




MEMORANDUM

TO: Mayor Edwin Lee
Members, Board of Supervisors

FROM: Deric Licko, Controller's Office
Susannah Greason Robbins, San Francisco Film Commission

CC: Ben Rosenfield, Controller 

DATE: December 31, 2013

SUBJECT: Report from the Controller's Office and Film Commission Regarding the Results of the San Francisco Film Rebate Program

AUTHORITY:

San Francisco Administrative Code Section 57.8(e)(2) requires the San Francisco Film Commission and the Controller's Office to submit a report to the Board of Supervisors on the current results of the Film Rebate Program, addressing the objectives of the program.

SUMMARY OF FINDINGS:

- The total amount of rebates authorized under the Film Rebate Program through FY 2014-15 is \$4.8 million, with \$3.2 million appropriated and \$2.5 million in rebates awarded through December 2013.
- Approximately \$720,000 is currently available for rebates, with another \$1.6 million allocated that could be made available through annual appropriation.
- Since the Film Rebate Program was created in 2006, the 17 productions that have received rebates from the City are estimated to have collectively spent \$44.2 million locally, including \$14.1 million in wages paid to San Francisco residents.
- Rebated productions represent nine percent of all filming permitted by the San Francisco Film Commission from FY 2006-07 through December 2013, and wages paid to San Francisco residents by rebated productions represent only two percent of total wages in the San Francisco film production industry, thus rebated productions represent only a small portion of the economic impact of film production in San Francisco.
- While employment in the San Francisco film production industry has grown since 2006, it is unclear what effect the Film Rebate Program has had in this growth.
- Filmmakers receiving rebates report that the Film Rebate Program has been a key factor in choosing San Francisco as their production location.

BACKGROUND:

In 2006, the “Scene in San Francisco” Film Rebate Program was created to increase the number of film productions in San Francisco, increase the number of San Francisco residents employed in the filmmaking industry, and encourage the resulting economic benefits of increased local film production. At that time, the industry was experiencing 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.

The Film Rebate 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. In 2006, \$1.8 million was allocated to be spent over three years, subject to annual appropriation. In 2009, the program was extended for three more years through June 30, 2012 and the total rebate per production was capped at \$600,000. In May 2012, the program was extended for another two years, through June 30, 2014, with a new allocation of \$2 million subject to annual appropriation. In November 2013 the program was extended for another year, through June 30, 2015, with an additional allocation of \$1 million subject to annual appropriation. Of the \$3.2 million appropriated for the program to date, approximately \$720,000 is currently available for rebates. Refer to Exhibit 1 below.

Exhibit 1. Film Rebate Program allocations, appropriations and rebates			
Fiscal Year	Amount Allocated by Ordinance	Amount Appropriated	Total Value of Rebates Awarded
2006-07	\$ 1,800,000	\$ 600,000	\$ 42,151
2007-08		\$ 600,000	\$ 10,364
2008-09		\$ 200,000	\$ 160,650
2008-09 ^a		\$ (1,051,588)	\$ -
2009-10		\$ 400,000	\$ 699,489
2010-11		\$ 400,000	\$ 550,715
2011-12	\$ 2,000,000	\$ 651,588	\$ 76,416
2012-13		\$ 700,000	\$ 231,025
2013-14 ^b	\$ 1,000,000	\$ 700,000	\$ 708,668
Total	\$ 4,800,000	\$ 3,200,000	\$ 2,479,478

a. Decreased appropriation transferred back to the General Fund.

b. Value of rebates awarded through December 2013. Includes estimated rebate amount of approximately \$550,000 for one production completed in 2013 with rebate anticipated in early January 2014.

Source: San Francisco Film Commission.

To qualify for the rebate, a production must be a feature length film, documentary, web series or television production (i.e. commercials are ineligible) and film primarily in San Francisco. Productions with budgets less than \$3 million must expend at least 55 percent of their principal photography days in San Francisco, and productions with budgets greater than \$3 million must film at least 65 percent of their principal photography days 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 September 2012, the Board of Supervisors voted to include unscripted television episodes (reality) and feature length documentaries in the types of productions eligible to apply for the rebate. Legislation approved in 2013 clarified the definition of productions that qualify for the rebate program and the definition of qualified production cost, and included a new section related to the authority to lease private property for use during film production.

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 FY 2013-14. According to the Film Commission, 45 states and Puerto Rico currently offer motion picture incentives of up to 35 percent, and 32 foreign jurisdictions also offer generous film incentives, including tax credits, rebates and exemptions. Participating in California's incentive program does not disqualify a production from receiving a rebate through San Francisco's Film Rebate Program, which typically refunds about 3.5 percent of a production's local spending.

METHODOLOGY:

The data used for this analysis and report includes permitting, rebate, local expenditure, filming days, local hire, and other data collected by the San Francisco Film Commission. The Controller's Office analyzed this data in the context of publicly available information from the Bureau of Labor Statistics and data from the Oakland Film Office. The San Francisco Film Commission also gathered testimonials about the program from filmmakers whose productions have received rebates.

CONTROLLER'S OFFICE REPORT ON PERFORMANCE

1. Rebate amounts, local hiring and local spending:

The City has spent approximately \$2.5 million on rebates to qualified productions under the Film Rebate Program since its inception in 2006 through December 2013, with the 17 productions receiving rebates having spent approximately \$44.2 million while shooting in San Francisco. This translates to approximately \$18 of local spending for every dollar of rebate provided. A total of \$3.2 million of the \$4.8 million authorized has been appropriated to date, resulting in approximately \$720,000 currently available for rebates, with an additional \$1.6 million that could be appropriated through June 30, 2015 if necessary.

Through FY 2012-13, average annual local spending by rebated productions is approximately \$5.8 million. 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. Production in the first half of FY 2013-14 is strong, with six productions receiving over \$700,000 in rebates and generating approximately \$3.6 million in local spending through December 2013. Refer to Exhibit 2 below. Refer to Attachment A for a list of rebated productions since implementation of the Film Rebate Program.

Rebated productions have paid approximately \$14.1 million in total wages to San Francisco residents through December 2013. The wage total includes 1,441 regular cast and crew positions as well as background actor positions and individuals hired through the First Source Hiring Program (FSHP). Rebated productions in the first half of FY 2013-14 have provided 179 regular cast and crew positions to San Francisco residents, with approximately \$861,000 in local wages. Refer to Exhibit 2 below.

The FSHP requirement was added to the Film Rebate Program in 2009, and productions receiving rebates have paid \$53,107 in wages to 144 positions from 2009 through 201. It is important to note that these positions are often for a few days of work and are not typically full-time jobs, and that productions are not required to hire through FSHP, only to show a good faith effort.

Since the FSHP requirement was added, three out of four rebated productions through FY 2011-12 hired First Source applicants and one was excused because it was a low budget production which used many volunteer cast and crew; since 2011-12, only three of the nine rebated productions hired First Source applicants. According to the Film Commission, in the past, production companies have typically hired First Source applicants as security personnel. The majority of these employment opportunities have come through partnerships with the Treasure Island Homeless Development Initiative and the Treasure Island Job Corps. Since early 2013, however, new resources available for First Source hires with film production experience has translated into more production assistant positions being offered, and more satisfaction from the productions using FSHP employees.

Exhibit 2. Rebates awarded, local spending , and employment by rebated productions

Fiscal Year	Total Feature Film and TV Series Productions	Rebated Productions	Total Value of Rebates Awarded	Estimated Total Local Spending by Rebated Productions (including wages) ^a	SF Residents Employed in Rebated Productions ^b	Total SF Resident Wages Paid by Rebated Productions	First Source Hires Employed in Rebated Productions ^c	Total First Source Wages Paid by Rebated Productions
2006-07	68	1	\$ 42,151	\$ 311,711	47	\$ 61,004	N/a	\$ -
2007-08	96	1	\$ 10,364	\$ 646,840	86	\$ 370,341	N/a	\$ -
2008-09	71	2	\$ 160,650	\$ 10,371,312	436	\$ 6,775,512	N/a	\$ -
2009-10	81	1	\$ 699,489	\$ 20,938,428	305	\$ 3,324,469	32	\$ 20,638
2010-11	83	1	\$ 550,715	\$ 6,091,502	118	\$ 1,614,710	2	\$ -
2011-12	92	2	\$ 76,416	\$ 305,441	143	\$ 292,955	54	\$ 12,740
2012-13	101	3	\$ 231,025	\$ 1,938,979	127	\$ 762,395	52	\$ 11,234
2013-14 ^d	44	6	\$ 708,668	\$ 3,559,880	179	\$ 861,060	4	\$ 8,496
Total	636	17	\$ 2,479,478	\$ 44,164,094	1,441	\$ 14,062,446	144	\$ 53,107
Annual Average^e	85	1.6	\$ 252,973	\$ 5,800,602	180	\$ 1,885,912	20	\$ 6,373

a. The Film Commission has collected data on production budgets and spending on local wages since 2006, but only began collecting data on other local expenditures in 2010. Local spending data was used to estimate spending for the rebated productions before 2010.

b. These positions are regular cast and crew positions, which typically last several weeks or months, but do not include background actor positions, 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 totals.

c. The First Source hiring requirement was implemented in 2009. First Source wage amounts are included in wage and local spending totals.

d. Through December 2013. Includes local spending, rebate, employment, and wage amounts for one production completed in 2013 with rebate anticipated in early January 2014.

e. Through FY 2012-13, as FY 2013-14 is a partial year and the number of productions in the first 6 months may not be representative of the annual total.

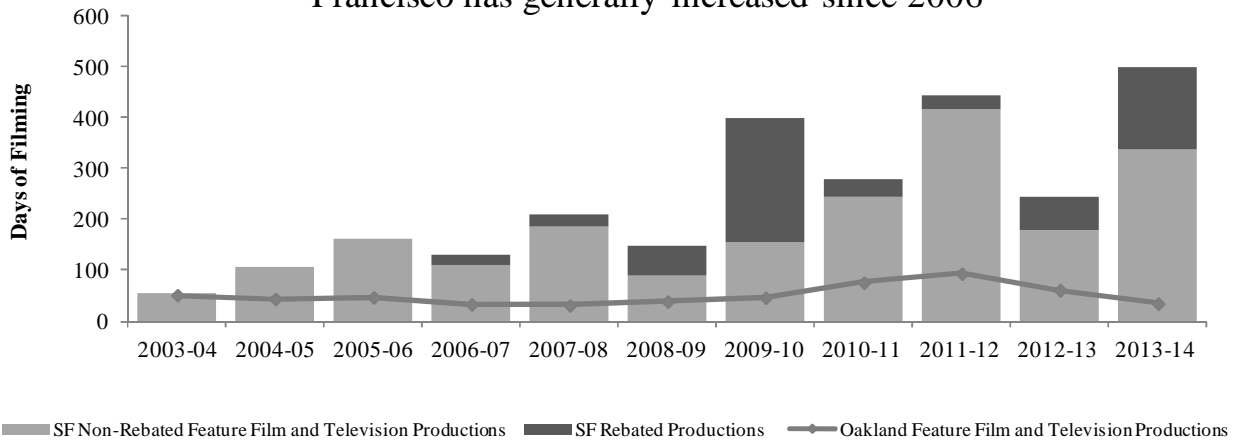
Source: San Francisco Film Commission.

2. Film productions, permitted shooting days, and film industry employment:

The quantity of filming by feature film 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. The share of filming days by rebated productions is inconsistent, although it has increased in the past two fiscal years. Also, trends in Oakland suggest that while San Francisco's Film Rebate Program may have increased film production in the City, Oakland does not have an incentive program and experienced an increase in filming through FY 2011-12 before declining in the past two years. Thus, filming days may be related to other factors. Refer to Exhibit 3 below.

The Film Commission reports 7,224 total permitted days of shooting in San Francisco between FY 2006-07 and December 2013, with 637 (8.8 percent) by rebated productions. This low percentage is partially due to the types of productions eligible for the rebate—feature-length films and television productions comprise 29 percent of total shooting days from FY 2006-07 through December 2013, and the rebate applies only to those production types that film the majority of their shooting days in the City. Other productions not eligible for the rebate include commercials, still photo shoots, web productions, and corporate and short films, all of which make up significant portions of the local film production industry.

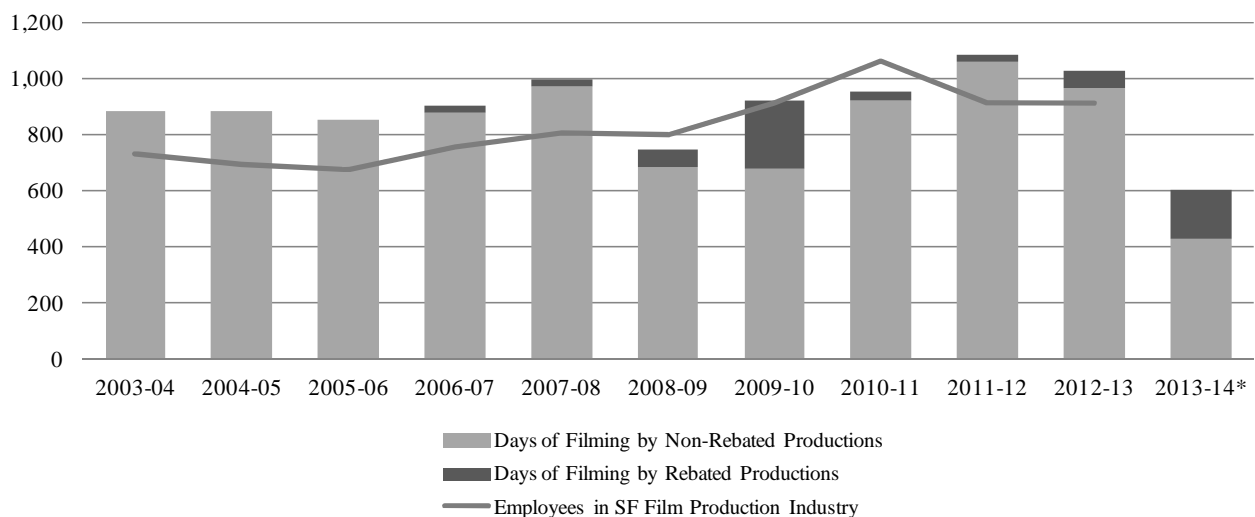
Exhibit 3. Filming of feature film and television productions in San Francisco has generally increased since 2006



Source: San Francisco Film Commission and Oakland Film Office.

According to Bureau of Labor Statistics (BLS) employment data and Film Commission data on shooting days, San Francisco employment in motion picture and video production industries has generally increased along with an increasing number of filming days in San Francisco. The first half of FY 2013-14 has been especially strong. Refer to Exhibit 4 below.

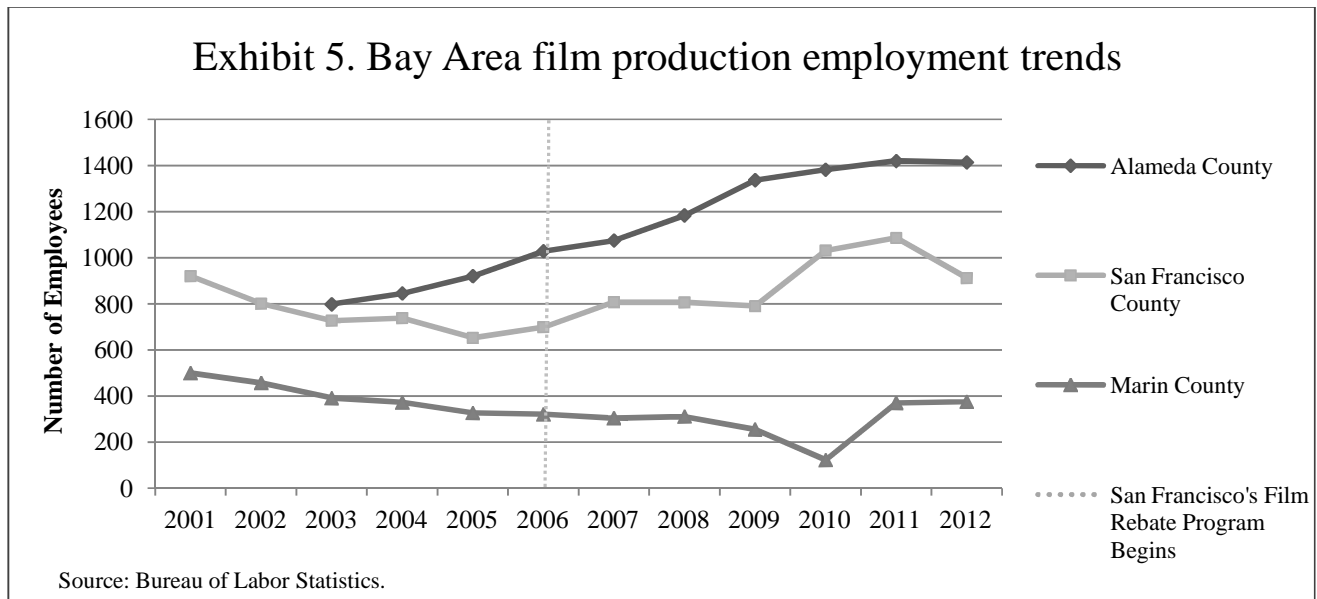
Exhibit 4. Rebated productions comprise a small portion of total filming in San Francisco



* Through December 2013.

Source: Bureau of Labor Statistics and San Francisco Film Commission.

According to BLS data, San Francisco and Bay Area film production employment has generally increased since the rebate program was created (with a decline in 2012). However, comparing San Francisco production employment trends with Alameda County, which does not have an incentive program, shows that employment there has increased similarly since 2006, and without the decline in 2012. Thus, it is not clear whether it is the Film Rebate Program or other factors (or a combination) that account for the increase in San Francisco film production employment. Refer to Exhibit 5 below for film production employment trends.



3. Economic impact:

When a production films in San Francisco, it contributes to the local economy in two major ways: 1) purchases of local goods and services, such as set materials and other supplies, construction services, food services, hotel rooms, restaurant meals, and entertainment; and 2) employing San Francisco residents on the production, which provides local residents with additional income to spend on local goods and services. This spending by film productions produces secondary spillover or multiplier effects in the local economy, much like a growth in tourism or technology exports.

Economic expansion also generates new tax revenue for the City, as new spending leads to new sales tax revenue, and new employment leads to new payroll tax revenue.¹ Wages paid to San Francisco residents by rebated productions, however, represent a relatively small portion of total wages in the City's film production industry. According to BLS data for San Francisco, total wages paid to motion and video production workers were \$703.6 million between 2006 and 2012. The \$13.0 million in wages paid to San Francisco residents by rebated

¹ Eliminating the Total Tax Cap on Film Rebates – Economic Impact Report, 2008. San Francisco Controller's Office of Economic Analysis.

productions during this time represents two percent of that total.² Therefore, an increase in overall shooting days in San Francisco provides additional economic benefit beyond the wages paid to rebated productions. The Film Rebate Program has not only been beneficial to the production companies, but to the local crew and background extras who are employed by these productions. Productions which have used the Film Rebate Program generally have hired San Francisco and Bay Area locals for production crew and background extras.

The Film Commission collected little data prior to implementation of the Film Rebate Program regarding how much money productions spend while filming in the City. In order to better determine exactly which sectors of the San Francisco economy benefit from film productions, the Film Commission in 2010 improved its processes to collect more comprehensive information regarding film production in San Francisco. Refer to Attachment B for an example of the required local expenditure reporting. Similarly, although the number of shooting days has generally increased since the rebate program was implemented, and is on pace to exceed prior year totals in FY 2013-14, the Film Commission does not have data on the number of films that used San Francisco as their primary shooting location prior to 2006 to make a comparison. Even if such a comparison with current data could be made, however, determining whether it was the Film Rebate Program or other economic factors that affected the number of film productions would be difficult to demonstrate.

San Francisco film production employment has generally increased since the rebate program was created, and rebated productions are clearly resulting in local spending and local hiring, which boost the San Francisco economy. It is unclear, however, to what extent this increase is attributable to the Film Rebate Program. Because wages paid by the rebated productions account for just two percent of total wages in the film production industry in San Francisco, it is unlikely that the Film Rebate Program has been the primary driver of this upward trend. Nevertheless, according to the Film Commission, the Film Rebate Program has resulted in additional shooting days, which in turn results in additional local spending, and is necessary to prevent film production companies from choosing other large city locations where more lucrative state tax credits exist.³ The program helps enable productions to base in San Francisco by lowering the cost of filming in the City, which allows some productions to shoot their entire time in San Francisco rather than shoot just a few days of location shots.⁴ Refer to Attachment C for testimonials from producers of rebated films regarding the importance of the Film Rebate Program in their decision to choose San Francisco.

² Including productions in FY 2012-13 completed in calendar year 2012. Note that two percent is likely an overestimate because the BLS “Motion Picture and Video Production” category (NAICS Code 512110) 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 \$13.0 million paid in wages by rebated productions represent a smaller percentage of the total wages paid.

³ New York offers a 30-35 percent tax credit; Louisiana and Georgia offer a 30 percent tax credit.

⁴ According to the San Francisco Film Commission, *Dawn of the Planet of the Apes* was shot primarily in Louisiana and only four days in San Francisco, although the entire film takes place in the Bay Area, mainly San Francisco.

ATTACHMENT A

List of rebated productions by fiscal year:

Statistics by Rebated Production								
Production	Year	Shooting Days	Estimated Total Local Spending ^a	Rebate Awarded	SF Residents Employed in Rebated Productions ^b	Total SF Resident Wages Paid by Rebated Productions	First Source Hires Employed in Rebated Productions ^c	Total First Source Wages Paid by Rebated Productions
A	2006-07	23	\$ 311,711	\$ 42,151	47	\$ 61,004	N/a	\$ -
B	2007-08	25	\$ 646,840	\$ 10,364	86	\$ 370,341	N/a	\$ -
C	2008-09	39	\$ 7,668,653	\$ 99,180	188	\$ 4,880,933	N/a	\$ -
D	2008-09	19	\$ 2,702,659	\$ 61,470	248	\$ 1,894,579	0	\$ -
E	2009-10	243	\$ 20,938,428	\$ 699,489	305	\$ 3,324,469	32	\$ 20,638
F	2010-11	36	\$ 6,091,502	\$ 550,715	118	\$ 1,614,710	2	\$ -
G	2011-12	10	\$ 42,093	\$ 10,045	38	\$ 113,571	0	\$ -
H	2011-12	17	\$ 263,348	\$ 45,523	105	\$ 179,384	54	\$ 12,740
I	2012-13	33	\$ 1,366,506	\$ 164,136	64	\$ 538,969	50	\$ 10,335
J	2012-13	7	\$ 474,067	\$ 65,271	29	\$ 166,157	2	\$ 899
K	2012-13	25	\$ 98,406	\$ 1,618	34	\$ 57,269	0	\$ -
L	2013-14	16	\$ 42,763	\$ 2,575	18	\$ 17,360	0	\$ -
M	2013-14	15	\$ 30,379	\$ 8,860	33	\$ 14,734	0	\$ -
N	2013-14	3	\$ 67,863	\$ 5,643	4	\$ 2,050	0	\$ -
O	2013-14	29	\$ 758,209	\$ 87,236	36	\$ 154,217	0	\$ -
P ^d	2013-14	37	\$ 1,700,906	\$ 553,276	67	\$ 645,118	4	\$ 8,496
Q	2013-14	76	\$ 959,760	\$ 51,078	21	\$ 27,582	0	\$ -
Total		653	\$ 44,164,094	\$ 2,479,478	1441	\$ 14,062,446	144	\$ 53,107

a. The Film Commission has collected data on production budgets and spending on local wages since 2006, but only began collecting data on other local expenditures in 2010. Local spending data was used to estimate spending for the rebated productions before 2010.

b. These positions are regular cast and crew positions, which typically last several weeks or months, but do not include background actor positions, 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 totals.

c. The First Source hiring requirement was implemented in 2009. First Source wage amounts are included in wage and local spending totals.

d. Estimated local spending, rebate, resident employment, and wage amounts. Rebate anticipated early January 2014.

Source: San Francisco Film Commission.

ATTACHMENT B

In 2010, the San Francisco Film Commission expanded its efforts to collect detailed data on local spending by rebated productions. The following is an example of the information the Film Commission now requires all rebated productions to report:

San Francisco Film Commission Film Rebate Program Local Expenditures Report

PROJECT TITLE:

WOODY ALLEN SUMMER PROJECT 2012

Please indicate the amount spent by the production in the City and County of San Francisco in the following categories.

Spending Type			Total Spent
1	Hotels	Room Days: <u>399</u>	<u>83,767.00</u>
2	Car Rental	Rental Days: <u>982</u>	<u>46,915.00</u>
3	Catering, Bakery Goods & Other Food Items		<u>115,584.00</u>
4	Hardware and Lumber Supplies		<u>5,154.00</u>
5	Office Supplies (copy machine, phones, etc)		<u>10,749.00</u>
6	Wardrobe Purchases		<u>1,204.00</u>
7	Dry Cleaning		<u>0.00</u>
8	Gasoline		<u>32,827.00</u>
9	Location Fees		<u>188,922.00</u>
10	Security		<u>73,475.00</u>
11	Per Diem Payments		<u>38,623.00</u>
12	Vendors		<u>0.00</u>
13	Equipment Rentals		<u>102,520.00</u>
14	Hotel Tax Paid		<u>11,309.00</u>
15	Local Sales Tax Paid		<u>116,488.00</u>
16	Other Purchases		<u>0.00</u>

TOTAL: **\$827,537.00**

ATTACHMENT C

Producers of rebated films state that the Scene in San Francisco Film Rebate Program has been a key factor in choosing San Francisco as their production location:

“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 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**

“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. 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. **Peter Bratt, Director, La Mission (Mission Rhapsody)**

"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**

"The San Francisco tax incentive has done a lot to open up production possibilities in SF. The incentive has made a big difference in helping our production shoot and hire locally in San Francisco. Thanks to the Film Office for their attention and help to our production." **Producers of Quitters**