

May 28, 2009

To: Executive Committee

From: Toronto Film Board

Subject: Enhancing Competitiveness and Ensuring Infrastructure in the Film and Television Cluster

Recommendation:

The Toronto Film Board recommends to the Executive Committee and City Council that the Province of Ontario be requested to:

1. implement a 5 per cent Studio Bonus and that it be applied to qualified film production facilities; and
2. work with the Toronto Film Board and Film Ontario to devise a mechanism to provide financial support for the development of sound stages to augment the existing stage infrastructure.

Background:

The Toronto Film Board on May 28, 2009, considered a report (May 14, 2009) from the Film Commissioner regarding enhancing competitiveness and ensuring infrastructure in the Film and Television cluster, recommending that:

1. The Province of Ontario be requested to implement a 5% Studio Bonus and that it be applied to qualified film production facilities.
2. The Province of Ontario be requested to work with the Toronto Film Board and Film Ontario to devise a mechanism to provide financial support for the development of sound stages to augment the existing stage infrastructure.

Committee Secretary
Toronto Film Board

Re: Item 3



STAFF REPORT ACTION REQUIRED

Enhancing Competitiveness and Ensuring Infrastructure in the Film and Television Cluster

Date:	May 14, 2009
To:	Toronto Film Board
From:	Peter Finestone, Film Commissioner
Wards:	All

SUMMARY

The Film Board had before it at its last meeting a letter addressed to Mayor Miller from the Directors Guild dated February 12, 2009. On behalf of the local industry it asked for the full support of the Board in an approach to the Premier and cabinet to address the issue of competitiveness of Toronto in the face of a Regional Bonus. Three options were presented: the idea of creating a 5% Studio Bonus; a change in the boundaries which delineate the applicable area eligible for a bonus; and a change in the threshold amount of work required to be done in the region to qualify for a bonus. The Mayor led a discussion at the Board and while the Mayor was asked to not delay in finding an opportunity to raise the regional bonus with the Premier, it was also noted that the request of the Province needed to be more developed including information on the requisite cost of any proposal. Further discussions and work has been undertaken by a Working Group on Regional Incentives and is reported below.

In summary, the working group recommends that the City of Toronto and screen-based industries in the GTA focus the initial request and ask the Province to implement a 5% Studio Bonus for qualified film production facilities. A similar incentive has proven very successful in New York, and resulted in a significant increase in screen-based production at local studios. They believe this additional incentive would make Toronto as competitive as the rest of Ontario has become by way of the regional bonus and more so to the foreign producer. Resulting in more jobs created and more investment in the GTA and thus meeting the business development and job creation objectives of the Provincial Government.

The investigation leading to this proposal recognized the need to drive additional business to the existing studios and thus enhance the work of the whole region. It also rekindled the awareness of the growing decline in the number of sound stages both those that are retrofitted and the raw warehouse spaces that have served as intermittent studios. The net amount of stage space lost in the past 5 years, approaches 400,000 square feet. A crisis is in the making if such infrastructure is not replaced in the very near future.

Recent experience in Ontario, across the country and around the world has shown that the construction of new studio space or the retrofit of industrial space requires public sector assistance. Examples include studios in Vancouver, New York City, New Mexico and the recently announced Michigan plan. A second proposal, recognizing the essential role of government, emerged from the working group which recommends that the City and industry work with the Province to develop a mechanism that would create the environment for public private partnerships to build new or retrofit existing industrial space in the GTA for studio use.

RECOMMENDATIONS

The Film Board Working Group on Regional Incentives recommends that:

3. The Province of Ontario be requested to implement a 5% Studio Bonus and that it be applied to qualified film production facilities.
4. The Province of Ontario be requested to work with the Toronto Film Board and FilmOntario to devise a mechanism to provide financial support for the development of sound stages to augment the existing stage infrastructure.

FINANCIAL IMPACT

There are no direct financial impacts resulting from this report.

DECISION HISTORY

Item 2 - Regional Disincentive for Filming in Toronto on the Film Board's February 26, 2009 agenda focused on the letter from the Directors Guild of Canada Ontario. A working group, to be chaired by Sarah Ker-Hornell, was tasked with identifying the costs of any proposals to the Provincial Government as well as assessing the options presented. The working group was asked to report back to the Board on their work.

COMMENTS

The Directors Guild letter expressed the urgent need to address the regional bonus and refocus on the centre of excellence in the Province of Ontario for screen-based content production and post production. It also recognized the importance of all mechanisms that maintain Ontario's competitiveness domestically and internationally. The industry quickly pointed out that they are not suggesting that Ontario's Regional Bonus tax incentive be reduced or eliminated. They wrote, "In particular we must avoid, at all costs, interfering with the importance of this incentive for the Ottawa jurisdiction or a leveling down of the incentive which makes Ontario competitive with Manitoba, Nova Scotia and other Canadian jurisdictions."

The present regional bonus policy pushes work, often unnecessarily, out of the GTA rather than acting as a magnet to generate local and regional work. A Studio Bonus that incents all productions, domestic and foreign, that shoot in a qualified Ontario studio, would be an enormous positive force creating multiple benefits inside and out of the sector. The New York City experience has proven to be such a success, according to Ernst and Young in their 2009 study, "Estimated Impacts of the New York State Film Credit". The study indicated that without the film tax credit program New York's share of employment in the industry would have continued to decline. The Ernst and Young conclusion was that the tax credit has had an overwhelmingly positive impact, creating thousands of jobs and generating hundreds of millions of new dollars for the State.

Press reports indicate that from the time of the announcement of the additional 5% New York City credit in April 2008 to the end of the calendar year, the New York State Governor's Film Office

received 100 film applications, up from 60 applications for the same period in 2007. Spending on labour, facilities and vendors for the 100 projects received between April and December 2008 exceeded \$1.8 billion, as compared to the \$940 million in spending for all of 2007. These increases resulted in the addition of more than 7,000 jobs and discounting for the credits paid out the State was estimated to net \$2 billion.

With the current economic situation and with a number of the U.S. screen based tax incentives being re-evaluated, now is the time to make Toronto the location to which production companies turn. With an added bonus of a 5% studio tax credit for any work done in an eligible Toronto studio, Toronto could move forward to being the top screen-based production centre in Canada.

Studios are the infrastructure around which this creative cluster is built. This is most evident in Canada with the success of British Columbia and Vancouver which have overtaken Ontario and Toronto in production dollars spent. A studio tax incentive could spark sorely needed infrastructure development that would support both domestic and non-domestic projects. The City of Toronto's screen-based industry has reached a crisis regarding lack of available studio space. The problem continues to worsen each month as retrofitted properties are being turned into condominiums, and with the closure of the TFS stages at 629 Eastern Avenue, the shutdown of the Queen's Quay MT-28 studio a few years ago and the strategy adopted by Parc Downsview Park to move away from film production. Something needs to be done to reverse this trend.

The City of Toronto has responded with the adoption in May 2008 of the report "Stimulating Economic Growth: Toronto's Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentives Program". It provides a direct incentive in three areas of the City via a 65% reduction in the tax increment created by a private investment and more if there are remediation issues. The working group concluded that the Province of Ontario can play an important role and should introduce some mechanism to create an environment that catalyzes private sector spending.

CONCLUSION

Toronto is acknowledged as a centre of excellence for production. Time and again in meetings in Los Angeles and here in Canada producers lauded the skill, talent and professionalism of our crews and cast. They say we are second to none. Cost competitiveness is critical and an additional bonus would help but the message that would be sent about Toronto's interest in doing business would be even more meaningful. Toronto with a studio bonus would be only the second jurisdiction with such an incentive. The cost of the proposed 5% Studio Bonus is not yet fully calculated but is estimated in the millions of dollars. Such an investment is not small but in the Ontario context could generate a significant return on investment. This is the right next step and the Board should support the recommendation.

Space is already tight and without some intervention will unlikely shrink even further. The City of Toronto has already taken some steps through its tax increment equivalent grants (TIEG) to share in the investment of new and significantly retrofitted buildings. The report adopted unanimously by City Council is one mechanism to support private investment. The Province of Ontario needs to develop and implement its own model to complement the City's initiative. The Ontario screen-based industry wants the opportunity to help create this mechanism.

CONTACT

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