

File No. 110900

Committee Item No. 1

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: September 21, 2011

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/> | Ethics Form 126                              |
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Completed by: Victor Young

Date: Sept 16, 2011

Completed by: Victor Young

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

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Administrative Code - Film Fees and Rebate Program]

2  
3 **Ordinance amending the San Francisco Administrative Code Sections 57.5 and 57.8 to:**  
4 **1) decrease filming fees for smaller-budget productions; 2) include documentary films,**  
5 **docudrama films, and "reality" programming among eligible productions for the Film**  
6 **Rebate Program; 3) exempt productions by nonprofit entities, public service**  
7 **announcements, and qualifying student productions from film fees; and 4) make**  
8 **environmental findings.**

9 NOTE: Additions are single-underline italics Times New Roman;  
10 deletions are ~~strike-through italics Times New Roman~~.  
11 Board amendment additions are double-underlined;  
12 Board amendment deletions are ~~strikethrough normal~~.

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

14 Section 1. Findings. The Planning Department has determined that the actions  
15 contemplated in this Ordinance are in compliance with the California Environmental Quality  
16 Act (California Public Resources Code section 21000 et seq.). Said determination is on file  
17 with the Clerk of the Board of Supervisors in File No. 110900 and is incorporated herein by  
18 reference.

19 Section 2. The San Francisco Administrative Code is hereby amended by amending  
20 Sections 57.5 and 57.8, to read as follows:

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

24 (a) Use Contracts; Deposit of Funds. The Executive Director may enter into use  
25 contracts with organizations seeking to engage in film production. The Executive Director  
shall be the sole City representative authorized to negotiate use contracts. Such contracts

1 shall, at a minimum, provide for the full recovery of costs incurred by the various City  
2 departments in providing the use of City employees, equipment and rental facilities or rental  
3 properties. Funds to reimburse City departments for costs incurred by those departments for  
4 the deployment of personnel or equipment or use of rental facilities or rental properties shall  
5 be paid directly to those departments for deposit subject to the budget and fiscal provisions of  
6 the Charter.

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

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

16 (1) Still photography: \$100 a day,

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

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

20 (A) For a production with a budget of less than \$500,000: \$100 a day

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

22 Public service announcements, qualifying student productions, and productions created by entities that  
23 are tax-exempt under section 501(c)(3) of the Internal Revenue Code are exempt from the above-listed  
24 use fees. ~~the use fees in existence on the effective date of this Section shall remain in effect.~~ The  
25

1 revenue generated by such use fees shall be deposited in the San Francisco Film Production  
2 Fund.

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

## 12 **SEC. 57.8. FILM REBATE PROGRAM**

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

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

19 (1) "Principal photography" means the time period and phase of film  
20 production during which the main photography occurs.

21 (2) "Qualified low-budget film production" means a feature-length film,  
22 documentary film, docudrama film, television film, television pilot, "reality" program or each  
23 episode of a television series, regardless of the medium used to create or convey it, that is: ~~(#)~~  
24 produced by a film company that expends at least 55 percent of the total principal  
25 photography days exclusively in the City and ~~(#)~~ has a total budget of no more than

1 \$3,000,000. "Qualified low-budget film production" shall not include: (i) a ~~documentary~~  
2 ~~film~~, news or current affairs program, interview or talk program, instructional film or program,  
3 film or program consisting primarily of stock footage, sporting event or sporting program,  
4 game show, award ceremony, film or program intended primarily for industrial, corporate or  
5 institutional end-users, fundraising film or program, commercials, or music videos, ~~or "reality"~~  
6 ~~program~~; or (ii) a production for which records are required under Title 18 United States Code  
7 Section 2257, to be maintained with respect to any performer in such production.

8 (3) "Qualified film production" means a feature-length film, documentary film,  
9 docudrama film, television film, television pilot, "reality" program or each episode of a television  
10 series, regardless of the medium used to create or convey it, that is created by a film  
11 company that expends at least 65 percent of the total principal photography days exclusively  
12 in the City. "Qualified film production" shall not include: (i) a ~~documentary film~~, news or current  
13 affairs program, interview or talk program, instructional film or program, film or program  
14 consisting primarily of stock footage, sporting event or sporting program, game show, award  
15 ceremony, film or program intended primarily for industrial, corporate or institutional end-  
16 users, fundraising film or program, commercials, or music videos, ~~or "reality" program~~; or (ii) a  
17 production for which records are required under Title 18 United States Code Section 2257, to  
18 be maintained with respect to any performer in such production.

19 (4) "Qualified production cost," means the following expenses of a qualified  
20 low-budget film production or a qualified film production:

21 (A) Any taxes, with the exception of hotel or sales taxes, paid to the  
22 City, or any of its constituent departments, the proceeds of which are placed in the general  
23 fund;

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

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

6 (D) Police services as described in Chapter 10B of this Administrative  
7 Code, provided that the such services do not exceed 4 Police Officers per day for a total of 12  
8 hours maximum per day per officer.

9 (c) Rebate Program.

10 (1) Allowance of Rebate. A qualified low-budget film production or qualified  
11 film production that pays qualified production costs shall be entitled to a rebate, to be  
12 calculated as provided herein, provided that the qualified production has entered into a first  
13 source hiring agreement with the City that demonstrates good faith efforts to hire economically  
14 disadvantaged individuals referred by the San Francisco Workforce Development System to  
15 work for the qualified production. Good faith efforts shall include, at a minimum, consulting  
16 with the FSHA for the purpose of preparing a list of positions for which individuals referred by  
17 the City might qualify, providing that list to the FSHA at least two weeks prior to the first day of  
18 shooting, and documenting efforts to contact and interview job candidates referred by the City  
19 to fill the positions listed.

20 (2) Amount of Rebate. The City shall pay one dollar for each dollar the  
21 qualified low budget film production or qualified film production paid in qualified production  
22 cost not to exceed \$1.8 million dollars by June 30, 2012. The rebate shall be paid from the  
23 fund into which the qualified production cost was originally deposited. In no event shall the  
24 amount of any rebate paid after April 1, 2009 exceed \$600,000.00. The rebate shall not be  
25 paid from funds dedicated under bond or other legal financing covenants. Rebates paid under

1 this Ordinance shall be paid only to those qualified film productions whose filming commenced  
2 on or after the effective date of this Ordinance.

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

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

20 (e) The Film Rebate Program shall expire on June 30, 2012, unless extended by  
21 ordinance. If the Film Rebate Program is not extended, the City Attorney shall cause this  
22 Section to be removed from future editions of the San Francisco Municipal Code without  
23 further action of the Board.  
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Section 3. Effective Date. This ordinance shall become effective 30 days from the date of passage.

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

By:   
ADINE VARAH  
Deputy City Attorney



## LEGISLATIVE DIGEST

[Administrative Code – Film Fees and Rebate Program]

**Ordinance amending Sections 57.5 and 57.8 of the San Francisco Administrative Code to 1) decrease filming fees for smaller-budget productions; 2) include documentary films, docudrama films, and “reality” programming among eligible productions for the Film Rebate Program; 3) exempt productions by nonprofit entities, public service announcements, and qualifying student productions from film fees; and 4) make environmental findings.**

### Existing Law

Under San Francisco Administrative Code Section 57.5, the Film Commission charges daily use fees to film companies seeking to engage in film production. The Board of Supervisors has ratified the non-codified Film Commission fee schedule as follows: \$100 a day for still photography; \$200 a day for a commercial, corporate media, industrial media, video, short subject, or web video; and \$300 a day for a television series, movie, pilot, or documentary. The current fee structure applies these fees to all production companies regardless of their budget with the exception of the productions for nonprofit entities, public service announcements, and student productions.

Under San Francisco Administrative Code Section 57.8, the Film Rebate Program, which provides City rebates for certain film productions (i.e., feature length films, television series) to encourage filming in San Francisco, does not currently extend to any documentary film, docudrama, or “reality” programming.

### Amendments to Current Law

The proposed Ordinance decreases film use fees to \$100 a day for productions with budgets less than \$500,000 for the filming of any commercial, corporate media, industrial media, video, short subject, or web video. The Ordinance also codifies the remainder of the existing fee schedule and exemptions.

The Ordinance extends the Film Rebate Program to include documentary films, docudrama films, and “reality” programs.

### Background Information

This Ordinance is intended to encourage smaller productions, documentary films, docudrama films, and “reality” programming to film in San Francisco by making filming more affordable.

**CITY AND COUNTY OF SAN FRANCISCO**  
**BOARD OF SUPERVISORS**  
**BUDGET AND LEGISLATIVE ANALYST**

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292  
FAX (415) 252-0461

September 15, 2011

**TO:** Budget and Finance Committee  
**FROM:** Budget and Legislative Analyst  
**SUBJECT:** September 21, 2011 Budget and Finance Committee Meeting

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**Files 11-0900**

**Department(s):**  
San Francisco Film Commission

## EXECUTIVE SUMMARY

### Legislative Objective

- The proposed ordinance would amend San Francisco Administrative Code Sections 57.5 and 57.8 to (a) codify the existing daily use fees charged by the City's Film Commission to film production companies; (b) reduce the daily use fee charged by the Film Commission to film production companies, producing movies, pilots, television series, and documentaries, that have a production budget of less than \$500,000 by \$200 per day, from \$300 per day to \$100 per day; and (c) extend eligibility for the Film Rebate Program to documentaries, docudramas, and reality programs.

### Key Points

- The City's Film Commission (a) issues permits to film production companies which film in San Francisco and (b) charges such companies a fee of \$300 per day for television series, movies, television pilots, or documentaries. Under the proposed ordinance, film production companies producing movies, pilots, television series, and documentaries, that have a budget of \$500,000 or more, would continue to pay fees of \$300 per day, while those with budgets of less than \$500,000 would pay fees of \$100 per day rather than the current fee of \$300 per day, a \$200 per day reduction.
- In addition, the Film Commission administers the Film Rebate Program. Under the Film Rebate Program, presently the Film Commission rebates up to 100 percent of qualified costs incurred by film production companies and paid to the City. Qualified costs include taxes, other than hotel or sales taxes; City departments' costs for use of department property, equipment, or employees' time; or police officers' costs. Such costs are rebated to qualified film production companies, which produce feature length films, television movies or series, episodes in a series, or television pilots, if a majority of film days are in San Francisco, and the film production company makes good faith efforts to hire economically-disadvantaged San Francisco residents.
- Under the proposed ordinance, eligibility for the Film Rebate Program would also be extended to film production companies, which produce documentaries, docudramas, and reality programs.
- Under the Administrative Code, the Film Commission is required to submit an annual report on the Film Rebate Program to the Board of Supervisors. Also, the Controller was required to conduct an annual assessment of the Film Rebate Program for the first three years of the program and submit a report to the Board of Supervisors in or after 2009. Prior to the report submitted by the Film Commission to the Board of Supervisors in August 2011, the Film Commission could not find any previous annual reports on the Film Rebate Program submitted to the Board of Supervisors. The Controller's Office has not conducted an assessment and review of the Film Rebate Program.

### **Fiscal Impact**

- Based on estimates provided by Ms. Susannah Greason Robbins, Film Commission Executive Director, reducing the daily use fees charged to film production companies, which produce television series, movies, television pilots, or documentaries and have a budget of less than \$500,000, by \$200 per day, from \$300 to \$100 per day, would reduce City revenues by approximately \$1,467 per year. Ms. Greason Robbins states that the Film Commission is proposing such a reduction in daily use fees in order to collect revenue from film production companies that are currently filming in San Francisco but that have not obtained a permit from the Film Commission and are not paying daily use fees to the City. Ms. Greason Robbins believes that many of these film productions would pay daily use fees if the fee amounts were reduced. 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.
- Under the proposed ordinance, eligibility for the Film Rebate Program would be extended to film production companies producing documentaries, docudramas, and reality program productions. Because the Film Commission does not track the number of such productions that would be eligible for the Film Rebate Program under the proposed ordinance, neither Ms. Greason Robbins nor the Budget and Legislative Analyst can estimate the fiscal impact to the City of rebating costs, incurred by film production companies which are paid to the City. However, under the Administrative Code, the total amount of all rebates from the inception of the Film Rebate Program in 2006, through the existing expiration date of the Film Rebate Program, which is June 30, 2012, may not exceed \$1,800,000. According to Ms. Greason Robbins, from 2006 to September 8, 2011, eight film production companies have received or will receive rebates totaling \$1,513,927, resulting in a remaining balance of \$286,073 (\$1,800,000 total less \$1,513,927). Therefore, the maximum additional cost to the City of the Film Rebate Program through June 30, 2012 is \$286,073.

### **Recommendations**

- Given that the Film Rebate Program is currently scheduled to expire on June 30, 2012, the Budget and Legislative Analyst recommends that the proposed ordinance be amended to require that, following the conclusion of the Film Rebate Program on June 30, 2012, the Film Commission, working with the Controller's Office, submit a report to the Board of Supervisors on the results of the Film Rebate Program, addressing the objectives of the Program. The report should include a list of all film production companies that have had permits with the Film Commission, the number of qualified film productions, the number of San Francisco residents employed on such film productions, verification of the number of jobs and the salaries paid to economically disadvantaged San Francisco residents hired through the City's Workforce Development Program, the amount of the rebates paid to the film production companies, and the overall economic impact from the City's Film Rebate Program.
- Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors.

**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.

**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. Such agreements, at a minimum, provide for the full recovery of costs incurred by the City to provide City employees, equipment, rental facilities and rental properties to film production companies. The film production companies reimburse such costs directly to the City departments that incurred the costs.

Administrative Code Section 57.5 (c) provides that the Film Commission may charge daily use fees, as approved by the Board of Supervisors, to film production companies, with the revenue from such fees accruing to the San Francisco Film Production Fund<sup>1</sup>. Although not currently codified in the City's Administrative Code<sup>2</sup>, according to Ms. Greason Robbins, the current daily use fees charged to film production companies by the Film Commission are:

- \$100 per day for still photography;
- \$200 per day for commercials, corporate media, industrial media, video, short subject or web video; and
- \$300 per day for television series, movies, pilots, or documentaries.

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

<sup>1</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.

<sup>2</sup> On December 28, 2000, the Board of Supervisors approved an ordinance (Ordinance No. 331-00) which deleted the specific Film Commission daily use fees. Prior to 2000, the daily use fees were (a) \$100 for videos, documentaries, print, travel or corporate/industrial films, (b) \$200 for commercials, (c) \$300 for television programs and feature films, and (d) no fee for student, educational, or non-profit productions. Ms. Greason Robbins and Ms. Adine Varah of the City Attorney's Office, advise that they do not know why the existing daily use fees charged by the Film Commission are not codified in the City's Administrative Code.

According to Ms. Greason Robbins, in FY 2010-11, the Film Commission issued a total of 430 permits, which encompassed 953 shooting days, and collected a total of \$158,500 in fee revenue.

### **Film Rebate Program**

In accordance with Administrative Code Section 57.8, in order to increase (a) the number of qualified film productions in San Francisco, (b) the number of City residents employed in the filmmaking industry and (c) the resulting economic benefits to San Francisco, the Board of Supervisors approved the Film Rebate Program (File 06-0065) in 2006, which allows film production companies who produce qualified film productions to receive a rebate of up to 100 percent of qualifying costs 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; the Film Commission's daily use fees; and police officers' time, of up to four police officers per day for a maximum of 12 hours per day per police officer. The Film Rebate Program expires on June 30, 2012, unless extended by ordinance.

Under the existing Film Rebate Program, the Film Commission rebates up to 100 percent of the qualifying costs paid by the film production companies to the City, in exchange for the film production companies' good faith efforts to hire economically disadvantaged residents of San Francisco referred by the City's Workforce Development Program. Qualified film productions include any feature length film, television film, television pilot, or episode of a television series where 65 percent of the principle photography days are filmed in the City. Qualified low-budget film productions include any feature length film, television film, television pilot, or episode of a television series where at least 55 percent of the principle photography days are filmed in the City and the total budget for each film production is no more than \$3,000,000.

In accordance with Administrative Code Section 57.8(c) (2), under the existing Film Rebate Program, the City rebates up to 100 percent of qualifying costs to each qualified film production company or qualified low-budget film production company. The amount of any rebate shall not exceed \$600,000.

Under the Administrative Code, the total amount of all rebates from the inception of the Film Rebate Program in 2006 through the expiration of the Film Rebate Program on June 30, 2012 shall not exceed \$1,800,000. According to Ms. Greason Robbins, as of September 8, 2011, eight film production companies have received or will receive a total of \$1,513,927 in rebates under the City's Film Rebate Program since its inception in 2006.<sup>3</sup> Therefore, the Film Rebate Program's remaining balance, which can be rebated to film production companies through June 30, 2012, is \$286,073 (\$1,800,000 total less \$1,513,927).

In accordance with Administrative Code Section 57.8(d), the Executive Director of the Film Commission is required to report annually to the Board of Supervisors on the implementation of

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<sup>3</sup> This includes five film production companies that have already been issued their rebate, two companies that are in the process of being issued their rebate, and one company that has applied and been approved, but has not yet submitted the required paperwork for the rebate.

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 amount of City costs which have been rebated to each film production company. On August 9, 2011, Ms. Greason Robbins provided the Film Commission's annual report for FY 2010-11 to the Board of Supervisors. Ms. Greason Robbins could not find any previous reports on the Film Rebate Program submitted to the Board of Supervisors.

In addition, in accordance with Administrative Section 57.8 (d) the Controller's Office is required 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. Under the Administrative Code, based on the annual assessment and review of the Film Rebate Program for the first three years, the Controller shall prepare and submit a report to the Board of Supervisors (see Policy Analysis Section below for further discussion). Such a report has not been submitted.

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the City's Administrative Code Sections 57.5 and 57.8 to (a) codify the existing daily use fees charged by the City's Film Commission to all film production companies filming in San Francisco; (b) reduce the daily use fee charged by the Film Commission to film production companies that have a budget of less than \$500,000 by \$200 per day from \$300 per day to \$100 per day; (c) extend eligibility for the Film Rebate Program to film production companies, which produce documentaries, docudramas, and reality programs, and (d) make environmental findings.

### Proposed Amendments to Daily Use Permit Fees

The proposed ordinance would amend Administrative Code Section 57.5 to codify the below-listed daily use fees, charged by the Film Commission to film production companies, as of January 1, 2012. Such fees are currently not listed in the Administrative Code:

- \$100 per day for still photography, which is the existing fee amount.
- \$200 per day for commercials, corporate media, industrial media, video, short subject or web video, which is the existing fee amount.
- \$100 per day for television series, movies, pilots, or documentaries, with production budgets of less than \$500,000, which is the subject of the proposed ordinance.
- \$300 per day for, with production budgets of \$500,000 or more, which is the existing fee.

Currently, the Film Commission charges film production companies \$300 per day for all television series, movies, pilots, or documentaries. The proposed ordinance would reduce the subject fee by \$200 per day, from \$300 to \$100, for television series, movies, pilots or documentaries with budgets less than \$500,000.

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

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

As noted above, under the City's existing Film Rebate Program, the Film Commission currently rebates up to 100 percent of qualified costs, incurred by film production companies and paid to the City, in exchange for the film production companies making good faith efforts to hire economically disadvantaged residents of San Francisco referred by the City's Workforce Development Program.

Currently, in order to be eligible for the Film Rebate Program, film production companies must produce qualified film productions or qualified low-budget film productions, which are feature length films, television films, television pilots, or episodes of television series.

Under the proposed ordinance, "qualified film production" and "qualified low-budget film production," eligible for the Film Rebate Program, would also include documentaries, docudramas, and reality programs.

## **FISCAL ANALYSIS**

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

As noted above, the proposed ordinance would reduce the Film Commission's daily use fees charged to film production companies producing movies, pilots, television series, and documentaries, that have budgets of less than \$500,000, by \$200 per day, from the current daily use fee of \$300 per day to the proposed daily use fee of \$100 per day. According to Ms. Greason Robbins, in the last three fiscal years (FY 2008-09 through FY 2010-11), six film productions with a total of 22 filming days had production budgets of less than \$500,000. These six film production companies paid the Film Commission a total of \$6,600 in daily use fee revenues (22 days of filming x \$300 per day). Under the proposed ordinance, the Film Commission would have been paid \$2,200 by these film production companies in daily use fee revenues (22 filming days x \$100 per day), resulting in decreased revenues to the City of \$4,400 over three fiscal years, or an estimated average reduction to the City of \$1,467 per year.

According to Ms. Greason Robbins, the Film Commission is requesting the proposed reduction in daily use fees to be charged to film production companies for film productions that have budgets less than \$500,000 in order to collect revenue from film production companies which have not obtained permits from the Film Commission, and thereby have avoided the payment of the daily use fees to the City. Ms. Greason Robbins believes that many of these film productions with budgets of less than \$500,000 would apply for City permits if the fees were reduced. 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 Amendment to Film Rebate Program**

Under the proposed ordinance, eligibility for the Film Rebate Program would be extended to film production companies producing documentaries, docudramas, and reality program productions. Ms. Greason Robbins advises that the Film Commission does not track the number of such current documentaries, docudramas, and reality programs that would be eligible under the proposed changes to the Film Rebate Program. Therefore, neither Ms. Greason Robbins, nor the Budget and Legislative Analyst, can estimate the fiscal impact to the City of rebating costs incurred by the film production companies and paid to the City, as a result of extending the Film Rebate Program to documentaries, docudramas, and reality programs.

However, as noted above, the Film Rebate Program, which expires on June 30, 2012 unless extended by ordinance, has a remaining balance of \$286,073. Therefore, the maximum additional cost to the City of the Film Rebate Program is \$286,073 through June 30, 2012.

## **POLICY ANALYSIS**

### **Film Rebate Program**

As noted above, the Film Rebate Program was created to increase (a) the number of qualified film productions in San Francisco, (b) the number of City residents employed in the filmmaking industry, including the number of economically disadvantaged San Francisco residents, and (c) the resulting economic benefits to San Francisco.

Although the Administrative Code requires the Executive Director of the Film Commission to report annually to the Board of Supervisors on the implementation of the Film Rebate Program, only one such report was submitted to the Board of Supervisors on August 9, 2011. Ms. Greason Robbins states that she could not find any previous Film Commission annual reports, submitted to the Board of Supervisors, prior to her appointment as Executive Director in September 2010.

As noted above, the City's Administrative Code Section 57.8 (d) also requires that the Controller's Office 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 based on the annual Film Rebate Program assessment and review, submit an analysis to the Board of Supervisors in or after 2009. Ms. Peg Stevenson, the City Performance Director in the Controller's Office, stated that the Controller's Budget and Analysis Group reviews and signs off on all of the rebate payments but that she was unaware of any Controller's reports on the effects of the Film Rebate Program.

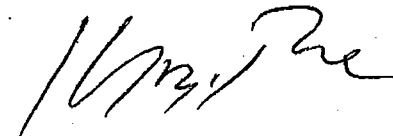
Given that the Film Rebate Program is currently scheduled to expire on June 30, 2012, the Budget and Legislative Analyst recommends that the proposed ordinance be amended to require that, following the conclusion of the Film Rebate Program on June 30, 2012, the Film Commission, working with the Controller's Office, submit a report to the Board of Supervisors on the results of the Film Rebate Program, addressing the objectives of the Program. The report should include a list of all film production companies that have had permits with the Film

Commission, the number of qualified film productions, the number of San Francisco residents employed on such film productions, verification of the number of jobs and the salaries paid to economically disadvantaged San Francisco residents hired through the City's Workforce Development Program, the amount of the rebates paid to the film production companies, and the overall economic impact from the City's Film Rebate Program.

## RECOMMENDATION

Amend the proposed ordinance to require that, after the conclusion of the Film Rebate Program on June 30, 2012, the Film Commission, working with the Controller's Office, submit a report to the Board of Supervisors on the results of the Film Rebate Program, addressing the objectives of the Program. The report should include a list of all film production companies that have had Film Commission permits, the number of qualified film productions, the number of San Francisco residents employed on such film productions, verification of the number of jobs and the salaries paid to economically disadvantaged San Francisco residents hired through the City's Workforce Development Program, the amount of the rebates paid to the film production companies, and the overall economic impact from the City's Film Rebate Program.

Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors.



Harvey M. Rose

cc: Supervisor Chu  
Supervisor Mirkarimi  
Supervisor Kim  
President Chiu  
Supervisor Avalos  
Supervisor Campos  
Supervisor Cohen  
Supervisor Elsbernd  
Supervisor Farrell  
Supervisor Mar  
Supervisor Wiener  
Clerk of the Board  
Cheryl Adams  
Controller  
Rick Wilson

BOARD of SUPERVISORS



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# MEMORANDUM

TO: Planning Department  
Environmental Review Officer

FROM: Angela Calvillo, Clerk of the Board.

DATE: August 17, 2011

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS  
Budget and Finance Committee

The Board of Supervisors Budget and Finance Committee has received the following, which is being referred to the Planning Department for determination as to whether the proposed fee increase will impact the environment.

**Please provide your findings within 10 days from the date of referral.**

File: 110900

Administrative Code - Film Fees and Rebate Program

Please return this cover sheet with the Commission's response to Victor Young, Clerk, Budget and Finance Committee.

c: Nannie Turrell, Major Environmental Analysis  
Brett Bollinger, Major Environmental Analysis

\*\*\*\*\*

RESPONSE FROM PLANNING DEPARTMENT - Date: August 23, 2011

No Comment  
 Recommendation Attached

*Exempt from CEQA per  
Article 18, Section 15273,  
Rates, To Us, Fees and  
charges.*

*Nannie R. Turrell for*  
\_\_\_\_\_  
Bill Wycko, Environmental Review Officer



SAN FRANCISCO  
FILM COMMISSION

## **SAN FRANCISCO FILM COMMISSION ANNUAL REPORT FY10-11**

The San Francisco Film Commission works to develop and promote film activities in San Francisco. We proactively market San Francisco as a filming destination for the motion picture, television and related industries, for the purpose of stimulating economic development and creating jobs, while also working with the local film community to support local projects with significant ties to San Francisco.

The Film Commission also issues permits to productions shooting in San Francisco, working closely with other City Agencies such as SFPD, Department of Parking & Traffic, MUNI, the Port of San Francisco, and the Department of Public Works to coordinate and facilitate both the needs of the productions, the City and its residents.

### **FUNDING**

Funding for the San Francisco Film Commission comes from the collection of permit fees and the Hotel Tax funds from Grants for the Arts. For FY10-11, Grants for the Arts provided \$400,000. The Film Office collected \$158,500 in permit fees, \$14,260 more than was projected for the FY10-11 fiscal year.

### **FILMING STATISTICS FY10-11**

#### **Key findings:**

In FY 10-11, production rose by 26%, with 953 shoot days, compared to 753 shoot days in FY 9-10. In FY 10-11, the number of permits rose by 79, and the money collected from permits increased by \$25,000. Total permit fees collected for FY 10-11 were \$158,500.

However, total estimated budgets for productions, which shot in San Francisco, decreased from \$81,106,574 to \$56,233,011. This is partially due to the fact that San Francisco didn't have a television series shooting here. However, a downturn in production budgets is being seen across the country, due to the difficult economy and the rising costs of all aspects of production. These factors result in tighter budgets which drive productions to prioritize financial incentives over creative needs when choosing a city or state to film or base a production.

## FY10-11

Film Type	Permits	Days	Permit Fees	Estimated SF Budget
Corporate/Short	50	77	\$14,500	\$2,448,100
Documentary	30	52	\$14,400	\$483,620
Feature	16	96	\$21,800	\$28,690,500
Music Video	3	4	\$800	\$45,000
Still Photography	127	303	\$28,900	\$6,582,115
Student	24	73	\$0	\$197,750
TV Commercial	73	119	\$22,400	\$12,033,089
TV Series	67	182	\$47,400	\$4,249,000
Web	40	47	\$8,300	\$1,503,837
<b>TOTAL</b>	<b>430</b>	<b>953</b>	<b>\$158,500</b>	<b>\$56,233,011</b>

## PRODUCTIONS

Listed below is a selection of notable productions San Francisco played host to during FY10-11.

### Feature Films:

- *Caesar Rise of the Apes*, 20<sup>th</sup> Century Fox; Rupert Wyatt, Director; starring James Franco, Andy Serkis and John Lithgow
- *Big Sur*, 3311 Productions; Michael Polish, Director; starring Josh Lucas, Kate Bosworth and Henry Thomas
- *On the Road*, MK2 Productions; Walter Salles, Director; starring Kirsten Stewart, Kirsten Dunst and Viggo Mortensen
- *Hemingway & Gellhorn*, HBO Productions; Philip Kaufman, Director; starring Nicole Kidman and Clive Owens
- *Contagion*, Warner Brothers Pictures; Steven Soderbergh, Director; starring Gwyneth Paltrow, Matt Damon and Jude Law
- *Cherry*, Enderby Entertainment; Stephen Elliot, Director; starring James Franco and Heather Graham
- *Knife Fight*, Divisadero Pictures; Bill Guttentag, Director, starring Rob Lowe, Eric McCormack and Julie Bowen
- *Five Year Engagement*, Apatow Productions; Nicholas Stoller, Director; starring Emily Blunt and Jason Segel

### **Television Series:**

- *Alcatraz*, TV pilot, created by JJ Abrams
- *Top Gear*, individual episode
- *American Idol*, individual episode
- *Good Morning America*, individual episode
- *Clean House*, individual episode
- *The Nine Lives of Chloe King*, individual episode
- *Precinct 17*, individual episode

### **Select Commercials**

- GM OnStar
- AT&T Yellow Pages
- Kia
- Amazon Kindle
- Hyundai

### **International Production Activity in SF**

A number of international production companies also chose San Francisco as a location, including the feature film *180* from Southern India; *Amalfi*, a Japanese television show; and *Rose Wedding*, a popular television show from China featuring 10 couples who compete to win a dream wedding in California. For this show, Supervisor Carmen Chu married the couples in the Rotunda of City Hall.

### **SCENE IN SAN FRANCISCO REBATE PROGRAM**

The purpose of the Scene in San Francisco Rebate Program is to increase the number of qualified film productions being made in San Francisco, increase the number of City residents employed in the filmmaking industry and encourage the resulting economic benefits.

\$1.8 million was appropriated to fund this program in 2006 for 3 years. Initially, the program gave 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 2009, the program was extended 3 years, but legislation was passed to exchange the original program per production cap of taxes paid to the City to a maximum of \$600,000 of fees paid to the City.

In FY10-11, the television series *Trauma* was the only production which received money from the rebate program. This covered 4 of its 18 episodes, plus its amortization costs, for a total of \$164,276.99 in rebates.

**TRAUMA FY 10-11**

**Total Final Budget** (Episodes 15,16,17,18) **\$12,087,816.00**  
Total # Shooting Days: 35

**EMPLOYEE INFORMATION**

(\*These numbers are **the totals** of Episodes 15,16,17,18)

<u>Above the Line Employees</u>	# Employees	Wages/Comp
SF Resident Employees	23	\$ 33,494.00
 <u>Below the Line Employees</u>		
SF resident production employees	411	\$486,537.00
SF resident background employees	323	\$61,388.00
First Source Hiring Program employee	6	\$4,768.00
 <u>Total Production Employees</u>		
Total above & below the line SF employees	729	\$587,419.00
*Average amount spent per day on SF Employees		\$ 16,783.00

**AMORT Totals** (Prep/All Series/Holiday/Hiatus/Wrap/Pilot Completion/Pilot Reshoots)

**Total Budget:** **\$6,038,195.00**  
# Days: 158

<u>Above the Line Employees</u>	# Employees	Wages/Comp
SF Resident Employees	6	\$4,801.00
 <u>Below the Line Employees</u>		
SF resident production employees	217	\$ 427,030.00
1 First Source Hiring Program employee (22 days)		\$3,214.00
 <u>Total Production Employees</u>		
Total above & below the line SF employees	223	\$431,831.00
 <b>Total Above &amp; below the line SF Wages</b> (Includes Episodes 15,16,17,18 + Amort)		<b>\$1,019,250.00</b>
 <b>TOTAL REBATE RECEIVED FY 10-11</b> (Includes Episodes 15,16,17,18 + Amort)		<b>\$164,276.99</b>

**Balance Left in Rebate Program of the original \$1.8 million authority**    \$887,311.07

#### **PRODUCTIONS WITH PENDING REBATE APPLICATIONS FOR FY 11-12**

- Hemingway & Gellhorn
- Knife Fight
- Cinderbiter
- Cherry

Active promotion of the Scene in San Francisco Rebate program and the Vendor Discount Program has been paying off with increased interest in filming in San Francisco. The Film Office anticipates a minimum of 1 to 2 more feature films during FY 11-12 that will apply for the Scene in San Francisco Rebate Program, and that number could be higher.

#### **FILM OFFICE NEW PROGRAMS FY10-11**

##### **Vendor Discount Program:**

The Vendor Discount Program was established in January 2010 in order to attract more productions by offering additional financial incentives when shooting in San Francisco. This program provides an opportunity for production companies and their crew members to receive discounts while shopping locally at participating businesses. It also benefits the local merchants, as they draw more business to their establishments by offering a discount.

More than 80 local businesses are participating in the program, including 26 hotels, 13 restaurants as well as a number of car rental agencies, entertainment venues and gift shops. The Film Office secured additional discounts for productions from Virgin America as well as production and post production services at the end of June, making the program even more attractive to productions.

A survey will be sent to participating merchants at the end of December 2011 in order to track the success of the program. Since its inception, a majority of films have chosen to use the Vendor Discount Program.



## **SF Film Collective:**

The SF Film Collective was established by the San Francisco Film Commission in May 2011. The goal of the Film Collective is to provide low cost office space to independent filmmakers, allowing local production pioneers to advance their projects, interact and draw inspiration or knowledge from their peers, and ultimately bring more production to San Francisco. The Film Collective has the potential to help nurture the local independent and documentary film communities, to shine a light on San Francisco as a supporter of these smaller, independent productions and help build on San Francisco's reputation as a hub for independent film. This also enables homegrown films to afford to stay in San Francisco, ultimately benefitting our local economy with increased production, and support the Mid-Market redevelopment initiative.

### *Eligibility:*

Applications were available to all who satisfy each of the following criteria:

- The applicant is actively engaged in a film, video, web television or multi-media project.
- The project has a significant connection to San Francisco.

### *Priority:*

All were encouraged to apply. Special consideration was given to (in order of priority):

- Projects being filmed / produced primarily in San Francisco
- Projects set primarily in San Francisco.
- Projects demonstrating a likelihood to have a positive effect on the SF economy
- Residents of San Francisco
- Graduates of the FilmHouse Residency program, a joint program of the San Francisco Film Commission and San Francisco Film Society.

Located at 134A Golden Gate, the new program creates an additional effort on behalf of the Film Commission to provide office space to local filmmakers. The Film Commission began this kind of support in 2008 with the FilmHouse Residency, in partnership with the San Francisco Film Society.

“The incubator project will benefit both the San Francisco film community and the ever-growing Mid-Market Arts District,” said Mayor Edwin Lee in a press release of July 18, 2011. “Establishing programs such as this helps ensure the health of the Mid-Market area as it continues to grow and become a burgeoning arts community.”

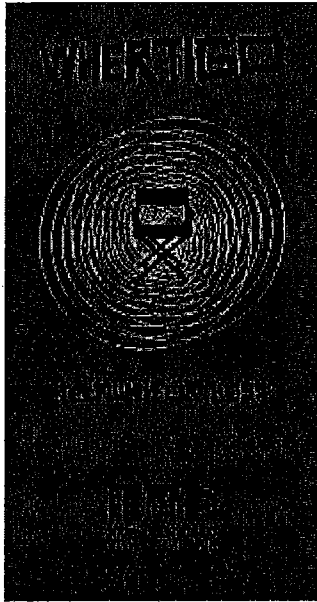
Four groups of independent filmmakers are in the process of or have moved in to the Film Collective, and applications for additional tenants are still being accepted.

Nine months into the program, an independent evaluator will assess the success of the SF Film Collective to determine if the San Francisco Film Commission will offer the program in following years.

#### **ADDITIONAL ACCOMPLISHMENTS FOR FY 10-11**

- The Film Commission hired a new Executive Director, Susannah Greason Robbins in September 2010. The position had been vacant for 9 months.
- Streamlined the Film Office Permit Applications in order to provide more detailed financial information to the office and to make the application simpler for production companies.
- Created a new Economic Reporting Form to track production spending more efficiently.
- Created a reel of San Francisco locations, featuring non-iconic footage of the City in order to sell the City in a new light to productions. This reel was screened at the AFCI/Cineposium Conference in Los Angeles in November 2010.  
<http://filmsf.org/index.aspx?page=6>
- Attended key events to promote the Scene in San Francisco Rebate Program.
  1. Variety TV Summit in Los Angeles, CA
  2. Sundance Film Festival, Park City, UT
  3. AFCI/Produced By Conference at Walt Disney Studios in Los Angeles, CA
- Expanded marketing efforts by meeting with production companies and producers in Los Angeles, to promote San Francisco as a location and emphasize the Scene in San Francisco Rebate Program and Vendor Discount Program. We continue to have ongoing conversations with some of these producers about the possibility of bringing their productions to San Francisco.
- Created a database of all of the films which have shot in San Francisco, their locations, and interesting facts about the films for DataSF.

- Created a new ad campaign with the pro-bono help of BBDO Advertising. The ad below was submitted and won 2<sup>nd</sup> place in the Print Ad category in the AFCI (Association of Film Commissioners International) Marketing Awards in June 2011.



- Expanded community outreach by giving talks to various schools, industry-related organizations and community groups. These include:
  1. Northern California Screenwriters Association
  2. Northern California Production Coalition
  3. Northern California Screen Actors' Guild
  4. San Francisco Travel Association Northern California Visitor Industry Outlook & Marketing Conference
  5. Academy of Art University
  6. Art Institute of San Francisco
  7. Art Institute of California
  8. San Francisco Travel Association's Pow Wow Media Tour
  9. Leadership SF Panel
  10. Bay Area Women in Film and Media
- Researched additional warehouse space which could be utilized as stage space for visiting productions.
- Identified short-term goals for the Film Commission to help draw new production to San Francisco and reaffirm the City's place in filmmaking

**Short Term Goals:**

1. Continue to simplify the permit process

2. Investigate the possibility of leasing space from City Departments to ensure production facilities
  - a. Treasure Island
  - b. Pier 80
  - c. Other property
  
3. Be proactive in attracting business
  - a. Research air & hotel discounts and vendor discounts
  - b. List discounts on the Film Commission website
  - c. Research and prepare feasibility plan for reviving / re-instituting annual Familiarization (FAM) Trip
  - d. Plan a Los Angeles marketing trip, if funds are available
  - e. Identify trade shows and events to attend, if budget allows
  - f. Study other cities successes, best practices
  - g. Develop additional partnerships
  
4. Ensure long-term success of Film House residencies
  - a. Find a new location for the project in partnership with the San Francisco Film Society.
  
5. Develop marketing materials highlighting San Francisco productions that feature interviews with producers or others involved in shooting San Francisco and examples of vendor lists that have been used.
  - Emphasize key programs – rebate program, vendor discount, and personalized and efficient services.
  
6. Work with the Office of Economic and Workforce Development to evaluate existing programs that can benefit productions
  
7. Work with San Francisco Travel Association (SFTA) to leverage and share respective resources, specifically marketing resources.

## **GOALS FOR FY 11-12**

- Increase the number of productions shooting in San Francisco
- Establish a roster of warehouse space best suited for future productions
- Propose the expansion of the Scene in San Francisco Rebate Program to include documentaries and reality television shows (or non-scripted television shows as they are called in ATAS)
- Propose lowering permit fees for low budget films with budgets less than \$500,000 from \$300 per day to \$100 per day
- Continue outreach to Producers about the Scene in San Francisco and Vendor Discount Programs
- Support and monitor the SF Film Collective, and provide an independent evaluation of the success of the program.
- Increase strategic advertising in well-viewed publications
- Attract a television series to base in San Francisco long-term

## **SUMMARY**

With an increase of 26% in shooting days in San Francisco, the successful financial outcome of the Scene in San Francisco Rebate program, and the creation of new programs such as the Vendor Discount Program and the SF Film Collective, the Film Commission has actively worked to attract and increase production in San Francisco for FY 10-11. We expect production numbers to continue to rise in the coming fiscal year, based on this past success and increase interest in our incentive programs.

