

# EXECUTIVE SUMMARY



## Okanagan Valley Sound Stage Development Study

January 12, 2007

## **THE OKANAGAN FILM INDUSTRY TODAY**

The Okanagan Valley is a desirable location for many different types of productions within British Columbia. The region is rich with location diversity and the capacity and opportunities for creative and technical talent are growing. Many of these productions require studio space in order to film their interior scenes and special effects sequences. The Okanagan Valley currently does not have a dependable studio space in order to meet existing needs and as a result the region has lost productions to other locations. The result of losing a production forfeits the economic benefits to the region associated with the activity.

The Okanagan Film Commission has expressed concerns about the region's capacity to continue to grow and service existing and potential demand without addressing the lack of infrastructure in the region required for significant film industry investment. The Economic Development Commission has also targeted the attraction or creation of a film studio as a priority in its 2007 draft Strategic Plan.

The successful development of a full-service production facility in the Okanagan Valley would allow the region to grow beyond its current capacity and would increase production activity here, providing significant economic opportunities for regional stakeholders.

## **BACKGROUND**

Economic Research Associates (ERA) was commissioned by the Okanagan Film Commission and Economic Development Commission of the Central Okanagan to perform an analysis of sound stage development parameters in the Okanagan Valley. ERA has commissioned film studio studies for many other film centres including Ontario, Louisiana, and Regina.

The purpose of the report was to provide a brief analysis of the recent performance and existing conditions of the film/television/video industry in British Columbia and within the Okanagan region as it relates to the viability of sound stage development.

## **FINDINGS**

### **Primary Users and Types of Usage**

The findings of the study indicate that the Okanagan region can support film and television productions based on both internal (generated from production teams within the Okanagan Valley) and external (generated from teams based outside the Okanagan Valley) demand. This finding is important as most non-traditional production centres have minimal production activity generated internally.

Okanagan Film Commission statistics show that currently, the greatest numbers of productions shot locally were external location shoots for television series and/or

documentaries although many internally generated shoots may not have been recorded with the film commission.

Interviews with prospective user groups suggest that internal users such as local high-tech firms and educational institutions (e.g., ITIVA, Centre for Arts and Technology – Okanagan, UBCO, etc.) would also generate consistent use of stage space.

In addition, since the Okanagan Valley is a fast-growing resident and tourist destination, it is likely that the region will begin to experience growing demand from local businesses for filmed product. In this sense, the Okanagan has the potential to receive increased future demand from both local and outside sources.

ERA concluded that ***there is enough potential production activity to warrant pursuing the development of a purpose-built studio in the Okanagan Valley*** provided that it is developed in relation to the size of the potential market.

### **The Right Studio for the Okanagan Market**

Given these general findings of the production market in the region, ERA feels that a modestly-sized facility that would be designed primarily to meet the needs of internal demand, while offering opportunities for external users who need stage space while shooting on location in the Okanagan, would likely be the most appropriate development in the Okanagan Valley.

More specifically, ERA concludes that a production facility with two stages, production and management offices would be feasible and would best suit the demand from local companies in addition to being an asset primarily to Canadian film and television productions seeking stage space.

### **RECOMMENDED FACILITY SPECIFICATIONS**

#### Two sound stages

- Stage One: 12,000 sq. ft.
- Stage Two: 9,000 sq. ft.

#### Additional facilities

- Management offices: 2,000 sq. ft.
- Workshops: 2,000 sq. ft.
- Production offices: 2,000 sq. ft.

From a capital perspective, ERA makes clear that it is important not to overbuild these types of facilities and to allow for expansion over time if and when the market necessitates it. It is also not advisable to develop a project with less than two stages so that, while one stage is in use, construction preparation can occur on the second one. Models from successful film studios should be reviewed to assess the most financially viable configuration for the proposed facility.

## FINANCIAL CONSIDERATIONS

In general, motion picture production facilities can work as operating businesses given appropriate levels of utilization. They are able to cover their operations costs with revenues greater than annual expenses. However, generally these facilities are not able to generate sufficient returns on the capital investment that is required in order to trigger conventional bank financing. This is why the majority of sound stage development that occurs worldwide acts as some form of public/private partnership.

According to ERA's report, it is likely that these kinds of structures should be explored in an eventual development program for the Okanagan Valley.

Economic Research Associates estimates that capital costs associated with this project would be approximately C\$4.1 million, exclusive of any land costs.

## NEXT STEPS

In the Spring of 2007, the Okanagan Film Commission and Economic Development Commission for the Central Okanagan will embark on a strategic marketing/research phase for this project to fully market the specific opportunities for investment in the region, as evidenced by this report. The team will work with interested production partners and stakeholders to confirm and support the most viable business opportunities for sound stage development within the region.

## FOR MORE INFORMATION

The complete Sound Stage Development Parameters Study can be found online at the Okanagan Film Commission and Economic Development Commission websites ([www.okanaganfilm.com](http://www.okanaganfilm.com) or [www.investkelowna.com](http://www.investkelowna.com)). Please feel free to contact the project partners should you have any questions regarding the contents of this document or the entire study document

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