

File No. 130937

Committee Item No. 1  
Board Item No. \_\_\_\_\_

**COMMITTEE/BOARD OF SUPERVISORS**  
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 10/30/2013

Board of Supervisors Meeting

Date: \_\_\_\_\_

**Cmte Board**

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report        |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Youth Commission Report                      |
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Completed by: Victor Young Date October 25, 2013

Completed by: Victor Young Date \_\_\_\_\_

1 [Administrative Code - Film Production Daily Use Fees; Film Rebate Program]

2  
3 **Ordinance amending the Administrative Code to reduce the daily use fee for film**  
4 **productions with budgets less than \$100,000 from \$100 per day to \$50 per day;**  
5 **expand the definition of film productions and low-budget film productions eligible for**  
6 **the Film Rebate Program to include episodes of a web series; and extend the Film**  
7 **Rebate Program expiration date from June 30, 2014, to June 30, 2015, and**  
8 **correspondingly increase the current funding cap from \$2,000,000 to \$3,000,000**  
9 **subject to annual appropriation; and making environmental findings.**

10 **NOTE:** **Unchanged Code text and uncodified text** are in plain Arial font.  
11 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
12 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.  
13 **Board amendment additions** are in double-underlined Arial font.  
14 **Board amendment deletions** are in ~~strikethrough Arial font~~.  
15 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
16 subsections or parts of tables.

17 Be it ordained by the People of the City and County of San Francisco:

18 Section 1. Findings.

19 The Planning Department has determined that the actions contemplated in this  
20 ordinance comply with the California Environmental Quality Act (California Public Resources  
21 Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of  
22 Supervisors in File No. 130937 and is incorporated herein by reference.

23 Section 2. The Administrative Code is hereby amended by revising Section 57.5 and  
24 57.8, to read as follows:

1           **SEC. 57.5. AUTHORIZATION TO ENTER INTO USE CONTRACTS AND**  
2 **COORDINATE CITY DEPARTMENTS REGARDING FILM COMPANIES; CONSENT OF**  
3 **RELEVANT DEPARTMENTS; COST RECOVERY; SIDEWALK CLOSURE AND POSTING.**

4           (a) Use Contracts; Deposit of Funds. The Executive Director may enter into use  
5 contracts with organizations seeking to engage in film production. The Executive Director  
6 shall be the sole City representative authorized to negotiate use contracts. Such contracts  
7 shall, at a minimum, provide for the full recovery of costs incurred by the various City  
8 departments in providing the use of City employees, equipment and rental facilities or rental  
9 properties. Funds to reimburse City departments for costs incurred by those departments for  
10 the deployment of personnel or equipment or use of rental facilities or rental properties shall  
11 be paid directly to those departments for deposit subject to the budget and fiscal provisions of  
12 the Charter.

13           (b) Consent of Departments or Mayor. Where film production is to take place on  
14 property under the jurisdiction of City departments, the Executive Director's permission to use  
15 such property is subject to the consent of the department head or his or her designee or the  
16 Mayor or Mayor's designee.

17           (c) Schedule of Costs. In addition to the reimbursement of City departments for the  
18 costs incurred by those departments in deploying personnel or equipment, the Film  
19 Commission may, consistent with Charter Section 2.109, charge daily use fees to film  
20 companies seeking to engage in film production. ~~Until a new schedule of use fees is approved by~~  
21 ~~the Board of Supervisors, the use fees effective January 1, 2012~~ are as follows:

22                   (1) Still photography: \$100 a day;

23                   (2) A commercial, corporate media, industrial media, video, short subject, or  
24 web video: \$200 a day;

25                   (3) A television series, movie, pilot, or documentary:

1                    (A) For a production with a budget of less than \$100,000: \$50 a day.

2                    (AB) For a production with a budget of \$100,000 to less than \$500,000:  
3                    \$100 a day.

4                    (BC) For a production with a budget of \$500,000 or greater: \$300 a day.

5                    Public service announcements, qualifying student productions, and productions created  
6                    by entities that are tax-exempt under section 501(c)(3) of the Internal Revenue Code are  
7                    exempt from the above-listed use fees. The revenue generated by such use fees shall be  
8                    deposited in the San Francisco Film Production Fund.

9                    (d) Sidewalk Closures and Sign-Posting. The Film Commission may require that film  
10                    companies use City personnel or City-approved vendors to post notice of the closure of City  
11                    streets and sidewalks for film production, and may establish minimum sign-posting  
12                    requirements. Notwithstanding anything to the contrary in Section 724 of the Public Works  
13                    Code, the Executive Director may authorize the temporary occupancy of public sidewalks for  
14                    film production, with the consent of the Department of Public Works, subject to all  
15                    requirements and conditions of the Department of Public Works and Department of Parking  
16                    and Traffic. Street closures for film production shall be governed by applicable provisions of  
17                    the Traffic Code.

18  
19                    **SEC. 57.8. FILM REBATE PROGRAM.**

20                    (a) Purpose. The purpose of the Film Rebate Program is to increase the number of  
21                    qualified film productions being made in San Francisco, increase the number of City residents  
22                    employed in the filmmaking industry, and encourage the resulting economic benefits to  
23                    increased filmmaking in San Francisco.

24                    (b) Definitions. As used in this Section, the following terms shall have the following  
25                    meanings:

1 "Principal photography" means the time period and phase of film production during  
2 which the main photography occurs.

3 "Qualified film production" means a feature-length film, documentary film, docudrama  
4 film, television film, television pilot, "reality" program or each episode of a television series or  
5 web series, regardless of the medium used to create or convey it, that is created by a film or  
6 production company that expends at least 65 percent of the total principal photography days  
7 exclusively in the City. "Qualified film production" shall not include:

8 (1) a news or current affairs program, interview or talk program, instructional  
9 film or program, film or program consisting primarily of stock footage, sporting event or  
10 sporting program, game show, award ceremony, film or program intended primarily for  
11 industrial, corporate or institutional end-users, fundraising film or program, commercials, or  
12 music videos; or

13 (2) a production for which records are required under Title 18 United States  
14 Code Section 2257, to be maintained with respect to any performer in such production.

15 "Qualified low-budget film production" means a feature-length film, documentary film,  
16 docudrama film, television film, television pilot, "reality" program or each episode of a  
17 television series or web series, regardless of the medium used to create or convey it, that is  
18 produced by a film or production company that expends at least 55 percent of the total  
19 principal photography days exclusively in the City and has a total budget of no more than  
20 \$3,000,000. "Qualified low-budget film production" shall not include:

21 (1) a news or current affairs program, interview or talk program, instructional  
22 film or program, film or program consisting primarily of stock footage, sporting event or  
23 sporting program, game show, award ceremony, film or program intended primarily for  
24 industrial, corporate or institutional end-users, fundraising film or program, commercials, or  
25 music videos; or

1 (2) a production for which records are required under Title 18 United States  
2 Code Section 2257, to be maintained with respect to any performer in such production.

3 "Qualified production cost," means the following expenses of a qualified low-budget film  
4 production or a qualified film production:

5 (1) Any taxes, with the exception of hotel or sales taxes, paid to the City, or any  
6 of its constituent departments, the proceeds of which are placed in the general fund;

7 (2) Any moneys paid to the City, or any of its constituent departments, for the  
8 use of City property, equipment, or employees other than police services as described in  
9 Chapter 10B of this Administrative Code except as authorized in subsection (5) below;

10 (3) Any moneys paid to the City, or any of its constituent departments, for the  
11 use of property leased by the City;

12 (4) Any daily use fees charged by the Film Commission, pursuant to Section  
13 57.5 of the Administrative Code, to engage in film production in the City; and

14 (5) Police services as described in Chapter 10B of this Administrative Code,  
15 provided that such services do not exceed 4 Police Officers per day for a total of 12 hours  
16 maximum per day per officer.

17 (c) Rebate Program.

18 (1) Allowance of Rebate. A qualified low-budget film production or qualified film  
19 production that pays qualified production costs shall be entitled to a rebate, to be calculated  
20 as provided herein, provided that the qualified production has entered into a first source hiring  
21 agreement with the City that demonstrates good faith efforts to hire economically  
22 disadvantaged individuals referred by the San Francisco Workforce Development System to  
23 work for the qualified production. Good faith efforts shall include, at a minimum, consulting  
24 with the FSHA for the purpose of preparing a list of positions for which individuals referred by  
25 the City might qualify, providing that list to the FSHA at least two weeks prior to the first day of

1 shooting, and documenting efforts to contact and interview job candidates referred by the City  
2 to fill the positions listed.

3 (2) Amount of Rebate. Effective July 1, 2012, the City shall pay one dollar for  
4 each dollar the qualified low budget film production or qualified film production paid in qualified  
5 production costs not to exceed \$23 million dollars by June 30, 2014<sup>5</sup>, subject to annual  
6 appropriation. The rebate shall be paid from the project account that the Controller has set  
7 aside for Film Rebate Program funds (the "Film Rebate Project Account"). In no event shall  
8 the amount of any rebate paid for a single production after April 1, 2009 exceed \$600,000.00.  
9 The rebate shall not be paid from funds dedicated under bond or other legal financing  
10 covenants. Rebates paid under this Ordinance shall be paid only to those qualified film  
11 productions whose filming commenced on or after the effective date of this Ordinance.

12 (3) Implementation. After holding a public hearing, the Executive Director of the  
13 Film Commission, in consultation with the Controller, shall promulgate rules and regulations to  
14 establish the procedures for implementation of the Film Rebate Program. Such rules shall  
15 include provisions describing the application process, the standards used to evaluate the  
16 applications, the documentation that will be required to substantiate the amount of the rebate,  
17 the appeal process, and any such other provisions as deemed necessary and appropriate to  
18 carry out the Film Rebate Program.

19 (d) Authority to Lease Private Property for Film Company Use. Subject to the  
20 Controller's certification of funds in the Film Rebate Project Account or other available funding  
21 source ("Controller's Certification"), the Director of Property of the Department of Real Estate,  
22 in consultation with the Executive Director of the Film Commission, shall have the authority to  
23 lease property and sublease such property to film companies for film-related activities  
24 including, but not limited to filming, editing, film production office space, and stage space uses  
25 ("Film Production Leases") when the Executive Director determines, in consultation with the

1 Director of Property, that no suitable alternative City property is available. Notwithstanding  
2 any other provision of the Municipal Code, including Administrative Code Sections 23.26 and  
3 23.31, where a proposed Film Production Lease is for a year-to-year or shorter tenancy and  
4 has received the Controller's Certification under this subsection (d), the Director of Property  
5 may enter into such Film Production Lease, including any corresponding sublease with a film  
6 company subtenant, regardless of whether the monthly rent exceeds \$5,000, without action of  
7 the Board of Supervisors unless otherwise required by the City Charter.

8 (e) Reports.

9 (1) Annual Reports. The Executive Director shall report annually to the Board  
10 of Supervisors on the implementation of the Film Rebate Program. The report shall include a  
11 list of each qualified film production, residency of employees, and the total of qualified  
12 production costs submitted and paid to each film production. The Controller shall perform an  
13 annual assessment and review of the effect of the Film Rebate Program. Based on such  
14 assessment and review, the Controller shall prepare and submit an analysis to the Board of  
15 Supervisors. The Analysis shall be based on criteria deemed relevant by the Controller, and  
16 may include but is not limited to data contained in the annual reports to the Board of  
17 Supervisors submitted by the Director of the Film Commission.

18 (2) 2013 Report. By December 31, 2013, the Film Commission, working with  
19 the Controller's Office, shall submit a report to the Board of Supervisors on the current results  
20 of the Film Rebate Program, addressing the objectives of the Program. The report should  
21 include a list of all film production companies that have had permits with the Film Commission,  
22 the number of qualified film productions, the number of San Francisco residents employed on  
23 such film productions, verification of the number of jobs and the salaries paid to economically  
24 disadvantaged San Francisco residents hired through the City's Workforce Development  
25 Program, the amount of the rebates paid to the film production companies, and the overall



1 economic impact from the City's Film Rebate Program since the last Film Commission report  
2 to the Board of Supervisors.

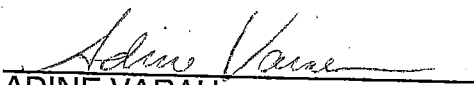
3 (f) Expiration of Section. The Film Rebate Program shall expire on June 30, 2014<sup>5</sup>,  
4 unless extended by ordinance. If the Film Rebate Program is not extended, the City Attorney  
5 shall cause this Section to be removed from the Administrative Code.  
6

7 Section 3. Effective Date. This ordinance shall become effective 30 days after  
8 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the  
9 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board  
10 of Supervisors overrides the Mayor's veto of the ordinance.  
11

12 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
13 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,  
14 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal  
15 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment  
16 additions, and Board amendment deletions in accordance with the "Note" that appears under  
17 the official title of the ordinance.  
18

19 APPROVED AS TO FORM:  
20 DENNIS J. HERRERA, City Attorney

21 By:

  
22 ADINE VARAH  
23 Deputy City Attorney

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25

## LEGISLATIVE DIGEST

[Administrative Code - Film Production Daily Use Fees; Film Rebate Program]

**Ordinance amending the Administrative Code to reduce the daily use fee for film productions with budgets less than \$100,000 from \$100 per day to \$50 per day; expand the definition of film productions and low-budget film productions eligible for the Film Rebate Program to include episodes of a web series; and extend the Film Rebate Program expiration date from June 30, 2014 to June 30, 2015 and correspondingly increase the current funding cap from \$2 million to \$3 million, subject to annual appropriation; and making environmental findings.**

### Existing Law

- Under Section 57.5 of the Administrative Code, the Film Commission charges film companies engaging in film production in San Francisco a daily fee of \$100 for productions with budgets of less than \$500,000.
- Section 57.8 of the Administrative Code creates a Film Rebate Program. The current definitions of qualified film productions and qualified low-budget film productions do not include episodes of web series, and include only productions created by film companies, not production companies more broadly.
- The Film Rebate Program has a funding cap of \$2 million and expires on June 30, 2014.

### Amendments to Current Law

- Productions with budgets of less than \$100,000 would be eligible for a daily use fee of \$50, rather than \$100.
- The definition of film productions and low-budget film productions qualified for the Film Rebate Program would be expanded to include episodes of a web series created by a production company.
- The Film Rebate Program would expire on June 30, 2015 and the funding cap would correspondingly increase from \$2 million to \$3 million, subject to annual appropriation.

### Background Information

The Film Rebate program is designed to increase the number of qualified film productions in San Francisco, increase the number of City residents employed in the filmmaking industry, and encourage the resulting economic benefits to increased filmmaking. As technology has evolved, web series have become an increasingly popular medium by which films and videos are distributed. Their surge in popularity is evidenced by the growing use of services like Netflix, Hulu, and Amazon for their original content. Many web series have budgets similar to those of television series, and employ as many crew members and extras. With respect to small or independent film production companies, many are often unable to afford the current daily use fees.

**Item 1**  
**Files 13-0937**

**Department:**  
San Francisco Film Commission

## EXECUTIVE SUMMARY

### Legislative Objective

- The proposed ordinance would amend Administrative Code Sections 57.5 and 57.8 to (a) reduce daily use fees from \$100 to \$50 charged to film production companies with budgets less than \$100,000; (b) expand the definition of film productions and low-budget film productions to include web series, and productions created by a *production* (italics added) company as well as a film company; (c) extend the Film Rebate Program expiration date from June 30, 2014 to June 30, 2015; (d) increase the Film Rebate Program's current funding cap from \$2,000,000 to \$3,000,000 subject to annual appropriation; and (e) make environmental findings.

### Key Points

- The Film Commission is proposing a reduction in daily use fees in order to collect revenue from film production companies that are currently filming in San Francisco but have not obtained a permit from the Film Commission and are not paying daily use fees to the City. In addition, eligibility for the Film Rebate Program would be extended to film and production companies producing web series, increased by \$1,000,000 and extended by one year.

### Fiscal Impact

- The Film Commission currently receives approximately \$170,000 in annual permit fee revenues. The Film Office cannot estimate the amount of increased revenues to the City as a result of the proposed fee reduction or the costs as a result of extending the Film Rebate Program to web series and production companies.
- Administrative Code Section 57.8(c)(2) currently specifies that total rebates paid to film production companies shall not exceed \$2,000,000 from July 1, 2012 through the expiration of the Film Rebate Program on June 30, 2014, subject to Board of Supervisors appropriation approval. Thus far, the Board of Supervisors has appropriated a total of \$1,400,000 in FY 2012-13 and FY 2013-14, with rebates totaling \$248,100 for six productions.
- As of October 21, 2013, the available balance in the Film Rebate Fund is \$1,412,080. However, the Film Office anticipates rebating an additional \$772,743 to three productions by February of 2014. Therefore, the projected Fund balance of \$639,337 as of February 2014 plus the increased authorization of \$1,000,000 would make available up to \$1,639,337 to the Film Rebate Program for the remaining 16-month period from March 1, 2014 through June 30, 2015.

### Policy Consideration

- By December 31, 2013, the Film Commission working with the Controller's Office shall submit a report to the Board of Supervisors on the current results of the Film Rebate Program.

### Recommendation

- Because the proposed ordinance would (a) expand the definition of the existing Film Rebate Program, (b) extend the Program by one year and (c) increase the Program's funding cap authorization by \$1,000,000, subject to Board of Supervisors appropriation approval, prior to the December 31, 2013 issuance of the upcoming Film Commission and Controller's report on the results of the Film Rebate Program, approval of the proposed ordinance is a policy decision.

## MANDATE STATEMENT/BACKGROUND

### Mandate Statement

Charter Section 2.109 provides that within 30 days of submission by the Mayor, the Board of Supervisors shall approve or reject any rate, fee, or similar charge to be imposed by any department, official, board or commission, by ordinance.

Administrative Code Section 10.100-297 established the San Francisco Film Production Fund as a category six fund<sup>1</sup> for collection of daily use fees and to reimburse City departments for film production expenditures not otherwise reimbursed by film companies. By March 1<sup>st</sup> of each year, the Film Commission shall prepare and file an annual report with the Board of Supervisors detailing all prior fiscal year Fund revenues and expenditures.

### Background

#### Daily Use Film Fees

In accordance with City Administrative Code Section 57.5(a), the Executive Director of the Film Commission may enter into agreements with film production companies to, at a minimum, provide for reimbursement for City employees, equipment, rental facilities and rental properties. In addition to reimbursing City departments for costs incurred, Administrative Code Section 57.5(c) provides that the Film Commission may charge the following daily use permit fees to film production companies, with the revenue from such fees accruing to the San Francisco Film Production Fund<sup>2</sup>:

- \$100 per day for still photography;
- \$200 per day for commercials, corporate media, industrial media, videos, short subjects or web videos;
- \$100 per day for television series, movies, pilots, or documentaries with budgets of less than \$500,000; and
- \$300 per day for television series, movies, pilots, or documentaries with budgets of \$500,000 or more.

Public service announcements, qualifying student productions and non-profit organizations productions are currently exempt from the above-listed daily use fees.

Table 1 below shows the number of permits issued, the actual number of shooting days in San Francisco and the total fee revenues collected by the Film Commission over the past five years.

<sup>1</sup> Category six funds are automatically appropriated and the fund balance carries forward to the following fiscal year, but does not accrue interest.

<sup>2</sup> Such provisions exclude the San Francisco War Memorial Performing Arts Center, Fine Arts Museums, Asian Art Museum, San Francisco Convention Facilities, the Port, and the Recreation and Park Department, which issue their own permits and/or charge their own fees for filming on the respective departments' properties.

**Table 1: SF Film Commission Permits, Shooting Days and Revenues from FY 2008-09 through FY 2012-13**

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Number of Permits Issued	372	251	477	443	530
Number of Shooting Days	744	753	942	1,080	1,001
Fee Revenue Collected	\$122,447	\$133,000	\$170,500	\$165,000	\$171,542

Source: SF Film Commission.

### Film Rebate Program

In April of 2006, the Board of Supervisors approved the Film Rebate Program (File 06-0065; Ordinance 70-06), which allows film production companies, who produce qualified film productions or qualified low-budget film productions, to receive a rebate of up to 100 percent of qualifying costs previously paid to the City. Qualifying costs include:

- Taxes paid to the City, not including hotel or sales tax;
- City departments' costs for the use of the departments' equipment, property or employees' time;
- Film Commission's daily use permit fees;
- Police officers' time, up to four police officers per day for a maximum of 12 hours per day per police officer; and
- Property lease costs, when alternative City property is not available.

Administrative Code Section 57.8 states that the purpose of the Film Rebate Program is to increase the (a) number of film productions in San Francisco, (b) number of City residents employed in the filmmaking industry, and (c) resulting economic benefits to San Francisco. The Film Rebate Program currently expires on June 30, 2014. Administrative Code Section 57.8(c)(2) specifies that the total amount of rebates paid by the City to the film production companies shall not exceed \$2,000,000 from July 1, 2012 through the expiration of the Film Rebate Program on June 30, 2014, with no individual rebate exceeding \$600,000. In addition, the Administrative Code provides that film production companies must demonstrate good faith efforts to hire San Francisco residents through the City's First Source hiring program.

Qualified film productions include any feature length film, documentary, docudrama, television film, television pilot, reality program or each episode of a television series where 65 percent of

the days are filmed in the City. Qualified low-budget film productions include any feature length film, documentary, docudrama, television film, television pilot, reality program or each episode of a television series where at least 55 percent of the days are filmed in the City and the total budget is \$3,000,000 or less.

In accordance with Administrative Code Section 57.8(e)(1), the Executive Director of the Film Commission is required to report annually to the Board of Supervisors on the implementation of the Film Rebate Program, including a list of qualified film productions, the number of San Francisco residents employed by film production companies, and the total qualified production costs submitted and paid in rebates to each film production company. Section 57.8(e)(1) also specifies that the Controller is responsible for performing an annual assessment and review of the effects of the Film Rebate Program to be submitted to the Board of Supervisors, based on criteria deemed relevant by the Controller. On March 13, 2013, Ms. Susannah Greason Robbins, Film Commission Executive Director, submitted the Film Commission's CY 2012 annual report to the Board of Supervisors.

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the City's Administrative Code Sections 57.5 and 57.8 to (a) reduce the daily use permit fees from \$100 to \$50 that are charged by the City's Film Commission to film production companies with budgets of less than \$100,000; (b) expand the definition of film productions and low-budget film productions eligible for the Film Rebate Program to include episodes of a web series, and productions created by a *production* (italics added) company as well as a film company; (c) extend the Film Rebate Program expiration date from June 30, 2014 to June 30, 2015; (d) increase the Film Rebate Program's current funding cap from \$2,000,000 to \$3,000,000 subject to annual appropriation; and (e) make environmental findings.

### Proposed Amendments to Daily Use Fees

The proposed ordinance would amend Administrative Code Section 57.5 to specify the following three categories of daily use fees for television or web series, movies, pilots or documentaries:

- \$50 per day for productions with a budget of less than \$100,000;
- \$100 per day for productions with a budget of \$100,000 to \$500,000; and
- \$300 per day for productions with budgets of \$500,000 or more.

Currently, the Film Commission has only two categories of daily use fees for production of television series, movies, pilots, or documentaries:

- \$100 per day for productions with a budget of less than \$500,000; and
- \$300 per day for productions with budgets of \$500,000 or more.

Therefore, if the proposed ordinance is approved, the daily use permit fee charged by the City to film productions with a budget of less than \$100,000 would be reduced from \$100 per day to \$50 per day. All other daily use fees would remain the same.

### **Proposed Amendments to Film Rebate Program**

Currently, in order to be eligible for the Film Rebate Program, qualified film productions or qualified low-budget film productions must be feature length films, documentaries, docudramas, television films, television pilots, reality programs or each episode of a television series that is created by a film company. Under the proposed ordinance, qualified film productions and qualified low-budget film productions eligible for the Film Rebate Program, would also include web series, and could also be created by a production company. Ms. Greason Robbins advises that web series are the new wave of productions, such that companies like Amazon and Netflix, are now producing web series. Web series employ as many people as regular television series and thus have comparable economic impacts on the local economy. In addition, Ms. Greason Robbins advises that the addition of the term "production company" clarifies the definition of companies eligible to receive rebates.

Currently, the Film Commission, through the Film Rebate Program, rebates one dollar for each dollar the qualified film production or qualified low-budget film production paid to the City for qualified production costs not-to-exceed \$2 million from July 1, 2012 through June 30, 2014, subject to annual appropriation by the Board of Supervisors. The Film Rebate Program is currently scheduled to expire on June 30, 2014. The proposed ordinance would amend the existing ordinance to increase the not-to-exceed \$2 million to \$3 million authorization, an increase of \$1 million and extend the expiration of the Film Rebate Program from June 30, 2014 to June 30, 2015, or one year. Ms. Greason Robbins advises that the proposed extension and expansion of the Program is intended to coincide with the City's current two-year budget cycle and the projected increase in rebates to be requested over the next year.

### **Environmental Findings**

On October 16, 2013, the Planning Department determined that the actions in the subject legislation are statutorily exempt from the California Environmental Quality Act (CEQA).

## **FISCAL ANALYSIS**

### **Proposed Amendment to Daily Use Fees**

According to Ms. Greason Robbins, the Film Commission is requesting the proposed reduction in daily use permit fees from \$100 per day to \$50 per day, a reduction of \$50 per day charged to film production companies with budgets less than \$100,000 in order to collect revenue from smaller film production companies which do not currently obtain permits from the Film Commission, and thereby have avoided any payments of fees to the City. As shown in Table 1 above, over the past three fiscal years, the Film Commission collected approximately \$170,000 of permit fee revenue annually. Ms. Greason Robbins believes that many of these film productions with budgets of less than \$100,000 would apply for City permits if the fees were reduced to \$50 per day, resulting in increased oversight and revenues for the City. However, Ms. Greason Robbins was not able to estimate the amount of the potential increased revenues to the City as a result of the proposed fee reduction.

### Proposed Amendments to Film Rebate Program

Under the proposed ordinance, the Film Rebate Program, which currently is scheduled to expire on June 30, 2014 would be extended by one year to June 30, 2015 and increased by \$1 million from \$2 million authorization to \$3 million authorization, subject to appropriation approval by the Board of Supervisors. In addition, eligibility for the rebates would be extended to web series productions and production companies. Ms. Greason Robbins cannot specifically estimate the fiscal impact to the City of rebating costs as a result of extending the Film Rebate Program to web series and production companies.

The original ordinance authorized up to \$1,800,000 in film rebates for the six-year period from FY 2006-07 through FY 2011-12, subject to Board of Supervisors' appropriation approval. As shown in Table 2 below, during the initial six-year period, the City rebated \$1,539,820 for eight productions. Ms. Greason Robbins advises that the primary City cost that is rebated to film production companies are costs for stage and production office space and for the use of City Police Officers, at a rate of approximately \$100 per hour with a 4-hour minimum requirement.

**Table 2: Productions that Received Rebates from FY 2006-07 through FY 2013-14**

Fiscal Year	Name of Production	Amount of Rebates	Cumulative Total Annual Rebates	Amounts Appropriated	Balance
FY 2006-07	Harrison Montgomery	\$42,151	\$42,151	\$600,000	
FY 2007-08				600,000	
FY 2008-09	Mission Street Rhapsody Milk Trauma Pilot	10,364 99,215 61,470	213,200	200,000 (1,051,588)*	
FY 2009-10	Trauma	535,212	748,412	400,000	
FY 2010-11	Trauma	164,277	912,689	400,000	
FY 2011-12	Hemingway & Gelhorn Knife Fight Cherry	571,563 45,523 10,045	<b>1,539,820</b>	<b>651,588</b>	
<b>Subtotal</b>			<b>\$1,539,820</b>	<b>\$1,800,000</b>	<b>\$260,180</b>
FY 2012-13	Blue Jasmine Mission Street Productions (HBO Pilot "Looking") Test	164,136 65,271 1,618	231,025	700,000	
FY 2013-14	The Other Barrio Saltwater The Great Food Truck Race	2,572 8,860 5,643	248,100	700,000	
<b>Subtotal</b>			<b>\$248,100</b>	<b>\$1,400,000</b>	<b>\$1,151,900</b>
<b>Total</b>			<b>\$1,787,920</b>	<b>\$3,200,000</b>	<b>\$1,412,080</b>

\* Decreased appropriation transferred back to the City's General Fund.



The Board of Supervisors previously approved a two-year extension of the Film Rebate Program from July 1, 2012 through June 30, 2014 (FY 2012-13 and FY 2013-14) and authorized up to \$2,000,000 in film rebates over the two-year period, subject to Board of Supervisors appropriation approval (File 12-0406). Thus far, the Board of Supervisors has appropriated a total of \$1,400,000 in FY 2012-13 and FY 2013-14. Rebates totaling \$248,100 for six productions have thus far been approved, as shown in Table 2 above.

As of October 21, 2013, the available balance in the Film Rebate Fund is \$1,412,080, as shown in Table 2 above. However, Ms. Greason Robbins advises that she anticipates rebating an additional \$772,743 to three productions by February of 2014, as summarized in Table 3 below.

**Table 3: Productions Anticipated to Receive Rebates by February, 2014**

<b>Fiscal Year</b>	<b>Name of Productions</b>	<b>Estimated Amount of Rebates</b>
<b>FY 2013-14</b>	Quitters	\$76,467
	Mission Street Productions (HBO "Looking" 7 episodes)	553,276
	Real World	143,000
<b>Subtotal Rebates</b>		<b>\$772,743</b>
<b>Current Fund Balance (Table 2)</b>		<b>\$1,412,080</b>
<b>Projected Fund Balance in February 2014</b>		<b>\$639,337</b>

Under the proposed ordinance, the Film Rebate Program would be extended by one year and the authorized funding cap amount of the Program would be increased by \$1,000,000 from \$2,000,000 to \$3,000,000 for the total three-year period from July 1, 2012 through June 30, 2015 (FY 2012-13 through FY 2014-15). Therefore, the projected Fund balance as of February 2014 of \$639,337 plus the increased authorization of \$1,000,000 would make available up to \$1,639,337 to the Film Rebate Program for the remaining 16-month period from March 1, 2014 through June 30, 2015.

**POLICY CONSIDERATION**

**Film Rebate Program**

As noted above, the City’s Administrative Code Section 57.8(e)(1) requires the Controller’s Office to conduct an annual “assessment and review of the effect of the Film Rebate Program” for the first three years of the Film Rebate Program, and to submit an analysis to the Board of Supervisors in or after 2009. On December 21, 2011, the Controller’s Office issued a report to the Board of Supervisors on the results and overall economic impact of the Film Rebate Program

from the initial five-year period when eight film productions received rebates from the City totaling approximately \$1.5 million. The Controller's report found that together these eight productions (a) employed 1,135 San Francisco residents, on a short-term basis, or an average of 227 residents per year; (b) paid wages totaling approximately \$12.5 million, or an average of \$2.5 million per year; and (c) expended a total of approximately \$40.5 million, or \$8 million annually. Filmmakers that received the rebates reported that the Film Rebate Program was a key factor in choosing San Francisco for their production location. However, the Controller found that rebated productions represented only 9% of all filming permitted by the Film Commission.

In addition, in accordance with Administrative Section 57.8(e)(2), by December 31, 2013, the Film Commission working with the Controller's Office shall submit a report to the Board of Supervisors on the current results of the Film Rebate Program, addressing the objectives of the Program, including (a) a list of all film productions that have Film Commission permits; (b) number of qualified film productions; (c) number of San Francisco residents employed by such film production companies; (d) verification of the number of jobs and salaries paid to economically disadvantaged residents hired through the City's Workforce Development Program; (e) amount of rebates paid to film production companies; and (f) overall economic impact from the City's Film Rebate Program.

## RECOMMENDATION

Because the proposed ordinance would (a) expand the definition of the existing Film Rebate Program, (b) extend the Program by one year and (c) increase the Program's funding cap authorization by \$1,000,000, subject to Board of Supervisors appropriation approval, prior to the December 31, 2013 issuance of the upcoming joint Film Commission and Controller's report on the results of the Film Rebate Program, approval of the proposed ordinance is a policy decision.

BOARD of SUPERVISORS



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October 1, 2013

File No. 130937

Sarah Jones  
Environmental Review Officer  
Planning Department  
1650 Mission Street, 4<sup>th</sup> Floor  
San Francisco, CA 94103

Dear Ms. Jones:

On September 24, 2013, Supervisor Farrell introduced the following proposed legislation:

**File No. 130937**

**Ordinance amending the Administrative Code to reduce the daily use fee for film productions with budgets less than \$100,000 from \$100 per day to \$50 per day; expand the definition of film productions and low-budget film productions eligible for the Film Rebate Program to include episodes of a web series; and extend the Film Rebate Program expiration date from June 30, 2014, to June 30, 2015, and correspondingly increase the current funding cap from \$2,000,000 to \$3,000,000 subject to annual appropriation; and making environmental findings.**

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

*Victor Young*

By: Victor Young, Committee Clerk  
Budget and Finance Committee

Attachment

c: Monica Pereira, Environmental Planning  
Nannie Turrell, Environmental Planning

*Statutory exemption pursuant  
to CEQA Guidelines,  
Section 15273 Rates,  
Tolls, Fares, Charges,  
Mannix R. Turrell  
10/16/2013*

