TORONTO

Briefing Note

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Provincial Planning Statement 2023: Impact on Film Production Industry

Impact Analysis

The proposed policies are detrimental to the film production industry and could potentially drive investment out of Ontario.

The film industry makes a direct production spend of **$2.5 billion annually** in the City of Toronto, and as a major global jurisdiction, draws international production to the region more broadly. The film industry employs **35,000 Torontonians** in largely unionized, remunerative work.

The proposed Provincial Planning Statement and its definition of employment areas is not clear on whether film production is considered as manufacturing, and this question determines whether it scopes in or out of the narrowed definition of employment lands.

If film production is <u>not considered</u> as manufacturing and/or industrial:

- future studio builds will not be able to access employment lands, and would be forced to compete with other uses for land that is potentially more expensive and less suitable;
- Toronto and the region would be seen as challenging for investment, and global developers may choose to invest elsewhere, taking future production spend and job growth with them;
- existing studios could be impacted by new, adjacent developments that are incompatible with studio uses, as film production is a 24 hour industry with fleets of large production vehicles;
- the film industry could lose existing studio stock, as the land will increase in value if it can be sold to developers for other uses, potentially motivating some owners of existing studios to cash out.

If film production <u>is considered</u> manufacturing and/or industrial:

- the new scarcity of employment lands created by the policy would drive up the price of available employment land, thereby potentially pricing studios out of a market already dominated by last mile logistics and the substantially resourced companies in that sector that can afford to pay higher prices for land, while engaging in less employment-intensive industry on that land.

Regardless of whether film production is defined as manufacturing and/or industrial, the proposed Provincial Planning Statement would cause unintentional negative impact to the industry, for the following reasons:

1. Conversion or removal of employment areas destabilizes the film industry

- The ability to request conversions from or removal of employment lands at any time creates uncertainty that disincentivizes investment and potentially lowers the value of existing and future studio stock.
- The global film industry works in 'hubs', which are precincts or large areas, such as the Port Lands, where studios and adjacent industries congregate for greatest efficiency. Reducing the availability of employment lands undermines this model, thereby incenting investment in studio infrastructure and the resulting jobs and production spend to relocate outside Ontario.

2. Proposed PPS policies could weaken the film industry's preferred "clustering"

- Global film production is a highly mobile business that rapidly moves to those jurisdictions that best meet its needs. Across North America and Europe, jurisdictions are competing to attract new studios and the long-term economic impact they bring using a mix of incentives including generous tax credits. Toronto is a leader in this highly competitive environment, but the uncertainty and potential barriers the proposed policies could impose on this industry would negatively impact Ontario's reputation, motivating investment to seek friendlier jurisdictions.
- Production volume may decrease if studio space is pushed substantially away from Toronto. Decisions that global studios and streaming services make regarding where they will produce their shows are driven in part by the preferences of the key creative team (the stars, the director, and their families) who relocate for extended periods of time to the production location. The consistent preference of these key creators is for proximity to downtown Toronto.
- Additionally, for ease of production, studios should be as close as possible to areas where locations shoots outside the studio may be needed. Toronto is the most active area for location shoots in the region. For these reasons, film production is more sensitive than other manufacturing industries may be to the location of the studio in terms of the ability to attract business, drive production volume, and create jobs.

3. Compatibility to adjacent land uses is necessary

- The film industry involves long hours, many large production vehicles, backlot activity, and the potential for noise at any time as required by the production. The location of studios needs to be carefully considered to avoid inappropriate areas that would result in complaints and friction challenging to every industry or use involved.

4. Proposed Provincial Planning Statement risks recent investments into the film industry

- As a result of its popularity as a production hub, Toronto has recently benefitted from substantial domestic and international investment in studio space. As examples, Hackman Capital Partners and MBS are investing over $330 million to build the Basin St. studios, and Pinewood Studios fully acquired the newly expanded complex in the Port Lands. This is in addition to substantial domestic and international studio growth across the city.
- The aggressive growth in studio space, both existing and projected, supports the growth trend in production volume, which in the three years pre-pandemic grew 10% year-over-year, and which continues to grow. These investments are made possible by investment-friendly land use policy. Changes to this policy will have a negative impact on future investment, and possibly even for currently planned investments, encouraging infrastructure growth, production volume, and jobs to grow in more competitive jurisdictions in the U.S. or other Canadian provinces.
- Film production contains an entire value chain that would be affected by a reduction in existing or current studio space. As one example, international VFX and post-production companies such as DNeg, Rodeo VFX, and Pictureshop have recently invested in Toronto by establishing a presence here. This is related to the increase in production volume, and related VFX and post-production work, driven by growing studio space.
- The Province has retained the stability of the tax credit, which in many ways is the bedrock of the international production business in Ontario. Post-secondary institutions have also invested heavily in these sectors by training workforce to participate in these industries. These investments have done much over time to grow the industry. The success of Toronto and the region is due in large part to decades of strategic and effective support from all levels of government. This investment may not be fully leveraged if studio space decreases as a result of the proposed policies.

Next Steps:

- The Film Office will ensure the industry is aware of the proposed policy changes, ERO deadline, and means available to express their views to ensure the Province is fully informed regarding the impacts of the proposed policy.

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