



\$ MONEY MATTERS

FROM CARS TO STARS

Aggressive incentives are turning Wolverine State into Midwestern Hollywood

By JACK EGAN

With its once-vaunted automobile industry on the brink, Michigan these days is less about factories and more about film.

In a move to diversify its beleaguered economy, it has embraced the entertainment biz and joined the multitude of states offering lucrative tax incentives to attract film and TV productions.

Michigan has put into place the most generous tax credits in the country — rebates as high as 42% for qualified expenditures — instantly propelling itself into the top tier of states vying for Hollywood's business.

"By having the richest incentive in the country, there's no question it has quickly put us on the map," says Janet Lockwood, longtime director of the

Michigan Film Office. "We're now one of the first states producers consider."

Though the program only went into effect in April 2008, Michigan last year attracted 35 film and TV projects that spent more than \$60 million in the state. That compares with a paltry \$2 million in 2007 for three films. So far in 2009, 66 companies have applied for the incentives, according to Lockwood. A half dozen major films have completed shooting; another half dozen are in pre-production. Meanwhile, "Two dozen are planning to be here within the next 30 to 60 days," Lockwood says.

Pictures that filmed in Michigan so far this year include "Stone," with Robert De Niro and Ed Norton; "Betty Ann Water," starring Hilary Swank; and "The Irishman," with Val Kilmer. Helmer Rob Reiner is cur-

rently shooting "Flipped." Next month lensing starts on "Red Dawn," a remake of the 1980s cult fave, with Tom Cruise producing. The pilot for HBO's "Hung" was made in Detroit, and parts of the series continue to be shot there.

Last year's "Gran Torino," starring Clint Eastwood, who also directed, was originally set for Minneapolis, but the shoot moved to Detroit just after the state enacted its tax credits.

"There's no better calling card than hosting a high-grossing film by a famous movie star and director," says Detroit Film veep Chris Baum, who helps facilitate shoots for producers in and around the Motor City.

The heart of Michigan's incentive program is a 40% refundable or transferable tax credit on money spent on

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DOWN AND ENDOWED: Thomas Jane stars as the hard-on-his-luck but physically gifted Ray Drecker in HBO's "Hung."

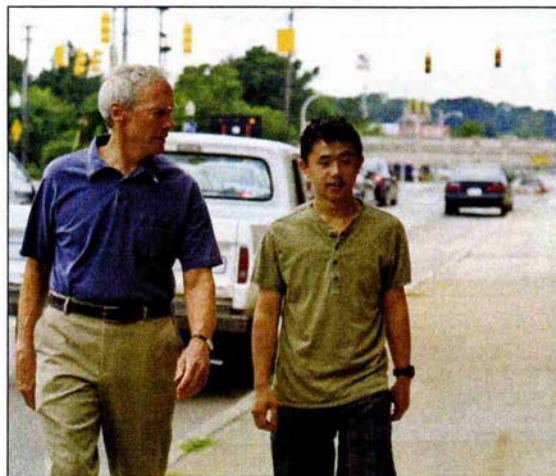
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film and TV shoots in the state. The minimum budget for a qualifying project starts at a low \$50,000. The break rises to 42% for expenditures in 103 "core" communities such as Detroit.

The top credits apply as well to wages for workers who are Michigan residents. Given the present scarcity of workers within Michigan, there's a 30% credit for the wages of crew and other labor brought in from out of state. Salaries for actors, directors and other above-the-line participants, whether or not they live in Michigan, also qualify. These incentives are capped at \$2 million per individual.

Separately, the state offers a 25% credit against taxes for investments in studios and other related infrastructure. And there's a lofty 50% break on money budgeted by producers for on-the-job training of Michigan residents during a shoot. Plus there's no cap on annual or per-production spend and no



UNLIKELY BUDDIES: Clint Eastwood's "Gran Torino" is one of the highest-profile films shot in Michigan.

sunset provision to phase out the program. Michigan incentives also cover content creation for digital platforms like videogames.

"Doing my show in Detroit was one of the best decisions I ever made," says Tom McMa-

hon, producer of "MG: Motor City," a sequel to his "Monster Garage" on Discovery Channel. "There are people here saying, 'What can I do for you?'"

The incentives program has also triggered plans to build or expand four studios in and

around Detroit. "Without new studios and the creation of a whole infrastructure, I would not consider the program a success, because we are looking at the long term," Lockwood says. Furthest along is a \$75 million project to convert a shuttered 22-acre General Motors complex in Pontiac into a multistudio facility. Backed by Michigan shopping-center magnate Alfred Taubman, William Morris Endeavor topper Ari Emanuel and others, the deal closed in early June. Named Raleigh Michigan, it will be managed by the Hollywood studio whose name it bears: Raleigh.

Michigan's program has stirred controversy, of course: Critics say it is too rich and that the state gets less bang for what it hands out than it gets back in economic benefits. Plus early glitches in making timely payments to producers have hit the grapevine.

"A lot of rumors have been going around the country that Michigan is in trouble, that they're not writing checks and that the program is not working," says William French, head of Film Production Capital, the Louisiana-based company, which provides upfront financing for productions that have qualified for state tax incentives and which recently set up an office in Michigan. "Though there have been some delays, we're satisfied that the program is working well and getting more efficient on a daily basis — we think it's a topnotch incentive."

Incentives proponents and opponents brandish conflicting studies. A February report from the Michigan State U. Center for Economic Analysis says entertainment production spending last year generated \$93.8 million in economic activity, including ancillary areas like hotels and restaurants. The report predicts a 187% rise in expenditures from 2008 to 2012,

with the boost to the Michigan economy reaching \$335.6 million in three years. However, an analysis by the Mackinac Center says the incentives will probably wind up costing more than expected, and that estimates of the potential benefits are overblown.

A bill in the hopper in the state Legislature would cut back the size of the breaks to 35% and put a \$50 million cap on how much Michigan can hand out in incentives each year.

"I want to keep a film here in Michigan but rightsize it so it can be affordable to a state that continues to be in a very serious economic crisis," says state Sen. Nancy Cassis, chair of her chamber's finance committee and a backer of the legislation.

But opponents of the bill say it would be unwise to tamper with the incentives when they are new and seem to be working, and that it would send an uncertain signal to producers.

"It would quickly have a severe negative impact and make the environment in Michigan less attractive," says Michael Mendelsohn, head of Patriot Pictures, which has started shooting its second film in Michigan. "My first experience, doing 'All's Faire in Love,' was so positive that we decided to also do 'Rape: A Love Story' here." The latter film stars Samuel Jackson and Maria Bello. "I'd think twice about returning if the Michigan program was changed."

Lockwood doesn't think there will be any change. She notes that Michigan Gov. Jennifer Granholm, a key architect of the program, "has already gone on record saying she won't sign any legislation cutting back on the incentive program as long as she's governor, which is January 2011 at the earliest."