



2016

ANNUAL REPORT

Recommendations to expand film industry

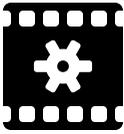




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Statutory authority

Pursuant to **W. Va. Code §11-13X-12**, the West Virginia Development Office, in consultation and coordination with the appropriate public and private entities, shall promote, foster, encourage, and monitor the development of the film industry in this state as part of its comprehensive economic development strategy for West Virginia and report recommendations for expanding the industry in the state to the Governor and the Joint Committee on Government and Finance annually on or before the first day of December.



FILM OFFICE SERVICES

A recognized sector of the manufacturing industry, West Virginia's film industry provides employment opportunities to hundreds of resident workers and positive direct and indirect economic impact to ancillary business service providers, e.g., heavy equipment rental companies, gas and oil companies, lumber and construction companies, transportation rentals, dry cleaning services, legal and accounting services, banking and insurance companies, lodging facilities, caterers, and much more.

Since 1994, the West Virginia Film Office ("Film Office") has been charged with recruiting film industry business prospects to select West Virginia as a place to conduct business. To achieve this goal, the Film Office:

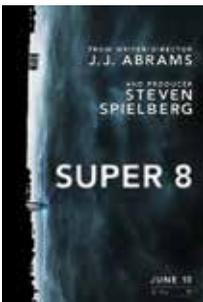
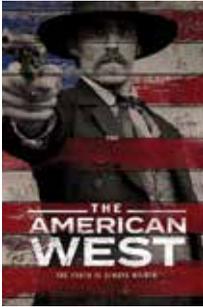
- Acts as key liaison among Business Prospects and governmental agencies, business and community leaders, and property owners
- Conducts workforce training initiatives to increase the depth of skilled workforce and generate employment opportunities for West Virginia residents
- Connects Business Prospects to West Virginia's workforce and business service providers
- Scouts, photographs and secures location sites for Business Prospects; assists with film permits; promotes location sites statewide
- Assists Business Prospects with business registration issues, research, logistical and technical support, and mapping and coordination of itineraries
- Administers and promotes the West Virginia Film Industry Investment Act, an economic development business recruitment tool
- Hosts Business of Film presentations to educate government, business, and community leaders about the economic value of recruiting and supporting film industry Business Prospects



WEST VIRGINIA FILM INDUSTRY INVESTMENT ACT

More than 35 states have implemented varying levels of job creation and business development programs to recruit film industry Business Prospects. In FY2008, the legislature unanimously enacted the **West Virginia Film Industry Investment Act** (“the Act,”) which is a **jobs creation and business development program** that provides for an allocation of tax credits based on a program participant’s qualified in-state expenditures. The Act enables West Virginia to better position itself as a competitor in film industry business recruitment. The Act has since spurred a large increase in business prospects that have spent more than **\$54 million** in direct in-state expenditures (e.g., wages, construction, fuel, transportation, airfare, lodging, heavy equipment rental, real estate leasing, and more).

A few highlights are listed below:

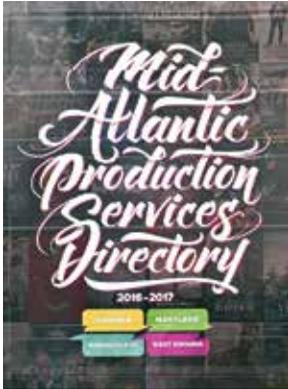


- **The American West** — 8-part TV miniseries — Discovery (Berkeley, Jefferson and Marion counties)
- **Barnwood Builders** — TV series — DIY Network (Fayette and Greenbrier counties)
- **The Making of the Mob: New York** — 8-part TV miniseries — AMC (Berkeley and Jefferson counties)
- **American Genius** — 8-part TV miniseries — NatGeo (Berkeley and Jefferson counties)
- **Out of the Furnace** — Feature — Lionsgate (Marshall County)
- **NASCAR: The Rise of American Speed** — 8-part TV miniseries — CMT (Berkeley and Jefferson counties)
- **The World Wars** — 4-part Emmy Award-winning TV miniseries — History (Berkeley, Jefferson and Morgan counties)
- **The Men Who Built America** — 8-part Emmy Award-winning TV miniseries — History (Berkeley, Hancock, Jefferson and Ohio counties)
- **Super 8** — Feature — Paramount Pictures (Brooke, Hancock and Ohio counties)
- **Jamie Oliver’s Food Revolution** — Emmy Award-winning TV series — ABC (Cabell and Kanawha counties)



HIGHLIGHTS & SUCCESSES

2016 was an extremely busy year for the Film Office. Recruitment of Business Prospects reached an all-time high with dozens of companies choosing to shoot feature films, television series, web series, commercials, and educational programming all over the state. During the months of August and September, there were six productions filming nearly simultaneously!



The Film Office forged a new partnership with Oz Publishing for the annual **Mid-Atlantic Production Services Directory** (joining Maryland, Virginia, and the District of Columbia) to give the state's workforce and business service providers an opportunity to promote themselves to business prospects in the Mid-Atlantic region.

The Film Office Director is in her third term as a member of the Board of Directors of the **Association of Film Commissioners International** (AFCI) and serves as the board's secretary. The AFCI is a non-profit educational organization with a membership of more than 300 film commissions worldwide, and trains its members to support film industry business prospects.

Additional 2016 highlights include:

- More than **540 Business Prospects** (an all-time high) inquired about filming opportunities; 85% were interested in the film tax credit program.
- Film Tax Credit Program participants **spent \$6 million** in-state.
- **60 people** participated in three film industry workforce training workshops.
- Number of businesses listed in the online vendor directory **increased 194 percent** since 2014 (968 businesses and growing).
- Number of skilled laborers listed in the online workforce directory **increased 37 percent** since 2014 (375 individuals and growing).
- **180 new locations** from 41 counties were added to the online locations library (55,209 images for 4,670 locations).
- Staff attended **three trade shows** to recruit Business Prospects and business service providers.
- **200 participated** in Business of Film presentations across the state.
- **27 students** attended film industry career presentations at Marshall University and West Virginia State University.
- A show reel highlighting film and television productions filmed in the state had more than **80,000 social media views**.
- The Film Office increased its following on Facebook by **300 percent** (9,367 and growing).
- The Film Office's iPhone app was **downloaded 60 times** (385 since 2014).



2016 selected filmography highlights

The state's workforce remained busy throughout 2016 on numerous productions. **Nearly 400 West Virginia residents depend on film industry business prospects as their primary source of income.** Most workers are full-time and hired on a job-to-job basis (akin to the construction industry). A few of the year's highlights are:

- **Above Suspicion** — Feature — Bold Films (McDowell County)
- **Barnwood Builders** — TV series — DIY Network (Fayette and Greenbrier counties)
- **Ghosts of Shepherdstown** — TV series — Discovery's Destination America (Jefferson County)
- **The Glass Castle** — Feature — Lionsgate (McDowell County)
- **Loophole** — Feature — JCFilms (Monongalia County)
- **Mindhunter** — TV series — Netflix (Marshall County)
- **Most Spectacular Bridges** — TV episode — Discovery (Fayette County)
- **My Brother, My Brother & Me** — Web series — NBC-Seeso (Cabell County)
- **Rivals** — TV episode — Vice Network (Mercer County)
- **Strip the Cosmos** — Documentary (Pocahontas County)
- **What the Night Can Do** — Feature — River Entertainment (Greenbrier and Monroe counties)
- **Which Woof's for You?** — TV series — Fido-TV (Cabell, Jefferson, Kanawha, Monongalia, Putnam and Wood counties)





REPORT FINDINGS

The core focus of the Film Office is to support a sustainable film industry that provides year-round employment opportunities for the state's skilled workforce and offers a strong infrastructure of business service providers that serve business prospect needs. Business prospects continue to be extremely interested in filming in West Virginia, but the limitations of the film tax credit program impede substantial growth.

The Film Office recommends the following:

1. Continue support of workforce training initiatives that enable the state's workforce to have the skills necessary to compete for film industry-related employment opportunities, including workers with transferable skill sets such as carpenters, welders, painters, and other trades
2. Strengthen the relationship between the Film Office and the Development Office to create opportunities and develop benefits that encourage business prospects to invest in establishing permanent facilities in the state
3. Strengthen the West Virginia Film Industry Investment Act to become a more competitive tool for job creation and business development
4. Conduct assessment of workforce and business service providers to gauge current economic environment and impact of the state's film industry
5. and 6. Create a Film Advisory Council and a Certified Film Friendly Community program, both of which would trigger a broader level of statewide awareness of the positive economic impact of the film industry and further strengthen business and community support of Film Office efforts.

The Film Office believes these recommendations will aid in diversifying West Virginia's economy by building a sustainable film industry that will generate greater tax revenues through wages paid to skilled workers and through business service providers that serve business prospect needs.



REPORT FINDINGS

RECOMMENDATION NO. 1

Continue developing skilled labor pool

In early 2013, the Film Office confronted the dilemma of the state's limited workforce with film industry specific skill sets. It repurposed portions of its marketing budget and directed those limited funds toward workforce training programs.



The Film Office has **hosted ten (10) workforce training programs** in Martinsburg, Harpers Ferry, South Charleston, Huntington, Morgantown, Fairmont, Lewisburg, and Bethany. More than 300 people have received training in six (6) in-demand skill sets: **grips and electricians, costume department assistants, location scouts, production office coordinators, and entry level production assistants**. The workforce training programs have led to job opportunities for many workshop participants on numerous productions filmed in West Virginia.

There is **strong interest from business and economic development organizations, universities, community and technical colleges, and vocational schools to work with the Film Office** in targeting traditional and non-traditional students alike to engage in learning new skill sets that Business Prospects have



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indicated are needed. WorkForce West Virginia worked with a high profile Business Prospect on job matching services to expand hiring opportunities for workers with **transferable skill sets that are utilized on film productions such as electricians, carpenters, inventory managers, landscapers, welders, drivers, accountants, clerical, and other trades.**

A robust film industry enables and supports the development and retention of local, skilled labor. When Business Prospects look beyond the top production regions of Los Angeles and New York City, key factors they consider are physical assets, tax and other inducements, and the quality of skilled labor. It is in the financial interests of nearly all business prospects filming “on location” to hire local, skilled labor.

West Virginia is not alone in its efforts to build a workforce

that will sustain long-term, year-round employment for film industry labor. Ohio, Virginia, New Mexico, Louisiana, Michigan, Massachusetts, New York, Texas, and other states offer film industry-specific workforce training.

Interest in filming in West Virginia continues to grow each year. The Film Office’s workforce training initiatives, coupled with the film tax credit program are proving to be successful in recruiting Business Prospects. The future of the film industry in West Virginia is bright so long as the Film Office continues its efforts to meet the workforce demands of Business Prospects.





RECOMMENDATION NO. 2

Create opportunities to increase long-term business growth

In addition to labor retention and an overall increase in job opportunities, the **film industry provides the impetus to directly benefit local business sectors**, such as heavy equipment rentals, transportation rentals, construction, lodging, food and other retail services, and a host of other personal, business, and location services. Similar to workforce, it is in the financial interests of Business Prospects considering filming “on location” to utilize the facilities and services of local merchants, **thus generating additional work opportunities, positive cash flow, and tax collections.**

For example, the influx of direct expenditures relating to six (6) recent miniseries that filmed in the Eastern Panhandle from 2012-2015 effectively **“saved” a hotel that was operating “in the red.”** The combined room nights for multiple hotels in Jefferson and Berkeley counties totaled more than 10,000. According to its general manager, the hotel that was struggling began operating “in the black” due to these productions alone.



Paramount Pictures’ “Super 8”
filming on location in Weirton using
cranes to build a fake water tower



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In order to build long-term growth, West Virginia must create opportunities and develop benefits that encourage Business Prospects to invest in establishing permanent facilities in the state. Such facilities may include, among other things, post-production facilities (e.g., editing, sound production), soundstages (e.g., constructing large sets), and rental facilities (e.g., camera equipment, lighting equipment).

The **Film Office and the Development Office are working together to identify facilities** (e.g., airplane hangars, empty warehouses, abandoned industrial sites, etc.) that could be retrofitted to accommodate some of the needs identified above. Those efforts should continue.

The Film Office's work is clearly associated with business recruitment and workforce development. The Development Office is capable of providing appropriate resources and support, identifying other business incentive programs, and workforce development programs which may be applicable to film industry Business Prospects. Coupled with the West Virginia Film Industry Investment Act, these actions would encourage new Business Prospects to develop a permanent presence in the state, thus providing a channel for job retention, job creation, and business service provider growth, all generating more tax revenues for the state.



RECOMMENDATION NO. 3

Strengthen competitiveness of West Virginia Film Industry Investment Act

The West Virginia Film Industry Investment Act (W.Va. Code § 11-13X-1, et seq.) was passed unanimously by both houses of the legislature in FY2008 and enacted July 1, 2007. The Act was designed to recruit Business Prospects of the film industry – a recognized sector of the manufacturing industry – into the state; to create a sustainable industry; to generate revenue; and to increase opportunities for West Virginia residents to become employed on film industry productions.

The Film Office recognizes that, during the early years of the program when the original annual allotment was \$10 million in tax credits, the allotment was not fully exhausted. The chief reasons are because \$10 million (A) does not provide ample incentive for larger budgeted productions (i.e., productions with budgets in excess of \$30 million) and (B) as noted further below, **the state is overlooked for other states with more robust incentives.** In addition, as noted in Recommendation No. 1, the under-utilization of the credit also relates to the lack of an adequately trained workforce that would allow for more competitive production costs.

Unfortunately, while the Film Office has been aggressively working to resolve and increase the workforce depth, a reduction in the tax credit allocation to \$5 million, beginning in FY2014, created an even more problematic situation. **The available credit is no longer large enough for major motion pictures or television series to consider West Virginia as a cost-effective location to conduct business.** Not only has West Virginia lost dozens of productions because of the reduction in its tax credit allotment, in many cases – and as noted below, it is no longer being considered for large budgeted productions. The program does continue to secure lower budgeted productions.

During meetings with business prospects in Los Angeles over the past three years, production executives at several motion picture studios (e.g., The Walt Disney Company, ABC Television Studios, Warner Bros., Paramount Pictures) as well as many other smaller studios, have repeatedly stated that they no longer look at West Virginia as

TAX INCENTIVE PROGRAMS	
STATE	ALLOTMENT
West Virginia	\$5 million
Alabama	\$20 million
California	\$330 million
Georgia	No Cap
Illinois	No Cap
Kentucky	No Cap
Louisiana	\$180 million
Maryland	\$11.5 million
Mississippi	\$20 million
New Mexico	\$50 million
New York	\$395 million
North Carolina	\$30 million
Ohio	\$40 million
Pennsylvania	\$60 million
Tennessee	\$2 million
Virginia	\$12.5 million



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a place to conduct business because their production budgets are too large for West Virginia's incentive program. It is impossible to measure the complete loss of tax revenue and direct and indirect economic impacts because of the reduction in the tax credit allotment. In other words, without West Virginia being on a "go to" list of states to consider for filming opportunities, **it will be nearly impossible to increase the state's film industry growth beyond its current level, which is a detriment to the state and its citizens.**

For comparison, the table on the prior page is a sample comparison highlighting incentive programs of West Virginia's neighbors as well as other prominent production hubs around the nation.

The Film Office believes that, **in order to strengthen the competitiveness of the film tax credit program, the first step should be to restore the \$10 million tax credit allocation.** While that level of credit will still be inadequate for large budgeted productions, it will allow West Virginia to more effectively compete with other states for moderate size productions.

There is substantial potential in the film industry for West Virginia. Last year, the Film Office was informed by a major production company (which previously filmed six (6) miniseries in the state), that it has numerous other productions that it would prefer to film in West Virginia. **While the company has had, by their own admission, a positive experience filming in West Virginia and would look very favorably on filming many more projects in the state, they were forced to move the productions elsewhere because of, among other things, the limitations of West Virginia's credits.** This company has already spent millions of dollars in West Virginia, has hired dozens of West Virginia workers, leased properties, and utilized the support services of hundreds of local businesses. It is this type of relationship the Film Office has worked hard to secure, but is now suffering the consequences because of a non-competitive incentive.

The Film Office does believe that, while the credit can be effectively expanded, it is **also prepared to recommend other modifications to the credit.** For instance, the Film Office believes that an adjustment of the tax credits authorized as a percentage of qualified expenditures be (A) lowered for companies that do not employ ten (10) or more West Virginia residents as part of its full-time employees, from the current 27% to 25% and (B) increased for companies that do hire ten (10) or more West Virginia residents as part of its full-time employees, from the current 31% to 35%.



RECOMMENDATION NO. 4

Conduct assessment of workforce and business service providers

The Film Office believes an assessment of workforce and business service providers would prove beneficial in **gauging the current environment, peeking into the future, and evaluating the impact** of Film Office efforts (if additional improvements are made to workforce and other infrastructure opportunities, as outlined herein). Without question, developing a more vibrant environment for the film industry will have a positive effect on the state's business service providers and skilled laborers. **Such assessment would quantify as well as qualify the film industry** and would help answer important questions about, among other things, current workforce strength, potential workforce impact, current and potential educational opportunities, strengths and weaknesses of business service providers, and leveraging the film tax credit program for long-term economic growth. Such a review would require a one-time appropriation as an enhancement to the Film Office's budget.

RECOMMENDATION NO. 5

Create film advisory council

In February 2001, then-Governor Wise signed Executive Order No. 7-01, followed by another Executive Order (No. 10-02) in September 2002, both written to create a film commission that supports the Film Office. No candidates were ever appointed and the commission was never formed. During the 2004 legislative session, two resolutions were submitted in the House and Senate (originated in the private sector) regarding the film industry, one of which (SR 69) related to forming a film commission. It did not come out of committee. During this general time frame, the Tourism Commission formed an ad hoc "film committee" to provide support for the Film Office. The ad hoc Tourism Commission film committee has been dormant for many years.

In 2007, then-Governor Manchin directed the Film Office to submit a list of commission candidates for consideration. On May 11, 2007, the Film Office also submitted a proposed structure of the commission and how it would operate. Based upon information and belief, no action was taken in forming the commission.

In order to undertake all of the recommendations delineated in this report, **the Film Office recommends a support system, such as an Advisory Council, be formulated to support the Film Office.** The council would act as a beacon for the Film Office and provide guidance and other support in helping efforts to develop a sustainable film industry where year-round production keeps the state's film industry workforce employed full-time and increases revenues for business service providers serving the needs of business prospects.

RECOMMENDATION NO. 6

Create certified film friendly communities



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As noted earlier, the Film Office is a member of the AFCI. Last year, the AFCI unveiled two new training programs specifically targeting community and business leaders, namely, “AFCI Film Liaison” and “AFCI Hotel-Hospitality Liaison.” Liaisons who take the course walk away with a basic understanding of the roles of film offices and liaisons, the fundamentals of film production, working with the film industry, location scout, and economic opportunities for local labor, businesses, and services.

The Film Office recommends **taking this a step further and creating “Certified Film Friendly Communities.”** In addition to the requirement of taking the AFCI Film Liaison and Hotel Liaison courses, communities that desire elevating their reputation as a Certified Film Friendly Community would be required to attend a Film Office-conducted training workshop; become a member of the AFCI; take additional AFCI educational courses; actively engage in connecting the Film Office with Business Service Providers in their regions and submitting data to the Film Office’s online business directory; inform the Film Office of all filming activity in their regions; actively engage in scouting and photographing locations in their region and submitting data to the Film Office’s online locations library; and pass community filming guidelines approved by the Film Office.

This type of program would enable the Film Office to receive **broad business and community support, showcasing the increase of economic value from the film industry’s anticipated growth.**





WEST VIRGINIA FILM OFFICE

  wvfilm.com

