



Film and Digital Media

Advance Team Theater Profile

New Mexico Jobs Council | September 14, 2015

Developing a comprehensive picture of the job creation apparatus of a region begins with understanding the spectrum of program approaches available and the different roles they play in causing the creation of new economic base jobs. The primary objective of this exercise is to develop clarity and consensus around the ambitions, capacity gaps and legislative initiatives for each major program theater engaged in creating economic base jobs.

Economic base program theaters are distinguished by the mix of economic sectors they focus on, the program approaches they use, the organizations and the professionals that manage them and the metrics used to measure them.

The primary economic base job creation theaters include;

1. Start up or Innovation to Enterprise
2. Solo work
3. Retirement
4. Visitor Driven
5. Employer recruiting, retention and expansion
6. Federal Government
7. Film and Digital Media
8. Agriculture
9. Energy and Extractives
10. Import substitution

This briefing paper is the result of an Advance Team dry run of the Theater Profile Canvas Process and is intended to help accelerate deliberations of the Jobs Council deliberative session.

THEATER OVERVIEW: FILM & DIGITAL MEDIA

1. Theater Definition

How is the federal government theater of economic base job creation defined?

This economic base job creation 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.

Synonyms; *Movies, digital entertainment,*

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, and its submarket programs, procure or preserve new 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 achieve the previous year's production and then some. 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, post production.
- 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.
 - Growing attracting and retaining more 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?

- \$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.
- Although state and local program teams are needed to help manage the site selection process and production process for each production, the state's film incentive program is considered the actual cause or driving force of demand. Little marketing is required.

- As a result, growth in this sector will be completely dependent on a scale expansion of the State's film credit program accompanied by workforce and supplier development program efforts designed to systematically increase the number of New Mexico based production crews, contractors and suppliers and skilled workers.
- The development of more sound stages and film studios are a positive addition to the Theater's infrastructure and capacity, but they will not in themselves bring more productions. "Build more and they will come" does *not* apply.
- Currently this theater experiences 100% annual attrition. This means that the productions recruited to the state employ 9,000 jobs each year, and these jobs must be replaced each year.
- This theater has the potential to both overlap and contribute to the production of several other theaters, namely: Visitor, Startup, Theater, Tech Transfer. Care should be taken when setting program goals and counting jobs among them.
- 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.
- Product marketing and video and digital media production are focused on marketing and sales.
- The post-production part of the film business is an unlikely target for new job creation because it follows the director back to Hollywood.
- A viable state film industry program enhances the state's creative brand, the startup community and tourism.
- The jobs created by the Film and Digital Media Theater are a good match for the state's existing semi-skilled and skilled workforce.

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. ABQ Studios
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 60 productions per year. Adding 11,281 "net new" by 2025 would require increasing production.

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, and industry experts are reviewing it.

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?

How many are expected to be generated organically?

- How many jobs _____ and transactions _____ are being procured per year by today's program efforts?
- How many jobs _____ and transactions _____ could be procured per year by 2024?
- This theater's program efforts will procure a minimum of _____ economic base jobs and _____ transactions over the next ten years.
- A minimum of _____% of total economic base jobs in each economic sector are to be procured by programs in this theater.

Put another way, what percentage of the estimated economic base jobs needed in each sector will be under management and produced directly by program efforts? These are transactions and jobs that would *not* happen “but for” the specific program effort.

The balance of the jobs and transactions that would be expected to happen unaided or assisted by the theater's procuring programs.

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 interest, and complete transactions?

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

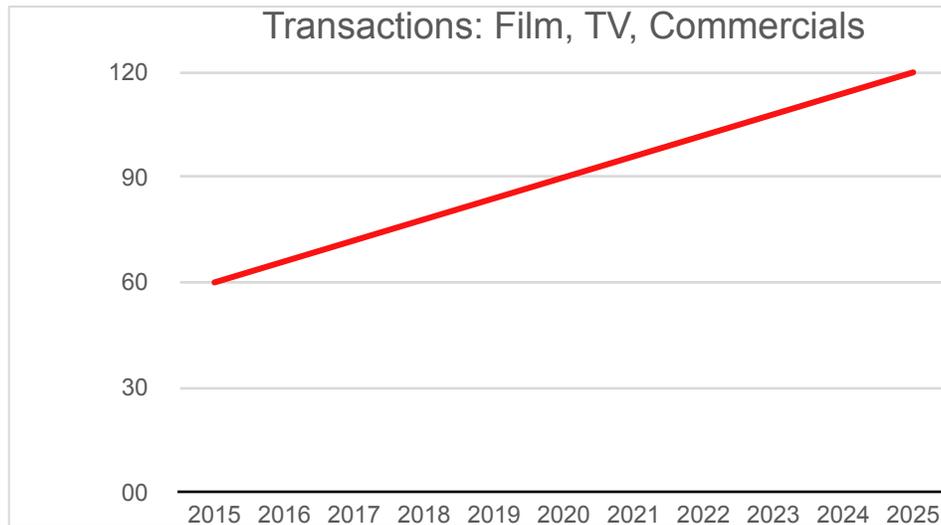
Film, TV and Commercial development sub-theater

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.

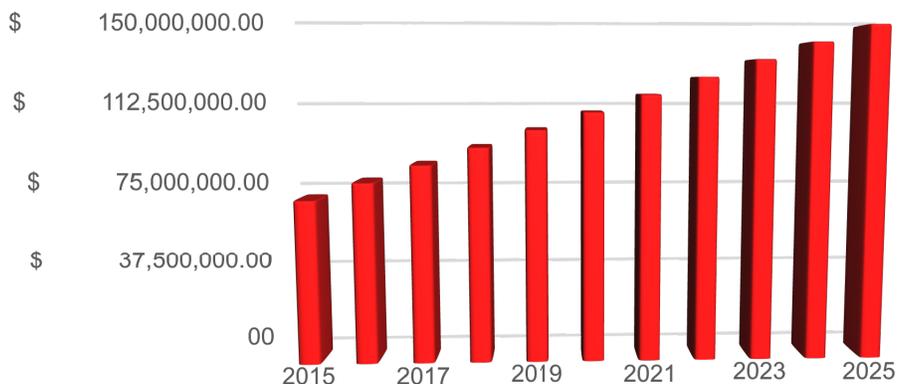
This theater is just now returning to pre-recession activity and employment levels. New Mexico reduced its incentives and made other changes to its film program just as competing states were increasing incentives. New Mexico has recovered enough to reach 79 projects this year, up from a five-year average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



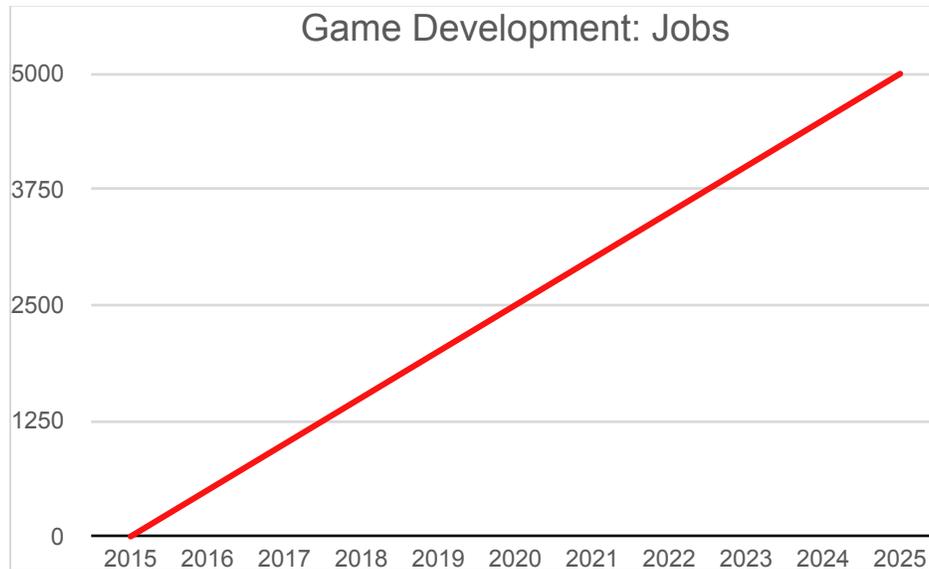
With the cost per job at \$8,400, total expenditure required for the growth pattern projected is shown in the graph below. Total outlay over ten years amounts to \$1.2 billion, although industry experts are reviewing this figure.

Total Expenditure: Film, TV,
Commercial



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 capacity of the state film office staff is currently at full capacity.
- The state's current film incentive program cap will limit any significant growth in the sector.
- There is no current development program for the gaming and emerging media sub-theaters.

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.
- Put someone in L.A. to recruit game projects to New Mexico.
- Institute 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.
- Add an investment component to the incentive program to help lower the cost of the current incentive program to the state.
- 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 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.

Solutions

- Raise the cap on film incentives.
- Create growth strategy and plan for the emerging media sector.