



# Film and Digital Media

## Job Creation Program Theater Profile

New Mexico Jobs Council | September 14, 2015

## THEATER OVERVIEW: FILM & DIGITAL MEDIA

Introduction: Attendees at the Jobs Council meeting in Albuquerque on September 14<sup>th</sup>, 2015, utilized an advance report, prepared by sector experts, on the Film and Digital Media Theater of economic base job creation. They reached the following conclusions through a consensus process. Attendees were legislators, Council board members, state and local governmental agency staff, private industry representatives, and local citizens.

### 1. Theater Definition

#### *How is the Film and Digital Media theater defined?*

The Film and Digital Media theater is focused on creating new economic base jobs by recruiting and developing the production of feature films, independent films, television, regional and national commercials, documentaries, animation, video games, webisodes, mobile applications and post production work intended for commercial exploitation and exhibitions out of state.

Emerging media is a potential new submarket of this theater and presents an opportunity for the state to expand the number of economic base jobs created over the next ten years. Emerging media includes: entertainment games, serious gaming, education gaming, medical, multi-media, interactive media, immersive media, design, entertainment-related software development, business marketing.

## Definition of a Transaction

### *How is an economic base job creation transaction defined for this theater?*

An economic base transaction in the Film and Digital Media theater occurs when someone decides to produce a film, TV show, commercial or game in New Mexico where at least 51% of the contractors and workers hired are New Mexico residents.

## Program Approaches

### *What are the different ways that programs in this theater procure economic base jobs?*

#### Film and Digital Media

New economic base job creation in the traditional Film and Digital Media theater is achieved in two ways:

1. Growing the number and value of film and digital media projects conducted in the region. This requires recruiting and developing enough film and digital media projects to exceed the previous year's production. Strategies include:
  - Generating more productions from local producers across sub-market categories.
  - Marketing, selling and incentivizing smaller producers and out-of-state producers.
  - Developing and marketing more locations.
  - Recruiting and developing more studios and post-production companies.
  - Recruiting new productions, such as day-time television and game shows, to fill employment gaps between large productions.

*\* The number of productions produced in the state is driven by the amount of incentives available each year.*
2. Growing the market share of in-state contracts and workers hired by the film and digital media industry in New Mexico. Strategies include growing, attracting and retaining more contractors and qualified workers.

#### Emerging Media

There is the potential for additional economic base jobs to be created in this theater by developing a strategy directed at starting, growing and recruiting economic base employers and solo-workers in the Emerging Media fields.

## Key Metrics

***What metrics should be used to measure the production and return on investment of procuring programs in the theater?***

The NM film office tracks return on investment in the form of economic base employment. The following figures are sourced from their latest report.

- \$72 million in incentives induces 60 productions creating 9,000 new economic base jobs.
- \$8,500 of incentives per economic base job.
- 20 prospective sales cases must be worked for each production procured.
- Each professional sales person can manage an average of \_\_\_\_ cases per year.

## Attributes and Insights

***What important attributes, distinctions and insights are important to understanding the nature and capacity of this theater?***

- Film production activity in New Mexico is 100% incentive driven which gives the program theater a high degree of control and predictability.
- As a result, growth in this sector will be completely dependent on a scale expansion of the State's film credit program and by workforce and supplier development efforts designed to increase the number of New Mexico based production crews, contractors and suppliers and skilled workers.
- Currently this theater experiences 100% annual attrition. The 60-70 productions recruited to the state each year support roughly 9,000 local economic base jobs, and must be replaced each year.
- The post-production is an unlikely target for new job creation because it follows the project back to Hollywood or other location of origin once local filming is complete.
- Although state and local program teams are needed to help manage the site selection and production process for each project, the state's film incentive program is considered to be the actual cause or driving force of demand. Therefore, little marketing is required.
- The film and gaming industries are rapidly becoming one, which will have a profound impact on the character of the industry and the program approaches we will need in the future. Software development is necessary for growth in this industry.
- The jobs created by the Film and Digital Media Theater are a good match for the state's existing semi-skilled and skilled workforce.

- The development of more sound stages and film studios are a positive addition to the Theater's infrastructure and capacity, but they should not be considered a major procuring source of productions.
- This theater has the potential to both overlap and contribute to the production of several other theaters, namely: Visitor and Startup. Care should be taken when setting program goals and counting jobs among them.
- A viable state film industry program enhances the state's creative brand, the startup community and tourism.

## 2. Players/Procuring Agents

***What organizations and institutions are formally missioned, funded and staffed to create economic base jobs in this theater?***

1. State Film Office
2. Albuquerque Film Office
3. Film studios and sound stages around the state
4. State Cultural Affairs Department
5. New Mexico Tourism Department
6. New Mexico Tax and Revenue Department

## 3. Economic Sectors

***Which economic base sectors are the primary focus of this theater?***

- Film and Digital Media
- Higher Education Tele-education
- Tele-health

## 4. Jobs/Transactions

***How many new (gross) economic base jobs are estimated to be created in each sector?***

Jobs Council participants in statewide meetings have estimated "net" increases in new film industry jobs: Currently, film productions in the state support approximately 9,000 economic base jobs in this theater, based on an average of between 60 and 70 productions per year. Adding

11,281 "net new" by 2025 would require more than doubling production over the ten year planning period.

Region	10yr Job Estimate
Northwest:	70
North central:	110
Mid Region:	10,000*
South central:	325
Southeast:	45
<u>Southwest:</u>	<u>15</u>
Total:	11,281

\*There is some doubt about this estimate, as it would require a more than doubling of the state's current annual \$50 million rebate program over the next ten years.

Advance Team members agreed that the state could easily double the number of productions per year from 60 to 120 by 2025. This would double the number of economic base in the theater to 18,000. They also predicted that with the right program, the nascent sub-theater of emerging media could yield another 5,000 new economic base jobs.

## 5. Program Reliant

***How many of the jobs in these sectors are to be directly caused or procured by the organizations specifically missioned, funded and staffed to generate economic base transactions in this theater?***

It is estimated that 100% of the 11,281 economic base jobs will require critical assistance from EDOs to be procured over the next ten years. Experts in the NM Film office estimate that there is a direct relationship between how much the state expends on film incentives per year and how many film projects come to the state. The state must spend the same amount in incentives to secure the same jobs every year. Any additional jobs will require additional spending.

## FACTORS OF PRODUCTION

***What factor of production gaps must be cured if the economic base jobs in this theater are to be created?***

## 6. Marketing and Sales

**Is the marketing, sales and completion apparatus in place and at scale to generate the necessary interest, manage the pipeline of prospects, and complete transactions?**

**What is the current marketing and sales gap and how will it need to scale over the next decade to meet the ten year transaction goals for this theater?**

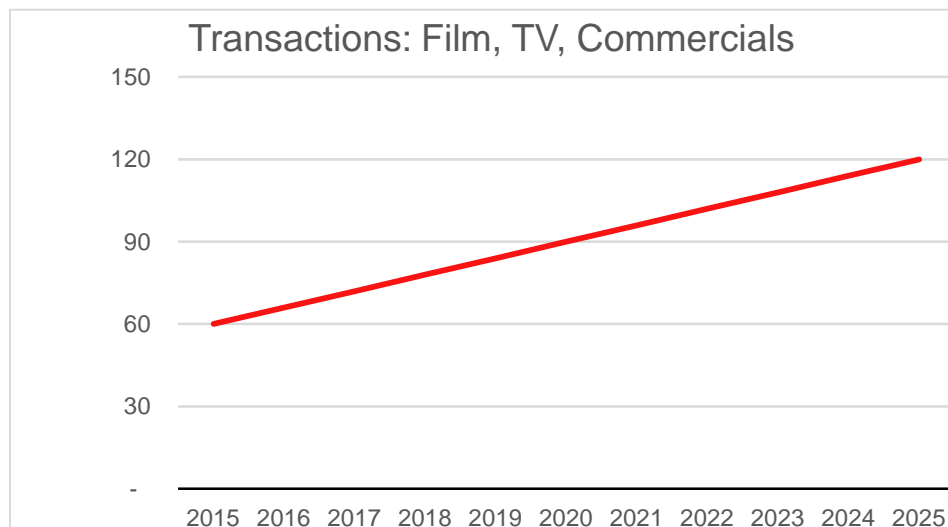
### Film, TV and Commercial development sub-theater

All of the leads for this theater are generated by interest in the state's incentives program and each inquiry must be managed by the staff at the state Film Office and local film office professionals.

- A **lead** is someone who expresses interest and must be engaged by state or local staff or a website process to verify a level of interest. Most leads in this theater are generated by outside interest in the state's incentives program. About 20 leads result in one production coming to New Mexico.
- A **suspect** represents a potential production project, which requires further qualification of the nature of the project, scale, and eligibility.
- A **prospect** is actively engaged in scouting the state for locations, crew capacity, contractors and support.
- A project is considered a **transaction** when contracts are signed and the production is announced.

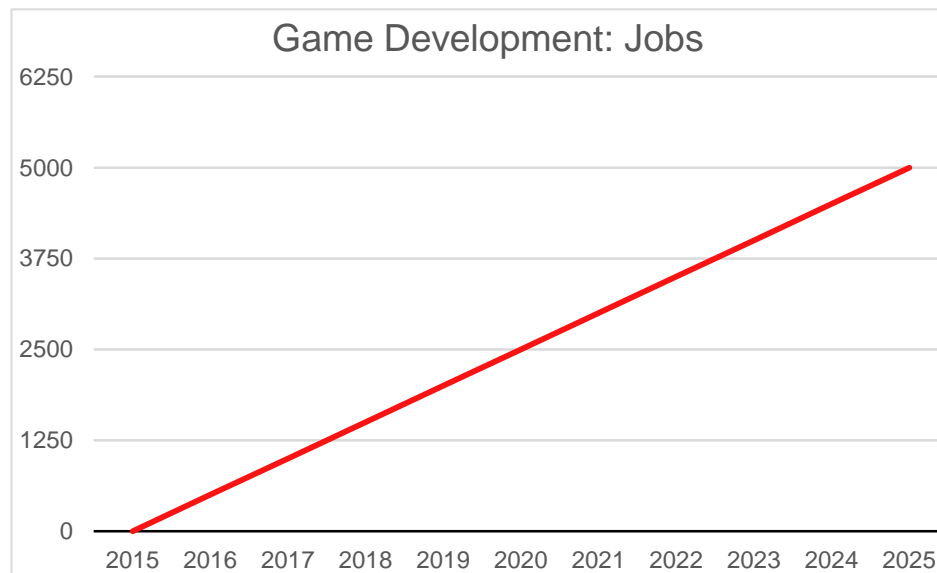
This theater is just now returning to pre-recession activity and employment levels. New Mexico reduced its incentives and made other changes to its film program just as competing states were increasing incentives. New Mexico has recovered enough to reach 79 projects this year, up from a five-year average of 60.

The state Film Office must work about 20 leads each year for every project that comes to the state, and each project yields an estimated 150 jobs. The graph below demonstrates the rise from the current 60 to a goal of 120 projects by 2025:



With the cost per job at \$8,400, total expenditure required for the growth pattern projected is shown in the graph below. Total outlay over ten years amounts to \$1.2 billion, although industry experts are reviewing this figure.

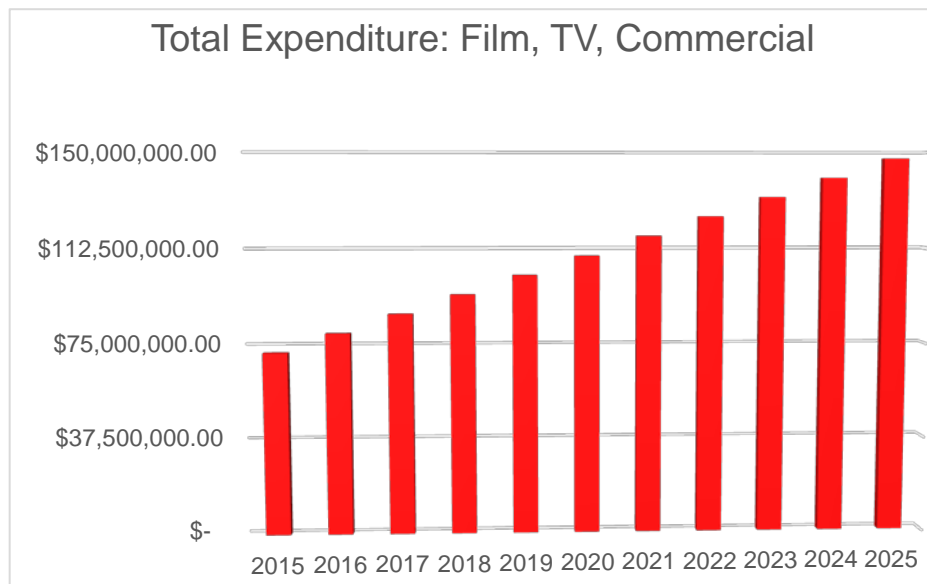
### Game Development sub-theater



Game development is the fastest growing part of the Film and Digital Media Theater. There is no current estimate of jobs created by a single project, but the projected growth believed to be feasible would yield 5,000 new jobs in a ten year period. Game development is not currently a defined industry in New Mexico, but experts believe there is unrealized potential in the state. The chart below estimates a possible trajectory of job creation given:

### Gaps

- The caseload for the state film office staff is currently at full capacity.
- There is no current development program for the gaming and emerging media sub-theaters.
- As job creation is directly correlated to incentives, the state's current film incentive program cap will limit any significant growth in the sector. (see graph below for needed increase in spending)



## Solutions

- Develop a plan to increase staff over the next ten years in scale with the increasing number of cases that will need to be managed.
- Develop a gaming program strategy.
- Fund one new position to recruit Digital Media/Gaming projects at the Film Office.
- Create a staff position in L.A. to recruit game projects to New Mexico.
- Create an incubator/accelerator for game development.

## 7. Real Estate, Infrastructure, Capital

***Does the region have the land, buildings, infrastructure, utility capacity and capital resources to fulfill the transactions envisioned for the theater over the next ten years?***

### Gaps:

- New Mexico lacks sufficient broadband connectivity.
- Server farm capacity is insufficient to support game development.

### Solutions

- Create co-working space and convening venues for existing game developers



- Create an investment fund component to the incentive program to generate returns to help lower the cost of the current incentive program to the state. This may be needed if the state rebate program is to expand.
- Tax and Revenue should not be responsible for tax credits but rather an entity that has a more nuanced understanding of the risk/reward realities of film financing.

## 8. Workforce, Housing and Community Quality

***Does the region have the qualified workforce, workforce housing and community quality necessary to grow, attract and retain the workers needed over the next ten years?***

### Gaps

- The state will need to train over 10,000 new qualified workers to double economic base job creation in the theater over the next decade.
- New Mexico lacks qualified labor for gaming, such as coders and graphic artists, to grow the 5,000 potential jobs.
- There is no current education, training and support infrastructure for the emerging media sub-theater.

### Solutions

- Escalate current education and training programs.
- Repatriate production crews to New Mexico.

## 9. Leadership, Organization, Business Climate

***Does the region have the leadership, organizational assets, planning and the business climate needed to compete for the theater's targets?***

### Gaps

- The cap on incentives restricts the number of productions.
- There is no strategy or plan for growing the emerging media sector.
- Local and regional standards for film production vary by community causing potential barriers to entry for projects looking to film in the state.



## Solutions

- Raise the cap on film incentives.
- Create growth strategy and plan for the emerging media sector.
- Each community that is positioned as a popular production site needs to ~~set up~~ establish guidelines for production teams and submit them to the film office as part of the site selection package.

## 10. Formal Action by the Council:

None at this time

Advance Team Members:

- Nick Maniatis, *NM Film Office*
- Ann Lerner, *CABQ Film Office*
- Eric Witt, *Government Relations: Entertainment Media*
- Duncan Sill, *NMEDD*
- Richard Holcomb, *CliffDweller Digital*