



ULSTER COUNTY

READY
AND SET FOR ACTION

Ulster County Film

Established in 2004, the New York State Film Tax Credit program is designed to incentivize the film and television industry to locate projects in New York. With an initial annual budget of \$25 million, the program has evolved and expanded over the years into the robust program seen today. The film tax credit program now has an annual budget of \$420 million, and millions of dollars in tax credits have been issued since 2004. Independent analyses and publicly available statistics indicate that this significant investment was well placed. Successfully attracting and retaining the film and television industry provides jobs, local spending, and tax revenue. While most of the industry in the State is located in and around New York City, the Hudson Valley is becoming an increasingly popular area for film and television.

Within the Hudson Valley, Ulster County in particular has demonstrated a commitment to attracting and supporting the film and television industry. When the Hudson Valley was excluded from additional tax credits and placed at a competitive disadvantage, Ulster County Executive Mike Hein stepped up. With the help of Assemblywoman Aileen Gunther, Mike Hein successfully fought to extend the additional tax credits to Ulster County and the entire Mid-Hudson Valley. The recently announced Ulster County Film Finance Program is another example of how Ulster County is becoming increasingly film-friendly. The Film Finance Program provides financial flexibility to production companies by providing benefits such as bridge loans and local bank accounts. In addition to the financial advantages found in Ulster County, it is also home to a wide variety of potential filming locations. The County offers urban streetscapes, farms, mountains, the Hudson River, jails, bridges, and more. The efforts of the Ulster County Executive and his administration, in conjunction with the inherent qualities of Ulster County's natural and built environment, have allowed Ulster County to emerge as a premier filming destination in the Hudson Valley.

State Film and Television Incentive Programs

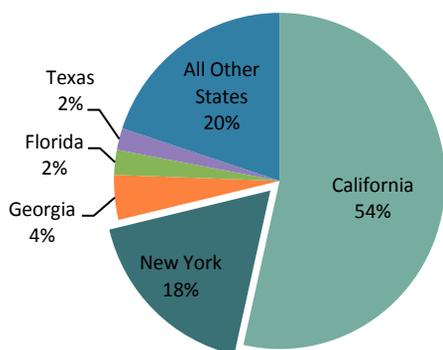
In the early 1990s, Louisiana became the first state to establish a tax incentive program designed to attract the film and television industry. In the years after the implementation of the program, the film and television industry flourished in Louisiana. Louisiana's success prompted other states to follow suit and adopt incentive programs of their own. As of early 2016 there were a total of 37 states with such programs, including New York.ⁱ

While the specifics of incentive programs vary from state to state, the general strategy is the same throughout the country: offer tax breaks for film and television companies so they decide to locate projects in your state and bring all of the associated spending to your local economy. The monetary value of a tax credit is typically calculated using a certain percentage of qualified production costs associated with a project. Some state programs provide an additional incentive on post-production expenditures in the tax credit calculation as well. Another component of incentive programs that varies from state to state is the presence of a tax credit cap. A cap is the maximum amount of tax credits that can be issued to any one project.

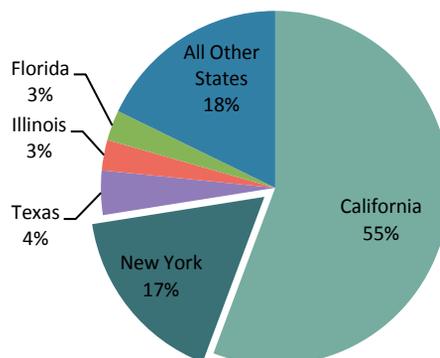
New York Film Industry

Data from the Bureau of Labor Statistics show that the film and television industry is concentrated in California and New York. In 2016, 54% of all film and television production jobs¹ in the United States were located in California and 18% were located in New York.ⁱⁱ The remaining 28% of film and television production jobs were spread among the other 48 states and Puerto Rico. After New York, the state with the next largest share of U.S. film and television production jobs was Georgia at just 4%. The distribution was very similar for film and television post-production jobs in the United States. Post-production refers to the work done after filming, such as sound design, special effects, and other video editing. In 2016, 55% of all film and television post-production jobs were located in California and 17% were located in New York.ⁱⁱⁱ

National Distribution of Film and Television Production Jobs (2016)



National Distribution of Film and Television Post-Production Jobs (2016)



¹A "Job" includes part-time, full-time, or temporary employment, as defined by the Bureau of Labor Statistics Quarterly Census of Employment and Wages

New York State Film Tax Credit Program

In 2004, New York State implemented its first film and television tax credit program. Administered by Empire State Development, New York's economic development arm, the program offered a 10% tax credit on "below-the-line" production costs for qualified film and television projects. Below-the-line production costs are expenditures such as film equipment, crew, props, and set construction. Compensation for actors, directors, and producers is not considered a below-the-line cost and is not eligible for tax credits. The 2004 legislation also mandated the creation of an annual report about the tax credit program from the Department of Taxation and Finance and the Governor's Office for Motion Picture and Television Development. The annual reports contain statistics about the number of applications received and the number of credits issued. The annual reports may also contain recommendations about how to improve the program. All annual reports are publicly available at <https://esd.ny.gov/esd-media-center/reports>.

Since the program was established in 2004, the film and television tax credit program in New York State has grown and changed in a number of ways. In 2008 incentives were increased from a 10% tax credit on below-the-line production costs to a 30% tax credit on below-the-line production costs. Two years later, in 2010, the film tax credit program expanded to include post-production work. The 2010 legislation provided a 10% tax credit for qualified post-production work completed in New York State; this was later increased to a 30% tax credit in 2012.

Impact of the Film Tax Credit Program

Since the film tax credit program's inception in 2004, New York State has committed to staying competitive. The tax credit program has been extended and expanded several times since 2004. With \$420 million currently being allocated towards the program each year, a key question becomes: is it worth it? This is a particularly timely question as some states have begun phasing out their programs. The National Conference of State Legislators notes that the number of states with film industry tax incentive programs is down from a peak of 44 states in 2009 to 37 states in 2016. Among the states that do have a film tax credit program, there is a trend towards increased oversight and assessment of program performance.^{iv}

Independent studies and publicly available data indicate that the film tax credit program in New York is providing a net economic benefit. In 2013, a policy was adopted in New York State requiring a bi-annual evaluation of the fiscal impacts of the tax credit program performed by an independent third party. The first of these reports was published in 2015 by Camoin Associates.^v The 2015 report used economic modeling software to do an in-depth fiscal evaluation of the film tax credit program for the years of 2013 and 2014. The second independent review was published in early 2017 by EFPR Group.^{vi} Both of these reports evaluated the film tax credit program at the state level with no specific attention to the Hudson Valley as a region. However, the reports provide useful insights into the impacts of the film tax credit that can be extrapolated to the Hudson Valley.

The film tax credit program represents an investment by New York State, and by extension, New York State taxpayers. One of the key indicators of a good investment is a healthy return on investment (ROI). From 2013 to 2014 the State provided over \$1.1 billion in tax incentives. Accounting for inflation and the tax revenue collected from the film industry during that same period, the ROI of the film tax credit program in 2015 was 9%. This means that for every \$1 paid out by the film tax credit program \$1.09 is collected by the State in tax revenue.^{vii} This does not include the ancillary and indirect benefits from the program.

In addition to the tax revenue, the film tax credit program also boosts the New York State economy by supporting jobs and generating local spending. The analysis by Camoin Associates of credit-eligible film and television projects from 2013 to 2014 found that the tax incentive program generated over \$4 billion in spending per year within the State. The same analysis also found that the film tax credit program supported an estimated 30,000 jobs² and \$1.7 billion in earnings per year.

²In this model a “job” includes part-time, full-time, or temporary employment, as defined by Camoin Associates.

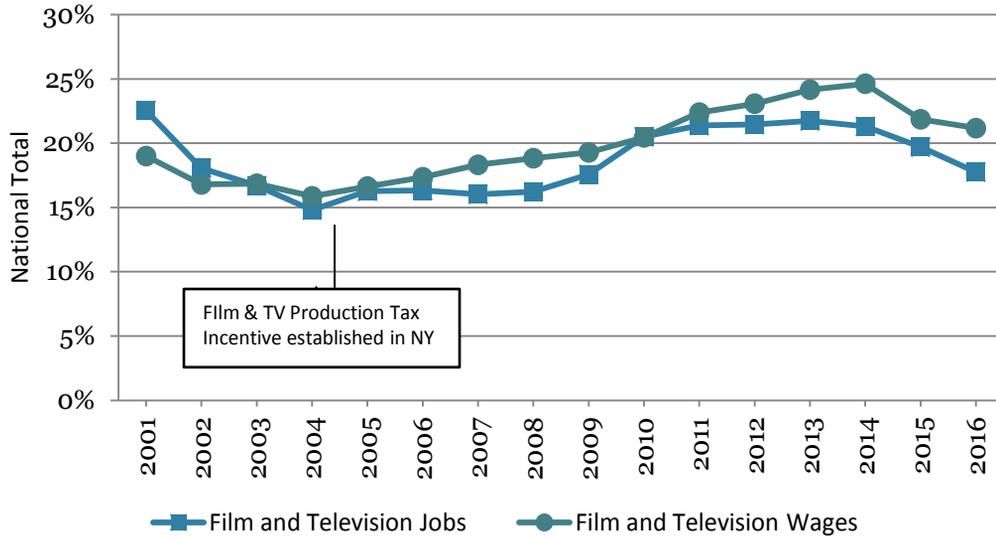
Another metric of success for the film tax credit program is its ability to keep New York State competitive with other states. In an industry where production decisions are increasingly driven primarily by cost, do the incentives offered by the film tax program make New York an attractive location for the film and television industry? As previously mentioned, New York City is an inherently popular filming location because of its cultural significance and concentration of talent. Even without a tax incentive program, it's likely that New York State would still attract a relatively large share of film and television work due to the draw of New York City. That being said, data from the Bureau of Labor Statistics indicates that the introduction of the production tax credit and the post-production tax credit provided a noticeable boost in both employment sectors. In the early 2000's the number of film and television production jobs in New York State was declining every year. However, after the film tax credit program was established in 2004, this trend immediately reversed and the number of film and television jobs in the State began to climb. In 2004 there were 28,546 jobs in film and television production jobs in the State; as of 2016 that number has climbed to 45,078 jobs, a 55% increase.

The film and television post-production industry has followed a similar pattern in New York State. Following a 4-year decline in the number of jobs in New York State, the post-production industry responded immediately to the establishment of the post-production tax credit program in 2010. Since 2010, the number of post-production jobs has grown 33% from 1,960 in 2010 to 2,616 in 2016. There are now more post-production jobs in New York State than at any time in the last 15 years.

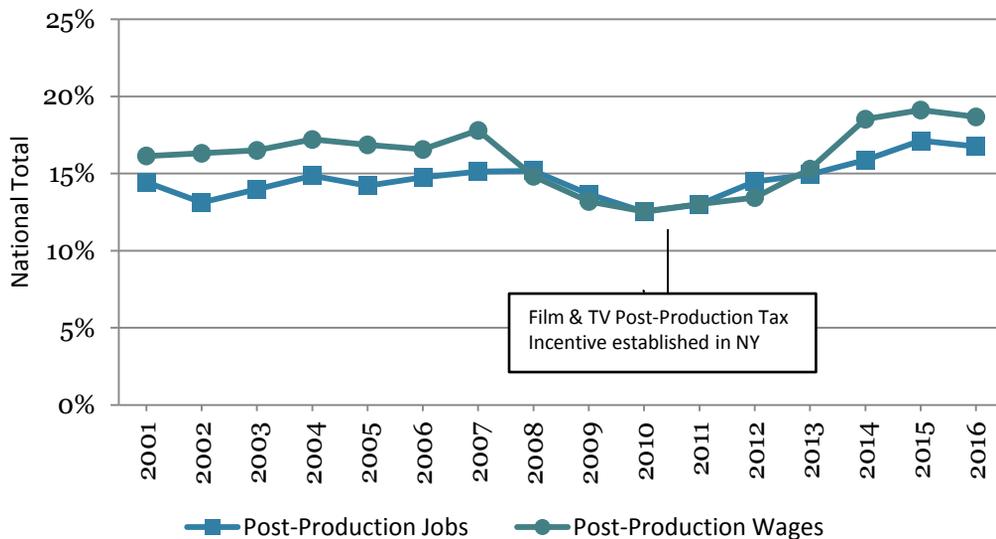
There are, of course, many additional factors that could be affecting the film and television industry in New York besides tax incentive programs. For instance, the decline of post-production jobs in New York began in earnest in 2008, around the same time as the Great Recession when the national economy as a whole was suffering. Due to macroeconomic trends that affect the entire country, it is useful to analyze the strength of the New York State film and television industry relative to other states. This helps separate trends that are unique to New York from those that are explained by the broader economic climate.

The available data indicate the tax incentive programs are helping New York State compete with other states. The establishment of the production tax incentive program in 2004, followed by the post-production tax incentive in 2010, mark clear inflection points for industry employment trends in New York State. As shown in the charts below, in 2004 New York's share of all U.S. film and television production jobs stopped declining when the tax credit program was established. Similarly, New York's share of post-production jobs started increasing after 2010 when the tax incentive program was expanded to include post-production work.

New York State's Share of National Jobs and Wages in the Film and Television Production Industry



New York State's Share of National Jobs and Wages in the Film and Television Post-Production Industry



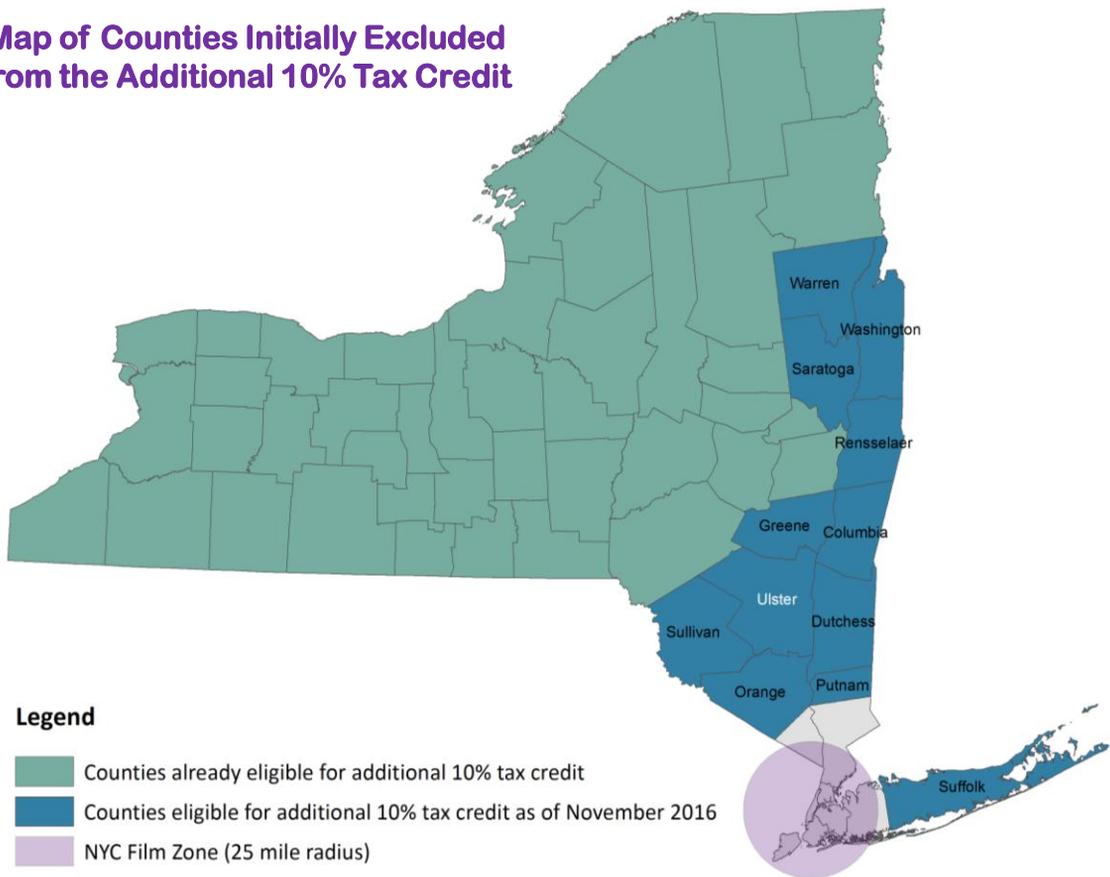
Hudson Valley Left Behind

Most of New York State's film and television industry is based in and around New York City. This is evidenced by the fact that in 2016 approximately 72% of all film and television production jobs in New York State were located in New York County.^{viii} The well-established film and television scene in New York City has brought with it a collection of unions related to the industry. Many of these unions have collectively established the New York City "Film Zone" to delineate the limits of where union members will work locally. Work completed outside of the Film Zone has the potential to incur additional costs such as per-diem stipends, travel, and overtime. The boundary of the Film Zone varies by organization, but it is typically defined as a 25 to 30 mile radius from Columbus Circle in New York City.^{ix} The cost associated with working outside of the Film Zone further strengthens New York City's grip on the region's film and television industry.

Beginning in 2015, an additional 10% tax credit for production labor costs was made available for the many upstate counties in New York State. The 10% tax credit is in addition to the 30% already offered, increasing the potential production tax credits available to a total of 40%. The goal of the additional tax credit was to improve the ability of upstate counties to compete with New York City for film and television jobs. While the additional tax credit was made available in the majority of upstate counties, many from the Hudson Valley were notably excluded. The counties of Columbia, Dutchess, Greene, Orange, Putnam, Rensselaer, Saratoga, Suffolk, Sullivan, Ulster, Warren, and Washington were all ineligible for the additional 10% tax credit. This exclusion put the Hudson Valley at a significant competitive disadvantage with the rest of the upstate counties. An additional 5% tax credit for post production costs is also available in upstate counties outside of the Metropolitan Commuter Transportation District (MCTD). The MCTD is made up of Dutchess County, Orange County, and all counties to the south.

Despite efforts to find documentation, Pattern was unable to confirm why the Hudson Valley counties were excluded from the additional 10% tax credit, but the exclusion did not go unnoticed. Recognizing the region was being unfairly excluded, local leadership decided to do something about it. Ulster County Executive Mike Hein approached New York State Assemblywoman Aileen Gunther about taking action to level the playing field for Ulster County and most of the Hudson Valley region. In March 2016, Assemblywoman Gunther collaborated with New York State Senator George Amedore to introduce legislation to extend the additional 10% tax credit to many of the excluded counties. In the next few months the legislation was passed in the Assembly and the Senate and made its way to the desk of Governor Cuomo. In November, 2016 the legislation was signed into law by Governor Cuomo making the additional 10% tax credit immediately available for most of the previously-excluded Hudson Valley counties.

Map of Counties Initially Excluded from the Additional 10% Tax Credit



Film Tax Credit Impact on the Hudson Valley

Since the enhanced film tax credit was only recently extended to much of the Hudson Valley, it is too early to quantify exactly what the economic impact will be. Furthermore, most available data is for the entire State or just New York City, further complicating efforts to analyze the counties in the Hudson Valley that now receive the benefit. However, since the tax incentive was extended to additional counties in the Hudson Valley, there is every indication that it is having a positive effect.

Statistics collected by the Hudson Valley Film Commission indicate that the film tax credit program is already attracting more film projects to the region. According to the Film Commission's 2016 annual report, issued just months after the additional 10% tax credit was extended to the Mid-Hudson Valley, there is already a significant uptick in the number of film projects in the area. As of late January 2017, the Film Commission was working with 24 production companies involved with 17 films and 4 TV shows. The combined budget of these projects was more than \$25 million. Anecdotal evidence suggests that in 2017 there have been more films, bigger film budgets, more hotel room stays, and more work for local contractors and others in the industry. The 2016 annual report also indicates that Ulster County has a competitive advantage over

other Hudson Valley counties as a filming location. According to the report, among the Hudson Valley counties of Ulster, Dutchess, Greene, Orange, and Sullivan, 51.5% of primary filming locations were located in Ulster County in 2016.^x

While the 2015 Camoin report does not include any analysis specific to the Hudson Valley region, it does include a model of the economic impacts of the film tax credit program on upstate New York. The model excludes New York City and every county within the Metropolitan Commuter Transportation District (MCTD). The MCTD is made up of Dutchess County, Orange County, and all counties to the south. The remaining 50 counties in the State, including Ulster County, were included in the model. While this model is not specific to the Hudson Valley, it is still useful due to its exclusion of New York City. New York City dramatically changes the results of an economic analysis due to the cluster of the film industry in the City, as well as its high population density.

The model for upstate counties found that during the two year period of 2013 and 2014 the film tax credit program generated an estimated \$553,277,000 in direct spending by credit-eligible projects. Over that same time period, an estimated \$337,710,884 of indirect spending from supporting industries was generated. This combines for approximately \$890 million in total spending over a two year period, or \$445 million in spending per year. Although the spending is most certainly not evenly distributed among the 50 upstate counties, the total annual spending comes out to approximately \$8.9 million per county. The same model estimated that the film tax credit program supported 7,295 jobs³ and \$302,444,973 in earnings over the two year period of 2013 and 2014. Again assuming equal distribution this means approximately 73 jobs and \$3 million in earnings in each upstate county. An even distribution of earnings, spending, and jobs among the upstate counties is not an accurate representation of the real distribution; however, it does provide a useful approximation of how the film tax credit program is affecting some upstate counties.

³ In this model a “job” includes part-time, full-time, or temporary employment, as defined by Camoin Associates

RECOMMENDATIONS

Support and utilize the services of the Hudson Valley Film Commission

The Hudson Valley Film Commission (HVFC) is a tremendous regional asset. Located in Woodstock, the HVFC has been actively promoting and supporting the industries of film, television, and photography in the Hudson Valley since 2000. The HVFC helps attract and retain prospective producers by providing readily accessible information about local filming locations, venues, and businesses. This is a valuable service that makes the Hudson Valley region as a whole a more attractive filming location, especially for producers who are unfamiliar with the area.

The work done by the HVFC greatly benefits the local economy. The Film Commission connects producers with local professionals in the film industry. On HVFC's website alone there are hundreds of listings for industry professionals such as camera operators, writers, and stunt doubles. The Film Commission also supports local ancillary businesses that film productions rely on such as catering, transportation, and lodging. Many local listings are available for local restaurants, caterers, and hotels. Businesses that support the film industry should be encouraged to get their business listed on the website. An entity that promotes the region and attracts jobs and business to local professionals and vendors is a valuable asset and deserves County support.

Continue to promote the availability of tax Incentives

Based on the findings outlined in this report, the tax incentive program should prove to be a major asset for Ulster County and the Hudson Valley. The film and television industry is highly mobile and responsive to the costs associated with filming in a certain location. The tax incentive program helps Ulster County remain an attractive filming location in a competitive landscape that includes not only other parts of New York, but other states and countries as well. With the additional 10% tax credit becoming available in Ulster County only relatively recently, it is important for the County to actively disseminate the message that Ulster County is more financially attractive for the film industry than ever before. The film tax credits are part of an ever-changing program; it is critical that Ulster County follow current legislation and proposed changes to the program to remain ahead of the curve.

Track the impact of the film industry

One of the difficulties of quantifying the impact of the film industry in Ulster County is the lack of data at the local level. As highlighted in this report, the majority of the data regarding film industry jobs and spending is available at the State level. While there is plenty of anecdotal evidence that the film industry has a significant, positive impact on the local economy, having the ability to point to hard numbers to support this claim is critical. Projects that apply for either the production or post-production tax credit are required to submit a series of detailed forms to the State. These forms document production days, employment, and budget among other things. Ulster County could request or require that projects filmed in the County submit copies of these forms to the County. This creates virtually no additional work for the filmmakers while giving the County a better understanding of the local impacts of the industry. For projects that do not qualify for the tax incentives, a similar local expenditure tracking form could be created by the County.

Expand the Ulster County Film Webpage

With the ubiquitous use of the internet as a means to find information, Ulster County must have a strong web presence in the realm of the film and television industry. Currently the official Ulster County website has a page dedicated to information about filming in the Hudson Valley. The website includes a brief paragraph describing the benefits of filming in Ulster County and a handful of informational links about topics such as the available tax incentives, local unions, and the Hudson Valley Film Commission .

In its current state, the website is already a helpful starting point for prospective filmmakers considering locating a project in the County. However, expanding on the existing content would improve the website's ability to convey the benefits of filming in Ulster County and draw in more projects to the County. Prominently displaying pictures of locations throughout Ulster County would be a good compliment to the existing text by visually showcasing the quality and variety of scenery available in the County. Adding information or links to information about county and municipal permitting requirements would help filmmakers get the logistical information that they need.

In addition, many people may not know where exactly Ulster County is and what it contains. A context map showing where Ulster County is located within the State and where it is in relation to New York City could be helpful. The same map could include county places of interest for the film and television industry. All of the above website recommendations are small measures that, when taken together, could have a significant impact. For some filmmakers, the webpage could very well be their first impression of Ulster County. Ideally, they would come away with the impression that the County is a film-friendly place with readily available resources to make any film or television project run smoothly, including specific contact information.

Actively market Ulster County as the place to film in the Hudson Valley

With the recent implementation of additional film tax credits, the Hudson Valley is an increasingly popular place for film production and post-production projects. While the entire Hudson Valley region stands to benefit, Ulster County is particularly well suited to capitalize on the influx of the film industry. Ulster County has the assets and the reputation within the industry to become the go-to place in the Hudson Valley. With the right marketing strategy and expanding resources, Ulster County has the potential to become a film and television industry hub in New York. The following is a list of marketable assets of the County:

- **Filming Locations:** From an urban setting in downtown Kingston to the woods of the Catskill Mountains, Ulster County benefits from a highly diverse array of scenery and potential filming locations. The County is home to urban streetscapes, farms, mountains, the Hudson River, jails, bridges, and more. This variety ensures that Ulster County can accommodate many different types of film projects. It also allows the County to become a one-stop-shop for projects that need a range of filming locations.
- **Local Leadership:** Ulster County Executive Mike Hein played a crucial role in spearheading the effort to bring the additional 10% tax credit to Ulster County and the Hudson Valley region. Without his work, the Mid-Hudson Valley might have remained at a competitive disadvantage and missed out on numerous jobs and thousands of dollars in local spending. County leadership has demonstrated a strong commitment to attracting and supporting the film and television industry in Ulster County.

- Proximity to New York City: As previously highlighted in this report, there is an enormous film and television industry cluster located in New York City. Ulster County benefits from this cluster as many projects need to film outside of the New York City setting. The County also benefits from its close proximity to a large concentration of industry professionals found in New York City. Projects from outside of the State can locate in Ulster County confident in the knowledge that any hiring needs that cannot be met by the local workforce can be supplemented by tapping into New York City's workforce.
- Financing Options: The recently announced Ulster County Film Finance Program is yet another demonstration of Ulster County's commitment to fostering the film and television industry. Benefits of the program include favorable loans and local bank accounts for production companies. The program gives Ulster County a competitive advantage by providing financial flexibility and savings for a highly mobile industry where many decisions are largely driven by cost.
- Stockade Works: Founded in 2016 by Beth Davenport and actress Mary Stuart Masterson, Stockade Works is a Kingston-based non-profit dedicated to advancing the film and television industry in the Hudson Valley. Among its many initiatives, Stockade Works has a focus on local workforce development and training. A more skilled local workforce helps Ulster County residents secure better jobs while at the same time making the County a more attractive place to locate film and television projects. Stockade Works also plans to build a state of the art sound stage with the potential to attract television series and stable job opportunities.
- The Woodstock Film Festival: The annual Woodstock Film Festival is a multi-day event of film screenings and panels. Drawing praise from movie stars such as Paul Rudd and Steve Buscemi, the festival has established itself as one of the premier independent film festivals in the country. The Woodstock Film Festival fosters a creative environment for local film makers in Ulster County and the Hudson Valley. The event also attracts industry professionals to the County and exposes them to many of the qualities that make Ulster County a good place to make a film.

- Favorable Payroll Taxes: Employers within the Metropolitan Commuter Transportation District (MCTD) are subject to the Metropolitan Commuter Transportation Mobility Tax (MCTMT). The MCTMT is a tax on payroll expenses that increases the cost of doing business for many employers within the MCTD. Fortunately, Ulster County is located just outside of the MCTD so employers in the County are not subject to the tax. This provides Ulster County with a competitive advantage over neighboring counties and further incentivizes film and television producers to locate projects in Ulster.

ⁱ “State Film Production Incentives & Programs” *National Conference of State Legislators*, 2016

ⁱⁱ Bureau of Labor Statistics Quarterly Census of Employment and Wages NAICS Code 512110 (Motion Picture and Video Production)

ⁱⁱⁱ Bureau of Labor Statistics Quarterly Census of Employment and Wages NAICS Code 512191 (Teleproduction and Other Postproduction Services)

^{iv} “State Film Production Incentives & Programs” *National Conference of State Legislators*, 2016

^v “The Economic Impact of the Film Industry in New York State” *Camoin Associates*, 2015

< https://cdn.esd.ny.gov/Reports/ReportFINAL_March2015_ImpactAnalysis_ESDNYSFilmStudy.pdf >

^{vi} “Independent Review of the Empire State Film Production and Post Production Credit Programs” *EFPR Group*, 2017

< <https://esd.ny.gov/sites/default/files/news-articles/Financial%20and%20Operational%20Review%20of%20ESD%20Film%20Credit%20-%20Final%2015-16.pdf> >

^{vii} “The Economic Impact of the Film Industry in New York State” *Camoin Associates*, 2015

^{viii} Bureau of Labor Statistics Quarterly Census of Employment and Wages NAICS Code 512110

^{ix} Laurent Rejto, Director of the Hudson Valley Film Commission

^x “2016 Annual Report” *Hudson Valley Film Commission*