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Hollywood Entertainment Industry Attraction/Retention Action Plan

Harrison Price Company

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HOLLYWOOD ENTERTAINMENT
INDUSTRY ATTRACTION/RETENTION
ACTION PLAN

Prepared for:
Community Redevelopment Agency
Hollywood Redevelopment Project
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INTRODUCTION

PROJECT BACKGROUND

The Community Redevelopment Agency (CRA) of the City of Los Angeles is engaged in a 30 year effort to revitalize Hollywood. A key to this effort is the maintenance of the economic health of the entertainment industry businesses which have historically been the backbone of the community’s economy. The CRA is concerned that continued out migration of entertainment industry businesses to surrounding areas such as Burbank, Miracle Mile, West Hollywood and West Los Angeles will negatively affect the long term health of Hollywood's resident and commercial base. Accordingly, the agency elected to prepare an Action Plan aimed at enhancing Hollywood's position as a desirable location for entertainment industry businesses. The work program associated with preparing this plan was conducted in two steps; 1) compilation of entertainment industry input on key issues, and 2) preparation of an Action Plan based on specific industry needs identified in step 1.

To provide direct industry input Harrison Price Company (HPC) conducted a workshop providing a structured discussion of industry problems and opportunities as they relate to conditions in Hollywood and the CRA's ability to improve them. A group of executives from all facets of the entertainment industry was invited to an all-day workshop held in a private dining room at the Paramount Pictures Commissary on September 20, 1991. Participation in the workshop is identified in Appendix Table 1. The agenda for the workshop is presented in Appendix Table 2. HPC prepared a distillation of the workshop findings which then served as a reference point for the development of the Action Plan by HPC, agency staff, and the Economic Development and Transportation Committee.

1 For the purposes of this assignment the term "entertainment industry" refers to those businesses directly or indirectly involved in the production and distribution of feature films, network television shows, cable programming, radio shows, television commercials, music recording and related fields.
The following report summarizes the work performed. It begins with some pertinent background information on the current status of the entertainment industry. A distillation of workshop discussions and findings is then presented, followed by a recommended Action Plan. It should be noted that while the focus of this study is on actions the CRA can take to attract and hold entertainment industry businesses in the "project area" several important peripheral issues are discussed. These include needs and concerns of the entertainment industry which are outside the purview of the Agency, or extend beyond the interests of the industry and are already being evaluated by the Agency. Such issues are given special notice in the text.

HPC wishes to emphasize in this introduction the urgency of a response to the entertainment industry's needs by the CRA. As will be noted in the workshop summary to follow, there is a perception within the industry that the flight of entertainment businesses from Hollywood is accelerating and the Agency is not committed to supporting the industry. Rapid implementation of the short term recommendations in the Action Plan will help stem the exodus and build Agency credibility in the industry.

HPC wishes to acknowledge, with appreciation, the substantial contributions made to this effort by the workshop participants and the Hollywood CRA staff, particularly H. Cooke Sunoo and Lisa Linowes.

RECENT TRENDS IN THE ENTERTAINMENT INDUSTRY

Through the 1960s, the motion picture industry was highly vertically integrated (various parts of the production process--development, production and distribution--were brought together in a vertical hierarchy within a firm and/or a group of firms).

Beginning in the 1980s, the industry underwent a process of vertical disintegration and spatial disagglomeration (removal of many functions into separate businesses which are spatially separate from the core firms). During this period, different functions of the production process (i.e., occupations and businesses) were dispersed into the wider economy. Two important occupational increases (and business start-ups) offset the decrease in the size of studios: 1) The growth of functions devoted to technical

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innovations in film products and processes (including shooting, film processing, editing and sound) and, 2) of functions devoted to the transactions between the businesses themselves (including lawyers, accountants and agents, the makers of the "deal").

The result of this shift in functions out of the studios was the evolution of an industry from a "relatively large-scale standardized production process to one in which specialized inputs are provided by small-scale establishments. Between the late 1960s and early 1980s, the number of production companies more than tripled, and the number of post production companies in sound alone increased tenfold.

This process of vertical disintegration led, not only to the formation of separate businesses out of previous divisions or departments of large studios, but also to a spatial dispersion of the firms into communities and neighborhoods around the studios (and in some cases, far removed from the studios).

Once removed from the constraints of operating in a larger firm devoted solely to the production of motion pictures or TV shows, producers and technicians became entrepreneurs specializing in various processes. They were free to create new markets and clients across industry boundaries, into other areas wholly unrelated to entertainment.

The 1990s have seen other significant changes. Many of the major studios were acquired by non-entertainment-related conglomerates i.e., Sony's purchase of Columbia Studios; Matsushita's purchase of MCA; Parretti's acquisition of MGM; Time, Inc.'s purchase of Warner Communications and Walt Disney Company's invitation to Japanese investors to join an investment partnership, Touchwood Pacific Partners.

Some industry analysts argue that the process of concentration of major studios into larger companies is evidence of vertical integration or, perhaps more accurately, vertical "re-integration". While this may be the case at the level of the large firm (studios and networks), it has not, as yet, led to the re-absorption of the dispersed functions of deal making and post-production back into the larger companies. The post-production and specialty businesses, in particular, have found not only industry-
related markets by have crossed over into other non-entertainment-related markets, as well.

Dispersion of Location Shooting Away from Southern California

Although actual shooting has decreased in Los Angeles County, the deal-making and finishing functions of production not only remained here but have increased in concentration.

Government Deregulation--Federation Communications Commission Rule Changes

A ruling which took effect on June 15, 1991 was the FCC's partial repeal of its financial-syndication regulations. This ruling substantially alters the position of the FCC, held since the early 1950s, and opens possibilities of additional acquisition and/or mergers.

The original financial-syndication regulations restricted the major television networks from owning companies that make and syndicate prime time television programs. The networks were also prohibited from syndicating re-runs of their own shows. The core of the new rules include permission for the networks to: a) have full financial syndication rights to non-prime time programs; b) acquire full foreign syndication rights of non-network programs; and c) acquire full domestic syndication rights to 40% of in-house prime time production.

The battle over financial-syndication has created fears among some industry firms that the studios will merge with the networks. Many analysts and industry leaders predict that the main impact of the new rules will be to shut out independent producers as the networks and studios merge or at least make deals that the independent producers cannot match.

Hierarchy and Concentration of Power

Along with changes in ownership and regulation come changes in power structures. If the number of major studios decreases through mergers and acquisitions, the number of individuals holding power at the top of the industry also declines. According to
Chuck Slocum, Industry Analyst for the Writers Guild of America, the concern should not be over corporate ownership but the concentration of power, particularly power over distribution. In the long run, the losers in this process of vertical concentration may not be the studios or networks, nor the small independent production companies, but the middle-sized firms.

**Introduction of New Technologies**

The entertainment industry is one of the most affected by the continual introduction, innovation and application of new electronic technologies i.e., cable and video. There are new electronic systems under development, and as with earlier breakthroughs, the newcomer technologies create both opportunities (new markets) and obstacles (increased costs) for industry businesses.

Although much recent change has occurred in visual systems, there have also been advances in sound production i.e., Dolby stereo, "surround-sound" and DAT. These systems changes have resulted in a proliferation of media outlets and channel options for the consumer, however, consumers now pay a much higher proportion of direct cost of production.

**Globalization of the Market**

Another profound change affecting the industry is globalization of the entertainment market. According to *Business Week*, "...overseas sales account for 42% of Hollywood studios' income and are the fastest-growing part of their business".

One of the contradictions of the industry, however, is that due to increasing costs of production, a larger global market is not leading to larger profit margins for many companies.

**Production Costs**

As markets open up, profit margins are narrowing, leading to industry-wide cost-cutting and "bottom line" attention to runaway budgets. Although markets have been expanded, production costs for motion pictures have increased dramatically in the last two to three years (1990 was up 27% from the prior year).
Section 2

WORKSHOP SUMMARY

This section of the report summarizes the pertinent observations made during the workshop of September 20, 1991, which led to formulation of the Action Plan.

PROBLEMS FACED BY HOLLYWOOD ENTERTAINMENT COMPANIES

Workshop participants were unanimous in their belief that a myriad of conditions and problems work against Hollywood as a location for entertainment industry businesses. Some of these problems and conditions are addressable by the CRA and some are not. In some cases industry representatives view the CRA as the problem, although their greater frustration is with the City of Los Angeles itself rather than the agency. In any regard, there was a strong consensus that the entertainment industry in Hollywood is at a critical stage. Companies which were located in Hollywood for decades are moving out. Leaders in specific industry segments such as directors of television commercials are moving and pulling the technical companies which support them out as well. Burbank, West Hollywood, Miracle Mile, the Cahuenga corridor and West Los Angeles are increasingly competitive, often with substantial backing from public authorities. Hollywood's centrality to the industry is viewed as less important today than before. In the opinion of the assembled experts, failure to take effective action to counter current trends will lead to rapid erosion in several important industry segments. A year or two of planning or inaction may lead to irreparable decline. An Action Plan with a strong short term component, supported by money and clout, is indicated.

The industry panel was also quick to point out that the battle is not lost. Hollywood remains a vital location for many segments of the entertainment industry for a number of valid reasons. The trend to move can be reversed with strong actions by the CRA, the City of Los Angeles, the various components of the industry itself, and others. There is every indication that an improved business climate would entice entertainment companies to return to or locate in Hollywood. Time is of the essence, however.
Some Central Themes

Two themes or mindsets which consistently arose during the workshop were how industry structure and competitiveness may impact business retention strategy. Each issue is briefly presented below as background for the discussion of problems which follows.

Industry Structure

Workshop participants emphasized the importance of CRA gaining an understanding of how the entertainment industry functions and is structured. It is far from homogeneous. There are a few large business, (mainly the major studios, networks, record companies and advertising agencies), but most of the companies are small businesses. There are both buyers and sellers of goods and services. The buyers tend to be the producers, directors and distributors of films, radio and television shows, recordings, commercials, etc., while the sellers represent a very wide range of businesses--equipment rentals and sales, specialty recording studios, post production houses, professional service firms, manufacturing companies, specialized crafts and trades, catering, etc. As a rule the buyers are, or have behind them, the large companies while the sellers tend to be small and mid-sized companies. Further, most of the small and mid-sized companies are highly specialized, with their success based on the technical or artistic expertise of a founding entrepreneur. Workshop participants indicated that:

1. The smaller firms do not have the in-house expertise or the time to deal with the public authorities in the acquisition and redevelopment of real property for entertainment industry use.
2. The major studios and other large firms are in a better position to be heard than the smaller companies.
3. The diverse structure of the industry itself, and its myriad of trade organizations and societies, work against a unified approach to dealing with the industry's problems. The industry has not defined a process for speaking with one voice to protect its interests.
Competitiveness

As with most industries, decisions in the entertainment business are governed by the economic self-interest of the decision makers. Producers, i.e. the buyers, are going to purchase the goods and services they require at the lowest possible cost. The costs of local taxes or building, safety and environmental compliance requirements are not relevant to the buying decision. Similarly, the sellers of these goods and services seek to keep their costs for labor and overhead as low as possible to remain price competitiveness. Workshop participants noted that local taxes and compliance requirements put entertainment industry businesses operating in the City of Los Angeles at a competitive disadvantage compared to comparable firms in Burbank, West Hollywood, the County, etc. Participants often mentioned that they needed to compete "on a level playing field".

Problem Categories

HPC divided the key issues and problems facing retention of industry companies into five categories: physical, environmental, economic, political and other. Each is discussed below. The assignment of issues to given categories is in some cases arbitrary, i.e. building and safety issues could be considered physical, economic or political. The overlaps and interrelationships of all the issues is important to gaining an understanding of the current situation. In the following discussion HPC attempted to focus on issues which directly bear on potential CRA actions. Nevertheless, since two common threads in the statements by industry representatives were 1) "The agency doesn't understand our business", and 2) "The agency doesn't listen to our problems", issues which may only have an indirect influence on CRA actions or attitudes are included.

Physical

Constraints on buildings and circulation pose major problems to attracting and retaining entertainment businesses in Hollywood. Key problem areas include:

2-3
Traffic Congestion

The critical mass of entertainment industry businesses that developed in Hollywood occurred because of the need of users and suppliers to have timely access to each other. Hollywood was convenient to the areas where most production occurred including Culver City, Burbank and Universal City. To this day, ease and speed of access are more important than distance. Access continues to be good from Hollywood to Burbank and Universal City. The workshop panel was emphatic that growing congestion is a potential problem which must be minimized if Hollywood is to remain viable. The particular point was made that tourist or other mass attractions such as proposed in the Bass and Simon projects are fundamentally incompatible with the fostering of entertainment businesses to the extent they generate more traffic congestion. Plans to alleviate traffic congestion are being addressed in the Hollywood Transportation Plan. Implementation of this plan will facilitate access between Hollywood and other entertainment industry nodes.

Parking

Many of the buildings utilized by the entertainment industry in Hollywood are old industrial structures which do not have sufficient parking to meet entertainment industry staffing and patronage needs. The acquisition of land or construction of parking spaces needed to accommodate employees and patrons adds considerably to the cost of adaptively reusing industrial buildings. The view was expressed that entertainment businesses could successfully redevelop and use a number of existing buildings if adequate parking was available.

Historic Preservation

For both cost and aesthetic reasons entertainment businesses have shown a preference for adaptively reusing older and often interesting industrial buildings to house their businesses. Several panelists indicated problems in securing necessary permits due to opposition from residents protesting alterations to supposedly historically significant buildings.
Building and Safety

All workshop participants reported enormous frustration in dealing with public authorities on building and safety issues. The problems likely stem from the fact that many of the buildings occupied by entertainment industry businesses were built or adapted prior to the issuance of current regulations and were "grandfathered" in. In expanding, these businesses are now required to comply with regulations they had no hand in establishing and do not reflect the special requirements of the industry. The firms "can't do what we did before". There was a general consensus that the problems do not necessarily occur from the codes themselves but from inconsistent interpretations of existing codes by an ever-changing cast of officials who have no knowledge of the nuances of specific industry segment requirements. The city and industry groups are working on ordinances to deal with building and safety issues as they pertain to the entertainment industry.

Sound Stage Demand

Workshop participants reported that for much of the year "all" of the sound stages in the region are booked, indicating a need for more stage space. Increased demand for sound stage space is attributable to the rising preference for television shows to shoot indoors rather than in the streets or other outdoor locations. The increasing amount of entertainment product prepared for cable, etc., also has an impact on stage demand. Panelists indicated it is increasingly difficult to find "barn-like" spaces which can be converted to sound stage use.

Office Space Demand

There was a general consensus that demand exists for entertainment related office space, and that current offerings are considered inadequate by the industry. Lease rates for Class A space are lower in Hollywood than in the Burbank Media District but rates alone do not control the decision making process. Special needs of entertainment industry businesses in office complexes include:

1. Twenty-four hour, seven-day access and HVAC. Entertainment businesses often work outside normal hours. Typical office operating patterns do not apply.
2. "Aesthetic, creative" spaces. There is a great preference for spaces which are conducive to creative activity rather than business efficiency. Slightly off-beat design is more desired than Bauhaus glass and steel. Low-rise is preferred over high-rise.

3. Specialty services and functions such as screening rooms, off-line editing facilities, catering services, etc., are highly desirable.

There was general agreement that entertainment industry firms will pay lease premiums for space in Hollywood with the above attributes.

**Studio Complex**

The entertainment industry is based on the cross-fertilization of a variety of creative and technical skills. As such, it is very much an industry based on personal contacts. There was a broad consensus that a studio complex promotes the kind of close interaction conducive to an interdisciplinary creative enterprise and that the CRA would be well advised to consider development of a small studio to entice entertainment companies back to Hollywood. The group advised that a studio should:

1. Offer an open but sheltered environment.

2. Be developed at an appropriate (i.e. relatively small) scale.

3. Offer flexible spaces with common facilities.

**Environmental**

One issue dominated this category: crime and safety. Existing unsafe conditions and rampant crime throughout Hollywood are great deterrents to retaining and attracting entertainment businesses. The group recounted numerous horror stories of crack houses, muggings, need to call on the Guardian Angels, etc., which directly affect their ability to do business in Hollywood. There was a minority opinion that the existing level of crime, although not desirable, can be tolerated if other problems in the area are solved. The majority felt it was better to move away from the crime. All agreed that
mere cleaning up of the neighborhood is not sufficient. They also understood that responsibility for crime and safety is outside the direct purview of the Agency, but that the programs undertaken by the Agency can contribute to solving current problems. Specific points raised by the workshop participants included:

1. Crime is a deterrent to attracting clients, like advertising executives, to Hollywood locations. Persons visiting Hollywood suppliers will not stay in Hollywood, preferring the safety of the west side. Suppliers in safer locations have a competitive advantage.

2. Crime is a deterrent to attracting top level employees to Hollywood locations.

3. There has been a lack of cooperation within the Hollywood business community in addressing area crime.

**Economic**

Several pure economic problems impact the ability of entertainment companies to do business in Hollywood including:

**Land Cost**

In many portions of Hollywood land is worth relatively less today than a few years ago due to reduced densities (FARs) allowed in the regional plan. Asking prices for properties often do not reflect current densities and many property owners have opted to hold their land rather than sell at lower prices. Entertainment companies seeking properties in Hollywood find the allowable densities acceptable but cannot justify the inflated land prices. The land cost issue is compounded by the added cost of providing adequate parking as noted above. Burbank bought down the cost of land in its Media District and created an entitlement pool to address this issue.

**Taxation**

City of Los Angeles business and labor taxes were cited as deterrents to locating anywhere in the city, including Hollywood. Higher taxes were reported as a contributing
reason for some decisions to leave Hollywood and Los Angeles. Panelists understood that such tax issues are outside the purview of the Agency and impact all areas of the city.

**Dispersion**

As noted earlier, Hollywood has always been viewed as a central location from which to service the entertainment industry, with its own critical mass of activity and its proximity to the other principal nodes in Burbank/Universal City and Culver City. This centralization led to general economic efficiency. With key elements of the industry such as advertising agencies leaving the existing nodes, the critical mass is beginning to unravel. Further dispersion may negatively impact industry efficiency. Support services are faced with the decision of whether or not it is in their interest to follow their client base to new activity centers.

**Political**

All workshop participants indicated extreme frustration in dealing with the public sector and, to some extent, the community in general. Specific point raised include:

**CRA**

Several workshop participants were disillusioned with the Agency, believing it has not demonstrated in any meaningful way substantial support for the entertainment industry. It is felt the Agency's "planner driven" approach does not address the specific needs of the industry and has an inherent bias towards the residential constituency. Further, the Agency's lack of understanding of the industry and its needs works against the formulation of effective solutions to the industry's problems. All agreed that a program of mutual education can be a useful starting point in bridging the gap in perceptions and poor working relationship between the CRA and the industry. Most felt that the workshop was a positive step in this regard.

**Building and Safety**

As noted above, workshop participants were frustrated with many building and safety issues from industry specific zoning to electrical codes. The city and industry groups
are dealing with these issues. Of equal concern was the consistent interpretation of codes and the willingness of city and agency employees to knowledgeably work with industry personnel to solve specific problems. It was the consensus of the participants that the industry would be well served if city personnel assigned to deal with entertainment industry building and safety issues had specific knowledge of industry issues and problems. The success of the Fire Department program was cited, along with the streamlining of the permitting process implemented by Burbank in its Media District.

**City Leadership**

The industry spokespersons indicated they believe the city leadership is sometimes not responsive to their needs because:

1. Only three council persons--Woo, Yaroslavsky and Ferraro--are directly affected by the entertainment industry.

2. The city leadership in general is somewhat contemptuous of and unsympathetic to the "Fat Cat" image of the industry.

**Hollywood Community**

There are inherent conflicts between the residential community and the entertainment business located in Hollywood. One of the important points of conflict is the eccentric work hours of industry businesses noted earlier in the report. To date the common interests of the residential and entertainment communities have not been defined and sold to their respective constituencies. The Agency has no control over some of the causes of these conflicts (such as work hours) but can work with resident and industry groups to find common ground and interests.

It is important to note that the industry representatives did not entirely blame the various public agencies and groups for the poor communications and working relationships which plague its interaction with the public sector. The industry itself is splintered into a number of interest and support groups which have not been welded into a single voice advocating the interests of the industry. The AMPTP is working to establish an industry voice.
Other

Although not falling in any way under CRA purview, two other problems were discussed in the workshop which indicate the kinds of issues the industry faces which need to be understood by agency officials.

U.L. Approvals

Los Angeles codes require all electrical equipment in the workplace to carry a U.L. Approval, a requirement not found in many locations outside the city. Much of the equipment used in the entertainment industry is produced in extremely small quantities making U.L. approval unfeasible for the manufacturer. Further, much of the equipment is substantially modified by the end user to tailor it to specific applications, invalidating the U.L. Approval if it exists. It is common practice for entertainment firms to work outside the system to pass inspections and obtain the occupancy permits necessary to stay in business.

Personal Use (Home) Studios

The last few years has seen a proliferation of recording studios built in residences as "personal use" studios. A large number of these studios are operated commercially in violation of zoning ordinances and other codes. These studios operate typical entertainment industry hours and contribute to the animosity between residents and the industry. There is concern in the industry that the trend to illegal home studios will spread to technical services such as video post production, etc. Councilman Ferraro is reportedly backing the "Home Occupation Ordinance" to deal with home studios.

Basis for an Action Plan

The workshop concluded with a discussion of the kinds of actions the CRA can undertake and strategic options for an entertainment industry retention Action Plan.
Possible CRA Actions

At the request of the workshop participants, Mr. Sunoo, Hollywood Project Manager for the CRA, enumerated the kinds of actions the agency can take to help the entertainment industry. He noted that the effectiveness of permitted actions is only limited by the creativity of these actions. Specific activities which the agency could undertake include:

1. Use of the power of eminent domain to acquire property. Must be used judicially.

2. Direct project financing. Financing of businesses limited due to restrictions on gifts of public funds.

3. Working with developers/users and planning authorities to affect allowable densities through TDRs or other mechanisms.

4. Planning and participating in marketing efforts for Hollywood, including efforts to promote entertainment industry development in Hollywood.

5. Funding demonstration projects in Hollywood such as the creation of a Building and Safety liaison position operating from the Hollywood CRA project office.

6. Grants to rehabilitate historic buildings or expand other structures. A number of favorable loan programs are possible.

7. Construction of public parking spaces or structures.

8. Purchase of one or more sites and/or buildings for development for industry use. Options include a flexible shell for production companies or a campus. There was general consensus that several small projects would be preferable to one large one. The industry would need to assist the agency in articulating what types of development and sites are most appropriate.
9. Industry specific advocacy. Ms. Linowes suggested consideration of an industry consortium that the agency could draw on for direction and/or advice. This working group could join with industry groups to focus attention on the importance and needs of the entertainment industry in Hollywood.

The issues and problems facing the entertainment industry in Hollywood were evaluated in the context of possible CRA actions to derive the Action Plan presented in the following section.
Section 3

HOLLYWOOD ENTERTAINMENT INDUSTRY
ATTRACTION/RETENTION ACTION PLAN

PLAN OBJECTIVES

As noted in the introduction to this report the principal objective of the proposed Hollywood Entertainment Industry Action Plan is to attract and retain entertainment industry businesses in the Hollywood Project Area. The workshop identified three supporting objectives which are consistent with the overall goal, provide a basis for an organizational framework of the Action Plan, and are consistent with the Agency's role and capabilities. These supporting objectives are:

1. Establish a solid basis for mutual understanding and cooperation between the entertainment industry and public sector development authorities. The workshop clearly pointed to the need for better and more accurate communications between the entertainment industry and the public sector, including the CRA. The CRA and other public bodies need to better understand the specific needs of the industry if they are to provide a health development/working environment. Conversely, industry firms, particularly smaller entrepreneurial companies, need to better understand how to work with CRA and other city agencies to fulfill their needs. Recommendations 1-3 address a means of bridging the gaps in understanding which currently exist and providing a basis for a stronger, more professional working relationship between the industry and the Agency.

2. Initiate programs which strongly demonstrate to the entertainment industry that the Agency places a high priority on attracting and retaining industry businesses in the Hollywood Project Area, and is willing to take a pro-active role in this regard. As noted earlier, workshop participants were near unanimous in their belief that the CRA has yet to demonstrate that it heartily supports the entertainment industry in Hollywood. Building credibility with the industry by taking
some strong, pro-active actions would help quiet current criticisms. Recommendations 4-7 are short-term actions which will demonstrate the Agency’s commitment to the entertainment industry in the Hollywood Project Area.

3. Provide the means to develop one or more entertainment "incubator" projects which will attract industry businesses and their employees to the Project Area and augment the desirability of the Project Area as a location for industry businesses. It was repeatedly noted in the workshop that Hollywood lacks well developed spaces for entertainment industry businesses, and that Hollywood facilities offering the environment and services desired by entertainment companies will be well supported. There was strong support for the Agency to be the catalyst for development of one or more small campuses which cater to entertainment companies. These facilities would cater to artistic needs by offering unique, flexible spaces in relatively low density buildings, provide some insulation from surrounding environments, offer catering and other needed services, and have the potential to be operational 24 hours a day. Development of these facilities would follow well established CRA patterns for new development. Recommendations 8-10 address specific development projects which CRA could instigate to attract and retain entertainment businesses.

HPC in consultation with Agency staff, prepared the following Action Plan to meet these objectives.

**ACTION PLAN**

The recommended actions to be taken together with a preliminary timetable are presented in Figure 1. The following paragraphs describe specific recommended actions.

1. **Recommendation:** Form an Industry Council.
   The Agency should sponsor formation of an Industry Council comprised of leaders from all phases of the entertainment industry--film, video,
Figure 1

TIMELINE FOR HOLLYWOOD ENTERTAINMENT INDUSTRY ACTION PLAN

1. Form Industry Council
2. Contact Industry Groups & Public Agencies
3. Assess Hollywood's Competitive Position
4. Approve and Implement Loan Program
5. Conduct Educational Workshops
6. Establish Technical Assistance Programs to Aid Industry Development in Hollywood
7. Create Marketing Strategy, Collateral Materials and Implement Program
8. Develop Incubator Project
   8a. Conduct Feasibility and Planning Studies
   8b. Identify Potential Sites
   8c. Establish Project Guidelines
   8d. Prepare Strategy
   8e. Secure First Site
   8f. Contract Development of First Site
9. Develop Flexible Office Space
   9a. Conduct Feasibility and Planning Studies
   9b. Identify Potential Sites
   9c. Establish Project Guidelines
   9d. Prepare Strategy
   9e. Secure First Site
   9f. Contract Development of First Site
10. Establish Parking Program

Source: Harrison Price Company.
commercials, music, producers, suppliers, service companies, etc. The purpose of the Council would be to establish a basis for industry and CRA cooperation, liaise with industry professional associations and their efforts to make the needs of the industry better understood in Southern California, and create a formal, structured framework for the Agency to receive input. Ongoing responsibilities would include: identifying changes in the structure, technology and facility needs of the industry; assisting in the development and implementation of a marketing strategy to industry businesses; providing reactions to industry-Agency/city relations and problems; and providing input to the formulation of the incubator projects.

Actions to Take:

a. Establish desired size of Council. (HPC recommends 25 to 35 people.

b. Establish desired mix of businesses and constituencies:
   i. Types of businesses (see workshop list for guidelines).
   ii. Location (in Project Area, in Hollywood but outside Project Area, outside Hollywood).
   iii. Size of business (major studios to small service companies).
   iv. Expansion experience or plans.

c. Establish Council preliminary responsibilities, agenda and schedule.

d. Recruit Council members.

e. Initiate activities to provide ongoing advice to the Agency concerning its relationship with the entertainment industry.
2. **Recommendation:** Make Substantive Contact With Industry Groups and Public Agencies.

A number of industry association and public agencies are currently working on means to improve industry/public sector cooperation. Industry groups include AMPTP, HARP, ITS, AICP, ACE, AES, Music Video Producers Association and SMPTE. Public agencies include the Department of Building and Safety, and the various film offices, among others. The Hollywood CRA and its Industry Council should act to complement and assist these ongoing efforts. The establishment of these relationships will benefit the CRA in formulating detailed industry retention programs for the Project Area.

**Actions to Take:**

a. Identify the efforts of all industry associations and public agencies working to build working relationships between entertainment businesses and the public sector.

b. Determine which of these efforts affect the attraction or retention of industry businesses in the Project Area.

c. Take the steps necessary to inform CRA staff and Industry Council members of actions being undertaken by these groups. Similarly, inform outside groups of the actions being taken by the Hollywood CRA. Assist in coordinating the efforts of the Agency and other groups.


Burbank, West Hollywood, Universal City, Miracle Mile and the west side are successfully competing for many segments of the entertainment industry that were traditionally located in Hollywood. It is recommended that an objective study of Hollywood and the Project Area's competitive position be conducted under the direction of the CRA and the Industry Council. The study should measure such factors as industry growth and critical mass, land and building costs, space availability, incentives, taxes and fees, building and safety issues,
environmental issues, parking, accessibility, labor availability, housing and other factors which condition a business location decision. The study should differentiate among various industry segments and identify specific advantages and disadvantages for specific types of businesses. Existing study data should be used to the greatest possible extent. The analysis will serve as the basis for technical assistance programs, marketing programs, and development of incubator programs recommended later in this plan.

**Actions to Take:**

a. Outline specific study objectives in detail.

b. Review completed studies for Hollywood and elsewhere to determine extent of existing data base.

c. Prepare methodology and scope of work to be performed as a basis for an RFP.

d. Review final study objectives and scope with Industry Council and revise as appropriate.

e. Identify and screen firms qualified to conduct the proposed study.

f. Issue RFP, select consultant and supervise completion of the study.

4. **Recommendation: Create Industry Financial Incentives.**

One way to quickly demonstrate that the Agency is committed to attracting and retaining industry businesses in Hollywood is to offer financial incentives to do so. A ten-year, disappearing loan program with a maximum value is currently being formulated and evaluated by the Agency. It is HPC’s opinion that the proposed program is well conceived and will prove very attractive to the small and medium sized businesses that make up much of the entertainment industry. It is these businesses which currently feel the greatest pressure to leave
Hollywood and, because of their size, have the greatest flexibility to move.

a. Finalize details of loan program including definition of qualifications, review and approval process, etc.

b. Review program with industry leaders (or Industry Council if formed), particularly heads of smaller businesses.

c. Secure approval and implement loan program at the earliest possible date.

d. Establish and implement a campaign to inform entertainment businesses of the availability of the loan program.

5. **Recommendation:** *Initiate and Lead Workshops on Redevelopment Related Issues.*

The Agency should stimulate a dialog between industry businesses and city agencies/departments in the interest of mutually increasing the understanding of each's needs and problems. The logical focus of such a dialog is the use of the redevelopment process to develop facilities for entertainment businesses in the Project Area on favorable terms. HPC recommends that the Agency sponsor workshops which bring industry personnel together with public officials to discuss such issues as site acquisition, zoning and permitting, construction and redevelopment, parking, building and safety, project financing, taxation and others as appropriate.

**Actions to Take:**

a. Compile a potential list of workshop topics based on Agency experience in working with the industry.

b. Review topics with the Industry Council and representatives of selected public agencies, and amend as appropriate.
c. Identify specific persons in relevant public agencies with entertainment industry experience as resource persons to conduct the workshops.

d. Determine an appropriate schedule and venue for the workshops. For example, there may be a series which is repeated quarterly or semi-annually, or there may be single topic workshops scattered throughout the year.

e. Establish and implement campaign to inform entertainment businesses about the workshops, and lead the workshops.

f. Adjust the topics, schedule, venues, etc. based on industry response.

6. **Recommendation: Establish Technical Assistance Program.**

Many entertainment businesses do not internally have the expertise to carry out an expansion or relocation program in the Project Area. It is recommended that the Agency implement a technical assistance program that will provide industry businesses with the expertise they need to expand or locate in Hollywood. Assistance might be provided in areas such as site location and acquisition, planning and zoning, building and safety, site development and construction, parking, financing, etc. In essence, this recommendation encompasses assistance with implementing many of the issues brought forth in the workshops discussed above. Part of this function would be to coordinate projects from a single office and contact point in Hollywood, presumably the Agency's office. Simplifying the interface between businesses and public agencies by providing a single location where industry managers can work with city personnel knowledgeable of the particular needs of entertainment development is viewed as a very constructive activity.
Actions to Take:

a. Identify areas of technical assistance which may be of value to entertainment industry businesses and review with the Industry Council. Amend as appropriate.

b. Identify specific agency sections or groups which deal with the areas specified above and discuss feasibility of providing specialized expertise to meet entertainment industry needs.

c. Formulate, fund and implement a demonstration project which provides specialized entertainment industry background training to public agency personnel and locates critical function at a central office in Hollywood.

7. Recommendation: **Create an Industry Marketing Program.**

To reverse the current of entertainment companies leaving Hollywood for other locations a comprehensive marketing program must be established which provides compelling, objective reasons to locate/stay in the Project Area. These reasons may include competitive advantages, locational advantages, available technical support, financial or other incentives, one or more new industry centers, etc.

Actions to Take:

a. Use the findings of the competitive position study (Recommendation #3) and previous land use studies to formulate a basic industrial development strategy. This effort could be included with the competitive analysis or be performed separately. It should have substantial input from the Industry Council and include consideration of the development proposals set forth in Recommendations 8-10 below.

b. Prepare promotional materials which make the case for the Hollywood Project Area as a location for entertainment businesses. Benefits of the Project Area should be directly compared with competitive locations such as Burbank's "Media District".
c. Formulate and implement a promotional campaign geared to establishing the competitiveness of the Project Area as an entertainment industry location. Coordinate this promotional program with workshops, financial incentive programs, technical assistance and redevelopment activities being undertaken by the Agency.

8. Recommendation: Develop Incubator Project.
As noted earlier, workshop participants indicated they believed there was substantial potential demand for a relatively small studio complex which could serve as an incubator for entertainment businesses and be a catalyst for expansion of the industry in the Project Area. The studio would provide production stages, flexible technical and office spaces, support services, and a creative but secure environment. HPC recommends that development of an incubator project be thoroughly investigated and, if proven feasible, implemented.

Actions to Take:

a. Initiate feasibility and planning studies to determine potential market support for specific kinds of spaces, economic potential, annual absorption, supportable investment, critical mass, site and infrastructure requirements, adjacency requirements, location and access requirements, etc. Prepare development guidelines based on market and planning studies.

b. Define and identify suitable sites based on phase one facility needs, expansion potential, compatibility with surrounding land uses, ease of assembly, etc.

c. Prepare a comprehensive development program including developer outreach, financial incentives, technical assistance, etc.

d. If required, secure first site.
e. Issue development RFP and select developer for first incubator project.

9. **Recommendation: Develop Flexible Office Space.**
   Several kinds of entertainment businesses do not require the services associated with a studio facility. These businesses include, among others, professional service firms that deal with the entertainment industry (lawyers, accountants, agents, etc.), producers, advertising agencies, writers, etc. As noted earlier, these businesses have demonstrated a preference for office space which is deemed appropriate for a creative enterprise rather than regular Class A commercial office space. Characteristics of such suitable space may include: interesting architecture and landscape, flexible space and lease terms, flexible hours, concentration of entertainment businesses in the building or complex, etc. There is reportedly a shortage of such space in Hollywood. HPC recommends that development of an entertainment office project be thoroughly investigated and, if proven feasible, implemented.

**Actions to Take:**

a. Initiate feasibility and planning studies to determine potential market support for flexible office space, economic potential, annual absorption, supportable investment, critical mass, site and infrastructure requirements, adjacency requirements, location and access requirements, etc. Prepare development guidelines based on market and planning studies.

b. Assess the feasibility and/or desirability of establishing a "Hollywood Entertainment District" as part of this or comparable effort.

c. Define and identify suitable sites based on phase one building needs, expansion potential, compatibility with surrounding land uses, ease of assembly, etc.
d. Prepare a comprehensive development program including developer outreach, financial incentives, technical assistance, etc.

e. If required, secure first site.

f. Issue development RFP and select developer.

10. **Recommendation: Establish Parking Program.**
Provision of adequate parking is critical to attracting and retaining entertainment businesses in the Hollywood Project Area, whether for existing or new/redeveloped facilities. The Agency has a great deal of latitude and experience in the provision of parking which should be applied to the entertainment industry program.

**Actions to Take:**

a. Compile information of the parking needs of existing entertainment businesses through a comprehensive survey.

b. Prepare a comprehensive parking program directed towards serving the needs of existing businesses as well as new projects (i.e. the incubator studio and office projects).

c. Define and identify potential sites for new parking facilities.

d. Secure necessary approvals for development of new parking facilities.

e. Secure developers for any free-standing parking facilities recommended for construction in support of entertainment businesses.
The consensus of the industry is that time is of the essence in establishing the basic programs in the retention plan as a signal that CRA will take a positive position and advocacy role supporting the entertainment industry. The Agency should focus on a six month objective of educating staff to the industry, generating support for the plan within the industry, initiating the financial incentive program, beginning technical and marketing support services for industry companies, and initiating planning for the incubator studio, office and parking programs.
APPENDIX TABLES
Appendix Table 1

HOLLYWOOD ENTERTAINMENT INDUSTRY WORKSHOP

LIST OF PARTICIPANTS

Industry Representatives

Paul Babb-Paramount Images
Gini Barrett-Association of Motion & Television Producers
Cody Cluff-L.A. Film Office
Chris Essel-Paramount Pictures
Les Harrison-Hollywood Sound
Jonathan Katz-Cinnebar
Joe Matza-Composite Image Systems
Ron Silveira-Unitel
Rob Waller-CB Commercial
Terry Williams-Lion’s Share Recording

Building & Safety Representatives

Frank Kroeger-Building & Safety Consultant
Mike Wood-Dept. of Building & Safety

Council District 13

Pat Michell

Community Redevelopment Agency

Lisa Linowes
Cooke Sunoo

Harrison Price Company

Tracy Kahaner
Nick Winslow

Source: Harrison Price Company.
I. INTRODUCTION
   A. Participants
   B. Charrette Objectives
   C. Charrette Process

II. ISSUES CONDITIONING THE ASSIGNMENT
   A. Entertainment Industry Trends As They Affect Land Use and Location
      1. General
      2. Sector Specific
         a. Film Production
         b. Video Production
         c. Post Productions
         d. Music
         e. Radio & Television
         f. Commercials
   B. Other Issues Affecting Business Location Decisions
      1. Hollywood CRA Activities
      2. Other Developments Proposed in Hollywood
      3. Competitive Environment (Burbank Entertainment District, etc.)
      4. Building & Safety
      5. Location Permits
      6. Space Costs
      7. Other (parking, etc.)

BREAK 10:30-10:45AM
Appendix Table 2
HOLLYWOOD CRA WORKSHOP
AGENDA
(continued)

III. STRATEGIC OPTIONS TO ATTRACT AND HOLD ENTERTAINMENT BUSINESSES IN HOLLYWOOD

Time

10:45-AM-2:00PM*

A. Space Availability

B. Cost
1. Acquisition
2. Code Requirements
3. Parking
4. Other Building & Safety Issues

C. Enhancing Critical Mass
1. Commitment To Stay By Existing Companies
2. New Projects
   a. CRA
   b. Private
   c. Cooperative

D. Combating Competitive Pressures
1. Improve Image
2. Enhance:
   a. Security
   b. Environment
   c. Public Cooperation
   d. Traffic, Access and Parking
   e. Importance of cleaning up Hollywood Boulevard
   f. Other

E. Other

BREAK

2:00-2:15PM

* Includes working lunch
IV. FORMULATION OF AN ACTION PLAN

A. Type of action
   1. Legislation
   2. Marketing
   3. Technical assistance
   4. Development (entertainment campus, etc.)
   5. Other

B. Timing
   1. Immediate actions
   2. Short term actions (1 to 2 years)
   3. Long term actions

C. Responsible entities
   1. Private sector
   2. City of Los Angeles
   3. CRA
   4. Other

V. ADJOURNMENT

Time
2:15-5:00PM
INTRODUCTION

The Community Redevelopment Agency of Los Angeles is engaged in a 30 year effort to revitalize Hollywood. A key to this effort is the maintenance of the economic health of the entertainment industry businesses which have historically been the backbone of the community’s economy. The CRA is concerned that continued out migration of entertainment industry businesses to surrounding areas such as Burbank, Miracle Mile, West Hollywood and West Los Angeles will negatively affect the long term health of Hollywood’s resident and commercial base. Accordingly, the agency elected to prepare an Action Plan aimed at enhancing Hollywood’s position as a desirable location for entertainment industry businesses. To provide direct industry input to the plan, the agency retained Harrison Price Company (HPC) to conduct a workshop providing a structured discussion of industry problems and opportunities as they relate to conditions in Hollywood and the CRA’s ability to improve them. HPC invited a group of executives from all facets of the entertainment industry to an all-day workshop held in a private dining room at the Paramount Pictures Commissary on September 20, 1991. This memorandum report summarizes the input received in the workshop.

Participation in the meeting is identified in Table 1. Industry participants listed in the table were selected for the range of their experience in the entertainment business, their concern for the business environment in Hollywood, their ability to articulate these concerns, and their interest in contributing to the solution of Hollywood’s eroding position in the entertainment industry. Paul Babb was born in Hollywood and runs the commercial production unit of Paramount Pictures. Gini Barrett is an active advocate for the industry as vice president of the AMPTP. Cody Cluff works to make shooting in Los Angeles County more palatable to production companies as head of the L. A. Film Office. Chris Essel is responsible for all new construction on the Paramount Pictures lot and chairs the Hollywood Redevelopment Project Hollywood Community Advisory Council. Les Harrison runs Hollywood Sound, an audio rental company which originated in Hollywood but moved to West Hollywood. Jonathan Katz is president of Cinnebar, a designer and builder of sets, props, etc. for all facets of the entertainment industry, with facilities at Hollywood Center Studios. Joe Matza is president of Composite Image Systems, a company specializing in film to tape post production, which has expanded its Hollywood facilities twice in the last several years. Ron
Table 1

HOLLYWOOD ENTERTAINMENT INDUSTRY WORKSHOP

LIST OF PARTICIPANTS

**Industry Representatives**

- Paul Babb-Paramount Images
- Gini Barrett-Association of Motion & Television Producers
- Cody Cluff-L.A. Film Office
- Chris Essel-Paramount Pictures
- Les Harrison-Hollywood Sound
- Jonathan Katz-Cinnebar
- Joe Matza-Composite Image Systems
- Ron Silveira-Unitel
- Rob Waller-CB Commercial
- Terry Williams-Lion's Share Recording

**Building & Safety Representatives**

- Frank Kroeger-Building & Safety Consultant
- Mike Wood-Dept. of Building & Safety

**Council District 13**

- Pat Michell

**Community Redevelopment Agency**

- Lisa Linowes
- Cooke Sunoo

**Harrison Price Company**

- Tracy Kahaner
- Nick Winslow

Source: Harrison Price Company
Silveira is president of Unitel, a video post production company located on Cahuenga between Hollywood and the San Fernando Valley. Rob Waller is a real estate broker specializing in entertainment properties with CB Commercial. Terry Williams is president of Lion’s Share Recording with studios in West Los Angeles.

The workshop was convened to establish conditions and problems for entertainment industry companies doing business in Hollywood, evaluate strategic options available to the CRA for solving these problems, and formulate the basis for an Action Plan which is consistent with the powers and goals of the CRA. An advance agenda, presented in Table 2 was prepared as a rough guideline for the meeting.

The following report highlights and summarizes pertinent observations and the consensus of the workshop participants. Although opinions were diverse the group was mostly in agreement on the key issues, particularly the perception that the CRA could do a great deal more to make Hollywood a more desirable location for entertainment industry companies and that the current erosion of the industry in Hollywood can be reversed.

**PROBLEMS FACED BY HOLLYWOOD ENTERTAINMENT COMPANIES**

Workshop participants were unanimous in their belief that a myriad of conditions and problems work against Hollywood as a location for entertainment industry businesses. Some of these problems and conditions are addressable by the CRA and some are not. In some cases industry representatives view the CRA as the problem, although their greater frustration is with the City of Los Angeles itself rather than the agency. In any regard, there was a strong consensus that the entertainment industry in Hollywood is at a critical stage. Companies which were located in Hollywood for decades are moving out. Leaders in specific industry segments such as directors of television commercials are moving and pulling the technical companies which support them out as well. Burbank, West Hollywood, Miracle Mile, the Cahuenga corridor and West Los Angeles have become increasingly competitive, often with substantial backing from public authorities. Hollywood’s centrality to the industry is viewed as less important today than before. In the opinion of the assembled experts, failure to take effective action to counter current trends will lead to rapid erosion in several important industry segments. A year or two of planning or inaction may lead to an irreparable decline.
Table 2
HOLLYWOOD CRA CHARRETTE AGENDA

I. INTRODUCTION
A. Participants
B. Charrette Objectives
C. Charrette Process

II. ISSUES CONDITIONING THE ASSIGNMENT
A. Entertainment Industry Trends As They Affect Land Use and Location
   1. General
   2. Sector Specific
      a. Film Production
      b. Video Production
      c. Post Productions
      d. Music
      e. Radio & Television
      f. Commercials
B. Other Issues Affecting Business Location Decisions
   1. Hollywood CRA Activities
   2. Other Developments Proposed in Hollywood
   3. Competitive Environment (Burbank Entertainment District, etc.)
   4. Building & Safety
   5. Location Permits
   6. Space Costs
   7. Other (parking, etc.)

BREAK

10:30-10:45AM
III. STRATEGIC OPTIONS TO ATTRACT AND HOLD ENTERTAINMENT BUSINESSES IN HOLLYWOOD

A. Space Availability
B. Cost
   1. Acquisition
   2. Code Requirements
   3. Parking
   4. Other Building & Safety Issues
C. Enhancing Critical Mass
   1. Commitment To Stay By Existing Companies
   2. New Projects
      a. CRA
      b. Private
      c. Cooperative
D. Combating Competitive Pressures
   1. Improve Image
   2. Enhance:
      a. Security
      b. Environment
      c. Public Cooperation
      d. Traffic, Access and Parking
      e. Importance of cleaning up Hollywood Boulevard
      f. Other

E. Other

BREAK 2:00-2:15PM

* Includes working lunch
IV. FORMULATION OF AN ACTION PLAN

A. Type of action
   1. Legislation
   2. Marketing
   3. Technical assistance
   4. Development (entertainment campus, etc.)
   5. Other

B. Timing
   1. Immediate actions
   2. Short term actions (1 to 2 years)
   3. Long term actions

C. Responsible entities
   1. Private sector
   2. City of Los Angeles
   3. CRA
   4. Other

V. ADJOURNMENT
An Action Plan with a strong short term component, and supported by money and clout is indicated.

The industry panel was also quick to point out that the battle is not lost. Hollywood remains a vital location for many segments of the entertainment industry for a number of valid reasons. The trend to move can be reversed with strong actions by the CRA, the City of Los Angeles, the various components of the industry itself, and others. There is every indication that an improved business climate would entice entertainment companies to return to or locate in Hollywood.

Some Central Themes

Two themes or mindsets which consistently arose during the workshop are how industry structure and competitiveness may impact business retention strategy. Each issue is briefly presented below as background for the discussion of problems which follows.

Industry Structure

Workshop participants emphasized the importance of CRA gaining an understanding of how the entertainment industry functions and is structured. It is far from homogeneous. There are a relatively few large business, (mainly the major studios, networks, record companies and advertising agencies), but most of the companies are small businesses. There are both buyers and sellers of goods and services. The buyers tend to be the producers, directors and distributors of films, radio and television shows, recordings, commercials, etc., while the sellers represent a very wide range of businesses--equipment rentals and sales, specialty recording studios, post production houses, professional service firms, manufacturing companies, specialized crafts and trades, catering, etc. As a rule the buyers are, or have behind them, the large companies while the sellers tend to be small and mid-sized companies. Further, most of the small and mid-sized companies are highly specialized, with their success based on the technical or artistic expertise of a founding entrepreneur. Workshop participants indicated that:

1. The smaller firms do not have the in-house expertise, or the time, to deal with the public authorities in the acquisition and redevelopment of building for entertainment industry use.
2. The major studios and other large firms are in a better position to be heard than the smaller companies.

3. The diverse structure of the industry itself, and its myriad of trade organizations and societies, works against a unified approach to dealing with the industry’s problems. The industry has not defined a process for speaking with one voice to protect its interests.

**Competitiveness**

As with most industries, decisions in the entertainment business are governed by the economic self-interest of the decision makers. Producers, i.e. the buyers, are going to purchase the goods and services they require at the lowest possible cost. The costs of local taxes or building, safety and environmental compliance requirements are not relevant to the buying decision. Similarly, the sellers of these goods and services seek to keep their costs for labor and overhead as low as possible to remain price competitiveness. Workshop participants noted that local taxes and compliance requirements put entertainment industry businesses operating in the City of Los Angeles at a competitive disadvantage compared to comparable firms in Burbank, West Hollywood, the County, etc. Participants often mentioned that they wanted to compete "on a level playing field".

**Problem Categories**

HPC divided the key issues and problems facing retention of industry companies into five categories: physical, environmental, economic, political and other. Each is discussed below. The assignment of issues to given categories is in some cases arbitrary, i.e. building and safety issues could be considered physical, economic or political. The overlaps and interrelationships of all the issues is important to gaining an understanding of the current situation. In the following discussion HPC attempted to focus on issues which directly bear on potential CRA actions. Nevertheless, since two common threads in the statements by industry representatives were 1) "The agency doesn't understand our business", and 2) "The agency doesn't listen to our problems", issues which may only have an indirect influence on CRA actions or attitudes are included.
Physical

Constraints on buildings and circulation pose major problems to attracting and retaining entertainment businesses in Hollywood. Key problem areas include:

Traffic Congestion

The critical mass of entertainment industry businesses that developed in Hollywood occurred because extreme need of users and suppliers to have timely access to each other. Hollywood was convenient to all areas where major production occurred including Culver City, Burbank and Universal City. To this day, ease and speed of access are more important than distance. Access continues to be good to Burbank and Universal City. The workshop panel was emphatic that growing congestion is a potential problem which must be minimized if Hollywood is to remain viable. The particular point was made that tourist or other mass attractions such as proposed in the Bass and Simon projects are fundamentally incompatible with the fostering of entertainment businesses to the extent they generate more traffic congestion.

Parking

Many of the buildings utilized by the entertainment industry in Hollywood are old industrial structures which have inadequate parking to meet entertainment industry staffing and patronage levels. The acquisition of land or building of parking spaces needed to provide essential parking adds considerably to the cost of adaptively reusing industrial buildings. The view was expressed that entertainment businesses could work with a number of existing buildings if adequate parking was available.

Historic Preservation

For both cost and aesthetic reasons entertainment businesses have shown a preference for adaptively reusing older and often interesting industrial building to house their businesses. Several panelists indicated problems in securing necessary permits due to opposition from residents protesting alterations to supposedly historically significant buildings.
Building and Safety

All workshop participants reported enormous frustration in dealing with public authorities on building and safety issues. The problems likely stem from the fact that many of the buildings occupied by entertainment industry businesses were built or adapted prior to the issuance of current regulations and were "grandfathered" in. These businesses are now being called on to comply with regulations they were not involved in establishing and are not specific to the special requirements of the industry. The firms "can't do what we they did before". There was a general consensus that the problems did not necessarily occur from the codes themselves but from inconsistent interpretations of existing codes by an ever-changing cast of officials who have no knowledge of the nuances of specific industry segment requirements. Mr. Kroeger reported that the city is working on ordinances to deal with building and safety issues as they pertain to the entertainment industry.

Sound Stage Needs

Workshop participants reported that for much of the year "all" of the sound stages in the region are booked, indicating a need for more stage space. Increased demand for sound stage space is attributable to the increasing preference of television productions to shoot indoors rather than in the streets or other outdoor locations. The increasing amount of entertainment product being prepared for cable, etc., no doubt also has an impact on stage demand. Panelists indicated it was becoming increasingly difficult to find "barn-like" spaces which can be converted to sound stage use.

Office Space Demand

There was a general consensus that demand exists for entertainment related office space, and that current offerings are considered inadequate by the industry. Lease rates for Class A space are lower in Hollywood than in the Burbank Media District but rates alone do not control the decision making process. Special needs of entertainment industry businesses in office complexes include:
1. Twenty-four hour, seven-day access and HVAC. Entertainment businesses often work outside normal hours. Typical office operating patterns do not apply.

2. "Aesthetic, creative" spaces. There is a great preference for spaces which are conducive to creative activity rather than business efficiency. Slightly off-beat design as opposed to Bauhaus glass and steel. Low-rise over high-rise.

3. Specialty services and functions such as screening rooms, off-line editing facilities, catering services, etc.

There was general agreement that entertainment industry firms would pay lease premiums for space in Hollywood with the above attributes.

**Studio Complex**

The entertainment industry is based on the cross-fertilization of a variety of creative and technical skills. As such, it is very an industry based on personal contacts. There was a broad consensus that a studio complex promotes the kind of close interaction conducive to an interdisciplinary creative enterprise and that the CRA would be well advised to consider development of a small studio to entice entertainment companies back to Hollywood. The group advised that a studio should:

1. Offer an open but sheltered environment.

2. Be developed at an appropriate scale.

3. Offer flexible spaces with common facilities.

**Environmental**

One issue dominated this category-crime and safety. Existing unsafe conditions and rampant crime throughout Hollywood are great deterrents to retaining and attracting entertainment businesses. The group recounted numerous horror stories of crack houses, muggings, need to call on the Guardian Angels, ect. which directly affect their
ability to do business in Hollywood. There was a minority opinion that the existing level of crime, although not desirable, can be tolerated if other problems in the area can be solved. The majority felt it was better to be away from the crime. All agreed that mere cleaning up of the neighborhood is not sufficient. Specific points raised by the workshop participants included:

1. Crime is a deterrent to attracting clients, like advertising executives, to Hollywood locations. Persons visiting Hollywood suppliers will not stay in Hollywood, but prefer the west side. Suppliers in safer locations have a competitive advantage.

2. Crime is a deterrent to attracting top level employees to Hollywood locations.

3. There has been a lack of cooperation within the Hollywood business community in addressing area crime.

Economic

Several pure economic problems impact the ability of entertainment companies to do business in Hollywood including:

Land Cost

In many portions of Hollywood land is worth relatively less today than a few years ago due to reduced densities (FARs) allowed in the regional plan. Asking prices for properties generally do not reflect the lower permitted densities and many property owners have opted to hold their land rather than sell at lower values. Entertainment companies seeking properties in Hollywood find the allowable densities acceptable but cannot afford the inflated land prices. The land cost issue is further complicated by the added cost of providing land for adequate parking as noted above. Burbank bought down the cost of land in its Media District and created an entitlement pool to address this issue.
Taxation

City of Los Angeles business and labor taxes were cited as deterrents to locating anywhere in the city, including Hollywood. Higher taxes were reported as a contributing reason for some decisions to leave Hollywood and Los Angeles.

Dispersion

As noted earlier, Hollywood has always been viewed as a central location from which to service the entertainment industry, with its own critical mass of activity and its proximity to the other principal nodes in Burbank/Universal City and Culver City. This centralization led to general economic efficiency. With key elements of the industry such as advertising agencies leaving the existing nodes, the critical mass is beginning to unravel which may impact industry efficiency. Support services are faced with the decision of whether or not it is in their interest to follow their client base to new activity centers.

Political

All workshop participants indicated extreme frustration in dealing with the public sector and, to some extent, the community in general. Specific point raised include:

CRA

Several of the workshop participants were disillusioned with the agency, believing that it has not demonstrated in any meaningful way substantial support for the entertainment industry. It is felt the agency's "planner driven" approach does not address the specific needs of the industry and has an inherent bias towards the residential constituency. Further, the agency's lack of understanding of the industry and its needs works against the formulation of effective solutions to the industry's problems. All agreed that a program of mutual education can be a useful starting point in bridging the gap in perceptions and poor working relationship between the CRA and the industry. Most felt that the workshop was a positive step in this regard.
Building and Safety

As noted above, workshop participants were frustrated with many building and safety issues from industry specific zoning to electrical codes. The city is dealing with these issues. Of equal concern was the consistent interpretation of codes and the willingness of city and agency employees to knowledgeably work with industry personnel to solve specific problems. It was the consensus of the participants that the industry would be well served if city personnel assigned to deal with entertainment industry building and safety issues had specific knowledge of industry issues and problems. The success of the Fire Department program was cited, along with the streamlining of the permitting process implemented by Burbank in its Media District.

City Leadership

The industry spokespersons believe the city leadership is not responsive to its needs because:

1. Only three council persons--Woo, Yaroslavsky and Ferraro--are directly affected by the entertainment industry.

2. The city leadership in general is somewhat contemptuous of and unsympathetic to the "Fat Cat" image the industry.

Hollywood Community

There are inherent conflicts between the residential community and the entertainment business located in Hollywood. One of the important points of conflict is the eccentric work hours of industry businesses noted earlier in the report. To date the common interests of the residential and entertainment communities have not been defined and sold to their respective constituencies.

It is important to note that the industry representatives did not entirely blame the various public agencies and groups for the poor communications and working relationships which plague its interaction with the public sector. The industry itself is splintered into a number of interest and support groups which have not been welded into a
single voice advocating the interests of the industry. Ms. Barrett of the AMPTP is working to establish an industry voice.

Other

Although not falling in any way under CRA purview, two other problems were discussed in the workshop which indicate the kinds of issues the industry faces which need to be understood by agency officials.

U.L. Approvals

Los Angeles codes require all electrical equipment in the workplace to carry a U.L. Approval, a requirement not found in many locations outside the city. Much of the equipment used in the entertainment industry is produced in extremely small quantities making U.L. approval unfeasible for the manufacturer. Further, much of the equipment is substantially modified by the end user to tailor it to specific applications, invalidating the U.L. Approval if it exists. Entertainment firms are working outside the system to pass inspections and get occupancy permits necessary to stay in business.

Personal Use (Home) Studios

In the last few years there has been a proliferation of recording studios built in residences as "personal use" studios. A large number of these studios are operated commercially in violation of zoning ordinances and other codes. These operations operate with entertainment industry hours and contribute to the animosity between residents and the industry. There is concern in the industry that the trend to illegal home studios will spread to technical services such as video post production, etc. Councilman Ferraro is reportedly backing the "Home Occupation Ordinance" to deal with home studios.

BASIS FOR AN ACTION PLAN

The workshop concluded with a discussion of the kinds of actions the CRA can undertake and strategic options for an entertainment industry retention Action Plan.
Possible CRA Actions

At the request of the workshop participants, Mr. Sunoo, Hollywood Project Manager for the CRA, enumerated the kinds of actions the agency can take to help the entertainment industry. He noted that the effectiveness of permitted actions is only limited by the creativity of these actions. Specific activities which the agency could undertake include:

1. Use of the power of eminent domain to acquire property. Must be used judicially.

2. Direct project financing. Financing of businesses limited due to restrictions on gifts of public funds.

3. Working with developers/users and planning authorities to affect allowable densities through TDRs or other mechanisms.

4. Planning and participating in marketing efforts for Hollywood, including efforts to promote entertainment industry development in Hollywood.

5. Funding demonstration projects in Hollywood such as the creation of a Building and Safety liaison position operating from the Hollywood CRA project office.

6. Grants to rehabilitate historic buildings or expand other structures. A number of favorable loan programs are possible.

7. Construction of public parking spaces or structures.

8. Purchase of one or more sites and/or buildings for development for industry use. Options include a flexible shell for production companies or a campus. There was general consensus that several small projects would be preferable to one large one. The industry would need to assist the agency in articulating what types of development and sites are most appropriate.
9. Industry specific advocacy. Ms. Linowes suggested consideration of an industry consortium that the agency could draw on for direction and/or advice. This working group could join with industry groups to focus attention on the importance and needs of the entertainment industry in Hollywood.

Strategic Options

Based on the problems and potential actions, the workshop group concluded that the following strategic options are worth of consideration in formulating the agency's Action Plan:

1. Provide technical assistance to entertainment industry companies wishing to locate or expand in the Hollywood project area. This would require that one or more agency staff persons be assigned to serving the industry and educated in the specific needs of various industry businesses.

2. Provide financial assistance in the form of favorable loans and other available methods of support.

3. Assist the industry in presenting its case to the public by working with various industry groups and associations including AMPTP, HARP, ITS, AICP, ACE, AES, Music Video Producers Association, and SMPTE.

4. Initiation of a planning and redevelopment program geared towards the establishment of 3 to 4 entertainment campuses in the Hollywood project area. These projects would be geared to the suppliers of goods and services to the entertainment industry.

5. Evaluation of creating one or more new entertainment districts with appropriate zoning and development incentives.

6. Long term program to keep existing businesses in Hollywood including addressing crime and traffic problems, incentives to help compensate for higher taxes and land costs, zoning incentives, etc.
7. Sponsorship of a program to bring the entertainment and government into a working partnership by making more government services available within the community. This could include demonstration projects to fund satellite offices for Building and Safety and other relevant departments.

It was generally agreed that time is of the essence in establishing the basic programs in the retention plan as a signal that CRA will take a positive position and advocacy role supporting the entertainment industry. The Action Plan should focus on a 6 month objective of educating staff to the industry, generating support for the plan within the industry, and beginning technical and marketing support services for industry companies. Further, the plan should recommend the investigation of potential sites and initiation of a planning effort for development of 1 or 2 studio campus projects.

This workshop summary is to be circulated among participants and CRA staff for comments, and used as the basis for the Action Plan to follow.
Figure 1

TIMELINE FOR HOLLYWOOD ENTERTAINMENT INDUSTRY ACTION PLAN

1. ESTABLISH BASIS FOR MUTUAL UNDERSTANDING
   1a. Form Industry Council
   1b. Establish Contact with Industry Groups and Public Agencies
   1c. Assess Hollywood's Competitive Position
   1d. Advise Agency on Marketing Strategy to Industry, Problems With Public Sector, Development of Incubator Projects, etc.

2. INITIATE PRO-ACTIVE PROGRAMS
   2a. Approve and Implement Loan Program
   2b. Form City Advisory Group
   2c. Conduct Educational Workshops with Industry and City Personnel
   2d. Establish Technical Assistance Programs to Aid Industry Development In Hollywood
   2e. Develop Marketing Strategy, Collateral Materials and Implement Program

3. STIMULATE DEVELOPMENT OF INCUBATOR CAMPUS PROJECTS
   3a. Conduct Feasibility and Planning Studies
   3b. Identify Potential Sites
   3c. Establish Project Guidelines
   3d. Prepare Strategy
   3e. Secure First Site
   3f. Contract Development of First Site
   3g. Develop Incubator Project

9. Develop Flexible Work Space

10. Establish Parking Program

Source: Harrison Price Company.
The Community Redevelopment Agency (CRA) of the City of Los Angeles is engaged in a 30 year effort to revitalize Hollywood. A key to this effort is the maintenance of the economic health of the entertainment industry businesses which have historically been the backbone of the community's economy. The CRA is concerned that continued out migration of entertainment industry businesses to surrounding areas such as Burbank, Miracle Mile, West Hollywood and West Los Angeles will negatively affect the long term health of Hollywood's resident and commercial base. Accordingly, the agency elected to prepare an Action Plan aimed at enhancing Hollywood's position as a desirable location for entertainment industry businesses. To provide direct industry input to the plan, the agency retained Harrison Price Company (HPC) to conduct a workshop providing a structured discussion of industry problems and opportunities as they relate to conditions in Hollywood and the CRA's ability to improve them. HPC invited a group of executives from all facets of the entertainment industry to an all-day workshop held in a private dining room at the Paramount Pictures Commissary on September 20, 1991. This memorandum report summarizes the input received in the workshop.

Participation in the meeting is identified in Table 1. Industry participants listed in the table were selected for the range of their experience in the entertainment business, their concern for the business environment in Hollywood, their ability to articulate these concerns, and their interest in contributing to the solution of Hollywood's eroding position in the entertainment industry. Paul Babb was born in Hollywood and runs the commercial production unit of Paramount Pictures. Gini Barrett is an active advocate for the industry as vice president of the AMPTP. Cody Cluff works to make shooting in Los Angeles County more palatable to production companies as head of the L. A. Film Office. Chris Essel is responsible for all new construction on the Paramount Pictures lot and chairs the Hollywood Redevelopment Project Hollywood Community Advisory Council. Les Harrison runs Hollywood Sound, an audio rental company which originated in Hollywood but moved to West Hollywood. Jonathan Katz is president of Cinnebar, a designer and builder of sets, props, etc. for all facets of the entertainment industry, with facilities at Hollywood Center Studios. Joe Matza is president of Composite Image Systems, a company specializing in film to tape post production, which has expanded its Hollywood facilities twice in the last several years. Ron
Silveira is president of Unitel, a video post production company located on Cahuenga between Hollywood and the San Fernando Valley. Rob Waller is a real estate broker specializing in entertainment properties with CB Commercial. Terry Williams is president of Lion's Share Recording with studios in West Los Angeles.

The workshop was convened to establish conditions and problems for entertainment industry companies doing business in Hollywood, evaluate strategic options available to the CRA for solving these problems, and formulate the basis for an Action Plan which is consistent with the powers and goals of the CRA. An advance agenda, presented in Table 2 was prepared as a rough guideline for the meeting.

The following report highlights and summarizes pertinent observations and the consensus of the workshop participants. Although opinions were diverse the group was mostly in agreement on the key issues, particularly the perception that the CRA could do a great deal more to make Hollywood a more desirable location for entertainment industry companies and that the current erosion of the industry in Hollywood can be reversed.

PROBLEMS FACED BY HOLLYWOOD ENTERTAINMENT COMPANIES

Workshop participants were unanimous in their belief that a myriad of conditions and problems work against Hollywood as a location for entertainment industry businesses. Some of these problems and conditions are addressable by the CRA and some are not. In some cases industry representatives view the CRA as the problem, although their greater frustration is with the City of Los Angeles itself rather than the agency. In any regard, there was a strong consensus that the entertainment industry in Hollywood is at a critical stage. Companies which were located in Hollywood for decades are moving out. Leaders in specific industry segments such as directors of television commercials are moving and pulling the technical companies which support them out as well. Burbank, West Hollywood, Miracle Mile, the Cahuenga corridor and West Los Angeles have become increasingly competitive, often with substantial backing from public authorities. Hollywood's centrality to the industry is viewed as less important today than before. In the opinion of the assembled experts, failure to take effective action to counter current trends will lead to rapid erosion in several important industry segments. A year or two of planning or inaction may lead to an irreparable decline.
Motion Picture Industry is highly vertically integrated (various parts of the production process -- development, production and distribution -- are brought together in a vertical hierarchy within a firm and/or a group of firms).

Industry has undergone a process of vertical disintegration and spatial disagglomeration (removal of many functions into separate businesses which are spatially separate from the core firms). During this period, different functions of the production process (i.e., occupations and businesses) were dispersed into the wider economy. Two important occupational increases (and business start-ups) offset the decrease in the size of studios: 1) The growth of functions devoted to technical innovations in film products and processes (including shooting, film processing, editing and sound) and, 2) of functions devoted to the transactions between the businesses themselves (including lawyers, accountants and agents, the makers of the "deal").

The result of this shift in functions out of the studios was the evolution of an industry from a "relatively large-scale standardized production process to one in which specialized inputs are provided by small-scale establishments. Between the late 1960's and early 1980's, the number of production companies more than tripled, and the number of post production companies in sound alone increased tenfold.

This process of vertical disintegration led, not only to the formation of separate businesses out of previous divisions or departments of large studios, but also to a spatial dispersion of the firms into communities and neighborhoods around the studios (and in some cases, far removed from the studios).

Once removed from the constraints of operating in a larger firm devoted solely to the production of motion pictures or TV shows, producers and technicians became entrepreneurs specializing in various processes. They were free to create new markets and clients across industry boundaries, into other areas wholly unrelated to entertainment.

Government Deregulation -- Federation Communications Commission Rule Changes. The Federal Communications Commission (FCC) revised several long-standing regulations which have far-reaching implications for industry concentration of ownership and power. In the mid 1980's the FCC changed its rule on ownership of broadcasting outlets. Previously an individual or
corporation could own no more than six AM stations, six FM stations and six television outlets, owners are now limited to 12 of each.

1990's

Many of the major studios have been acquired by non-entertainment-related conglomerates i.e., Sony's purchase of Columbia Studios; Matsushita's purchase of MCA; Parretti's acquisition of MGM; Time, Inc.'s purchase of Warner Communications and Walt Disney Company's invitation to Japanese investors to join an investment partnership, Touchwood Pacific Partners.

This acquisition level results from the convergence of several factors:

1. The Japanese government supports and encourages this activity by allowing large depreciation allowances for the takeovers and counting movies made by the firms as imports for trade purposes.

2. The acquisitions provide both leverage and linkage for the parent firms. According to Newsweek, these purchases represent the merger of "hardware" (the technology) and "software" (the entertainment product itself) and these purchases represent the merger of distribution channels and software.

3. As costs continue to skyrocket, large firms are looking for ways to diversify the risks of large-scale production. By folding into larger conglomerates, the studios reduce their risks as control over distribution is concentrated.

Some industry analysts argue that the process of concentration of major studios into larger companies is evidence of vertical integration or, perhaps more accurately, vertical "re-integration". While this may be the case at the level of the large firm (studios and networks), it has not, as yet, led to the re-absorption of the dispersed functions of deal making and post-production back into the larger companies. The post-production and specialty businesses, in particular, have found not only industry-related markets but have crossed over into other non-entertainment-related markets, as well.

Dispersion of Location Shooting Away from Southern California. Although actual shooting has decreased in Los Angeles County, the deal-making and finishing functions of production not only remained here but have increased in concentration.

Government Deregulation--Federation Communications Commission Rule Changes. A ruling which takes effect on June 15, 1991, is the FCC's partial repeal of its financial-syndication regulations. This ruling substantially alters the position of the FCC, held since the early 1950's, and opens possibilities of additional acquisition and/or mergers.
The original financial-syndication regulations restricted the major television networks from owning companies that make and syndicate primetime television programs. The networks were also prohibited from syndicating re-runs of their own shows. The core of the new rules include permission for the networks to:
a) have full financial syndication rights to non-primetime programs; b) acquire full foreign syndication rights of non-network programs; and c) acquire full domestic syndication rights to 40% of inhouse primetime production.

The battle over financial-syndication has created fears among some industry firms that the studios will merge with the networks. Many analysts and industry leaders predict that the main impact of the new rules will be to shut out independent producers as the networks and studios merge or at least make deals that the independent producers cannot match.

Hierarchy and Concentration of Power. Along with changes in ownership and regulation come changes in power structures. If the number of major studios decreases through mergers and acquisitions, the number of individuals holding power at the top of the industry also declines. According to Chuck Slocum, Industry Analyst for the Writers Guild of America, the concern should not be over corporate ownership but the concentration of power, particularly power over distribution. In the long run, the losers in this process of vertical concentration may not be the studios or networks, nor the small independent production companies, but the middle-sized firms.

Introduction of New Technologies. The entertainment industry is one of the most affected by the continual introduction, innovation and application of new electronic technologies ie., cable and video. There are new electronic systems under development, and as with earlier breakthroughs, the newcomer technologies create both opportunities (new markets) and obstacles (increased costs) for industry businesses.

Although much recent change has occurred in visual systems, there have also been advances in sound production ie., Dolby stereo, "surround-sound" and DAT. These systems changes have resulted in a proliferation of media outlets and channel options for the consumer, however, consumers now pay a much higher proportion of direct cost of production.

Globalization of the Market. Another profound change affecting the industry is globalization of the entertainment market. According to Business Week, "...overseas sales account for 42% of Hollywood studios' income and are the fastest-growing part of their business".

One of the contradictions of the industry, however, is that due to increasing costs of production, a larger global market is not leading to larger profit margins for many companies.
Production Costs. As markets open up, profit margins are narrowing, leading to industry-wide cost-cutting and "bottom line" attention to runaway budgets. Although markets have been expanded, production costs for motion pictures have increased dramatically in the last two to three years (1990 was up 27% from the prior year).
An Action Plan with a strong short term component, and supported by money and clout, is indicated.

The industry panel was also quick to point out that the battle is not lost. Hollywood remains a vital location for many segments of the entertainment industry for a number of valid reasons. The trend to move can be reversed with strong actions by the CRA, the City of Los Angeles, the various components of the industry itself, and others. There is every indication that an improved business climate would entice entertainment companies to return to or locate in Hollywood.

Some Central Themes

Two themes or mindsets which consistently arose during the workshop are how industry structure and competitiveness may impact business retention strategy. Each issue is briefly presented below as background for the discussion of problems which follows.

Industry Structure

Workshop participants emphasized the importance of CRA gaining an understanding of how the entertainment industry functions and is structured. It is far from homogeneous. There are a relatively few large business, (mainly the major studios, networks, record companies and advertising agencies), but most of the companies are small businesses. There are both buyers and sellers of goods and services. The buyers tend to be the producers, directors and distributors of films, radio and television shows, recordings, commercials, etc., while the sellers represent a very wide range of businesses--equipment rentals and sales, specialty recording studios, post production houses, professional service firms, manufacturing companies, specialized crafts and trades, catering, etc. As a rule the buyers are, or have behind them, the large companies while the sellers tend to be small and mid-sized companies. Further, most of the small and mid-sized companies are highly specialized, with their success based on the technical or artistic expertise of a founding entrepreneur. Workshop participants indicated that:

1. The smaller firms do not have the in-house expertise, or the time, to deal with the public authorities in the acquisition and redevelopment of building for entertainment industry use.
2. The major studios and other large firms are in a better position to be heard than the smaller companies.

3. The diverse structure of the industry itself, and its myriad of trade organizations and societies, works against a unified approach to dealing with the industry’s problems. The industry has not defined a process for speaking with one voice to protect its interests.

**Competitiveness**

As with most industries, decisions in the entertainment business are governed by the economic self-interest of the decision makers. Producers, i.e. the buyers, are going to purchase the goods and services they require at the lowest possible cost. The costs of local taxes or building, safety, and environmental compliance requirements are not relevant to the buying decision. Similarly, the sellers of these goods and services seek to keep their costs for labor and overhead as low as possible to remain price competitiveness. Workshop participants noted that local taxes and compliance requirements put entertainment industry businesses operating in the City of Los Angeles at a competitive disadvantage compared to comparable firms in Burbank, West Hollywood, the County, etc. Participants often mentioned that they wanted to compete "on a level playing field".

**Problem Categories**

HPC divided the key issues and problems facing retention of industry companies into five categories: physical, environmental, economic, political and other. Each is discussed below. The assignment of issues to given categories is in some cases arbitrary, i.e. building and safety issues could be considered physical, economic or political. The overlaps and interrelationships of all the issues is important to gaining an understanding of the current situation. In the following discussion HPC attempted to focus on issues which directly bear on potential CRA actions. Nevertheless, since two common threads in the statements by industry representatives were 1) "The agency doesn't understand our business", and 2) "The agency doesn't listen to our problems", issues which may only have an indirect influence on CRA actions or attitudes are included.
Physical

Constraints on buildings and circulation pose major problems to attracting and retaining entertainment businesses in Hollywood. Key problem areas include:

Traffic Congestion

The critical mass of entertainment industry businesses that developed in Hollywood occurred because of the need of users and suppliers to have timely access to each other. Hollywood was convenient to areas where major production occurred including Culver City, Burbank and Universal City. To this day, ease and speed of access are more important than distance. Access continues to be good to Burbank and Universal City. The workshop panel was emphatic that growing congestion is a potential problem which must be minimized if Hollywood is to remain viable. The particular point was made that tourist or other mass attractions such as proposed in the Bass and Simon projects are fundamentally incompatible with the fostering of entertainment businesses to the extent they generate more traffic congestion.

Parking

Many of the buildings utilized by the entertainment industry in Hollywood are old industrial structures which have inadequate parking to meet entertainment industry staffing and patronage levels. The acquisition of land or building of parking spaces needed to provide essential parking adds considerably to the cost of adaptively reusing industrial buildings. The view was expressed that entertainment businesses could work with a number of existing buildings if adequate parking was available.

Historic Preservation

For both cost and aesthetic reasons entertainment businesses have shown a preference for adaptively reusing older and often interesting industrial buildings to house their businesses. Several panelists indicated problems in securing necessary permits due to opposition from residents protesting alterations to supposedly historically significant buildings.
Building and Safety

All workshop participants reported enormous frustration in dealing with public authorities on building and safety issues. The problems likely stem from the fact that many of the buildings occupied by entertainment industry businesses were built or adapted prior to the issuance of current regulations and were "grandfathered" in. These businesses are now being called on to comply with regulations they were not involved in establishing and are not specific to the special requirements of the industry. The firms "can't do what we they did before". There was a general consensus that the problems did not necessarily occur from the codes themselves but from inconsistent interpretations of existing codes by an ever-changing cast of officials who have no knowledge of the nuances of specific industry segment requirements. Mr. Kroeber reported that the city is working on ordinances to deal with building and safety issues as they pertain to the entertainment industry.

Sound Stage Needs

Workshop participants reported that for much of the year "all" of the sound stages in the region are booked, indicating a need for more stage space. Increased demand for sound stage space is attributable to the increasing preference of television productions to shoot indoors rather than in the streets or other outdoor locations. The increasing amount of entertainment product being prepared for cable, etc., no doubt also has an impact on stage demand. Panelists indicated it was becoming increasingly difficult to find "barn-like" spaces which can be converted to sound stage use.

Office Space Demand

There was a general consensus that demand exists for entertainment related office space, and that current offerings are considered inadequate by the industry. Lease rates for Class A space are lower in Hollywood than in the Burbank Media District but rates alone do not control the decision making process. Special needs of entertainment industry businesses in office complexes include:
1. Twenty-four hour, seven-day access and HVAC. Entertainment businesses often work outside normal hours. Typical office operating patterns do not apply.

2. "Aesthetic, creative" spaces. There is a great preference for spaces which are conducive to creative activity rather than business efficiency. Slightly off-beat design as opposed to Bauhaus glass and steel. Low-rise over high-rise.

3. Specialty services and functions such as screening rooms, off-line editing facilities, catering services, etc. were desired.

There was general agreement that entertainment industry firms would pay lease premiums for space in Hollywood with the above attributes.

**Studio Complex**

The entertainment industry is based on the cross-fertilization of a variety of creative and technical skills. As such, it is very an industry based on personal contacts. There was a broad consensus that a studio complex promotes the kind of close interaction conducive to an interdisciplinary creative enterprise and that the CRA would be well advised to consider development of a small studio to entice entertainment companies back to Hollywood. The group advised that a studio should:

1. Offer an open but sheltered environment.

2. Be developed at an appropriate scale.

3. Offer flexible spaces with common facilities.

**Environmental**

One issue dominated this category—crime and safety. Existing unsafe conditions and rampant crime throughout Hollywood are great deterrents to retaining and attracting entertainment businesses. The group recounted numerous horror stories of crack houses, muggings, need to call on the Guardian Angels, etc. which directly affect their
ability to do business in Hollywood. There was a minority opinion that the existing level of crime, although not desirable, can be tolerated if other problems in the area can be solved. The majority felt it was better to be away from the crime. All agreed that mere cleaning up of the neighborhood is not sufficient. Specific points raised by the workshop participants included:

1. Crime is a deterrent to attracting clients, like advertising executives, to Hollywood locations. Persons visiting Hollywood suppliers will not stay in Hollywood, but prefer the west side. Suppliers in safer locations have a competitive advantage.

2. Crime is a deterrent to attracting top level employees to Hollywood locations.

3. There has been a lack of cooperation within the Hollywood business community in addressing area crime.

Economic

Several pure economic problems impact the ability of entertainment companies to do business in Hollywood including:

Land Cost

In many portions of Hollywood land is worth relatively less today than a few years ago due to reduced densities (FARs) allowed in the regional plan. Asking prices for properties generally do not reflect the lower permitted densities and many property owners have opted to hold their land rather than sell at lower values. Entertainment companies seeking properties in Hollywood find the allowable densities acceptable but cannot afford the inflated land prices. The land cost issue is further complicated by the added cost of providing land for adequate parking as noted above. Burbank bought down the cost of land in its Media District and created an entitlement pool to address this issue.
Taxation

City of Los Angeles business and labor taxes were cited as deterrents to locating anywhere in the city, including Hollywood. Higher taxes were reported as a contributing reason for some decisions to leave Hollywood and Los Angeles.

Dispersion

As noted earlier, Hollywood has always been viewed as a central location from which to service the entertainment industry, with its own critical mass of activity and its proximity to the other principal nodes in Burbank/Universal City and Culver City. This centralization led to general economic efficiency. With key elements of the industry such as advertising agencies leaving the existing nodes, the critical mass is beginning to unravel, which may impact industry efficiency. Support services are faced with the decision of whether or not it is in their interest to follow their client base to new activity centers.

Political

All workshop participants indicated extreme frustration in dealing with the public sector and, to some extent, the community in general. Specific point raised include:

CRA

Several of the workshop participants were disillusioned with the agency, believing that it has not demonstrated in any meaningful way substantial support for the entertainment industry. It is felt the agency's "planner driven" approach does not address the specific needs of the industry and has an inherent bias towards the residential constituency. Further, the agency's lack of understanding of the industry and its needs works against the formulation of effective solutions to the industry's problems. All agreed that a program of mutual education can be a useful starting point in bridging the gap in perceptions and poor working relationship between the CRA and the industry. Most felt that the workshop was a positive step in this regard.
Building and Safety

As noted above, workshop participants were frustrated with many building and safety issues from industry specific zoning to electrical codes. The city is dealing with these issues. Of equal concern was the consistent interpretation of codes and the willingness of city and agency employees to knowledgeably work with industry personnel to solve specific problems. It was the consensus of the participants that the industry would be well served if city personnel assigned to deal with entertainment industry building and safety issues had specific knowledge of industry issues and problems. The success of the Fire Department program was cited, along with the streamlining of the permitting process implemented by Burbank in its Media District.

City Leadership

The industry spokespersons believe the city leadership is not responsive to its needs because:

1. Only three council persons--Woo, Yaroslavsky and Ferraro--are directly affected by the entertainment industry.

2. The city leadership in general is somewhat contemptuous of and unsympathetic to the "Fat Cat" image of the industry.

Hollywood Community

There are inherent conflicts between the residential community and the entertainment business located in Hollywood. One of the important points of conflict is the eccentric work hours of industry businesses noted earlier in the report. To date the common interests of the residential and entertainment communities have not been defined and sold to their respective constituencies. It is important to note that the industry representatives did not entirely blame the various public agencies and groups for the poor communications and working relationships which plague its interaction with the public sector. The industry itself is splintered into a number of interest and support groups which have not been welded into a
single voice advocating the interests of the industry. Ms. Barrett of the AMPTP is working to establish an industry voice.

Other

Although not falling in any way under CRA purview, two other problems were discussed in the workshop which indicate the kinds of issues the industry faces which need to be understood by agency officials.

U.L. Approvals

Los Angeles codes require all electrical equipment in the workplace to carry a U.L. Approval, a requirement not found in many locations outside the city. Much of the equipment used in the entertainment industry is produced in extremely small quantities making U.L. approval unfeasible for the manufacturer. Further, much of the equipment is substantially modified by the end user to tailor it to specific applications, invalidating the U.L. Approval if it exists. Entertainment firms are working outside the system to pass inspections and get occupancy permits necessary to stay in business.

Personal Use (Home) Studios

In the last few years there has been a proliferation of recording studios built in residences as "personal use" studios. A large number of these studios are operated commercially in violation of zoning ordinances and other codes. These operations operate with entertainment industry hours and contribute to the animosity between residents and the industry. There is concern in the industry that the trend to illegal home studios will spread to technical services such as video post production, etc. Councilman Ferraro is reportedly backing the "Home Occupation Ordinance" to deal with home studios.

Basis for an Action Plan

The workshop concluded with a discussion of the kinds of actions the CRA can undertake and strategic options for an entertainment industry retention Action Plan.
Possible CRA Actions

At the request of the workshop participants, Mr. Sunoo, Hollywood Project Manager for the CRA, enumerated the kinds of actions the agency can take to help the entertainment industry. He noted that the effectiveness of permitted actions is only limited by the creativity of these actions. Specific activities which the agency could undertake include:

1. Use of the power of eminent domain to acquire property. Must be used judicially.

2. Direct project financing. Financing of businesses limited due to restrictions on gifts of public funds.

3. Working with developers/users and planning authorities to affect allowable densities through TDRs or other mechanisms.

4. Planning and participating in marketing efforts for Hollywood, including efforts to promote entertainment industry development in Hollywood.

5. Funding demonstration projects in Hollywood such as the creation of a Building and Safety liaison position operating from the Hollywood CRA project office.

6. Grants to rehabilitate historic buildings or expand other structures. A number of favorable loan programs are possible.

7. Construction of public parking spaces or structures.

8. Purchase of one or more sites and/or buildings for development for industry use. Options include a flexible shell for production companies or a campus. There was general consensus that several small projects would be preferable to one large one. The industry would need to assist the agency in articulating what types of development and sites are most appropriate.
Industry specific advocacy. Ms. Linowes suggested consideration of an industry consortium that the agency could draw on for direction and/or advice. This working group could join with industry groups to focus attention on the importance and needs of the entertainment industry in Hollywood.

Strategic Options

Based on the problems and potential actions, the workshop group concluded that the following strategic options are worth of consideration in formulating the agency's Action Plan:

1. Provide technical assistance to entertainment industry companies wishing to locate or expand in the Hollywood project area. This would require that one or more agency staff persons be assigned to serving the industry and educated in the specific needs of various industry businesses.

2. Provide financial assistance in the form of favorable loans and other available methods of support.

3. Assist the industry in presenting its case to the public by working with various industry groups and associations including AMPTP, HARP, ITS, AICP, ACE, AES, Music Video Producers Association, and SMPTE.

4. Initiation of a planning and redevelopment program geared towards the establishment of 3 to 4 entertainment campuses in the Hollywood project area. These projects would be geared to the suppliers of goods and services to the entertainment industry.

5. Evaluation of creating one or more new entertainment districts with appropriate zoning and development incentives.

6. Long term program to keep existing businesses in Hollywood including addressing crime and traffic problems, incentives to help compensate for higher taxes and land costs, zoning incentives, etc.
PHYSICAL 3

DRAFT

HOLLYWOOD ENTERTAINMENT INDUSTRY
ATTRACTION/RETENTION ACTION PLAN

PLAN OBJECTIVES

As noted in the introduction to this report the principal objective of the proposed Hollywood Entertainment Industry Action Plan is to attract and retain entertainment industry businesses in the Hollywood Project Area. The Workshop identified three supporting objectives which are consistent with the overall goal, provide a basis for an organizational framework of the Action Plan, and are consistent with the Agency's role and capabilities. These supporting objectives are:

1. Establish a solid basis for mutual understanding and cooperation between the entertainment industry and public sector development authorities.

2. Initiate programs which strongly demonstrate to the entertainment industry that the Agency places a high priority on attracting and retaining industry businesses in the Hollywood Project Area, and is willing to take a pro-active role in this regard.

3. Provide the means to develop one or more entertainment "incubator" projects which will attract industry businesses and their employees to the Project Area and augment the desirability of the Project Area as a location for industry businesses.

HPC, in consultation with Agency staff, prepared the following Action Plan to meet these objectives.

ACTION PLAN

The recommended actions to be taken together with a preliminary timetable are presented in Figure 1. The following paragraphs summarize the specific steps included in the plan.

1. Establish a Basis for Mutual Understanding
HOLLYWOOD ENTERTAINMENT INDUSTRY WORKSHOP

LIST OF PARTICIPANTS

Industry Representatives

Paul Babb-Paramount Images
Gini Barrett-Association of Motion & Television Producers
Cody Cluff-L.A. Film Office
Chris Essel-Paramount Pictures
Les Harrison-Hollywood Sound
Jonathan Katz-Cinnebar
Joe Matza-Composite Image Systems
Ron Silveira-Unitel
Rob Waller-CB Commercial
Terry Williams-Lion's Share Recording

Building & Safety Representatives

Frank Kroeger-Building & Safety Consultant
Mike Wood-Dept. of Building & Safety

Council District 13

Pat Michell

Community Redevelopment Agency

Lisa Linowes
Cooke Sunoo

Harrison Price Company

Tracy Kahaner
Nick Winslow

Source: Harrison Price Company
I. INTRODUCTION
   A. Participants
   B. Charrette Objectives
   C. Charrette Process

II. ISSUES CONDITIONING THE ASSIGNMENT
   A. Entertainment Industry Trends As They Affect Land Use and Location
      1. General
      2. Sector Specific
         a. Film Production
         b. Video Production
         c. Post Productions
         d. Music
         e. Radio & Television
         f. Commercials
   B. Other Issues Affecting Business Location Decisions
      1. Hollywood CRA Activities
      2. Other Developments Proposed in Hollywood
      3. Competitive Environment (Burbank Entertainment District, etc.)
      4. Building & Safety
      5. Location Permits
      6. Space Costs
      7. Other (parking, etc.)

BREAK

10:30-10:45AM
Table 2
HOLLYWOOD CRA CHARRETTE AGENDA (continued)

Time

III. STRATEGIC OPTIONS TO ATTRACT AND HOLD ENTERTAINMENT BUSINESSES IN HOLLYWOOD 10:45-AM-2:00PM*

A. Space Availability
B. Cost
   1. Acquisition
   2. Code Requirements
   3. Parking
   4. Other Building & Safety Issues
C. Enhancing Critical Mass
   1. Commitment To Stay By Existing Companies
   2. New Projects
      a. CRA
      b. Private
      c. Cooperative
D. Combating Competitive Pressures
   1. Improve Image
   2. Enhance:
      a. Security
      b. Environment
      c. Public Cooperation
      d. Traffic, Access and Parking
      e. Importance of cleaning up Hollywood Boulevard
      f. Other
E. Other

BREAK 2:00-2:15PM

* Includes working lunch
IV. FORMULATION OF AN ACTION PLAN

A. Type of action
   1. Legislation
   2. Marketing
   3. Technical assistance
   4. Development (entertainment campus, etc.)
   5. Other

B. Timing
   1. Immediate actions
   2. Short term actions (1 to 2 years)
   3. Long term actions

C. Responsible entities
   1. Private sector
   2. City of Los Angeles
   3. CRA
   4. Other

V. ADJOURNMENT