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INTERNATIONAL

Film News

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Players partner with politicians

Relativity puts muscle behind production incentive legislation

By TODD LONGWELL

The Feb. 11 headline in the Hawaii Reporter called it "Shock and Awe." The day before, former President Clinton had submitted a letter endorsing a plan by Relativity Media and partner Shangri-La Industries (founded by Steve Bing) to build what he called "the most environmentally friendly stages in existence" on Maui and Oahu, if the Hawaii Legislature would support a pair of bills boosting the state's film and TV production tax credits to 35% (from 15%) on Oahu and 40% (from 20%) on the neighboring islands.

Three days later, following hours of testimony before a state Senate committee debating the issue, Relativity chief Ryan Kavanaugh poured on the glitter with a star-studded, invitation-only reception at Mandalay Restaurant in downtown Honolulu reportedly attended by more than 100 state legislators and such celebs as Bradley Cooper, Adrien Brody, Zach Braff and Roseanne Barr. (While the bills stalled in conference, insiders are hopeful a special hearing can still be held.)

It's not the first time that Relativity put its charm and muscle behind production incentive legislation. The company successfully lobbied the Canadian province of Quebec to increase its total tax credit package to 25% on all local spend plus a 20% VFX bonus on labor before agreeing to bring its upcoming sword-and-sandal epic "Immortals" to Montreal last year.

"We've done five or six major movies here, including '300,'?" says Mark Canton, who's producing "Immortals" with Gianni Nunnari and Kavanaugh. "But, in order to shoot here, it had to be the right deal."

"It took time, because it goes through a legislative process," says Kenneth Halsband, Relativity's executive VP of physical and post production, Quebec "really wanted to make it work, and when they did, we committed to shooting there."

It seems a film doesn't work for Relativity unless there's a production incentive involved. Since the company was



'Cowboys & Aliens,' with Harrison Ford and Daniel Craig, benefited from New Mexico incentives.



'Limitless' spent two weeks in Puerto Vallarta taking advantage of Mexico's rebate.



New York: 'Love Happens'

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founded in 2004, nearly every one of its productions has taken advantage of a tax credit or rebate program, whether it be in New Mexico (seven films including 2010's "The Spy Next Door" and the upcoming "Cowboys & Aliens"), Louisiana (2006's "All the King's Men"), Massachusetts (2010's "The Fighter"), Georgia (2009's "Zombieland"), New York (2009's "Duplicity") Canada (2005's "Land of the Dead," 2008's "Death Race," 2009's "Love Happens," etc.) or Hungary (2011's "Season of the Witch").

"We have been able to take advantage of film incentive programs on all of our movies," Halsband says. "But when we pick a location it's also important that it works creatively for the story."

A perfect illustration of the financial benefits Relativity reaps from incentives is its 2009 thriller "A Perfect Getaway," which was set in Hawaii, but filmed in Puerto Rico (save for an opening helicopter shot of the Kauai coastline). Although the film earned only \$15.5 million in domestic box office receipts, the entirety of its less than \$14 million budget was covered by international presales and Puerto Rico's 40% tax credit. Domestic theatrical, TV, home video and other domestic revenue sources covered the film's P&A, and led to a profit for Relativity of just under \$10 million.

In June, the Relativity thriller "Limitless" spent two weeks shooting an elaborate car chase sequence in Puerto Vallarta, where it was able to take advantage of Mexico's recently increased incentive equal to a 17.5% cash rebate on all qualified local spend. When one factors in the low cost of labor in the country, it's a good deal, but Hollywood producers have been reluctant to cash in due to the country's shocking increase in drug-related murders (15,273 in 2010 alone, according to a report released by the Mexican government in January) and kidnappings. But even though the scene was set in a Mediterranean resort town and could ostensibly be shot elsewhere, Relativity believed in the locale.

Halsband brushes aside the suggestion that shooting in Mexico was a risky move, saying the safety precautions they took were "no more than you would on a normal movie going abroad. Our talent had regular security and we all stayed in the same hotel. We had a great experience there."

The most common dangers faced by incentive-hungry producers involve hidden costs. The raw size of a credit or rebate may be impressive on the surface, but if the region offering it is lacking in physical infrastructure and qualified film workers, one must add in the cost of importing equipment along with the outside crew, which would require additional expenditures for lodging and per diems. And sometimes overeager film commissions have been known to promise more than they can deliver.

"We do a lot of due diligence when we're planning productions," cautions Halsband. "We look at other films' experiences on location and how many tax credits have been paid out. We really analyze the whole process, then make our decisions."

Contact the Variety newsroom at news@variety.com



Puerto Rico: 'A Perfect Getaway'



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