## How the TV & film tax credit turned Georgia into Hollywood of the South



Credit: arvin.temkar@ajc.com

## GEORGIA ENTERTAINMENT SCENE BLOG

## By Rodney Ho

## 15 years later, Georgia is now third-largest producer of film and TV in the country.

It all came down to a cute Peach logo.

Ric Reitz, a veteran Atlanta actor and writer, was pitching then-Gov. Sonny Perdue at the Georgia Capitol in early December 2007 on a new tax credit to boost TV and film production in Georgia. He opened his Apple MacBook Pro and showed off a five-second animated version of the logo. The pitch: Any producer who wanted a full 30% tax break for filming in Georgia had to show that logo at the end of their program.

Perdue was silent, then said, Play it again.

His impression upon viewing it again: Imagine if that had been in "Gone With the Wind!"

Perdue, who liked the promotional angle of the logo, gave his full support to the film and TV tax credit, which passed the Republican-led legislature the following year. And so began an unlikely, 15-year journey that turned Georgia into the third largest producer of TV and film in the country within a decade and home to more studio space than New York, behind only California.





The most bullish of tax credit supporters in 2008 had no idea TV and film production would spend \$4.4 billion in the state by 2022.

"It exceeded even our wildest expectations," said Stephen Weizenecker, a long-time Atlanta entertainment attorney. "We had no way to predict all the first-class studios that would end up being built here, from Trilith to Tyler Perry. We ultimately created such a simple tax credit that it just took off. And that peach logo became a symbol for our state. It was brilliant."

Burt Reynolds came first

Georgia has a storied history with the film industry going back decades. When Burt Reynolds shot the river raft thriller "Deliverance" in 1972 in the North Georgia mountains, the charismatic actor fell in love with the state. Ed Spivia, who worked at the Georgia Department of Industry and Trade, befriended Reynolds and convinced then-Gov. Jimmy Carter to create the Georgia Film Commission.

As commissioner, Spivia became a tireless ambassador to Hollywood,\_attracting a bevy of big movies into Georgia including multiple Reynolds vehicles like two "Smokey & the Bandit" films, "The Longest Yard" and "Sharky's Machine." Actors such as Richard Pryor, Tim Conway and Tatum O'Neal shot movies in the state.

In the 1980s and early 1990s, Georgia became a popular home for TV movies and the drama "In the Heat of the Night" starring Carroll O'Connor and Howard Rollins. Two Oscar-winning films were shot at least in part in the state: 1989's "Driving Miss Daisy" and 1994's "Forrest Gump."

But when Canada passed the first major tax credits in the late 1990s, TV and film business began drying up in Georgia. Things got even worse when Louisiana and North Carolina began offering tax credits.

Hundreds of film-related workers left for other states. Reitz, who chose to stay in Atlanta, said he had to redirect his energy toward screenplays, corporate films and stage work.

A small group of Georgia industry folks formed the George Production Partnership (GPP), a lobby group that plotted ways to keep the state in the game. It was able to convince the legislature to pass the state's first tax credit in 2005, fueled in part by the loss of the Ray Charles biopic "Ray" largely to Louisiana. But the credit system was too complicated and other states amped up their credits at the same time, neutralizing Georgia's efforts.



Credit: Arvin Temkar/AJC

So Reitz, Spivia, long-time Atlanta casting agent Shay Griffin and Wilbur Fitzgerald, an attorney and an actor, gathered to spitball ideas to strengthen Georgia's tax credit in a way that might appeal to Gov. Perdue.

Reitz, who had done acting jobs for Coca-Cola, understood how powerful iconic symbols like the Coke logo can build customer loyalty. So he thought as a marketing tool, requiring TV shows and films shot in Georgia to show a Peach logo to qualify for the maximum credit might appeal to Perdue and make the state competitive with Louisiana and Canada.

With \$5,000 from GPP and \$7,000 of his own money, he hired designer and animator David Brewer to create the logo, and it worked. The credit became reality in July 2008.

Two months later, the real estate bubble burst and the economy collapsed. Reitz said this, in an odd way, helped the tax credit because Hollywood was able to hire out-of-work construction workers, hairstylists and caterers to work on films and help the state bounce back quicker economically than many other states.

Recession creates opportunity

In early 2009, Sony Pictures was seeking a place to shoot a Lifetime scripted drama called "Drop Dead Diva" about a vapid aspiring model killed in a car crash who gets brought back to life as an intelligent, overweight lawyer and learns the meaning of inner beauty.

Although the show was fictionally set in Los Angeles, the traditional hub of TV and film production, this was a basic cable show with a modest budget, so Sony gave creator and producer Josh Berman two options: Vancouver or Atlanta.

While touring metro Atlanta, he was impressed by the variety of vistas. "There were open spaces and urban environments that could mimic L.A.," Berman said. "Buckhead could pass for Beverly Hills. Downtown Atlanta could pass for downtown L.A."



In 2009, Georgia had almost zero studio space adequate enough to shoot movies and TV shows. But the fallow economy meant lots of empty warehouses that could be leased on the cheap. Sony found one at Falcon Field in Peachtree City to use.

"We had so much space to play with," Berman said. "We built out a law firm. We created three or four restaurants and a courthouse exterior. I had filmed most of my life in L.A. where space was such a premium. I did all these things you fantasize as an executive producer on a shoe-string budget. We got a lot of bang for our buck in Peachtree City."

Warner Bros. also took an early chance on Atlanta via the CW's "The Vampire Diaries," the first broadcast TV show that took advantage of the tax credits. They shot plenty of exteriors in

Covington, which became Mystic Falls, Virginia, for the duration of the show's eight-season run. Soon "Vampire Diaries" tours became a thing and fans were often seen on the square taking selfies in front of buildings regularly used by the show, including an actual Mystic Grill restaurant.

Another key mover and shaker that helped give the tax credit a boost was EUE Screen Gems, a production company with deep ties to Hollywood. The company already owned studios in New York City, Miami and Wilmington, North Carolina, ("Dawson's Creek," 'One Tree Hill") and was seeking to enter a new market. John Raulet, a local commercial real estate broker, had already helped Sony with the straight-to-DVD project "Road Trip: Beer Pong" by finding space in Hiram for them.

Raulet spent a year with EUE Screen Gems scouting more than 20 locations, eventually choosing Lakewood Fairgrounds, once an amusement park and antiques marketplace between Hartsfield-Jackson International Airport and downtown Atlanta. Owned by the city, it had fallen into disrepair. An old man with a dog in a camper kept watch over vagrants who had stripped all the empty buildings of anything of value. Gang members worked out of future production offices.

But after millions in renovations, EUE Screen Gems opened in 2010 as Atlanta's first official film and TV studio.

"Although it was a low-cost lease, it was hardly a sure thing," said Kris Bagwell, the studio's executive vice president from 2010 to 2021.

He also had to smooth the waters for Hollywood execs skeptical of Georgia. When introducing producers to the studio, Bagwell would often joke, "Good news! We have indoor plumbing!"



Credit: Jenni Girtman

But in the end, Bagwell was able to attract films starring Ben Stiller ("The Watch") and Denzel Washington ("Flight"), as well as USA Network's "Necessary Roughness" and BET's "The Game." EUE Screen Gems is now home to Netflix's "Stranger Things" and a raft of other Netflix projects.

Most of the companies like Lionsgate and Sony receiving the tax credit didn't actually owe any Georgia taxes because they aren't based in Georgia. But they still benefit from it because the 2008 act made tax credits transferrable, meaning Georgia-based companies like Home Depot or Delta Air Lines and individuals could purchase them at a discount, reducing their own tax load.

Fitzgerald and Reitz brokered credits for a few years and said it was a serious struggle in the beginning. "People were confused at first," Fitzgerald said. "Were they investing in a movie? Will these actually work?"

A key moment came when Fitzgerald was able to convince Georgia Power to buy tax credits from Warner Bros. Once a major company like that took advantage of the tax credit, he said it legitimized the transaction in the eyes of other big Georgia-based companies seeking to reduce their tax load, as well as other major production companies seeking to lower their costs.

Then came the zombies

In 2010, AMC decided to try a new apocalyptic based scripted series, "The Walking Dead," a shift from prestige shows like "Mad Men" and "Breaking Bad" on its roster.

"When I met with them, AMC was resistant to shooting in Georgia," said Tom Luse, a producer for "The Walking Dead" for its duration. "I talked to them about the incentives and they decided to give it a try."

The series, based on graphic novels by Frank Darabont, was originally set in Georgia. So coming to the state made creative as well as financial sense.

From the moment "The Walking Dead" debuted in the fall of 2010, it quickly became the first megahit production to come out of Georgia after the tax credit went into effect. It would in fact end up being the most popular basic cable show of all time, spawning video games, spinoffs and conventions. Shot out of Raleigh Studios in Senoia, the show closed off downtown Senoia for an entire season and built a wall around a real neighborhood for eight years that masqueraded as a fictional city on the show. The city has since thrived as both a tourist and residential draw.

The show's popularity certainly helped keep the tax credit alive in its nascent years. Gov. Nathan Deal, who flew to Los Angeles multiple times for special "Georgia" days to woo Hollywood producers, even allowed "The Walking Dead" to shoot at the Georgia Capitol in 2018, rubbing shoulders with star Norman Reedus, who plays gritty Daryl Dixon in the franchise.



Credit: WSB-TV

Enter the Marvel Universe

Remember the warehouse "Drop Dead Diva" leased at Falcon Field in 2009? It happened to be owned by Dan Cathy, CEO of Chick-fil-A, the insanely popular Georgia-based chicken sandwich fast-food chain.

Cathy, who always had a love for the arts, spent time on set and became curious about Hollywood. He wanted to do more. He met with Weizenecker, an attorney who had worked with Pinewood Studios, best known for hosting more than 20 James Bond movies over the decades in London. Pinewood happened to be looking to expand into the United States. In 2013, they struck a deal to build state-of-the-art studios on 700 acres of wheat fields in Fayetteville, 20 minutes from Hartsfield-Jackson International Airport.



This drew interest from Marvel, who had shot earlier films in Los Angeles, New Mexico and New York. They decided to place "Ant-Man" starring Paul Rudd at Georgia's new Pinewood with an eyepopping budget of \$200 million.

"It was a bet on Marvel's part," said Frank Patterson, who runs what is now called Trilith Studios. "It was our first client. Things happened fast. We literally handed the keys over with wet paint. There were door knobs still not on the doors."

The Marvel bean counters quickly realized the appeal of Georgia's tax credit, because it was unlimited with no annual cap, the only state in the country to match Canada and England on that front. This is a boon for any producer with a sizable budget. Marvel has since spent more than \$2 billion in Georgia on two "Avengers" movies, two "Black Panther" movies and two "Guardians of the Galaxy" movies, among others.

Cathy, with so much land, quickly decided the best way to help accommodate the thousands of people working on various films and TV shows on his property was to create a surrounding city with retail, apartments, townhomes and single-family homes. Meanwhile, Pinewood had a change of ownership, retrenched and sold its stake back to Cathy in 2019. The studio was renamed Trilith and is now the largest studio in North America with a whopping 35 stages. About 1,200 people now live in the Town of Trilith with plans to eventually house 5,000-plus.

Patterson likens Trilith to the building of towns and communities like Studio City (CBS), Burbank (Warner Bros., Universal, Disney) and Culver City (Sony) in Los Angeles a century ago. "This is a modern version of an old playbook," he said.



Credit: TRILITH STUDIOS

Georgia's conservative legislators have occasionally passed bills that displeased liberal creatives in Hollywood. In 2016, the state legislature passed a "religious freedom" bill saying no pastor can be forced to perform a same-sex wedding. Actors such as Julianne Moore and Anne Hathaway threatened a boycott if Gov. Deal signed it into law. He did not. He vetoed it, and the controversy faded away.



Three years later, actress Alyssa Milano, who was shooting the Netflix show "Insatiable" in the state, balked at a restrictive abortion law passed by the legislature in 2019 and called for a boycott. A handful of productions announced they weren't coming to Georgia. But the boycott fizzled after a federal judge struck the law down later that year.

After the state passed stricter voting laws in 2021, Will Smith's Apple TV+ drama "Emancipation" jumped ship to Louisiana, but Twitter boycott hashtags didn't otherwise hurt business.

The future of the credit

All in all, the credit has survived largely unscathed over 15 years, with only small modifications such as stronger audit requirements starting in 2021.

Local lobbyists work hard each year to educate new Georgia legislators about the economic impact the credit has had across the state, even though most production happens in metro Atlanta.

Since 2008, studios have spent more than \$24 billion in the state in exchange for more than \$8 billion in tax credits. Measuring the industry's impact on local employment is harder to measure because most jobs are project-based and not salaried. According to a report by the Georgia Department of Economic Development, the industry had generated 92,000 jobs by 2017 and \$4.6 billion in wages, but many claimed those statistics were vastly overstated.

In the meantime, new TV and film studios keep popping up. Earlier this year, Athena Studios launched in Athens and Electric Owl Studios near Indian Creek MARTA station held a grand opening last month. Three more are scheduled to debut by Christmas: Assembly Studios in Doraville on the old General Motors auto plant site, Lionsgate Studios in Douglasville and BlueStar Studios in Forest Park on the old Fort Gillem property.

The timing of these openings is not ideal. At the present, film production is largely shut down due to strikes by writers and actors. Thousands of people are out of work. But this dismal backdrop doesn't change the fundamental power of the tax credit to the bean counters at the likes of Netflix, Hulu and Disney.

This year in the legislature, a joint House and Senate panel is studying all state tax credits and there are skeptics who want to cap it or trim it in ways that could potentially threaten its viability. But proponents are confident whatever happens to the credits in 2024 will be modest.

"Some people want to kill the golden goose," said Rep. Ron Stephens (R-Savannah), one of the strongest supporters of the tax credit since its inception. "But why would you want to cap prosperity? You cap it, you kill it."

Timeline: Movies, TV shows filmed in Georgia

1941



The first 'talkie' known to have shot in Georgia was 'Swamp Water' in the Okefenokee Swamps starring Walter Brennan as a fugitive.

1956



Disney shot 'The Great Locomotive Chase' in North Georgia where the actual Civil War events took place. Yankee soldiers stole a train and made a getaway toward Chattanooga.

1968



John Wayne shot much of his Vietnam War epic and box office hit 'The Green Berets' at Fort Benning.



Based on James Dickey's best-selling novel, 'Deliverance' features city slickers (including Jon Voight, Burt Reynolds and Ned Beatty) having a rough trip down the Chattooga River pursued by a crazy redneck. It became a massive hit and received three Academy Award nominations.

How the tax credit works

Let's say Netflix has a \$100 million movie to shoot. The Georgia Department of Economic Development certifies the project to move forward. The production company decides to shoot in metro Atlanta.

Almost all the movie's expenses in the state qualify, from wardrobe and catering to set construction and salaries. The Peach logo is placed at the end of the movie credits for at least five seconds.

Once an audit is completed, the Georgia Department of Revenue bestows Netflix with a \$30 million tax credit. Netflix is not headquartered in Georgia and likely owes little to no actual taxes to the state, so it sells the \$30 million tax credit at a discount to a Georgia-based company or person for, say, \$27 million.

Result: Netflix saves \$27 million on a \$100 million project.



Credit: TNS

Top 10 movies filmed in Georgia since 2008\*

- 1. "Avengers: Endgame" (2019) \$858,373,000
- 2. "Spider-Man: No Way Home" (2021) \$772,966,707

1972

- 3. "Black Panther" (2018) \$700,426,566
- 4. "Avengers: Infinity War" (2018) \$678,815,482
- 5. "Black Panther: Wakanda Forever" (2022) \$453,829,060
- 6. "The Hunger Games: Catching Fire" (2013) \$424,668,047
- 7. "Captain America: Civil War" (2016) \$408,084,349
- 8. "Jumanji: Welcome to the Jungle" (2017) \$404,515,480
- 9. "Fast & Furious 7" (2015) \$353,007,020
- 10. "The Hunger Games: Mockingjay Part 1" (2014) \$337,135,885

\*Figures based on domestic box office gross. Movies were shot at least partially in Atlanta.

SOURCE: Box Office Mojo.



Credit: Bravo Photo: Wilford Harewood

Longest-running TV shows shot in Georgia since 2008

"The Real Housewives of Atlanta," Bravo reality show, 2008-present

"7 Little Johnstons," TLC reality show, 2013-present

"Archer," FX/FXX animated comedy, 2013-2023

"Family Feud," syndicated game show, 2010-2017, 2020-present (the show has shot in Los Angeles other years.)

"Love & Hip Hop Atlanta," VH1/MTV reality show, 2012-present

"The Walking Dead," AMC drama, 2010-2022

"Say Yes to the Dress Atlanta," TLC reality show, 2010-2020

"Dish Nation," syndicated gossip show, 2011-present

"Tyler Perry's House of Payne," TBS, BET sitcom, 2006-2012, 2020-present

"Married to Medicine," AMC reality show, 2013-present

"The Haves and the Have Nots," OWN drama, 2013-2021



Credit: Alexandre Schneider/Getty Images/Netflix Film and TV tax credits handed out since 2010 2010: \$172 million 2011: \$222 million 2012: \$232 million 2013: \$275 million 2014: \$359 million 2015: \$504 million 2016: \$606 million 2017: \$800 million 2018: \$801 million 2019: \$859 million 2020: \$649 million 2021: \$1.204 billion

SOURCE: Georgia Department of Revenue