



MEMORANDUM

TO: Mayor Edwin Lee
Members, Board of Supervisors

FROM: Leah Fraimow-Wong & Lani Kent, Controller's Office
Susannah Greason Robbins, SF Film Office

CC: Ben Rosenfield, Controller

DATE: December 21, 2011

SUBJECT: Ordinance 205-11; Response from the Controller's Office and Film Office regarding the San Francisco Film Rebate Program

SUMMARY OF FINDINGS:

- Since the Film Rebate Program was created in 2006, eight productions have received rebates from the City totaling \$1.5 million. Together, these productions are estimated to have spent \$40 million locally.
- Rebated productions represent nine percent of all filming permitted by the San Francisco Film Office.
- The wages paid to San Francisco residents by rebated productions represent roughly three percent (\$12.5 million) of total wages in the San Francisco film production industry.
- Employment in the San Francisco film production industry overall has grown significantly since 2006; however, it is unlikely that the Film Rebate Program has played a central role in this growth.
- Filmmakers receiving rebates overwhelmingly report that the Film Rebate has been a key factor in choosing San Francisco as their production location.

METHODOLOGY:

We conducted this analysis to comply with Ordinance 205-11 which requires the San Francisco Film Office and the Controller's Office to report on the results and overall economic impact of the Film Rebate program. The primary data used to inform this analysis includes permitting information and other data collected by the San Francisco Film Office. The Controller's Office analyzed this data in the context of publicly available information from the Bureau of Labor Statistics and interviews with other local film offices, the California Film Commission, and the Office of Economic and Workforce Development. In a separate effort, the San Francisco Film Office gathered testimonials about the program from filmmakers whose productions have received rebates.

BACKGROUND:

The Film Rebate Program was created in 2006 in the context of declining employment in film production in San Francisco. In the preceding decade, a number of US states and countries such as Canada, Australia, and most EU nations began to offer generous incentives to film producers willing to film within their borders. These incentives took various forms, but most often provided tax credits on local spending ranging from 5 to 25 percent. Film production in California—which offered few incentives to film producers—became comparatively more

expensive and the state's share of the US film production market declined. By 2005, employment in San Francisco's film production industry had fallen by 29 percent from 2001 levels.

In 2006, the Scene in San Francisco Rebate Program was created to increase film production, local hiring and economic benefits to San Francisco. The program gives qualifying productions a dollar for dollar refund of: (a) fees or taxes paid into the City's general fund; (b) moneys paid to the City for use of City property, equipment, or employees, including additional police services; and (c) use fees for film production in the City. The program was originally appropriated \$1.8 million to be spent over three years. In 2009, the program was extended for three more years with a new allocation of \$1.8 million and the total rebate per production was capped at \$600,000.

To qualify for the rebate, a production must be a feature length film or television production (i.e. commercials are ineligible) and film primarily in San Francisco. Productions with budgets less than \$3 million must film 55 percent of their principal photography in San Francisco and productions with budgets greater than \$3 million must film 65 percent in San Francisco. In 2009, the Board of Supervisors added a requirement that productions show demonstrated efforts to hire vulnerable San Francisco residents through the First Source program.

In 2009, California created its own incentive program to contend with the domestic and global competition. It now offers a 20 to 25 percent tax credit on most in-state spending by qualified productions, with a cap of \$100 million annually through Fiscal Year (FY) 2013-14. Given the large volume of film productions in California, far more films apply for the credit than the annual \$100 million allocation can support. For example, this fiscal year, only about 29 productions will receive credits out of the 169 productions which applied, or roughly 17 percent. Participating in California's incentive program does not disqualify a production from receiving San Francisco's Film Rebate. However, compared to California's 20 to 25 percent Film Tax Credit, San Francisco's Rebate Program is significantly less generous, typically refunding about 3.5 percent of a production's local spending.

CONTROLLER'S OFFICE ASSESSMENT OF PERFORMANCE

1. The City has spent \$1.5 million on the Film Rebate Program since its inception in 2006, with the eight films receiving rebates having spent an estimated \$40 million in San Francisco.¹When a production films in San Francisco, it contributes to the local economy in two major ways: 1) it purchases local goods and services, such as set materials and construction services, hotel stays, food services and other supplies; and 2) it employs San Francisco residents on the production itself. Rebated productions have paid \$12.5 million in wages to San Francisco residents in 1,135 positions². The value of rebates awarded and local spending by rebated productions have varied widely from year to year, peaking in FY 2009-10 when a television series filmed a full season in the City. See Exhibit 2 below.

¹ The Film Office has historically collected data on production budgets and spending on local wages, but only began collecting data on other local expenditures in 2010. Local spending data was available for only four of the eight rebated films, which we used to estimate spending for the remaining productions. On average, rebate productions spend 34 percent of their total budget in San Francisco.

² These 1,135 positions include cast and crew positions, which are often short-term, lasting several weeks or months and paying \$10,026 in wages on average. Since 2006, 4922 San Francisco residents have been hired as background actors, however this positions are excluded from the 1,135 as these jobs often last only one or two days and the wages paid per background actor typically do not exceed \$200. Wages paid for all position types are included in wage and local spending calculations.

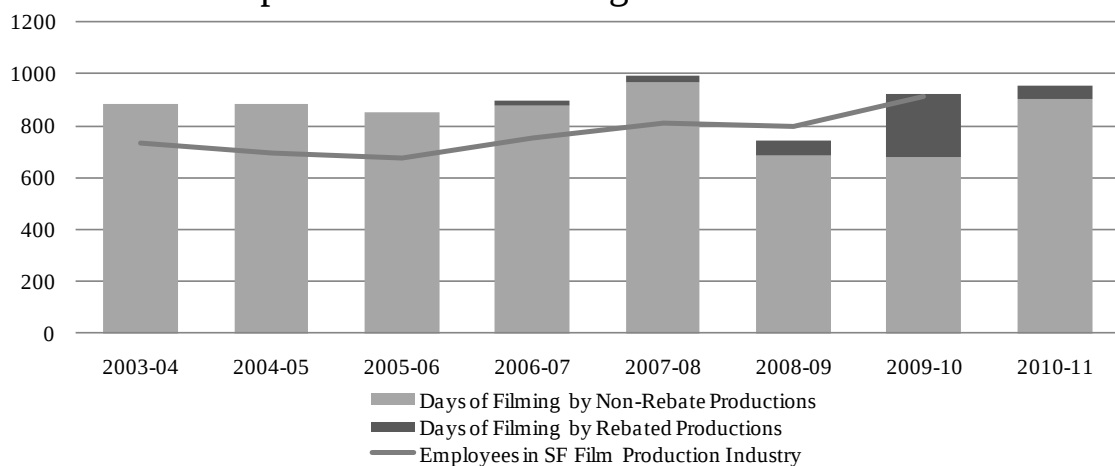
Exhibit 1. Rebates awarded & local spending by rebated films

Fiscal Year	Rebates Awarded	Total Value of Rebates Awarded	SF Residents Employed in Rebated Films*	Total SF Resident Wages Paid by Rebated Films	Estimated Total Local Spending by Rebated Films (including wages)
2006-07	1	\$ 42,151	47	\$ 61,004	\$ 311,711
2007-08	1	\$ 10,363	86	\$ 370,340	\$ 646,840
2008-09	2	\$ 160,685	436	\$ 6,775,923	\$ 10,371,312
2009-10	1	\$ 699,489	305	\$ 3,324,469	\$ 20,938,428
2010-11	3	\$ 606,283	261	\$ 1,924,187	\$ 8,217,025
Total	8	\$ 1,518,971	1135	\$ 12,455,923	\$ 40,485,316
Yearly Average	1.6	\$ 303,794	227	\$ 2,491,185	\$ 8,097,063

Source: San Francisco Film Office; *These 1,135 positions include cast and crew positions, which are often short-term, lasting several weeks or months and paying \$10,026 in wages on average. Since 2006, 4922 San Francisco residents have been hired as background actors, however this positions are excluded from the 1,135 as these jobs often last only one or two days and the wages paid per background actor typically do not exceed \$200. Wages paid for all position types are included in wage and local spending calculations.

2. Rebated film productions represent nine percent of total filming in the City and are responsible for roughly three percent of total wages paid to local residents employed in the film industry. The San Francisco Film Office reports 4,510 permitted days of shooting between FY 2006-07 and FY 2010-11, of which nine percent were by rebated films.³ This low percentage is partially due to the types of films eligible for the rebate—feature-length films and television productions comprise 26 percent of total shooting days and the rebate applies only to those productions that film the majority of their time in the City. Other filming not eligible for the rebate includes commercials, web productions, corporate and short films, all of which make up significant portions of the film production industry. See Exhibit 3 below.

Exhibit 2. Rebated film productions comprise a small portion of total filming in San Francisco

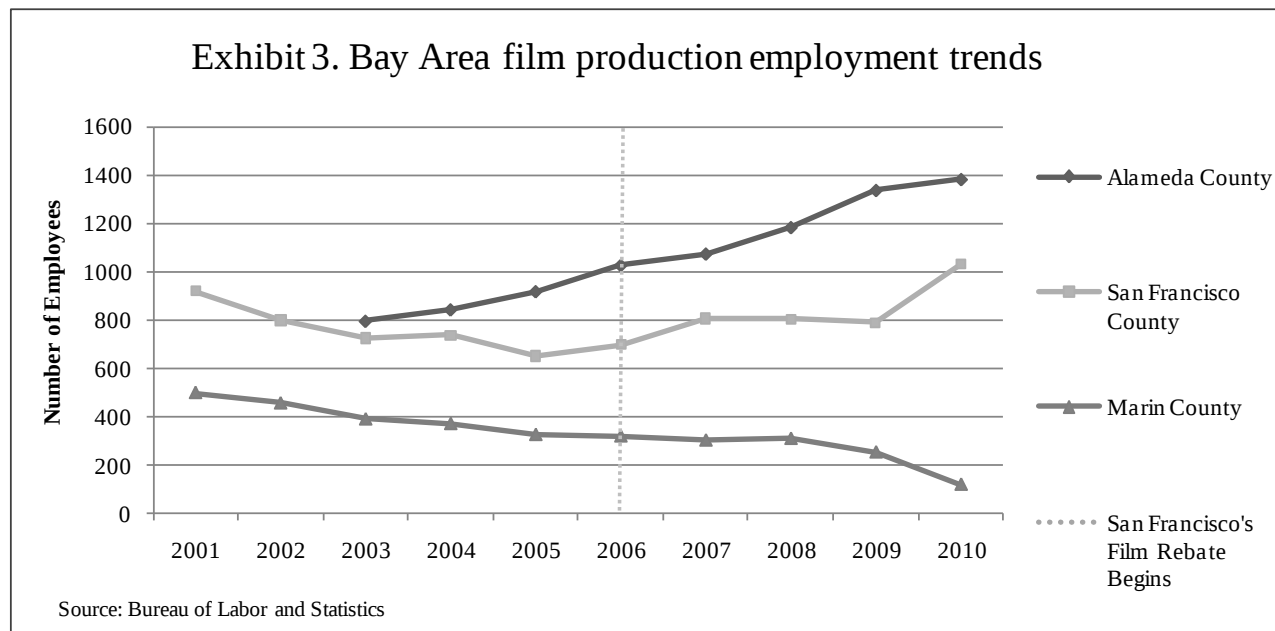


Source: Bureau of Labor Statistics and San Francisco Film Office

Wages paid to San Francisco residents by rebated productions also represent a relatively small portion of total wages in the City’s film production industry. The Bureau of Labor Statistics estimates that total wages paid to Motion and Video Production workers were \$418 million between 2006-2010. The \$12.5 million in wages paid to San Francisco residents by rebated productions represents just three percent of that total.⁴

3. The San Francisco Film Office has not collected the information needed to definitively determine whether the rebate program has increased or stalled the decrease of San Francisco-based film production. Specifically, the Film Office did not track the number of films that used San Francisco as their primary shooting location prior to 2006. Therefore, we cannot establish trends from pre-rebate years to determine whether the rebate program has attracted an increased number of productions. Additionally, the Film Office has historically collected little data regarding how much productions spend while filming in the City. However, new leadership in the Film Office is making significant strides to implement processes to collect more comprehensive information regarding film production in San Francisco.

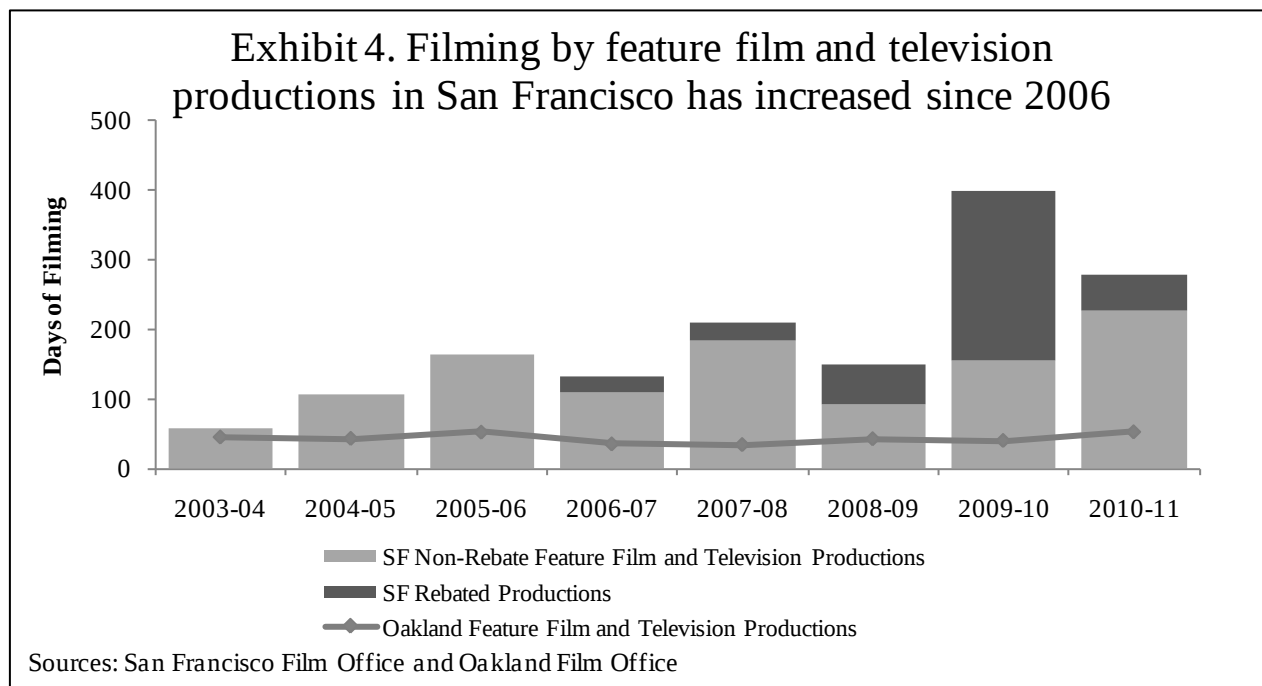
4. San Francisco film production employment has increased since the rebate program was created; however, it is unclear how much of this increase is attributable to the rebate program. Because wages paid by the rebated productions account for just three percent of total wages in the film production industry, it is unlikely that the Film Rebate has been the primary driver of this upward trend. Indeed, comparing production employment trends in Alameda County, which does not have an incentive program, shows that employment there has increased by similar amount since 2006. See Exhibit 4 below.



³ When it was possible to cross-check the data collected by the SF Film Office on the number of shooting days, the Controller’s Office found a number of errors. While this data is most likely indicative of overall trends, the numbers presented should be viewed as estimates rather than precise records.

⁴ Note that three percent is likely an overestimate because the Bureau of Labor Statistics “Motion Picture and Video Production” category does not include all the types of positions to which rebated productions might pay wages. Specifically, it does not include wages paid to employees in sound recording, independent artists, and other self-employed individuals. Including these occupations would increase the estimate of total wages in the film production industry, and thereby make the \$12.5 million paid in wages by rebated productions represent a smaller percentage of the total wages paid.

On the other hand, the quantity of filming by feature films and television productions has increased in San Francisco since 2006. Although it is unclear how much of this increase can be credited to the Film Rebate Program, trends in another Bay Area city suggest that San Francisco's Film Rebate Program may have marginally increased film production in the City. Oakland does not have an incentive program and had not seen an increase in filming. See Exhibit 5 below.



5. Since the First Source hiring requirement was added to the Film Rebate Program in 2009, films receiving rebates have paid \$36,406 in wages through 88 positions. It is important to note that these positions are often for a few days of work and are not typically full-time jobs. Films are not required to hire vulnerable San Francisco residents through the First Source program, only to show a good faith effort. Of the four productions receiving rebates since the First Source hiring requirement was added, three hired First Source applicants and one was excused because it was a low budget production which used many volunteer cast and crew. The majority of these employment opportunities have come through partnerships with the Treasure Island Homeless Development Initiative and the Treasure Island Job Corps.

FILM OFFICE INTERVIEWS WITH REBATE PRODUCTIONS

In interviews with the San Francisco Film Office, producers of films receiving rebates overwhelmingly stated that the Scene in San Francisco Rebate program has been the key factor in their choosing San Francisco as their production location. See the testimonials below:

“The NBC Television Pilot and Series *Trauma* would not have happened in San Francisco without the Rebate Program offered by the City. *Trauma* employed over 125 people every week for a year, at quality union wages, plus thousands of dollars spent every day with local vendors. Each episode of *Trauma* qualified for a \$30,000 to \$50,000 rebate from San Francisco. The series would have gone to another city without this type of support offered through the rebate program.” **Dean Jones, Co-Producer, Trauma**

“The San Francisco City rebate of \$600,000.00 was a key factor in our decision to bring the movie *Hemingway & Gellhorn* to the Bay area. Shooting in San Francisco wasn't necessarily an obvious choice for us, as the film is not set here. But the Scene in San Francisco rebate, coupled with the wonderful resources the city had to offer, (i.e. talented actor pool, experienced crew, and gorgeous "period-looking" locations) made it an easy sell to the studio.”

“The rebate, combined with the California State Tax Incentive, makes San Francisco a real draw for filming. It's particularly helpful for mid-size budgets where every dollar counts. When choosing between shooting locations, the extra \$600k really helps San Francisco to edge out the competition.” **Trish Hofmann, Executive Producer, Hemingway & Gellhorn**

“Had it not been for the rebate program and the amazing support of the SF Film Commission, we would likely have shot in LA and come to San Francisco for no more than 3-5 days. The program was key to our production coming to San Francisco for the full run of pre-production and principal photography, a total of 4 months.” **Catherine Davila, Producer, Knife Fight**

"The rebate program through the San Francisco Film Commission was a major factor in our deciding to locate our production in The City. In particular, the rebate helped to off-set the payroll tax, putting San Francisco on better footing to compete with the other Bay Area locations we considered. This program, along with the other services provided by the (always helpful) SF Film Commission, was a key motivator in our choosing San Francisco." **Mark Miller, Producer, Untitled Henry Selick Project for Disney**

“Low budget independent films like ours have to count every penny when considering a location. Before the rebate program was in full effect, we were thinking of shooting *La Mission* in New Mexico, a place where it's much more affordable to work. After meeting with a very supportive SF Film Office and learning about the rebate program, we decided we couldn't make our film anywhere else. Making it a priority to lower production costs for big and small productions alike inherently tells indie filmmakers that their stories are just as important as the ones being told by the big studios. As a native San Franciscan, I'd like to think that that's something we'd be proud to claim and foster.” **Peter Bratt, Director, La Mission (Mission Rhapsody)**

ATTACHMENTS

Film statistics by production								
Production	Year	Shooting Days	Cast and Crew Positions		Background Actor Positions		Estimated Total Local Spending	Rebate Awarded
			Positions Held by SF Residents	Wages Paid to SF Residents	Positions Held by SF Residents	Wages Paid to SF Residents		
A	2006-07	23	47	\$ 60,736	1	\$ 268	\$ 311,711	\$ 42,151
B	2007-08	25	86	\$ 355,136	37	\$ 15,204	\$ 646,840	\$ 10,363
C	2008-09	39	188	\$ 4,372,822	2688	\$ 508,111	\$ 7,668,653	\$ 99,215
D	2008-09	19	248	\$ 1,758,535	243	\$ 136,455	\$ 2,702,659	\$ 61,470
E	2009-10	243	305	\$ 3,036,601	1182	\$ 287,868	\$ 20,938,428	\$ 699,489
F	2010-11	10	38	\$ 113,571	0	\$ -	\$ 155,664	\$ 10,045
G	2010-11	36	118	\$ 1,527,127	748	\$ 87,583	\$ 7,618,629	\$ 550,715
H	2010-11	17	105	\$ 192,124	23	\$ 3,782	\$ 442,732	\$ 45,523
Total	NA	412	1135	\$ 11,416,652	4922	\$ 1,039,271	\$ 40,485,317	\$ 1,518,971

In 2011, the San Francisco Film Office greatly expanded its efforts to collect data on local spending by rebated films. The following is an example of the information the Film Office now requires all rebated films to report:

Example of local spending information collected for a film in FY 2010-11		
Type of Spending	Local Spending	Quantity (if applicable)
Hotels	\$204,600	1320 hotel days
Car rental	\$40,000	1600 car rental days
Catering, bakery & other food items	\$184,221	
Hardware and Lumber Supplies	\$719,196	
Office Supplies (copy machine, phones, etc.)	\$74,059	
Wardrobe Purchases	\$327,290	
Dry Cleaning	\$12,027	
Gasoline	\$162,357	
Location Fees	\$319,097	
Security	\$143,455	
Per Diem Payments	\$154,508	
Vendors	\$2,375,000	
Equipment Rentals	\$1,250,692	
Other Purchases	\$125,000	
<i>Total Local Non-Salary Expenditures</i>	<i>\$6,091,502</i>	
Local SF Cast and Crew	\$1,071,767	95 SF residents hired
Local SF Background Actors	\$87,583	748 SF residents hired
First Source Hiring Program Employees	\$0	
<i>Total Local Salary Expenditures</i>	<i>\$1,527,127</i>	
Total Local Spending in San Francisco	\$7,618,629	