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Box Office Ohio: Analysis and Economic Impact of the Film Industry in Northeast Ohio and Ohio

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Prepared for:

**The Greater Cleveland
Film Commission**

Prepared by:

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Nikki Glazer**

June 2015

**BOX OFFICE
OHIO:
ANALYSIS &
ECONOMIC
IMPACT OF THE
FILM INDUSTRY
IN NORTHEAST
OHIO & OHIO**

**CENTER FOR
ECONOMIC
DEVELOPMENT**

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I still believe in heroes.

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Executive Summary

Filming in Ohio has increased since the adoption of the Ohio Motion Picture Tax Credit. After the blockbusters *Spiderman 3* and *The Avengers* were filmed in the Cleveland metropolitan area, the city saw another comic book hero come to town when it doubled as Washington, D.C. for *Captain America: Winter Soldier*. Cleveland's reputation as a sports town came to the forefront in the film *Draft Day*, highlighting the Cleveland Browns football franchise which, but for the Ohio Motion Picture Tax Credit, would have been about the Buffalo Bills. These large-scale movies bring an influx of outside money to the state.

In 2011, the film industry was responsible for 652,317 jobs with a payroll of \$41 billion in the United States. Ohio represents just 2% of the jobs and 1% of the wages in the industry, while movie giants like California (29% of jobs and 41% of wages) and New York (14% of jobs and 20% of wages) are home to significant activity in the industry.¹ Currently, Ohio is one of 40 states offering tax incentives to the film industry.

In the past four years, 31 projects have received tax credit dollars from the state of Ohio. These projects had estimated budgets totaling \$117.0 million and a total tax credit of \$32.6 million. Of this, an estimated \$83.2 million was spent in Northeast Ohio, and \$33.8 million in the remainder of the state.

In addition, local businesses saw increased activity from the film industry over the past few years since the inception of the tax credit. Retail shops, restaurants, hotels, contractors, real estate agents, and rental agencies all benefited from increased business during filming. In the sample of companies surveyed for this report, an additional \$419,500 in revenues was reported in conjunction with filming.²

Finally, the economic impact of the film industry in Ohio is estimated to account for 1,729 jobs³ due to the 31 projects that took advantage of the Ohio Motion Picture Tax Credit.

The economic impact on Ohio by 31 projects that took advantage of the Ohio Motion Picture Tax Credit includes the following impact measures:

- Employment Impact: 1,729 jobs
- Labor Income Impact: \$70.6 million
- Value Added Impact: \$114.0 million
- Output Impact: \$225.3 million
- Tax Impact: \$22.1 million

¹ Motion Picture Association of America. (2011). *Creating Jobs*. <http://www.mpa.org/creating-jobs/>

² This represents only a portion of the total revenues received by local businesses from the filming as many were unable to divulge their receipts.

³ In this report, a job is the annual average of monthly jobs in that industry meaning that 1 job lasting 12 months = 2 jobs lasting 6 months each = 3 jobs lasting 4 months each. A job can be either full-time or part-time.

Meanwhile, the economic impact on Northeast Ohio by the twelve projects that took advantage of the Ohio Motion Picture Tax Credit and filmed in the region includes the following impact measures:

- Employment Impact: 1,238 jobs
- Labor Income Impact: \$50.1 million
- Value Added Impact: \$81.2 million
- Output Impact: \$160.0 million
- Tax Impact: \$15.8 million

The cost to the state of Ohio is an estimated \$32.6 million. This yields a return on investment for the state of \$2.01 for every \$1.00 spent for the Ohio economy.

The author would like to thank the Ohio Film Office; the Ohio Department Services Agency, especially Lyn Tolan and Hannah Smith; and JobsOhio for providing data from the applications and completed CPA reports on the film projects that took advantage of the tax credit program. Thanks are also owed to the many people and companies who contributed to the local business analysis section.

Study Overview

This report was commissioned by the Greater Cleveland Film Commission to measure the effect of the film industry in Northeast Ohio and Ohio. The state of Ohio is in the beginning of the fourth two-year funding cycle of the Ohio Motion Picture Tax Credit, and this study will analyze the film industry in the fifth and sixth years of the incentive program.

The Greater Cleveland Film Commission is a non-profit organization focused on growing an industry through aggressive business attraction, extensive workforce training, and statewide advocacy efforts. It works primarily in the 21-county Northeast Ohio region,⁴ but also focuses on the state as a whole. The Commission seeks to increase economic development in Northeast Ohio by using the artistic and culturally-enriching activities of film and other media production to strengthen the workforce, support the media production industry, and attract media production to the region. Its mission is to promote the growth of media production in Northeast Ohio using effective strategies for attraction and workforce development, which includes building an artistic infrastructure through film.

The study was conducted by the Center for Economic Development of the Maxine Goodman Levin College of Urban Affairs at Cleveland State University. The Center for Economic Development provides research and technical assistance to private industries, government agencies, and non-profit organizations. The Center works with funders, partners, and clients at the national, state, regional, and local levels.

⁴ Northeast Ohio's counties include: Ashland, Ashtabula, Carroll, Columbiana, Crawford, Cuyahoga, Erie, Geauga, Holmes, Huron, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull, Tuscarawas, and Wayne.

Beginning in September of 2013, the Center's research team looked to answer three overarching questions about the film industry in Ohio:

1. What are the projects that have taken advantage of the Ohio Motion Picture Tax Credit since 2013?
2. What are the local businesses working in the industry?
3. What is the economic impact of the projects that have been filmed in Ohio that have taken advantage of the Ohio Motion Picture Tax Credit since 2013?

The executive summary includes highlighted responses from each of these questions. The following three chapters address each of these questions in detail.

Chapter 1: The Ohio Motion Picture Tax Credit

Introduction

Ohio has always had a spot on the silver screen; from the Murphy Theatre in Wilmington featured in *Lost in Yonkers*, to the Cincinnati Enquirer Building that was home to *WKRP in Cincinnati*, to the Ohio State Reformatory in Mansfield and the famous oak tree at Malabar Farm State Park featured in *Shawshank Redemption*, as well as the beloved *A Christmas Story* house and Higbee Building in Cleveland.⁵ The Ohio Motion Picture Tax Credit is helping to create even more silver screen memories in the Buckeye State.

Currently, the Ohio Motion Picture Tax Credit provides a refundable tax credit that equals 25% off in-state spending and non-resident wages and 35% off of Ohio resident wages on eligible productions with budgets over \$300,000. These productions are not limited to feature-length films, but can also include videos, commercials, documentaries, video games, interactive websites, sound recordings, interactive television and games, and any format of digital media.⁶ The tax credit cannot be valued higher than \$5 million per production and \$20 million is available per fiscal year from July 1, 2011 to June 30, 2015 for a total incentive value of \$80 million.⁷ This is double the yearly value allotted in the first biennium spending from July 1, 2009 to June 30, 2011, which only allowed \$10 million per year.

Methodology

This section looks at the 31 projects that received the Ohio Motion Picture Tax Credit for the budget period beginning July 1, 2011, and ending June 30, 2015. The Ohio Development Services Agency (ODSA) provided data from the CPA reports/audits for completed projects. ODSA also provided aggregated data from the “Applications for Film Production Tax Credit” for the other projects. Using these figures, this analysis describes the number of jobs, wages for Ohioans, total dollars spent in Ohio, and total credit value associated with the projects.

Analysis

Thirty-one productions took advantage of the Ohio Motion Picture Tax Credit in the past four years (Table 1). The figures in Table 1 are based on estimates provided by production companies on the Application for Film Production Tax Credit, submitted in advance of shooting, and detailed in the Award Letters prepared by the state.⁸

⁵ Ohio Development Services Agency, Office of Tourism Ohio. *Scene in Ohio*. <http://www.sceneinohio.com/Locations.aspx>

⁶ Ohio Film Office. *Incentives*. <http://www.ohiofilmoffice.com/Incentives.html>

⁷ State of Ohio Legislature. *Bill 129*. http://www.legislature.state.oh.us/BillText129/129_HB_508_EN_N.html

⁸ Although information was provided by the Development Services Agency of the State of Ohio, no warranty, expressed or implied, is made regarding accuracy, adequacy, completeness, legality, or reliability of any information. Data on individual films was deemed to be “trade secrets” and therefore not released, so only aggregate information was provided.

The projects occurred throughout the metropolitan areas of the state; two projects took place in Akron, one in Canton, four in Columbus, one in Cincinnati, 14 in Cleveland, three in Amish Country, and six in other locations throughout the state.

Table 1: Productions That Utilized the Ohio Motion Picture Tax Credit⁹

| Film Name | Total budgeted eligible production expenditures | Total Tax Credit | Filming Region |
|--------------------------------------|---|------------------|----------------|
| 3 Day Test | \$733,508 | \$117,500 | Akron |
| A Dog Named Suki | \$5,454,162 | \$1,500,431 | Cleveland |
| Amish Ice | \$688,038 | \$184,408 | Amish Country |
| Beg the Devil | \$2,227,000 | \$610,250 | Columbus |
| Criminal Activities | \$3,410,436 | \$951,462 | Cleveland |
| DarkFire Galaxies (online game) | \$795,000 | \$273,750 | Akron |
| Draft Day | \$18,242,736 | \$4,879,222 | Cleveland |
| Captain America "Chase/Stunt Scenes" | \$20,496,110 | \$5,000,000 | Cleveland |
| Captain America "Stunt Scenes" | \$20,496,110 | \$4,903,395 | Cleveland |
| Grave Decision | \$302,638 | \$83,097 | Toledo |
| In Other Words | \$330,650 | \$105,788 | Columbus |
| Miss Meadows | \$1,543,701 | \$430,980 | Cleveland |
| Scorned | \$2,293,642 | \$631,153 | Portsmouth |
| Star and the Snowman | \$507,300 | \$158,605 | Columbus |
| The Do Over | \$1,938,000 | \$633,500 | Columbus |
| The Tribunal | \$2,340,000 | \$777,500 | Dayton |
| Toy's House - The Kings of Summer | \$1,629,732 | \$461,771 | Northeast Ohio |
| Underdogs | \$1,474,800 | \$425,650 | Canton |
| Love Finds You in Sugarcreek, Ohio | \$608,433 | \$175,369 | Amish Country |
| Fear Clinic | \$822,497 | \$228,741 | Medina |
| Jenny's Wedding | \$2,757,763 | \$788,903 | Cleveland |
| The Christmas Spirit | \$2,973,062 | \$814,821 | Lebanon |
| Carol | \$14,137,871 | \$3,934,828 | Cincinnati |
| Madtown | \$439,800 | \$139,371 | Cleveland |
| The Bronze | NA | \$608,837 | Cleveland area |
| Cleveland Abduction | \$4,998,085 | \$1,299,502 | Cleveland |
| Nike - LeBron Commercial | \$2,111,735 | \$549,051 | Cleveland |
| Polka King | NA | \$282,135 | Cleveland |
| Alpha Dogz Presents: Pups United | NA | \$174,561 | Cleveland |
| Vanilla Ice Goes Amish | NA | \$180,729 | Holmes County |
| With This Ring | NA | \$1,272,074 | Cleveland |

Source: Ohio Development Services Agency

Note: NA means that the total budgets for five productions were not available at the time of this report.

⁹ Figures for Total Ohio Wages, Total Ohio Other Spend, and Total Ohio Spend are taken from two sources both provided by the Development Services Agency of the State of Ohio. For films that have not yet provided the Ohio Film Office a final CPA audit/report, figures are based on the estimates provided in the Application for Film Production Tax Credit forms. For the projects with completed CPA audit/reports (noted with an asterisk), the figures come from the audited final reports submitted to the Ohio Film Office.

Credits in Other States

Currently, there are 40 states, plus the District of Columbia and Puerto Rico, that offer incentives to the film industry, and this excludes the incentives offered across the remainder of the globe.¹⁰ The number of states with a tax credit fluctuates as programs expire, and new programs are enacted; just as the incentive in North Carolina will go offline in 2015, Nevada will be adding its own.¹¹

Industry magazine *Variety* quoted producer Randall Emmett, “It’s a big chunk of money with the economy we’ve had for the last five years, without an incentive, most investors don’t want to invest.”¹² According to a study by the UCLA Institute for Research on Labor and Employment, tax incentives for the film industry are a major factor in production location decisions. However, the study also notes that the incentives are only one component among a list of factors influencing the location decision of filming, including a well-trained workforce, low labor costs, location attributes, and a film industry infrastructure.¹³



Spending in Ohio

The payroll to Ohio residents resulting from the 31 projects that benefited from the tax credit totaled \$17.6 million.¹⁴ Analyzing total payroll among the film industry occupations in Ohio reveals that the largest average wage went to the production staff, which earned \$10.8 million (Figure 1). Transportation Professionals earned \$1.4 million, and Cast members earned just \$948,661.

¹⁰ Motion Picture Association of America. *Creating Jobs*. <http://www.mpa.org/creating-jobs/>

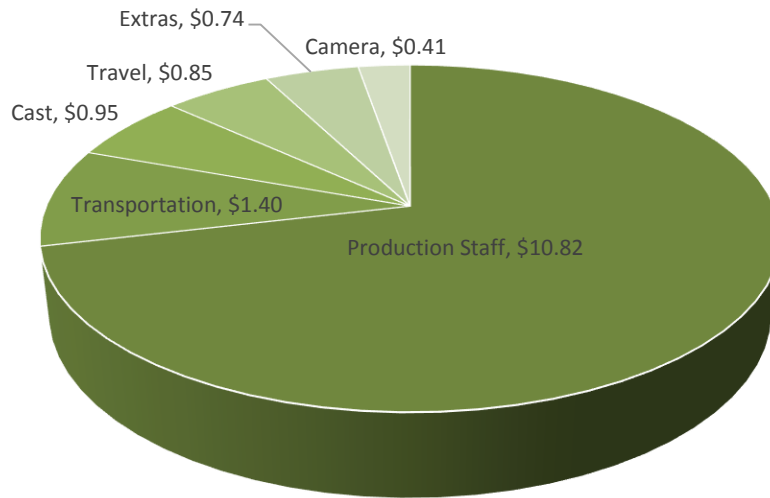
¹¹ Bauerlein, Valerie. *North Carolina's Film Tax Credits Head for Cutting-Room Floor*. <http://online.wsj.com/article/SB10001424127887324906304579037740893261588.html>

¹² Longwell, Todd. *Emmett/Furla Films Plays the Tax Break Game*. <http://variety.com/2013/biz/news/emmettfurla-films-plays-the-tax-break-game-1200597661/>

¹³ Economic production impacts of the 2009 California Film and television tax credit, UCLA Institute for Research on Labor and Employment.

¹⁴ The total payroll was based on completed CPA audit/reports, when available. Figures for projects without completed audit/reports were based on the estimates provided in the Application for Film Production Tax Credit forms.

Figure 1: Total Payroll by Job Category for Ohio Hires (\$M)

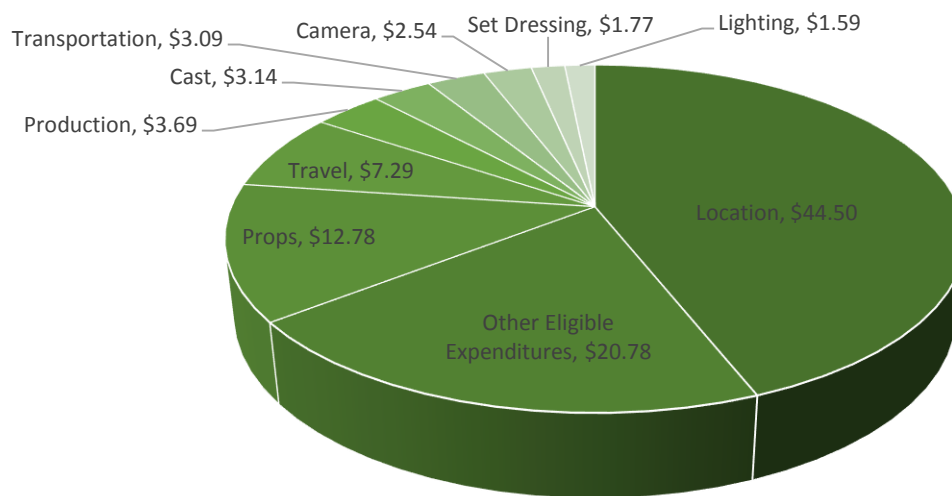


Analyzing film spending in Ohio by category shows that the largest category was in Location, representing \$44.5 million (42.0%). Other expenditures represented \$20.8 million (19.6%), props represented \$12.8 million (12.1%), travel represented \$7.3 million (6.9%), and production represented \$3.7 million (3.5%).



The total projected spending in Ohio was \$117.0 million, of which approximately \$83.2 million was to be spent in Northeast Ohio (71%) and \$33.8 million in the remainder of the state (29%).

Figure 2: Breakdown of Expenditures in Ohio from the Ohio Motion Picture Tax Credit Productions (\$M)



Summing up the Tax Credit

Of the 31 productions that received the credit so far, \$17.6 million was allocated for Ohio resident wages and \$105.8 million was spent on other local expenditures.¹⁵ This translates to an average of almost \$4 million in spending per film, with an average of about \$1.1 million in tax credits per production.

In the first two years of the Ohio Motion Picture Tax Credit (2009-2011), 27 projects were filmed in the state using the tax credits, and, since then, 31 projects used the tax credit. Without the Ohio Motion Picture Tax Credit, the almost \$200 million projected to be spent on these productions would likely have occurred elsewhere as forty states currently offer incentive programs for the film industry.

¹⁵ Actual tax credit values are used when available. These figures are based on completed CPA audit/reports, when available. Figures for projects without completed audit/reports are based on the estimates provided in the Application for Film Production Tax Credit forms.

Chapter 2: Local Businesses Booming from Filming

Introduction

Ohioans are well-poised to support the film industry. Famed director Ivan Reitman has said only positive things about his work in Cleveland on *Draft Day*.¹⁶ The hearty welcome that local businesses gave to those coming from outside the state to work on films has helped build a positive reputation for Ohio's film infrastructure

As the previous section outlined, the projects which shot in the state of Ohio and took advantage of the Ohio Motion Picture Tax Credit had a significant impact on the state's economy. This section digs deeper into the local stories of businesses in Northeast Ohio that were directly impacted by the filming. Interviews with local vendors and service providers highlight the effects of the film production in Northeast Ohio.

Methodology

The research team contacted many local vendors and service providers that worked on filming in Northeast Ohio based on a list of contacts provided by the Greater Cleveland Film Commission. Through the interviews and additional research, additional contacts were found and interviewed. This information represents only a portion of the economic activity resulting from the filming in Northeast Ohio as it reflects the information obtained from contacts that were uncovered and responded.

Local Commerce

As a result of the high number of people traveling into Cleveland from across the country to work on the productions, many local hotels had increased business. Cleveland's **Hilton Garden Inn** increased revenues by \$300,000 when *Captain America: Winter Soldier* came to town. The hotel is also very active in the local film industry, making regular calls to the Cleveland Film Commission, and is registered with the Internet Movie Database (IMDb) to ensure that more crewmembers could use it for extended stays. The **Days Inn** also benefited from having filming in town and reported an average daily rate increase of about \$8 dollars per room when *Draft Day* and *Captain America: Winter Soldier* were filming in Cleveland, from \$49 a night to \$57 a night. The film crew itself used 25 rooms for four months at a time. Also, **Homewood Suites** in Beachwood and the **Ritz Carlton** in downtown Cleveland reported an increase of sales.



In addition to increased demand for hotels, many cast and crew members used apartments for long-term housing. **The Pinnacle**, located in the Warehouse District, had crew members from *Draft Day* who stayed for seven weeks. They paid a higher rent than the standard, due to the

¹⁶ O'Connor, Clint. 'Ghostbusters III': Rumors of a Cleveland shoot for action-comedy sequel with Emma Stone, but no Bill Murray. http://www.cleveland.com/moviebuff/index.ssf/2013/11/ghostbusters_iii_rumors_of_a_c.html

shorter lease terms. **Morgan Communities**, who manages the **Bingham** and **Bridgeview** in the Warehouse District, also had *Draft Day* crew staying in their apartments from three to six months. An ESPN documentary team also rented out space on the property to film *30 for 30*. The management team worked out a deal with ESPN where they rented out space for a cheaper rate in exchange for film credits. They also hired additional security staff while the documentary crew was there.

Many local cleaning companies benefited greatly from the movies filmed in Northeast Ohio. **Pro-Clean Carpet Service** in Independence cleaned carpets during the filming of *Captain America: Winter Soldier*. The company confidently reported an increase of a couple thousand dollars in revenue compared to the previous year. **Jani-King of Cleveland**, a female-owned company out of Broadview Heights, provided production office clean-up for *Captain America: Winter Soldier*. It reported a revenue increase of \$10,000 from working with the film. Furthermore, it is attempting to become a regular contact for any other movies that come to town. **Maid-Rite**, a minority- and female-owned cleaning company, hired three additional workers as a result of business gained from *Captain America: Winter Soldier*. **Cleaning Service Systems, Inc.** earned an extra couple thousand dollars and hired two additional employees from the boost in business from *Draft Day* and *Captain America: Winter Soldier*. The female-owned company worked on each film for four months as the cleaning contractor. **Avon Cleaners** is known as the “Cleaner of the Stars” and has worked with a handful of movies that have come to town, in addition to concerts and plays in the Cleveland area. The female-owned company said they definitely saw an increase in revenue from the filming.¹⁷ Although they did not have to hire additional employees, they did pull in more part-time employees, and current employees added additional hours. Janet Lindsay, the accounting manager, states: “We love the entertainment sector; we welcome them with open laundry buggies!”

Because the filming companies had to set up temporary office facilities for the crew, many rental companies saw a boost in revenue. **IGM Copy Products** in Painesville provided office equipment to *Captain America: Winter Soldier* both on- and off-site. IGM reported a 2%-3% increase in the year they worked with the film, invoicing about \$40,000. As a result of this, it has pursued advertising to the film industry, in the hopes of achieving more business when movies come to Cleveland. **Sutton Industrial Hardware** also reported a revenue increase and has made a conscientious effort to be aware of movies coming to town, in order to contact the production company before another rental company does. **The Deal Appliances**, a minority-owned rental company based in Warrensville Heights, has expanded its business, offering vintage appliances to be used on-set as a result of the demand from the film industry.

Many equipment companies were contacted by the film industry for a wide variety of objects needed on set. **Vincent Lighting Systems**, out of Solon, provided extra lighting equipment for *Captain America: Winter Soldier*, and the company noticed that the tax incentive created a lot more business. **Airgas** also saw additional revenue from *Captain America: Winter Soldier*; the

¹⁷ Avon Cleaners. <http://www.avoncleaners.com/>

company supplied helium, gas regulators, and fittings. **Lakeland Electric, Inc.**, a female-owned company in Valley View, also gained business from the *Captain America* sequel.

Transportation is important for cast and crew when they come to Cleveland. **Enterprise Rent-A-Car** has helped several film companies, multiple times. Not only has the film industry increased the company's revenue, but it has also helped expand staff. Also, **Americab** was used for transportation and featured in the films. Patrick Keenan, General Manager, stated that they saw a spike in sales while the movies were in town and remarked, "It's good to see the movies in the area. There is definitely a trickle-down effect happening." In terms of parking, **USA Parking Systems, Inc.** rented out a few parking lots to the *Captain America: Winter Soldier* film crew, while still serving their monthly parking customers at a nearby location. The dual sources of revenue greatly increased their total earnings.

Borchert Fence Co. has provided temporary fencing to *Draft Day* and *Captain America: Winter Soldier*, and his fencing featured in the movies. Although less than 1% of revenue can be attributed to the film industry, the company admits that it is nice to have the recognition.

Cleveland Key and Security did lock installation for *Captain America: Winter Soldier* and reported an increase in revenue close to \$2,000.

Pete & Pete Container Service, a female-owned company located in Garfield Heights, provided dumpsters for films. Each filming location had dumpsters, so the revenue earned was substantial.

The Urban Orchid, a minority-owned floral shop in the Ohio City neighborhood, was hired for all kinds of work: on-set work, wrap party decorations, and personalized floral arrangements for the stars. Brandon Sitler, one of the owners, reports that his company has done floral arrangements for Grace Gummer, Katherine Heigl, Jennifer Garner, Katie Holmes, and other actors. "I think it's been a great opportunity . . . I love meeting the celebrities!" He has even pursued advertising in New York, which has been very successful for the business. Sales have increased 30% as a direct result of the film industry in Cleveland, and the business has recently relocated to a larger space as a result of the recent growth.¹⁸



Many locations are used by the film industry depending on the needs of each film. *Draft Day* required a house to film in, and the new **Abode Eleven River Townhomes** next to Rocky River was glad to offer their facilities. They were compensated \$5,000 for the use of the space, and developer Andrew Brickman said he would like to work with films again. **Case Western Reserve University** also was used as a film site for *Draft Day*.

¹⁸ Usmani, Josh. *Meet The Residents of Cleveland's Fastest Growing Community – @Hingetown*. <http://www.coolcleveland.com/blog/2013/12/meet-the-residents-of-clevelands-fastest-growing-community-hingetown/>

The staff that worked with the film earned an extra \$200 each, and the university was also monetarily compensated for the time and space used.



One of the great success stories as a result of the tax incentive has been the business of JT Diamond and his son Greg of **Diamond Services, Inc.** This environmental consulting company has been booming since 2010, invoicing nearly \$60,000 in 2013 from the film industry, as well as gaining popularity through news articles.¹⁹ “It’s been lucrative and a lot of fun!” JT says. “The amount of work that they bring to Cleveland is amazing.” The work his company has acquired is expanding. As a result of his connections and marketing made in the Cleveland area, production companies filming in other cities have been contacting him as well. JT Diamond’s company has been working with over a half-dozen projects in Detroit and Toledo, as well as other Midwestern cities. Although Diamond Services, Inc. is a small company, JT subcontracts work to many other local

businesses: **Expo Electric, C & K Industrial Services, Southwest Sweeping, and Gillespie Contractors** all were subcontracted by Diamond Services for *Captain America: Winter Solider*.

Unions

The **International Alliance of Theatrical Stage Employees (IATSE)** said they work with all of the union movies that come to town, such as *Captain America: Winter Soldier*, *Draft Day*, *Jenny’s Wedding*, and *Miss Meadows*, as well as other movies filmed in the state. Hiring local workers saves the production companies money on housing and per diem costs associated with crews from out-of-town. When lower-budget movies come to town, the IATSE union earns about \$8,000 a month, and with big-budget movies, it earns about \$25,000 a month. This revenue reflects the amount of people that are placed in each film; the larger movies placed about 100 people per week, and the smaller movies placed 35-40 people per week. In addition, at any given time, about 25 people are working on locally filmed commercials. Jonathan Andrews, Secretary Treasurer, says that IATSE initially saw a huge jump in income from the tax incentive, and they are continuing to invest in the Cleveland film industry. In addition to placing workers, the union it is looking to hire a new secretary, and purchase a building. Overall, the entire Branch 209 is expanding.

¹⁹ Miller, Jay. *Stories straight out of Hollywood*. Crain’s Cleveland Business. <http://www.crainscleveland.com/article/20130506/SUB1/305069981&template=mobile#ATHS>

Local Government

The city of University Heights saw a \$500 rental payment when Katherine Heigl and crew shot some scenes in City Hall for *Jenny's Wedding*. Vice Mayor Goldberg told *The Plain Dealer*, "I'm thrilled. University Heights needs a little Hollywood."²⁰ Additionally, the city of Cleveland was reimbursed \$211,439 for services, including, police, fire, and public works.²¹

²⁰ Johnston, Laura. "Katherine Heigl films 'Jenny's Wedding' at University Heights City Hall." http://www.cleveland.com/university-heights/index.ssf/2013/10/katherine_heigl_films_jennys_w.html

²¹ Naymik, Mark. "'Captain America' tab is paid." *The Plain Dealer*. http://www.cleveland.com/naymik/index.ssf/2014/03/captain_america_tab_is_all_pai.html

Chapter 3: The Economic Impact of the Ohio Motion Picture Tax Credit

Introduction

Spending from the 31 projects awarded the Ohio Motion Picture Tax Credit is linked to other industries through buy-sell relationships. To produce goods and services, companies buy intermediary goods and services from other companies both inside and outside of the industry. The buy-sell relationships that occur in the state of Ohio contribute to the economic impact of the tax credit. The economic impact is based on the local employment and purchases made by the production companies awarded the Ohio Motion Picture Tax Credit between 2011 and 2015.

Methodology²²

This section explores the economic impact of the Ohio Motion Picture Tax Credit on Northeast Ohio and the state of Ohio. This analysis uses IMPLAN Professional and IMPLAN Data Files. IMPLAN Professional® 3.0 is an economic impact assessment software system. The IMPLAN Data Files allow for the creation of sophisticated models of local economies to estimate a wide range of economic impacts. For the purposes of this impact, we assumed that all 31 of the projects would not have shot here without the Ohio Motion Picture Tax Credit.

This report measures five impacts of the Ohio Motion Picture Tax Credit on Ohio: employment, labor income, output, value added, and taxes. *Employment* measures the number of jobs created in Ohio due to the spending on film productions. *Labor income* is payroll paid to employees plus proprietors' income. *Output* measures the total value of goods and services produced in the state as a result of the film companies' spending. *Value added* measures the value of goods and services less the intermediary goods and represents a portion of output – often referred to as Gross Domestic Product. *Taxes* include federal, state, and local tax revenues.

Each of the impacts is a summation of direct impact, indirect impact, and induced impacts. *Direct impact* includes the initial value of goods and services the sector purchases in the state. *Indirect impact* measures the jobs and production needed to manufacture goods and services required by the industry. *Induced impact* is the increase in spending of local households because of income received through their work on the productions and with its suppliers.

²² The economic impacts contained in this report are based on data from the Applications for Film Production Tax Credit prepared by the production companies and, when available, the CPA audits/reports submitted to the Ohio Film Office. The financial information is taken as datum and no attempt was made to verify or audit financial systems and procedures. This report does not include the economic value of intangible items such the impact of physical development that took place from any shoots or increased downtown tourism and civic pride. Every attempt was made to accurately measure and spatially place the relevant “real” economic impacts.

Economic Impact of the Ohio Motion Picture Tax Credit in Ohio

Employment Impact

The 31 projects filmed in Ohio between 2011 and 2015 accounted for 1,729 total jobs (Table 2). Of these, 854 were directly involved in filming (50% of the total). These are the primary jobs that exist in the industry. Additionally, 386 employees (22%) worked for industries that supported the filming by selling goods and services to the film industry and its suppliers. Finally, 489 employees (28%) worked for industries that sell goods and services to Ohio households associated with the film industry and its suppliers.

The top industries in direct employment impact include: *Motion picture and video industries; Other state and local government enterprises; Retail Stores – Miscellaneous; Hotels and motels, including casino hotels; and Transit and ground passenger transportation.* The majority of the indirect employment impact was in *Employment services; Motion picture and video industries; Real estate establishments; Advertising and related services; and Promoters of performing arts and sports and agents for public figures.* Finally, the largest portion of the induced employment impact was in *Food services and drinking places; Private hospitals; Offices of physicians, dentists, and other health practitioners; Real estate establishments; and Nursing and residential care facilities,* as spent by employees working on the films and for the businesses supplying the film industry.

Table 2: Economic Impact of the Ohio Motion Picture Tax Credit Projects in Ohio, 2011-2015

| Impact Type | Employment | Labor Income | Value Added | Output | Taxes |
|---------------------|--------------|---------------------|----------------------|----------------------|---------------------|
| Direct Effect | 854 | \$31,109,407 | \$48,682,322 | \$106,547,477 | \$7,828,443 |
| Indirect Effect | 386 | \$18,786,853 | \$29,258,845 | \$56,613,066 | \$5,969,868 |
| Induced Effect | 489 | \$20,722,202 | \$36,108,073 | \$62,153,864 | \$8,274,893 |
| Total Effect | 1,729 | \$70,618,462 | \$114,049,240 | \$225,314,407 | \$22,073,204 |

All financial figures are reported in 2015 dollars.

Labor Income

Labor income (or household earnings) increased by \$70.6 million as a result of the film production in Ohio. Over \$31.1 million is associated with the direct effect, \$18.8 million with the indirect effect, and \$20.7 million with the induced effect.

Value Added and Output Impacts

The value added impact, which excludes intermediate goods and services, is the value added to the goods and services made in Ohio. The total value added effect was \$114.1 million; \$48.7 million came from direct effect, \$29.3 million from the indirect effect, and \$36.1 million was due to the induced effect. The estimated output impact of the film productions was \$225.3 million. This is the value of the goods and services that were produced in the state through the buy-sell relationships of the industry. The majority of the impact was in the direct effect (\$106.6 million), while \$56.6 million was caused by indirect effect and \$62.2 million from the induced effect.

Tax Impact

Based on the IMPLAN model, there was \$22.1 million in tax revenue associated with the filming in Ohio. Of this, \$15.4 million was federal tax revenue and \$6.7 million was state and local tax revenue.

Economic Impact of the Ohio Motion Picture Tax Credit in Northeast Ohio

Employment Impact

Nineteen projects shot in Northeast Ohio between 2011 and 2015 took advantage of the Ohio Motion Picture Tax Credit. These projects accounted for 1,238 total jobs. The direct effect, those directly involved with the filming, was 609 jobs (50% of the total effect). Twenty-two percent of the employment impact represented the indirect effect (276 jobs) and 28% was in the induced effect (353 jobs) (Table 3). The employment impact in Northeast Ohio represented 72% of the total employment impact in the state.

The majority of the direct employment impact was, not surprisingly, in *Motion picture and video industries*. Other industries affected included: *Other state and local government enterprises; Retail Stores – Miscellaneous; Hotels and motels, including casino hotels; and Transit and ground passenger transportation*. The top industries benefiting from the indirect effect were *Employment services; Motion picture and video industries; Real estate establishments; Advertising and related services; and Promoters of performing arts and sports and agents for public figures*. The top industries benefiting from the induced effect were *Food services and drinking places; Private hospitals; Offices of physicians, dentists, and other health practitioners; Real estate establishments; and Nursing and residential care facilities* – all from the increased household spending.

Table 3: Economic Impact of the Ohio Motion Picture Tax Credit Projects in Northeast Ohio, 2011-2015

| Impact Type | Employment | Labor Income | Value Added | Output | Taxes |
|---------------------|--------------|---------------------|---------------------|----------------------|---------------------|
| Direct Effect | 609 | \$21,838,808 | \$34,324,513 | \$75,205,332 | \$5,561,781 |
| Indirect Effect | 276 | \$13,399,924 | \$20,924,464 | \$40,308,254 | \$4,279,721 |
| Induced Effect | 353 | \$14,878,985 | \$25,914,095 | \$44,447,152 | \$5,952,807 |
| Total Effect | 1,238 | \$50,117,717 | \$81,163,072 | \$159,960,738 | \$15,794,309 |

All financial figures are reported in 2015 dollars.

Labor Income

The total labor income (household earnings) impact in Northeast Ohio was \$50.1 million. The direct effect was \$21.8 million, the indirect effect was \$13.4 million, and the induced effect was \$14.9 million.

Value Added and Output Impacts

Value added impact represents the value of goods and services minus intermediary goods made in Northeast Ohio (GDP). The total value added effect in Northeast Ohio was \$81.2 million. 42% percent (\$34.3 million) of that came from the direct effect, 26% from the indirect effect (\$20.9 million), and 32% from the induced effect (\$25.9 million).

The estimated output impact (value of goods and services produced in Northeast Ohio) of the film productions was \$160.0 million. The majority of the impact derived from the direct effect (\$75.2 million or 47%). 25% percent of the total impact was the indirect effect (\$40.3 million) and 28% came from the induced effect (\$44.4 million).

Tax Impact

Again, based on the IMPLAN model, the tax impact in Northeast Ohio was \$15.8 million. Nearly \$11.0 million was in federal tax revenue, and about \$4.8 million was in state and local tax revenue.

Return on Investment

Return on investment measures the efficiency of an investment. It is calculated as the net benefit divided by the cost. Many studies have been performed that attempt to estimate the return on investment for film tax credit programs in various states.

The return on investment is found first by summing the total indirect and induced value added impact (\$65.4 million) of the Ohio impact. This represents the production needed to support the industry (indirect) and the increased spending of local households (induced). The direct effect is not used in the return on investment calculation because it represents the spending of the film industry that would not have occurred in Ohio without the tax credit. Next, this statistic is divided by the total cost of Ohio’s investment in the film tax credit program (\$32,577,384²³). Therefore, the total return for each dollar spent on the Ohio Motion Picture Tax Credit is \$2.01. For each \$1 spent by the state, an additional \$1.01 is returned to the state economy (Table 4).²⁴



Table 4: Return on Investment of the Ohio Motion Picture Tax Credit, 2011-2015

| Benefits | |
|--------------|---------------|
| Indirect | \$29,258,845 |
| Induced | \$36,108,073 |
| Total | \$65,366,918 |
| Costs | |
| Credit Value | \$32,577,384 |
| ROI | \$2.01 |

This is a significant increase (68%) over the return on investment calculated for the first two years of the program (Table 5) where the return to the state economy was \$1.20 for every \$1 invested in the program.

²³ Inflated to 2015 \$

²⁴ The method used to calculate the return on investment uses additional dollars brought in by the initial purchase. While there are various ways in the academic and practitioner literature to calculate the return on investment, this is one of the most popular and conservative measures.

Table 5: Return on Investment of the Ohio Motion Picture Tax Credit, 2009-2011

| Benefits | |
|-----------------|---------------|
| Indirect | \$10,032,021 |
| Induced | \$24,307,626 |
| Total | \$34,339,647 |
| Costs | |
| Credit Value | \$28,648,441 |
| ROI | \$1.20 |

The Big Finish: Impact & Returns

The first two-year investments by the state on the Ohio Motion Picture Tax Credit showed a total effect of 1,143 full time jobs, \$35.5 million on labor income, \$64.2 million in value added impact, \$113 million in output, and a tax impact of \$12.9 million. This yielded a return on investment to the state economy of \$1.20.²⁵

Since the increase in the cap from \$10 million per year to \$20 million per year, the economic impact in Ohio has a total effect of 1,729 full-time annual average jobs, \$70.6 million in labor income, \$114.1 million in value added impact, \$225.3 million in output, and \$22.1 million in taxes. In Northeast Ohio alone, the employment effect was 1,238 jobs, \$50.1 million in labor income, \$81.2 million in value added impact, \$160.0 million in output, and \$15.8 million in taxes.

Given the total indirect and induced benefit to the state of \$65.4 million, and the \$32.6 million direct cost of the Ohio Motion Picture Tax Credit, the state's return for each one dollar spent in of tax incentives, again assuming that all of these projects would have filmed elsewhere but for the credit, is \$2.01. In short, each dollar the state spends on the tax credit returns \$2.01 to the economy.

²⁵ In 2012 \$

Final Credits

Ohio has experienced big impacts from the film industry because so many industries do business with the film industry. *The Avengers* was the industry's third-highest grossing film of all time with \$1.5 billion in box office sales worldwide²⁶ and a budget of \$220 million.²⁷ This profit margin surely influenced Marvel Studios' return to the Buckeye State. In fact, even more of *Captain America: Winter Soldier* was filmed in Greater Cleveland than *The Avengers*.²⁸

The film industry continues to have positive experiences in the Buckeye State. Oscar nominated Actor and Director Jackie Earle Haley who shot *Criminal Activities* in Cleveland noted that Ohio "had a really good program out there, that's why the producer wanted to go out there, but when we got there, it was a wonderful place to shoot. They had some great human resources and we had a great crew...it was a good place to work. I would go back there for sure."

The Ohio Motion Picture Tax Credit and all of the filming taking place in the state are laying the groundwork for the creation of a real industry. A study by the Georgia Institute of Technology notes that other states were leveraging their tax incentive programs to "enhance the economic competitiveness of a film tax credit to include talent retention, loan programs, expansion of post-production, and purpose targeted tax incentives."²⁹ As filming continues, one thing is certain for the future the industry holds in Ohio: the economic returns to the state economy are positive. Some may echo *The Avengers'* Agent Coulson and ask, "What do we do?" To quote Nick Fury, "We get ready."³⁰

²⁶ Stewart, Andrew. *Post-'Avengers' Effect: How 'Thor: The Dark World' Leveraged Marvel Heritage*. <http://variety.com/2013/film/news/post-avengers-effect-how-thor-the-dark-world-leveraged-marvel-heritage-1200816515/>

²⁷ Plain Dealer Staff. "'Captain America' sequel to be filmed in Cleveland in 2013." http://www.cleveland.com/metro/index.ssf/2012/09/captain_america_sequel_to_be_f.html

²⁸ Plain Dealer Staff. "'Captain America' sequel to be filmed in Cleveland in 2013." http://www.cleveland.com/metro/index.ssf/2012/09/captain_america_sequel_to_be_f.html

²⁹ Nott, Lyndsey. *A Comparative Case Study of the Economic Competitiveness of the Film, Television, and Digital Media Tax Credit*, Georgia Institute of Technology.

³⁰ Internet Movie Database. *The Avengers Quotes*. http://www.imdb.com/title/tt0848228/quotes?ref_=ttcc_sa_3