

# CREATIVE CONTENT INCENTIVE PROGRAM GUIDELINES



## PROGRAM QUALIFICATIONS

A “Project” is defined as an individual film, commercial, game, or visual effects project, or one television pilot, miniseries, or season. Production companies are eligible to apply for this program for multiple Projects.

To qualify for this program, the Project must:



Provide end credit to the City of Austin by displaying the Austin Film Commission’s “Made in Austin” logo and the words *“Thank you to the City of Austin for its generous support of this production. Filmed on location in Austin, Texas, U.S.A.”* The logo and text should be displayed for a reasonable amount of time, comparable to the amount of time allotted to other credited entities.



Be an approved applicant for production incentives from the Texas Film Commission in one of the following categories: film & television projects, video game projects, or visual effects. Projects in the reality television or commercial categories are eligible only if the applicant can demonstrate that the project meets the Significant Promotion of Austin test ([see Exhibit D](#)).<sup>1</sup>



Film & television projects, reality television, and commercials must pay at least union wages to all workers and ensure all workers are provided benefits equivalent to union benefits. Video game and visual effects projects must pay all workers at least \$11/hour, provide health insurance benefits, and extend benefits to same-sex partners and their dependents.<sup>2</sup>

<sup>1</sup> In the event that the Texas Film Commission has no remaining funds for incentives in a fiscal year, projects may be eligible if they agree to provide all documents required by the Texas Film Commission, including a CPA Audit Opinion, to the City of Austin for compliance verification, are categorized in one of the eligible Texas Film Commission project categories, do not fit the description of a “prohibited project” according to the Texas Film Commission, and the first day of production has not already occurred.

<sup>2</sup> For positions without a union equivalent wage, only those paying \$11/hour or higher may be included in the total wages paid to local cast and crew for the purposes of calculating the incentive amount. Extras are excluded from these requirements.



Attend an informational meeting with the Department of Small and Minority Business Resources (DSMBR) prior to the first day of production and submit a list of vendors contracted for the project after production is completed for review by DSMBR. Provide feedback to EDD on the curriculum for its annual Minority Business Opportunities in Film, Television and Digital Media Forum, upon request.



The primary place of business for the company's project must be within the City of Austin's Desired Development Zone.



Projects seeking a Chapter 380 Economic Development Program Incentive may not count the same jobs or payroll toward a Creative Content Incentive Program incentive. Projects may not involve any new permanent construction or leasehold improvements; such projects are more appropriate for the Chapter 380 Economic Development Program Incentive.<sup>3</sup>

## INCENTIVE AMOUNT

- The maximum incentive per Project will be 0.50% of the wages paid to local residents, defined as individuals whose payroll address is within the Austin MSA (Travis, Hays, Williamson, Bastrop, and Caldwell Counties).
- Projects that meet the Significant Promotion of Austin test ([see Exhibit D](#)) or are produced by an Austin-based company will be eligible to receive a bonus incentive equaling an additional 0.25% incentive payment of the wages paid to local residents. An "Austin-based company" is defined as a company that:
  - Has its headquarters and the majority of its employees based in the City of Austin, and
  - Has produced at least two (2) other creative content projects within the last ten (10) years in Austin, or has a senior executive or above the line producer or director who has been a senior executive or above the line producer or director for at least two (2) other creative content projects within the last ten (10) years in Austin.

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<sup>3</sup> Projects must not have new permanent construction or leasehold improvements as central components of the project and no local wages claimed for the purposes of a CCIP grant may be wages for permanent construction or renovation labor. For example, a game company relocating its primary operations to Austin, TX and renovating leased space for those jobs would be ineligible for this program and should apply for the Chapter 380 Economic Development Incentive Program instead. Projects may benefit from the existence of permanent construction or leasehold improvements. For example, a film may house some of its production in a recently built soundstage. For additional clarification or case-specific questions on this criteria, please contact the Economic Development Department.

## INCENTIVE AGREEMENT APPROVAL, TERM, AND FUNDING SOURCE

The City Manager is authorized to approve an agreement for any Project that is eligible for less than the City Manager's spending authority (\$57,000 in FY2014). An agreement for a Project will require City Council approval when the incentive payment would exceed the City Manager's spending authority.

Agreements between the City of Austin and production companies will generally have contract terms of one year. Returning applicants will have priority over new applicants. Applicants will be otherwise approved for CCIP incentives on a first-come, first-serve basis until funding for the given fiscal year has been allocated.

At least \$250,000 within the Economic Incentives Reserve Fund will be set aside for this program in Fiscal Year 2014. In order for the program to be sustainable in future years, the Economic Development Department will request additional funding from the General Fund equal to 110% of the amount granted in the previous fiscal year for the Economic Incentives Reserve Fund during the budget process.

Projects that will air on a national network which has its corporate and production headquarters located within the City of Austin and which meets all State of Texas criteria to be a "Texas-Based Television Network" will have priority access to \$100,000 of these funds in each year. These Projects will need to submit their Project Information Forms or notify the City of Austin of their intent to submit projects for the CCIP during the first 90 days of the fiscal year, or these funds will be released for other Projects.

## PERFORMANCE-BASED PAYMENTS

Payments under this program will be performance-based, meaning that payments will not be issued until after the production company has provided all required documentation and the City of Austin has confirmed compliance.

The incentive payment will be based on the Project's actual local spend on wages, provided that the actual spend does not deviate more than 10% from the estimated spend provided to the City in the Project Information Form and does not exceed the City Manager's spending authority if the incentive was not approved by the City Council. In no case will the incentive will be based on more than 110% of the estimated spend. If the actual spend is less than 90% of the estimated spend, the City of Austin may deduct from the incentive a penalty fee of \$1,000 per 5% difference to discourage overestimation and unnecessary reservation of funds.

No funds will be awarded retroactively for this program. Projects must not have begun production before applying for and being approved by the City of Austin for this program.

The following resolutions and ordinances are waived for production companies receiving a CCIP grant: Resolution No. 20041028-3, Resolution No. 20071206-049, Ordinance No. 20091001-011, Resolution No. 20120112-058, and Resolution No. 20131024-056. In alignment with existing City incentives offered to the film and television industry (see Ordinances # 050127-41 and #20080306-038), Projects do not need to be competitive to qualify for this program.

## EXHIBIT A: INCENTIVE CALCULATION EXAMPLE FOR A SAMPLE PRODUCTION

Total Spending on Wages for Local Residents:	\$10,000,000
Peace Officer Days Utilized	30
Total Induced Household Spending*	\$3,400,000
Does the Project Significantly Promote Austin?	Yes
Is the Project Produced by an Austin-Based Company?	Yes
Project Days	180

### BENEFITS\*

A. Direct City of Austin Revenue:	\$75,000
B. Indirect City of Austin Revenue:	\$25,500
<b>Total Benefits</b>	<b>\$100,500</b>

### COSTS

C. Peace Officer Incentive (Via Ordinance #20080306-038):	\$16,800
D. Incidental Municipal Services Cost Estimate	\$600
<b>E. Total Costs</b>	<b>\$17,400</b>

### INCENTIVE

<b>F. Creative Content Incentive Program Incentive</b>	<b>\$75,000</b>
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### NET BENEFITS

<b>G. Total Benefits-Total Costs- Incentive Amount</b>	<b>\$8,100</b>
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*If Row E exceeds Row B, then Row F will be reduced by the difference.*

*\*Based on TXP, Inc. analysis (see Exhibit E)*

**EXHIBIT B: EXCERPT FROM ECONOMIC IMPACT OF THE CREATIVE SECTOR IN AUSTIN 2012 UPDATE- FILM, GAMING, AND DIGITAL MEDIA IMPACTS**

Detailed Film Economic Impacts (2010)

	Output	Value-Added	Earnings	Jobs
Agriculture, etc.	\$64,598	\$32,299	\$16,147	1
Mining	\$355,290	\$177,645	\$80,734	1
Utilities	\$2,955,369	\$1,905,648	\$597,431	6
Construction	\$1,130,469	\$565,234	\$419,816	11
Manufacturing	\$7,864,834	\$2,939,219	\$1,792,292	31
Wholesale Trade	\$4,279,632	\$2,890,771	\$1,340,182	21
Retail Trade	\$7,848,684	\$5,151,708	\$2,680,365	110
Transport & Warehousing	\$2,583,929	\$1,453,460	\$968,807	25
Information	\$181,860,153	\$116,147,609	\$40,334,647	1,829
Finance & Insurance	\$11,676,129	\$6,766,664	\$3,164,768	57
Real Estate	\$21,333,564	\$15,955,762	\$1,873,026	86
Professional Services	\$12,257,513	\$8,397,769	\$5,732,106	94
Management of Firms	\$823,627	\$500,636	\$339,082	4
Administrative Services	\$6,637,468	\$4,618,773	\$3,180,915	161
Educational Services	\$1,162,768	\$662,132	\$468,257	19
Health care	\$7,832,535	\$4,844,867	\$3,665,318	94
Arts/Entertain/Recreation	\$2,600,079	\$1,663,404	\$807,339	48
Accommodation	\$1,114,319	\$710,580	\$322,936	13
Food Services	\$3,472,155	\$1,808,750	\$1,097,981	74
Other Services	\$4,844,867	\$2,438,583	\$1,453,210	56
Households	\$0	\$96,897	\$96,881	10
<b>Total Annual</b>	<b>\$282,697,983</b>	<b>\$179,728,412</b>	<b>\$70,432,238</b>	<b>2,748</b>

Source: [TXP, Inc.](#)

Detailed Gaming and Digital Media Economic Impacts (2010)

	Output	Value-Added	Earnings	Jobs
Agriculture, etc.	\$324,179	\$149,621	\$42,424	3
Mining	\$1,471,275	\$748,106	\$275,755	2
Utilities	\$10,373,739	\$6,608,271	\$1,760,592	14
Construction	\$4,089,647	\$2,019,887	\$1,251,505	26
Manufacturing	\$18,752,528	\$7,206,756	\$3,245,429	51
Wholesale Trade	\$19,126,581	\$12,917,300	\$5,090,869	63
Retail Trade	\$39,923,933	\$26,158,779	\$11,560,516	385
Transport & Warehousing	\$8,852,590	\$4,713,069	\$2,799,978	60
Information	\$41,594,703	\$22,268,627	\$7,848,424	109
Finance & Insurance	\$52,990,854	\$30,522,732	\$12,345,358	180
Real Estate	\$85,957,399	\$63,863,330	\$5,366,625	193
Professional Services	\$300,763,617	\$207,898,705	\$138,514,069	1,428
Management of Firms	\$3,740,531	\$2,319,129	\$1,315,141	14
Administrative Services	\$38,303,036	\$27,181,191	\$16,163,510	664
Educational Services	\$6,159,407	\$3,516,099	\$2,121,196	69
Health care	\$39,973,806	\$24,712,440	\$15,930,179	330
Arts/Entertain/Recreation	\$271,338,108	\$186,428,058	\$67,581,290	3,150
Accommodation	\$5,959,912	\$3,840,278	\$1,484,837	47
Food Services	\$18,253,791	\$9,500,948	\$4,921,174	267
Other Services	\$22,792,301	\$11,396,151	\$5,854,500	185
Households	\$0	\$473,801	\$403,027	34
<b>Total Annual</b>	<b>\$990,741,938</b>	<b>\$654,443,277</b>	<b>\$305,876,398</b>	<b>7,274</b>

Source: [TXP, Inc.](#)

## EXHIBIT C: LOCAL PRODUCTION INCENTIVE EXAMPLES

### SUPPLEMENTAL SAN ANTONIO FILM INCENTIVE PROGRAM

Provides an additional 2.5% rebate on eligible Texas spending as verified by the Texas Film Commission for eligible projects based in San Antonio, Texas.

### CITY OF DALLAS

Awards incentives to film projects on a case-by-case basis such as a \$25,000 production grant to the show "Dallas."

### SAN FRANCISCO

Refunds all payroll taxes and city fees up to \$600,000 per production.

### SANTA BARBARA

Provides a cash rebate of up to \$2,500 seasonally between September 30 and May 31.

### SHREVEPORT/CADDO PARISH SALES TAX REBATE

Provides a 2.5% sales tax rebate\* on expenditures within Shreveport, Louisiana's city limits and a 1.5% sales tax rebate on expenditures within Caddo Parish, Louisiana.

### JEFFERSON PARISH CASH REBATE

Provides a 3% cash rebate on qualified local spending in Jefferson Parish, Louisiana.

### SARASOTA COUNTY LOCAL FILM, TV & MEDIA INCENTIVES

Provides 100% cash rebate on county governmental fees, plus up to 20% cash back on private sector qualified expenditures in Sarasota County, Florida.

*\*Please note that the State of Texas has an existing state and local sales tax rebate for production expenses.*

## EXHIBIT D: GUIDANCE ON SIGNIFICANT PROMOTION OF AUSTIN

If a project is not produced by an Austin-based company, the project must demonstrate to the City of Austin that the project significantly promotes Austin in order to qualify for a bonus incentive equaling an additional 0.25% incentive payment of the wages paid to local residents. Whether a project qualifies for this bonus incentive on the basis of significantly promoting Austin is a matter of judgment for the City of Austin. The City will consider the following in making its determination of whether a project meets the Significant Promotion of Austin test:

- The extent to which the project is set in Austin;
- The extent to which the project is about Austinites;
- The extent to which Austin-specific events, businesses, or products are featured in the project (e.g., SXSW, Whole Foods Market, Amy's Ice Creams);
- The extent to which iconic Austin imagery (e.g., the Austin skyline, the Texas Capitol, the University of Texas at Austin) is present in the final project;
- The extent to which the project has a creative connection with Austin (e.g., featuring music from an Austin band);
- The extent to which the final script includes positive references to Austin;
- The likely future tourism impact to Austin; and
- Any other factors relevant to a specific project on a case by case basis.

The City of Austin will consider all relevant factors as part of a holistic test which it will administer with rigor. The burden of proof shall lie with the applicant in demonstrating that the project meets the Significant Promotion of Austin test.



**EXHIBIT E: ESTIMATING ECONOMIC AND TAX REVENUE IMPACTS ASSOCIATED WITH  
FILM/DIGITAL MEDIA PRODUCTION IN AUSTIN, TX BY TXP, INC.**



## Estimating Economic and Tax Revenue Impacts Associated with Film/Digital Media Production in Austin, TX

### Economic Impact Methodology: Overview

In an input-output analysis of new economic activity, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced. Direct effects are changes associated with the immediate effects or final demand changes. The payment made by an out-of-town visitor to a hotel operator is an example of a direct effect, as would be the taxi fare that visitor paid to be transported into town from the airport.

Indirect effects are changes in backward-linked industries caused by the changing input needs of directly affected industries – typically, additional purchases to produce additional output. Satisfying the demand for an overnight stay will require the hotel operator to purchase additional cleaning supplies and services, for example, and the taxi driver will have to replace the gasoline consumed during the trip from the airport. These downstream purchases affect the economic status of other local merchants and workers.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. Both the hotel operator and taxi driver experience increased income from the visitor’s stay, for example, as do the cleaning supplies outlet and the gas station proprietor. Induced effects capture the way in which this increased income is in turn spent by them in the local economy.

An economy can be measured in a number of ways. Three of the most common are “Output,” which describes total economic activity and is equivalent to a firm’s gross sales, “Earnings,” which corresponds to an employee’s wages, and “Employment,” which refers to jobs that have been created in the economy.

The interdependence between different sectors of the economy is reflected in the concept of a “multiplier.” An output multiplier, for example, divides the total (direct, indirect and induced) effects of an initial spending injection by the value of that injection – i.e., the direct effect. The higher the multiplier, the greater the interdependence among different sectors of the economy. An output multiplier of 1.4, for example, means that for every \$1,000 injected into the economy, another \$400 in output is produced in all sectors.



### **Economic Impact Methodology: RIMS II Estimating System**

RIMS II uses BEA's benchmark and annual I-O tables for the nation. Since a particular region may not contain all the industries found at the national level, some direct input requirements cannot be supplied by that region's industries. Input requirements that are not produced in a study region are identified using BEA's regional economic accounts.

The RIMS II method for estimating regional I-O multipliers can be viewed as a three-step process. In the first step, the producer portion of the national I-O table is made region-specific by using six-digit NAICS location quotients (LQ's). The LQ's estimate the extent to which input requirements are supplied by firms within the region. RIMS II uses LQ's based on two types of data: BEA's personal income data (by place of residence) are used to calculate LQ's in the service industries; and BEA's wage-and-salary data (by place of work) are used to calculate LQ's in the non-service industries.

In the second step, the household row and the household column from the national I-O table are made region-specific. The household row coefficients, which are derived from the value-added row of the national I-O table, are adjusted to reflect regional earnings leakages resulting from individuals working in the region but residing outside the region. The household column coefficients, which are based on the personal consumption expenditure column of the national I-O table, are adjusted to account for regional consumption leakages stemming from personal taxes and savings.

In the last step, the Leontief inversion approach is used to estimate multipliers. This inversion approach produces output, earnings, and employment multipliers, which can be used to trace the impacts of changes in final demand on directly and indirectly affected industries.

Since the vast majority of local spending associated with digital media is labor compensation, the Household multipliers from RIMS II of 1.22 for output, 0.34 for earnings, and 10.21 jobs per million dollars of output are used to calculate total local economic effects. In other words, for every dollar of direct local earnings attributable to film-related activity that occurs, an additional 34 cents in labor income is created. This in turn creates revenue for local public sector jurisdictions, including the City of Austin. See below for the calculations.

### **Tax Revenue Calculation Methodology**

There are two areas of tax impact associated with any new activity, including film production: A) revenue linked to direct project spending in clearly defined categories that have a defined tax rate such as lodging and B) revenue generated as a result of overall increased economic activity in the region. For example, restaurants buy goods and services from local suppliers to meet the increased demand created by of out-of-town visitors. In addition, the restaurant and its suppliers employ local workers who spend



their income within the region. This economic activity, called the ripple effect, generates tax revenue for local jurisdictions. In conceptual equation form, this translates as follows:

$$\begin{aligned} &A \text{ (taxes associated with direct visitor spending)} + B \text{ (additional tax revenue based on ripple effects)} \\ &= C \text{ (total tax revenue)} \end{aligned}$$

The approach for calculating A is relatively straightforward for some taxes; multiply taxable spending in each category by the existing tax rates. However, much of the activity related to film production is exempt from state and local taxes. As a result, the focus is on the tax revenue associated with the wages paid to locals as part of the production process; labor compensation that is “exported,” i.e., paid to non-Austin MSA residents, has much lower economic and tax revenue effects. In general, workers use their wages to buy items such as clothing, food, and other consumer goods, which in turn are subject (at least in some cases) to local sales tax, currently set at 1 percent. The City of Austin also receives general revenue from the fund transfers from Austin Energy (AE), currently set at 9.7 percent of utility gross revenue. The approach used to estimate the total tax impact of the project was to examine the relationship between total wages and total public sector tax revenue. Specifically, City of Austin sales tax revenue (as reported to the Texas Comptroller) was equivalent to between 0.47 percent and 0.53 percent annually of Travis County total wages for the period from 2007-2012; a midpoint of 0.50 percent was used. Similarly, the most recent Consumer Expenditure Survey put out by the Bureau of Labor Statistics reports that spending on electric utilities averages 2.6% of total wages; if that figure is multiplied by the AE fund transfer rate of 9.7 percent, then the electric utility-associated General Fund revenues are the equivalent of 0.25 percent of wages, yielding a total of 0.75 percent revenue to the City per dollar of wages.



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