


# CLA Memorandum

**TO:** Councilmember Paul Krekorian

**DATE:** August 10, 2010

**FROM:** Gerry F. Miller   
Chief Legislative Analyst

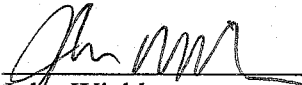
Assignment No: 10-08-0781

## Three Film Incentive Motions

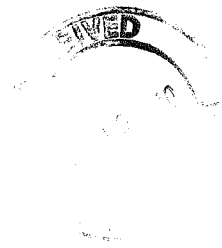
At the request of Areen Ibranossian, we have prepared three Motions related to filming incentives and services in the City:

- Request that FilmLA report on their process for making refund payments to film productions at the close of a permit;
- Request the CLA and CAO investigate and recommend policies related to contractual terms that will allow film productions to use their own food service providers at City facilities with food services; and
- Request CLA and CAO evaluate and develop a tax incentive program using business tax revenues generated by the Production Business Tax for productions that film a substantial portion of their project in the City.

Please let me know if you have any questions.

  
\_\_\_\_\_  
John Wickham  
Analyst

Attachment: Motions



## MOTION

FilmLA was created more than 15 years ago to coordinate film permit services for entertainment productions in the City of Los Angeles, as well as other cities and the County of Los Angeles. The purpose was to create a one-stop shop where an entertainment production would be able to obtain all approvals necessary to proceed with their project and to make one payment necessary to cover costs associated with the permit.

Payments, however, are often an estimate of the cost associated with a production. Film productions often experience unexpected circumstances when they get on-set, such as a need for additional time and additional services from supporting agencies. As a result, the payment amount made when the permit is issued may be higher than the actual cost when the permit is closed out at the end of the shoot. At this point, FilmLA issues a refund to the production.

FilmLA services have been outstanding and essential as an incentive for filming in Los Angeles. The City recently renewed their contract for services as a result of the fine service to the entertainment industry and their skill in navigating City services. But one issue identified by entertainment productions as an area of improvement for FilmLA would for refund payments to be made in a more timely manner.

Many factors could affect the delivery of permit refunds, including the ability of City department to report final billing details to FilmLA. Review of these factors is needed to identify solutions to improve this area of service to the entertainment industry.

I THEREFORE MOVE that the City Council request that FilmLA report on their billing and refund process and provide recommendations on ways to provide refund payments more quickly and efficiently; and

I FURTHER MOVE that the City Council instruct the City Administrative Officer, with support from all affected departments, to report on City-related factors associated with delays in providing refund payments to permitted productions, with solutions to ensure more timely payment of refunds.

Presented by: \_\_\_\_\_  
Paul Krekorian  
Councilmember, 2<sup>nd</sup> District

Seconded by: \_\_\_\_\_

## MOTION

The entertainment industry is the City's signature industry, a significant source of quality jobs with a strong economic impact on support and associated services. But cities, states, and countries around the world have been actively pursuing our entertainment industry jobs, offering a wide range of incentives to the detriment of our economy.

Recent efforts by the State and the City to retain and attract film productions have helped. The State's tax incentive program has allowed dozens of film productions to remain in California, boosting film production in Los Angeles alone by 11.5%. And City efforts, such as fee use of our facilities, business tax reductions, and the efforts of every City department find ways to improve services to ensure that film and television productions have the support they need to do their work efficiently and at lower cost, have made a difference.

But there is more work to do. Representatives from the entertainment industry report that contracts between the City and food service providers at locations, such as the Griffith Park Observatory, prevent any outside food service vendors on-site. This means that a film production must use those food service providers.

Food service on location is an important service provided to a production's employees. In addition to full meals, productions also provide snacks and drinks, known as Craft Services. This ensures that hundreds of people on the set are well fed throughout their full day. Craft Services typically comprise cans of soda, fruit, and other inexpensive snack. But the costs for these food services can rise dramatically when a City contractor is involved, raising costs from hundreds of dollars a day to thousands.

The City needs to evaluate its contractual policies with regard to food service providers to determine how best to ensure that a simple thing like provide soda and fruit doesn't drive film and television production away.

I THEREFORE MOVE that the City Council instruct the City Administrative Officer and the Chief Legislative Analyst, with the support of the City Attorney, Department of Recreation and Parks, Los Angeles Convention Center, Los Angeles Zoo, Department of Airports, and other departments as appropriate, to review existing food service contracts to determine how food service costs for film productions can be reduced at City facilities and develop policies and contractual guidelines for future food service contracts to ensure that productions filming at City facilities have options related to food service providers.

Presented by: \_\_\_\_\_  
Paul Krekorian  
Councilmember, 2<sup>nd</sup> District

Seconded by: \_\_\_\_\_

## MOTION

Run-away production has been a serious concern in the City's entertainment industry for nearly twenty years, when Canada began offering economic incentives for film makers to locate their productions there. Over the intervening years, other jurisdictions across the United States and around the world have implemented economic incentives, creating a highly competitive global push to attract film and television production that results in fewer entertainment industry jobs in Los Angeles. A recent study by the Milken Institute reports that approximately 10,600 entertainment industry jobs have been lost in the region since 1997.

The State of California recently implemented its first tax incentives for the entertainment industry and initial signs suggest that these benefits have been helpful. FilmLA reports that filming has increased by 11.5% in Spring 2010 over the previous year, entirely due to the State tax incentive program.

Such programs are an increasingly essential tool for local and state jurisdictions to attract and retain entertainment jobs. Most importantly, cities are joining with states to offer complimentary incentives. For example, the State of New York and New York City offer a combined 35% tax incentive to qualifying productions that locate in New York City. To remain competitive today and save valuable entertainment industry jobs, the City of Los Angeles must explore opportunities to provide fiscal incentives to film and television productions.

The City's business tax generates several million dollars annual from taxes paid by the entertainment industry. These revenues could be allocated to fund an incentive program for productions that film a substantial portion of their project in the City. When combined with tax benefits offered by the State, productions would receive a meaningful incentive to keep their production in the City.

I THEREFORE MOVE that the City Council instruct the Office of Finance, Chief Legislative Analyst, and City Administrative Officer, with assistance of the City Attorney, to develop a film tax incentive that would provide a refund or credit to productions that film a substantial portion of their project in the City of Los Angeles.

Presented by: \_\_\_\_\_  
Paul Krekorian  
Councilmember, 2<sup>nd</sup> District

Seconded by: \_\_\_\_\_