

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

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

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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 Fund¹. Although not currently codified in the City's Administrative Code², 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.

¹ 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.

² 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 2006.³ 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

³ 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
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