

Studio tax credits face big hurdles

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A Senate committee rebuffed emergency rules Monday that could help new film studios in Louisiana secure \$340 million in financing they say is critical to their projects.

The state's own Department of Economic Development proposed the rules to help film studio projects assure their investors that 40 percent infrastructure tax credits can be expected from the state.

But the Senate Committee on Revenue and Fiscal Affairs balked in a 4-3 vote, led by Vice Chairman Robert "Bo" Adley, D-Benton, who objected on procedural grounds.

"The department has operated without rules in violation of the law in my opinion," Adley said, referring to administration of the most recent film industry act passed in 2005. "I'm confused as to why we haven't received rules in two years … for one of the largest programs that's ever been operated by the state of Louisiana."

Sherri McConnell, who oversees entertainment industries for the Department of Economic Development, said the emergency rules merely would formalize the approval process already in place within her department and give investors a greater comfort zone about investing in Louisiana projects.

Sen. Ann Duplessis, D-New Orleans, jousted with Adley over the rules issue and rushed to the defense of the \$185 million Film Factory in New Orleans, the \$56 million Celtic Media Center in Baton Rouge and the \$100 million Emerald Bayou Studios in New Roads.

"These are projects that investors have started, (and) put many millions of dollars into, that will be stopped if this isn't done today," she said.

Afterward, LIFT chief executive Malcolm Petal — who's overseeing the \$185 million Film Factory in downtown New Orleans — said he isn't sure why there's so much confusion about the state's film incentive rules.

"Everyone seemed to think it was a good idea to have rules," he said, adding LIFT still doesn't have state assurances sought by a major investor, Chevron, who could walk away from a \$30 million guarantee on LIFT's project.

LIFT already has invested \$15 million of its own money on the Film Factory, Petal said, "and the bonds can't close without some rules being in place."

LIFT has delayed its closing date to April 15, he said, and is in jeopardy of not being able to complete a sufficient amount of construction work — 30 percent — by the end of the year to qualify for 15 percent of the 40 percent infrastructure credit.

“We’ve just reached the breaking point of whether we can go further into (the project),” Petal said.

“We face the exact same potential crisis,” said Howell Gibbens, who is project manager on the Celtic Media Center off Airline Highway in Baton Rouge. “We’ve got one foot on the brake and one foot on the gas pedal.”

Celtic already has invested \$6 million in its studio project. When asked by Sen. Ed Murray, D-New Orleans, whether the project could wait for a resolution during the legislative session that begins next month, Gibbens said, “That we absolutely cannot.”

Emerald Bayou executive Linda Thurman agreed, saying gridlock is hampering necessary efforts to build soundstages that will keep filmmakers coming to Louisiana. Her project applied for tax credits in October and has no word from the Division of Administration, which must sign off on projects screened by the state film office.

“It’s been a black hole,” she said. “We send our applications in and we pray.”

Meanwhile, developers of a proposed \$500 million film studio project in West Baton Rouge Parish delighted in the committee’s decision, saying the emergency rules were flawed and granted too much agency discretion. That project, however, also claims the Division of Administration is holding out on certifying its eligibility for tax credits that could be worth nearly \$200 million.

After submitting its Studio City Louisiana application in November, “we still have not heard a word on it — nothing, zero,” said Bobby Freeman, the attorney representing the project that would be built on 1,000 Allendale Plantation acres along the river.

Riley Berthelot, the West Baton Rouge parish president, said state economic officials have indicated a preference to grant large incentive packages to conventional industries, not the movie business, and that personality clashes are slowing a project that could bring a \$266 million annual payroll to his parish.

“I think state government ought to be above that,” he said, “and look at the merits of the project.”

“We feel like it’s very unfair,” property owner Roger Kahao said of the state’s alleged stalling tactics.

After the hearing, a Division of Administration official said projects are being reviewed at the rate of one every four to five weeks. But because of major impacts on the state’s revenue picture created by the tax breaks, the state is proceeding cautiously.

“We have been negotiating with a variety of companies who have brought these infrastructure applications to the Louisiana economic development department,” said Bill Black, research director for the Division of Administration. “They’re disappointed with the rate of approval, but we have been working through this list at a fairly steady clip.”

A draft agreement has been reached on the Celtic project, but Black wouldn’t predict how long others will take. All of them, though, are likely to see their tax credits spread out over four to 10 years to soften the blow on the state’s finances.

If all of the \$2.4 billion in proposed film studio projects for the state were built, the state would pay back \$962 million in state tax credits.

“It’s quite successful, but it is expensive and it costs something,” legislative fiscal officer Greg Albrecht told the committee.

“It certainly puts it in perspective,” said committee chairwoman Sen. Willie Mount, D-Lake Charles.

Freeman had another perspective. Of the ThyssenKrupp steel mill being pursued by Louisiana, “the state has to put up \$300 million or \$400 million in advance to get it,” he said. “They’re only getting 2,900 jobs. Ours is 5,000 permanent jobs. They don’t have to put up any money in advance. And there are no smokestacks.”

Individual projects aside, Black said a resolution of the rules standoff is needed.

“We clearly would like to establish rules that are approved by the Legislature,” he said. “Whether it waits to the session is another issue.”