

Connecticut's tax credit program has brought plenty of movies to the state. Now it's at a crossroads.

Alexander Soule; June 17, 2022



A Netflix crew sets up in April 2021 for a film shoot for "The Good Nurse" in Stamford, Conn. Netflix is eyeing a major new studio in Fort Monmouth, N.J., with Connecticut officials not revealing whether the state had any opportunity to offer an alternative.

Tyler Sizemore / Hearst Connecticut Media

With a cap under consideration for a Connecticut incentive program that brought a pair of major TV and film studios to Fairfield County, New Jersey is a step closer to landing the biggest studio in the Northeast with similar perks.

Netflix took another step this month toward a major production studio in the New York City region, putting in a formal bid for nearly 300 acres of property at the site of a former U.S. Army base in Fort Monmouth, N.J. If constructed as planned, the Netflix studio would eclipse the newly expanded Lionsgate Studios Yonkers as the largest in the Northeast.

Netflix is looking to build on a string of original hit series that include "The Crown" and "Stranger Things" — but Apple, Walt Disney and others are getting accolades as well for series destined for their own streaming platforms. The company filmed a quartet of movies in "Call Jane", "The Good Nurse", "Mr. Harrigan's Phone" and "The Noel Diary."

The Fort Monmouth proposal is the kind of development Connecticut had designs on back in 2006, when the state legislature authorized a film industry tax credit valued at 30 percent of production expenses for projects exceeding \$1 million. That tax credit program, which has amounted to a loss of a potential half billion dollars in revenue since its inception, could be cut back in the future after a call from the state's economic development commissioner to do so.

State officials did not reveal whether the state got any opportunity to offer potential parcels and incentives to land the studio lot planned by Netflix.

"We are in regular discussions with Netflix on a wide array of issues and have an excellent working relationship with the company," stated Department of Economic and Community Development spokesperson Jim Watson, in an email response to a Hearst Connecticut query. "For confidentiality reasons it is department policy not to share specific details about interactions we have with businesses."

After an early preview of the industry — production shoots squeezed into tight windows lasting weeks, with jobs evaporating afterward — Connecticut followed that up with a film infrastructure

tax credit to encourage the construction of permanent studios with year-round, post-production work.

That helped spur NBC Sports and Blue Sky Studios to move studio operations to Connecticut. No other major studios would follow, however, and developers scrapped plans for a “Hollywood East” production lot at the shuttered Stratford Army Engine Plant.

Disney has regularly cashed in tax credits for expenses it generates at its existing ESPN network studio in Bristol. That has also been the case with WWE for expenses generated in Stamford where it has long been a major employer.

Blue Sky tallied \$267 million in Connecticut tax credits to support \$1 billion in production work over the span of 13 years in Greenwich. But Disney shuttered the animation studio not long after picking it up in a buy of 21st Century Fox units, choosing to focus its resources on its existing Walt Disney Animation and Pixar studios in California.

DECD chief David Lehman told state legislators last month that Connecticut’s film, TV and digital tax-credit programs have supported as many as 10,000 jobs or more over the years, including at ESPN’s existing studio.

But Lehman suggested the 30-percent credit on expenses should either be reduced or capped, weighing the cost of sacrificing tax revenue versus the benefit of jobs those credits create or sustain.

“Connecticut as a state, alongside the state of Georgia, has in my opinion among the most generous programs for digital media — and it’s at a pretty considerable cost,” Lehman said during a hearing carried by CT-N. “If there was a dialing back of certain programs that we oversee, that would be the one I would suggest there’s a discussion around.”

Studios worked on more than 1,800 original series in 2021, according to FX Networks Research figures cited by the Motion Picture Association. That was 180 more than in 2019 for a 10 percent increase. While MPA theorizes one contributor was pent-up demand for new shows after the disruptions of the COVID-19 pandemic, investors have been emboldened by the mainstream successes of series and feature films from industry upstarts like Netflix, Amazon, Apple TV+ and Disney’s Hulu subsidiary.

In the era of streamed shows, nine of the 10 most-watched original series debuted on Netflix, according to Nielsen estimates. While Netflix stock swooned this spring after the company reported a decline in subscriptions, it believes that was only a blip given its burgeoning pipeline of new shows and feature films, according to Ted Sarandos, chief content officer, who spoke in April on a conference call.

“I’ve been here for more than 20 years and have been through a couple of these,” Sarandos said. “They don’t feel great in the moment — but man, it feels great to come out on the other side of it, and I think everyone is knowing that ... we’ll come out on the other side of it.”

Of the 30 projects approved for tax credits in the most recent round under a California Film Commission program, Netflix received the largest allocation at just over \$50 million for three

feature films: the Jennifer Lopez science fiction flick “Atlas”; “Beverly Hills Cop 4” with Eddie Murphy; and “Unfrosted” starring Jerry Seinfeld.

Netflix has its largest production studio in Albuquerque, N.M., where it has been pouring money into a huge expansion to accommodate more original series and films. The company bid for the Fort Monmouth site despite New Jersey having a cap on its 35 percent tax credit for production expenses.

Netflix opened a studio last summer in Brooklyn, at 170,000 square feet of space, just over half the size of NBC Sports headquarters studio in Stamford. The Fort Monmouth site is about the same distance from New York City as Norwalk, and about quadruple the size of the Stratford property once envisioned as Hollywood East.

Only one commercial property in Connecticut was listed for sale this week that exceeds the size of the Fort Monmouth lot, and which is not otherwise tenanted: the former Waterford Airport property just off Interstate 95, listed for \$8 million and having been eyed for a range of uses from residential development to a precast concrete plant.

But given the cost of covering travel for unionized production workers in New York, anything outside Fairfield County would be a long-shot to host a large studio operation. While the Fort Monmouth site falls slightly outside the 30-mile zone that triggers travel expense reimbursement for production workers — TMZ in industry jargon — a few major Los Angeles studios have been able to secure exemptions covering their properties that lie outside the city’s TMZ.

Great Point Studios chose a former factory of Farmington-based Otis Elevator for its Lionsgate Studios Yonkers, and is now planning another Lionsgate production facility in Newark at a reported cost of \$125 million.

Lehman said a cap might make sense for Connecticut — but suggested that the state might get the Hollywood cold shoulder in any scenario in which it would strip incentives bare.

“It’s a competitive world out there — there are other states that are competing for our business and vice versa,” Lehman said last week. “I know some folks feel that we should just have no incentives — that sounds nice if every state does it, but that’s just not happening.”