Angeles. The industry currently employs nearly 35,000 professionals and in 2022 contributed \$2.6 billion to the local economy. As the Film and TV Production industry continues to grow, so will the need for new space. Fostering a competitive environment will help attract and retain future investments within the industry as well as major media producers that require state-of-the-art film spaces. In turn, it will enable further employment growth within the industry and other sectors supported by the industry, while strengthening Toronto's position in a highly competitive global market.

In addition to contributing to film sector development in Toronto, Hackman plans to achieve the IMIT Program local employment requirement and other social impacts by implementing inclusive community benefits approaches through Basin Media Studios. As part of their ground lease with CreateTO, Hackman will develop a \$1-million Local Training Programme Fund and a \$1-million Canadian Content Fund. The Local Training Programme Fund will facilitate the creation of new job opportunities, strengthen employment opportunities, and maximize the quality of domestic jobs in the film/media/production sector.

In consultation with the City's Community Benefits Unit, Hackman is also in the early phases of developing a Community Benefits Plan as part of the ground lease agreement with CreateTO. The Community Benefits Plan will set out how Basin Media Studios will achieve the IMIT Program local employment requirement, and other inclusive economic outcomes, such as equitable hiring pathways, and local and diverse procurement opportunities that reach Indigenous, Black and equity-deserving communities in Toronto. The Community Benefits Plan will include measurable targets for intended outcomes, roles of key partners, as well as plans to monitor and oversee outcomes and impacts through data tracking and reporting. The Community Benefits Plan is expected to be finalized in 2024.

CONCLUSION

The proposed development aligns with the primary objectives of the CIP By-law and planning policies which support Productions, Interactive, and Creative (PIC) Core land uses in the area. Furthermore, Basin Media Studios offers opportunities for film sector development and other inclusive Community Benefits beyond the IMIT Program local employment requirement.

As Hemson's report concludes, the IMIT Program and BRTA grants appear to impact this development's viability to the degree that it may influence project outcomes, meaning that there is a need for incentives for the development to proceed. As such, staff recommend approval of the IMIT Program and BRTA application for development at 29, 35, 41 & 75 Basin St., estimated at \$21.6 million over 10-12 years.

CONTACT

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SIGNATURE

Patrick Tobin, General Manager
Economic Development and Culture

ATTACHMENTS

Attachment 1: Summary of Imagination, Manufacturing, Innovation and Technology Program (IMIT Program) Application Reviewed - 29, 35, 41 & 75 Basin St.

Attachment 2: Updated Summary of IMIT Program Applications

Attachment 3: Hemson – Review of Basin Media Studio’s Application under the IMIT Property Tax Incentive Program

Attachment 1: Summary of Imagination, Manufacturing, Innovation and Technology Program (IMIT Program) Application Reviewed - 29, 35, 41 & 75 Basin St

Applicable IMIT Program By-law 2017-2018 (City-wide Community Improvement Plan)

An IMIT Program application for 29, 35, 41 & 75 Basin St. was submitted on May 24, 2023 and proposes a 565,000-square-foot film studio complex known as Basin Media Studios. The purpose-built facility will include 12 sound stages, mill shops and production and management offices. The 13-acre site is located within the Central Waterfront Secondary Plan Area and is designated as a Regeneration Area within the Official Plan.

The property is partially owned by CreateTO with an 85-year, fair market value leaseawarded to Hackman Capital Partners (Hackman) through an RFP process. A portion of the site has since been acquired by Hackman.

The applicant has also applied for the Brownfield Remediation Tax Assistance (BRTA) incentive. The BRTA is an additional IMIT Program incentive that supports on-site brownfield remediation. The estimated remediation cost for this development is \$8.3 million. The combined Tax Increment Equivalent Grant and BRTA incentive cannot exceed 77% of the municipal property tax increment over a 12-year period.

The estimated construction value of the proposed project is \$225 million, including remediation costs. The development will support approximately 1,200 jobs.

In July 2022, City-initiated rezoning was completed resulting in site-specific zoning. A site plan approval (SPA) application was submitted on March 21, 2023. A second site plan submission was filed on December 1, 2023. The applicant is currently working on revisions in response to comments from staff and the Waterfront Design Review Panel (WDRP), prior to the anticipated final submission for Notice of Approval Conditions (NOAC). NOAC is required prior to the issuance of any conditional building permits.

The development will, as an IMIT Program requirement, meet the minimum Tier 1 requirements of the Toronto Green Standard (TGS). Beyond this minimum requirement, the development proposes an all-electric film campus that will achieve TGS Tier 3 greenhouse gas emissions limits. The development also includes stormwater reuse, green and cool roofs, native plantings, bird-friendly design, bicycle facilities, and EV charging stations.

The broader development of the lands will also include the delivery of an 18-metre public waterfront promenade funded by CreateTO, Parks, Forestry and Recreation, and Corporate Real Estate Management. The promenade is a separate scope, subject to an ongoing design process led by CreateTO ([Item – 2022.TE34.14](#)).

The project includes the adaptive reuse of the 1931 Sun Oil Company building, designated by Council under the Ontario Heritage Act on July 19, 2023.

The applicant will be required to develop a Local Employment Plan (LEP), which will identify opportunities to support local hiring and training. The LEP will span the term of the incentive and outcomes will be tracked and monitored with the ultimate objective of providing employment and training opportunities to Toronto residents.

The estimated date for completion and occupation of this film studio complex is Q2 2027.

Attachment 2: Updated Summary of IMIT Program Applications

IMIT Program Applications – Approved

Since January 2024, the General Manager, Economic Development and Culture has approved 0 IMIT Program financial incentive applications under delegated authority from City Council.

IMIT Program Applications – Refused or Withdrawn

Since January 2024, 5 IMIT Program financial incentive applications have been refused or withdrawn, as summarized in the table below.

Status Approval Authority	# of Applications	Total Estimated Grant Value
Construction Value >\$150M – Refused by City Council	3	\$230 million
Construction Value <\$150M – Refused by General Manager, Economic Development and Culture*	1	\$1.8 million
Construction Value <\$150M – Withdrawn	1	\$2.3 million

*Application did not meet the basic eligibility requirements.

IMIT Program Applications - Under Review

As of June 2023, the City has received and is reviewing IMIT Program financial incentive applications for 12 projects at different stages of application completeness. These applications are at various stages in the review process, as summarized in the table below.

Status Approval Authority	# of Applications	Total Estimated Grant Value
Construction Value >\$150M – Third-Party Review in Progress: City Council Decision Pending*	1	\$22.5 million
Construction Value <\$150M – Under Review; General Manager, Economic Development and Culture may approve if all requirements are met	6	\$6.8 million
Construction Value <\$150M – Inactive**	5	\$39.8 million

*Third-party review of these applications is in progress. City Council consideration is anticipated in Q4 2024.

**Deemed inactive due to a lack of response from the applicant.