

File No.: 150463

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date June 10, 2015

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
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| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date June 5, 2015

Completed by: Linda Wong Date _____

[Administrative Code - Film Rebate Program Amendments - \$4,000,000 Funding Cap]

Ordinance amending the Administrative Code to extend the Film Rebate Program expiration date from June 30, 2015, to June 30, 2019, to correspondingly increase the authorized funding cap for the Film Rebate Project Account from \$3,000,000 to \$4,000,000 subject to annual appropriation and to make certain technical corrections.

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

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

Section 1. The Administrative Code is hereby amended by revising Section 57.8, to read as follows:

SEC. 57.8. FILM REBATE PROGRAM.

(a) Purpose. The purpose of the Film 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 to increased filmmaking in San Francisco.

(b) Definitions. As used in this Section 57.8, the following terms shall have the following meanings:

“Principal photography” means the time period and phase of film production during which the main photography occurs.

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

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

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

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

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

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

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

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

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

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

10 (4) Any daily use fees charged by the Film Commission, pursuant to Section
11 57.5 of the Administrative Code, to engage in film production in the City; and

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

15 (c) Rebate Program.

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

1 (2) Amount of Rebate. ~~Effective July 1, 2012, the~~ The City shall pay one dollar for
2 each dollar the qualified low budget film production or qualified film production paid in qualified
3 production costs, provided that such rebate payment shall not to exceed \$600,000 for each such
4 production.\$3 million dollars by June 30, 2015, subject to annual appropriation. The rebates shall
5 be paid from the project account that the Controller has set aside for Film Rebate Program
6 funds (the "Film Rebate Project Account").~~In no event shall the amount of any rebate paid for a~~
7 ~~single production after April 1, 2009 exceed \$600,000.00.~~ The Film Rebate Project Account shall not
8 exceed \$4,000,000, with the exact amount subject to annual appropriation. The rebates shall not be
9 paid from funds dedicated under bond or other legal financing covenants. Rebates paid under
10 this ~~Ordinance~~ Section 57.8 shall be paid only to those qualified low budget film productions or
11 qualified film productions whose filming commenced on or after~~the effective date of this~~
12 ~~Ordinance~~ May 20, 2006.

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

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

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

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

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

1 *production companies, and the overall economic impact from the City's Film Rebate Program since the*
2 *last Film Commission report to the Board of Supervisors.*

3 (f) Expiration of Section. The Film Rebate Program shall expire on June 30, ~~2015~~2019,
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. Retroactivity. It is the intent of the Board of Supervisors that the Film
13 Rebate Program established in Administrative Code Section 57.8 not expire on
14 June 30, 2015. If the effective date of this ordinance is later than June 30, 2015,
15 Administrative Code Section 57.8, as amended by this ordinance, shall be retroactive to
16 June 30, 2015.

17
18 Section 5. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
19 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
20 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
21 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment

22 ///


23 ///

24 ///

25 ///

1 additions, and Board amendment deletions in accordance with the "Note" that appears under
2 the official title of the ordinance.

3
4 APPROVED AS TO FORM:
5 DENNIS J. HERRERA, City Attorney

6 By: 
7 SUSAN C. DAWSON
8 Deputy City Attorney

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LEGISLATIVE DIGEST

[Administrative Code - Film Rebate Program Amendments - \$4,000,000 Funding Cap]

Ordinance amending the Administrative Code to extend the Film Rebate Program expiration date from June 30, 2015, to June 30, 2019, to correspondingly increase the authorized funding cap for the Film Rebate Project Account from \$3,000,000 to \$4,000,000 subject to annual appropriation, and to make certain technical corrections.

Existing Law

The Film Rebate Program pays one dollar for each dollar that a “qualified low budget film production” or “qualified film production” pays in certain production costs in San Francisco, not to exceed the \$3,000,000 cap on the Film Rebate Project Account.

The Film Rebate Program is scheduled to sunset on June 30, 2015.

Amendments to Current Law

The proposed ordinance provides that the Film Rebate Project Account shall not exceed \$4,000,000 (rather than \$3,000,000), with the exact amount subject to annual appropriation.

The sunset date for the Film Rebate Program is extended to June 30, 2019, and to avoid any lapse in the program, this ordinance is retroactive to June 30, 2015.

Item 1
File 15-0463

Department:
Office of Economic Workforce Development (OEWD)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would extend the film rebate program from July 1, 2015 through June 30, 2019, or an additional four years, and establish a funding limit of \$4,000,000 over this four year period, subject to appropriation approval by the Board of Supervisors.

Key Points

- In April of 2006, the Board of Supervisors approved the Film Rebate Program (File 06-0065), 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.
- The Film Rebate Program currently expires on June 30, 2015.

Fiscal Impact

- The annual cost of the rebate program has ranged from \$0.00 to \$831,501. The proposed ordinance would provide an average of \$1,000,000 per year of rebates, or a total of \$4,000,000 over four years.
- The Mayor's proposed budgets for FY 2015-16 and 2016-17 currently pending before the Board of Supervisors include \$800,000 per year for the film rebate program, or a total of \$1,600,000 over the two-year period.

Policy Consideration

- The requested extension and \$1,000,000 annual increase in the funding limit is consistent with previous Board of Supervisors' policy decisions.
- Based on data on the film rebate program provided by the Film Commission, every dollar the City expended on film rebates between FY 2012-13 and FY 2014-15 generated between \$4.71 and \$8.34 in direct spending in San Francisco.

Recommendations

- Amend the proposed ordinance to strike the contents of Section 57.8(c)(2) and replace with:
"Amount of Rebate. Effective July 1, 2015, the City shall pay one dollar for each dollar the qualified low budget film production or qualified film production paid in qualified production costs not to exceed \$4,000,000 by July 1, 2019, provided that such rebate payment shall not exceed \$600,000 for each such production. The rebates shall be paid from the project account that the Controller has set aside for Film Rebate Program funds (the "Film Rebate Project Account"). The rebates shall not be paid from funds dedicated under bond or other legal financing covenants. Rebates paid under this Section 57.8 shall be paid only to those qualified low budget film productions or qualified film productions whose filming commenced on or after May 20, 2006."
- Approve the proposed ordinance as amended.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

Section 2.105 of the City Charter allows the Board of Supervisors to amend the Administrative Code by ordinance.

Background

In April of 2006, the Board of Supervisors approved the Film Rebate Program (File 06-0065), 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, 2015. 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 \$3,000,000 from July 1, 2012 through the expiration of the Film Rebate Program on June 30, 2015, 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 or web 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 or web series where at least 55 percent of the days are filmed in the City and the total budget is \$3,000,000 or less.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would extend the film rebate program from July 1, 2015 through June 30, 2019, or for an additional four years, and establish a funding limit of \$4,000,000 over the four year period for the total amount of rebates to be paid by the City to qualified film production companies, subject to appropriation approval by the Board of Supervisors.

Based on discussions with the office of the sponsor of the proposed ordinance, the City Attorney's Office and the Executive Director of the Film Commission, the proposed ordinance should be amended to clarify the intent of the proposed legislation.

FISCAL IMPACT

Table 1 below shows the actual rebates paid by the City to qualified film production companies for specified expenditures under the film rebate program since its inception in FY 2006-07.

Table 1: Actual Expenditures on Film Rebate Program

Fiscal year	Actual Expenditures
FY 06-07	\$42,151
FY 07-08	0
FY 08-09	171,049
FY 09-10	535,212
FY 10-11	164,277
FY 11-12	627,131
FY 12-13	231,025
FY 13-14	831,501
FY 14-15 ¹	723,995
Total	\$3,326,341

Source: Office of Economic and Workforce Development

¹ Fiscal Year 2014-15 represents expenditure data through June 1, 2015.

As shown in Table 1 above, annual expenditures have ranged from \$0 to \$831,501 per year. Currently, between July 1, 2012 and June 30, 2015, a three-year period, film rebates are limited to a total of \$3,000,000 or an average of \$1,000,000 per year. If the proposed ordinance is approved, the film rebate program would be extended for four years and an additional \$4,000,000 would be available for funding rebates during the extended four-year period from July 1, 2015 through June 30, 2019, or an average of \$1,000,000 per year. The Mayor's proposed budgets for FY 2015-16 and 2016-17 currently pending before the Board of Supervisors include \$800,000 per year for the film rebate program or a total additional appropriation of \$1,600,000, for the film rebate program over the next two years.

POLICY CONSIDERATION

The Film Commission Estimates that the Program has generated \$9,270,221 spending in San Francisco since June 2012

Based on data pertaining to the film rebate program provided by the Film Commission,¹ Table 2 below shows the estimated direct spending in the San Francisco economy generated by film productions for which rebates were paid. As shown below, every dollar the City expended on film rebates between FY 2012-13 and FY 2014-15 generated between \$4.71 and \$8.34 in direct spending in San Francisco. This assumes that these productions would not film in San Francisco were it not for the film rebate program.

Table 2: Direct spending generated by film rebate program

Fiscal Year	Direct Spending	Rebate	Economic Multiplier
FY 12-13	\$1,927,745	\$231,025	\$8.34
FY 13-14	3,933,868	831,501	4.73
FY 14-15 ¹	3,408,608	723,995	4.71
Total	\$9,270,221	\$1,786,521	\$5.19

Source: Office of Economic and Workforce Development

¹ Fiscal Year 2014-15 represents expenditure data through March 1, 2015. According to Mr. Pascual, there have been no film rebate expenditures since that time.

The legislation previously approved by the Board of Supervisors authorizing the film rebate program requires that the Director of the Film Commission provide the Board of Supervisors with an annual report on the implementation of the film rebate program. The Budget and Legislative Analyst has confirmed that these reports were submitted to the Board of Supervisors for fiscal years 2012-13 and 2013-14. Ms. Susannah Robbins, Executive Director of the Film Commission, states that she will report to the Board of Supervisors on fiscal year 2014-15 no later than December 1, 2015.

The Requested Funding Limit is Consistent with previous Board of Supervisors Policy

The two most recent extensions of the film rebate program were each approved with an average \$1,000,000 per year funding limit. File 12-0406 extended the film rebate program two years, from July 1, 2012 through June 30, 2014 with funding of up to \$2,000,000 (\$1,000,000 per year). Similarly File 13-0937 extended the film rebate program by one year, from July 1, 2014 through June 30, 2015 and increased the funding limit by \$1,000,000. Based on these previous Board of Supervisors' policy decisions to extend the film rebate program and increase the funding limit by \$1,000,000 per year, approve the proposed ordinance.

¹ Data is based on the expense forms and wages paid to local hires that film production companies must complete to receive the rebates. Dividing the annual amount of direct spending by the annual amount of the rebate provides the Economic Multiplier, or the number of dollars generated in direct spending for every dollar of rebate.

RECOMMENDATIONS

1. Amend the proposed ordinance to strike the contents of Section 57.8(c)(2) and replace with:
“Amount of Rebate. Effective July 1, 2015, the City shall pay one dollar for each dollar the qualified low budget film production or qualified film production paid in qualified production costs not to exceed \$4,000,000 by July 1, 2019, provided that such rebate payment shall not exceed \$600,000 for each such production. The rebates shall be paid from the project account that the Controller has set aside for Film Rebate Program funds (the “Film Rebate Project Account”). The rebates shall not be paid from funds dedicated under bond or other legal financing covenants. Rebates paid under this Section 57.8 shall be paid only to those qualified low budget film productions or qualified film productions whose filming commenced on or after May 20, 2006.”
2. Approve the proposed ordinance as amended.

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):

Supervisor Mark Farrell

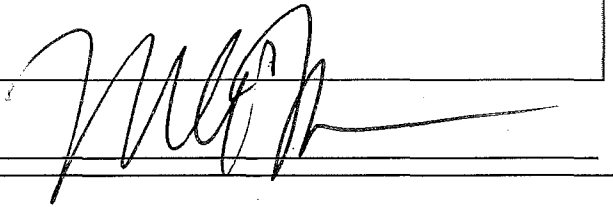
Subject:

Administrative Code - Film Rebate Program Amendments

The text is listed below or attached:

Attached.

Signature of Sponsoring Supervisor:



For Clerk's Use Only:

150463

