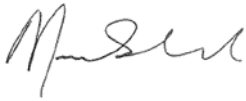





CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	July 4, 2022
SUBJECT/REPORT NO:	Memorandum of Understanding with City and Aeon Studios on Barton-Tiffany Lands (PED19063(d)) (Ward 2) (Outstanding Business List Item)
WARD(S) AFFECTED:	Ward 2
PREPARED BY:	Chris Phillips (905) 546-2424 Ext. 5304
SUBMITTED BY: SIGNATURE:	Norm Schleeahn Director, Economic Development Planning & Economic Development 
SUBMITTED BY: SIGNATURE:	Raymond Kessler Chief Corporate Real Estate Officer Planning & Economic Development 

Discussion of Confidential Appendix “D” to Report PED19063(d) in closed session is subject to the following requirement(s) of the City of Hamilton’s Procedural By-law and the *Ontario Municipal Act, 2001*:

- A proposed or pending acquisition or disposition of land for City or a local board purpose
- A trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the municipality or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization

RECOMMENDATION

OUR Vision: To be the best place to raise a child and age successfully.
OUR Mission: To provide high quality cost conscious public services that contribute to a healthy,
safe and prosperous community, in a sustainable manner.
OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service,
Engaged Empowered Employees.

SUBJECT: Memorandum of Understanding with City and Aeon Studios on Barton-Tiffany Lands (PED19063(d)) (Ward 2)- Page 2 of 13

- (a) That the materials presented by Aeon Studio Group (Aeon) in Appendix “C” to Report PED19063(d) entitled “Aeon Studio Group Submission Package” and Confidential Appendix “D” entitled “Aeon Studio Group Confidential Submission Package – Preliminary Project Construction Costing”, be received;
- (b) That staff be authorized and directed to negotiate the necessary contractual agreements with Aeon, including a Master Development Agreement and/or proposed Agreement(s) of Purchase and Sale, based on the materials submitted by Aeon Studio Group, and the key City parameters outlined in Appendix “E” to Report PED19063(d), and report to the General Issues Committee for approval, and on such terms and conditions deemed appropriate by the General Manager of Planning and Economic Development or designate, and in a form acceptable to the City Solicitor;
- (c) That staff be authorized and directed to undertake an appraisal, and to retain a development consultant to confirm the developability of the concept for the Barton-Tiffany lands, with a cost not to exceed \$150 K to be funded from West Harbour Capital Project Account 4411706201, and report back to the General Issues Committee at the same time as the recommended agreements identified in Recommendation (b) of Report PED19063(d); and,
- (d) That Appendix “D” to Report PED19063(d), respecting the Memorandum of Understanding with City and Aeon Studios on Barton-Tiffany Lands, remain confidential.

EXECUTIVE SUMMARY

On October 27, 2021, Council approved General Issues Committee (GIC) Report 21-020 including direction that Information Report PED19063(c) entitled Memorandum of Understanding (MOU) with City and Aeon Studios on Barton-Tiffany Lands – Status Update be received. The report stated that City staff and representatives from Aeon committed to finalizing the requirements of the MOU including the implementation of Aeon’s public consultation plan, the preparation and submission of Aeon’s Master Plan and Business Case by the end of February 2022, and that staff report back to GIC on the results.

Based on Council’s direction, staff and representatives from Aeon negotiated revisions to the MOU, and on November 14, 2021, the City and Aeon executed a revised MOU which established a deadline of February 28, 2022, for Aeon to complete and submit a comprehensive master plan and business case for the contemplated Studio District, among other matters.

On February 28, 2022, staff received submissions from Aeon Studio Group and their

**SUBJECT: Memorandum of Understanding with City and Aeon Studios on
Barton-Tiffany Lands (PED19063(d)) (Ward 2)- Page 3 of 13**

development partners; TAS and Forge & Foster. After review, staff are satisfied that Aeon's submission meets the requirements of the MOU.

This Report recommends authorization to move to the next step, being the negotiation of contractual agreements, such as a Master Development Agreement, based on identified key parameters to be achieved, and report back to GIC for approval.

Alternatives for Consideration – See Page 12

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The financial implications of Report PED19063(d) are limited to Recommendation (c), where if approved, would authorize staff to retain a development consultant, with a cost not to exceed \$150 K to be funded from West Harbour Capital Project Account 4411706201. Recommendations (a) and (b) have no financial implication, as they seek approval to move forward on negotiating terms for contractual agreements, such as a Master Development Agreement, for the sale of the City-owned Barton-Tiffany lands. When staff report back with recommended contractual agreements, an assessment of the financial impact and timing of the expected proceeds of sale for the properties will be included.

With respect to previous Council direction on any potential proceeds of sale for the "Barton-Tiffany" lands, GIC Report 11-025 from August 9, 2011 (Approved as amended by City Council on August 11, 2011) stated:

7.2 (a) Hamilton Future Fund Board of Governors Report 11-002 – August 2, 2011

(c) McMaster Health Campus Proposal McMaster University
(CM11008(a)/PED11034/FCS11063/BOH11026) (Council referral of Sub-section (c) (Item 8.1)

(i) That the \$10 million contribution to McMaster University be funded as a loan from the Hamilton Future Fund A (Account 112246);

(ii) That the Future Fund Board of Governors is in support of the McMaster Health Campus Proposal as it coincides with the Board's Guiding Principles and will create a meaningful legacy for the City of Hamilton;

(iii) That all monies from the sale or lease of West Harbour lands be returned to the Future Fund.

SUBJECT: Memorandum of Understanding with City and Aeon Studios on Barton-Tiffany Lands (PED19063(d)) (Ward 2)- Page 4 of 13

As well, Capital Account No. 3621054100 entitled “West Harbor Initiatives” was created in 2009, to fund the initial acquisition of the “Barton-Tiffany” lands. This account was used for the initial land acquisition, as well as the on-going maintenance of the site. As of May 2022, the life to date expenditures from this project is \$11,305,640, to be funded from potential proceeds of sale of the lands.

Staffing: Report PED19063(d) does not have any staffing implications. The existing staff team will continue to resource the recommended actions and seek assistance from limited internal resources as required.

Legal: Report PED19063(d) does not have any legal implications. Legal services will be involved in the preparation and execution of future contractual and transactional documents.

HISTORICAL BACKGROUND

On March 27, 2019, Council approved three separate reports relating to the Barton-Tiffany lands:

- (i) Confidential Report PED19063 – provided staff direction and authorization related to the disposition of the Barton-Tiffany lands and the negotiation of an MOU with Hamilton Studios Ltd Inc. (Aeon Studios), towards the development of a media industry hub (Studio District) in the Barton-Tiffany area;
- (ii) Report PED18210(a) – approved the re-zoning of the Barton-Tiffany area to permit the additional uses required to establish a complete Studio District; and,
- (iii) Report PED19056 – approved the Creative Industries Sector Strategy, which identified the establishment of a Studio District on the Barton-Tiffany lands as a sector and economic development priority.

On April 24, 2019, Council approved confidential Report PED19063(a) which approved the terms and conditions of an MOU with Hamilton Studios Ltd Inc. (Aeon Studios), for the development and sale of lands, to create a hub for the film, television, and multi-media industry in Hamilton’s Barton-Tiffany area. Appendix “D” of Confidential Report PED19063(a) entitled “Summary of MOU”, was released as a public document at that time. Among the terms included in the MOU, was a requirement that Aeon Studios undertake community consultation and prepare a Master Plan for the lands.

On October 20, 2021, GIC received an update through Information Report PED19063(c) on the status and progress made to date on the terms and conditions contained within the MOU as well as the anticipated next steps. The Report stated that City staff and

SUBJECT: Memorandum of Understanding with City and Aeon Studios on Barton-Tiffany Lands (PED19063(d)) (Ward 2)- Page 5 of 13

representatives from Aeon committed to finalizing the requirements of the MOU, including the implementation of Aeon's public consultation plan and the preparation and submission of Aeon's Master Plan and Business Case by the end of February 2022, and that staff report back to GIC on the results.

On October 20, 2021, GIC also approved Report PED19063(b) entitled "Disposition of Real Estate in the Barton-Tiffany Area" which had the effect of transferring ownership of the former Stelco lands at 242 Queen Street North to the Aeon Group, with a direction the report becomes public at the time of the transaction closing date.

On November 14, 2021, the City and Aeon executed a revised MOU which established a deadline of February 28, 2022, for Aeon to complete and submit a comprehensive master plan and business case for the contemplated Studio District, established a right for the City to terminate the MOU if Aeon did not meet its identified obligations by the deadlines for both the land transaction of 242 Queen Street North or the February 28, 2022 deadline above (both of which have been met), and also established the City's right of first opportunity to purchase 242 Queen Street North, if the MOU is terminated.

Additionally, both parties agreed that further clarity and specificity would be beneficial for the process, and in December 2021, agreed to a specific framework for Aeon's submission, which is attached as Appendix "B" to Report PED19063(d).

Aeon conducted a community engagement program to inform their concept plan with the objectives of introducing Aeon and the plan to the community and a variety of stakeholders, as well as to consult on the preliminary designs. The consultation took a variety of forms. Initial project site plan and renderings were released publicly in October 2021. A project website and virtual public information center was launched in January 2022, where visitors could get pertinent information and allowed feedback on a variety of aspects of the plan. Group and one-on-one stakeholder meetings took place during February and March 2022, as well as three virtual town hall meetings were held on February 8-10, 2022. Background and feedback received from the public engagement program is contained in Appendix "C" to Report PED19063(d).

On February 28, 2022, staff received formal submissions from Aeon Studio Group; one a public submission, and a supplemental confidential submission containing commercially proprietary information.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The West Harbour (Setting Sail) Secondary Plan came into effect by way of an Ontario Municipal Board (OMB) decision on December 27, 2012, which designated these lands as a Special Policy Area. This was to facilitate the area's transition from former industrial uses to an intensified area including mixed-use residential and commercial

developments, as well as other cultural and recreational uses, to broaden the year-round engagement within the area and create new economic opportunities.

Setting Sail also stipulated further studies and guidelines were required to ensure conformity to this vision was maintained over time. In September 2014, Council adopted the “Barton-Tiffany Urban Design Study, Design Concept, and Guidelines”, which provided the design vision for the built form, including building typologies, street networks, street-scaping and other elements. As well, recognizing the proximity to a planned transit and mobility hub, Council approved the “James Street North Mobility Hub Study”, which further refined the policy framework for future development.

RELEVANT CONSULTATION

The project team contains staff from the Municipal Land Development Office and the Corporate Real Estate Office of the Economic Development Division. The project team also consulted Legal Services staff.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Key Requirements of the MOU

The MOU identified several issues and requirements to be performed by each Party, which are summarized below:

Requirements of Aeon Studios:

- To develop and construct, at its sole cost and expense, a Studio District within the Barton-Tiffany lands, providing an economic benefit to the City with a media industry hub inclusive of ancillary film production services such as sound stages, production offices, and various other facilities;
- To provide to the City a comprehensive Master Plan, outlining its long-term vision, strategic plan, concepts and business case for the contemplated Studio District. The plan is to address and demonstrate its alignment with the City’s Secondary Plan, Design Guidelines, and other policies. It is also to reference the City’s objectives for the Studio District of excellent urban design, building design and integration, pedestrian-orientation and community connectivity, permeability and public accessibility, and provision of affordable artistic community spaces;
- To conduct, in collaboration with City staff, public open houses and consultation presenting the Master Plan and the Studios long-term vision for the Barton-Tiffany lands.

Requirements of the City:

- To sell the identified City-owned lands, fee-simple, with the financial valuation to be established using a *Highest and Best Use* method or *Fair Market Value* financial considerations, and including retention of any applicable easements and rights-of-way (if any) held by the City necessary towards an approved development;
- To ensure the zoning approvals permit the contemplated film studio use on the subject lands (completed through Council's approval on March 27th, 2019 of PED18210(a)); and,
- To grant permission to enter the City-owned lands for the purposes of site inspection, testing, and development planning.

At the October 20, 20221 GIC meeting, members of Council raised several issues during the discussion of both Report PED19063(c) as well as the delegation presentation by representatives from Aeon. Generally, those issues were categorized as follows:

- Clarity and specificity about the proposed partners and/or investors involved in the proposed Studio District development;
- Explicit deadlines and timeframes for Aeon to complete their specified obligations identified in the MOU, including the preparation and submission of a Master Plan, Business Case, and the respective public engagement;
- The City's explicit right to terminate the MOU if the City is not satisfied with the Aeon's submissions; and,
- The City's explicit right to re-purchase 242 Queen Street North, in the event of termination of the MOU.

Based on this feedback, staff and representatives from Aeon discussed the issues and agreed to negotiate revisions to the MOU that would address the issues raised. On November 14, 2021, the City and Aeon executed a revised MOU, which included the following:

- Established a deadline of February 28, 2022, for Aeon to complete and submit a comprehensive master plan and business case for the contemplated Studio District;

SUBJECT: Memorandum of Understanding with City and Aeon Studios on Barton-Tiffany Lands (PED19063(d)) (Ward 2)- Page 8 of 13

- Established a right for the City to terminate the MOU if Aeon did not meet its identified obligations by the deadlines for both the land transaction of 242 Queen Street North or the February 28, 2022 deadline above; and,
- Established the City's right of first opportunity to purchase 242 Queen Street North, if the MOU is terminated.

The parties also agreed to further define the relevant content that Aeon would be required to submit as part of its submission to the City. Staff used the Pier 8 Request for Qualifications (RFQ) and Request for Proposals (RFP) submission requirements as precedents and modified the requirements so they were relevant to the proposed Studio District and the Barton-Tiffany Lands. Both parties agreed to the requirements in December 2021 which are summarized in Appendix "B" to Report PED19063(d) entitled "Requirements of the Master Plan and Business Case Submission".

Generally, the intent was to define the expectations of Aeon's submission by formalizing the pertinent information required for staff to review. Although the intention was for Aeon's submission to be as comprehensive as possible, staff recognized that the submission would require assumptions to be made and that the proposed terms would be considered in context to the eventual timing and complexity of the future land transaction, planning approvals processes, as well as the anticipated environmental remediation plan. Meaning, Aeon's submission would be reviewed based on its ability to meet the high-level level expectations contained within the MOU.

Review of the Aeon Studio Group Submission Package

On February 28, 2022, staff received submissions from Aeon Studio Group. Staff independently reviewed the documents and through subsequent discussions, sought further clarity and additional information from Aeon, which they provided. The final submission documents are attached as Appendix "C" to Report PED19063(d) entitled "Aeon Studio Group Submission Package" and Confidential Appendix "D" to Report PED19063(d) entitled "Aeon Studio Group Confidential Submission-Preliminary Project Construction Costing".

Staff reviewed the submissions and content on the basis of the degree to which the submission addressed the following:

- (i) the requirements as stated in the MOU;
- (ii) the agreed upon criteria as illustrated in Appendix "B" to Report PED19063(d) entitled "Requirements of the Master Plan and Business Case Submission".

Staff also reviewed the materials to assess the high-level feasibility of the overall

SUBJECT: Memorandum of Understanding with City and Aeon Studios on Barton-Tiffany Lands (PED19063(d)) (Ward 2)- Page 9 of 13

proposed development, including the film studio, affiliated commercial uses, the residential program, and the financial capabilities and capacity of the identified development group to deliver the plan.

Based on a review of the materials presented by Aeon, staff have concluded the following:

- Demonstrated a conceptual business case, including the identification of key development partners TAS and Forge & Foster, a financial analysis, as well as financial capacity;
- There is a commitment to the Studio District within the Barton-Tiffany lands;
- A demonstrated economic benefit to the City's media industry hub, inclusive of ancillary film production services such as sound stages, production offices, and various other facilities;
- A proposed master planned development including a long-term vision, strategic plan, and concepts;
- Alignment to the City's Setting Sail Secondary Plan, Urban Design Guidelines, and other policies;
- Alignment to concepts of excellent urban design, building design and integration, pedestrian-orientation and community connectivity, permeability and public accessibility, and provision of affordable artistic community spaces;
- Demonstrated program of community engagement, highlighting the results, and a commitment of on-going engagement.

With respect to the "Requirements of the Master Plan and Business Case Submission", attached as Appendix "B" to Report PED19063(d), based on a review of the materials presented by Aeon, staff have concluded the following information has been included within Aeon's submission materials:

- Articulated vision statement for both the studio district and the development, with an understanding of the economic development context for the industry in Hamilton;
- Detailed analysis of the site and the proposed development based on a clear policy framework, with specific reference to all relevant City policies including the Setting Sail Secondary Plan and the Barton-Tiffany Urban Design Study;

**SUBJECT: Memorandum of Understanding with City and Aeon Studios on
Barton-Tiffany Lands (PED19063(d)) (Ward 2)- Page 10 of 13**

- Analysis of the site identifying the existing conditions, its connectivity with road, pedestrian, and transit infrastructure, as well as reference to both open spaces and vistas, and the proximity to other development projects;
- Proposed development concept plan at full build-out with reference to its design strategy, development program including studio, office/commercial, retail/hospitality, and residential uses, as well as identification of public realm character areas and measures to support sustainability;
- Detailed public consultation and engagement plan including feedback categorized into themes;
- General understanding of the principles and personnel involved in both Aeon Studio Group and their development partners; TAS and Forge & Foster, with reference to the proposed roles, how the site will be developed, and phased;
- Proposed development budget with reference to the proposed ownership structure and roles, phasing plan, financing strategy, and financial capacity.

Staff Feasibility Review

Project team members from the Economic Development Division; including the Manager of the Municipal Land Development Office, the Chief Corporate Real Estate Officer, and the Director of Economic Development, have reviewed Aeon's submission materials. Staff have confirmed that the documents were prepared in a comprehensive manner and appear to meet the identified requirements. The following are key observations:

- Demonstrates a commitment to a master planned development focused on the objectives of creating a Studio District;
- Demonstrates that the proposed development is consistent with the City's approved vision for the Barton-Tiffany area, as evidenced through the approved Setting Sail Secondary Plan, Urban Design Study, and various other policies;
- Demonstrates a commitment to urban design, building design, integration, pedestrian-orientation and community connectivity, public accessibility, sustainability, and a provision of affordable artistic community;
- Demonstrates a commitment to a comprehensive community engagement program;

**SUBJECT: Memorandum of Understanding with City and Aeon Studios on
Barton-Tiffany Lands (PED19063(d)) (Ward 2)- Page 11 of 13**

- Identifies a team, with development, operational, and industry experience to plan and execute the proposed development;
- Development budget, financial strategy, and financial capacity as presented appears to be feasible, based on the current early stage of the development process.

While it is staff's view that the scope of materials submitted by Aeon satisfy the information that was requested by the City, there are several areas that will require clarification and negotiation as part of the development of the Master Development Agreement.

- As required by the MOU, the concept includes provision of affordable space for local artists and creative sector workers, but at only 3% of the gross construction area, and the definition of affordable space has not been identified;
- The concept includes provision for residential units in a mix of sizes, both condo and rental, market price and affordable housing, including 30-40% two-bedroom units and 5-10% three bedroom units as well as 5% affordable units, but more information will be required with respect to the unit mix, definitions of affordability, and how affordability will be secured;
- The concept includes several sustainability measures, and identifies potential sustainability targets and designations including, but not limited to, LEED Certification, WELL Building Certification or Net-Zero Certification. Specific commitments will need to be secured through the Master Development Agreement;
- The concept notes that it is currently designed as per the as-of-right conditions, but that Aeon's hypothesis is that the site merits additional density, The Master Development Agreement would need to set parameters around any potential for existing density on the site, potentially including additional affordability as a condition of any increased density;
- The concept identifies 125 Barton Street West as a "critical piece" of Aeon's overall vision, but this property is not included within the current proposed land offering.

Conclusion and Next Steps

Recognizing the high-level MOU requirements, staff and Aeon worked collaboratively to specifically define the elements required to satisfy both the master plan and business case submission.

After review, staff are satisfied that the materials as presented represent a reasonable development plan that is consistent with the City's vision and policies, is committed to the Studio District concept, and is compatible with the City's goals of design excellence, placemaking, public realm quality, as well as others.

Staff are also satisfied Aeon's submission contains detailed information on the development and investment team, the financial development budget, and a financing strategy that represents a feasible development at this stage of the process.

Therefore, Recommendation (b) seeks authorization to negotiate any key contractual terms and agreements, including a Master Development Agreement and/or Agreements of Purchase and Sale, between the City and Aeon, based on the materials submitted by Aeon Studio Group and the key City parameters outlined in Appendix "E" to PED19063(d), and report back for GIC approval.

To be clear, Recommendation (b) does not commit to any specific transaction for the identified lands today, rather it gives authorization to negotiate terms, conditions, and agreements with Aeon Studio Group, and then report back to GIC for future consideration. Staff recognize the decision-making process is complex and therefore the Recommendations reflect the next sequential and iterative step in the process.

Lastly, it is staff's expectation that any proposed agreement would contain clear expectations and conditions to ensure consistency and compliance with the terms outlined in the Report. Appendix "E" to Report PED19063(d) is a preliminary list and a framework of City conditions for any future disposition of the identified lands.

ALTERNATIVES FOR CONSIDERATION

Alternative One – Do not approve the Recommendations and direct staff to terminate the MOU

If Council is not satisfied with the materials provided by Aeon, it could direct staff to take no further action and prepare the process of terminating the MOU with Aeon.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Culture and Diversity

Hamilton is a thriving, vibrant place for arts, culture, and heritage where diversity and inclusivity are embraced and celebrated.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report PED19063(d) – Barton-Tiffany Lands Location Map

Appendix “B” to Report PED19063(d) – Requirements of the Master Plan and Business Case Submission

Appendix “C” to Report PED19063(d) – Aeon Studio Group Submission Package

Appendix “D” to Report PED19063(d) – Confidential Aeon Studio Group Submission Package – Preliminary Project Construction Costing

Appendix “E” to Report PED19063(d) – Framework for Disposition of Lands