

29 Basin Street – Ground Lease Amendments and Strengthening the Toronto Port Lands Company Mandate

Date: November 26, 2024

To: Executive Committee

From: Deputy City Manager, Corporate Services, and Deputy City Manager, Community and Social Services

Wards: Ward 14 - Toronto Danforth

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report contains information about a position or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the Board of Directors of Toronto Port Lands Company.

SUMMARY

The purpose of this report is to seek City Council's approval to amend the Ground Lease between Toronto Port Lands Company (TPLC), legally the Toronto Economic Development Corporation, and Basin Media Studios GP Inc. (the "Tenant") related to the Basin Studios project at 29 and 75 Basin Street. Amendments to the Ground Lease have been requested by the tenant in response to extraordinary market and economic pressures encountered with the project since 2021.

The Basin Studios project is an approximately \$300 million, purpose-built, state-of-the-art film, television, and digital media hub in Toronto's Port Lands. The development encompasses over 485,000 square feet of new purpose-built studio and support space, including 12 new sound stages. The project site involves an approximately 8.9-acre property owned by TPLC at 29 Basin Street (the "29 Basin Property") and 5-acre property owned by the Tenant at 75 Basin Street (the "75 Basin Property").

In 2021, City Council approved the term sheet for the 29 Basin Property and authorized TPLC to execute the term sheet and any lease resulting therefrom conditional on CreateTO Board approval. In 2022, TPLC executed the Ground Lease with the Tenant

for the 29 Basin Property, consistent with City Council authority. The proposed amendments to the Ground Lease are summarized in Confidential Attachment 1.

CreateTO and City staff are satisfied that the proposed amendments will allow the project to proceed and deliver the development proposal for the 29 Basin Property and do not introduce any new financial liabilities or risks to the City.

In addition, staff will conduct an assessment of opportunities to continue to align the mandate of the Toronto Port Lands Company with the City's economic development objectives in the Port Lands, such as supporting film production, and with the Port Lands Planning Framework and other area-specific Planning documents, and report back to City Council by Q3 2025 with any required changes to the Toronto Port Lands Company Shareholder Direction.

This report has been prepared in consultation with the following City divisions and agencies: City Manager's Office, Corporate Real Estate Management, CreateTO, Development and Growth Services, Economic Development and Culture, and Legal Services.

RECOMMENDATIONS

The Deputy City Manager, Corporate Services, and Deputy City Manager, Community and Social Services, recommend that:

1. City Council authorize the Board of Directors, Toronto Port Lands Company, to direct the Chief Executive Officer, CreateTO, to negotiate and execute an amendment to the Ground Lease between the City of Toronto Economic Development Corporation and Basin Media Studios GP Inc., as general partner for and on behalf of Basin Media Studios LP, dated August 29, 2022, as amended, substantially in line with the proposed changes outlined in Confidential Attachment 1 and in a form approved by the Chief Legal Counsel, CreateTO.
2. City Council direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it contains information 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 Toronto Port Lands Company.
3. City Council direct the City Manager in consultation with the General Manager, Economic Development and Culture, and Deputy City Manager, Corporate Services, to assess opportunities to align the mandate of the Toronto Port Lands Company with the City's economic development objectives in the Port Lands, such as supporting film production, and with the Port Lands Planning Framework and other area-specific Planning documents, and report back to City Council by Q3 2025 with any required changes to the Toronto Port Lands Company Shareholder Direction.

FINANCIAL IMPACT

The estimated financial impact of the adoption of the proposed Ground Lease amendments is provided in Confidential Attachment 1.

The Chief Financial Officer and Treasurer has been advised of the estimated financial impacts associated with this report to be considered along with other priorities in future budget processes.

DECISION HISTORY

At its meeting on November 13 and 14, 2024, City Council adopted MM23.22, authorizing the conveyance of the on-site parkland at 29 and 75 Basin Street to occur within 46 months following issuance of the first building permit for the Basin Studios development.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.MM23.22>

At its meeting on July 24 and 25, 2024, City Council adopted EC14.1, approving Imagination, Manufacturing, Innovation, and Technology (IMIT) incentives for an application submitted for the Basin Studios project by Hackman Capital Partners (HCP) and CreateTO, amounting to an estimated grant of \$21.6 million over 10-12 years. City Council authorized the General Manager, Economic Development and Culture, to negotiate and execute a Financial Incentive Agreement for the application.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EC14.4>

At its meeting on July 19, 20, 21 and 22, 2022, City Council adopted TE34.14, adopting a City-initiated zoning by-law amendment affecting the Property, providing for additional land uses, and direction to City staff to include funding for the delivery of an 18-metre wide Water's Edge Promenade along the Ship Channel and the Turning Basin adjacent to the Basin Studios and funding for public realm improvements for Basin Street and Bouchette Street in the Port Lands, beyond those that would be secured through the site plan approval process, in their capital budget submission for the 2023-2032 Budget process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.TE34.14>

At its meeting on November 9, 2021, City Council adopted, with amendments, EX27.12, approving the term sheet with the Preferred Proponent and authorizing Toronto Port Lands Company to execute the term sheet in substantially the form attached to the report, and to execute any lease resulting from the term sheet, provided that such lease is approved by or conditional upon approval by the CreateTO Board of Directors.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX27.12>

At its meeting on April 24, 2018, City Council adopted ED28.4, receiving recommendations put forth in the report Film Studio Capacity Replacement and Future Growth by the General Manager, Economic Development and Culture. This report provided information on film studio infrastructure in the Port Lands and actions to support studio replacement and expansion.

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

At its meeting on March 26 and 27, 2018, City Council adopted ED27.8, requesting 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.

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

COMMENTS

Toronto's Film Production Industry

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 provides cross-sectoral employment opportunities and is one of Toronto's key economic drivers, setting a record of \$2.6 billion in direct spending in 2022. The industry directly employs over 35,000 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.

In 2017, City Council adopted the [Port Lands Planning Framework and Port Lands Official Plan Modification](#). The Port Lands Area Specific Policies of the Central Waterfront Secondary Plan were substantially resolved through Ontario Land Tribunal decisions in 2021 and 2022. The framework and policy designate the district within which the Basin Studios properties sit as a Production, Interactive, and Creative (PIC) Core District focused on growing Toronto's screen-based industries and other creative enterprises. Port Lands policies reinforce the permanence and prioritization of PIC uses in this district to ensure their ongoing prosperity as nearby districts evolve into dense mixed-use neighbourhoods.

Also 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 highlighted the Port Lands and surrounding areas as a priority for future studio development, based on its employment land zoning, proximity to downtown, and existing cluster of creative businesses. Aligned with this growth, the City of Toronto has worked with unions to develop workforce for this industry, focusing on training for people who are Indigenous, Black, or People of Colour. Studio space, such as that being developed at Basin Street, is essential to protect jobs and leverage the City's investment to date.

Project Summary

In 2020, CreateTO launched a multi-stage offering process to select the Proponent for the Basin Studios proposal, supported by consultant experts and City of Toronto representatives.

In 2021, Hackman Capital Partners (HCP) and their studio operations arm, The MBS Group (MBS), was identified as the Preferred Proponent through the RFP process and,

following approval by the TPLC Board, negotiations were commenced for a term sheet. The term sheet was approved by the TPLC Board in October 2021 and City Council in November 2021. The Ground Lease was executed with the Tenant in August 2022.

The proposal for Basin Studios is an approximately \$300 million, purpose-built, state-of-the-art film, television, and digital media hub in Toronto's Port Lands (see Figures 1, 2, and 3).



Figure 1: July 2024 design rendering of Basin Studios development looking northwest

The Basin Studios project encompasses over 485,000 square feet of studio and support space, including 12 new sound stages, which represents more than a 35% increase in sound stage capacity in the Port Lands. Eight of the sound stages and approximately 325,000 square feet of the development is located on the TPLC-owned property at 29 Basin Street, with the remainder located on the 75 Basin Street property directly owned by the Tenant.



Figure 2: July 2024 design rendering of Basin Studios development looking south from Basin Street

According to economic analysis included in the HCP-MBS proposal dated February 2021, the project in its entirety will directly or indirectly support approximately 2,600 jobs (including over 1,200 on-site jobs), and generate an estimated \$457 million in total annual economic activity, \$223 million in net contribution to GDP, and \$55 million in tax revenues across all levels of government (excluding the impact of Imagination, Manufacturing, Innovation and Technology program benefits).

In addition to providing much-needed studio and production space, the proposed development advances multiple city-building objectives in the Port Lands. The project includes low carbon, all-electric energy systems and maintains the heritage-designated 1931 Sun Oil Company Building at 29 Basin Street as offices for the studio campus. The project will also provide the opportunity for the Tenant to partner with the City of Toronto to deliver an approximately 2.2-acre public promenade along the water's edge, helping to further transform this area of the Port Lands into a healthier and more liveable space for workers and visitors alike.



Figure 3: July 2024 design rendering of Basin Studios development looking north

Project Progress

The project has advanced through multiple milestones since the Ground Lease was executed in 2022, including:

- Two phases of due diligence and design development.
- HCP-MBS purchased the adjacent 5-acre property at 75 Basin Street in August 2022.
- Initial Site Plan Application submission in March 2023 and resubmission in December 2023.
- Completion of the Waterfront Design Review Panel process with presentations in June 2022, January 2023, and March 2024.

- Submission of an Imagination, Manufacturing, Innovation and Technology (IMIT) program application in May 2023. This application was approved by City Council in July 2024.

Market and Economic Challenges

As with other development projects in Toronto, the Tenant has been impacted by rapid escalation in construction material, labour, and borrowing costs over the past two years.

In addition, production commissions are experiencing a global slowdown over the past two years. In part, this has been driven by the impact of the dual strikes by the Writers Guild of America and the Screen Actors Guild in 2023, which halted almost all scripted US-based production activity for more than six months. Additionally, major production companies and streamers are cutting costs after an extended period of record spending. This is resulting in a temporary contraction in production orders that has had impacts across the studio sector.

While there is confidence that demand for new studio space will recover in Toronto over the long-term, especially given the acute shortage of purpose-built soundstage space in the market, collectively these impacts have significantly altered the short- to mid-term growth trajectory and investor confidence for new studio projects in the GTA. Multiple projects that had been in the development pipeline in the GTHA have either been paused or cancelled. Basin Studios is the only active studio project that has advanced to site plan control in the past two years.

Additionally, the project team has encountered site complications through the design development process that have increased the anticipated cost and risk associated with the project. These include poor seismic conditions and the discovery of additional abandoned industrial foundations that must be removed. Toronto Hydro has also indicated that there is likely to be a premium for electrical service to the site due to the interference of legacy infrastructure (including abandoned rail ties) that must be removed.

In response to these pressures, the Tenant has led multiple value engineering exercises, including with design and pricing input from two contractor teams. A change was made to the development program by reducing the amount of office and ancillary space planned for the Tenant-owned parcel at 75 Basin Street by approximately 83,000 square feet, for which there was anticipated to be lower demand (the total soundstage area has remained constant). This is in addition to efforts to achieve costs savings and efficiencies in the foundation system, exterior finishes, and other design changes.

While these efforts have positively impacted the budget, the cost to complete the project on a per square foot basis increased by an estimated 30% between 2022 and 2024, inclusive of hard, soft, and financing costs, and the total construction cost has risen by roughly 10% despite the reduction on total leasable area.

Proposed Ground Lease Amendments

A detailed summary of the proposed amendments to the Ground Lease is provided in Confidential Attachment 1.

CreateTO and City staff are satisfied that the proposed amendments will allow the project to proceed and deliver the development proposal for the 29 Basin Property and do not introduce any new financial liabilities or risks to the City.

Toronto Port Lands Company Leadership Role

The Port Lands Planning Framework set out a comprehensive, 50+ year vision for the area based on a robust and extensive multi-year consultation process. The Framework formed the basis for the Official Plan Modification, which designated Production, Interactive and Creative (PIC) areas in the Port Lands to enable growth of Toronto's screen-based industries and other creative enterprises, as well as provide good jobs for residents, strengthen and diversify the local economy, and maintain Toronto as a place for creativity and innovation.

TPLC, as the majority landowner and representative of the City's interests in PIC areas and the broader Port Lands, will continue to have an important stewardship role to promote and grow Toronto's film sector.

Staff will conduct an assessment of opportunities to continue to align the mandate of the Toronto Port Lands Company with the City's economic development objectives in the Port Lands, such as supporting film production, and with the Port Lands Planning Framework and other area-specific Planning documents, and report back to City Council by Q3 2025 with any required changes to the Toronto Port Lands Company Shareholder Direction.

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SIGNATURE

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ATTACHMENTS

Confidential Attachment 1 - Proposed Ground Lease Amendments and Estimated Financial Impact