



AGENDA REPORT

Meeting Date: April 1, 2014

Item Number: D-8

To: Honorable Mayor & City Council

From: Cheryl Friedling, Deputy City Manager

Subject: RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS
STATING THE CITY'S SUPPORT OF AB 1839 WHICH EXPANDS
AND EXTENDS THE STATE FILM TAX CREDIT THROUGH FISCAL
YEAR 2020-21

Attachments:

1. Resolution
2. Letter from Former Mayor Mirisch to Mayor Garcetti
3. News Article - Variety

INTRODUCTION

Former Mayor Mirisch is requesting that the City Council support AB 1839, legislation sponsored by Assembly members Raul Bocanegra and Mike Gatto which would extend and expand the California Film & Television Tax Credit Program through the year 2021.

DISCUSSION

Southern California has for many decades been the entertainment capital of the world, providing well-trained creative and technical workers along with studios, post-production facilities and some of the most stunning outdoor locations for film and television

productions. Beverly Hills, in particular, is an extremely popular location for movie, television and commercial production, and is the headquarters site for many production companies and the residential community of choice for many entertainment professionals.

Currently the State of California provides a \$100 million Film & Television Tax Credit Program. However, numerous states – and several countries – have also created film and television production incentives to draw entertainment production away from California. These include a \$430 million incentive program in New York and a \$229 million incentive program in Louisiana, among others.

Legislation sponsored by Los Angeles-area Assemblymembers Bocanegra and Gatto was introduced to retain film and television production. AB 1839, the California Film and Television Job Retention and Promotion Act, would expand the \$100 million credit program, which began in 2009. Other changes would include making the tax credit available to all productions, including big-budget 'blockbusters.' Currently, productions with budgets above \$75 million are ineligible to receive the tax credit.

Currently this bill has 60 cosponsors in the State Assembly and State Senate.

Former Mayor Mirisch has also asked the Los Angeles City Mayor, and is urging other Los Angeles County City Mayors to adopt similar resolutions of support. (See attached letter).

FISCAL IMPACT

The fiscal impact to the City is unknown, although it is likely that further migration of entertainment filming out of the area could impact the City's film permit revenues. More directly, ongoing 'runaway production' results in significant losses to local residents and business community, as many are directly dependent on the entertainment industry for business and employment.

Don Rhoads 

Finance Approval

Cheryl Friedling 

Approved By

Attachment 1

RESOLUTION NO. 14-R-

RESOLUTION OF THE COUNCIL OF THE CITY OF
BEVERLY HILLS STATING THE CITY'S SUPPORT OF AB
1839 WHICH EXPANDS AND EXTENDS THE STATE FILM
TAX CREDIT THROUGH FISCAL YEAR 2020-21

RECITALS

WHEREAS, Southern California has long been considered the entertainment capital 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;

WHEREAS, the City of Beverly Hills has been a popular location for television shows, commercials and feature movie projects since the inception of the film industry and is the headquarters for numerous production companies and home to thousands of film industry professionals;

WHEREAS, since the late 1990s, many countries and 44 states have created film and television production incentives to draw film and television production activity away from California, including a \$430 million incentive program in New York and a \$229 million incentive program in Louisiana, and handing out more than \$1.5 billion in film and television tax incentives in 2012;

WHEREAS, according to the Los Angeles Economic Development Center (LAEDC), the Entertainment Industry directly employs more than 118,000 people, down from 132,000 in 2004, which indicates the dramatic impact the loss of film and television production has on the local economy and the thousands of families and individuals directly and indirectly employed by the industry who have lost their jobs;

WHEREAS, runaway production remains a problem for California, and the most at-risk projects are those unable to qualify for the state's current program. Under current regulations, feature film projects with budgets exceeding \$75 million do not qualify for California's film incentive. New one-hour network television dramas also do not qualify, unless they're relocating in from out of state,

WHEREAS, California's film and television tax credit program, already distinguished by its impressive return on investment, offers hope for future film prosperity,

WHEREAS, although helpful, the current State film and television tax credit is not adequate to ensure that California competes for film and television production nor does it provide long-term certainty that California is serious about retaining the entertainment industry;

WHEREAS, California's share of network one-hour TV series, which are not eligible for the current film tax credit program, experienced a dramatic 58% decline (from 89% of all network one-hour production in 2005 to just 37% of network production in 2012);

WHEREAS, since the State legislature passed legislation to establish the California film tax credit program, film production has increased in the State, reversing four years of decline, and is estimated to have saved or created as many as 51,000 jobs;

WHEREAS, AB 1839 (Gatto-Bocanegra) would significantly expand the State's tax credit program to include incentives for one-hour television series, allow film productions with larger budgets to qualify, and extend the program through fiscal year 2020-21, among other incentives designed to ensure that film and television productions remain in California; and

WHEREAS, filming in Beverly Hills is a significant source of revenue to City government and tax incentives to encourage more production companies to remain in California would ultimately benefit the residents, businesses and visitors.

NOW THEREFORE, the City Council of the City of Beverly Hills hereby finds, determines and resolves as follows:

Section 1. The City of Beverly Hills hereby includes in its 2013-2014 State Legislative Program support for AB 1839 (Gatto-Bocanegra), which expands and extends the California film tax credit program through the 2020-21 fiscal year, and resolves to support future legislation that will ensure that more entertainment productions will remain in California.

Section 2. The City Clerk shall certify to the adoption of this Resolution and shall cause this Resolution and his certification to be entered in the Book of Resolutions of the Council of the City.

Adopted:

LILI BOSSE
Mayor of the City of
Beverly Hills, California

ATTEST:

BYRON POPE
City Clerk

(SEAL)

APPROVED AS TO FORM:



LAURENCE S. WIENER
City Attorney

APPROVED AS TO CONTENT:

JEFFREY C. KOLIN
City Manager



CHERYL FRIEDLING
Deputy City Manager/Public Affairs

Attachment 2



CITY OF BEVERLY HILLS

455 NORTH REXFORD DRIVE • BEVERLY HILLS, CALIFORNIA 90210

John A. Mirisch, Mayor

March 14, 2014

The Honorable Mayor Eric Garcetti
City of Los Angeles
200 North Spring St.
Los Angeles, California 90012

Dear Eric,

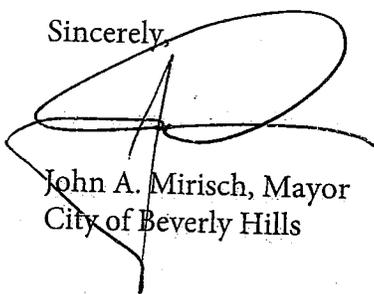
Thank you for convening the meeting today with mayors from the cities of Los Angeles County. I am especially pleased that we were able to focus on the all-important issue of runaway film production; and I want to pledge my support to do everything in my power to save a legacy California industry.

We in Southern California have a special interest and, in my opinion, obligation to do everything we can to encourage filming companies to stay here, where the movie industry was born and where it has flourished for more than a century.

Enclosed is a draft resolution in support of AB 1839, sponsored by state assembly members Raul Bocanegra and Mike Gatto, which seeks to keep movie and television production in California. I plan to introduce this resolution at our April 1, 2014 City Council meeting, where I am sure it will gain unanimous support.

Please feel free to distribute this resolution to the mayors of the other Los Angeles County cities. If all 88 mayors were to sign this or a similar resolution, it would make a powerful statement to our state legislators about the importance of this industry to our economy and to our reputation as the film capital of the world.

Sincerely,



John A. Mirisch, Mayor
City of Beverly Hills

CC: Ken Ziffren, Senior Advisor
Mayor's Office of Motion Picture and Television Production

Attachment 3



California Lawmakers Unveil Bill to Expand State Production Incentives



FEBRUARY
19,
2014
09:55AM
PT

Ted Johnson (<http://variety.com/author/ted-johnson/>)

Senior Editor

[@tedstew](http://twitter.com/@tedstew) (<http://twitter.com/@tedstew>)

Big-budget movies would be eligible for production [tax incentives](http://variety.com/t/tax-incentives/) (<http://variety.com/t/tax-incentives/>) under the legislation unveiled on Wednesday to expand California's state production tax incentives.

The bill, the California Film and Television Job Retention and Promotion Act, sponsored by Assemblyman [Raul Bocanegra](http://variety.com/t/raul-bocanegra/) (<http://variety.com/t/raul-bocanegra/>) and Assemblyman [Mike Gatto](http://variety.com/t/mike-gatto/) (<http://variety.com/t/mike-gatto/>), would renew California's tax incentives so it runs an additional five years, through the 2021-22 fiscal year. The legislation has 59 co-authors.

The legislation would lift a \$75 million budget cap on productions that are eligible for the program. But projects would still be limited to \$100 million in expenditures that would qualify for the tax credit.

In addition, all network and cable dramas would be eligible. The current program limits participation to basic cable dramas.

Lawmakers have yet to place a dollar figure on how much they want to make available each year for movies and TV shows. The problem with the current \$100-million per year funding is that it runs out on the first day of a lottery. The lack of a figure in the legislation is a strategic move, to prevent a new number from being whittled down as it goes through an array of legislative committees.

Nevertheless, industry supporters pushing for an expansion of the state's incentive program say that the initial figure is likely to be more in line with New York's incentive program, which allocates \$420 million per year to producers.

Other provisions of the legislation include offering an additional 5% increase in the tax credit for filming done outside of the Los Angeles zone. The current credit amount is 20%.

A 25% credit also would be offered to TV shows relocating to California in the first year. In addition, a requirement that 75% of production days occur in California would be modified to require that 75% of principal photography days occur in California, "to ensure more jobs are created here," according to the author's announcement of their legislation.

"I remember when our communities lost all the good aerospace jobs," Gatto said in a statement. "Losing major employers really harms local families and our state economy. This effort is a rare example of government appropriately taking steps to stem the loss of jobs out of state."

Bocanegra said, "This expanded and improved program will go a long way towards making California more competitive with other state's programs. Right now we're getting our lunch handed to us by these other states. We simply can't sit by and watch this \$17 billion a year sector of our economy continue to leave California."

The two lawmakers are key supporters of the legislation, as Gatto is chair of the Assembly appropriations committee, and Bocanegra chairs the revenue and taxation committee. The co-authors include 50 members of the state Assembly and 9 members of the state senate.

Nevertheless, the introduction of the bill, AB 1839, is just the start of what is expected to be a challenging push to expand the incentive program. The sheer number of co-authors is considered a good sign for its prospects, but the question is whether the legislation will still offer a robust expansion of the program to have a significant impact on California's ability to compete with other states. There is also a question as to whether Governor Jerry Brown will support the final legislation, although he has made recent comments in support of preserving film and TV production in the state.

Perhaps most apparent is the loss of big-budget feature films to other states and countries. Gatto and Bocanegra noted that of the 41 big budget feature films released in the last two years, only one shot exclusively in California.

Los Angeles Mayor Eric Garcetti said that the legislation "represents a prudent investment in the future of California's middle class, and its widespread geographic and bipartisan support reflects its importance to our statewide economy.

"It comes at a critical moment, when other states and foreign countries are luring away thousands of jobs and millions of dollars in revenues that can pay for schools, infrastructure and public services across California. California is forced to turn away hundreds of productions every year because the current incentive is insufficient."

California Lawmakers Unveil Bill to Expand State Production Incentives | Variety
The industry will be lobbying for the expansion of the tax credit via the California Film and Television Production Alliance, which includes the MPAA, major guilds and unions and FilmLA, the permit office for the L.A. region. "In order to once again be competitive, California must put in place a meaningful, expanded credit that will bring back jobs, increase revenue, and support small businesses and vendors all across the state," the organization said.

Photo: Raul Bocanegra and Mike Gatto introducing the legislation in Sacramento on Wednesday.

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