



MINUTES

California Film Commission Board Meeting
Friday, July 22, 2022
1:30 p.m. – 3:00 p.m.
Teleconference
Los Angeles, CA 90028

COMMISSIONERS IN ATTENDANCE

Thom Davis (Chair)
Wendy Greuel (Vice Chair)
Jaime Lee (Secretary)
Steve Dayan
Bonnie Goldfarb
Jennifer Gonring
Ali Jahangiri
Peter Kaufman
Janet Knutsen
Josh LaFarga
Debra Langford
Kim Nguyen

CFC STAFF

Colleen Bell
Alfonso Casey
Joseph Cruz
Eric Klosterman
Hedvig Marx
Leah Medrano
Nancy Rae Stone

GUESTS

Nina Cheek
Casey David
Erik Deutsch
Adam Fowler
David Gonzalez
Ri-Karlo Handy
Matt Johnson
Sabrina Jurisch
Serena Kung
Misa Lennox
Kevin McDonald
Vijay Mepani
JP Nicolais
Eric Parker
Lauren Pizer Mains
Uday Ram
Dean Schramm
Dan Seaver
Arlen Valdivia
Jason Weisz
Ken Ziffren

I. CALL TO ORDER and WELCOME; INTRODUCTION OF MEMBERS/GUESTS - Thom Davis, Chair

Meeting called to order at 1:38 p.m., Chairman Davis welcomed board members and guests, Roll Call.

II. APPROVAL OF MINUTES – Thom Davis, Chair

Motion to approve the Minutes from March 11, 2022 was made and approved.

III. DIRECTOR'S REPORT – Colleen Bell, Executive Director

Production Update

On-location film production in Greater Los Angeles saw a strong start this year, setting a new first quarter record with 9,832 Shoot Days. The last time this level of activity was reported was in 2016. With strong protective protocols in place, the industry was in a good position to weather the post-holiday Omicron surge.

Filming activity in the first quarter of 2022 increased by 40.2 percent over the same period in 2021. Driving the increase, once again, is the Television category (up 18.7 percent over the same period last year to 4,470 SD), especially the TV Drama and TV Reality categories.

FilmL.A reported that The California Film & Television Tax Credit program, overseen by this Commission, is a significant driver of local TV Drama activity. Episodic TV Dramas participating in this program generated 499 Shooting Days for the quarter representing 39 percent of all activity in the category. Films of course continue to be shot in the state, but the largest growth has been TV.

Thanks to the actions of our Governor, California Leadership and the work of the CFC Board of Commissioners to expand funding for California's Film & Television Tax Credit Program and approve regulations are enabling more new, relocating and recurring TV series to be produced in California.

With additional funding from last year's passage of SB 144, the Commission was able to announce last week, five new series and two relocating series are among the projects selected for the latest round of tax credits. We have not been able to accept new TV since 2019. With the new series announced last week the state was able to send the message that new TV is open for business due to the increase in funding.

"Falcon" (Netflix), "Grammar Rodeo" (Lucas Film), "My Glory" (WB Discovery), "Presumed Innocent" (WB Discovery) and "The Sympathizer" (HBO) are the first new TV series selected for the tax credit program since 2019. This is because funding for new series was exhausted due to the number of recurring TV series already accepted into our program. SB 144, which received wide bi-partisan support, increased program funding for a two-year period.

In addition to the new TV series, we have two relocating series "Killing It" (NBC Universal) and "Rap Sh!t" (HBO) – which will move production from Louisiana and Florida. This is the fifth consecutive TV project tax allocation round (dating back to 2019) to include a pair of relocating series. Finally, the latest allocation round includes two recurring series – "Dream" (NBCUniversal) and "Mayans MC" (FOX Disney).

The added investment in California's tax credit program strengthens our ability to compete and win. The new, relocating and recurring TV projects announced will create in-state production jobs and significant economic opportunity.

VFX

The LAEDC Film &TV Tax Credit economic impact report showed a significant return on investment for Californian's Tax Credit dollars. We continue to use this resource, commissioned by the MPPA as an important tool for advocacy of our program.

The recent LAEDC report illustrates the efficacy of film tax incentives in California. It also mentions a gap that California is the only major production center that does not have a stand-alone visual effects (VFX) credit.

California used to be a leader in VFX work, but with the advent of tax incentives, the business has been siphoned off. The CFC has compiled data on the amount of VFX work that was performed outside of California in the last 5 years. Aggregating figures from all the major studios and 2 streaming services, the amount of money spent on visual effects labor was approximately \$6.5 billion dollars.

The fastest growing sector in all of entertainment is Visual Effects. Some studios report experiencing the greatest volume of work in the history of the industry. A sample of skill sets that are needed for VFX: Virtual Production Specialists, Machine Learning, AI, Data Wrangling, Game Engine Software Artists, Photogrammetry and Lidar Specialists, Houdini, Animation, and Deep Compositing Artists – just to name a few. If the state of California does not improve our competitiveness, we run the risk that the birthplace of the VFX industry will continue the worrisome talent migration to other locations. Without question, California runs the risk of losing dominance in the VFX industry.

California's Investment In VFX Workforce Development

The California Department of Education's (CDE) Arts, Media and Entertainment (AME) Workforce Training and Registered Apprenticeship Initiative has been launched. CDE has partnered with the Division of Apprenticeship Standards at the Department of Industrial Relations to expand youth apprenticeships across the state, with a focus on animation and VFX:

- The CDE Foundation has funded the development of 2 registered apprenticeship tracks in Animation and VFX and Entertainment Industry crafts involving Audio and Video technology.
- CDE Foundation funds have also supported a pilot IATSE/Hollywood CPR 10-week master class series at 3 high schools. Students are trained in Film and Television Production including virtual production and VFX.
- There are currently 40 high school teachers participating in a 36-hour training for Realtime Technology and VFX software.
- West Los Angeles Community College is planning on launching the first ever immersive media, Virtual Production/VFX program and is working on a \$500,000 California Apprenticeship Grant to fund the program.
- Next year, there will be a total of \$925,000 career technical education funds allocated for pilot high schools across California, training students in Virtual Production and VFX.

As reported in the LAEDC report, the current tax credit program was created to stem runaway production and it has succeeded: for every \$1 invested, the program delivers \$24 in economic activity. A stand-alone VFX program has the potential to also create jobs and increased revenue for the state.

A stand-alone VFX program can provide refundable tax credits to any film or television production company with a qualified project whose visual effects are created in California – they do not have to shoot their projects here. A 30% refundable credit or rebate would be competitive, according to VFX executives.

Soundstage Capacity

As reported by FilmL.A.'s Soundstage Report in April not even a worldwide pandemic could reduce occupancy or curtail filmmaker demand for Los Angeles area sound stages. Across the properties studied by FilmL.A., the average annual occupancy rate remained high at 94 percent in 2020, up from 93 percent in 2019 before the COVID-19 pandemic. While most stage operators reported to FilmL.A. that they had not lost a single lessee during the 2020 shutdown, those that found themselves with a sudden vacancy also found it easy to attract new customers.

Other findings in the new report include an update on the number of projects shot on stages, broken down by project category, as well as counts of stage and backlot-based Shoot Days. Along with other kinds of projects, partner studios reported a total of 307 television series filming partially or entirely on their stages in 2020.

Los Angeles is also maintaining a footing in a global race to build new sound stages and expand studio inventory. While tracking global stage development was outside the scope of its report, FilmL.A. research is currently tracking fourteen new studio projects and/or studio expansions underway in Greater Los Angeles. This includes the current expansions at the Universal Studios lot and CBS Television City and the planned construction of new stages on the Warner Bros.' Ranch.

If all of these projects are built, the count of certified stages in the region would increase by approximately 27 percent, and square footage by considerably. Other than the major studios, we are also seeing investments from independent studios like Quixote, Hackman Capital group and others.

IV. TAX CREDIT PROGRAM REPORT – Nancy Rae Stone, Tax Credit Program Deputy Director

Pilot Career Pathways

When projects are accepted into the tax credit program, the department staff emails them reminders to make their career pathway contributions. At the same time, we describe the program which provides training for below the line careers in the industry to underserved individuals and we ask our applicants to let their crews know we are looking for mentors. Mentorships are an important component of our program, and we work to match up our participants with mentors who work in the industry and can help them navigate their careers.

Kevin McDonald, the Program Director, and Deputy Director Stone have contacted several crew data base companies in order to create a special listing for career pathways graduates in order to support our graduates in their careers after they complete their training. We are working with Crewvie and Array, 2 companies known for their diverse crew bases. In addition, the IATTF, our fiscal agent, recently put out a request for proposals for an additional training provider, focusing on post-production.

As we enter Year 3 of the Pilot Career Pathways Program, the COVID-19 pandemic continues to impact our training partner organizations. The positive news is that all training is now officially back to in-person instruction. Currently, the Pilot Career Pathways program works with training providers Hollywood CPR, Local 695's Production Sound/Video trainee program (whose participants receive our support and resources but do not need financial support), and Manifest Works. In total, the Career Pathways Program has had 141 participants, 55 in year 1, and 86 in year 2.

Accounting Program

It has been our goal to implement an entry-level accounting program as part of the Career Pathways Initiative. The design of the Entry-Level Production Accounting Course is nearing its completion. The program creators are readying the program for our first cohort, which will be held in September, and recruitment for the course will begin soon. Outreach will be conducted to non-profit community organizations throughout the state, as well as community colleges. Prospective participants will apply via an online application that will go live in August. The Career Pathways Program has been meeting with studios to promote the production accounting course and its future participants.

PROGRAM 3.0 – Fiscal Year 2 summary

- \$274m in tax credits allocated
- \$1.3 Billion in total CA expenditures
- Includes \$813 million in qualified wages, \$578 million in qualified expenditures, \$852 million in non-qualified expenditures

Year 2 provided tax credit reservations to:

- 31 independent films
- 11 features
- 6 recurring TV series
- 2 relocating series
- Total: 51 projects

For the first time since 2019, the CFC was able to accept new TV projects, thanks to additional funding provided by SB144. A press release regarding these new projects was released last Monday.

The current round of tax credits also includes two relocating series – “Killing It” (NBC Universal) and “Rap Sh!t” (HBO) – which will move production from Louisiana and Florida, respectively. With these latest wins, California's tax credit program has welcomed a total of 27 relocating TV series from other states and nations

Soundstage Filming Tax Credit Program

SB14 also created the soundstage filming program in June of 2021. While we searched for staff for the program, the CFC created an advisory group and began the process of writing emergency regulations. Due to the complexity of the program, the regulations delineated a 2-step process: Phase A was for the entity which builds the soundstage and is seeking certification; Phase B is for the entity which is applying for tax credits to produce a qualified motion picture on

that certified soundstage.

On April 11 this year, our Emergency Regulations were approved, and our application procedures were put in place. On May 31st we received our first complete Phase A application. On June 1st, we were thrilled to hire Hedvig Marx as the program advisor and soon after Alphonso Casey to assist her.

We made a site visit to the new stages and issued Soundstage Certification Letters for a total of thirteen soundstages – eight brand new and five renovated stages and a group of ancillary buildings.

We received our first completed Phase B application shortly thereafter for the recently certified stages. This application was from a studio which is both the owner/operator of the Certified Studio Construction Project and the producer of the approved Qualified Motion Picture project. The project is a Television Series, estimating qualified expenditures of over \$62 million.

The production received a credit allocation letter and on June 28, we held our first Soundstage Filming Program orientation for that production.

We will seek to readopt the emergency regulations by the end of September, which will give us another 90 days to either seek another (final) readoption or submit the completed rulemaking file. Having an opportunity to iron out the process has been really helpful and shown us where there is room for clarification in the regulations so we will be making some amendments to the current text. Most of this relates to better clarity for those instances when the Phase A and Phase B applicants are separate entities, as well as to better define the period in which the soundstage-related wages can qualify.

In terms of the program application process, we are expecting to begin portal development for the Soundstage Filming Program soon, and we are continuing to update and publish reference documents on the website where we also have interim forms available.

Soundstages – Green Production

Soundstages have a myriad of techniques to lower their carbon footprint, such as: providing battery energy storage, providing sustainable options through rentals of electric/hybrid vehicles, LED lighting, and electric generators. With the creation of our new Soundstage filming tax credit program, we are exploring ways to encourage stages in our program to adopt carbon reducing measures. In the future, including sustainability requirements for stages in this program might be worth considering since the entertainment industry is a voracious energy consumer. Depending on the size, productions can emit on average between 391 and 3,370 metric tons of CO₂. Our industry's emissions have been known to surpass those of aerospace, clothing, hotel and semiconductor industries.

Data from the Producers' Guild Green Production Guide illustrates that across all types of feature films, the largest contributing factor is fuel consumption. Fuel is mainly used in production vehicles and generators.

For tentpole productions, fuel consumption makes up nearly 48% of the average carbon footprint. For all features, air travel and utilities contribute relatively equally to carbon emissions.

For TV series, while air travel, housing and utilities all have a carbon footprint, again we see that fuel is the largest emitter for 1 hour scripted dramas and ½ hour scripted single camera shows. Multi-camera series have larger emissions related to utilities and unscripted shows on air travel.

Deputy Director Stone has been working with several Sustainable Production Alliance members, the DWP, the Mayor's office, FilmL.A. and GO-Biz, to develop a plan to install green energy power nodes in the most frequently used basecamps typically parking lots in the Los Angeles zone, along with EV Charging Infrastructure and water access. The problem, as always, is funding, who will pay to install this equipment? We have been looking into city, county and state resources but so far, we haven't been able to locate the funding. We are researching grant programs for EV charging infrastructure.

The tax credit program can do more to encourage sustainability. Just as legislation has been helpful in bringing the issue of diversity to the forefront, helping our productions decarbonize is also important. Why not provide additional tax credits to productions whose expenditures contribute to the reduction of carbon emissions in the areas of renewable energy, clean mobile power and the use of zero emissions vehicles? Our productions need help to afford to use these clean energy solutions and given the extreme heat waves, drought and forest fires that our state now experiences, time

is getting short to decarbonize our productions.

V. MANIFEST WORKS Report – Dan Seaver, Executive Director

Through immersive learning, real-world work experience, and a network of supportive professional mentors, ManifestWorks connects those impacted by foster care, homelessness and incarceration with job opportunities and provides ongoing life and professional skills to support long-term success.

VI. NOMINATING COMMITTEE REPORT – Bonnie Goldfarb, Boardmember

The positions of Board Officers (Chair, Vice Chair, Secretary) for 2023 will be voted on during our last board meeting on November 4th. The term of office for each officer is one year and begins at the first 2023 calendar board meeting. All interested boardmembers are encouraged to notify nominating committee.

VII. NEW BUSINESS – Thom Davis, Chair

None

VIII. PUBLIC COMMENTS – Thom Davis, Chair

None

IX. ADJOURNMENT – Thom Davis, Chair

Meeting was adjourned at 2:40 p.m.