

# Behind The Scenes Of NYC's Film Studio Real Estate Boom

By **Georgia Kromrei**

Law360 (October 23, 2024, 6:59 PM EDT) -- Film and streaming production facilities in New York City are blossoming, spurred on by an explosion in demand for production space from streamers and \$7.7 billion in state film tax credits, and attorneys are busy advising on all aspects of financing and developing studios.



New York City is seeing a boom in film studio development projects, thanks to financial incentives, increasing demand for production space and the city's built-in workforce of creative professionals. (iStock.com/Darwin Brandis)

Real estate developers have started a raft of new film studio projects in recent years. Since 2020, at least nine have been announced in New York City.

What's behind the excitement? According to Andrew Lance — a Gibson Dunn & Crutcher LLP partner who was part of the team that represented Hudson Pacific Properties Inc. in the joint venture with Blackstone Group and Vornado Realty Trust to develop the **Sunset Pier 94 Studios project** — New York City was underserved by film studios in general, and particularly those with the capabilities that productions now require.

"Although New York City has long had an inventory of studio spaces such as Kaufman Astoria Studios, Silvercup Studios, at Chelsea Piers and a number of other venues, the inventory was nowhere near the

density of inventory of studio space that existed in the Los Angeles area, for instance, and was really insufficient given the level of demand," Lance said. "On top of that, the greater technological demands of modern film and television production contributed to a real imperative to create more modern and flexible studio space."

Key to the Pier 94 project was Vornado's lease of Pier 94, which it renewed in 2023 from the New York City Economic Development Corp., the agency that manages New York City-owned land. The rent for the pier starts at \$900,000 per year, with the city chipping in \$73.5 million to maintain the property. The lease expires in 2060, with five 10-year extension options.

Before deciding to turn the space into a film studio, Vornado had sought to develop a convention center on the site. NYCEDC Chief Operating Officer Melissa Román Burch, who leads the real estate transaction services and asset management divisions, hailed the development, which is well underway and expected to be completed by 2025.



An aerial view of the West Side Highway and Piers 92 and 94, directly above the park, in Manhattan in November 2022. Pier 94 is the future site of a 260,000-square-foot project that includes six sound stages, production facilities, support space and offices. (C. Taylor Crothers/Getty Images)

It will be Manhattan's first purpose-built film studio. Why not convert one of New York City's underutilized office buildings into a film studio? Silvercup Studios, which boasts more than half a million square feet of studio space and 23 sound stages, first opened in the former flour silo of a bread factory, whose iconic sign it repurposed.

Production spaces have specific requirements, Román Burch said — including exacting soundproofing and ceiling heights — that make it difficult to "shoehorn" state-of-the-art facilities into existing buildings.

"Soundproofing is critically important, so that noise from ships going up and down the Hudson River can't be heard from production," she said.

According to Román Burch, Pier 94 will help New York City keep up with evolving technological requirements for productions.

"Competitors are filming in purpose-built studios," she said. "We have something now that is truly

competitive."

## **Tax Breaks Lure Moviemakers**

Generous incentives from New York State in the form of tax credits try to entice productions to come to New York City instead of other places with competing tax incentives.

"Clearly, the industry is focused on tax credits because they go to all sorts of wacky places to film," said Thomas Kearns, co-chair of the real estate law practice at Olshan Frome Wolosky LLP.

Kearns represented Kaufman Astoria Studios in its sale to two venture capital firms in 2021, a deal that Kearns said was "incredibly complex" because of a sprawling collection of parcels. Gibson Dunn represented the buyer, Hackman Capital, which acquired the studios along with Square Mile Capital Management.

The incentives have their critics, but New York Gov. Kathy Hochul increased the annual cap for the film production tax credit to \$700 million from \$420 million.

That was over the objections of the Citizens Budget Commission, a nonpartisan fiscal watchdog group, which recommended slimming down the credits. A study commissioned by the state's Department of Finance in 2023 found New York likely does not break even on the amount of foregone tax revenue and that at least some level of film production would remain without it.

That's because of New York City's cultural cache and talented creative workforce, which also provide powerful, if nonfinancial, incentives for film development. New York City is one of few places, along with Los Angeles, with the necessary specialized production workforce to support film and television production.

In New York, six out of every 1,000 workers are employed by the motion picture industry, according to data from the Bureau of Labor Statistics. In California, it's eight out of every 1,000.

Real estate developers can also receive financial incentives from the New York City Industrial Development Agency if they purchase, build or renovate industrial property. NYCIDA typically takes the title to the property, which exempts it from some taxes, and then leases it back to the developer with conditions.

## **Betting on Brooklyn**

With or without tax credits and incentives, and although the industry is still reeling from a year of **historic labor disputes**, demand for state-of-the-art film production space is driving significant investment.

Bungalow Projects, a real estate investment firm, is betting on Brooklyn. It was founded by Travis Feehan, who was previously executive vice president at Columbia Property Trust, and Susi Yu, who most recently led development at women-led real estate development firm MAG Partners.

Bungalow has plans for two film studio projects, both collaborations with Bain Capital.

In April, Bungalow announced its plan for a 225,000-square-foot production facility in Brooklyn's Red Hook neighborhood on a parcel it purchased for \$34 million. It will have four sound stages that will be geared toward series as well as film production. The studio will include terraces with panoramic views of the city that double as shoot locations.

Bungalow also filed plans in August for a 307,000-square-foot movie studio at 242 Seigel St. in East Williamsburg, which will rise 74 feet.

A Fried Frank Harris Shriver & Jacobson LLP team led by partner Julianne Befeler and special counsel Jessica Mayes is advising Bungalow on its East Williamsburg project. Befeler and Mayes declined to comment.

New York City's concentration of creative talent, second only to Los Angeles, was the biggest contributor to Bungalow's plans to develop production space, Feehan and Yu said in a statement.



"New York City has the second-largest concentration of talent — both below the line, like the production crew, and above the line, like the actors, director and producers — to Los Angeles. That is precisely the reason why we targeted New York City," Feehan and Yu said. "New York City needs purpose-built sound stages to meet the demands of technically evolving productions so we do not lose out to New Jersey, Georgia, Canada and the U.K."

### **No Zoom for Costumes**

In addition to the physical infrastructure necessary to make a film production project viable, the creative infrastructure is crucial. Not all cities have the skilled workforce available to source, tailor, maintain and store wardrobing, as New York City does.

Productions rely on creative infrastructure to make television and streaming content, and the health of that workforce and its long-term outlook are key considerations when making significant capital investments in real estate to be used for content production.

A vast network of skilled artisans — including costume and set design, wardrobing, electrical, logistics, and food service — are crucial to bringing a director's idea to life. It's work that, in most cases, must be done in person.

"Performance work can't be done remotely, and it can't even be done by flying people in, because there are hundreds of people, across dozens of skill sets, required to support the actors and the production work all standing by at a huge cost, so when a production needs something done, it has to be done — and done right — immediately."

Those workers are challenged by the cost of housing and living in New York City. Many creative workers left to find more reliable work during the COVID-19 pandemic, according to an official at the city agency that supports media and entertainment.

Alia Jones Harvey, associate commissioner of education and workforce development at the NYC Mayor's Office of Media and Entertainment — which hosts hiring halls for creative workers and coordinates on-location shoots in the five boroughs — said production has recovered slowly after the pandemic and strikes. It may never reach pre-pandemic levels, however.

"Our approach has been to continue to train and position New Yorkers to be ready for job opportunities that come about, even as the landscape is shifting under our feet," Jones Harvey said.

The pandemic had a particularly acute impact on the field of costume design and wardrobe management, which includes skilled craftspeople to source, alter and maintain costumes for use. Constance Hoffman, a faculty member, freelance costume designer and head of costume design at New York University, said the costume field was "absolutely devastated" during the pandemic.

At the height of the pandemic, when theater productions shut down, many New York City wardrobing and costume design workers retired or left the field entirely. Others flocked from theater to film productions, which were still running, to make ends meet.

Typically, costume designers rely on their network of contacts to build the wardrobe, assembling a team "like a polar expedition," Hoffman said. Putting together the team has in recent years become more difficult.

"We're shorthanded all the time," Hoffman said. "Film productions struggle to find enough people to build their clothes, and the ones with specialized artisan skills are in short supply."

In New York City, wardrobers like costume designers are unionized, which Hoffman said helps make sure their wages keep up with the rising cost of living. But if the contracts the unions negotiate with producers do not account for rising rents and the growing cost of living, those workers will move elsewhere.

"It's a problem for all of us," Hoffman said. "If living in the city becomes completely unsustainable, what will anyone who has to show up for work in person do?"

A more acute shortage of skilled artisans could imperil content production. It could also pose a risk for investors who are betting on the future of film production in New York. Investors making significant capital outlays must consider not only the immediate infrastructure needs, but also how it can meet future

demand.

Lance of Gibson Dunn said that while housing is often talked about in terms of fairness and how to deal with people who are unhoused, it's also crucial for industry.

"The housing issue also is huge at the level of creating, maintaining, sustaining, and attracting infrastructure and human capital for a wide range of industries, and especially for the creative arts," Lance said.

--Editing by Haylee Pearl and Philip Shea.