



Lights, camera, credits

By David Jacobs (Contact)

Tuesday, June 28, 2011

Percy Miller, best known by his stage name Master P, became a rap superstar and music mogul in the 1990s. He had planned to build the headquarters of his label, No Limit Records, near Airline Highway and Bluebonnet Boulevard.

But the label ran into financial troubles, eventually filing for bankruptcy in 2003, and the project was abandoned. The building sat empty for years, a half-finished cinder block-and-steel eyesore, until it was purchased by the Celtic Group in 2006 and transformed into [Advertisement](#) | [Advertising](#)



GIVE THEM CREDIT: Louisiana's entertainment tax credits enabled the Celtic Group to purchase Master P's abandoned headquarters and turn it into Celtic Media Centre, with 150,000 square feet of stage space and 81,000 square feet of office space.

the hub of the Celtic Media Centre; Hollywood-based Raleigh Studios operates on the site.

Stage Two was built where Master P's basketball court would have been. The 6,500-square-foot building features a 28-foot ceiling, a 65-ton quiet air-conditioning system and a 15-ton elephant door. For a film production crew, it's all about clear space, a high ceiling and, especially in south Louisiana, climate control, says Patrick Mulhearn, Celtic's director of studio operations.

"This was built with the film industry in mind," he says, unlike some converted warehouses passing themselves off as soundstages.



None of Celtic's 150,000 square feet of stage space and 81,000 square feet of office space—home to more than two-dozen companies that serve the film business—would have been built without state incentives. Louisiana was one of the first states to offer tax breaks for film production in 2002, though many states have since created programs.

Louisiana made the program permanent in 2009. Companies here have access to a 30% credit for in-state spending, plus a 5% labor cost credit for hiring local residents. The credits can be transferred back to the state for 85 cents on the dollar or sold on the open market.

In April, Louisiana Economic Development released its biennial report on how the state's entertainment tax credits are paying off. On page 2, report author BaxStarr Consulting Group asserts that every dollar of film production credits produces \$5.71 in economic output, a statement trumpeted in the accompanying press release and the "Louisiana Entertainment fact sheet" given to the media.

Flip all the way to page 25, however, and the report states that the tax credit program is a net loser for the state's fiscal picture. If you count the credits certified in 2009, for example, taxpayers took a \$91 million hit. Count the credits actually redeemed that year, and the state lost \$152.9 million, the report says.

Since the credits are transferable, film producers can get a quick subsidy by selling them, but the cost to the state is delayed until the purchaser actually uses them. Many other studies have found similar results, as critics on the right and the left often point out.

"The madness continues," says conservative blogger and LSU-Shreveport associate professor Jeffrey Sadow. "The bright lights of Hollywood continue to blind the rubes in state government to the sacrifices they impose on Louisianians to perpetuate these unsustainable programs."

Beyond the cost to taxpayers, Sadow says, the tax advantages distort the economy by diverting money that might otherwise go into more productive activities.

Eddie Ashworth, director of the liberal Louisiana Budget Project, cites analyses by Legislative Fiscal Office chief economist Greg Albrecht and others to argue that the economic multiplier effects tend to be overstated, adding that most of the jobs created typically are temporary. But the film tax credits remain "hugely popular" in the communities that benefit.

"People like hanging out with movie people," he says. "It's a sexy business. You get to see it up on the screen: 'That's Baton Rouge,' or 'That's Shreveport,' or 'That's the bayou country.' But these are things that are costing us hundreds of millions of dollars a year."

Supporters argue that critics who focus on tax receipts miss the big picture. Mulhearn admits most of the money spent in the early years of the program went out of state, since the vendors and service companies that filmmakers might need weren't based here. But that's changing: An estimated 64% of production spending stayed in-state in 2010, compared to 34% in 2006, according to the BaxStarr report.

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Courtesy Richard Cartwright/Columbia Pictures

BATTLE LINES: Baton Rouge doubled for parts of California in Columbia Pictures' Battle: Los Angeles, with filming in such places as Florida Boulevard, Metro Airport, Spanish Town and the Bet-R Store near the Perkins Road overpass.

Mulhearn mentions one small example of spin-off growth from the industry's presence: a local designer was told one of her handbags would show up in a Twilight film. A company that might have made 50 purses a month could end up making 500 or 5,000, he says.

"The value of having the film industry here completely falls outside the scope of what's being paid out in tax credits," he says. "She may end up hiring a couple dozen employees before it's over with."

Critics say the plethora of states with movie incentives creates a race to the bottom, with officials offering more and more generous packages until no one can make a return. But LED Secretary Stephen Moret says only a handful of states, including Georgia and Michigan, have ever been truly competitive with Louisiana. And because times are tough, many states are scaling back their incentive programs.

"We are in a very, very strong position in film production if we can simply maintain where we're at," Moret says. "The reality is that you're not going to see every state simply replicate that."

Supporters say a truly homegrown film industry is starting to develop here. If Louisiana can hold out, it can permanently establish itself next to California as a national leader for television and film, which supporters say would benefit the state's economy and its image.

"We're 10 years into this. When is the payoff?" Ashworth says, when asked about this long-term vision. "We've invested, it must be, close to a billion dollars into this now. At some point, you should be seeing the return on the investment."

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Posted by formerTexan on June 30, 2011 at 1:13 p.m. (Suggest removal)

The whole country is scaling back because despite offering incentives, they still make most movies in California, Vancouver, New York, or LOUISIANA. Studios have been built here, animation festivals and film competitions are attracting more locals.

Then again, the Business Report needs to at least attempt to put monetary value to the additional business this brings in. You can't do a real analysis without it.

Posted by djacobs on July 1, 2011 at 2:02 p.m. (Suggest removal)

We don't have the resources to conduct a major study "to put monetary value to the additional business this brings in." That's part of what the BaxStarr report attempts to do, however. You can find a link to the full report at LED's website, or at louisianaentertainment.gov.

Posted by phil on July 1, 2011 at 6:04 p.m. (Suggest removal)

I always kind of get amused when I see people state that each dollar in credits, subsidy etc produces a \$5 or \$6 (or more) economic output (or something similar). The reason I find this amusing is because if instead of taking my \$1 in taxes and giving it to someone else to spend, how about just let me keep my \$1 and then I will spend it and create a \$5 or \$6 economic output (or whatever you want to call it) too.

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