

ALBUQUERQUE DEVELOPMENT COMMISSION
Industrial Revenue Bond Hearing

November 23, 2020

IRB 20-1: Netflix Studios LLC Project
Case Number: IRB2020-11

REQUEST: Approval of \$500,000,000 in City Industrial Revenue Bonds to be issued in two series is requested.

PROJECT SUMMARY: Netflix Studios is planning to increase and expand their presence in Albuquerque by purchasing an additional 170 acres of land and investing more than \$500 million in capital and another \$1 billion in production spending, in addition to the company's commitment of \$1 billion in production spend under the 2018 local economic development transaction, to develop a major film and television production campus in Mesa Del Sol's Planned Community Development.

Netflix, Inc. is an American technology and media services provider and production company headquartered in Los Gatos, California. Netflix was founded in 1997 by Reed Hastings and Marc Randolph in Scotts Valley, California. The company's primary business is its subscription-based streaming service which offers online streaming of a library of films and television series, including those produced in-house. Netflix purchased Albuquerque Studios in 2018, and has undertaken significant production expenditures of approximately \$150 million over two years (prior to the Covid pandemic that has limited film and television production worldwide).

In 2020, Netflix began a competitive site selection process to determine where to focus its future production investment for the next decade and beyond. Netflix has three primary production facilities in North America other than Albuquerque, including Los Angeles, Atlanta, and Vancouver, Canada. The company sought a location with good business resiliency (not subject to shutdowns due to weather or other natural disasters), and selected the site at Mesa Del Sol in Albuquerque, New Mexico. They took into consideration the strong relationships that have been built at the state and local levels, access to leadership, the size and experience of the local crew, the ease of permitting, the ability to purchase goods and services from local vendors, and the strength and consistency of the Film Production reimbursement and crew training programs.

The company's proposed \$500 million capital investment will occur in two phases and include the purchase of approximately 170 acres of land and include improvements to the existing facility, the construction of ten sound stages, a 120,000 square foot office building, mill buildings for set construction, a 50,000 square foot special effects warehouse, a commissary, and other support buildings. Additionally, the company anticipates a post-production facility, wardrobe suites, a backlot and other development. Netflix also commits to develop a significant film training program in conjunction with New Mexico academic institutions, including the development of an indigenous film production training program.

The capital investment is accompanied by the significant commitment from the company to undertake an additional \$1 billion in production spend by December 31, 2033. Netflix commits to a Direct Spend (on its own productions) of at least \$1.2 billion, and \$800 million in Direct and/or Indirect Spend (leasing the facility to other production companies), for a total of \$2 billion in Direct and Indirect Spend (\$1.2 billion of that generated locally). The New Mexico Economic

Development Department has collected and analyzed many types of productions over the years and estimates that this additional production spend will generate approximately 994 new jobs.

INDUSTRIAL REVENUE BONDS: Industrial Revenue Bonds (“IRB”) are useful to companies because they provide property tax abatements on real and personal property and gross receipts tax or compensating tax exemptions on eligible purchases. The City acts as a conduit issuer of the bonds, and therefore any property bought or developed with bond proceeds is done under the name of the City, and the City technically holds title to the property and leases it to the company. Cities are not taxed for property/items they purchase or hold title to, so there is a tax abatement on real and personal property taxes, and an exemption on the gross receipts/compensating tax on the purchase of equipment, on any and all funded with bond proceeds. There is no liability to the City or the taxpayers as the City is simply a conduit issuer and the company is solely responsible for repayment of the bonds. It is important to note that a \$500 million dollar IRB project does not represent expenditure of any City funds that are being paid to the company, or even the amount of tax abatement. It reflects the amount of money the company is investing in the community.

Netflix will receive an 80% property tax abatement on any existing buildings or improvements on their existing site, and an 80% abatement on any personal property, existing or new, for that site. They also will receive an exemption on any gross receipts or compensating taxes due for the purchase of new equipment purchased with bond proceeds and owned and operated by Netflix for that site. The new site, and any improvements made, owned, and operated by Netflix on those new parcels, will receive a 90% real and personal property tax abatement, and a gross receipts or compensating tax exemption on the purchase of new equipment purchased with bond proceeds owned and operated by Netflix.

It is also important to understand that for this project some of the evaluation criteria and performance measures normally addressed in an IRB project around job creation had to be addressed differently due to the nature of the film and television industry. The focus, evaluation, and performance requirements for this project are structured around the company’s capital investment and economic activity in both direct and indirect production spend which results in hundreds of jobs in the community. The performance measures and penalties/clawbacks are built around the company’s ability to meet its capital investment commitments. Each production company’s jobs are not permanent and vary depending on the production. However, the continued ongoing production spend will directly improve, sustain, and grow the employment opportunities for New Mexicans.

In addition, Netflix estimates that approximately 30% of production spending goes into goods and services, of which 70% is spent locally. This means the additional \$1 billion of production spending can be expected to generate approximately \$210 million spent on local goods and services.

The City’s IRB Ordinance requires that economic development projects requesting economic assistance from the City shall clearly demonstrate the benefits that will accrue to the community, and that the applicant is making a substantive contribution to the community. Our analysis demonstrates that by fulfilling the commitment for \$500 million in capital investment and \$1.2 billion in Direct Spend and another \$800 million in Direct and/or Indirect Spend for a total production spend investment of \$2 billion, the Netflix IRB Project will be providing a high degree of benefits to the community and a strong substantive contribution.

The IRB application, attached as Exhibit 1 provides details of the Project and the investment to be created, and associated community economic impacts which are further analyzed below.



This project includes a Fiscal Impact Analysis prepared by the University of New Mexico's Bureau of Business and Economic Research which is attached as Exhibit 2. The fiscal impact determination of the Project is derived from information the company and the New Mexico State Film Office provided. The analysis shows that based on the assumptions contained therein, the company will be making a substantive contribution to the community and will generate more than \$3.8 million in positive net tax revenues. Consequently, the City projects to recoup the value of its investment within ten years.

FINDINGS:

1. IRB-20-1 is a qualified project as defined by the State's Industrial Revenue Bond Act and the City enabling legislation (Resolution R-196, Sixth Council (16-1985) as amended by Resolution 350 Sixth Council.); and
2. IRB 20-1 would make positive substantive contributions to the local economy and community by growing and enhancing Albuquerque's position as a significant center for motion picture and media production with a Five Hundred Million Dollar (\$500,000,000) private sector capital investment and an additional One Billion (\$1,000,000,000) in production spend; and
3. IRB 20-1 would anchor the shared community vision of Mesa Del Sol as a major employment center for Albuquerque, and comply with the adopted Comprehensive and Planned Community development requirements; and
4. IRB 20-1 would make positive substantive contributions to the local economy and community by purchasing additional acreage and making additional renovations and improvements to the existing Netflix facilities at Mesa del Sol and developing a major television and film production campus; and
5. IRB 20-1 would make additional positive contributions to the local economy by committing to \$150--\$500 million in capital investment and an additional One Billion (\$1,000,000,000) in TV, film, and media productions, and committing to operate in the community for at least ten years; and
6. IRB 20-1 would have additional positive community impact by the development of a significant training program/center with institutions of higher education, and a focus on dedicating resources to develop production skills and capacity for indigenous people; and
7. IRB 20-1 has demonstrated the financial capability to undertake and successfully manage the Project and provided acceptable security; and
8. IRB 20-1 would more than adequately meet the IRB evaluation criteria established by the City and would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, and a make a substantive contribution to the community.

PROJECT ANALYSIS: The project, as proposed in the project application, will be analyzed in accordance with the City's Industrial Revenue Bond criteria.



PROJECT ELIGIBILITY

I. INITIAL QUALIFYING TEST; PASS/FAIL CRITERIA

The overriding criterion for all Industrial Revenue Bond Projects is the benefit to the City provided by the Project. The criteria below are intended to assist the Albuquerque Development Commission in determining benefit to the City.

FOR INDUSTRIAL REVENUE BOND PROJECTS: Before any other criteria are met, the company must be classified as an Economic Base Company:

Economic Base: Fifty-one percent or more of the revenues of the New Mexico operation are generated outside the Albuquerque Metropolitan Statistical Area. Revenues generated by contracts with Federal entities are considered to be from outside the metropolitan area. This requirement does not apply to educational or healthcare facilities seeking industrial revenue bonds. Credit also may be assigned to those projects that represent significant “import-substitution”. Import substitution occurs when a manufacturer or supplier of services provides products or services to a local customer base which currently has to purchase those products or services from outside of the area. See the notes below the following table which lays out the initial criteria. The more in-depth analysis follows.

| | |
|---|--------------------|
| 1. Economic Base Company that meets statutory requirements | Pass |
| 2. Satisfactory initial demonstration of ability to service debt or self-fund purchase of the bonds, or evidence of an acceptable financing commitment. | Pass |
| 3. Conforms to City planning and zoning policies. | Pass/(and Pending) |
| 4. Firm has no outstanding substantive federal, state or local tax issues. | Pass |
| 5. Proposed project complies with all federal, state, and local environmental laws, regulations, and rules | Pass |
| 6. Jobs created by the project meet or exceed the median wage for similar jobs in the community | Pass |
| 7. Per state requirements, the firm covers 50% of health insurance premiums for employees. | Pass |
| 8. Other additional factors. | Pass |
| RESULT | PASS |

1. Motion picture/media/entertainment production is an economic base industry, and the industry makes up one of the growing sectors of the regional and state economy.

Netflix Studios Albuquerque also qualifies under the IRB Act and the City’s Ordinance as:

- a. any commercial enterprise in storing, warehousing, distributing or selling products of agriculture, mining or industry but does not include facilities designed for the sale of goods or commodities at retail or distribution to the public of electricity, gas, water or telephone or other services commonly classified as public utilities;
- b. any business in which all or part of the activities of the business involve the supplying of services to the general public or to governmental agencies or to a



specific industry or customer but does not include establishments primarily engaged in the sale of goods or commodities at retail

2. The bonds will be considered a “self-purchase”, i.e. purchased by a subsidiary or affiliate of the Company. As one of the premier media production companies worldwide, Netflix has the financial resources to self-fund the purchase of the bonds needed for the project.
3. The entire project lies within the much larger (10,000 acres) of the Mesa Del Sol Planned Community (Level A Master Plan), and is part of the 1,500 acre designated employment center. The majority of the Mesa Del Sol Planned Community went through a rigorous public process to produce the Level B Plan, which further delineated the types of uses allowable for development, and the review process for particular site development plans and public participation.
4. Netflix Studios has certified that it has no outstanding substantive federal, state or local tax issues.
5. The proposed Project, in its design, complies with environmental regulations, and will receive further review as each particular component comes forward for development approval. The parcels that are within the existing Plan B boundaries will still need review and neighborhood notification and approval by the Development Review Board/Planning Director. The site plan approvals call for reviews by environmental, transportation/traffic, engineering, water and wastewater, and other planning staff.
6. Jobs for the positions meet or exceed the median wages for similar jobs in the community. The salaries and positions are more fully described in Section II-2 and in the Application.
7. Employees who work on productions are covered by union benefits packages, and Netflix pays at least 50% percent of the health insurance premiums for its own employees.
8. The Project helps to realize the vision of Mesa Del Sol as a major employment center on Albuquerque’s south side. The addition of a post-production facility is significant in furthering Albuquerque and New Mexico’s ability to keep more of the higher paying skilled technical staff (and salaries) here locally. With the new 10 additional sound stages at Mesa Del Sol, the recent addition of NBC Universal Studios, and the existing North I-25 studios, the development of a significant training program/center with institutions of higher education, and a focus on dedicating resources to develop production skills and capacity for indigenous people is a huge move forward in positioning Albuquerque as one of the leaders in film production locations in North America.

IRB REVIEW CRITERIA

I. LAND USE, PLAN, AND DESIGN ELEMENTS

1. PLAN AND ZONING:

Is the present zoning appropriate, or would needed change fit City’s zoning policies? Does project fit Area, Sector, Metropolitan Redevelopment, and/or Comprehensive Plan policies? Projects must conform with all adopted City plans and policies.

Phase I - approximately 111 Acres

(Note: Assessed value represents the taxable value, which is usually about 1/3 of market value.)

The existing Netflix production facilities are located at 5650 University Boulevard SE, Albuquerque, NM 87106

Current Studio Site—27.9 Acres

Tract 26, Bulk Land Plat for Mesa del Sol Innovation Park. Assessed Value: \$22,000,000

PSA #1 legal descriptions (New property to be purchased and developed)—83 Acres

Tract 17, Mesa del Sol Innovation Park Recorded in Bernalillo County, New Mexico Sept. 13, 2007, in book 2007C, Pg 259, Document No. 2007131551. Assessed Value: \$813,444

Tracts 22-A, 22-B, and 22-C, A replat of Tract 22, Mesa del Sol Innovation Park, Recorded in Bernalillo County, New Mexico April 18, 2008, Book 2008C, Pg 92, Document No. 2008044090. \$588,942 (22-A), \$550,344 (22-B), \$41,397 (22-B)

Tract O, Mesa del Sol Innovation Park II, Bulk Land Plat, Recorded in Bernalillo County, New Mexico August 7, 2008, in Book 2008C, Pg 175, Document No. 2008089615. Assessed Value: \$360,663

Tract P, Mesa del Sol Innovation Park II, Bulk Land Plat, Recorded in Bernalillo County, New Mexico August 7, 2008, in Book 2008C, Pg 175, Document No. 2008089615. Assessed Value: \$1,417,956

Tract OS-7, Mesa del Sol Innovation Park II, Bulk Land Plat, Recorded in Bernalillo County, New Mexico August 7, 2008, in Book 2008C, Pg 175, Document No. 2008089615. Assessed Value: \$0

Tract Q-2 and Q-3, A replat of Tract Q, Mesa del Sol Innovation Park II, Recorded in Bernalillo County, New Mexico March 17, 2009, in Book 2009C, Pg 0040, Document No. 2009028207. Assessed Value: \$89,091

Phase II - PSA #2 (New land to be purchased and developed)—82 Acres

TRACT N, UPC# 1010605132236810201. Assessed Value \$315,867

TRACT A-1-A-1 BULK LAND PLAT TRACT. Assessed Value: \$395,000

The Project is within the approved Mesa Del Sol Master Plan, and has gone through the Level B Community Plan review and approval process. While each parcel will require a Level C Site Development approval, the uses proposed fall within the City's Comprehensive Plan and the Mesa Del Sol Level B Planned Community Plan.

PSA-1, PSA-2 and the State Trust lands are all designated as Employment Center in the adopted Mesa del Sol Level A and Level B Plans. At the time of the adoption of the Level A Master Plan,

permissive zoning categories for the Employment Center classifications included O-1, C-1, C-2, C-3, M-1 and IP zoning. Under the City's prior zoning code, a film studio was classified as M-1, a Light Manufacturing activity. Support spaces were classified as O-1, Office.

Under the current Integrated Development Ordinance which consolidated the Land Use Table, activities related to a film studio still fall under Light Manufacturing and Office; both are considered permissive uses within the Mesa del Sol Employment Center.

The new Netflix Studios project further supports the Economic Development Department's criteria for the use of incentives by Leveraging our Core Assets, Focusing on High-Growth Specialties, Supporting Focused and Positive ROI Projects, and providing approximately 994 on-going economic base jobs.

The Project also conforms to two of the City's Economic Development Strategies:

Smart Recruitment, Retention, and Expansion – The Economic Development Department is focused on recruiting companies from specific industries that build on Albuquerque's existing assets. We support new enterprise creation, cluster development, and strategic attraction and recruitment of businesses that align with and complement existing strengths.

Creative Economy and Film – Albuquerque offers a unique culture, cuisine, art, and music scene. The entrepreneurial spirit is strong and an inherent part of Albuquerque's culture. The creative economy and film industry are key components of the economic vitality in Albuquerque.

In addition, New Mexico municipal IRB legislation specifically identifies "projects" as land, buildings, equipment and improvements which are suitable for use by any of the following:

- a. any commercial enterprise in storing, warehousing, distributing or selling products of agriculture, mining or industry but does not include facilities designed for the sale of goods or commodities at retail or distribution to the public of electricity, gas, water or telephone or other services commonly classified as public utilities;
- b. any business in which all or part of the activities of the business involve the supplying of services to the general public or to governmental agencies or to a specific industry or customer but does not include establishments primarily engaged in the sale of goods or commodities at retail.

2. LAND USE:

Will the proposed use make a positive contribution to the Albuquerque economy and the immediate neighborhood?

The Project will make a positive contribution to the local, regional, and state economy by not only adding \$500 million in construction and other capital expenditures, but an additional \$1 billion in production spend over the original project's goal of \$1 billion. The research has shown that about 30% of production spend is on goods and services, and 70% of that is spent locally. This includes a full range of products and services such as hotels, car rentals, dry cleaning, florists, rentals from antique shops, restaurants, gift shops, home purchases, ski rentals, office supplies, furniture companies, postal and other package delivery services, lumber and home improvement products,

pharmacies and grocery stores, jewelry stores, breweries and wineries, and many, many more. That equates to \$210 million in additional spending on local goods and services related to the production spend.

The new developments will continue to add employment opportunities to the area, as they join other employers and users of the Innovation Park at Mesa Del Sol including the International School, UNM's Film and Digital Media Department, Fidelity Investments, and United Poly Systems.

3. DESIGN AND CONSERVATION:

Phase 1, Series A Bonds will include approximately \$265 million in new investment by the company, composed of updates to the existing facilities, 60,000 square feet of support space, construction of 10 new sound stages, a 120,000 square foot office building, mill buildings, and training center and post-production spaces. Postproduction includes, editing, sound mixing, coloring, foley (sounds for shoe steps, glass breaking, rain, etc.), dubbing, laying soundtrack and more. Additional parking and a backlot area also are included.

Phase 2, Series B Bonds will include approximately \$235 million in capital expenditures to develop a 50,000 square foot special effects warehouse, wardrobe suites, a commissary, flex buildings for production support, and indoor and outdoor water tanks. The company estimates the larger outdoor facility will equate to the size of two Olympic-sized swimming pools. It takes 660,000 gallons of water to fill an Olympic pool, similar to the City's Westside Aquatic Center. That will equate to 1,808 gallons of daily use for one pool, or 3,616 gallons for two. A large golf course absorbs one million gallons per day. So while the use of a water tank in the high desert sounds significant, the facts are they don't use that much compared to other regular water uses. A large water user is often regarded as one that uses more than 50,000 gallons per day.

4. INFILL:

While this project is not an infill project, it does help materialize the development of a significant employment center in Albuquerque that has been thoroughly reviewed and vetted for many years. The Project will require the extension of infrastructure, which has been reviewed and planned for with the adoption of the Mesa Del Sol Master and Level B community plans. Additional opportunities for public participation are included as the development process moves forward. The company will be working with both the public and private sector utility and infrastructure providers. There have been significant discussions with representatives from the Mesa Del Sol Tax Increment Development District Board, as well as initial talks with the Albuquerque Bernalillo County Water Utility Authority.

5. RENEWABLE ENERGY:

The Company will not create or produce renewable energy from the facilities. The company intends to incorporate appropriate energy efficient and low-flow water devices throughout the operation of the various campus facilities as appropriate.

The company's website cites their commitment to renewable energy; they have invested in renewable energy projects that span 15 U.S. states and 20 countries. In 2019, they reported that 100 percent of their estimated direct and indirect non-renewable power source use was matched with renewable energy certificates and carbon offsets.



6. DEMOLITION:

The project does not involve demolition of viable buildings.

7. RELOCATION:

The project does not require the relocation of individuals or businesses.

II. ECONOMIC BENEFITS

1. COMPETITION:

Would the project be in competition with existing business or development industrial revenue bonds which would give one project an inequitable advantage over competitors using conventional financing?

There is no real exact competition in the region, as all studios benefit from having added stages, office and mill space, backlots, etc., because they can utilize each other's facilities when available.

As occurred after the original purchase of ABQ Studios, I-25 Studios will benefit from overflow production. NBCU will not be affected because they are using their facility for their own projects. Also, NBCU received government support when developing their studio project. While I-25 Studios did not receive direct financial assistance as a studio development, their current building and real property site was originally constructed utilizing industrial revenue bonds

2. JOBS:

Will the project create a substantial number of new jobs? Are the job categories and phasing clearly given?

Note: This Project and industry is different in its calculations of jobs and benefits from some other projects we have reviewed recently due to the nature of the film production industry. The commitment to production spending is the benchmark used in evaluating and measuring performance for film projects, and not just the direct jobs created and maintained by any one company. As such, the New Mexico Economic Development Department calculates that the project would be expected to create 994 additional jobs.

The salaries for the jobs in the industry profiled met or exceeded the average for similar positions within the community. According to data from the State's film office:

- Crew: 4-5 Projects/year. Average crew size: 200. Average salary example \$47,600 (prepared by the New Mexico Economic Development Department utilizing actual data from multiple kinds of film/media production projects in recent years)

This has led to the development of both direct and indirect film industry businesses and jobs. The majority of these crew members are technical trade workers who hold positions in set, electric, grip and construction departments and typically make a higher average wage than that of similar occupations in other industries. The film industry builds solid middle class jobs, where carpenters can earn \$25/hr instead of \$18/hr in other industries,



painters can earn \$28/hr instead of \$16/hr, and tailors and dressmakers earn \$25/hr instead of \$11/hr.

- Management positions:

| Title | Estimated Base Salary |
|------------------|------------------------------|
| Tech Operations | |
| Site Support | \$125,000 |
| Supervisor | \$100,000 |
| Security Manager | \$ 65,000 |
| Facilities Tech | \$ 60,000 |
| Stage Manager | \$ 60,000 |
| Stage Manager | \$ 50,000 |
| Stage Manager | \$ 45,000 |
| Receptionist | \$ 40,000 |
| Studio Admin | \$ 35,000 |
| Mailroom | \$ 30,000 |

- 1) What percentage of the permanent new jobs is expected to be filled by current Albuquerque area residents, as opposed to people relocated from elsewhere?
 - 80% -90%
- 2) Will jobs benefit low and moderate income residents?
 - Yes
- 3) Will the jobs meet or exceed median wages for the industry within the community?
 - Yes
- 4) Will the jobs match skills of current city residents?
 - Yes
- 5) Will new employees be trained to fill the positions?
 - Yes
- 6) What stated advancement opportunities are there?
 - Crew advancement (e.g., 3rd grip, 2nd grip, key grip)
- 7) Will “Job Training Incentive Program” or other job training programs be used?
 - Yes, FCAP
- 8) Will at least 50% of health insurance premiums be covered for employees?
 - Yes, for current employees and crew coverage is under union health and pension plan. Netflix also covers more than 50% of the cost for its own employees



III. PROJECT FEASIBILITY

1. FEASIBILITY/FINANCING:

Has the applicant presented convincing evidence that the project will generate sufficient cash flow to pay debt service? Alternatively, does the applicant have a firm financing commitment? Projects must show the ability to retire bonds, or evidence that financing has been obtained.

The industrial revenue bonds will be self-financed. Phase I (Series A Bonds) of the project is anticipated to cost \$265 million, while Phase 2 (Series B Bonds) is estimated at \$235 million.

As the largest entertainment company in the country as of 2020, Netflix Corporation has stated they have sufficient resources to service the debt on this Project. In 2017, Fortune ranked them 261 on their Fortune 500 list, by 2020 they had moved up to 164.

2. COST:

Does the bond amount requested reasonably represent the money required to complete the project?

As mentioned above, the total capital investment cost will be at least \$500 million, to be covered by the industrial revenue bonds, plus the funds being directed from the State and City LEDA contributions, plus additional infrastructure costs that are being negotiated with the developer, the TIDD Board, and relevant government entities.

3. APPLICANT'S RECORD:

Does the applicant have a good record of completing projects of this or similar type?

In the original project agreement developed between the City, State, and Netflix entered into in January 2019, it called for a minimum annual production spend of \$75,000,000. Netflix met that goal with production spend of \$150,000 in the past two years. In 2020, however, their business was curtailed by the Covid pandemic which shut down film and television production worldwide. The good news is that Netflix now has more than 190 million subscribers and there is tremendous pent-up demand across the industry for new productions.

4. EQUITY:

Will the applicants make an equity investment in the project?

Netflix Studios LLC has sufficient resources to finance the project, and the bonds are a self-purchase by the company and/or its affiliate.

5. MANAGEMENT:

Do the applicants commit to manage, as well as build, the project?

Netflix Studios LLC will manage the development and operations of the project, and has extensive experience in this area.



6. OTHER POSITIVE CONTRIBUTIONS:

List other positive contributions that the project will make to the community.

- Middle class job growth.
- Enhanced property values at Mesa del Sol.
- Small business growth through increased purchase of goods/services from local vendors.
- Workforce training partnerships with labor and academia.
- As shown in their company website and application, Netflix has a history of inclusion and diversity.
- An important area where the film and television industry has not historically shown inclusion, Netflix can show that 49% of its global workforce are women and 49% of the management is as well. The application shows the commitment to inclusivity and diversification in the company's corporate culture.
- As stated on their website, "At Netflix, we believe that great storytelling not only entertains but can also challenge prejudice and increase empathy and understanding. We work with a wide range of creators to help increase the diversity of our content and to ensure more members have the opportunity to see their experiences on screen. A recent study by the University of Southern California Annenberg Inclusion Initiative ("Inclusion in the Director's Chair") found that 20 percent of Netflix's original US scripted films in 2019 were directed by women, nearly double the rest of the industry."
- As part of the commitment made to the State on this Project, not only will there be a general Training Program available to New Mexicans, there is also the development of an Indigenous Film Program mentioned above which will add a diversity component unlike any other production studio in the country.
- The addition of the above-mentioned post-production facility also is a tremendous breakthrough in the City and State's position as a true center for the film and television production industry.

IV. FISCAL IMPACT ANALYSIS

This project includes a Fiscal Impact Analysis prepared by the University of New Mexico's Bureau of Business and Economic Research. The fiscal impact determination of the Project is derived from information the Company provided.

While different factors had to be considered in producing this report due to the nature of the film industry, it is the same fundamental model that has been used on other City incentive projects. It shows that the project will have a net positive impact on City tax revenues of more than \$3.8 million dollars over the twenty years of the tax abatement through the IRB.



Performance Requirements

| Production Spend Commitment and Schedule | | | | | | |
|---|-------------------------------|---------------------|-----------------------|------------------|-----------------------------------|----------|
| <u>Year</u> | <u>Cumulative Total Spend</u> | <u>Direct Spend</u> | <u>Indirect Spend</u> | <u>Min Spend</u> | <u>Spend Determination Period</u> | |
| 2021 | | | | \$75,000,000 | 1/01/21 | 12/31/21 |
| 2022 | | | | \$75,000,000 | 1/01/22 | 12/31/22 |
| 2023 | \$600,000,000 | \$400,000,000 | \$200,000,000 | \$75,000,000 | 1/01/23 | 12/31/23 |
| 2024 | | | | \$75,000,000 | 1/01/24 | 12/31/24 |
| 2025 | | | | \$75,000,000 | 1/01/25 | 12/31/25 |
| 2026 | | | | \$75,000,000 | 1/01/26 | 12/31/26 |
| 2027 | | | | \$100,000,000 | 1/01/27 | 12/31/27 |
| 2028 | \$1,000,000,000 | \$400,000,000 | | \$100,000,000 | 1/01/28 | 12/31/28 |
| 2029 | | | | \$100,000,000 | 1/01/29 | 12/31/29 |
| 2030 | | | | \$100,000,000 | 1/01/30 | 12/31/30 |
| 2031 | | | | \$100,000,000 | 1/01/31 | 12/31/31 |
| 2032 | | | | \$100,000,000 | 1/01/32 | 12/31/32 |
| 2033 | \$2,000,000,000 | \$400,000,000 | \$600,000,000 | \$100,000,000 | 1/01/33 | 12/31/33 |
| <i>Total</i> | \$2,000,000,000 | \$1,200,000,000 | \$800,000,000 | | | |

The terms of the construction and capital investment will be at least \$150 million with a goal of \$500 million associated with two series of industrial revenue bonds. The penalties for non-performance of the capital investment will be monetary clawbacks of the ad valorem property tax abatement from Netflix in proportion to the company's failure to reach the investments as set forth in each series of bonds.

| Capital Investment Schedule | | | | | | |
|------------------------------------|--------------|--------------|-------|--------------|--------------|---------------|
| | 2021 | ~2022 | ~2023 | ~2024 | ~2025 | Total |
| Land | \$18,000,000 | | | | | \$18,000,000 |
| Building | | \$43,000,000 | | \$43,000,000 | \$43,000,000 | \$129,000,000 |
| Infrastructure | | | | | | |
| Sub-total | | | | | | \$147,000,000 |
| Equipment | | \$1,000,000 | | \$1,000,000 | \$1,000,000 | \$3,000,000 |
| Total | \$18,000,000 | \$44,000,000 | | \$44,000,000 | \$44,000,000 | \$150,000,000 |

FINDINGS:

1. IRB-20-1 is a qualified project as defined by the State's Industrial Revenue Bond Act and the City enabling legislation (Resolution R-196, Sixth Council (16-1985) as amended by Resolution 350 Sixth Council.); and
2. IRB 20-1 would make positive substantive contributions to the local economy and community by growing and enhancing Albuquerque's position as a significant center for motion picture and media production with a Five Million Dollar (\$500,000,000) private sector capital investment and an additional One Billion (\$1,000,000,000) in production spend; and

3. IRB 20-1 would anchor the shared community vision of Mesa Del Sol as a major employment center for Albuquerque, and comply with the adopted Comprehensive and Planned Community development requirements; and
4. IRB 20-1 would make positive substantive contributions to the local economy and community by purchasing additional acreage and making additional renovations and improvements to the existing Netflix facilities at Mesa del Sol and developing a major television and film production campus; and
5. IRB 20-1 would make additional positive contributions to the local economy by committing to \$150--\$500 million in capital investment and an additional One Billion (\$1,000,000,000) in TV, film, and media productions, and committing to operate in the community for at least ten years; and
6. IRB 20-1 would have additional positive community impact by the development of a significant training program/center with institutions of higher education, and a focus on dedicating resources to develop production skills and capacity for indigenous people; and
7. IRB 20-1 has demonstrated the financial capability to undertake and successfully manage the Project and provided acceptable security; and
8. IRB 20-1 would more than adequately meet the IRB evaluation criteria established by the City and would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, and a make a substantive contribution to the community.

STAFF RECOMMENDATION:

Based on the above findings, and subject to successful final determination of performance requirements and penalties, staff recommends approval of IRB 20-1 as proposed in the project plan application.

Deirdre M. Firth, Deputy Director
Economic Development Department

