



# Tax incentive program improves economy

By HEIDI BOHI

Shortly after the movie "Everyone Loves Whales" began filming in September, Uptown Blossoms, a popular flower shop in midtown Anchorage, had its own brush with fame when the set decorator called to talk about flower needs for various scenes in the movie.

"When we first met him we were sort of nervous, but really he's just a person like you and me," shop owner Carol Trout says, adding that her business was recommended to the studio coordinators. "Wherever there was a need for flowers, we supplied them."

Set in Cold War era 1988, the film tells the true story of a small-town news reporter and a Greenpeace volunteer, played by Drew Barrymore, who enlist

the help of rival superpowers to save three gray whales trapped under the ice of the Arctic Circle as they made their way to Mexico for the winter. The national media, environmental activists, and the United States and Soviet Union – then in the middle of the Cold War – quickly descended on Barrow in an effort to escort the whales into open water.

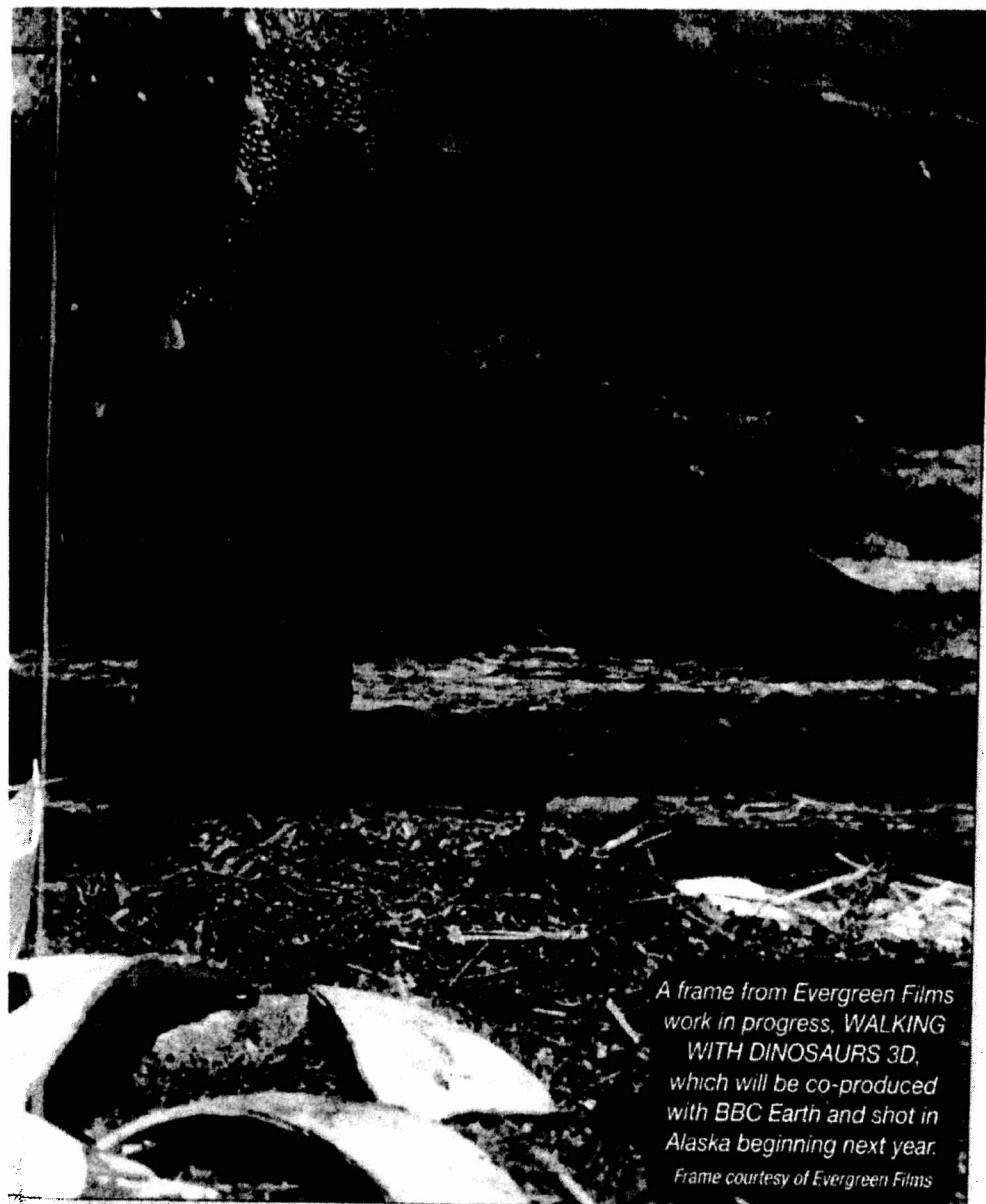
Trout says flower needs all had to be designed to reflect what was in style in the 1980s, and included centerpieces and arrangements for various scenes in the film. Some of the flower orders required working with the production person responsible for props any of the actors or actresses touched.

What it meant for Uptown Blossoms

was about \$4,000 in orders. Although Trout says her business is fortunate to have a steady stream of customers year-round, it was nice to have the extra bump.

## ALASKA'S NEWEST INDUSTRY

Since beginning to offer financial incentives to studios that decide to film their movies in Alaska, as is the case with "Everybody Loves Whales," the State's resurrected Film Office is optimistically watching what is being dubbed as Alaska's newest industry. The hope is the economic development initiative will attract projects that mean millions of dollars in economic impact resulting from increased receipts for small and large businesses and local hire.



*A frame from Evergreen Films work in progress, WALKING WITH DINOSAURS 3D, which will be co-produced with BBC Earth and shot in Alaska beginning next year. Frame courtesy of Evergreen Films*

which in the case of "Everyone Loves Whales," meant hiring 3,000 Alaskans statewide, though most were hired in the Anchorage area. Other businesses that stand to measurably benefit are airlines, hotels, freight handling and air cargo, along with smaller enterprises that include everything from courier businesses to seamstresses.

About 30 productions have been prequalified by the State Film Office, meaning studios have submitted applications, estimated budgets, distribution plans and script treatments for the projects. With \$100 million available and a minimum spending requirement of \$100,000, most projects qualify, including films, documentaries, commercials and video productions.

According to the legislation behind the Alaska Film Production Incentive Program, up to a 44 percent transferable tax credit is awarded within weeks once a rough-cut of the production is submitted and an Alaska-licensed CPA has audited the project. In addition to the 30 percent base rate, additional percentages are awarded for local hire, off-season production and filming in rural areas.

Although final numbers are still being tabulated to determine how much Alaska benefited from the recent production's use of local crew and services, after 10 weeks of watching those associated with the project frequent local restaurants, shops and hotels, Alaskans are seeing the potential contributions

of the industry, especially during the off-season months. "Everybody Loves Whales" filmed for 12 hours a day, five days a week for almost three months. (It takes about one day to shoot two to four minutes of film.)

As the preferred hotel for 200 cast and crew, the Captain Cook cannot discuss its agreement with Universal Pictures, though it has been estimated the property had 12,100 bed nights booked from September to December, which is historically a slow time after the peak visitor season. Add meals and incidental expenses, along with side trips that crew took on their days off, and it is easy to see how a film project can quickly contribute to the state's economic development.

#### **EVERGREEN FILMS**

"It's been a long time since there was a new industry in Alaska trying to build from the ground up," said Kate Tesar, business development director for Evergreen Films.

Evergreen, though not associated with "Everyone Loves Whales," is one of the industry's most watched developments. The Anchorage-based production company continues to make substantial investments in Alaska and is positioning itself to take advantage of the growing industry.

It has several productions in the works, one which will likely be the Kate Shugak television series based on Alaska author Dana Stabenow's mystery novels, including "A Cold Day for Murder," which won the Mystery Writers of America's Edgar Award. Other titles that will be made into the series are "Whisper to the Blood," which made the New York Times bestseller list, and "A Night Too Dark," which is the 17th in the series.

Based in Anchorage with offices in Los Angeles, Calif., Evergreen was founded by Mike Devlin and Pierre De Lespinois. Devlin has a computer engineering background and Lespinois is an award-winning television and film director. Devlin fell in love with Alaska and decided to build his Anchorage Hillside film editing studio after selling his software company. The team also has a yacht in Seward with adaptations that can accommodate filming both on and under water.

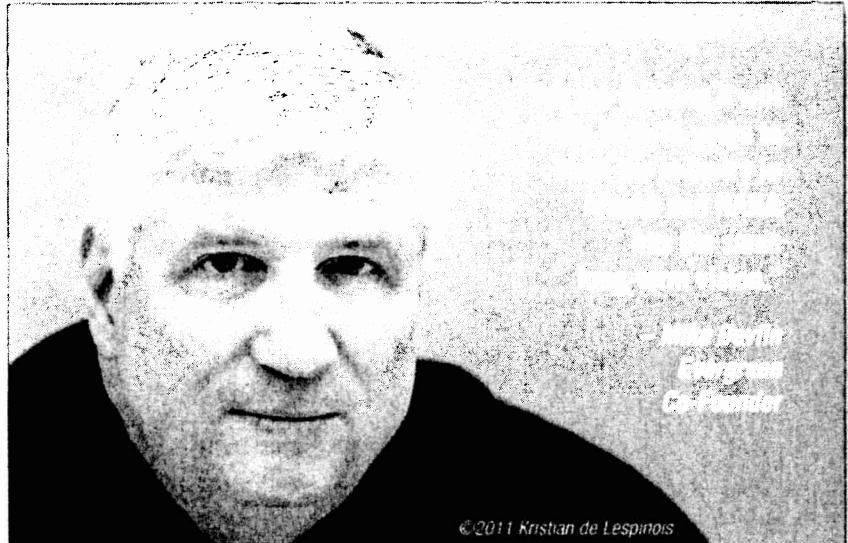
Another of Evergreen's biggest market advantages is the company's state-of-the-art digital and 3D studios, including 3D camera systems, groundbreaking LIDAR scanning technology, photo-real 3D Computer Generated Imagery (CGI), and an integrated 3D post-production workflow. The technology allows them to create a realistic portrayal of any location. This technology will also be used in "Walking With Dinosaurs," the Alaska-scripted and -produced, live-action dinosaur feature. That production will highlight photo-realistic 3D dinosaurs immersed in real, live-action 3D environments. This will launch in 2013 with 20th Century Fox securing the distribution rights. Evergreen is partnering with BBC Earth to produce the \$65 million feature film. Devlin says most of the live action for "Walking with Dinosaurs" will be filmed in Alaska to take advantage of the beautiful exteriors and the State's film incentives. The franchise model of the film means a new movie will be produced every two to three years. Evergreen and BBC are also partnering on the production of the \$25 million feature film "Africa 3D."

#### **NANA PARTNERING**

Responsible for helping create the incentive legislation, Tesar says Evergreen is committed to developing the industry statewide so that many communities benefit from the economic boost. To that end, it recently partnered with NANA Development Corp., an Alaska Native corporation based in Anchorage, which offers infrastructure and services that will help grow the industry and employ more Alaskans, including NANA shareholders.

"We are thinking it will take 10 to 15 years to build the industry in Alaska and NANA has the same long-term vision," Devlin says. "Together, the two of us are making a mutual investment to build the industry - we focus on film, they focus on building the service industry, and we will involve them in every production we're doing."

By making a financial investment, NANA is about a one-third owner and the company's partner in films that are shot in the Arctic environment, meaning it is the preferred vendor for those services it offers. The partnership is



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*Mike Devlin co-founder of Evergreen Films, with offices in Anchorage and Los Angeles.*

expected to create a lot of opportunity for shareholders - whether they are hired to work on a film project, or they simply benefit from dividends resulting from this newest investment.

When Evergreen approached NANA in 2009, it was looking for corporate involvement in specific high-budget films. NANA was less interested in being involved in specific films and more likely to invest in the company as a whole, says Robin Kornfield, vice president of communication and marketing for NANA Development Corporation. Although being involved in the film industry is not an area NANA has experience in, as it researched the opportunity it quickly became apparent that many of the services it had built up over the past 38 years are the same ones required in film production, including remote camp services, food service, security, transportation and staffing services.

"We already provide many of the back-of-the-house things that make it possible for those in the front to get their work done," Kornfield says. "We realized it was a better fit than we thought when we first went in - with just one phone call the industry can access all the film support services it needs."

Although the idea of partnering with Evergreen may seem like a big stretch to the business community, Kornfield says that, in fact, the board of directors was not completely unfamiliar with the benefits of the film industry. The group

travels to Vancouver, British Columbia, Canada, regularly for business associated with Red Dog Mine and is used to seeing film crews shooting in the middle of the street. "The prospect of doing something in Anchorage was not foreign to them at all," Kornfield says.

One big draw for NANA was that the film industry offers more opportunities in areas younger shareholders will be interested in such as computer graphics.

Although acting is an obvious opportunity for shareholders, Kornfield says, the greater opportunity is for them to be involved in the service industries, which is the backbone of the corporation's success. Although the partnership will evolve over time, Kornfield says NANA will do whatever it takes to make film support services available, and at the same time will offer these same services to other film production companies that come to Alaska.

"Every time a shareholder gets a paycheck - that's part of what we do," Kornfield says, adding that part of NANA's plan is to eventually develop a line of services specific to the film industry that shareholders can be trained in.

Partnerships like the NANA-Evergreen one embody the intent of the original incentive legislation, which was designed to develop new business opportunities in Alaska by pairing the supply with the demand. From there, Tesar says, the jobs and on-the-job training for Alaskans will follow. □