

City of Fayetteville Staff Review Form

2017-0525

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10/3/2017

City Council Meeting Date - Agenda Item Only  
N/A for Non-Agenda Item

Devin Howland

9/15/2017

ECONOMIC DEVELOPMENT (050)

Submitted By

Submitted Date

Division / Department

Action Recommendation:

APPROVAL OF A RESOLUTION OF INTENT TO PARTICIPATE IN FUNDING FOR A NETWORK EPISODIC TELEVISION SERIES BEING FILMED IN FAYETTEVILLE FOR AN AMOUNT NOT TO EXCEED \$500,000 OVER A TWO YEAR PERIOD.

Budget Impact:

Account Number		Fund	
Project Number		Project Title	
Budgeted Item?	No	Current Budget	\$ -
		Funds Obligated	\$ -
		Current Balance	\$ -
Does item have a cost?	NA	Item Cost	
Budget Adjustment Attached?	No	Budget Adjustment	
		Remaining Budget	\$ -

V20140710

Previous Ordinance or Resolution # \_\_\_\_\_

Original Contract Number: \_\_\_\_\_

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

Comments: \_\_\_\_\_



**MEETING OF OCTOBER 3, 2017**

**TO:** Mayor and City Council  
**THRU:** Don Marr, Chief of Staff  
**FROM:** Devin Howland, Director of Economic Vitality  
**DATE:** September 15, 2017

**SUBJECT: Network Episodic Television Series (Eight Episodes) funding for production in Fayetteville**

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**RECOMMENDATION:**

City Staff is recommending the approval of a resolution of intent to participate in funding for a Network Episodic Television series in Fayetteville Arkansas not to exceed \$500,000- with \$250,000 being spent in 2017 and \$250,000 being spent in 2018.

**BACKGROUND:**

The Fayetteville Chamber of Commerce and the Arkansas Film Commission within the Arkansas Economic Development Commission contacted the City of Fayetteville in July of 2017 regarding a potential Network Episodic Television series being filmed in Fayetteville Arkansas. Arkansas is currently in a competition with another state for the project. This resolution of intent will serve as a piece of the total incentive package being developed by the Arkansas Economic Development Commission. This project has the support of Governor Asa Hutchinson, the Arkansas Economic Development Commission, the Fayetteville Chamber of Commerce and the Convention and Visitors Bureau.

**DISCUSSION:**

A film series of this size and caliber will have a very positive economic impact on the City of Fayetteville, our local businesses and our economy. There are both economic and ancillary benefits to this project. On the economic side, film incentives create both short-run and long-run economic and fiscal benefits that include increased tourism, development of film industry infrastructure such as studios and service providers, and attraction of production activities. The benefits also transcend both the public and private sectors:

- Private Sector Benefits:
  - Additional jobs in the City of Fayetteville
  - Increased payroll in the community
  - Increased spending in our retail, service, accommodation, and lodging establishments
- Public Sector Benefits:
  - Promotion of the City of Fayetteville

- Increased sales and HMR tax revenue
- Quality jobs for Fayetteville residents
- Unique educational opportunity for students interested in film

The Arkansas Economic Development Commission commissioned studies on the economic impact of film projects, the study was conducted by the Institute for Economic Advancement. The study found that for each dollar spent in the industry, there is an additional \$0.91 generated elsewhere in the state economy through output impact. These output impacts will create a multiplier effect in the City of Fayetteville economy. Using this study, AEDC has calculated a total economic impact of \$177,703,104.

This series production has a total budget of \$70,000,000 and will take place over a nine-month period. The entire production crew totals over 236 people with a total payroll of \$37,676,319. The entire production crew will be lodging and spending their income in our local businesses. Over 100 jobs will be filled locally, these jobs offer extremely high wages for a nine-month period. Many of these jobs will be filled by Fayetteville residents who will not only receive quality compensation, but the experience of a lifetime.

Fayetteville's businesses will also benefit greatly from this project, with an estimated amount of \$19,847,938 being spent locally on materials. This total does not include production crew expenditures for lodging, meals, services, and retail shopping.

Lastly, the City of Fayetteville will be showcased in a beautiful light- bringing global attention to our community. The Mayor's office is excited about the opportunity welcome this network episodic television series to our community as well as the economic benefits of the series being filmed in Fayetteville. Staff believes this type of project will bring global awareness to our community, and increase sales and HMR tax revenue and have a very positive impact on our economy.

**BUDGET/STAFF IMPACT:**

\$250,000 will be deducted from reserves in 2017 and \$250,000 will be deducted from reserves in 2018.

**Attachments:**

Exhibit A: Economic Impact Model Results

## ERA Model Results: Network Episodic Television Series

<b>Budget</b>	\$69,851,849
<b>Additional Spending</b>	\$64,263,701
<b>Earnings Direct Spending</b>	\$15,367,407
<b>Induced/Indirect</b>	\$26,543,703
<b>Additional Sales Tax</b>	\$1,676,444
<b>Total Spend+Impact</b>	\$177,703,104
<b>FTE Jobs</b>	985
<b>FTE Wage Average (\$/hr)</b>	\$34.00

### ***Economic Research Associates- Arkansas Film Economic Impact Study***

Based on the impacts in output, earnings and employment in the motion picture and video production industries, the following implications and conclusions may be drawn:

#### **• Output Impact:**

The total impacts for the State of Arkansas are about \$1.9 million based on the estimated expenditures of \$1 million. For each \$1 dollar spent in the industry, there is an additional \$0.91 created elsewhere in the State economy through induced and indirect impacts. This compares to a national figure of \$1.58 of output for sector as a whole. This indicates that Arkansas is able to capture approximately 67 percent of the total economic activity associated with film expenditures based on the existing industrial structure of the state. Note that this leakage would not impact any proposed incentive program that focuses on in state spending. Any economic development program would focus on the direct in-state expenditures and would not offer advantages for out-of-state expenditures. This percentage capture can be expected to grow over time as the industry develops in the state and as more firms and productions are able to take advantage of any Arkansas expenditure incentives for motion picture production.

#### **• Earnings Impact:**

In the State of Arkansas, \$1 million in expenditures generates \$224,000 in earnings direct spending. This in turn generates an additional \$380,000 in induced and indirect impacts, or about \$0.38 for every \$1 spent in the area.

#### **• Employment Impact:**

Every \$1 million spent on the motion picture and video productions industries generates about 14.1 FTE jobs in the state. The average annual wage for workers in the State of Arkansas in this industry ranges between \$27,000 to \$45,000 annually depending on the position.

#### **• Sales Tax Impact:**

Based on the intermediate inputs that are subject to sales and use tax in the state of Arkansas, every \$1 spent generates approximately \$.024 in sales tax. This means that every \$1 million spent in the industry would therefore generate roughly \$24,000 in sales tax.

**Illustrative Impact on a Sample Budget:**

To summarize the above, an independent feature film with a budget of \$5 million that shot entirely in Arkansas would generate approximately \$4.6 million in additional spending (output) elsewhere in the state, approximately \$1.1 million in earnings direct spending, which in turn would generate an additional \$1.9 million in induced and indirect impacts, generate 70.5 FTE jobs, and an additional \$120,000 in sales tax.

**Conclusion from Ernst and Young's most recent report: Evaluating the Effectiveness of State Film Tax****Credit Programs:**

"Film credit studies have shown that film credit programs have generated significant private sector benefits including thousands of jobs on productions, increased tourism activity, investment in industry infrastructure and the retention of existing production activity. Whether the costs of the programs are justified by these economic benefits must be answered by comparing the benefit-cost ratios of film credit programs with those achieved by other economic development programs. Although economic development programs generally have long-term goals, many analyses of film credit programs evaluate the credits from a short-run perspective, asserting that the credits must generate tax revenue equal to the cost of the program on an annual basis. While several of the most comprehensive film credit studies show that the credit costs of film credit programs may be fully offset by additional state and local taxes from expanded economic activity, film credits that do not meet this test may still provide relatively high benefit-cost ratios compared to other economic development programs."

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