

ALBUQUERQUE DEVELOPMENT COMMISSION
Local Economic Development Act Hearing

June 17, 2019

LEDA-19-1: NBC Universal Media, LLC (“NBCU”) Studios Project

REQUEST: Approval of \$3,000,000 in City Local Economic Development Act funds is requested.

PROJECT SUMMARY: NBC Universal Media, LLC (“NBCU”) is requesting \$3,000,000 in Local Economic Development Act (LEDA) Funds to reimburse eligible lease expenses in two facilities just north of Downtown in Albuquerque, NM. The company is also requesting \$7.7 million in State LEDA funds, but that transaction is not under review here.

In return, NBC Universal commits to a Direct Spend (on its own or affiliated company productions) in New Mexico of at least \$210,000,000 in the first five years of occupying the studios, and an additional \$40,000,000 related to the Facility in Direct and/or Indirect Spend (leasing the facility to other production companies), and at least \$210,000,000 in Direct Spend and an additional \$40,000,000 in Direct and/or Indirect Spend in the following five years, for a total of \$500 Million in film productions over the next ten years. NBCU commits to a minimum of \$65 million in Direct and/or Indirect Spend every two years within the boundaries of Bernalillo County for ten years. In addition, NBCU has committed to at least \$5 Million in marketing for Albuquerque and New Mexico NBCU and the facility owners, Garcia Realty and Investments, Inc., will provide \$4,000,000 in capital improvements to the completely renovate older industrial buildings at 1601 Commercial Street NE and 1901 Broadway Boulevard NE, and to maintain and operate the facilities for at least ten years.

NBCU will provide at least \$55,000 annually for 10 years to fund workforce development programs in the State which will be run through educational institutions currently existing in the State, and NBCU will provide its trainers to assist in developing appropriate training programs and will provide a stipend to an aspiring director from the State, through NBCU’s director mentorship program.

NBCU further commits to include an end screen credit with a State/City logo as appropriate in all productions in which a film production tax credit is claimed acknowledging that the production was filmed in the State of New Mexico/City of Albuquerque.

NBCU’s partner in the development of the studios, Garcia Realty and Investment, is part of the Garcia family’s business group, headquartered in Albuquerque, New Mexico. The Garcia family’s business and real estate activity in Albuquerque began almost 100 years ago with “Toby’s Truck Parts,” located at the northeast corner of what is now Rio Grande Blvd. NW and I-40 in Albuquerque’s near north valley.

Grandfather Toby’s son Julian Garcia and his wife Sheilah Garcia then became the first large-scale imported new motor vehicle dealers in New Mexico, with Toyota and Honda, starting in the 1960’s.

When Julian Garcia died in 1984, Sheilah assumed operation of the dealerships, until she was able to pass the family tradition along to her sons Edward, Toby and Carlos. Another son, Garrett, is a BMW motorcycle dealer in Raleigh, North Carolina. And daughter Pilar works in Albuquerque for a global company based in Houston, while raising two daughters. Since

assuming dealership operations from Sheilah, Edward, Toby and Carlos have added dealerships representing many line-makes in Albuquerque, Santa Fe and El Paso.

After the shock of the 2008 financial crisis, Ed Garcia decided in consultation with his family to redeploy approximately one-third of the family's capital into real estate redevelopment in Albuquerque, with the idea that "we need to make Albuquerque what it should be in order to keep our kids in New Mexico," and based upon the idea that private capital and radical private risk-taking have to be part of that equation.

The Garcias' family businesses are consistently ranked in the Top Ten Privately –Owned companies in the state. They are extremely well-respected, have deep commitments to the growth and economic vitality of Albuquerque, and have served on the boards of numerous community civic, business, and charitable organizations. With this co-development with NBC Universal, the Garcias are continuing to invest in the cutting edge of innovative industry growth in the community, and providing high quality jobs for Albuquerque area residents.

In 2003, a year after the State film tax incentive legislation was put in place, New Mexico had a direct spend from the entertainment industry of \$7 million. By 2017, this figure had grown to \$505.9 million. In 2004, the City of Albuquerque recognized the economic potential the industry could bring to our community with these new film incentives, and the Albuquerque Film Office was established within the Economic Development Department. The goal was to make Albuquerque the most "film-friendly city" in North America, and attract major film and TV productions, as well as smaller independent films. The Film Office has received numerous national awards for its high quality professionalism, responsiveness, community support, and ability to process film permitting in record times.

This has led to the development of both direct and indirect film industry businesses and jobs. The majority of these crew members are technical trade workers who hold positions in set, electric, grip and construction departments and typically make a higher average wage than that of similar occupations in other industries. The film industry builds solid middle class jobs, where carpenters can earn \$25/hr instead of \$18/hr in other industries, painters can earn \$28/hr instead of \$16/hr, and tailors and dressmakers earn \$25/hr instead of \$11/hr.

The impact of the film industry also extends beyond the crew. There is the indirect impact in Albuquerque from the monies spent at local lumber, glass and paint stores, for food vendors and local security companies and insurance companies. The production companies pay local office owners and home-owners location rental fees and often lease warehouses, parking lots and City buildings. The overall economic impact is far and wide throughout the community.

Under the Local Economic Development Act, the State of New Mexico and its local governments are empowered to offer discretionary incentives to companies that support economic development projects that foster, promote, and enhance local economic development efforts. Qualifying entities for these incentives per statute include(s): A business in which all or part of the activities of the business involve the supplying of products and services to the general public, governmental agencies, or a specific industry or customer, but, other than as provided in Paragraph E of the statute subsection, not including businesses primarily engaged in the sale of goods or commodities at retail. As such, the NBCU project represents a qualifying entity under State and City laws.

It is important to note that for this project, the evaluation criteria normally addressed in a LEDA project around job creation has to be addressed differently, due to the nature of the film industry. The focus, evaluation, and performance requirements for this project are structured around the economic investment in both Direct and Indirect spend. While we know that this results in hundreds of jobs, the performance measures and penalties/clawbacks are built around their ability to meet these financial commitments. Production companies' jobs are not permanent, they vary depending on the production.

The City's LEDA Ordinance requires that economic development projects requesting economic assistance from the City shall clearly demonstrate the benefits that will accrue to the community, and that the qualifying entity is making a substantive contribution to the community. Our analysis clearly demonstrates that by fulfilling the commitment for \$420 million in Direct Spend and another \$80 million in Direct and/or Indirect Spend for a total production spending investment of \$500 Million, the NBCULEDA Project will be providing a high degree of benefits to the community and a strong substantive contribution.

The LEDA application, as shown in Exhibit 1 provides details of the Project and the investment to be created, and associated community economic impacts, which are further analyzed below.

Exhibit 2 delineates the required Project Participation Agreement ("PPA") between NBCU and the City. The PPA is summarized in Section V.

This project includes a fiscal impact analysis prepared by the University of New Mexico's Bureau of Business and Economic Research (BBER) Exhibit 3. The fiscal impact determination of the Project is from information the Company provided. The analysis shows that, based on the assumptions contained therein, the company would be making a substantive contribution to the community, and would generate more than \$2.125 million in net new tax revenues to the City above its initial investment, and that the City would recoup the value of its investment within ten years.

PROJECT ANALYSIS: The project, as proposed in the project application, will be analyzed in accordance with the Local Economic Development Act project criteria as provided by City Ordinance F/S O-04-10.

I. PROJECT ELIGIBILITY

1. QUALIFYING ENTITY

City enabling legislation (F/S O-04-10), as well as the State Local Economic Development Act, establishes a definition for a "Qualifying Entity" eligible for LEDA funding assistance. Netflix qualifies under the Act and the Ordinance by meeting the following definition:

***Qualifying entity.* A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:**

A business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in paragraph E of this definition; not including businesses primarily engaged in the sale of goods or commodities at retail;

2. ECONOMIC DEVELOPMENT POLICIES AND OBJECTIVES

The City's enabling legislation also states that applications for LEDA assistance, which meet the policies and objectives of the City's community economic development plans, shall receive priority. NBCU qualifies as the type of project that meets the City's identified economic development priorities under the following categories:

- (2) **Private companies seeking to build, expand, or relocate facilities;**
- (3) **Private companies which provide facilities or services which enhance the abilities of Albuquerque businesses to operate**

In addition, the project meets the Economic Development Department's criteria for Economic Development Incentives:

- *Leverage our Core Assets;
- *Implement Place-Based Strategies;
- *Focus on High-Growth Specialties
- *Support Focused and Positive ROI Projects
- *Create Economic Base Jobs

II. LAND USE, PLAN AND DESIGN ELEMENTS

1. PLAN & ZONING:

The proposed project consists of two facilities located at 1601 Commercial Street NE and 1901 Broadway Boulevard NE, just northeast of Downtown and the intersection of Lomas and Broadway Boulevards. The proposed use of the facilities by the Company would not require a change in zoning.

The owner of the 1601 Commercial NE sound stage facility is La Corona Real, LLC, a New Mexico limited liability company, which is co-owned by Ed, Toby, Carlos and Sheilah Garcia. La Corona Real, LLC owns other redevelopment property in downtown Albuquerque as well.

1601 Commercial: IDO Zone District: NR-LM, IDO District Definition: Light Manufacturing, mixed use industrial. This property is currently zoned for uses that include soundstages for motion picture and television filming.

Legal Description: Tract lettered "A" of LAND OF MATTEUCCI TRUST, being a replat of Tract B-2, Lands of Pete Matteucci and Tract 1, Lands of Matteucci Trust and Springer Corporation, situate within the Town of Albuquerque Grant in Projected Section 17, Township 10 North, Range 3 East, New Mexico Principal Meridian, City of Albuquerque, Bernalillo County, New Mexico, as the same is shown and designated on the plat thereof filed in the Office of the County Clerk of Bernalillo County, New Mexico, on June 14, 2012, in Map Book 2012C,

Folio 73.

The separate 1901 Broadway NE grip and lighting facility is also owned by the Garcia family and is zoned NR-L.M. Light Manufacturing.

Legal Description: Lot numbered Six-A-2 (6-A-2) in Block numbered Ten-A (10-A) of Franciscan Acres being a Replat of Lot 6-A, Block 10-A, Franciscan Acres, situate within the Town of Albuquerque Grant in Projected Section 8, Township 10 North, Range 3 East, N.M.P.M., City of Albuquerque, Bernalillo County, New Mexico, as the same is shown and designated on the plat thereof, filed in the office of the County Clerk of Bernalillo County, New Mexico on May 6, 2004 in Plat Book 2004C, Folio 139.

The larger 1601 Commercial sound stage facility consists of 80,146 sq. ft. on 3.97 acres of land. The smaller 1901 Broadway grip and lighting facility consists of 10,040 sq. ft. on 1.14 acres. The Garcia family acquired the larger 1601 sound stage building from the Matteucci family in 2017, and began renovation to re-purpose the large warehouse for multiple possible uses, later settling on use as a sound stage and studio production facility after Netflix became the exclusive owner of Albuquerque Studios at distant Mesa del Sol.

Lifeline Construction, SMPC Architects, ECO Electric, Mechanical Concepts (for HVAC), and CH Mechanical (for plumbing) are heavily involved in the remodeling.

The Garcias acquired the smaller 1901 grip and lighting building in 2019 from the local Thermo King operator, who will soon be relocating his trailer-refrigerator sales and service business to a new facility on Albuquerque's Westside. The grip and lighting building was acquired by the Garcias as a "Qualified Opportunity Zone" property under the new 2017 federal tax reform law.

The project is located in a Federal Opportunity Zone, the Martineztown Santa Barbara Metropolitan Redevelopment Area and an economically distressed community designated by the state and certified by the U.S. Secretary of the Treasury.

2. LAND USE:

The area surrounding the properties consists of older industrial warehouse, distribution, and commercial facilities constructed of brick, stucco, and metal, including the Springer Industrial Center. The property at 1601 Commercial has been vacant, and 1901 Broadway contains a truck warehousing, repair, and maintenance business which is building a new facility and moving to the west side.

Other employers and users in the area of the studios at 1601 Commercial include to the north, building materials supply business, restaurant supply, estate consignment warehouse, a scaffolding supply business, and dairy supply. To the east there is a gravel road supply facility and auto-related warehouses. To the west there is the railroad tracks and more warehouse/distribution facilities. The Springer Industrial Center warehouses continue to the south. Farther out, beyond the warehouse/industrial uses but west of I-25, are the neighborhoods of Wells Park, Downtown, Santa Barbara, Martineztown, and Silver Platinum Downtown

NBCU and Garcia Realty and Investment are making more than \$4 million worth of improvements and renovations to the facilities, vastly improving a well-worn industrial building.

These capital expenditures include improvements that expand the facility, extend the facility's useful life, increase production capabilities at the facility, or otherwise directly improve the facility in furtherance of the Project, and shall be in addition to regular maintenance or acquisition of equipment. The impact on existing industry and commerce for the construction work is anticipated to be favorable, as the work is being done by local construction companies, infusing capital into the local economy. The NBCU Project is anticipated to have a neutral environmental impact, other than the average water and electricity usage associated with typical film production facilities and offices and is not expected to generate significant noise or waste pollution. In terms of parking, 115 off-street parking spaces are provided (111 required) and additional capacity is provided by nearby on-street parking and the availability of a large 6-acre area at 1301 Broadway owned by the Garcia's and included as a contingency in the lease. Broadway Boulevard is classified as a regional principal arterial roadway, a high-capacity urban road designed to deliver traffic to freeways and urban centers at the highest level of service possible, and there is a traffic signal at Broadway and Odelia leading to the site on Commercial. In fact, the new zoning designation under the IDO is for Light Manufacturing uses, compared to the previous one of SU-2 HM for Heavy Manufacturing (M-1).

The project would support: a) An Economic Development Strategy for Albuquerque/Bernalillo County to attract, develop and retain responsible and responsive businesses; nourish expansion of existing and new local businesses; and emphasize economic base companies; and b) The Comprehensive Plan Economic Development Policies to: encourage expansion of export-based business to customers across the country that strengthen the economy; encourage prospective employers willing to hire local residents and able to diversify the employment base; development of local business enterprises as well as the recruitment of outside firms. As mentioned above, the project also supports the economic development priorities and objectives of the City's Local Economic Development Act.

The NBCU Project further supports the Economic Development Department's criteria for the use of incentives as described above.

3. INFILL:

The project involves existing buildings. A map of the area is attached. As mentioned above, no extension or relocation of utility or road systems is anticipated. There are adequate utilities and roads to the facility, the infrastructure needed is in place, and the area currently serves as an employment destination.

4. DESIGN AND CONSERVATION:

The existing facilities are compatible with the surrounding uses, and the renovations to the buildings and sidewalks constitute an improvement. Although, the Project does not anticipate any direct investment creating, producing or using renewable energy or renewable energy technologies, the renovation has incorporated water-saving technologies and xeriscaping, and NBCU has an established Sustainability Policy. Water use will be typical for film production and general office environments.

No historic properties are involved.

The project consists of existing land and buildings. The current tenant at 1301 Broadway has a new facility under construction on the westside, and is expected to move there in the next couple of months.

NBC Universal has a very strong “Sustainable Television Production Program,” which is referenced in their Application.

5. RENEWABLE ENERGY:

This Project will not produce any renewable energy or renewable energy products.

III. ECONOMIC BENEFITS

6. COMPETITION:

In the Albuquerque area, Albuquerque Studios and I-25 Studios also service the film and TV industry as rental facilities. Close to Albuquerque, Santa Fe Studios, the Fulcrum facility, and Garson also house television and film productions. Due to our tax incentive, the experienced crew, the great weather, and our proximity to Los Angeles, productions continue to flock to New Mexico. NBCU’s move to Albuquerque will enhance the area’s reputation and desirability, especially coming after the recent Netflix purchase of Albuquerque Studios. It is expected to further solidify the State as a production hub and bring even more attention to the industry and State. It is likely that the surrounding competitive studios will reap positive benefits from the overflow productions and the added benefit of having one of the largest entertainment companies in the world with a home in Albuquerque.

7. JOBS:

This project and industry is different in its calculations of jobs and benefits from some other LEDA projects we have reviewed, due to the nature of the film production industry. That is why the commitment for capital spending is the benchmark used in evaluating this project, and not the direct jobs created and sustained permanently by an individual company.

We know that each film/TV production has its own budget and its own crew, and that these vary by show. It is not necessarily that NBCU itself will be creating a large permanent staff, but their own TV and film productions, as well as the other production companies that will lease the facility, will create hundreds of jobs.

What NBCU has committed to is a total of \$500 Million in production spending over ten years-- Direct Spend of \$420 million in New Mexico from their own or their affiliates’ productions, and an additional \$80 million in either Direct Spend or Indirect Spend -- that they will book from other production facilities using the 1601 Studios facilities. They have further committed to a Direct Spend of \$210 million and Indirect Spend of \$40 million by December 31, 2023. They will generate a minimum of \$65 million in Direct or Indirect Spend within Bernalillo County every two years, for a total of \$325 million over the ten year period.

Experience over time has led the NM Film Office and the company to be able to provide some averages, based on productions shot here. They show a translation of film production amounts

and the average number of Full Time Equivalents (“ FTE’s”) that can be calculated relevant to the level of spending.

With a projected Production Spend of \$500 million in New Mexico, the company estimates it could create up to approximately 333 annual full time equivalent jobs. Furthermore, given the nature of the film production industry, the number of people directly and indirectly employed over the course of the year will be much more significant, with a total direct, indirect, and induced employment of 609 on an average annual basis. It is important to note that not all of these jobs last for 12 months. It is an industry where daily jobs average from 8-16 hours per day, with the norm being in the 12-14 hour a day schedule. TV productions will generally last for 7-8 months and then break. A very positive aspect about the NBCU LEDA project, is that it is going to add to much more steady employment for Albuquerque and New Mexico film crews, because the company is committed and on-line to make multi-million dollar investments with its own and other productions every year for ten years.

UNM’s BBER report, utilizing information provided by the Company, estimates an average wage of \$58,210. Multiplied by 333 for direct jobs equals \$19,383,930 in direct NM resident payroll in year one. NBCU anticipates wage inflation of 2% annually, so the annual average would be approximately \$21.225 million, which is 42% of the \$50 million annual budget.

Additionally, the plan is to work with the Company and pre-existing educational programs to help establish a comprehensive program that trains students that want to pursue careers in the film industry.

Furthermore, NBCU’s director mentorship program (NBCUnitips.com) will provide a stipend to an aspiring director from the local community who will have the opportunity to shadow a director(s) for a period of one to three episodes, including prep and post. The candidates are intended to represent the diversity of the communities from which they are drawn. NBCU commits to one participant each year, for the 10-year period of the agreement, and will make a best effort to allow up to two participants each year.

The project shall provide \$55,000, per year, for the 10-year period of the agreement, to fund workforce development initiatives in the state. These workforce development programs will be run through educational institutions that exist in the state today. NBCUniversal will also provide its trainers to assist local educational institution staff in developing appropriate training programs.

It is important to note that the vast majority of workers benefitting from New Mexico film productions are in middle class technical trade positions, 56%, according to the table below, from *New Mexico Film Production Tax Incentive Study, Phase II Report, October 2015*.

Specialization by department and/or type of production will occur after an individual gains experience (or industry “credits”). Once a specialty is chosen, career advancement of New Mexico residents will occur through their acquisition of relevant skills and supported by the Film Crew Advancement Program referenced herein.

The majority of these crew members are technical trade workers who hold positions in set, electric, grip and construction departments and typically make a higher average wage than that of

similar occupations in other industries. The film industry builds solid middle class jobs, where carpenters can earn \$25/hr instead of \$18/hr in other industries, painters can earn \$28/hr instead of \$16/hr, and tailors and dressmakers earn \$25/hr instead of \$11/hr. (See Table 7 from the New Mexico Film Production Tax Incentive Study Phase 2 Report included in the following pages.)

3.3 EMPLOYMENT CREATED BY JOB CATEGORY AND TYPE OF POSITION

Table 3 provides an estimated breakdown of direct employment generated by the film production tax incentive in New Mexico by job category or department, based on payroll company data obtained for this study⁸. Please note that this breakdown includes only those positions held by New Mexico residents.

The data suggest that technical trades comprised the majority (approximately 56 percent) of direct jobs held by New Mexico residents. Within the technical trade job category, the majority of employment was in the set, electric, grip and construction departments, which comprised 58 percent of technical trade positions.

TABLE 3: NEW MEXICO FILM INDUSTRY DIRECT EMPLOYMENT BY JOB CATEGORY

Job Category / Department	Percent of Direct Employment (%)
Key Creative Team	0.8
Performing Artists	9.8
Production Department	9.4
Camera Department	5.1
Technical Trades	56.0
Accounting	1.8
Art	1.7
Casting	1.4
Construction	6.6
Electric	8.5
Grip	6.9
Hair and Makeup	3.7
Location	2.8
Property	5.7
Set	10.2
Sound	1.5
Special Effects	2.1
Wardrobe	3.1
Post Production	0.2
Other Support Services	18.7
Transportation	11.4
Other	7.3
Total	100.0

Source: New Mexico payroll data from 2010 to 2014 provided to MNP

Moreover, the payroll company data indicates that approximately one-fifth (or 20 percent) of direct employment held by New Mexico residents were managerial positions. This included positions such as

⁸ Please note that the payroll company data obtained for the study represents a total payroll count of 12,144 New Mexico residents over a five year period (2010 to 2014).

TABLE 7: COMPENSATION COMPARISON IN NEW MEXICO

Occupation	Hourly Wage in New Mexico		
	All Industries ¹ 5	Film and Television Industry ¹ 6	Film and Television Industry (including overtime) ¹⁷
Producers and Directors	\$32.04	unavailable	unavailable
Coordinators - Construction, Paint and Scenic ¹⁸	\$29.38	\$31.52	\$34.67
Accountants	\$26.46	unavailable	unavailable
Crane Operators ¹⁹	\$26.38	\$24.86 – \$26.01	\$27.90 – \$28.61
Sound Engineering Technicians ²⁰	\$26.78	\$31.52	\$34.67
Truck Drivers – Heavy and tractor-trailer	\$25.25	unavailable	unavailable
Camera Operators Television Video and Motion Picture	\$23.17	unavailable	unavailable
Electricians ²¹	\$23.03	\$24.86 – \$26.01	\$27.90 – \$28.61
Set and Exhibit Designers ²²	\$22.73	\$24.86 – \$26.01	\$27.90 – \$28.61
Carpenters ²³	\$17.86	\$24.86 – \$26.01	\$27.90 – \$28.61
Film and Video Editors ²⁴	\$17.06	\$24.86 – \$26.01	\$27.90 – \$28.61
Emergency Medical Technicians and Paramedics ²⁵	\$16.80	\$27.54 – \$28.75	\$30.90 – \$31.63
Audio and Video Equipment Technicians ²⁶	\$16.64	\$24.86 – \$26.01	\$27.90 – \$28.61
Painters ²⁷	\$16.13	\$27.54 – \$28.75	\$30.90 – \$31.63
Plasterers ²⁸	\$14.98	\$24.86 – \$26.01	\$27.90 – \$28.61
Secretaries and Administrative Assistants	\$14.65	unavailable	unavailable
Construction Laborers	\$13.45	unavailable	unavailable
Hair Dressers ²⁹	\$12.94	\$27.54 – \$28.75	\$30.90 – \$34.67
Tailors, Dressmakers, and Sewers ³⁰	\$10.85	\$24.86 –	\$27.90 –

\$26.01

\$28.61

Source: Bureau of Labor Statistics - Occupational Employment Statistics (OES) survey,
IATSE Area Standard Agreements

¹⁵ U.S. Bureau of Labor Statistics, Occupational Employment Statistics (OES) survey, mean hourly wage as of May 2014, including full time and part time wage and salary workers (in non-farm industries).

¹⁶ Hourly wage for the same category in the film and television industry excluding overtime, as reported in the IATSE Area Standard Agreement.

¹⁷ IATSE hourly wage including overtime based on a 10-hour work day or 50-hour work week. The average hourly wage was calculated as the weighted average of the regular hourly rate for 8 hours and 1.5 times the regularly hourly rate for 2 hours (or 40 hours and 1.5 times the regular hourly rate for 10 hours).

¹⁸ Compared with IATSE wage for Coordinator - Construction, Paint and Scenic, (Theatrical Motion Pictures).

¹⁹ Compared with IATSE wage for Crane Operators (Pilots and Theatrical Motion Pictures).

²⁰ Compared with IATSE wage for Sound Mixer / Recordist (Theatrical Motion Pictures).

²¹ Compared with IATSE wage for Electrician (Pilots and Theatrical Motion Pictures).

²² Compared with IATSE wage for Dressers On Set Off Set Swing Gang and Set Decorator (Pilots and Theatrical Motion Pictures).

²³ Compared with IATSE wage for Prop/Model Makers, (Pilots and Theatrical Motion Pictures).

²⁴ Compared with IATSE wage for Non-Record Video/ Video Assist, (Pilots and Theatrical Motion Pictures).

²⁵ Compared with IATSE wage for First Aid – Emergency Medical Technician, Paramedic, Registered Nurse (Pilots and Theatrical Motion Pictures).

²⁶ Compared with IATSE wage for Non-Record Video/ Video Assist, (Pilots and Theatrical Motion Pictures).

²⁷ Compared with IATSE wage for On Set and Set Painters, (Pilots and Theatrical Motion Pictures).

²⁸ Compared with IATSE wage for Sculptors/Plasterers, (Pilots and Theatrical Motion Pictures).

²⁹ Compared with IATSE wage for Key and Assistant Hair/ Key and Assistant Make-Up (Pilots and Theatrical Motion Pictures).

³⁰ Compared with IATSE wage for Seamstress/ Tailor/ Stitcher/ Sewer (Pilots and Theatrical Motion Pictures).

The Company anticipates utilizing the Film Office version of the “Job Training Incentive Program”, which is called FCAP to assist with their training. The Film Crew Advancement

Program is an on-the-job training program intended for New Mexico crew working in primarily, advanced below-the-line job positions. Qualifying New Mexicans who are interested in adding a new skill set or are ready to move to a higher position within their craft department may apply through the company office upon employment. The majority of positions in this program require some experience in the industry. This program also serves as an incentive for participating companies to provide more job opportunities for NM film and television crew professionals. The program provides a 50% reimbursement of the qualified participants' wages to the participating company for up to 1,040 hours physically worked by the crew member.

IATSE Local 480 represents professional film technicians working "below-the-line" on TV and movie productions in the state of New Mexico, and provides the full insurance benefits.

8. LOCAL PURCHASES

NBCU and Garcia Realty anticipate spending at least \$4,000,000 on renovations and improvements, and are using local contractors. Estimates from NBCU indicate 43% of their annual expenditures will be made in New Mexico (\$21.5 million), and BBE\$R estimates that 70% or more of that will occur in Albuquerque. This means the project will be circulating more than \$15 million in additional expenditures for a variety of local goods and services. All project costs will be funded internally by the company.

When productions come to town, they buy many services and materials from local companies. Some of the top vendors for the industry include; lumber, glass and paint companies. Restaurants, hotels, dry cleaners, equipment rental and local security companies have also seen major benefits from the industry. A breakdown of the types of expenditures made by film companies in New Mexico from 2010-2014 follows.

TABLE 11: TOTAL SPENDING BY EXPENDITURE CATEGORY

Expenditure Category	Total Spending FY 2010 to FY 2014 (in millions)	Share of Total Spending
Equipment Rentals	\$76.6	14.9%
Lodging/Accommodation	\$54.6	10.6%
Rolling Equipment	\$47.1	9.2%
Food/Catering/Food Allowance	\$41.0	8.0%
Construction	\$33.0	6.4%
Location Department	\$29.2	5.7%
Facility/Office Leases/Stages	\$28.7	5.6%
Insurance/Bonding	\$20.8	4.0%
Set Dressing	\$19.2	3.7%

Special effects/Props	\$18.9	3.7%
Travel	\$12.1	2.4%
Wardrobe	\$11.9	2.3%
Fuel/Gasoline	\$11.7	2.3%
Non-Film Vehicles	\$10.3	2.0%
Post production	\$6.5	1.3%
Office Supplies/Furniture	\$6.2	1.2%
Facility/Location Fees	\$2.5	0.5%
Other	\$83.5	16.2%
Total Spending on Goods and Services	\$513.9	100.0%

Source: New Mexico Film Office

IV. PROJECT FEASIBILITY

9. COST/ FEASIBILITY/ FINANCING:

(Eligible LEDA project assistance is found in the definition of an “economic development project” contained in the Local Economic Development Act (5-10-3 NMSA 1978), which specifies that the direct or indirect assistance may include “the purchase, lease, grant, construction, reconstruction, improvement, or other acquisition or conveyance of land, buildings, or other infrastructure...” among other items.) LEDA funds may not be used to purchase equipment.

Upon completion of the project, the estimated appraised value of the facility is anticipated to be no less than the cost of the facility. The investment by the Company is anticipated to improve the appraised value of the real property.

NBCU and Garcia Realty are investing more than \$4 million to renovate and equip the property. NBCU will be making lease payments of \$98,000 monthly, \$1,176,000 annually. NBCU has requested \$3,000,000 from the City’s Local Economic Development Act fund to assist with these lease costs.

The public funds will be disbursed under the terms of the Project Participation Agreement (PPA). The City will be reimbursing 60% of the lease cost (\$58,800 monthly/ \$705,000 annually) until the \$3 million runs out, in approximately 51.02.

Monthly Payment:	58,800
Total Payment:	3,000,000

CY	Months	Payment
2019	6	352,803
2020	12	705,606
2021	12	705,606
2022	12	705,606
2023	9.02	530,380
	51.02	3,000,000

The State Economic Development Department proposes to provide \$7,700,000 in State Local Economic Development Act (LEDA) funds, with the City acting as fiscal agent for the State funds, for additional lease reimbursements. That transaction is not under review as part of this process.

Additionally, NBCU is committed to \$420 million in Direct Production Spend in New Mexico on TV and film productions, and another \$80 million in Direct and/or Indirect Spend. And they are committed to \$500,000 annually for marketing Albuquerque and New Mexico and \$55,000 annually for workforce development programs over the ten years.

Additionally, NBCU will continue improvements to the Facility; occupy and operate the Facility as a production base for various film, television and media productions and related activities for its own content for at least 10 years; lease the Facility to third-parties for production of film, television and media content; commit to \$500 million in Direct and Indirect Spend in New Mexico by December 31, 2029, comprised of at least \$420 million in Direct Spend and \$80 million in Indirect Spend, and of the \$500 million commitment, NBCU commits to a Direct Spend of \$210 million and an Indirect Spend of \$40 million in New Mexico by December 31, 2023, and commits to ensure NBCU generates a minimum of \$65 million in Direct and/or Indirect Spend every two years within the boundaries of Bernalillo County for ten years.

NBCU will develop a marketing strategy, in concert with the State and City to promote New Mexico and Albuquerque with a value of at least \$500,000 annually for 10 years, which will include social and digital media as well as other distribution platforms.

The company will provide at least \$55,000 annually for 10 years to fund workforce development programs in the State which will be run through educational institutions currently existing in the State, and NBCU will provide its trainers to assist in developing appropriate training programs; will provide a stipend to an aspiring director from the State, through NBCU's director mentorship program (NBCUnitips.com), who will have the opportunity to shadow a director(s) for a period of one to three episodes, including prep and post, and will use best efforts to include two participants annually.

NBCU further commits to include an end screen credit with a State/City logo as appropriate in all productions in which a film production tax credit is claimed acknowledging that the production was filmed in the State of New Mexico/City of Albuquerque

Funding is subject to City Council approval. Netflix is responsible for their own and the City's fees related to the LEDA applications and associated legal or other administrative fees, including the fiscal impact analysis.

10. DEVELOPER'S RECORD:

NBCU is a global company that owns and operates a valuable portfolio of news and entertainment television networks, a premier motion picture company, significant television production operations, a leading television stations group, world-renowned theme parks, and a suite of leading Internet-based businesses. NBCU is a producer and distributor of media content for 18 cable and broadcast networks the company owns, including USA network, Bravo and SYFY. NBCU is also a distributor of theatrical releases produced by its feature film divisions, Universal Pictures, Focus Features, Working Title Films, Blumhouse and independent producers. The company, through its Universal Pictures division has been producing films for more than a century and was also the first broadcaster in the United States, continuously transmitting since 1926 through its NBC network. NBCU also has a long standing, valued production relationship with New Mexico, including a particular connection to Albuquerque. In the past decade NBCU produced in New Mexico the feature film, *Paul*, six television pilots and four television series, including the USA networks series, *In Plain Sight*, and the NBC network series, *The Brave* and *Midnight, TX*. NBCUniversal is a subsidiary of Comcast Corporation, which has more than 700 employees in New Mexico.

NBCU has received numerous awards and recognition, leading the industry in areas such as Human Rights Campaign Corporate Equality Index, particularly in relation to corporate policies and practices related to LGBT employees. They have been recognized as one of the Best Companies for Diversity by Black Enterprise Magazine, and in the Top Ten Corporations by Hispanic Business for diversity. In addition they have received numerous awards for Workforce Excellence, Best Places to Work, Best Places for Women in Telecommunications, Best at Recruiting Veterans, and Excellence in Employment Opportunities for people with disabilities, and Multi-cultural Marketing Awards.

The Site Director has not been determined at this time.

Based on the description given in the project plan, management appears to be qualified to manage the project.

11. FISCAL IMPACT ANALYSIS

This Project includes an impact analysis prepared by the University of New Mexico's Bureau of Business and Economic Research (BBER) as required given the project is a recipient of City funds.

While different factors had to be considered in producing this report due to the nature of the film industry, it is the same fundamental model that has been used on more than a dozen other City LEDA projects that the Economic Development Department has brought to this Council in the past six years.

V. PROJECT PARTICIPATION AGREEMENT

Pursuant to the Local Economic Development Act, Sections 5-10-1 to 5-10-13 NMSA 1978 ("LEDA"), the City adopted Ordinance No. F/S 04-10 (the "LEDA Ordinance"), approving an economic development plan for the City and authorizing the City to consider applications for economic development assistance. The Ordinance calls for the preparation and approval of a Project Participation Agreement (PPA), which is the formal document, which states the contributions and obligations of all parties in the LEDA project. The agreement must clearly state the following items:

- (1) **The economic development goals of the project;**
- (2) **The contributions of the City and the qualifying entity;**
- (3) **The specific measurable objectives upon which the performance review will be based;**
- (4) **A schedule for project development and goal attainment;**
- (5) **The security being offered for the City's investment;**
- (6) **The procedures by which a project may be terminated and the City's investment recovered; and,**
- (7) **The time period for which the City shall retain an interest in the project. Each project agreement shall have a "sunset" clause after which the City shall relinquish interest in and oversight of the project.**

B. Each project participation agreement shall be adopted as an ordinance and adopted by the Council at a public hearing.

1. COMPANY CONTRIBUTION

The PPA states that, in exchange for certain LEDA assistance described below, NBCU will undertake and complete a certain project defined and includes the following elements (the "Project"):

- The investment of \$4,000,000 from NBCU and Garcia Realty and Development for the improvement and rehabilitation of approximately 83,000 square feet of commercial real estate located at 1601 Commercial Street NE and 1901 Broadway Boulevard NE, both located in the City for uses including, but not limited to 1) studio facilities, 2) lighting and grip operations, and 3) production transportation capabilities to support NBCU and third-party film and television productions in the Albuquerque market (the "Facility");

- Occupy and operate the Facility to serve as a production base for various film, television and media productions and related activities for its own content and to lease the facility to third-parties for production of film, television and media content;
- Commitment to maintain and operate the Facility for a minimum of ten (10) years;
- NBCU commits to \$500 million in Direct and Indirect Spend in New Mexico by December 31, 2029, comprised of at least \$420 million in Direct Spend (defined herein), and \$80 million in Indirect Spend (defined herein). Of the \$500 million commitment, NBCU commits to a Direct Spend of \$210 million and an Indirect Spend of \$40 million in New Mexico by December 31, 2023;
- As part of the commitment for \$500 million in Direct and Indirect spend, NBCU commits to generate a minimum of \$65 million in Direct Spend and/or Indirect Spend every two years in the Albuquerque metropolitan area within the boundaries of Bernalillo County, New Mexico for the term of this Agreement, to be measured every two years beginning December 31, 2021;
- NBCU will develop a marketing strategy in concert with the State and City to promote New Mexico and Albuquerque with a value of at least \$500,000 annually for the 10-year term of this Agreement, which will include social and digital media as well as other distribution platforms;
- NBCU will provide at least \$55,000 annually for the 10-year term of this Agreement to fund workforce development programs in the State which will be run through educational institutions currently existing in the State, and NBCU will provide its trainers to assist in developing appropriate training programs;
- NBCU's director mentorship program (NBCUnitips.com) will provide a stipend to an aspiring director from the State who will have the opportunity to shadow a director(s) for a period of one to three episodes, including prep and post. The candidates are intended to represent the diversity of the communities from which they are drawn. NBCU commits to one participant annually for the 10-year term of this Agreement and will use best efforts to include two participants annually;
- Commitment to include a screen credit with a State logo in all productions in which a film production tax credit is

claimed acknowledging that the production was filmed in the State of New Mexico;

- Commitment to include a screen credit with a City logo, and acknowledgement of the City, in all productions filmed within the Albuquerque metropolitan area within the boundaries of Bernalillo County, New Mexico.

- a. Time Commitment. NBCU and Garcia Realty and Development intend to invest \$4,000,000 for the improvement and rehabilitation of the Facility with operations at the Facility to begin as soon as possible thereafter. NBCU intends to provide over \$500,000,000 in direct and indirect production spending in New Mexico for television and film productions. NBCU will continue to occupy the Facility and diligently conduct operations at the Facility in the manner contemplated by this Agreement at least through December 31, 2029.

2 .PUBLIC SECTOR PARTICIPATION

1. The State Contributions; Procedure for Disbursement of the State Contributions. The City anticipates that the State Contribution of up to \$7,700,000 will be delivered to the City for subsequent disbursement to NBCU based on NBCU's satisfaction of target objectives as set forth herein, following enactment of the Project Ordinance and execution of this Agreement and an Intergovernmental Agreement between the State and the City. The City will submit an invoice to the State and request transfer of the State funds. Upon receipt, the City will place the State Contribution into a separate account established in connection with the Project, as required by law. If, and only if, the City receives the State Contribution, the City will disburse the State Contribution to NBCU in the manner described in this Agreement. The State Contribution will be disbursed as lease reimbursements at a rate of 40% of actual documented paid lease costs until the City has distributed all of its \$3,000,000 City Contribution, and thereafter at a rate of 100% of actual documented paid lease costs until the City has distributed all of the \$7,700,000 State Contribution.

2. The City Contribution. Pursuant to the Project Ordinance and the LEDA Ordinance, the City has committed an amount of up to \$3,000,000 to be used in connection with the Project. As required by the LEDA Ordinance, the City will deposit the proceeds of the City Contribution into a clearly identified separate account, which account will be subject to an annual independent audit. The City Contribution will be disbursed as lease reimbursements at a rate of 60% of actual documented paid lease costs.

3. Clawbacks.

A. Performance Clawback Requirements. If on December 31, 2023, NBCU's Direct Spend and Indirect Spend is less than 90% of the \$250 million performance target as set forth herein, NBCU will pay a penalty equal to the percentage shortfall multiplied by the cumulative total State LEDA funds and City LEDA funds distributed to NBCU at that time. If on December 31, 2029, NBCU's Direct Spend and/or Indirect Spend is not at least \$250 million, in

addition to the \$250 million in Direct Spend and Indirect Spend as of December 31, 2023, NBCU will pay a penalty equal to the percentage shortfall multiplied by the cumulative total State LEDA funds and City LEDA funds distributed to NBCU at that time.

Example:

Direct Spend after five years is \$200,000,000 (80% of \$250,000,000 requirement)

City Funds Distributed: \$3,000,000 for Lease Reimbursement

State Funds Distributed: \$2,350,000 for Lease Reimbursement

Total City and State: \$5,350,000

Penalty (% amount of \$225,000,000 below 90% allowance factor) = 10%

Amount Due: \$535,000

B. Waiver of Performance Clawback. If at any time after December 31, 2023, NBCU reaches a total of \$500 million in Direct Spend and/or Indirect Spend, with at least \$420 million in Direct Spend, NBCU may request in writing to the City that their security be released and clawback penalties to be waived, no such request shall be unreasonably denied.

C. Facility Closure Clawback. Should NBCU cease operation, or notify the City of its intent to cease operation, of the Facility before December 31, 2029, NBCU shall, within ninety (90) days of the cessation of operations, pay to the City, in cash, an amount equal to a specified percentage of the amount of the City Contribution and State Contribution paid pursuant to this Agreement, with the specific percentage based on the date of cessation of operations in accordance with the following table:

Date of Cessation of Operations	Percent of Public Contributions to be Repaid
On or before December 31, 2024	100%
From January 1, 2025 through December 31, 2026	60%
From January 1, 2027 through December 31, 2029	25%

Winding down of the Company's operations at the Facility in preparation for a cessation of operations may be considered a cessation of operations, and any such determination will be made by the City in its sole reasonable discretion.

D. Maximum Clawback; Unpaid Payments. Notwithstanding anything herein to the contrary, the maximum aggregate clawback payable hereunder will be \$10,700,000, not including interest. Any clawbacks not paid when due shall bear interest at the Prime Rate plus 2% per annum from the due date until paid. "Prime Rate" means the U.S. prime rate as reported from time to time in *The Wall Street Journal* in its Bonds, Rates and Yields table, or successor

F. Change in Business Climate. Notwithstanding the foregoing, if NBCU fails to achieve the performance targets as identified in Section 7.A herein, or a Facility closure occurs as provided in Section 7.C herein, and believes Business Climate Changes were the cause for its failure to meet such requirements or for the Facility closure, NBCU will so advise the City in writing describing the Business Climate Changes in detail. “Business Climate Changes” mean substantial changes outside of the control of NBCU, in the segment of the industry in which NBCU operates, that cause a significant decrease in the amount of production NBCU is able to achieve. The shifting of NBCU’s operations to another Project, whether within or outside of Albuquerque, will not constitute a Business Climate Change. If the City determines that Business Climate Changes affect NBCU’s ability to achieve the required performance targets or results in the closure of the Facility, after consultation with and concurrence of the State EDD, it may waive or modify the clawback, and may withhold future contributions to NBCU. The City must operate with good faith in making any such decision. However, NBCU has the right to invoke the dispute resolution procedures set forth in paragraph 12 of this Agreement before any clawback related to performance targets or to closure of the Facility is required. Any clawback ultimately due will be paid within the later of 15 days after the City notifies NBCU of its decision or, if NBCU invokes the dispute resolution procedures of paragraph 12, within 15 days after a final determination is made that the clawback is required.]

8. Security. To secure the performance of its obligations under this Agreement, NBCU will provide the City an acceptable form of security in favor of the City.

11. Annual Reporting Requirement, Performance Review and Termination. Annually (reporting beginning in 2021 for activities in calendar year 2019 and calendar year 2020), on or before March 1 or other date agreed to by the City and NBCU, NBCU will provide to the City data for the previous calendar year regarding its production performance and such other information necessary for the City or its independent contractor to determine whether NBCU has met its obligations under this Agreement. NBCU shall provide data for Direct Spend for the previous year and cumulative totals for the Project to date, and shall work with the City to obtain data to confirm Indirect Spend for the previous year and cumulative totals to the Project to date. Beginning December 31, 2021, and every other year thereafter on December 31 during the term of this Agreement, NBCU shall provide data supporting a minimum of \$65 million in Direct Spend and/or Indirect Spend every two years in the Albuquerque metropolitan area within the boundaries of Bernalillo County, New Mexico.

As required by the LEDA Ordinance, the Project will be subject to an annual performance review conducted by City staff, which will evaluate whether the Project is attaining the goals and objectives set forth in Section 2 of this Agreement. This review shall be presented to the City administration and the City Council. If the goals and objectives are not being attained due to NBCU missing the aforementioned benchmarks, the City will work in good faith with NBCU regarding the missed benchmarks; however, the City Council at a public hearing may terminate assistance to the Project by passage of an ordinance which terminates this Agreement and specifies the disposition of all assets and obligations of the Project, after satisfying this Agreement and all rights of the parties arising under this Agreement through the date of such termination. [NBCU has the right to invoke the dispute resolution procedures set forth in paragraph 12 herein before any clawback related to performance targets is required.] In addition, pursuant to LEDA, the City may enact an ordinance terminating the LEDA Ordinance and dissolving or terminating any or all projects. In the event that the City terminates the LEDA Ordinance or this Agreement, the City

will specify the disposition of all assets and obligations of the Project after satisfying this Agreement and all rights of the parties arising under this Agreement through the date of such termination.

FINDINGS:

1. LEDA-19-1 is a qualifying entity as defined by the State's Local Economic Development Act and the City enabling legislation (F/S O-04-10);
2. LEDA-19-1 would make positive substantive contributions to the local economy and community by renovating older industrial facilities in Albuquerque, and committing to \$500 Million in TV, film, and media productions, comprised of at least \$420 million in Direct Spend and \$80 million in Indirect Spend, including \$65 million in Direct and/or Indirect Spend every two years in the Albuquerque metropolitan area and committing to operate for at least ten years,
3. LEDA 19-1 will make further positive contributions by committing to develop a marketing strategy in concert with the State and City to promote New Mexico and Albuquerque with a value of at least \$500,000 annually 10years, which will include social and digital media as well as other distribution platforms;
4. LEDA 19-1 will further benefit the community by NBCU providing at least \$55,000 annually for 10 years to fund workforce development programs in the State including their director mentorship program (NBCUnitips.com);
5. LEDA 19-1 will further enhance the community's reputation as a positive business location by including a screen credit with appropriate State/City logos in all productions in which a film production tax credit is claimed acknowledging that the production was filmed in the State of New Mexico/City of Albuquerque;
6. LEDA 19-1 has demonstrated the financial capability to undertake and successfully manage the Project and provided acceptable Security;
7. LEDA-19-1 would comply with the adopted City plans and policies, enhance a Metrooolitan Redevelopment Area and Federal Opportunity Zone, and meet community economic development priorities and objectives, and a substantive contribution to the community; and
8. LEDA-19-1 would adequately meet the evaluation criteria established by the City, including the requirement that the City recoup the value of its investment within ten years.

STAFF RECOMMENDATION:

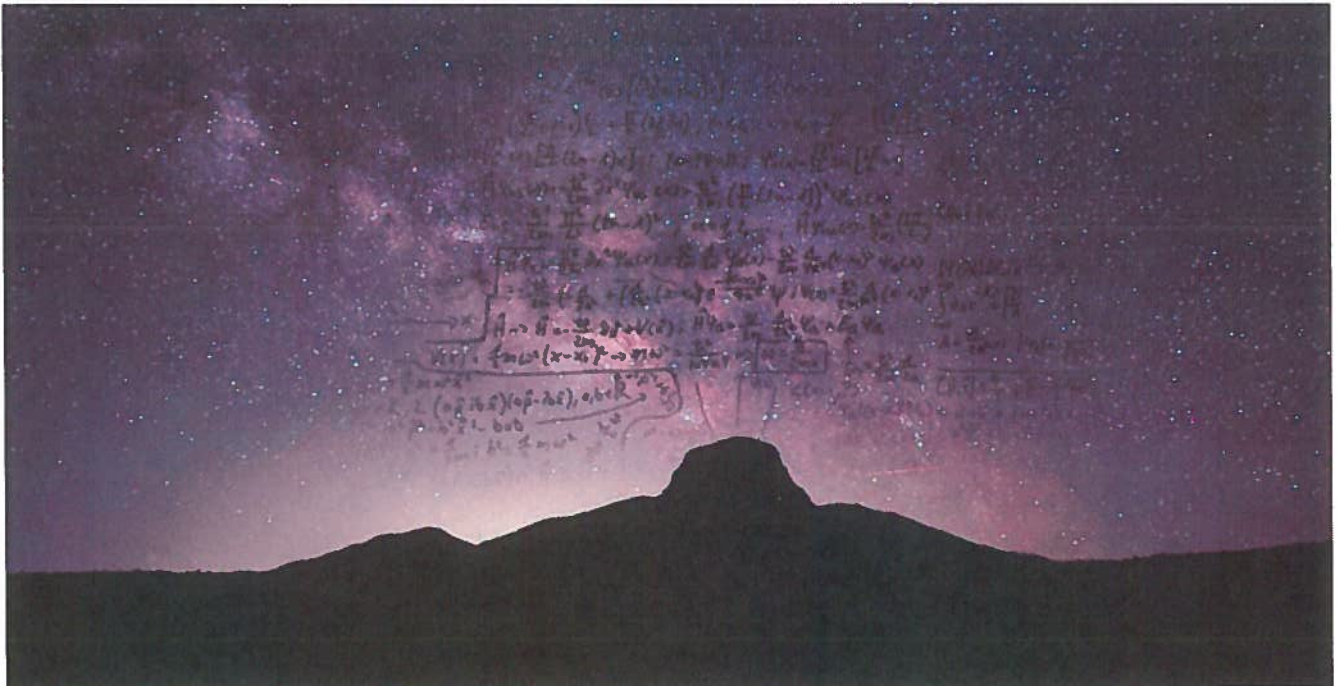
Based on the above findings, staff recommends approval of LEDA-19-1 as proposed in the project application, and the accompanying Project Participation Agreement.

Prepared by:
Deirdre M. Firth, Deputy Director
Economic Development Department

June 2019

FISCAL IMPACT ANALYSIS OF THE PROPOSED NBCUNIVERSAL PROJECT IN THE CITY OF ALBUQUERQUE

Prepared for the City of Albuquerque
Prepared by Julian Baca + Jeffrey Mitchell



**BUREAU OF BUSINESS
& ECONOMIC RESEARCH**

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1. Introduction

NBCUniversal Media, LLC (NBCU) is proposing to partner with Garcia Realty and Development to upgrade the television and film production studio located at 1601 Commercial Street and commit to television production totaling \$500 million dollars in New Mexico over ten-years. In exchange the City of Albuquerque will be providing NBCU with a Local Economic Development Act (LEDA) grant totaling \$3 million. NBCU and Garcia Realty plans to spend a minimum of \$4 million on the rehabilitation of existing buildings and stages over the life of the agreement.

The City of Albuquerque (the City) requested BBER conduct a fiscal impact analysis of NBCU's proposal to complete the filming and production of television series in Albuquerque. Importantly, this analysis only considers the City of Albuquerque incentives and the ensuing fiscal impact on the City and does not include any other incentives received from the State of New Mexico.

An investment of NBCU in the City of Albuquerque will create jobs and generate income to City residents working in the television and film production industries that are directly and indirectly contracted by NBCU. NBCU productions will employ New Mexico-based workers in the television and film production industry while adding new jobs filled by New Mexicans. These employees will in turn spend their earnings to buy goods and services in the community, which will further generate gross receipts tax for the City of Albuquerque. The \$4 million in renovations at the 1601 Commercial Street facility may add slightly to the property value and help generate additional property tax for the City.

Because all growth comes at a cost, the additional economic activity and population growth stimulated will generate additional costs in terms of providing basic infrastructure (roads and utilities) and public services (including public safety and schools). For example, if NBCU hires employees from outside the City, the population for which the City government must provide services also increases. Specifically, for every one person increase in the City's population, due to the hiring and relocation of workers residing outside the City, the City government's costs are estimated to increase by \$1,792 per year.¹

There are three main assumptions in this analysis. First, the City of Albuquerque does not forego any gross receipts revenues in connection with state tax credits and rebates, thus collects 100% of tax revenues generated in connection with NBCU productions due to the City for production completed in Albuquerque. Second, the \$500 million to be spent by NBCU is a net increase over any expenditures that may otherwise occur absent this agreement. Finally, 70% of all spending will occur in Albuquerque for which the City of Albuquerque will collect tax revenues.

¹ Estimation is based on 2018 city budget and 2016 U.S. Census population estimate.

2. Background

NBCU will enter a long-term venture with Garcia Realty and Development to upgrade the facilities located at 1601 Commercial Street NE, Albuquerque, NM 87102, Tract "A" of Land of Matteucci Trust (a replat of Tract B-2, Lands of Pete Matteucci and Tract 1, Lands of Matteucci Trust and Springer Corporation). Formerly an 83,000 Square Feet (s.f.) warehouse, the renovated facility will include two sound stages for film and television production (approximately 18,000 s.f. each) with substantial space for office/support areas, storage and a mill.

This analysis is based on self-reported budget and expenditure information provided by NBCU in their LEDA application submitted to the City of Albuquerque. These data consists of payroll and goods & services spending for three recent productions (2 TV series and 1 TV series pilot). The average per production New Mexico expenditures, for these three series, \$26.42 million for a total of \$79.25 million. Pursuant to the NBCU application, spending on NM resident crew and talent averaged 43% of NM expenditures, NM goods & services averaged 42%, and spending on Nonresident Talent averaged 15%. According to the NBCU application, they expect to support 333 Full Time Employees (FTE) per year for their \$500 million in New Mexico spending over the next 10 years.

The following section discusses the choice of methodology used for this analysis in detail.

3. Methodology

The fiscal impact analysis process involves several steps. First, BBER gathered relevant information about the project and identified its footprint in the City economy. To measure the footprint, BBER estimated direct, indirect, and induced impacts of the project in the City. These impacts are measured in terms of employment, economic output, and labor income. Second, BBER measured the direct, indirect and induced jobs, and associated labor income that would be due to the project, including disposable income derived from annual employee wages. Nearly 60% of salaries and wages are taxable, some are allocated to pay for federal income taxes, some for state income taxes, and others go to purchases of food and drugs, which are not taxed, while some is spent out-of-state and escapes NM taxation. With a broad-based gross receipts tax, however, much of the local spending is taxed, with whatever is left going to savings or to paying off debt.

Third, BBER estimated GRT associated with company purchases. NBCU provided information on expected company purchases, which is expected to average 42% of total spending in NM, or \$21 million per year. Fourth, the property tax was estimated using estimated employment increases and per capita property tax that goes to the City.

Finally, BBER estimated the per capita cost of City services and increased population due to increased non-resident population and increased resident activities in the City. Importantly, fiscal impact analysis results are dependent on basic assumptions, and different assumptions can compel sharply different results. The following are the major assumptions used in this analysis:

1. All New Spending is a Net Gain: This analysis assumes that the entire \$500 million, or an annual average of \$50 million per year, spent by NBCU will represent a net gain in film and television production. Similarly, this analysis assumes that all employment resulting from this agreement, associated with both construction and production, are a net gain to activity in Albuquerque. Conservatively, we assumed that at least 70% of production employment (and related tax revenues) will be completed in Albuquerque.
2. Previous Production Expenditures: The multipliers developed for the estimation of impacts of this proposed project were based on historical budget data provided by the applicant. The historical budget data was taken from completed TV series, for which data was consistent across expenditure types. Absent exact location information on the historical expenditures, we assumed all expenditures occurred in Albuquerque.
3. Company purchases: This analysis assumes, net of food and medical nontaxable expenditures, that 70% of NBCU purchases will occur in the City of Albuquerque and that these purchases are 100% taxable. Specifically, this analysis assumes that the City of Albuquerque does not forego any gross receipts in connection with state film incentives, or otherwise, and does not consider the impact of other possible incentives outside the \$3 million LEDA grant (e.g. JTIP, NM Film Tax Credits, Rebates, or otherwise). That is the City will receive its full GRT rate on the goods & services spent on future productions in Albuquerque.
4. Company sales: NBCU sales are to non-New Mexico customers, thus Albuquerque will not generate any taxes in connection with the distribution of NBCU productions.
5. Export: Increasing exports is one of the ways to grow a regional economy. Albuquerque will benefit if capital is coming from out of state sources. When a new employer relocates to Albuquerque from outside New Mexico, there is potential to bring new money into the Albuquerque economy for land acquisition, land development and construction. All investment in real property and the related fiscal impacts are treated as net impacts to the City. This includes GRT associated with construction employees' expenditures, indirect and induced construction employees' expenditures and company local purchases of goods and services for construction.
6. Property value: NBCU's investment in the proposed location may increase property value. In NBCU's LEDA application they listed \$4 million dollars in facility improvements (we assumed this investment to include renovations and equipment purchases). This investment should result in incremental property taxes for Albuquerque.
7. City Cost: With the assumption that not all employees will be hired locally, many of the NBCU employees may have specialized skills and may come from out of state sources. This will result in an increase of the City population. On average, City of Albuquerque is spending \$1,792 (per person) to provide City services to existing residents. NBCU increased operations in Albuquerque will add cost to the City by increasing population.

4. Results

BBER estimated both the fiscal impacts of construction as well as the NBCU's proposed production in Albuquerque with the information made available to us for this analysis. As discussed above, incorporating the assumptions aforementioned, NBCU's proposed spending in the City of Albuquerque will bring a net positive fiscal benefit to the City over a period of ten years, net of the pledged City LEDA funds.

The final column of the following table shows that the NBCU proposal to spend \$500 million on television and film production in New Mexico with at least 70% in the City of Albuquerque over the next ten-years will generate an estimated \$2.1 in net tax revenue by the final year of the project period, and that the project will become tax positive by the end of year 6.²

² Assumes annual spending detailed in LEDA application.

Table 1. Estimated Tax Revenues for Proposed NBCU Project, Including Incremental Tax, Present Value of City Taxes and Net Tax Increment, and Cumulative Net Present Value by Year (\$-dollars)

	City Donation		Gross Receipts Taxes				Total	City	Fiscal Impact					
	City Donation	Project Payments	Net City Donation	Company Employees	Indirect and Induced Employees	Company Purchases			Compensating Tax	Construction	Property Tax	Other Taxes	Revenues	Costs
2019	352,800	-	352,800	140,076	13,631	429,343	-	112,190	40,495	3,480	739,215	96,838	289,578	289,578
2020	705,600	-	705,600	143,127	13,903	429,579	-	-	40,149	3,480	630,238	96,838	(172,200)	121,774
2021	705,600	-	705,600	145,989	14,181	429,819	-	-	39,803	3,480	633,272	96,838	(189,165)	(36,863)
2022	705,600	-	705,600	148,909	14,465	430,064	-	-	39,457	3,480	636,375	96,838	(166,063)	(153,665)
2023	530,400	-	530,400	151,887	14,754	430,314	-	-	39,111	3,480	639,546	96,838	12,309	(181,430)
2024	-	-	-	154,925	15,049	430,569	-	-	38,765	3,480	642,788	96,838	545,950	298,296
2025	-	-	-	158,023	15,350	430,829	-	-	38,420	3,480	646,102	96,838	549,264	708,611
2026	-	-	-	161,184	15,657	431,094	-	-	38,074	3,480	649,488	96,838	552,651	1,229,745
2027	-	-	-	164,408	15,970	431,365	-	-	37,728	3,480	652,950	96,838	556,112	1,681,920
2028	-	-	-	167,696	16,290	431,641	-	-	37,382	3,480	656,487	96,838	559,650	2,125,353

Gross Receipts Taxes, Company Employees: Gross receipts taxes on local purchases by new operating personnel employed by applicant.

Gross Receipts Taxes, Indirect and Induced Employees: Gross receipts taxes on local spending by those supported by company's purchases of local goods and services and by spending by operating personnel.

Gross Receipts Taxes, Company Purchases: Gross receipts taxes on increased company purchases of local goods and services as a result of the project.

Gross Receipts Taxes, Company Sales: Only sales in-state generate gross receipts taxes.

Gross Receipts Taxes, Construction: Gross receipts taxes on contractor receipts and on local spending by construction workers and those supported indirectly by the project.

Property Taxes: Property taxes that to be paid on land, buildings, other real assets.

Other Revenues: Increased employment, resulting from the project, will increase Albuquerque's population and this new population will pay taxes and various City charges for services. Taxes include property tax operating and debt service levies, franchise fees, State-shared revenue distributions other than gross receipt, permits and charges for services, including rent on city properties. In addition, franchise taxes on electricity purchased by the applicant are included.

Total Revenues: Gross receipt tax revenues and other revenues associated with the additional population resulting from the project.

City Costs: Costs of providing City services and infrastructure to the additional population and additional employment supported by the project. Costs include general fund expenditures, the subsidy for Transit, city street

Fiscal Impact, Present Value: Present value of the stream of annual net fiscal impacts discounted to current values. Here the discount rate is the real rate of interest on GO bonds.

Fiscal Impact, Cumulative: The running total of state present value fiscal impacts over the life of the Industrial Revenue Bond, where the last year is the net present value of the Industrial Revenue Bond.

APPLICATION
for
LOCAL ECONOMIC DEVELOPMENT ACT (LEDA)
Project Approval

Name of Project: 1601 Studios

Location of Project: 1601 Commercial Street NE, Albuquerque, NM 871102

Company Name: NBCUniversal Media, LLC

Contact Person: Brian O'Leary

Address: 30 Rockefeller Plaza, New York NY 10112

Telephone: 212-664-2227

Email: brian.o'leary@nbcuni.com

Counsel: _____

Address: _____

Telephone: _____

Amount Requested: _____ Fee Submitted: _____

FOR STAFF USE

Staff Assigned: _____

Case Number: _____

Fee Received: \$ _____

ADC Hearing Date: _____

Council Dates (Tentative): Introduction _____
Committee _____ Council Hearing _____

PREFACE

This Application is being submitted to the Development Commission of the City of Albuquerque for review prior to consideration by the City Council of an Ordinance for the Local Economic Development Act in accordance with Council Ordinance O-04-10. Pursuant to those Council actions this is the first step towards the issuance of an ordinance pursuant to: the Local Economic Development Act (5-10-1 to 5-10-13 NMSA 1978 as amended); or, pursuant to the home rule powers of the City given by Article X, Section 6 of the New Mexico Constitution and the City's Charter.

The Plan contains the information required by City Council Ordinance O-04-10 and conforms with and compliments the policies established for the local Economic Development Act pursuant to that Council action.

The purpose of the Application is to identify the project area and to present the plan and the uses to which the LEDA proceeds will be put if issued. This Application is presented to demonstrate to the City of Albuquerque the public benefits of this project and to help the City evaluate its merit in comparison to other projects submitted. The applicant and its agent will endeavor to provide the City any additional information reasonably requested.

APPLICATION DESCRIPTION

Please prepare the LEDA application according to the following outline. Headings must be present and visible and all required information included. Please prepare the information needed for the fiscal impact analysis in the same manner but attached separately from the following outline.

I. GENERAL DESCRIPTION

NBCUniversal a global media and entertainment company, will enter into a long term venture with Garcia Realty and Development that co-locates 1) studio facilities; 2) lighting and grip operations; and 3) production transportation capabilities to support NBCUniversal and third-party film and television productions in the Albuquerque market. The new venture will invest more than \$4 million in studio related improvements to substantially upgrade the facilities at 1601 Commercial Street NE, Albuquerque, NM 87102. The property will be developed into 1601 Studios and become the cornerstone of NBCUniversal's New Mexico audio visual operations. During the ten year commitment period, NBCUniversal will spend \$500 million on production (*\$420 million in Direct Spend—dollars generated by an NBCUniversal or related entity production, and \$80 million in Indirect spend—dollars which may be generated from production companies unrelated to NBCUniversal, but operating in 1601 Studios*), in New Mexico for distribution to a global marketplace.

NBCU is a producer and distributor of media content for 18 cable and broadcast networks the company owns, including USA network, Bravo and SYFY. NBCU is also a distributor of theatrical releases produced by its feature film divisions, Universal Pictures, Focus Features, Working Title Films, Blumhouse and independent producers. The company, through its Universal Pictures division has been producing films for more than a century and was also the first broadcaster in the United States, continuously transmitting since 1926 through its NBC network.

The owner of the 1601 Commercial NE sound stage facility is La Corona Real, LLC, a New Mexico limited liability company, which is co-owned by Ed, Toby, Carlos and Sheilah Garcia. La Corona Real, LLC owns other redevelopment property in downtown Albuquerque as well.

The separate 1901 Broadway NE grip and lighting facility is also owned by the Garcia family.

The larger 1601 Commercial sound stage facility consists of 80,146 sq. ft. on 3.97 acres of land. The smaller 1901 Broadway grip and lighting facility consists of 10,040 sq. ft. on 1.14 acres. (Legal descriptions for these parcels are attached.)

The Garcia family acquired the larger 1601 sound stage building from the Matteucci family in 2017, and began renovation to re-purpose the large warehouse for multiple possible uses, later settling on use as a sound stage after Netflix became the exclusive owner of Albuquerque Studios at distant Mesa del Sol.

Lifeline Construction, SMPC Architects, ECO Electric, Mechanical Concepts (for HVAC), and CH Mechanical (for plumbing) are heavily involved in the remodeling.

The Garcias acquired the smaller 1901 grip and lighting building in 2018 from the local Thermo King operator, who will soon be relocating his trailer-refrigerator sales and service business to a new facility on Albuquerque's Westside. The grip and lighting building was acquired by the Garcias as a "Qualified Opportunity Zone" property under the new 2017 federal tax reform law.

The Garcia family's business and real estate activity in Albuquerque began almost 100 years ago with "Toby's Truck Parts," located at the northeast corner of what is now Rio Grande Blvd. NW and I-40 in Albuquerque's near north valley.

Grandfather Toby's son Julian Garcia and his wife Sheilah Garcia then became the first large-scale imported new motor vehicle dealers in New Mexico, with Toyota and Honda, starting in the 1960's.

When Julian Garcia died in 1984, Sheilah assumed operation of the dealerships, until she was able to pass the family tradition along to her sons Edward, Toby and Carlos. Another son, Garrett, is a BMW motorcycle dealer in Raleigh, North Carolina. And daughter Pilar works in Albuquerque for a global company based in Houston, while raising two daughters. Since assuming dealership operations from Sheilah, Edward, Toby and Carlos have added dealerships representing many line-makes in Albuquerque, Santa Fe and El Paso.

After the shock of the 2008 financial crisis, Ed Garcia decided in consultation with his family to redeploy approximately one-third of the family's capital into real estate redevelopment in Albuquerque, with the idea that "we need make Albuquerque what it should be, in order to keep our kids in New Mexico," and based upon the notion that private capital and radical private risk-taking have to be part of that equation.

NBCUniversal requests \$10.7 million of LEDA funds to be used to reimburse a portion of the lease costs related to the project, \$7.7 million from the State and \$3 million from the City of Albuquerque (who will act as fiscal agent for the State funds). Lease costs for the two facilities will total \$98,000 monthly and \$1,176,000 annually, for a total cost of \$11,760,000.

- *Benefit to be gained by the Albuquerque community from this development.*

The project will generate significant economic impact in the greater Albuquerque area and also function as an anchor tenant in a designated Opportunity Zone potentially triggering additional direct investment in the community. In addition to the significant direct and indirect spending commitments related to its production operations (as listed above), NBCUniversal will support critical tourism and marketing as well as workforce development goals of Albuquerque and New Mexico. The company will develop a marketing strategy, in concert with the State and City, to promote New Mexico and Albuquerque. This marketing strategy will have a value in excess of \$500,000, per year, for the 10-year period of the agreement, and will include social and digital media, as well as other distribution platforms. NBCUniversal also commits to include a screen credit with a State and/or City logo in all productions at a placement in the end credits of NBCU's choosing in which a film production tax credit is claimed acknowledging that the production was filmed in the State of New Mexico/City of Albuquerque.

NBCUniversal will undertake a two part approach to furthering a world class production work force in New Mexico. First, the company shall provide \$55,000, per year, for the 10-year period of the agreement, to fund workforce development initiatives in the state. These workforce development programs will be run through educational institutions that exist in the state today,. NBCUniversal will also provide its trainers to assist local educational institutional staff in developing appropriate training programs. NBCUniversal's director mentorship program (NBCUnitips.com) will provide a stipend to an aspiring director from the local community who will have the opportunity to shadow a director(s) for a period of one to three episodes, including prep and post. The candidates are intended to represent the diversity of the communities from which they are drawn. NBCUniversal commits to one participant each year, for the 10-year period of the agreement, and will make a best effort to allow up to two participants each year.

II. SITE AND EXISTING CONDITIONS

A. Legal Description

The first property is commonly known as 1601 Commercial Street NE and the property owner is La Corona Real, LLC, a company owned by the Garcia Family.

Legal Description: Tract lettered "A" of LAND OF MATTEUCCI TRUST, being a replat of Tract B-2, Lands of Pete Matteucci and Tract 1, Lands of Matteucci Trust and Springer Corporation, situate within the Town of Albuquerque Grant in Projected Section 17, Township 10 North, Range 2 East, New Mexico Principal Meridian, City of Albuquerque, Bernalillo County, New Mexico, as the same is shown and designated on the plat thereof filed in the Office of the County Clerk of Bernalillo County, New Mexico, on June 14, 2012, in Map Book 2012C, Folio 73.

The second property is located at 1901 Broadway Boulevard NE, and is owned by Garcia QO27 LLC.

Legal Description: LT 6-A-2 BLK 10-A LOTS 6-A-1 AND 6-A-2 BLOCK 10-A
FRANCISCANACRES BEING A REPLAT OF LOT 6-A BLOCK 10-A
FRANCISCANACRES CONT 1.1415 AC

B. Prevailing Site Conditions

The existing buildings are approximately 83,000 Square Feet (s.f.) in total and are primarily one story. There is 60,000 s.f. free-span warehouse with approximately 25' height, and approximately 12,500 s.f. of office and support area (2,000 s.f. of which is on an interior second level (not really a second story), plus 7,500 s.f. of covered loading docks/ramps and storage.

There is an existing freestanding one-story metal shop/storage building (not sprinklered), which is approximately 3,000 s.f. The grand total is therefore approximately 83,000 s.f. The building is situated on approximately 4 fully improved acres.

The building located at 1901 Broadway Boulevard NE ("1901 Building") is comprised of approximately 10,050 s.f. of storage space.

See the attached Elevation, Site Plan and Floor Plan showing anticipated build-out as of March 2, 2019.

It is Type IIB, Sprinklered. The warehouse is constructed of concrete tilt up panels and steel, the office/support areas are constructed of CMU blocks and steel.

The property was purchased by the Garcia Family in 2017, at which time it was primarily vacant.

Soon after the property acquisition, the Garcia Family and its advisory team including SMPC Architects and Vince Di Gregory of Lifeline Building Sciences, LLC finalized a plan to repurpose the facility for mixed uses.

The new design and the materials for the exterior facade are derived from local context which created a New Mexico 'modern' look and feel.

Completed upgrades to the facility consist of the following new systems, components and assemblies: Electrical service and wiring with 1600+ amp capacity; LED High bay lighting and exterior security lighting; HVAC RTUs in office areas; Radiant tube heaters and evaporative cooling in warehouse and storage areas; 3" water and 6" sewer services; Upgraded fire sprinkler system; Building roof insulation to R-32; Metal roofing on warehouse and TPO on office areas; Interior and exterior paint; Metal gutter and downspout systems; South stair addition with planned future elevator and steel canopy with elevated walkway; Main entry addition with steel canopies and ADA accessibility; Storefront doors and windows; Enclosed East and South docks with new rollup doors;

Metal R-Panel siding, stucco, and stone facades; Concrete walks, city walks, drive entrances and curbs; Landscaping with auto sprinkler.

The project included all new ramps and entrances and upgraded the fire/life safety features.

The scope of the original project is substantially complete. (Interior office space remains to be built-out, according to specific user needs.)

When the team was designing the final phase of the renovation (interior office and support area buildout) talks began with NBCU to convert the facility into stages for film and television production and related use.

At the suggestion of NBCU, the owner added Bastien and Associates, Inc. of Irvine, CA (one of the premier stage architecture firms to the entertainment industry) to the team.

After months of planning, the parties have reached agreement upon conversion of the facility to two sound stages (approximately 18,000 square feet each), with substantial space for office/support areas, storage and a mill.

The surrounding area is composed of mostly older brick, stucco, and metal industrial warehouse and distribution facilities (Springer Industrial Center), as well as building materials supply businesses.

C. Present Assessed Value

For the property at 1601 Commercial, the land is currently assessed at \$519,000 and the improvements at \$1,928,200 for a total assessment of \$2,447,200.

D. Present and Proposed Zoning

1601 Commercial: IDO Zone District: NR-LM, IDO District Definition: Light Manufacturing, mixed use industrial.

This property is currently zoned for uses that include soundstages for motion picture and television filming. This was confirmed during our pre-submittal meeting with the City of Albuquerque which included the City Zoning Code Compliance Manager (Jacobo Martinez) and the Zoning Senior CE Specialist (Vincent Montano).

1901 Broadway: NR-L.M. Light Manufacturing. No zoning change is required.

E. Renewable Energy

NBCUniversal is committed to sustainable production practices and undertakes our company's green initiative best practices at every opportunity. For a complete description of our television sustainability initiatives, please see the sustainability attachments in support of Section III C of this application.

III. PROJECT PLAN

A. Information Concerning Applicant

NBCUniversal (“NBCU”) is a diverse media and entertainment company with operations in the United States and around the world. NBCU is owned by Comcast Corporation, a global media and technology company with extensive investments and 700 employees across New Mexico. The company’s portfolio of assets includes its feature film division, Universal Pictures, which has continuously produced content for more than a century. The company also owns the NBC network, which broadcast both the first radio and television network programming in the United States. With eighteen broadcast and cable networks, a dozen digital media properties as well as animation, feature film and television studios, the company remains well positioned to stay ahead of evolving consumer demands. NBCU also has a long standing, valued production relationship with New Mexico, including a particular connection to Albuquerque. In the past decade NBCU produced in New Mexico the feature film, *Paul*, six television pilots and four television series, including the USA networks series, *In Plain Sight*, and the NBC network series, *The Brave* and *Midnight, TX*. For more information on the applicant and its business operations, please refer to the following: NBCUMV.com.

B. Tax Issues – The following NBCUniversal Media, LLC companies are registered in New Mexico and are in good standing

- a. CACO Holding Company, Inc – Active – TV Production
- b. Filmmaker Production Services Company LLC – Active-Wardrobe, props and curtain rental
- c. GolfNow LLC – Active – online tee time reservations and Hot Deals (discounted green fees)
- d. NBCUniversal Production Services LLC – Active – Payroll company
- e. New Mexico Lighting & Grip Company – Active – Set lighting and grip rental and sales of consumables.
- f. Northern Entertainment Productions Inc – Active – TV Production
- g. Station Operations, Inc. – Active – Managing TV station operations

C. Information Concerning Products and Process

It is not anticipated that the proposed development will generate air, noise or waste pollution or traffic congestion. Please reference the attached exhibits, “NBCU Sustainable Production Infographics” and “Sustainable TV Production Program Overview.”

D. Competition

The competition is global in nature and locally, competition includes I-25 Studios and the Netflix ABQ Studios.

E. Effect on Existing Industry and Commerce during and after Construction
With ten years of investment in production in New Mexico and the City of Albuquerque, NBCU’s presence in the community will lead to new revenue opportunities for businesses

around the state and more good paying employment options for New Mexico residents. The impact of NBCU's investment is perhaps best illustrated by the spending patterns of a recent company project in New Mexico, *Midnight, TX*. (Please see the attached). In the past decade, the studio divisions of NBCUniversal have produced ten seasons of four television series, including *In Plain Sight*, *Dig*, *The Brave and Midnight, TX* as well as distributing four seasons of the New Mexico produced series, *Night Shift*. The company also produced six pilots during this time, as well as filmed or distributed three feature films including the Universal Pictures comedy, *Paul*. NBCU's most recent series, *Midnight, TX* over the course of two seasons paid more than \$32MM in wages to New Mexico workers in front of and behind the camera and over \$30MM to more than four hundred New Mexico based businesses. In total, the company spent more than \$373MM on film and television production in New Mexico.

F. Property Acquisition

The property is subject to a 10-year lease with a right to purchase.

The lease has a base term of ten years, with renewal options thereafter.

The combined rent is \$98,000 monthly / \$1,176,000 annually for the two properties, broken down as follows:

\$91,000 monthly/ \$1,092,000 annually for 1601 Commercial and \$7,000 monthly/\$84,000 annually for 1901 Broadway

G. Description of Proposed Development

The project is the redevelopment and reuse of existing warehouse space that was originally constructed in 1976. The project will develop 37,682 square feet of sound stage space and 45,318 square feet of office, support and mill space. There will be minimal demolition and said demolition will not include any historic property.

H. Infrastructure

All utilities are new and already tied into City infrastructure, including 3" water service, 6" and 4" sewer mains, 8" fireline with new backflow preventer, fire hydrant to be installed.

The major utility items that still need to be brought to the building are power and fiber optic for data. Team engineers are working with PNM engineers to bring the higher capacity electric power supply needed for stage lighting and HVAC sufficient for film production, to the property.

The property can accommodate 115 parking spaces. Annual employment is anticipated at 333 working in front of and behind the camera. Depending on the timing of production throughout the commitment period, NBCUniversal cast and crew working in the facility and around New Mexico will fluctuate with the 333 figure being the average across the term. Parking plan is adequate to service the site. In addition to the parking on the lot at 1601 Commercial, there is on the street parking adjacent to the

property. Further, there is a provision in the lease for additional parking at the Garcia's 6 plus acre property at 1301 Broadway.

I. Area Enhancement

The project is located in a Federal Opportunity Zone, a Metropolitan Redevelopment Area and an economically distressed community designated by the state and certified by the U.S. Secretary of the Treasury. Opportunity Zones have been established to spur economic development and job creation in distressed communities. As a long-term tenant in the facility, the project will significantly impact the immediate and surrounding areas through direct and indirect spending on film, and TV pilots and series productions. The project will substantially enhance overall economic opportunity through significant capital expenditures and inducement of supporting services. The project will therefore generate additional investment possibilities for other Opportunity Zone related investments, leading to an overall improvement of the economic conditions in the area.

J. Local Purchasing

It is expected based on NBCU's experience in New Mexico that an average of approximately 40-45% of NBCU film production expenditures are spent on New Mexico goods and services. As production spending is expected to average \$50 million a year, spending on goods and services is projected to average \$20-25 million a year.

TABLE J-1: HISTORIC SPENDING ON NEW MEXICO GOODS AND SERVICES BY EXPENDITURE CATEGORY

Summary: New Mexico Spending by "Midnight Texas - Season 1", "The Brave - Season 1" and "Briarpatch - Pilot"								
	Midnight Texas		The Brave		Briarpatch		Total of the three NBCUniversal Productions	
	Spending	Percent	Spending	Percent	Spending	Percent	Spending	Percent
NM Resident Crew and Talent (in millions)	\$13.89	45%	\$17.65	41%	\$2.18	42%	\$33.72	43%
New Mexico Goods and Services (in millions)	\$12.40	40%	\$18.59	43%	\$2.39	46%	\$33.38	42%
Nonresident Talent (in millions)	\$4.38	14%	\$7.12	16%	\$0.65	12%	\$12.15	15%
Total Production Spending in NM (in millions)	\$30.67	100%	\$43.36	100%	\$5.22	100%	\$79.25	100%

Breakdown of Spending on Goods and Services (all spending in millions)
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	Midnight Texas		The Brave		Briarpatch		Total of the three NBCUniversal Productions	
	Spending	Percent	Spending	Percent	Spending	Percent	Spending	Percent
Equipment Rentals	\$2.47	20%	\$3.99	21%	\$0.12	5%	\$6.58	20%
Lodging/Accommodation	\$0.60	5%	\$1.02	5%	\$0.20	8%	\$1.82	5%
Rolling Equipment	\$0.96	8%	\$1.46	8%	\$0.28	12%	\$2.70	8%
Food/Catering/Food Allowance	\$0.85	7%	\$1.31	7%	\$0.07	3%	\$2.23	7%
Construction	\$1.54	12%	\$1.88	10%	\$0.09	4%	\$3.51	11%
Location Department	\$0.71	6%	\$1.40	8%	\$0.43	18%	\$2.54	8%
Facility/Office Leases/Stages	\$1.46	12%	\$1.45	8%	\$0.04	2%	\$2.95	9%
Insurance/Bonding	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00	0%
Set Dressing	\$0.50	4%	\$0.96	5%	\$0.17	7%	\$1.63	5%
Special effects/Props	\$0.53	4%	\$0.95	5%	\$0.03	1%	\$1.51	5%
Travel	\$0.30	2%	\$0.42	2%	\$0.06	3%	\$0.78	2%
Wardrobe	\$0.36	3%	\$0.66	4%	\$0.02	1%	\$1.04	3%
Fuel/Gasoline	\$0.12	1%	\$0.16	1%	\$0.03	1%	\$0.31	1%
Non-Film Vehicles	\$0.00	0%	\$0.19	1%	\$0.00	0%	\$0.19	1%
Post production	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00	0%
Office Supplies/Furniture	\$0.08	1%	\$0.12	1%	\$0.10	4%	\$0.30	1%
Facility/Location Fees	\$0.13	1%	\$0.00	0%	\$0.03	1%	\$0.16	0%
Other	\$1.79	14%	\$2.62	14%	\$0.72	30%	\$5.13	15%
Total Spending on Goods and Services	\$12.40	100%	\$18.59	100%	\$2.39	100%	\$33.38	100%

It is expected that local procurement will increase as New Mexico supplier capacity grows with new suppliers entering the market or existing suppliers offering relevant goods or services related to the project. As well, past NBCUniversal television productions in New Mexico have seen their local procurement increase with each year of production (with local procurement increasing by about 9% from Year 1 production to Year 2, and a further increase of about 8% from Year 2 to Year 3).

Given NBCU had no television series or feature film productions committed to New Mexico before the offer of LEDA support all of the foregoing spending is new investment, beginning with the series order for the USA network production *Briarpatch*.

K. Water Conservation

The build out utilizes the installation of high efficiency toilets. The landscaping will be ‘Xeriscaped’, creating a visually attractive landscape using plants selected for water efficiency.

L. Relocation of Individuals or Businesses

The property at 1901 Broadway was purchased by the Garcia’s and post closing was subject to a 6 month sale-leaseback post. The lease expires at the end of June and the tenant, Thermo King, is completing their facility improvements on West I-40 where they will relocate.

M. Number and Types of Jobs Created

The initial \$4 million investment. The NBCU portion is estimated to be \$1.904,000 in studio improvements are projected to create approximately 32 local jobs in construction, with an additional 10 jobs created in supplier industries

Employment from film and television production will be created at three levels:

- 1) With productions (direct employment),
- 2) At businesses that supply goods and services for production (indirect employment),
- 3) At other businesses, as a result of spending by employees at the direct and indirect levels (induced employment)

Based on an analysis prepared by MNP LLP based on prior NBCU productions in New Mexico, MNP projects that approximately 333 direct full-time equivalent (FTE) positions, 134 indirect FTEs and 142 induced FTEs, for a total of 609 FTE positions will be created over the ten-year commitment period. Table M-1, summarizes these employment projections.

TABLE M-1: PROJECTED ANNUAL EMPLOYMENT IMPACTS BASED ON NBCU PRODUCTIONS (in FTEs)

Annual projected employment (FTEs)	
Direct	333
Indirect	134
Induced	142
Total	609

Based on an analysis of prior NBCU productions in New Mexico and validated by a review of the prior reports on the New Mexico film industry prepared by MNP LLP for the New Mexico Film Office (*New Mexico Film Production Tax Incentive Study: Phase 1 and Phase 2*) we have estimated employment by job category for both the projected direct and indirect employment. These estimates are shown in Tables M-2 and M-3.

TABLE M-2: PROJECTED DIRECT EMPLOYMENT BY JOB CATEGORY

Job Category / Department	Percent of Direct Employment (%) ¹
Key Creative Team	0.8
Performing Artists	9.8
Production Department	9.4
Camera Department	5.1
Technical Trades	56
<i>Accounting</i>	<i>1.8</i>
<i>Art</i>	<i>1.7</i>
<i>Casting</i>	<i>1.4</i>
<i>Construction</i>	<i>6.6</i>
<i>Electric</i>	<i>8.5</i>
<i>Grip</i>	<i>6.9</i>
<i>Hair and Makeup</i>	<i>3.7</i>
<i>Location</i>	<i>2.8</i>
<i>Property</i>	<i>5.7</i>
<i>Set</i>	<i>10.2</i>
<i>Sound</i>	<i>1.5</i>
<i>Special Effects</i>	<i>2.1</i>
<i>Wardrobe</i>	<i>3.1</i>
Post Production	0.2
Other Support Services	18.7
<i>Transportation</i>	<i>11.4</i>
<i>Other</i>	<i>7.3</i>
Total	100

¹ Source: New Mexico production spending from NBCU projects and payroll data from 2010 to 2014 provided to MNP

TABLE M-3: ESTIMATED INDIRECT EMPLOYMENT

Industry	Percent of Indirect Employment (%) ²	
Motion picture and video industries	21.6	
Hotels and motels, including casino hotels	13.7	
Commercial and industrial machinery and equipment rental and leasing	11.9	
Retail stores	10.9	
Professional services	10.4	
Construction, including maintenance and repair	5.9	
Transit and ground passenger transportation	5.5	
Real estate establishments	1.8	
Food services and drinking places	1.7	
Automotive equipment rental and leasing	1.6	
Wholesale trade businesses	1.1	
Couriers and messengers	0.5	
Automotive repair and maintenance, except car washes	0.5	
Other	12.9	
Total	100	

Based on an analysis of prior NBCU productions in New Mexico and validated by a review of the prior reports on the New Mexico film industry prepared by MNP LLP for the New Mexico Film Office (*New Mexico Film Production Tax Incentive Study: Phase 1 and Phase 2*) the average annual wage of a direct FTE in 2019 is estimated at \$58,210. The wages of FTEs at suppliers are expected to reflect the state averages for those positions.

- 1) What percentage of the permanent new jobs is expected to be filled by current Albuquerque area residents, as opposed to people relocated from elsewhere?

It is anticipated that approximately 75% of production jobs will be filled by Albuquerque area residents, based on an analysis of NBCU productions previously filmed in the area.

The share of positions held by New Mexico residents by job category reported in the MNP reports are presented in Figure M-1.

- 2) Will jobs benefit low and moderate-income residents?

The jobs are expected to benefit low and moderate-income residents as the hourly compensation for an occupation in the film and television industry working on NBCU

² Source: New Mexico payroll data from 2010 to 2014 provided to MNP

and other studio projects is expected to be higher than the hourly compensation for the same position in other industries. As reported in the prior reports on the New Mexico film industry prepared by MNP LLP for the New Mexico Film Office (*New Mexico Film Production Tax Incentive Study: Phase 1 and Phase 2*), the hourly compensation for an occupation in the film and television industry is also higher than the average hourly wage across all industries and occupations in New Mexico.

- 3) Will the jobs meet or exceed median wages for the industry within the community?

The jobs filled will be at or above union scale for employees

- 4) Will the jobs match skills of current city residents?

Yes, as there is already an established labor pool specific to the film and television industry. However, there is a shortage of trained residents positioned to absorb the growth of production, which is why NBCU is committing to funding and undertaking workforce development measures in New Mexico in close coordination with the state's economic development authority.

- 5) Will new employees be trained to fill the positions?

As noted above, the company has committed to funding work force development programs at CNM as well as an annual mentorship program for local aspiring directors.

- 6) What stated advancement opportunities are there?

Specialization by department and/or type of production will occur after an individual gains experience (or industry "credits"). Once a specialty is chosen, career advancement of New Mexico residents will occur through their acquisition of relevant skills and supported by the Film Crew Advancement Program referenced herein.

Furthermore, NBCU's director mentorship program (NBCUnitips.com) will provide a stipend to an aspiring director from the local community who will have the opportunity to shadow a director(s) for a period of one to three episodes, including prep and post. The candidates are intended to represent the diversity of the communities from which they are drawn. NBCUniversal commits to one participant each year, for the 10-year period of the agreement, and will make a best effort to allow up to two participants each year.

- 7) Will "Job Training Incentive Program" or other job training programs be used?

The project shall provide \$55,000, per year, for the 10-year period of the agreement, to fund workforce development initiatives in the state. These workforce development programs will be run through educational institutions that exist in the state today. NBCUniversal will also provide its trainers to assist local educational institution staff in developing appropriate training programs.

In addition to the above, there are several initiatives in New Mexico to assist with training and development in the film and television industry. In particular:

- New Mexico's Film Crew Advancement Program (FCAP) provides an incentive to employers (production companies) to assist with on-the-job training. FCAP offers reimbursement of 50 percent of a participant's wages for up to 1040 hours worked by a qualifying crew member³. NBCU has used the FCAP program on prior projects in New Mexico to provide opportunities for New Mexico workers to further their craft and the company will look for new possibilities.

8) Will at least 50% of health insurance premiums be covered for employees?

The preponderance of hired workers are union employees and receive benefits through their union affiliation funded primarily through contributions made by the production company, in this case NBCU.

N. Corporate Citizenship Policy/Plan

NBCUniversal and Comcast have extensive programs and initiatives to foster community development and wellbeing in the towns and cities we operate in. Comcast, a global media and technology company that is the corporate parent of NBCUniversal has already established deep connections across New Mexico and the following are examples of the support we offer. Comcast supports volunteerism and community charitable donations in New Mexico in a variety of ways (including but not limited to) Comcast Foundation grants, public service announcements (PSAs), Comcast Cares Day, local sponsorships and the Comcast Leaders and Achievers Scholarship program.

Comcast invested \$6.3 million in cash and in-kind contributions in New Mexico communities in 2017.

The Comcast Foundation provided grant support to the Albuquerque Hispano Chamber of Commerce; Boys & Girls Clubs of Central New Mexico; LULAC National Educational Service Center; Big Brothers Big Sisters of Central New Mexico; and WESST (Women's Economic Self Sufficiency Team).

Comcast Cares Day: In 2018, more than 3,900 volunteers gave back in New Mexico at project sites across the state. Additionally, in recognition of volunteer participation the Comcast Foundation distributed more than \$72,000 in Comcast Cares Day grants to 14 community organizations in New Mexico to help these partners continue their missions of serving the community throughout the year. In 2019, Comcast expects a similar number of volunteers to participate on May 4, 2019. Comcast Cares Day is an annual celebration of our year-round commitment to service, with more than 1,000 projects nationwide.

³ New Mexico Film Office. Retrieved from http://nmfilm.com/Film_Crew_Advancement_Program.aspx

Local sponsorships: Comcast continues to invest in strategic partnerships focused on our community investment priorities: Digital Inclusion, Digital Exploration, Digital Skills in the Workforce, and Volunteerism & Service.

As part of our commitment to digital inclusion, Comcast has connected 132,000 low-income New Mexico residents to low-cost, high-speed internet service through Internet Essentials, the most successful and comprehensive broadband adoption program in the country. NBCUniversal and Comcast are committed to furthering and deepening the already established ties to the New Mexico communities, particularly Albuquerque

O. Positive Contributions

1) Studio Investment:

- a. Transform industrial storage space in a zone designated by New Mexico for revitalization into a best in class sound stage and production support facility with several million dollars of capital investment.
- b. In furtherance of 1601 Studios becoming a fully functioning soundstage complex, NBCUniversal will expand its lighting and grip business to operate at 1601, in addition to current operations at I-25 Studios.

2) Jobs: Total employment is projected to be on average 609 full time equivalent jobs in the New Mexico economy on a year over year basis with an estimated 333 direct production jobs. The total job and economic impact on the local economy are described more fully herein. Given production volume will vary depending on the particular needs and scale of each respective project, it is anticipated that jobs figures will have some variation year to year in the commitment period.

3) Workforce Development: As also described herein, NBCU will undertake steps to develop the local workforce through a director mentorship program as well as underwriting existing development programs in New Mexico.

4.) Tourism & Marketing: NBCU is designing a media integration strategy to further the city and state's priorities in enhancing their respective brands and delivering their messaging with the support of NBCU through different digital and social media platforms within the company's portfolio.

P. Management

The project will be managed by the applicant.

IV. PROJECT FINANCING

A. Cost of Project, LEDA Funding Amount and Private Financing

LEDA funds in the amount of \$10.7M are requested. NBCU will finance 100% of all direct productions. The Garcia's have financed the property acquisition and certain of the improvements, with NBCU absorbing the balance (\$ amount of direct investment by NBCU). NBCU will undertake the additional expenditures related to lighting and grip

equipment, as well as security at the project site. The total project investment between physical production, media integration, workforce development and capital expenditures will be in excess of \$520M over 10 years including lease payments, the vast majority funded (more than \$500MM in production, lease payments and investments in equipment and infrastructure) by NBCU as described above, including indirect spending not incurred by NBCU. The balance will be provided by NBCU's venture partners, the Garcias.

	<u>Estimate</u>
Perms	\$267 K
Acoustical improvements (Silent Roof & Insul-Quilt)	\$295 K
Security / IT	\$475 K
FF&E (NBCU's portion)	\$105 K
Taxes & Fees	\$12 K
Total TI / Capex:	\$1,688 K

B. Estimated Value After Completion

The estimated value of the real and personal property purchase and improvements is estimated to be approximately \$12M, subject to completion.

Current Assessed Value - Land	\$ 519,000
Current Assessed Value - Improvements	\$ 1,928,200
Estimated NBCU Investment	\$ 1,688,000
Current Assessed Value & Est NBCU Investment	\$ 4,135,200

C. Feasibility

As a Fortune 50 company Comcast NBCUniversal has adequate capital to complete the project.

D. Construction Schedule

Construction commenced in March 2019 and is expected to be completed prior to October 1, 2019.

Attachments: Attach to the plan a map location of the project (you may use the base maps from the City Zone Atlas if you wish), and any other information as desired to supplement the plan. If you are attaching glossy or colored printed material, please submit 20 copies.

Exhibits

Exhibit A Application for LEDA Assistance

Exhibit B Letter of Credit/Surety Bond



Imagery ©2019 Google, Map data ©2019 Google 100 ft



1601 Commercial St NE

Albuquerque, NM 87102



Directions



Save



Nearby

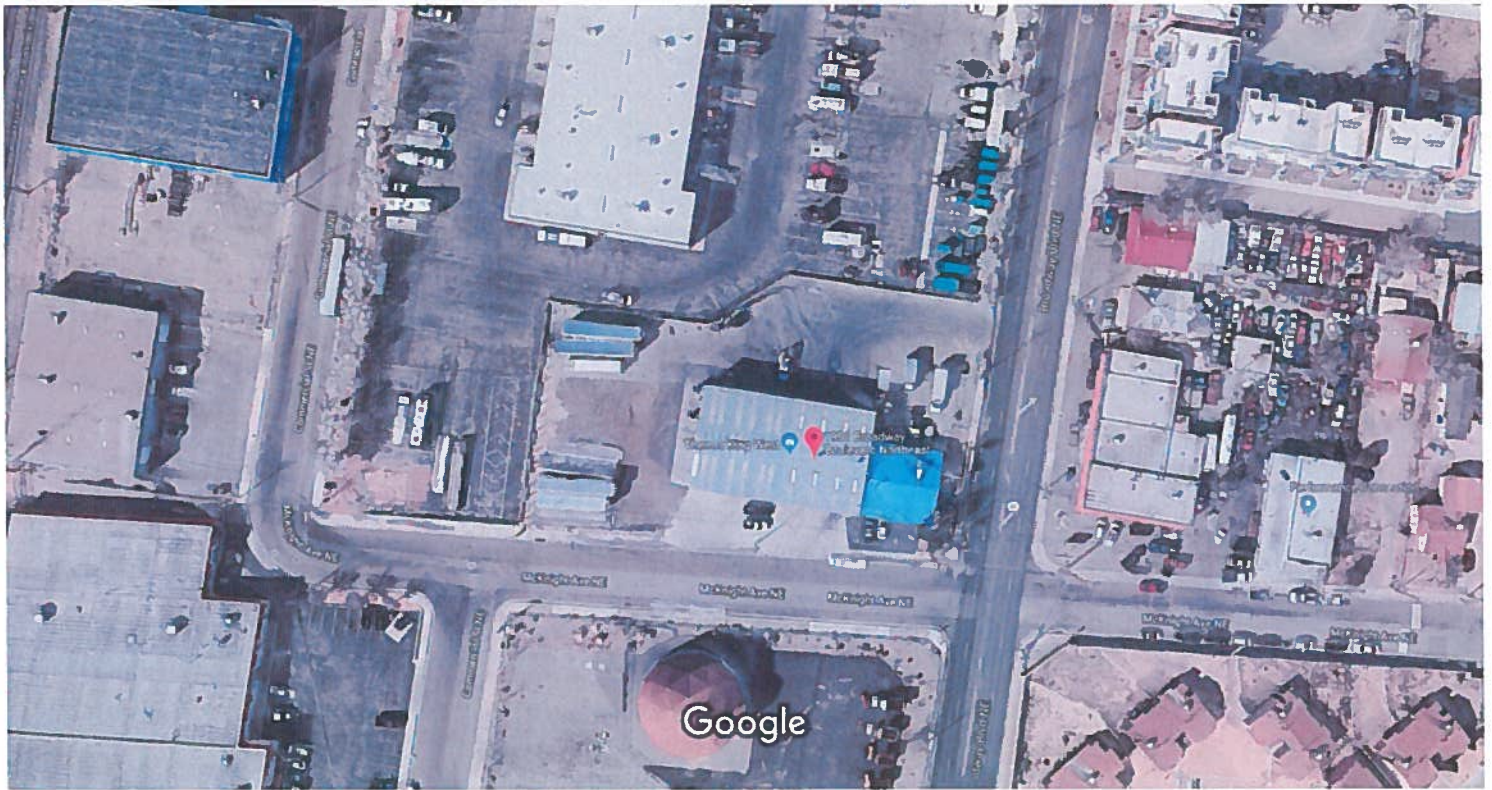


Send to your phone



Share

Photos



Imagery ©2019 Google, Map data ©2019 Google 50 ft



1901 Broadway Blvd NE

Albuquerque, NM 87102



Directions



Save



Nearby



Send to your phone



Share

Photos



MIDNIGHT, TEXAS

PILOT & SEASON 1 AND 2 NM ECONOMIC IMPACT

\$ 74,000,000 +

NM Production Spend

\$ 32,000,000 +

NM Resident Payroll

FCAP Wages: \$800,000 +

400+ NM Vendors

Film Equipment Rentals \$5.96M

Construction Costs \$3.60M

Facility/Prod Offices \$3.52M

"Rolling Equipment" Rentals \$2.34M

Food \$2.28M

Location Dept. \$2.00M

Lodging/Accommodations \$1.98M

Set Dressing \$1.36M

SPFX/Props \$1.36M

Other \$6.40M

Spend by Location



Employment Impact

4,000+

NM Resident Crew/Talent/Extras

922,000 +

Hours Worked

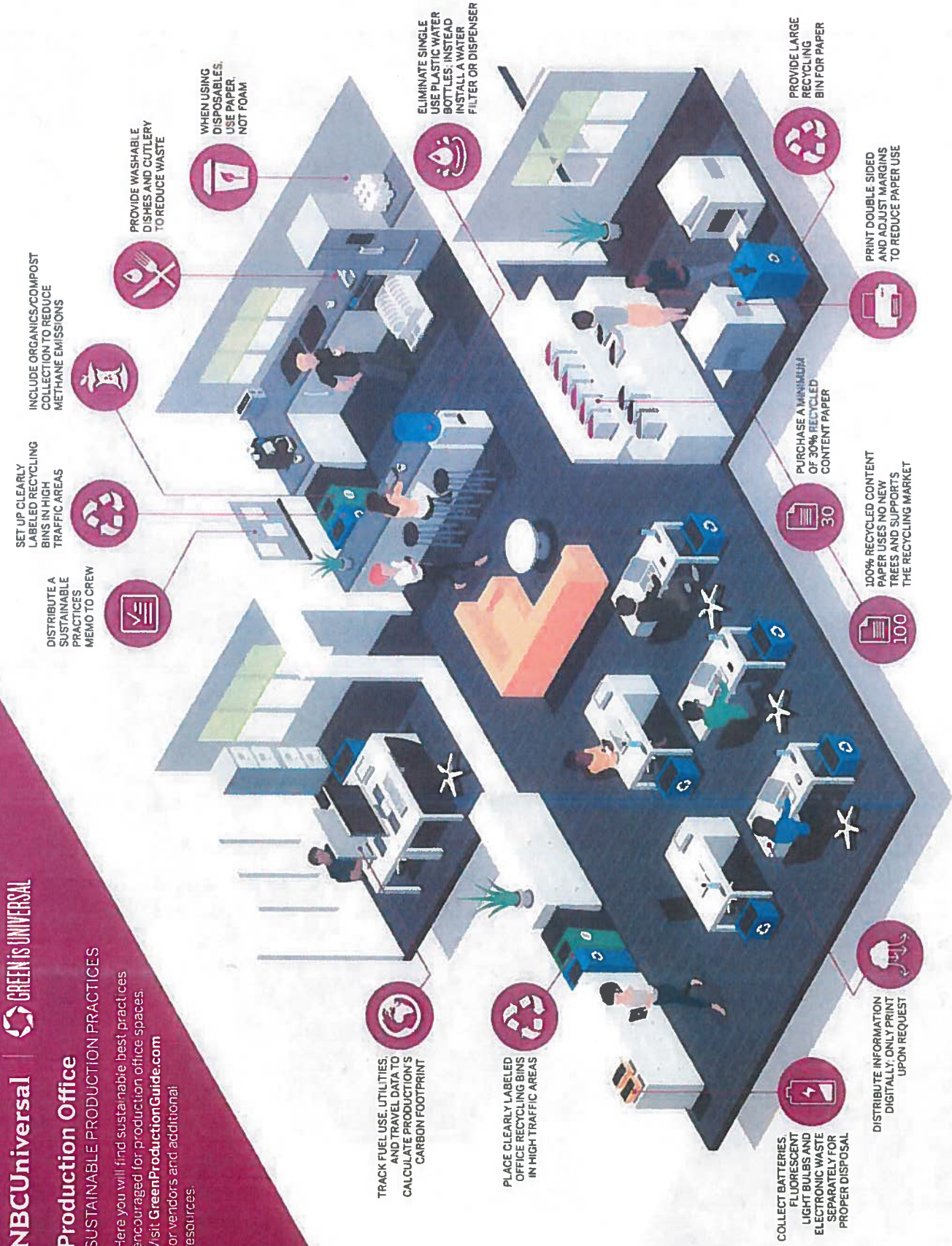


NBCUniversal

Production Office

SUSTAINABLE PRODUCTION PRACTICES

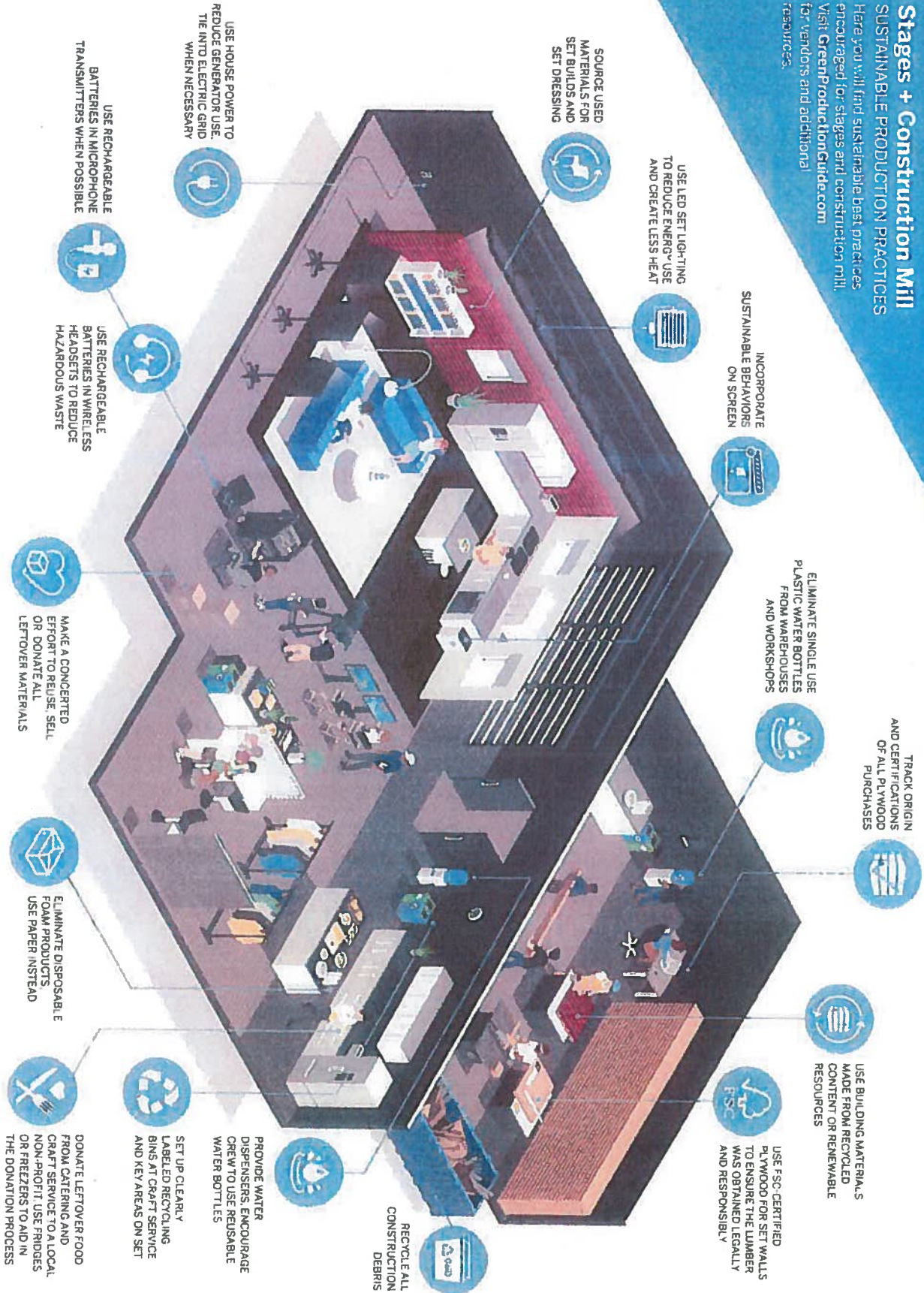
Here you will find sustainable best practices encouraged for production office spaces. Visit GreenProductionGuide.com for vendors and additional resources.



Stages + Construction Mill

SUSTAINABLE PRODUCTION PRACTICES

Here you will find sustainable best practices encouraged for stages and construction mill. Visit GreenProductionGuide.com for vendors and additional resources.



On Location SUSTAINABLE PRODUCTION PRACTICES

Here you will find sustainable best practices encouraged for on location. Visit GreenProductionGuide.com for vendors and additional resources.



NBCUniversal

Sustainable Television Production Program



The NBCUniversal Sustainable Production program was developed to provide productions with the necessary tools to reduce environmental impacts while continuing to produce the high quality content we are known for. Our Green is Universal initiative is focused on bringing an environmental perspective to everything we do; informing and entertaining our audiences while driving more sustainable practices into our own operations. NBCUniversal strongly encourages productions to reduce their greenhouse gas emissions and employ other sustainability measures whenever possible.

Sustainable Production Practices

NBCUniversal has identified key best practices that are essential to reducing a production's environmental impact. These best practices are illustrated in the Sustainable Production Infographics. Required practices are indicated, and productions are strongly encouraged to implement the aspirational practices when feasible.

The corresponding Prep and Wrap Checklists reflect these practices. The completion of both of these documents is required. All program materials can be found on the [NBCU Television Production Manual](#) website under the "Green is Universal" tab.

PREP

1. Once the Production Office has opened, set up a meeting with the Sustainability Department. Contact Kimberly Burnick to schedule.
2. Distribute department TakeAways located on the NBCU Television Production Manual Website.
3. Complete the **Prep Checklist** and email the Excel file to Kimberly.Burnick@nbcuni.com. Work with each applicable department to implement commitments from the Prep Checklist.
4. Set up **food donations** with your caterer. Kimberly will connect you with a non-profit to organize.

PRODUCTION

1. Send out the **Sustainable Practices Memo** to all crew. Be sure to customize the template to fit your production. Send Kimberly a copy as well.
2. A few weeks in, connect with Kimberly to catch up. Send updates and photos of your sustainable practices on set, and ask for additional support if needed.
3. Check in with departments. Address and troubleshoot any issues with Sustainability Department. Work with each department to begin filling out the **Wrap Checklist** and **PEAR worksheet**.

WRAP

E-mail the following Wrap Deliverables to Kimberly.Burnick@nbcuni.com:

1. Completed **Wrap Checklist**. Email Excel file to Kimberly AND upload to Scenecronize in the Wrap Binder folder. Remember to fill out the in-kind donation grid (check with Production Services prior to making any donations to determine if a release of liability is required).
2. Scanned copy of **signed Food Donation Agreement** and **completed Donation Log(s)**.
3. Email completed Production portion of **PEAR worksheet** to Accounting, CC NBCU's Sustainability Department, Production Finance Executive, and Production Finance Associate.

NBCU Sustainability Department:

Shannon Bart, Sustainability Director
818-777-5648, Shannon.Bart@nbcuni.com

Kimberly Burnick, Sustainable Production Associate
818-777-8614, Kimberly.Burnick@nbcuni.com

Project Participation Agreement

City of Albuquerque and NBCUniversal Media, LLC

Local Economic Development Act Project

This Project Participation Agreement is made as of this _____ day of _____, 2019 by and between the CITY OF ALBUQUERQUE, NEW MEXICO (the "City"), and NBC UNIVERSAL MEDIA, LLC ("NBCU"), a Delaware limited liability company with a place of business at 30 Rockefeller Plaza, New York, New York 10112.

WHEREAS, it is the policy of the City to aid and encourage the location of desirable business enterprises in the City and to facilitate a favorable governmental atmosphere for enriching the lives of its citizens by supporting the development of a healthy economy; and

WHEREAS, pursuant to the Local Economic Development Act, Sections 5-10-1 to 5-10-13 NMSA 1978 ("LEDA"), the City has adopted Ordinance No. F/S O-04-10 (the "LEDA Ordinance"), approving an economic development plan for the City and authorizing the City to consider applications for economic development assistance; and

WHEREAS, NBCU has submitted to the City an application in the form attached to this Agreement as Exhibit A (the "NBCU Application") proposing that, in exchange for certain LEDA assistance described below, NBCU will undertake and complete a certain project, which is defined to include the following elements (the "Project"):

The investment of \$4,000,000 from NBCU and Garcia Realty and Development for the improvement and rehabilitation of approximately 83,000 square feet of commercial real estate located at 1601 Commercial Street NE and 1901 Broadway Boulevard NE, both located in the City for uses including, but not limited to 1) studio facilities, 2) lighting and grip operations, and 3) production transportation capabilities to support NBCU and third-party film and television productions in the Albuquerque market (the "Facility");

Occupy and operate the Facility to serve as a production base for various film, television and media productions and related activities for its own content and to lease the facility to third-parties for production of film, television and media content;

Commitment to maintain and operate the Facility for a minimum of ten (10) years;

NBCU commits to \$500 million in Direct and Indirect Spend in New Mexico by December 31, 2029, comprised of at least \$420 million in Direct Spend (defined herein), and \$80 million in Indirect Spend (defined herein). Of the \$500 million commitment, NBCU commits to a Direct

Spend of \$210 million and an Indirect Spend of \$40 million in New Mexico by December 31, 2023;

As part of the \$500 million in Direct and Indirect Spend in New Mexico, NBCU commits to generate a minimum of \$65 million in Direct Spend and/or Indirect Spend every two years in the Albuquerque metropolitan area within the boundaries of Bernalillo County, New Mexico for the term of this Agreement, to be measured every two years beginning December 31, 2021;

NBCU will develop a marketing strategy in concert with the State and City to promote New Mexico and Albuquerque with a value of at least \$500,000 annually for the 10-year term of this Agreement, which will include social and digital media as well as other distribution platforms;

NBCU will provide at least \$55,000 annually for the 10-year term of this Agreement to fund workforce development programs in the State which will be run through educational institutions currently existing in the State, and NBCU will provide its trainers to assist in developing appropriate training programs;

NBCU's director mentorship program (NBCUnitips.com) will provide a stipend to an aspiring director from the State who will have the opportunity to shadow a director(s) for a period of one to three episodes, including prep and post. The candidates are intended to represent the diversity of the communities from which they are drawn. NBCU commits to one participant annually for the 10-year term of this Agreement and will use best efforts to include two participants annually;

Commitment to include a screen credit with a State logo in all productions in which a film production tax credit is claimed acknowledging that the production was filmed in the State of New Mexico;

Commitment to include a screen credit with a City logo, and acknowledgement of the City, in all productions filmed within the Albuquerque metropolitan area within the boundaries of Bernalillo County, New Mexico; and

WHEREAS, the growth of film, media and movie production has been a steady economic development driver in the City and State over the last two decades. In fiscal year 2004, Direct Spend in the State was \$12 million and by fiscal year 2017 had reached a record high of \$505.9 million; and

WHEREAS, through this ascent, the City and the State have positioned themselves as a top film production location in the Country with quality production assets, infrastructure and workforce; and

WHEREAS, much of this film production activity is driven by entities without a permanent or physical presence in the City or State; and

WHEREAS, NBCU estimates that activities at the Facility will result in approximately 333 direct production and production-related jobs on an annual basis for the term of this Agreement; and

WHEREAS, the film industry affords competitive wages and benefits for “below the line”/technical crew (not including producers/directors), with hourly wages ranging from \$21.82 (on lower budget productions) to \$27.99 and even higher on large budget productions (ref: IATSE Area Standards Agreement); and

WHEREAS, through this Project, the City and the State will not only derive significant economic development benefit, but also further advance Albuquerque and New Mexico as a premier location for all components of the film production business, benefiting residents, businesses and the broader community; and

WHEREAS, the State Economic Development Department (the “State EDD”) has committed up to \$7,700,000 in State LEDA funds (the “State Contribution”), and the City has committed up to \$3,000,000 in City LEDA funds (the “City Contribution”), to be used to reimburse NBCU for a portion of NBCU’s lease expenses related to the Facility, on the terms set forth herein and other eligible expenses under LEDA and the LEDA Ordinance; and

WHEREAS, the NBCU Application proposes that in exchange for NBCU undertaking and completing the Project, the City funds obtained from the State EDD, pursuant to LEDA, in addition to local City LEDA funds, will be used to reimburse a portion of NBCU’s costs related to leasing the Facility, on the terms set forth herein; and

WHEREAS, the City has determined that the cost benefit analysis with respect to the Project, based on assessments obtained by the City on the basis of information provided to the City by NBCU and the New Mexico State Film Office, shows that the City will recoup the value of its contribution within ten (10) years; and

WHEREAS, the City Council has determined that these benefits and community contributions adequately meet the intent of having the City recoup the value of its investment; and

WHEREAS, the NBCU Application clearly demonstrates that NBCU, by completing the Project, will be making a substantive contribution to the community as required by the LEDA Ordinance; and

WHEREAS, the total amount of public money expended and the value of credit pledged in each fiscal year in which that money is expended by the City for economic development projects pursuant to LEDA does not and will not exceed ten percent of the general fund expenditures of the City in that fiscal year; and

WHEREAS, the City anticipates receiving an appropriation of funds allocated from the State EDD with the direction of the State EDD to convey these funds to the benefit of NBCU via LEDA; and

WHEREAS, LEDA and the LEDA Ordinance require the parties to enter into this Project Participation Agreement meeting the requirements of LEDA and the LEDA Ordinance; and

WHEREAS, the City adopted Ordinance No. O-19-___ on June 17, 2019 (the “Project Ordinance”) (i) finding that NBCU is a qualifying entity as defined in Section 5-10-3(J) NMSA, (ii) approving the NBCU Application for assistance with the Project pursuant to the LEDA Ordinance, which Application

proposed that the City direct \$7,700,000 in funds to be received from the State EDD as the State Contribution, and \$3,000,000 in funds to be committed by the City as the City Contribution, all to finance certain statutorily eligible expenses of the Project consisting of reimbursement to NBCU of certain lease expenses for the Facility, and (iii) approving this Agreement; and

WHEREAS, the term “Direct Spend” is defined to mean the monies flowing from NBCU or affiliate directly into in-house productions, acquisitions, and/or the production of NBCU-licensed content within the State of New Mexico (the “State”); and

WHEREAS, the term “Indirect Spend” is defined to mean monies flowing from other productions filming at the Facility that NBCU does not directly produce, acquire or license, but that are made possible through the management, improvement/expansion and leasing of the Facility and its capabilities to third parties.

NOW, THEREFORE, in consideration of these premises and the agreements by the parties set forth herein, NBCU and the City further agree as follows:

1. Goals and Objectives. The goals and objectives of the Project are to create and support an economic development project that fosters, promotes and enhances local economic development efforts. The goal is that the Project will provide job growth and career opportunities for Albuquerque-area residents and otherwise make a substantive contribution to the community as set forth in this Agreement and in the NBCU Application.

2. Company Contribution. NBCU will (i) continue improvements to the Facility; (ii) occupy and operate the Facility and use the Facility as a production base for various film, television and media productions and related activities for its own content; (iii) lease the Facility to third-parties for production of film, television and media content; (iv) commit to \$500 million in Direct and Indirect Spend in New Mexico by December 31, 2029, comprised of at least \$420 million in Direct Spend and \$80 million in Indirect Spend; (v) of the \$500 million commitment, NBCU commits to a Direct Spend of \$210 million and an Indirect Spend of \$40 million in New Mexico by December 31, 2023; (vi) commit to ensure NBCU generates a minimum of \$65 million in Direct Spend and/or Indirect Spend every two years in the Albuquerque metropolitan area within the boundaries of Bernalillo County, New Mexico for the term of this Agreement, to be measured every two years beginning December 31, 2021; (vii) develop a marketing strategy, in concert with the State and City to promote New Mexico and Albuquerque with a value of at least \$500,000 annually for the 10-year term of this Agreement, which will include social and digital media as well as other distribution platforms; (viii) provide at least \$55,000 annually for the 10-year term of this Agreement to fund workforce development programs in the State which will be run through educational institutions currently existing in the State, and NBCU will provide its trainers to assist in developing appropriate training programs; (ix) will provide a stipend to an aspiring director from the State, through NBCU’s director mentorship program (NBCUnitips.com), who will have the opportunity to shadow a director(s) for a period of one to three episodes, including prep and post, and will use best efforts to include two participants annually; (x) commit to include an end screen credit with a State logo in all productions in which a film production tax credit is claimed acknowledging that the production was filmed in the State of New Mexico; the placement of said end screen credits to be in the sole discretion of NBCU; and (xi) commit to include a screen credit with a City logo, and acknowledgement of the City, in all productions filmed within the City (collectively, “NBCU Commitment”), all in accordance with the schedule and other terms and conditions set forth in this Agreement. NBCU will maintain the Facility’s operations in Albuquerque for a minimum of ten (10) years. NBCU will comply with all applicable laws in connection

with the operation of the Facility and will timely pay all applicable taxes with respect thereto. NBCU's contributions under this paragraph shall be satisfactory for purposes of satisfying the screen credit requirements under the New Mexico Film Tax Credit Program. For purposes of this paragraph, Direct Spend and Indirect Spend include all costs for work performed in the State and City and for goods and services used or consumed in the State and City, including all costs in the Expenditure Categories set forth in the NBCU Application.

3. The State Contributions; Procedure for Disbursement of the State Contributions. The City anticipates that the State Contribution of up to \$7,700,000 will be delivered to the City for subsequent disbursement to NBCU based on NBCU's satisfaction of target objectives as set forth herein, following enactment of the Project Ordinance and execution of this Agreement and an Intergovernmental Agreement between the State and the City. The City will submit an invoice to the State and request transfer of the State funds. Upon receipt, the City will place the State Contribution into a separate account established in connection with the Project, as required by law. If, and only if, the City receives the State Contribution, the City will disburse the State Contribution to NBCU in the manner described in this Agreement. The State Contribution will be disbursed up to \$1,000,000 in building and infrastructure cost incurred and paid for by NBCU. These funds may be disbursed anytime after NBCU has successfully acquired an occupancy permit to the Facility and provides evidence of costs incurred and paid directly by NBCU. The remainder of the State Contribution will be disbursed as lease reimbursements at a rate of 40% of actual documented paid lease costs until the City has distributed all of its \$3,000,000 City Contribution, and thereafter at a rate of 100% of actual documented paid lease costs until the City has distributed all of the \$7,700,000 State Contribution.

4. The City Contribution. Pursuant to the Project Ordinance and the LEDA Ordinance, the City has committed an amount of up to \$3,000,000 to be used in connection with the Project. As required by the LEDA Ordinance, the City will deposit the proceeds of the City Contribution into a clearly identified separate account, which account will be subject to an annual independent audit. The City Contribution will be disbursed as lease reimbursements at a rate of 60% of actual documented paid lease costs.

5. Time Commitment. NBCU and Garcia Realty and Development intend to invest \$4,000,000 for the improvement and rehabilitation of the Facility with operations at the Facility to begin as soon as possible thereafter. NBCU will continue to occupy the Facility and diligently conduct operations at the Facility in the manner contemplated by this Agreement at least through December 31, 2029.

6. Use of Public Contributions. NBCU will be eligible for reimbursement of up to \$10,700,000 in City and State Contributions for lease reimbursements, and other eligible expenditures under LEDA and the LEDA Ordinance, related to the Facility actually incurred and paid for after the City Council's adoption of the Project Ordinance, subject to the receipt by the City of the State Contribution. The City will make payment to NBCU following submission to the City of documentation satisfactory to the City evidencing payment of lease expenses with respect to the Facility, and meeting the performance targets set forth herein. No reimbursement will be made for periods of time and amounts in which the Company is receiving revenues for subleasing of space at the Facility.

No Project funds will be used to reimburse expenses from any individuals or a company that has a financial interest in NBCU or its employees.

7. Clawbacks.

A. Performance Clawback Requirements. If on December 31, 2023, NBCU’s Direct Spend and Indirect Spend is less than 90% of the \$250 million performance target as set forth herein, NBCU will pay a penalty equal to the percentage shortfall multiplied by the cumulative total State LEDA funds and City LEDA funds distributed to NBCU at that time. If on December 31, 2029, NBCU’s Direct Spend and/or Indirect Spend is not at least \$250 million, in addition to the \$250 million in Direct Spend and Indirect Spend as of December 31, 2023, NBCU will pay a penalty equal to the percentage shortfall multiplied by the cumulative total State LEDA funds and City LEDA funds distributed to NBCU at that time.

Example:

Direct Spend after five years is \$200,000,000 (80% of \$250,000,000 requirement)

City Funds Distributed: \$3,000,000 for Lease Reimbursement

State Funds Distributed: \$2,350,000 for Lease Reimbursement

Total City and State: \$5,350,000

Penalty (% amount of \$225,000,000 below 90% allowance factor) = 10%

Amount Due: \$535,000

B. Waiver of Performance Clawback. If at any time after December 31, 2023, NBCU reaches a total of \$500 million in Direct Spend and/or Indirect Spend, with at least \$420 million in Direct Spend, NBCU may request in writing to the City that their security be released and clawback penalties to be waived, no such request shall be unreasonably denied.

C. Facility Closure Clawback. Should NBCU cease operation of the Facility before December 31, 2029, NBCU shall, within ninety (90) days of the cessation of operations, pay to the City, in cash, an amount equal to a specified percentage of the amount of the City Contribution and State Contribution paid pursuant to this Agreement, with the specific percentage based on the date of cessation of operations in accordance with the following table:

Date of Cessation of Operations	Percent of Public Contributions to be Repaid
On or before December 31, 2024	100%
From January 1, 2025 through December 31, 2026	60%
From January 1, 2027 through December 31, 2029	25%

Winding down of the Company’s operations at the Facility in preparation for a cessation of operations may be considered a cessation of operations, and any such determination will be made by the City in its sole reasonable discretion.

D. Maximum Clawback; Unpaid Payments. Notwithstanding anything herein to the contrary, the maximum aggregate clawback payable hereunder will be \$10,700,000, not including interest. Any clawbacks not paid when due shall bear interest at the Prime Rate plus 2% per annum from the due date until paid. "Prime Rate" means the U.S. prime rate as reported from time to time in *The Wall Street Journal* in its Bonds, Rates and Yields table, or successor table.

E. Change in Business Climate. Notwithstanding the foregoing, if NBCU fails to achieve the performance targets as identified in Section 7.A herein, or a Facility closure occurs as provided in Section 7.C herein, and believes Business Climate Changes were the cause for its failure to meet such requirements or for the Facility closure, NBCU will so advise the City in writing describing the Business Climate Changes in detail. "Business Climate Changes" mean substantial changes outside of the control of NBCU, in the segment of the industry in which NBCU operates, that cause a significant decrease in the amount of production NBCU is able to achieve. The shifting of NBCU's operations to another Project, whether within or outside of Albuquerque, will not constitute a Business Climate Change. If the City determines that Business Climate Changes affect NBCU's ability to achieve the required performance targets or results in the closure of the Facility, after consultation with and concurrence of the State EDD, it may waive or modify the clawback, and may withhold future contributions to NBCU. The City must operate with good faith in making any such decision. However, NBCU has the right to invoke the dispute resolution procedures set forth in paragraph 12 of this Agreement before any clawback related to performance targets or to closure of the Facility is required. Any clawback ultimately due will be paid within the later of 15 days after the City notifies NBCU of its decision or, if NBCU invokes the dispute resolution procedures of paragraph 12, within 15 days after a final determination is made that the clawback is required.]

F. Change in Law. Notwithstanding anything to the contrary in this Agreement, the NBCU Commitment is contingent upon continuation of the State of New Mexico Film Tax Credit Program at a level of no less than \$50,000,000 per fiscal year and a percentage refundable tax credit of no less than 25%, per the New Mexico Film Production Tax Credit Act, Chapter 7, Article 2F NMSA 1978.

8. Security. To secure the performance of its obligations under this Agreement, NBCU will provide the City security in the form of a [Letter of Credit/Surety Bond] in favor of the City.

9. Events of Default and Remedies.

A. Failure to Comply with Obligations. Failure by NBCU to comply with any obligation under this Agreement, including without limitation, the failure to make timely payment of any clawback payment due hereunder, shall be an Event of Default. Notwithstanding the foregoing, failure to meet employment projections or failure to meet wage and benefit projections shall not be considered an Event of Default; however, the failure to make timely payment of any clawback payment due as a result thereof shall be an Event of Default.

B. Notice of Event of Default. If any Event of Default occurs, the City shall notify NBCU in writing, and NBCU shall have thirty (30) days in which to cure such Event of Default. If the Event of Default is not cured within such thirty-day period, the City shall have and may exercise any remedies available at law or in equity.

10. Fees. NBCU will promptly pay or reimburse the City for all reasonable third-party expenses incurred by the City in connection with this Agreement and the Project, provided, however, that

NBCU shall not be liable for costs incurred by the City that are the responsibility of the City in the ordinary course of business. If so determined by the City, in its sole discretion, such third-party expenses may be offset against or reimbursed from the City Contribution or the State Contribution. The City's reasonable third-party expenses shall consist of expenses associated with performance reviews or audits with respect to the Project and legal fees for outside counsel in the event of any proposed amendment to this Agreement or any necessary enforcement action with respect to this Agreement. Before the City incurs third-party expenses, the City and NBCU shall agree on the scope of work and the fees associated therewith. Notwithstanding the foregoing, NBCU shall have the right to engage, at NBCU's expense, alternative third-parties solely with respect to performance reviews or audits of NBCU obligations under this agreement, including such third-parties that perform NBCU's New Mexico film credit audits.

11. Annual Reporting Requirement, Performance Review and Termination. Annually (reporting beginning in 2021 for activities in calendar year 2019 and calendar year 2020), on or before March 1 or other date agreed to by the City and NBCU, NBCU will provide to the City data for the previous calendar year regarding its production performance and such other information necessary for the City or its independent contractor to determine whether NBCU has met its obligations under this Agreement. NBCU shall provide data for Direct Spend for the previous year and cumulative totals for the Project to date, and shall work with the City to obtain data to confirm Indirect Spend for the previous year and cumulative totals to the Project to date. Beginning December 31, 2021, and every other year thereafter on December 31 during the term of this Agreement, NBCU shall provide data supporting a minimum of \$65 million in Direct Spend and/or Indirect Spend every two years in the Albuquerque metropolitan area within the boundaries of Bernalillo County, New Mexico. As required by the LEDA Ordinance, the Project will be subject to an annual performance review conducted by City staff, which will evaluate whether the Project is attaining the goals and objectives set forth in Section 2 of this Agreement. This review shall be presented to the City administration and the City Council. If the goals and objectives are not being attained due to NBCU missing the aforementioned benchmarks, the City will work in good faith with NBCU regarding the missed benchmarks; however, the City Council at a public hearing may terminate assistance to the Project by passage of an ordinance which terminates this Agreement and specifies the disposition of all assets and obligations of the Project, after satisfying this Agreement and all rights of the parties arising under this Agreement through the date of such termination. [NBCU has the right to invoke the dispute resolution procedures set forth in paragraph 12 herein before any clawback related to performance targets is required.] In addition, pursuant to LEDA, the City may enact an ordinance terminating the LEDA Ordinance and dissolving or terminating any or all projects. In the event that the City terminates the LEDA Ordinance or this Agreement, the City will specify the disposition of all assets and obligations of the Project after satisfying this Agreement and all rights of the parties arising under this Agreement through the date of such termination.

12. Dispute Resolution. The parties will work in good faith to resolve any disputes that arise hereunder. In the event of a dispute between the parties, the appropriate NBCU executive, or his/her designee, and the Director or Deputy Director of the City's Economic Development Department shall meet and attempt in good faith to resolve the dispute. If they are unable to resolve the dispute, the NBCU executive and the City's Chief Administrative Officer shall meet and attempt in good faith to resolve the dispute. Nothing contained in this Agreement constitutes a waiver of any party's right to seek judicial relief.

13. Force Majeure. Neither party shall be liable to the other party for any failure to perform any provisions or obligations of this Agreement if such failure to perform is caused by or results directly or indirectly from Force Majeure. "Force Majeure" means any cause beyond the reasonable control of a party affected, including but not limited to, any acts of God, fire, flood, storm, strike, riot or civil disturbance,

war, earthquake, lightning, epidemic, labor disturbance, sabotage, or restraint by court or public authority, or any other cause beyond the reasonable control of a party affected whether similar or dissimilar to the ones listed, including the decision by the Landlord to terminate NBCU's access to the facility or to sell the facility, which makes it impossible or unreasonably difficult for a party to perform its obligations under this Agreement. Nothing contained in this paragraph shall be construed to require either party to prevent or settle a strike against its will. The party unable to perform its obligations due to Force Majeure will provide notice to the other party within five (5) days of its becoming aware of the Force Majeure of its inability to perform and its expectations as to when, if ever, it will be able to resume its obligations.

14. Notice. All notices or other written communications, including requests for disbursement, that are required or permitted to be given pursuant to this Agreement must be in writing and delivered personally, by a recognized courier service, by a recognized overnight delivery service, by fax, by electronic mail, or by registered or certified mail, postage prepaid, to the parties at the addresses shown in the signature block of this Agreement. If notice is mailed, it will be deemed received on the earlier of actual receipt or on the third business day following the date of mailing. If a notice is hand-delivered or sent by overnight delivery service, it will be deemed received upon actual delivery. If any written notice is sent by facsimile or electronic mail, it will be deemed received upon printed or written confirmation of the transmission. A party may change its notice address by written notice to the other party to this Agreement.

15. Assignment by the Company. Should NBCU move, sell, lease or transfer its ownership or operation duties in the Project before the expiration of this Agreement, the City retains the right to deny any and all assignments, sales, leases or transfers of any interest in the Project until adequate assurances are made that the transferee, assignee or lessee is a qualifying entity and that the terms of this Agreement shall be satisfied by the transferee, assignee or lessee. At its discretion, and in consultation with the State, the City may choose to deny said assignment, lease or transfer or may negotiate a new agreement with the new operator.

16. Miscellaneous. This Agreement binds and inures to the benefit of the City and NBCU and their respective successors and permitted assigns. This Agreement may not be assigned without the written consent of the non-assigning party. This Agreement, [together with the Letter or Credit/Surety Bond], represents the entire agreement of the parties on the subject hereof and supersedes all prior agreements or understandings between the parties, whether written or verbal. This Agreement may be amended or modified, and the performance by any party of its obligations under this Agreement may be waived, only in a written instrument duly executed by both parties. This Agreement may be executed in any number of counterparts, each of which is an original and all of which taken together constitute one instrument. This Agreement is governed by and is to be construed in accordance with the laws of New Mexico applicable to agreements made and to be performed in New Mexico.

17. Effective Date. This Agreement will be effective on _____, 2019 (the "Effective Date").

18. Termination. This Agreement shall terminate (i) at the close of business on March 31, 2030 to allow for sufficient time to complete the annual reporting requirements under Section 11 herein, to measure NBCU's performance in the preceding calendar year, and for final Project close-out, or (ii) when otherwise terminated by City ordinance.

CITY OF ALBUQUERQUE,

NBCU

NEW MEXICO

a Delaware company

By _____

Name: Sarita Nair, JD, MCRP

Title: Chief Administrative Officer

Date: _____

By _____

Name:

Title:

Date: _____

Address for notice:

One Civic Plaza NW

Albuquerque, NM 87102

Attention: Economic Development Director

Tel: (505)768-3000

Email: synthiaj@cabq.gov

Address for notice:

Attention:

NBCU

30 Rockefeller Plaza

New York, New York 10112

Tel:

Email:

With a copy to:

City Attorney

One Civic Plaza NW

Albuquerque, NM 87102

Tel: (505)768-3000

Email: eaj@cabq.gov

Mailing Address:

P.O. Box 1293

Albuquerque, NM 87103

Exhibits

Exhibit A Application for LEDA Assistance

Exhibit B Letter of Credit/Surety Bond