

MOTION

JOBS & BUSINESS DEVELOPMENT

Los Angeles has long been considered the entertainment capitol of the world, home to studios, post-production facilities, a myriad of outdoor locations and the most talented and well-trained creative and technical workers in the field. However, the City must increasingly compete with other cities, states and countries which are offering incentives to lure filming away from Los Angeles through steep tax breaks.

The loss of film production has a dramatic impact on the local economy. In Los Angeles, the entertainment industry produced 42,083 direct jobs and revenues of \$21.5 billion in 2005 – and for every job directly created by the film industry, 2.7 other jobs are supported. That same year, the industry’s impact on the Los Angeles County economy was a whopping \$57 billion. The loss of film production has a direct impact on local employment and the economy of Los Angeles.

Over the last year, the City Council of Los Angeles has made a strong statement in support of creating policies aimed at keeping filming local and protecting jobs for Angelenos working in the film, TV and commercial producing industry. This includes the support of 19 recommendations in October of 2009, aimed at making it easier to film in Los Angeles, including the use of City parking lots for base camps and crew parking as well as the installation of power nodes at highly-filmed locations. In addition, the Council supported looking into specific tax incentives for the film industry.

One such tax that affects the entertainment industry is the Entertainment Production Tax. Currently, the city assesses tax liability on film production companies through a flat fee of \$145 on production costs up to \$2.5 million. This represents the minimum threshold to which \$1.30 is accessed for each additional \$1,000 in production costs filmed within the City incurred in excess of \$2.5 million. This rate-per-thousand system taxes all production costs up to a maximum of \$12 million or \$12,495 in direct city taxes.

However, if the entertainment production cap were to be increased from \$2.5 million to \$5 million, at least 535 local production companies, including post-production companies, boutique production houses and commercial production companies, would receive a reduction in their taxes. In fact, according to the Association of Independent Commercial Producers’ 2010 Annual Member Survey, the median sales per commercial production company was \$2.79 million. Raising the minimum threshold to \$5 million would provide significant tax savings to small and medium-sized production businesses at a minimal cost to the City.

The Business Tax Advisory Committee (BTAC) Incentives Subcommittee has recommended this modest cap adjustment from \$2.5 million to \$5 million for the Entertainment Production Cap, as it will assist in retaining our current level of film activity while bringing recently displaced production back to the City of Los Angeles.

I THEREFORE MOVE, that the City Council direct the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) to report to the Jobs and Business Development Committee within 30 days on the economic impact of raising the Entertainment Production Cap from \$2.5 million to \$5 million; and

I FURTHER MOVE, that the City Council direct the City Attorney, in consultation with the Chief Legislative Analyst and City Administrative Officer, to prepare an ordinance within 30 days raising the Entertainment Production Cap from \$2.5 million to \$5 million

PRESENTED BY: Richard Alarcon
RICHARD ALARCON
Councilmember, 7th District

SECONDED BY: [Signature]

JUL 16 2010

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