

REPORT FROM

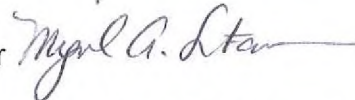
OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 22, 2013

CAO File No.
Council File No. 12-0564-S1
Council District:

To: Jobs and Business Development Committee

From: Miguel A. Santana, City Administrative Officer



Reference: Request for Report Back on Impact of Waiving Fees for TV Pilot Productions

Subject: **IMPACT OF WAIVING FEES FOR TV PILOT PRODUCTIONS**

SUMMARY

In October 2012, your Committee directed this Office to report back on the impact of waiving fees for TV pilot productions filmed in the City of Los Angeles. The Committee also requested that we evaluate the impact of waiving fees for the first year of production for any pilot picked up for the season. In order to respond to this question, we attempted to engage a consultant from our economic advisors to evaluate not only the amount of fees waived by the City but the potential larger impact to the economy resulting from additional TV pilots choosing to film and/or remain in Los Angeles as a result. We released a Request for Bids (RFB) in early November 2012 but received no responses. We subsequently attempted to work directly with an economic advisor to procure the information, however based on their preliminary review of data from both the City and FilmLA, they indicated that they did not see a significant impact based on the data and they declined the assignment as well.

We would note that since 2004, as reported by the Chief Legislative Analyst in October 2012 (C.F. 12-0002-S27), the City has adopted various incentives to assist the film and television production industry including:

- Reduced business tax rates for entertainment productions
- Adjusted film production tax base
- Implemented tax breaks for entertainment creative talent
- Eliminated fees to film at most City facilities
- Created marketing program for FilmLA
- Prepared guide to Downtown Los Angeles parking lots
- Allowed film parking at DWP facilities
- Reduced or waived parking fees at City parking lots
- Established City Film Task Force
- Streamlined road closure procedures
- Established Departmental film liaisons
- Implemented real-time permit approval at Public Works

- Installed film power nodes at City Hall, John Ferraro Building and Griffith Park Old Zoo

For background information on TV pilots in the Los Angeles Region, we have attached FilmLA's most recent report entitled 2012 Television Pilot Production Report (Attachment 1). We also requested information from FilmLA regarding the number of TV pilot's filmed on-location within the City which is detailed in Attachment 2 as it is these on-locations productions that result in the payment of City fees.

As noted in the FilmLA report, two key factors influencing where pilot producers choose to film are the availability of financial production incentives and production infrastructure. For the 2011-12 fiscal year, a total of 92 pilots were filmed in the Los Angeles region of the total 152 pilots produced. Further, FilmLA estimates that approximately \$262 million was spent on TV pilot productions in Los Angeles for the 2011-12 development cycle. For every one of the non-California locations used in 2011-12, FilmLA indicates that some form of production incentive was available and that these incentives, particularly for drama producers, are used to offset the increased costs of long-distance production.

Separate from their report, FilmLA indicated that of the 152 total pilots produced in 2012 a total of 41 were picked up for the 2012-13 season and were scheduled to film in the Los Angeles region. FilmLA was working to gather the first six months of City fees paid by these productions but given the very short turnaround time, the information was not available in time for this report. It should be noted that a TV pilot that involved on-location shooting, generating associated City permit fees, may or may not require on-location shoots for any or all subsequent episodes depending on the nature of the show. FilmLA did indicate that at least three of the 41 have already been cancelled.

It is important to note that a TV pilot production only pays City permit fees if it requires on-location shoots within the City. TV pilots that shoot on a soundstage do not incur any City fees for services. As can be seen from Attachment 2, City fees for TV pilots that required on-location shoots ranged from a low of \$164,000 in 2010 to a high of \$314,088 in 2012. These amounts include fees imposed by Recreation and Parks, the Department of Water and Power and the Harbor Department which are not General Fund revenues and are not within Council's purview to waive. Excluding these amounts, the fees paid into the General Fund ranged from \$107,000 in 2010 to \$231,000 in 2012. Based on the average production costs reported by FilmLA of \$2 million for comedy pilots and \$5.5 million for drama pilots, it is clear that the City's fees represent a nominal amount of overall production costs. Considered in relation to the \$262 million spent on TV pilot production in Los Angeles the City's fees are infinitesimal.

Given this, the waiving of City fees is a policy decision for City Council. Similar to fee waivers for special events, the Chief Legislative Analyst should be directed to report to City Council on findings supporting a positive benefit for waiver of fees. If Council would like the fees imposed by Recreation and Parks, the Department of Water and Power, and the Harbor Department to be waived in addition to those under Council's control, then requests should be made to the Boards of those Departments to consider waiving their fees on the basis of findings supporting a positive

benefit for the waiver. Given the nominal amount City fees represent of overall production costs, it is unlikely that this waiver in and of itself would be the determining factor for filming on-location in the City versus another location. However, taken in conjunction with already implemented City incentives and State film incentives it could help in making Los Angeles City more competitive.

The overall impact to the City's budget from waiving these fees is nominal since we would be forgoing approximately \$231,000 based on 2012 figures for pilot production only. It should be noted, this amount does not represent full cost recovery since some City fees have not been updated in a number of years. However, this represents approximately what the City would forgo in revenue based on the number and types of pilots that filmed on location in 2012. To the extent that TV pilot productions increase, the City would be forgoing revenue not currently included in our revenue projections. Additionally, at this time we do not have sufficient data on the amount of revenue that would be forgone if fees are waived for the first year of production.

RECOMMENDATION

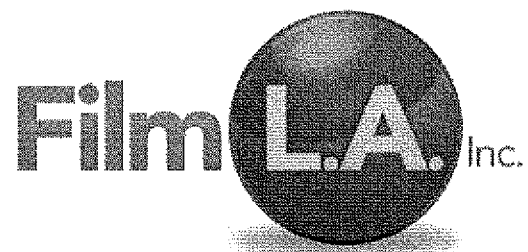
Should Council make a policy decision to waive City permit fees for TV pilot productions then the following recommendations should be approved:

That the City Council:

- 1) Instruct the Chief Legislative Analyst to report to the City Council on findings supporting a positive benefit in waiving City permit fees for TV pilot productions and for the first year of production if the pilot is picked up for the ensuing season;
- 2) Subject to the above finding being made by City Council, adopt a policy to waive permit fees for TV pilot productions and for the first year of production if the pilot is picked up for the ensuing season; and,
- 3) Direct all affected City Department's to implement this policy.

FISCAL IMPACT STATEMENT

The recommendations in this report do not comply with the City's Financial Policies as the adoption of a policy to waive City permit fees for TV pilot productions, including the first year of production if the pilot is picked up for the ensuing season conflicts with the Policy requiring full cost recovery for all fees charged by the City. The General Fund impact is estimated to be a minimum of \$231,000 based upon actual permit fees charged in 2011-12 for TV pilot production only and an unknown larger amount for the first year of production.



**2012
Television Pilot Production Report**

2012 Pilot Production Overview . . .

Each year between January and April, Los Angeles residents observe a marked increase in local on-location filming.

New television pilots, produced in anticipation of May screenings for television advertisers, join continuing TV series, feature films and commercial projects in competition for talent, crews, stage space and sought-after locations.

However, Los Angeles isn't the only place in North America hosting pilot production. Other jurisdictions, most notably the City of New York, the Vancouver area and the City of Toronto, have established themselves as strong competitors for this lucrative part of Hollywood's business tradition.

FilmL.A. — the not-for-profit organization that coordinates permits for filmed entertainment shot on-location in the City of Los Angeles, unincorporated parts of Los Angeles County and other local jurisdictions — recently updated its ongoing annual study of television pilots¹ in production.

FilmL.A.'s official count shows that 152 broadcast and cable television pilots² were produced during the '11/'12 development cycle³, making the past year the second most productive on record.

Out of those 152 television pilots, a total of 92 projects were filmed in the Los Angeles region.

By one measure, this is the second-largest annual tally in Los Angeles history, totaling five projects more than the prior cycle and just nine fewer than L.A. handled during its peak year of '04/'05.

Magnet for New Comedy Projects

In '11/'12, the Los Angeles region captured just 29 percent of all television drama pilots produced, but 91 percent of all television comedy pilots.

For comedy pilots, the '11/'12 figures are largely in line with the region's recent yields. During the last three development cycles, L.A.'s share of comedy pilots has hovered between 82 and 92 percent of available projects.

Drama pilots, however, continue to flee their traditional home. During the last three development cycles, drama pilots were filmed outside the L.A. region by a ratio of more than 2-to-1.

This is significant, because four production cycles ago (in '08/'09), the L.A. region still attracted 38 percent of total drama pilots. Six development cycles ago (in '06/'07), L.A.'s drama share was 63 percent.

Los Angeles can thank its local talent base, the proficiency of local crews and availability of audience-rated soundstages as reasons comedies locate in the region. These factors exert their greatest pull on multi-camera projects.

L.A.'s status as the premier pilot production center now hinges on industry willingness to produce comedy projects in Los Angeles.

Pilot Production Locations

Over the years, other jurisdictions have enticed away much of the L.A. region's historical TV drama pilot production share. The availability of financial production incentives and production infrastructure are key factors influencing where pilot producers choose to film.

During the '11/'12 development cycle, 92 television pilots were filmed on Los Angeles streets and stages. Another 60 pilots — of which 53 were coveted one-hour drama projects — were produced outside the region in competing jurisdictions.

Domestic locales used by producers included Georgia, Hawaii, Illinois, Louisiana, Maryland, Massachusetts, New Mexico, New York, North Carolina, Pennsylvania and Tennessee.

Non-U.S. locations included multiple Canadian cities (Vancouver area, Toronto, Montreal) and Australia.

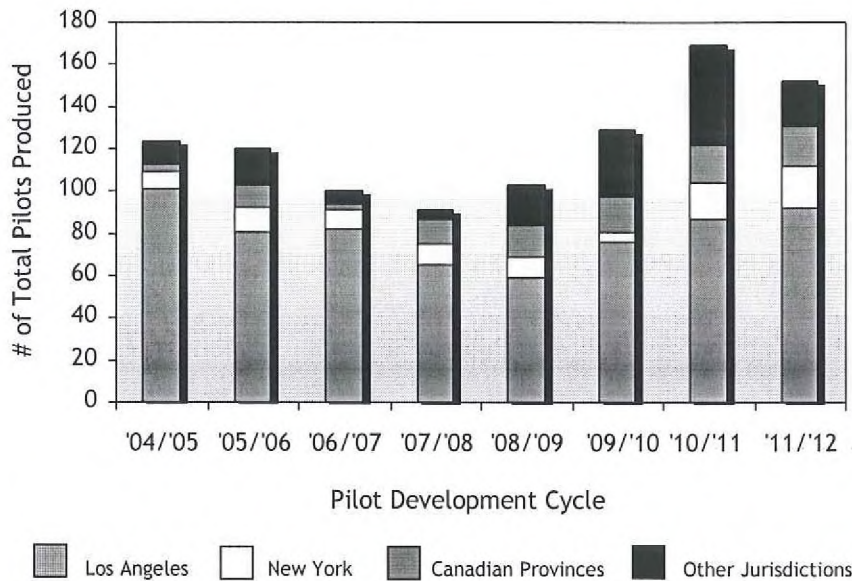
Some form of production incentive was available in every one of the non-California locations used during the '11/'12 development cycle. Drama producers use incentives to offset the increased cost of long-distance production while affording higher-end production values.

Television Pilots Produced by Location, '05-'12

	'04 '05	'05 '06	'06 '07	'07 '08	'08/'09		'09/'10		'10/'11		'11/'12	
					Net- work	Cable	Net- work	Cable	Net- work	Cable	Net- work	Cable
Los Angeles - One Hour - Half Hour	101 total	81 total	30 52	35 30	17 32	5 5	14 39	6 17	10 38	13 26	11 47	11 23
New York - One Hour - Half Hour	8 total	11 total	9 0	9 1	1 1	5 3	0 1	2 2	10 0	5 2	11 0	5 4
Canada - One Hour - Half Hour	4 total	11 total	3 0	12 0	10 2	2 1	9 1	7 0	8 0	10 0	10 0	9 0
Other Locations - One Hour - Half Hour	11 total	17 total	6 0	4 0	11 1	7 0	20 0	10 1	16 1	19 11	11 0	7 3
TOTAL	124	120	100	91	103		129		169		152	

... Key Production Trends

TV PILOTS PRODUCED BY LOCATION, '05-'12



Pilots: The What & The Why

As the initial episode of a proposed television series, many pilots are made, but only a few will ever be shown to viewers on broadcast or cable television. Before a pilot can be green-lighted for series, it must first be deemed marketable to television advertisers and foreign distributors.

For decades, broadcast networks have courted advertisers in an expensive and seasonally-driven "upfronts" process.

Every year in late May, advertisers preview the shows that will go on to be aired on broadcast networks in the fall or early the following year as mid-season replacements.

Cable networks also screen a variety of scripted content. Unlike network pilots, cable pilots are produced year-round and have increased in number to contribute mightily to development cycle yields. New cable series debut throughout the year.

Pilots' Economic Importance

Pilot production is worthy of study because the activity creates significant economic benefits for the hosting region.

According to industry sources, the average pilot directly employs about 150 people for the duration of the project.

Typical pilot production costs, having risen over the years, now average about \$2 million (for comedy pilots) and \$5.5 million (for drama pilots). Presentations, which are sometimes made in lieu of pilots, cost up to 40 percent less to produce than full-length pilots.

Based on these figures, FilmL.A. estimates that approximately \$262 million was spent on television pilot production in Los Angeles during the '11/'12 development cycle.⁴

This is roughly 46 percent of the total amount spent by producers in all locations.

Runaway Pilot Production

Pilot producers' ongoing wanderlust introduces a pair of related concerns for those who work in television in L.A.

On one hand, lost production share carries with it the threat of diminished pilot season spending.

But another, more serious concern is that the one-time loss of a pilot can easily lead to the loss of a promising series.

Historically, pilots made in Los Angeles were highly likely to stay in the region if picked up for series production. At one time, pilots produced in other jurisdictions could also be expected to return to L.A. for series, but this is no longer to be expected.

152

Total TV Pilots Produced During the 2011/2012 Development Cycle

92

Total Pilots Produced Within Los Angeles Region

53

Total One-Hour Drama Pilots Produced Outside L.A. This Season

76 %

Percent of Total L.A.-Based Projects That Were Comedies

91 %

Percent of Total Comedy Projects That Filmed in Los Angeles

\$262m

Estimated Total Pilot Production Spending in L.A. Region

Today, the availability of production incentives and established production infrastructure outside Los Angeles make it possible to film series in other places.

This fact, combined with network decisions about which shows to pick up or cancel in a given year, poses a serious threat to established production centers like Los Angeles.

To help quantify this problem, FilmL.A. researchers analyzed new and continuing series pickups for 2010/2011, 2011/2012 and 2012/2013 viewing season on major broadcast networks during primetime. This analysis excluded cable productions because of their irregular series start pattern.

At the beginning of the 2012/2013 fall viewing season, viewers will be exposed to 47 L.A.-based shows (18 dramas, 29 comedies). They will also be exposed to 24 shows (23 dramas, 1 comedy) filmed outside the region.

Thus for the first time in FilmL.A.'s ongoing study, L.A. is heading into the fall season accounting for less than 50 percent of the network screen time devoted to primetime scripted dramas.

Come mid-season, L.A.'s drama share could be even smaller, since just one L.A. show was picked up as a mid-season replacement. Six mid-season dramas were picked up elsewhere.

The loss of just one television drama series can amount to thousands of lost jobs and tens of millions of dollars of lost production spending over several viewing seasons.

Comedy series are less expensive to produce than dramas and generally employ fewer people during production.

Multi-camera, stage-bound comedies, which L.A. has been able to retain in great numbers, cost up to \$1.5 million to produce per episode.

Single-camera comedies that regularly shoot on-location cost slightly more to make at up to \$2.0 million per episode. Creative reasons, as opposed to economic reasons, presently keep these productions in Los Angeles.

"We think L.A. is settling into a new normal," said FilmL.A. President Paul Audley, "Without a more competitive California tax incentive program, Los Angeles will find it hard to increase its share of total TV drama production."

"Of course, having comedies made in town is a boon for L.A." Audley continued. "It leaves us vulnerable, though. The comedy genre is cyclical and there's little to prevent single-camera comedies from following dramas out-of-state. Our economy would be well-served were the region to attract a more diversified slate of productions."

Though not a focus of this report, other soundstage-reliant facets of Los Angeles' television production industry are worthy of mention.

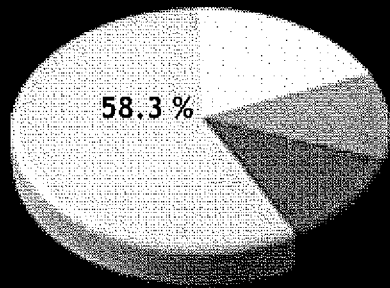
The L.A. region hosts numerous television talk shows, including *Conan*, *The Tonight Show*, *Last Call with Carson Daly*, *The Late Late Show with Craig Ferguson*, *Jimmy Kimmel Live*, *The Talk*, *Ellen* and *Dr. Phil*.

Locally-produced game shows include, but are not limited to, *Jeopardy*, *Wheel of Fortune*, *Let's Make a Deal*, *Shark Tank*, *Wipeout*, *The Biggest Loser* and *The Price is Right*.

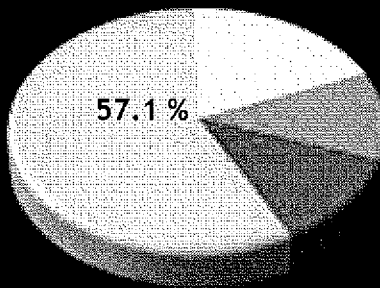
Talent shows in L.A. include *American Idol*, *America's Best Dance Crew*, *The Voice*, *The X Factor*, *America's Got Talent*, *So You Think You Can Dance*, *Dancing with the Stars*, *Duets* and *America's Next Top Model*.

Dramas' Dramatic Flight.

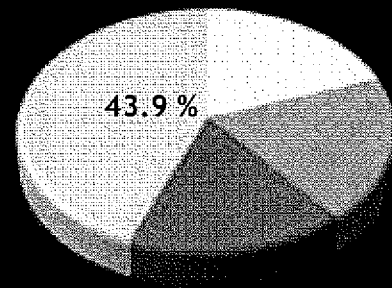
The charts below illustrate some of the changes taking place in the network television production landscape. Based on primetime network television schedules as the start of the fall season, the charts reveal a shift in drama series production away from Los Angeles. L.A.'s hitherto unchallenged grip on comedy series has kept the region's comedy production share above 90 percent.



Fall 2010



Fall 2011



Fall 2012

KEY

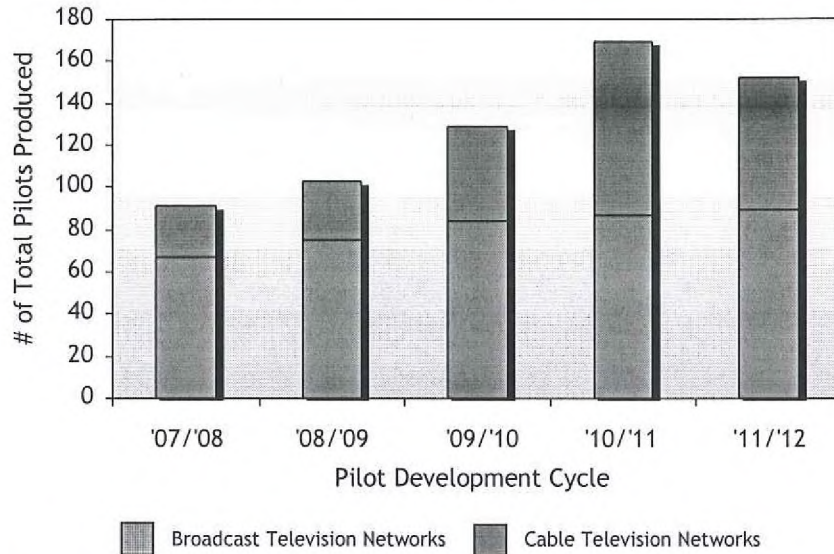
Based in Los Angeles

Based in New York

Based Elsewhere in US

Based Elsewhere in US

TV PILOT PRODUCTION BY NETWORK TYPE



METHODOLOGY:

Since January, 2005, FilmL.A. has conducted ongoing primary and secondary research to keep track of new television pilots.

This report captures all pilot productions, presentations, and straight-to-series television projects intended for primetime showing on major broadcast and cable networks.

Our lists include all pilots of which FilmL.A. has been made aware through primary and secondary research, and for which a primary production location could be verified with either the pilot production company or the underwriting studio.

FilmL.A.'s agreements with these entities require that no detailed production information be shared with outside parties and that all pilot production activity be reported without project and production company identifiers.

Please note that it is very rare for unscripted (reality) television series to produce pilots. A few turn up in each development cycle survey, but report authors opt to exclude them from official counts.

NOTES:

1. FilmL.A. uses the word "pilot" throughout this study to refer to all original scripted pilots, shorter-length presentations or "hidden pilots" captured during the development cycle. Pilot counts within a development cycle include both stage-based and location-based projects made in any location, of any running duration, intended for primetime debut on either broadcast or cable networks serving U.S. audiences.

2. On occasion, networks choose to skip pilot and presentation production and immediately "green light" promising new shows for series production. Rather than discount new production occurring anywhere within the development cycle, FilmL.A. includes the first episode of these "straight to series" productions as "hidden pilots" in all of its counts.

3. FilmL.A. defines a development cycle as the period leading up to the earliest possible date that new pilots would air, post-pickup. Thus, the '11/'12 development cycle includes production activity that starts in 2011 and continues into 2012 for show starts at any time in 2012 (or later).

4. FilmL.A. accounts for the difference between full pilot and presentation costs in its overall pilot season spending estimates.

About this Report

This report is the product of independent research conducted by FilmL.A., a private, nonprofit organization that coordinates and processes permits for on-location motion picture, television and commercial production under contract to an ever-increasing roster of public-sector clients in the Los Angeles region.

In addition to researching matters of interest to entertainment industry leaders and local government representatives, FilmL.A. offers counsel to local governments on how to enhance the environment for filming in the greater Los Angeles region.

Ongoing community relations is a key component of the service FilmL.A. provides. The organization works to strike a balance between the needs and interests of the entertainment industry and the neighborhoods affected by on-location production.

In today's highly competitive, global entertainment production market, our services help the Los Angeles region retain its status as the entertainment production capital of the world.

Report Contributors

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TV Pilot Production in City of Los Angeles

	Permits Released	Total Fees	FilmL.A.	City of Los Angeles	Dept of Rec & Parks	Dept of Trans	Dept of Water & Power	Fire Dept	General Services	Harbor Dept	Bureau of Street Services	County of Los Angeles
FY2012	85	\$ 480,562	\$ 144,835	\$ 314,088	\$ 65,697	\$ 99,939	\$ 12,110	\$ 94,000	\$ 11,870	\$ 5,200	\$ 25,272	\$ 21,639
FY2011	67	\$ 361,219	\$ 116,520	\$ 230,350	\$ 14,349	\$ 36,238	\$ 80,791	\$ 13,910	\$ 64,482	\$ 12,147	\$ 3,750	\$ 19,032
FY2010	68	\$ 294,590	\$ 118,220	\$ 163,926	\$ 12,444	\$ 18,084	\$ 18,083	\$ -	\$ 85,567	\$ 19,306	\$ 2,918	\$ 19,968