



Film Studio Capacity Replacement and Future Growth

Date: April 10, 2018

To: Economic Development Committee

From: General Manager, Economic Development and Culture

Wards: All

SUMMARY

The film, television and digital media industry is a major economic driver for Toronto, generating about \$2 billion in production investment and supporting over 30,000 jobs. However, the industry's continued growth is constrained by a lack of available studio space. While competing jurisdictions such as Vancouver have invested heavily in new space, Toronto's studios are operating at capacity, with limited space available to accommodate new large-scale feature film and television productions. Creating and supporting new opportunities for private investment in studios is a key recommendation in *Spotlight on Toronto*, the Toronto Film, Television and Digital Media Board's strategic action plan for the screen industry.

Many of Toronto's film studios are clustered in the Port Lands and South of Eastern Employment District, which are recognized by the industry as an attractive location for production due to their proximity to popular shooting locations in the city's downtown core, as well as an existing cluster of creative businesses and support functions. Studios in these areas are facing immediate pressures which could lead to the loss of valuable production space in the near future. First, a number of studios properties have been recently been sold for non-industry uses. In addition, several buildings housing workshop and production space for the screen industry will need to be removed in 2019 in order to accommodate construction as part of the Port Lands Flood Protection project.

With Toronto already facing a shortage of production space, the loss of these studios would have a negative impact on the industry if they are not replaced. Of the approximately 900,000 square feet of (non-captured) film and television studio space available for rental by productions in Toronto, about 60% is located in the Port Lands and South of Eastern Employment District. About 220,000 square feet have shut or will shut by the end of 2019, or shortly thereafter, if no remedial actions are taken. Led by the Toronto Film, Television and Digital Media Board and its Co-Chairs, Councillor Paula Fletcher (also the local councillor for this area) and Jonathan Ahee, City Council has deemed studio growth to be a key strategic imperative.

To sustain the industry's competitiveness, the City engaged N. Barry Lyon Consultants Ltd. (NBLC) to develop an action plan to identify replacement sites for these studios, and facilitate the growth of future studio space. This report provides an overview of NBLC's recommended action plan and next steps for its implementation.

NBLC recommends that the City address the immediate need for production space in the Port Lands and South of Eastern by issuing competitive requests for proposals to reopen the former Showline Studios, and potentially construct and operate an added temporary studio on the Showline site. NBLC also recommends finding investors/operators to establish a temporary or permanent studio facility at 29/41 Basin Street. These projects would replace much of the lost space, potentially by the end of 2019. Over the longer-term, NBLC recommends that the City enter into a lease with a private sector partner to build and operate a new major studio complex in the Port Lands at 185 Villiers Street / 625 Lakeshore Boulevard East, creating a foundation for future growth for the film, television and digital media industry in Toronto.

Private sector partners could play an important role in studio expansion in Toronto. NBLC recommends that the City examine tools to support studio development, such as accelerated development approvals and keeping the costs of land in line with industrial uses by protecting them, as much as is possible, from land speculation. Recent announcements made by the private sector to invest in expanded studio space in the Port Lands, including new Cinespace and Pinewood facilities, have begun to address the need for additional production space. Combined, these announcements could lead to the creation of as much as 300,000 square feet of production space to be brought to market over time. Continued investment by the private sector, along with the implementation of NBLC's action plan, will strengthen Toronto's competitive position as a leading global market for film.

RECOMMENDATIONS

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

1. City Council receive this report for information.

FINANCIAL IMPACT

The City, through CreateTO, will identify private studio operators for a number of City-owned properties in the Port Lands through a competitive procurement process. CreateTO will enter into commercial lease arrangements with these studio operators, mitigating any financial or operational risk to the City. If the private operators choose to construct temporary buildings on any of the properties, terms related to construction and financing will be negotiated during the procurement process.

Staff time related to planning and procurement can be accommodated within the approved 2018 Operating Budgets for Economic Development and Culture and CreateTO. In addition, funding for the acquisition of the former Showline Studios was

authorized in December 2017 by City Council in the form of a loan to the Toronto Port Lands Company (now CreateTO).

Staff will also research some of the added funding suggestions proposed by NBLC and if any are deemed warranted, bring a report to City Council to seek budget authorization.

The Interim Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

In February 2017, Planning and Growth Management Committee directed the Chief Planner and Executive Director, City Planning, in consultation with the General Manager, Economic Development and Culture, to investigate opportunities to secure the replacement of existing film studio capacity within the Unilever Precinct elsewhere within the Precinct, within the South of Eastern Area, and/or in the Port Lands, in the event that existing film studio uses cease operations on these lands.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.PG18.6>

In July 2017, City Council approved *Spotlight on Toronto*, the Toronto Film, Television and Digital Media Board's strategic action plan for the film, television and digital media industry. One of the plan's core recommendations is that the City actively create and support opportunities for private investment in studio infrastructure.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.ED22.4>

In October 2017, City Council authorized a loan to the Toronto Port Lands Company (now part of CreateTO) to purchase the former Showline Studios to retain the complex as an active production facility. The transaction terms for the purchase were approved by Council in December 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.ED23.7>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.MM35.42>

In December 2017, City Council adopted the final report on Port Lands Planning Initiatives. The report presents a framework to guide and shape urban renewal in the Port Lands, and is vital to ensuring that all development advanced in the near, medium and longer-terms will have lasting value and support long-term city building objectives. The planning framework includes a number of initiatives to support the screen industry, including zoning for production, interactive and creative (PIC) uses.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.PG24.6>

In March 2018, City Council requested that the General Manager, Economic Development and Culture provide an update report to the Economic Development Committee at its April 13, 2018 meeting on the results of the Option for Film Studio Infrastructure report by N. Barry Lyon Consultants.

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

COMMENTS

Film Studio Infrastructure in the Port Lands

Toronto is one of North America's leading markets for the film, television and digital media industry. The industry has experienced remarkable growth since the mid-2000s and in 2016, production investment in Toronto reached a record \$2.01 billion. The rapid growth of the film, television and digital media industry has led to a sharp increase in demand for infrastructure to support the sector. However, the supply of studios in Toronto has not kept pace with industry growth, leading to increased competition and a shortage of available and appropriate space for productions. Hemson Consulting Ltd.'s "[Study of Film and Screen Industry Studios in the Port Lands and South of Eastern Employment District](#)" (2017) argued that "there is a clear need for additional studio production space if Toronto's on-screen industry is to take advantage of both domestic and international demand".

The Port Lands and South of Eastern Employment District have long been established as the central cluster for the screen industry in Toronto. Many of the city's premier studio facilities, including Pinewood Studios, Cinespace Studios, and Revival 629 are located in the area, along with related ancillary businesses. Hemson's study of studio spaces in the Port Lands and South of Eastern concluded that the areas "present an ideal economic opportunity for Toronto's on-screen industries" and have "clear potential to further develop as a first-class media production hub". Hemson also note that the Port Lands Planning Framework will create opportunities for new land uses and businesses which could complement industry activity, increasing the attractiveness of the cluster as a destination for domestic and international productions.

At the same time, there are constraints on the continued growth of the film, television and digital media industry in the Port Lands and South of Eastern. First, market pressure resulting from an increase in land values is spurring the sale of some studio properties in the area. Three properties were listed for sale in fall 2017, including two Cinespace studios (both subsequently sold although one, located at 30 Booth Avenue, is and will be active for some time as a filming facility) and the former Showline Studios, with the latter being put on the market following the passing of its long-time owner.

In addition, construction related to the Port Lands Flood Protection project will displace a number of buildings housing workshop and production space for the screen industry. Two buildings under lease by CreateTO to Studio City Scaffolding and Streak Productions will need to be decommissioned by March 2019 to make way for construction. This will result in a loss of just over 118,000 square feet of workshop and studio space. By the end of December 2019, two additional properties housing Studio 54 (a 39,000 square foot workshop and studio space under lease from Waterfront Toronto) and PS Productions (a 54,000 square foot ancillary and post production space under lease from CreateTO) will be required for the construction of the river. The impacted buildings were converted to suit industry needs for workshop and production space, and play an important role in supporting production investment in the Port Lands, though they lack some of the features offered by a purpose-built studio. In total, about

220,000 square feet of studio and production space could be lost at a time when expansion is critical.

Hemson have strongly cautioned that if no alternative facilities are developed to offset the loss of existing studio spaces, the net loss of studio production space could have a significant impact on the Port Lands' - and by extension Toronto's - potential as an attractive hub for the film, television and digital media industry. Recent investments by the private sector have begun to mitigate these losses, but more action is needed to shift the momentum towards long-term growth. Two major recent announcements by private partners are set to expand studio capacity in the Port Lands, including the development of Cinespace's 165,000 square foot Marine Terminal studio on Ports Toronto lands, and a new 27,500 square foot support facility for Pinewood Studios adjacent to existing Pinewood infrastructure on City-owned lands set to open in May 2018. Pinewood also has access to additional lands next to their current complex that could quickly be used for constructing further studios and related facilities with recent indications that added new investment will be forthcoming. These announcements could see over 300,000 square feet of production space be introduced to the market over time.

Action Plan for Replacement and Growth of Studio Space

The City, with active leadership by the Toronto Film, Television and Digital Media Board (Film Board) and its Co-Chairs, has undertaken a number of immediate steps to replace and expand studio capacity in the Port Lands and South of Eastern.

First, the City, through CreateTO, initiated in late 2017 and is now finalizing negotiations to purchase the former Showline Studios to keep them as an active production complex in the Port Lands. Once the transaction is completed, CreateTO will seek an operator for the complex through a competitive request for proposals. The purchase is a strategic decision to sustain the industry's competitiveness in the Port Lands and attract more screen sector investment and jobs to Toronto.

Second, recognizing the immediate need to expand studio capacity in Toronto, Economic Development and Culture (EDC), working closely with the Film Board, City Planning, CreateTO and Waterfront Toronto, engaged N. Barry Lyon Consultants Ltd. (NBLC) to develop an action plan for how the City should facilitate the replacement and growth of studio space. NBLC were tasked with two core deliverables for the first phase of their assignment:

- Complete a feasibility assessment of replacement sites in or around the Port Lands and South of Eastern to offset the loss of production space required for the construction of Port Lands Flood Protection; and
- Develop an implementation plan for how the City of Toronto can facilitate the replacement of studio space ahead of 2019 construction deadlines, and in the long-term.

Following extensive consultation with industry and government partners, NBLC presented their Phase 1 report to the Toronto Film, Television and Digital Media Board for consideration, which is appended to this report as Attachment 1.

NBLC identified a number of properties in the Port Lands which would be suitable for a film studio and are available for development ahead of 2019 construction deadlines. An overview of recommended sites and implementation options is included in the table below. Locations outside the Port Lands and South of Eastern should be considered in greater detail as part of a longer-term solution for future industry growth.

Of the approximately 900,000 square feet of studio space available for rental by productions in Toronto, about 60% is located in the Port Lands and South of Eastern. About 220,000 square feet have shut or will shut by the end of 2019, or shortly thereafter, if no remedial actions are taken. NBLC's recommendations, described in the following section, will allow for much of this lost space to be replaced by the end of 2019, and create a foundation for long-term growth in Toronto's screen sector.

NBLC Recommended Action Plan for Studio Replacement and Expansion	
Property	Description
915 Lakeshore Blvd. (Showline Studios)	<p>The site of the former Showline Studios was identified as a viable option to address immediate studio replacement needs, following the completion of the sale of the property to the City through CreateTO. NBLC recommend that in addition to the reopening of the existing studio on the site, a temporary structure be built adjacent to Showline that could add up to 80,000 square feet of additional production space. Temporary structures have been used as highly successful studios in other jurisdictions, and would be built to a similar or higher standard than existing warehouse studio spaces in the Port Lands and South of Eastern. Temporary structures can also be built very quickly for a relatively low cost.</p> <p>NBLC recommend that the City, through CreateTO, issue a competitive request for proposals (RFP) to identify an operator for the site, and determine whether the temporary building can or should be constructed and how it would be financed, if it were to proceed. They project that the existing studios could be operational again within months and a new temporary studio space could be operational within 12 months, taking into account the time required for the procurement process and construction of a temporary structure. Once completed, the site could hold up to 130,000 square feet of production and workshop space. Based on current projections, the existing studio facility and a temporary structure could be ready for industry use by July 2018 and March 2019 respectively.</p>

NBLC Recommended Action Plan for Studio Replacement and Expansion

<p>29 and 41 Basin Street</p>	<p>29 and 41 Basin Street are vacant City-owned (by CreateTO through TEDCO) properties that will not be impacted by construction for the Don Mouth Naturalization Project. A future studio use on this land would complement the Port Lands Planning Framework, and while a minor variance would be required prior to construction, there are no significant barriers to a studio facility on the site.</p> <p>NBLC recommend that the City, through CreateTO, issue a competitive RFP to identify an operator for a temporary or permanent studio facility on the site. Taking into account the additional time required for a minor variance, NBLC estimate that the site could be operational within 16 months to accommodate the studio capacity that will be lost by December 2019. NBLC estimate that the property could hold up to 157,000 square feet of production and workshop space.</p>
<p>185 Villiers Street / 625 Lakeshore Blvd East</p>	<p>As a longer term solution to expand studio capacity in the Port Lands and South of Eastern, NBLC recommends that the City, through CreateTO, enter into a long-term lease with a private partner to develop a studio complex at 185 Villiers Street / 625 Lakeshore Boulevard East. A long-term lease arrangement could be modelled based on the City's lease partnership with Pinewood Studios.</p> <p>This complex could include a mix of permanent and temporary structures and add up to 229,000 square feet of purpose-built studio space. It is not clear yet, when factoring in Waterfront Toronto's construction schedules and detailed locations, when this property could be brought on stream with film production space.</p>

Close and ongoing partnerships between the City and the private sector could be key to the long-term success of the film, television and digital media industry in Toronto. Both Hemson and NBLC recommend that the City work with landowners, lease holders and studio operators to develop tools to accelerate potential studio development. A fast track development approvals process could be implemented for studios and related projects under the existing Gold Star program. Helping to dampen land value speculation but ensuring that the land remains designated for industrial and film-related uses is another strategy which the City has adopted in the recent Port Lands Planning Framework. Such actions signal to the industry that Toronto actively encourages investment in the screen sector, potentially triggering further studio development. Both Hemson and NBLC also raised other financial assistance possibilities that require significant more research before being considered.

Next Steps

Work is now underway to begin the procurement process to identify operators for the studio sites described above. EDC and CreateTO have worked with NBLC to complete market soundings to confirm the interest of potential studio operators and the feasibility of the temporary structures. The market soundings concluded that there is sufficient market interest to proceed with NBLC's recommended options to replace and expand studio capacity in the Port Lands and South of Eastern.

CreateTO is currently preparing to issue an RFP to operate the former Showline Studios and potentially to construct a second, temporary facility at 915 Lakeshore Boulevard. Through the procurement process, staff will also assess how a temporary facility would be managed, constructed and funded. At the same time, work is underway to begin the procurement process to secure a company that would establish a temporary and/or permanent studio facility at 29 and 41 Basin Street (owned by CreateTO through TEDCO), which will require a minor variance before going to market. Once these procurement processes can be evaluated and once more is known about Waterfront Toronto's construction impacts, a process to find a long-term land lease tenant to create a screen industry complex at 185 Villiers Street / 625 Lakeshore Boulevard East (also owned by CreateTO through TEDCO) would be undertaken, assuming positive outcomes of the earlier procurement and of the construction planning.

As well, EDC and CreateTO, in collaboration with numerous City Divisions, will work with landowners and studio developers to encourage private sector investment and development in the Port Lands, South of Eastern and across the city. By working closely with the Toronto Film, Television and Digital Media Board, industry partners, and other orders of government, the City can create a foundation for future growth, and reinforce its position as one of the leading production markets in North America.

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SIGNATURE

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ATTACHMENTS

Attachment 1 - Phase 1 Report from N. Barry Lyon Consultants Ltd. on Options for Film Studio Infrastructure