



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

**Proposed Filmport Restructuring and Proposed Loan to
TEDCO**

Date:	April 3, 2009
To:	City Council
From:	City Manager and Deputy City Manager and Chief Financial Officer
Wards:	Ward 30
Reason for Confidential Information:	This report relates to the security of the property of the municipality or one of its agencies, boards, and commissions
Reference Number:	P:\2009\Internal Services\SP\CC09005SP

SUMMARY

This report is intended to provide Council with a financial assessment of the following:

- The proposed amendments to the Ground Lease and Option Agreements for the Filmport lands.
- The proposed purchase by TEDCO of an ownership share in Filmport Inc.
- The proposed loan from the City to TEDCO for the purpose of funding the above purchase.

Staff have determined that the proposed transaction will improve the financial sustainability of the film studio operations on Filmport's Phase 1 lands and result in the retention of a key anchor for the proposed convergence district in the City's Port Lands.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer and the Deputy City Manger recommend that:

1. City Council approve the recommendations in the April 3, 2009 report from the Board of the Toronto Economic Development Corporation.
2. City Council approve a loan to TEDCO as described in Table 3 of the confidential attachment and on such terms and conditions acceptable to the Deputy City Manager and Chief Financial Officer.
3. The City loan to TEDCO be funded from the Land Acquisition Reserve Fund.
4. Confidential Attachment 1 remain confidential under the provisions of the City of Toronto Act, 2006 as it relates to the security of the property of the municipality or local board.

DECISION HISTORY

In September 2005, Council approved the terms for a lease of the lands north of the Shipping Channel and east of the Don Roadway to Toronto Film Studios Inc. These lands were to be developed as a film studio and for other ancillary uses.

In December, 2008, Council approved amendments to the lease that would facilitate the sale of an interest in the project and raise funds for the continued operation of the film studio being completed on the site. The sale of an interest in the project did not proceed.

ISSUE BACKGROUND

The need for a large purpose-built studio complex in Toronto was first highlighted through a study carried out by Economics Research Associates in 1999 on behalf of the Ontario Film Development Corporation.

This study found that Toronto's ability to attract larger film productions was being hindered as a result of a lack of appropriate facilities. The Board of the Toronto Economic Development Corporation ("TEDCO") initiated a project to address this deficiency through a Request for Expressions of Interest ("REOI") in 2003 which sought proponents interested in the construction of a studio complex on lands owned by TEDCO in the City's Port Lands. The Port Lands were chosen as the site for the proposed studio because of its proximity to the existing cluster of studios, suppliers and support companies and because of its proximity to downtown.

This project was intended to act as a catalyst for secondary development and build confidence in the future of the port district as an area for employment. Its focus and goals were consistent and supportive of the vision for the overall waterfront development

articulated by Waterfront Toronto. Recognizing this, in 2003, the City's Central Waterfront Secondary Plan made provision for a film/media convergence district in the Port Lands anchored by a major film studio complex.

Following the international call for proposals, the City of Toronto, through its development agency TEDCO, selected Toronto Film Studios Inc. (TFSI) and its parent, The Rose Corporation, in 2004 as the successful partner. In 2005, a ground lease for a 260,000 SF Phase 1 complex was executed. In 2006, TEDCO and Rose Corporation began one of the City's first public private partnerships to build an essential component of infrastructure to support the film, television and digital media cluster in Toronto.

COMMENTS

In August, 2008, Phase 1 of Filmport, with 250,000 ft² of production and seven studios including the "Megastage", was officially opened. Unfortunately, upon opening, Filmport immediately faced exceptionally adverse business conditions.

Overall demand for film production facilities fell sharply in 2008 because of film industry labour issues and because of the general decline in film production by the major American television networks. Also, although the lower value of the Canadian dollar has once again resulted in increased demand, Filmport continues to face immediate financial pressures.

In order to ensure that these film production facilities continue to be used as a key, integral part of Toronto's new film industry, TEDCO has been negotiating with the existing owners and prospective partners in order to reach an agreement that will provide for a sustainable financial structure for the venture.

In addition to protecting TEDCO's existing financial interests, TEDCO's proposal furthers the City's economic development objectives. Conservatively, Filmport will host two fifty million dollar feature films and an additional ten million dollars in television and smaller feature film projects annually and could host approximately fifty percent more.

It is projected that \$110 million of film and television projects will create 618 full-time and 295 indirect and induced jobs for a total of 913 full-time equivalent positions in the City. This would translate into a GDP impact in the City of Toronto approximately \$51.7 million. If Filmport as is presently built reached its full potential the impact would create close to 1400 jobs, and \$78 million in GDP.

CONTACT

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SIGNATURE

Joseph P. Pennachetti
City Manager

Cam Weldon
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ATTACHMENTS

Attachment 1 – Confidential Information

Assessment of Proposed Filmport Transaction and Proposed Loan to TEDCO