



Board Report

File #: 2020-0282, **File Type:** Contract

Agenda Number: 31.

EXECUTIVE MANAGEMENT COMMITTEE MAY 21, 2020

SUBJECT: FILMING LIAISON ON THE METRO SYSTEM

ACTION: APPROVE CONTRACT AWARD

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award Contract No. PS66940000 for filming liaison services to The Hollywood Locations Company, Inc. for 5 years, generating an estimated \$1,500,000 revenue for Metro, subject to resolution of protest(s), if any.

ISSUE

A competitive procurement for Metro Filming Liaison has been performed to secure a new contract to replace the current contract that expires April 30, 2020. Metro has contracted filming liaison services to a specialized agency since 2013. Staff is recommending award of contract to The Hollywood Locations Company, Inc., which has extensive expertise within the entertainment business and extensive knowledge of Metro's system and properties.

This contract uses a cost neutral financial model where Hollywood Locations earns a commission on each confirmed filming. Based on historical revenues, staff anticipates commercial filming to generate at least \$300,000 a year, for an estimated \$1,500,000 over 5 years.

This contract authorizes the liaison coordination access for Metro bus and train vehicles, stations, divisions, parking lots, empty land, and all other facilities not designated as historic. Union Station is excluded from this contract and managed separately due to its historic landmark designation.

BACKGROUND

Metro strives to support the local filming industry with a film-friendly environment, offering many resources to media productions. Metro property has provided settings for numerous and notable films, television shows, music videos, and commercials. Since 2013, Metro has used a contractor to provide filming liaison services on Metro properties, rail system, bus system, and vehicles.

Securing an industry expert has resulted in increased opportunities and activities for the industry, and increased revenue for the agency. Recent filming highlights include:

- **Featured Films** - Ad Astra; Bright; Captain Marvel; Fast and Furious 7; Roman J. Israel, Esq.
- **Television/Streaming Series** - All Rise, Bosch, Goliath, Lucifer, Marvel's Runaways, NCIS: Los Angeles, S.W.A.T., This is Us, Westworld
- **Music Videos** - Taylor Swift, The Weekend, One Republic, Joseph Gordon Levitt

Historical revenue and expense figures from the Metro Research Library & Archives collections indicate Metro has permitted commercial filming on the system since 1992, earning \$52,000 from bus, train, and facility leasing. More recent revenues from the previous fiscal years indicate a steady growth in business activity:

- FY15 \$253,075
- FY16 \$284,010
- FY17 \$324,172
- FY18 \$559,695
- FY19 \$381,484
- FY20 \$224,888 (*not yet complete*)

DISCUSSION

Metro has experienced an increase in filming requests following the reestablishment of the California Film & Television Tax Credit Program 2.0 in July 2015. The tax credit has afforded more television shows to be set in the Los Angeles region; in turn, repeatedly using Metro locations and vehicles for filming. Metro staff also coordinates regularly to maintain the database of available Metro-owned properties, which staff uses to allow greater offerings for the filming program and revenue opportunities, especially for production-related parking rentals.

Contract Terms

- 5-year all-inclusive service contract - services including trafficking inquiries and leads from industry scouts and providing requirements for filming on Metro property, managing and finalizing appropriate licensee contracts, and providing production management and oversight while filming.
- 30% fixed commission of total gross rental revenue - commission does not include Metro labor support fees, which are billed directly to each licensee and passed directly to Metro.
- Full financial and revenue reporting - monthly, quarterly, annual, and unique reports as requested by Metro for the purpose of program management, oversight, and analysis.
- Full compliance with Metro's standard terms and conditions, Safety and Operations policies and procedures - contractor staff will be rail safety certified and ensure filming licensees adhere to safety policies and procedures.

The Hollywood Locations, Inc.

Hollywood Locations is an industry leader in location management within the entertainment industry. They have represented LA Union Station for 20 years; they currently, and have represented, LA Metro for 7 years. They have provided location management in the Southern California area since

1989 and offer a turnkey all-inclusive service - coordinating all production related activities from start to finish.

Since Fiscal Year 2013, Hollywood Locations has generated \$2.6M in revenue as filming liaison for LA Metro. Their impressive rolodex and pre-approved license agreements with all major studios and television networks such as Disney, Warner Bros., NBC Universal, Fox Paramount, Sony, ABC, CBS, and Netflix will ensure access to content creators and their desire to film on the Metro system.

As the incumbent, their experience with Metro and intricate knowledge of agency Operations, Real Estate, Security, and Facilities is advantageous - requiring no new training or transition. They are also fully knowledgeable of our safety policies and are rail safety certified.

FINANCIAL IMPACT

The contract uses a cost neutral financial model for Metro where Hollywood Locations earns a commission for each confirmed filming event/contract. As needed, staff labor support including Security, Operations, and Safety are billed to each filming licensee.

Impact to Budget

As the filming business is strictly market-driven and based on industry demand - it would not be appropriate to use a minimum annual guarantee (MAG) revenue model for this contract. But based on historical revenues, staff anticipates commercial filming to generate at least \$300,000 a year.

All projected revenues of future filming business are noted in fiscal year planning, and all actual revenues are recorded and validated quarterly as part of department's revenue reporting.

ALTERNATIVES CONSIDERED

The Board may choose not to award the revenue contract for Filming Liaison, but this is not recommended. The current contract expires April 30, 2020 and Metro will face a loss of \$300,000 per year without a new service contract. Metro does not possess the knowledge and expertise to directly support the needs of the filming industry, working with a specialist is the most economical and strategic method of supporting the local filming industry.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Commercial Filming on Metro property supports the Strategic Plan by fulfilling:

Goal 5.2 Exercising good public policy judgement and sound fiscal stewardship by monetizing Metro's capital assets to generate revenues for the agency;

Goal 5.4 Applying prudent commercial business practices to create a more effective agency by tapping industry experts to shepherd Metro through a specialized industry and provide expertise Metro does not possess;

Goal 5.5 Expand opportunities for businesses and external organizations to work with us by outsourcing industry experts and specialists.

NEXT STEPS

Upon Board approval, staff will execute contract No. PS66940000 with The Hollywood Locations Company for filming liaison services.

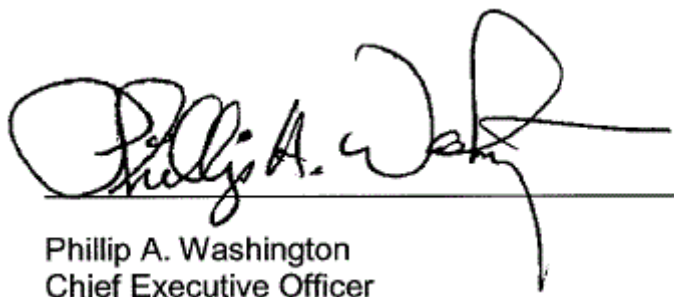
ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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