

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your

PUBLIC WORKS COMMITTEE

reports as follows:

PUBLIC WORKS COMMITTEE REPORT relative to runaway film and television production in the City of Los Angeles.

Recommendations for Council action, as initiated by Motion (Garcetti - Greuel):

1. INSTRUCT the City Administrative Officer (CAO), Chief Legislative Analyst (CLA), and Office of Finance (Finance) to develop criteria for providing a tax credit or tax incentive program to film productions that locate in the City of Los Angeles, contingent upon the approval of a tax incentive or credit program by the State of California and including criteria for local benefit such as job creation and identification of a funding source.
2. INSTRUCT the Department of Finance, CAO, and CLA to evaluate the effectiveness of the Entertainment and Multimedia Tax Incentive and recommend changes to the incentive that would assist with the retention of entertainment productions.
3. REQUEST the Los Angeles Department of Water and Power (LADWP) to:
 - a. Develop a plan to establish a utility nodes pilot program for key Downtown Los Angeles locations that will include access to electricity and data, procedures to manage these nodes and make them available to film productions (such as security, access, and billing), and evaluation procedures to determine the effectiveness of this program.
 - b. Identify the location of these key nodes for this pilot program in consultation with the film industry; the 1st, 9th and 14th Council Districts; the Downtown community; and the City's film permit coordinator, with a priority on parking base camp locations.
 - c. Report back to the Committee in 60 days with any actions and recommended approvals needed to implement this program.
 - d. Report back to the Committee in six months concerning implementation of the demonstration program and assessment of other areas of the City where this program could be implemented in the future.
4. ESTABLISH a Film Industry Parking Task Force to address the special parking and transportation needs of the filming industry in the Downtown area, to be comprised of representatives from the Mayor's Office, the 1st, 9th and 14th Council Offices, CAO, Los Angeles Department of Transportation (LADOT), the City's film permit coordinator, and the CLA in collaboration with Downtown stakeholders, to develop specific recommendations for the management of both on-street and off-street parking resources

in a manner which supports the continued use of Downtown for filming while recognizing the needs of Downtown residents, visitors and employees, including but not limited to:

- a. Streamlining parking regulations and policies
 - b. Identifying targeted sites and zones for film making related parking, with a report to the Mayor and City Council within six months.
5. DIRECT the Film Industry Parking Task Force to identify vacant land in the immediate Downtown area that can effectively serve as staging areas for film productions, with a priority on governmentally owned parcels, and report back in 60 days with recommendations to make these sites available to film productions at low or no cost.
 6. ESTABLISH a City Film Task Force comprised of City departments and agencies, chaired by the CAO and including the CLA, Los Angeles Police Department (LAPD), Los Angeles Fire Department (LAFD), LADOT, Bureau of Street Services (BOSS), Community Redevelopment Agency (CRA), Council Offices, Mayor's Office and the film permit coordinator, and others as appropriate, to meet regularly to consider long-term and emerging film policy issues and address industry needs and Concerns.
 7. DIRECT the CAO to work with FilmLA to create and offer a moderated on-line listing of public and private facilities available for film production use, including site location, facilities available, rates, and other relevant considerations.
 8. DIRECT the relevant entities to report back to Council within 60 days in regard to the progress made in connection with Recommendation Nos. 1-7.

Fiscal Impact Statement: None submitted by the City Engineer. Neither the CAO or the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement Submitted: No

(Jobs, Business Growth and Tax Reform Committee report to be submitted in Council. If public hearing is not held in Committee, an opportunity for public comments will be provided.)

(For background reports and materials related to this matter, contact the Legislative Assistant for the Jobs, Business Growth and Tax Reform Committee at 213-978-1077)

SUMMARY

On February 18, 2009, the Public Works Committee considered a February 17, 2009 CLA report in response to Motion (Garcetti - Greuel) relative to runaway film and television production in the City of Los Angeles. According to the CLA, in May 2008, ABC Television and the producers of the show *Ugly Betty* announced that they would move production of the program from Los Angeles to New York to take advantage of financial incentives offered by the State and City of New York. A study by the Los Angeles Economic Development Corporation concluded that a 1-hour program, such as *Ugly Betty*, generates 180 direct and 540 indirect jobs. Total earnings average \$44.2 million, and generate an average of \$880,000 in State sales tax revenue and

\$223,000 in State income tax. All news reports indicate that the production was drawn to New York by tax credits offered by both the City and State of New York. Combined, these agencies offer a 35% tax credit. Most of the cast of *Ugly Betty* was originally from or lived in the New York area, making a permanent move to New York convenient for this specific sub-set of employees of the production.

The CLA then stated that the entertainment industry is in transition and with the creation of new broadcast and cable networks over the past 20 years, there has been a vast expansion in the types of programs that can be created and the outlets for their presentation. Additionally, the advent of fast internet access and sophisticated video games has created competing entertainment options that have undercut broadcast television. These fractured markets, combined with the current economic downturn, have resulted in reduced advertising revenue and an emphasis on "reality", talk programming and sports events which have much lower production costs.

Next, the CLA reported in identifying incentives that would encourage the entertainment industry to remain in Los Angeles. Several studies and reports have been prepared over the last few years related to this subject, including a report by the LADWP concerning the efficacy of utility nodes; a parking study by the Community Redevelopment Agency (CRA) that included recommendations concerning the film industry; and a study by Sarah Lorenzen, Assistant Professor at California State Polytechnic University, Pomona, concerning filming in Downtown Los Angeles.

As incentive programs in New York and other states show, the entertainment industry most directly responds to financial subsidies and tax incentives. Several attempts have been made to provide tax breaks or credits to film productions that occur in California. At present, the State legislature is considering a tax credit for film productions that locate in California as part of the economic stimulus component of the larger State budget deal. Reports indicate that \$500 million in tax credits will be available starting in Fiscal Year (FY) 2009-10, a 20-25% credit for qualified film productions, on a first-come, first-served basis, through FY 2014-15 for film productions that are made in California. The program will be implemented through the California Film Commission.

The City of is faced with a serious budget crisis and does not have funding available to provide direct credits or subsidies to entertainment productions that locate within the City. But future budgets may provide an opportunity for such incentives. One approach would be to create a benchmark in a relevant revenue source. If revenues in that revenue source exceed the benchmark, a portion of those funds would be placed into a tax incentive fund for assistance to film productions. Any tax incentive would be based the City receiving a public benefit, such as the creation of jobs in the City. If the City were to enact a tax incentive, it should be contingent upon the State providing a tax incentive as well. This would ensure that the combined City and State programs provide meaningful assistance to the film production and meaningful job creation and economic development to the City and State.

After further consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the recommendations as contained in the February 18, 2009 CLA report and detailed above in Recommendation Nos. 1-7. Additionally, the Committee moved to recommend directing and/or requesting all appropriate entities to report back to Council on 60 days in regard to progress made in implementing

Recommendation Nos. 1-7.

This matter is now submitted to Council for its consideration.

Respectfully submitted,
PUBLIC WORKS COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
ROSENDAHL:	YES
ALARCÓN:	ABSENT
SMITH:	YES

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- Not Official Until Council Acts -