

CREATIVE CONTENT INCENTIVE PROGRAM

COUNCIL BRIEFING
ECONOMIC DEVELOPMENT
DEPARTMENT
APRIL 17, 2014



BACKGROUND

The 2012 Economic Impact of the Creative Sector Study found that:

- **Film and gaming industries generate \$1.27 billion annually for the Austin economy**
- **Creativity is Austin's competitive advantage**
- **Texas is at an incentive disadvantage compared to peer states in the film industry**
 - Texas incentive: 5-22.5%
 - Louisiana incentive: 30%
 - New Mexico incentive: 25-30%

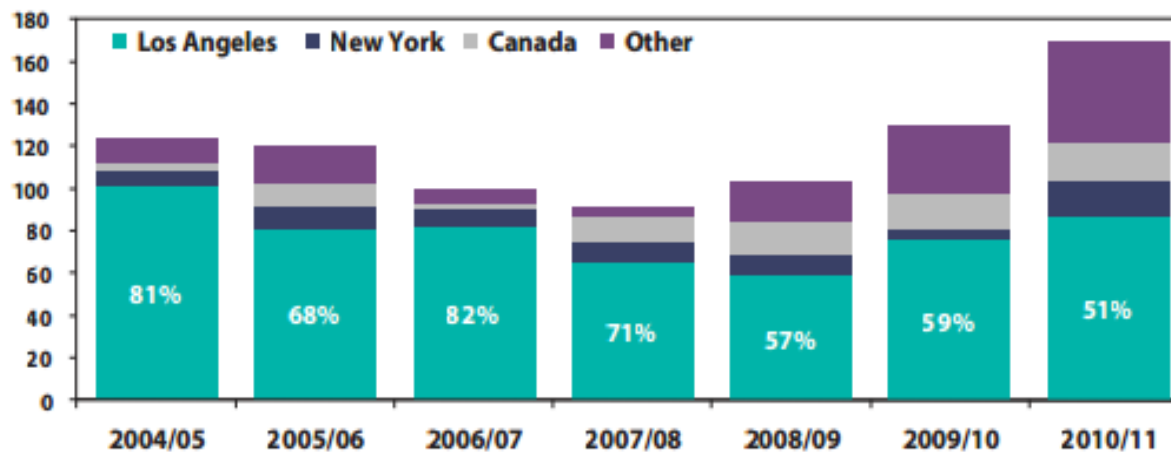


UT-Austin Students at Spiderwood Studios

Photo credit: Spiderwood Studios

BACKGROUND

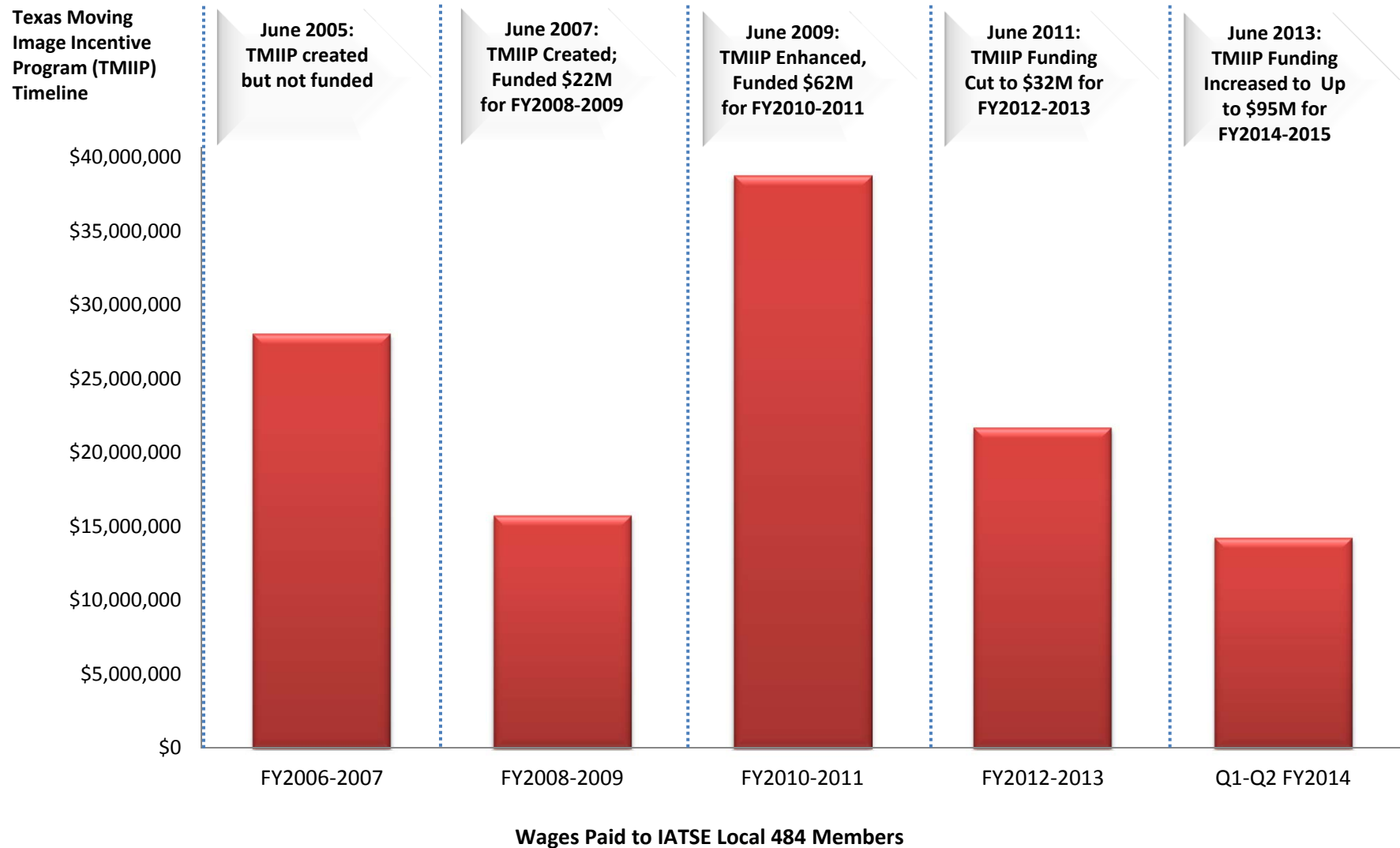
- **Growth of the motion picture industry in Louisiana after incentive program adopted:** *(Source: BaxStarr Consulting)*
 - The number of motion picture projects increased from 1 in 2002 to 119 in 2009
 - Average annual wages for IATSE crew increased from \$7,428 in 2001 to \$52,534 in 2008
- **Growth of the motion picture industry in New Mexico after incentive program adopted:** *(Source: New Mexico Film Office)*
 - The number of major productions increased from 5 in 2003 to 21 in 2011
 - Worker days increased from 31,020 in 2003 to 189,078 in 2011
- **Productions are increasingly redirected away from traditional motion picture and digital media hubs** *(Source: FilmLA)*



U.S. TV Pilots by Filming Location

BACKGROUND

IATSE Local 484 Wages by Legislative Biennium



BACKGROUND

- **Austin risks losing productions and the jobs they create to communities in neighboring states due to the incentive disparity**
- **Other municipalities in Texas and throughout the U.S. are enacting local production incentives to increase their competitiveness within this industry**
- **Austin educates 1,160 students at the UT Austin Radio/Television Film (RTF) program each year, in addition to students at the Austin School of Film and Austin Community College's RTF Program**



Photo credit: Santa Fe Convention and Visitors Bureau

INDUSTRY CHARACTERISTICS



Photo credit: Austin American-Statesman

- **Fast-paced and highly mobile industry**
 - Average feature film shoots for 6-8 weeks
 - Average television show shoots for 4-6 months per season
 - Television shows are often picked up in May and start filming in July; must make a location decision within that window
- **Job creation is temporary in nature**
- **Workers have multiple employers in one year**
- **Heavily unionized industry**
- **High risk investment landscape with highly variable returns**

INDUSTRY CHARACTERISTICS

Forbes' Most and Least Profitable Movies of 2013



Poster copyrights belong to Universal Pictures (The Purge) and Walt Disney Pictures (The Fifth Estate)

CURRENT CITY POLICY

- **No fees for right-of-way permits for filming (Ordinance #20050127-41)**
- **No rental/reservation fees for filming on City property (Ordinance #20080306-038)**
- **Up to 2 free peace officers (Ordinance #20080306-038)**
- **Lease to Austin Film Society and bond packages for Austin Studios**
- **Cultural Funding Contracts for film and digital media organizations**
- **Recycling programs for filmmakers**
- **Dedicated staff to help navigate any film issues**

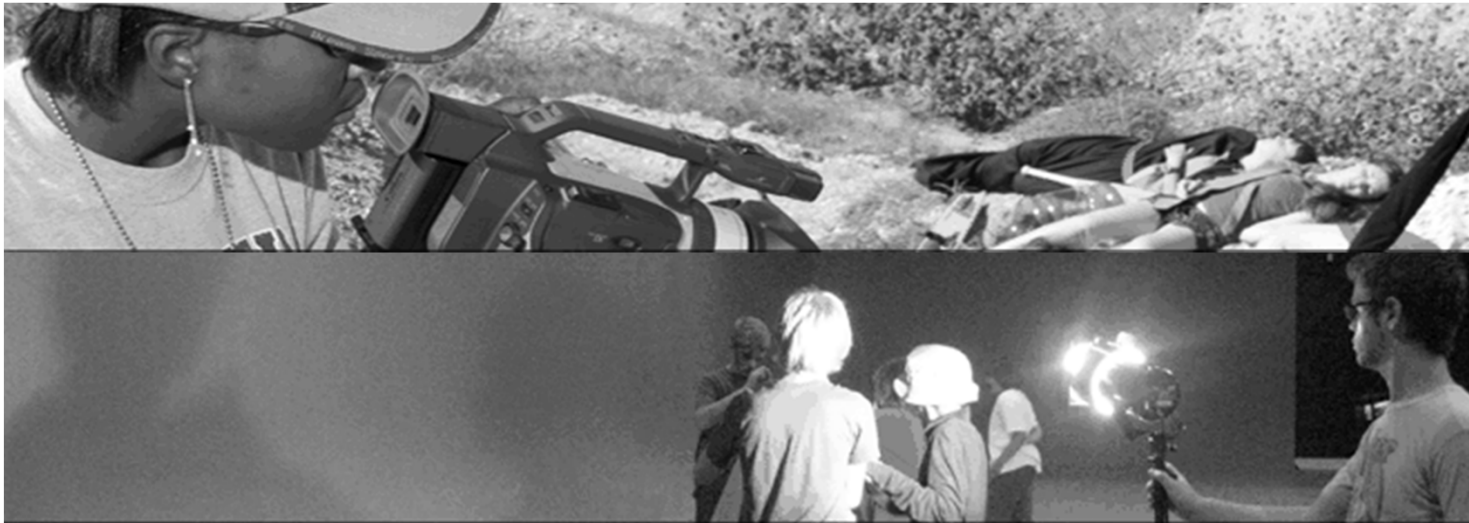


Photo credit: Austin Film Society

CURRENT CITY POLICY

- **The existing Chapter 380 Economic Development Program is not well-suited to attract film, television, or digital media productions:**
 - Fiscal impact tools are not programmed to measure impacts of temporary job creation
 - Firm-based incentive matrix questions not applicable to production projects
 - Benefits provided through unions
 - 3-4 month approval process
- **Imagine Austin Priority Program #3:**

“Actively recruit and retain businesses that create well-paying job opportunities for lower skilled and blue collar jobs or that provide a path upward from entry-level jobs.”
- **Imagine Austin Priority Program #5:**

“Develop new financial resources and strategies to sustain and expand the creative industry sector.”
- **The Economic Development Department recommends a new Creative Content Incentive Program tailored to the film, television, and digital media production industry.**

CREATIVE CONTENT INCENTIVE PROGRAM PROPOSAL

- **Productions must be an approved applicant for production incentives from the Texas Film Commission**
- **Productions must provide an end credit to the City of Austin and use the Austin Film Commission's "Made in Austin" logo**
- **Primary place of business for project must be within the City of Austin's Desired Development Zone**
- **Film, television, and commercial projects would be required to pay at least union wages and ensure workers are provided benefits equivalent to union benefits**
 - Union wages for crew (including set construction) are at least \$19/hour for Tier 1 (low budget) films
 - Union productions must provide worker's compensation
 - Union benefits are extended to same-sex partners
- **Video game and visual effects projects must pay all workers at least \$11/hour, provide health insurance benefits, and extend benefits to same-sex partners and their dependents**

CREATIVE CONTENT INCENTIVE PROGRAM PROPOSAL

- **Performance-based grant equal to 0.5% of the wages paid to local cast and crew**
- **An additional 0.25% for productions that:**
 - Significantly promote Austin, or
 - Are produced by an Austin-based company, defined as a company which:
 - Has its headquarters and the majority of its employees based in the City of Austin.
 - Has produced at least two other creative content projects within the last ten years in Austin, or which has a senior executive or above the line producer or director who has done so.

CREATIVE CONTENT INCENTIVE PROGRAM PROPOSAL

- **Proposed incentive levels are based on revenues generated by each production (based on TXP, Inc. analysis):**
 - Every \$1 of local wages → \$0.0075 City revenue
 - Every \$1 of local wages → \$0.34 induced spending on wages→ Additional \$0.00255 City revenue
 - Primary City cost associated with productions is the provision of 2 peace officers for up to 15 days (\$16,800). This cost will be subtracted from projected revenues when calculating the incentive amount a project will be eligible for.
- **FY14 funding will come from dollars currently allocated to Economic Incentives Reserve Fund**
 - To sustain the program in future years, EDD will request an allocation from General Fund equal to 110% of the amount granted in the previous fiscal year
- **EDD is requesting authority to approve Creative Content Incentive Program grants below the City Manager's spending limit. EDD would seek Council approval for grants that exceed this limit.**

STAKEHOLDER OUTREACH

- **The Economic Development Department has reached out many film, television, and gaming stakeholders in the process of developing the Creative Content Incentive Program Proposal, including:**
 - Texas Film Commission
 - Austin Film Society
 - Austin Film Commission/Austin Convention and Visitors Bureau
 - Austin School of Film
 - Austin Chamber of Commerce
 - IATSE Local 484
 - El Rey Network/Troublemaker Studios
 - Warner Brothers Entertainment
 - International Game Developers Association- Austin Chapter
 - Spacetime Studios
 - Battlecry Studios
 - Certain Affinity
- **Thanks to all of the above for their input and feedback!**

THANK YOU!

