

WORK SESSION AGENDA

Monday, June 8, 2020 at 1:00 PM

Mayor Ken
Miyagishima

Mayor Pro Tem
Kassandra Gandara

Councilors
Tessa Abeyta-Stuve
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1.1. CINEMATIC INFRASTRUCTURE UPDATE. WS #20-017 - Pdf	2 - 9



Council Work Session Summary

Meeting: Work Session - Jun 08 2020

TITLE: CINEMATIC INFRASTRUCTURE UPDATE.

PURPOSE(S) OF DISCUSSION: ☒ Inform/Update ☒ Direction/Guidance ☐ Legislative
Development/Policy

BACKGROUND / KEY ISSUES / CONTRIBUTING FACTORS:

The City of Las Cruces has been supportive of developing an industry cluster with a focus on Film and Digital Media Industry. Since 2015, Las Cruces City Council has passed several resolutions to support film-related infrastructure, Film Las Cruces, and the building of a Film Studio/Soundstage. Through state capital appropriations and Hold Harmless funding from the City, funding currently available for the purposes of a film studio is of a total of \$3,844,782.30.

Based on the history and current status, staff is presenting options to prioritize actions accordingly.

SUPPORT INFORMATION:

[Film Studio Update 032420 FINAL](#)

PLAN(S):

Other

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Film Studio Update

History

The City of Las Cruces has been supportive of developing the Film and Digital Media Industry in Las Cruces for more than five years. City Council has passed several resolutions to support Film infrastructure, Film Las Cruces, and the building of a Film Studio/Soundstage. The table below shows a history of resolutions related to film that have been passed by City Council. Between funding from capital appropriations and Hold Harmless funding from the City, a total of \$3,957,000 was allocated for the purposes of a film studio.

Dates	Description	Notes
12-2014	City's resolution to support Film Infrastructure	
11-2015	MOU with Film Las Cruces (FLC)	Yearly commitment of \$95,000
2015	City received state appropriations for \$402,000 + \$555,000 for Film Infrastructure	Original plan – expansion of LCCC to include Sound Stage. Two reauthorizations for each approved.
2015	City allocated \$3,000,000 from Hold Harmless GRT	
12-2016	Separation of sound stage from LCCC	
12-2016	CM authorized to negotiate a property acquisition agreement	Earnest funds committed for \$5K
1-2019	Support of Out of Zone tax credit	Passed, additional 5% tax credit
9-2019	Transition from MOU to Contract with FLC	Yearly commitment of \$95,000 continues

In 2015, City Council received funding from the state and approved use of Hold Harmless Gross Receipts Tax (HHGRT) for development of film infrastructure. At the time, an expansion was needed for the Las Cruces Convention Center (LCCC). It was determined that it may be advantageous and more financially feasible to do both projects at once. In 2016, through assessments and public input, City staff recommended that City Council separate the two projects on the assessment that doing this would had been detrimental to both projects. City Council agreed and separated the projects in December 2016.

In January 2019, with the support of Film Las Cruces, City Council supported proposed legislation at the state level that would increase the film tax rebate in New Mexico an additional 5% outside of Bernalillo and Santa Fe counties. This legislation passed at the state level and went into effect July 1, 2019.

Work Completed/Expenditures

Over the past several years, different avenues to build a film studio/soundstage in Las Cruces have been explored. This began with an initial site assessment done in 2016 by ASA Architects.

Site assessment at WMIP and Arrowhead Park

This evaluation considered the construction of a film studio in two sites: West Mesa Industrial Park (WMIP) and Arrowhead Park on New Mexico State University (NMSU). The study cost \$21,120.94 and was paid for out of the General Fund. The study approached it in two phases,

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Phase 1 for a film studio and Phase 2 with an academic building for the Creative Media Institute (CMI) program for Film and Digital Arts at NMSU. The cost estimates for Phase 1 included a 41,7000 sq. ft. facility with costs ranging from \$2,250,000 to \$8,225,000. The variances included:

- Reduction of size of building, full construction vs. pre-engineered metal building;
- Ceiling height, 35' vs. 60' ceiling heights;
- Interior finishes, full construction vs. simplify finishes in metal pre-engineered building;
- Office space, partial or total reduction of office space;
- Reduction of building by 40%
- Added architectural design elements consistent with NMSU campus for Arrowhead Park location.

Implementing combinations of the variances listed above would result in a cost between \$5,000,000 and \$5,700,000.

Site improvement costs and site infrastructure/utility costs were expected to be similar on either one of these two sites. Estimated operating costs totaled \$112,260 per year with occupied building.

Phase 2 considered the Academic Studio; no costs were provided for this phase.

2100 S. Valley Building

In early 2017, building on 2100 S. Valley became an option to purchase and retrofit for the purposes of a film studio.

Based on appraisals completed, the purchasing price ranged between \$1,775,000 (Miller Appraisal Group) and \$1,925,000 (Brooks Real Estate Services). The asking price from seller in 2017 was \$2.4m.

Starting in 2017, the following studies took place to evaluate that site for this purpose.

Dates	Event	Amount	Vendor	Funding source
3-2017	Phase I Environmental Assessment, 2100 S. Valley	\$2,450.00	Miller Engineers	Capital appropriation
4-2014	First right of refusal	\$5,000.00	2100 S. Valley LLC.	Hold harmless
2/2017	Appraisal, 2100 S. Valley	\$5,965.00	Brooks Steve	Capital appropriation
4-2017	Building condition assessment, 2100 S. Valley	\$39,095.90	Huitt-Zollars, Inc.	Capital appropriation/Hold Harmless
6-2017	Phase II Environmental Assessment, 2100 S. Valley	\$8,166.76	Miller Engineers	Capital appropriation
6-2017	Property boundary survey, 2100 S. Valley	\$12,618.00	Miller Engineers	Capital appropriation
6/2017	Appraisal (one), 2100 S. Valley	\$3,515.00	Steve Brooks	Hold Harmless
6-2017	Appraisal (two), 2100 S. Valley	\$4,264.66	Don Miller	Hold Harmless
4-2018	Purchase of film set for \$20,000	\$20,000.00	Graves Productions, Inc.	Hold Harmless
8-2018	Site sound assessment, 2100 S. Valley	\$16,041.00	Zia Engineering	Capital appropriation
	Total	\$117,116.32		

As part of the building condition assessment completed in April 2017, recommended code and general improvements included internal and external building upgrades to meet code and to improve the quality of the building regardless of the tenant. These general improvements were

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estimated at \$2,187,188. Complete replacement of the roof may be required based on general assessments. The estimated cost of this replacement based on a 2017 quote is \$1,044,732.

The site sound assessment conducted in August 2018 recommended installing a noise barrier between I-10 and the structure, tall and wide enough to block the view of a highway from the area that is protected. The cost of this wall was estimated as \$557,136.

Currently, this site is leased by Dona Ana Community College (DACC) and used by Film Las Cruces as a learning/training facility for students. It is also available to be leased for commercial use by private companies.

Visit to Cinespace Facility in 2017

In August 2017, a group of community members including City of Las Cruces staff, NMSU's Creative Media Institute and Arrowhead Center, and Film Las Cruces chairman, visited Cinespace in Chicago, IL. to learn about their business model and as a potential industry partner for a film studio in Las Cruces. From this visit, the conclusion was that an industry standard facility would require an estimate of \$12m. A key component to Cinespace's model includes collocation of commercial film studio next to a college, as well as academic programs targeting youth at risk.

In agreement between City's staff and Film Las Cruces chairman, the decision was to not pursue the acquisition of the 2100 S. Valley facility. Instead, the recommendation from City Manager's Office was to pursue an investor and private industry partner. This effort was set in motion through a Request for Proposal (RFP) that would allow for a Public Private Partnership.

RFP Investment, Management, Operations

Realizing that the city's allocated budget of about \$4M would not be enough to build a new film studio, City staff put out a Request for Proposal in July 2018 for a Public Private Partnership for Investment, Management and Operation of Las Cruces Film Soundstage Facility. The RFP was published twice and received only one respondent each time. The Selection Advisory Committee (SAC) interviewed the respondent and made a recommendation for selection. Upon City Council approval to negotiate a contract, City staff entered into negotiations with the selected company, Tetrad Property Group. After a year of negotiations, the parties were unable to come to an agreement and the RFP was cancelled in January 2020. The requirements from the RFP included investment capacity as well as film industry expertise. The respondent fulfilled the investment and construction component, they were unable to fulfill the management and operations component. A timeline of the procurement process is shown in the table below.

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Dates	Event
7/6/2018 thru 8/2/2018	RFP Publication 18-19-006
8/28/2018 thru 10/2/2018	RFP Re-publication 18-19-006A
11/13/2018	Interview of respondent
11/14/2018	Selection notice
11/14/2018	Initiated negotiations with respondent
12/17/2018	City Council presentation, approved to negotiate contract
1/13/2020	Cancellation notice

Current Status

The goal is to leverage upon the assets in our community to build opportunities for current and future citizens. The film sector has the potential to serve as the catalyst to the opportunities tied to the broader digital media, which entails a cross-disciplinary approach that creates capacity across disciplines such as animation, virtual reality, big data, network distribution, among others.

With that vision in mind, DACC requested and received bond funding for a total of \$3.9m for a new building for CMT programs.

City staff has been in discussions with NMEDD Cabinet Secretary Alicia Keyes to attract a producer/anchor tenant for the potential film studio. There have been successful deals in the state with both Netflix and NBC Universal using LEDA funding. City staff is developing a summary piece with the highlights of the opportunity in Southern New Mexico to help Secretary Keyes sell Las Cruces as a location for a film studio run by an industry expert.

Current Funding Available:

Source	Amount
HHGRT	\$ 2,946,717.00
State appropriation	396,530.18
State appropriation – pending reauthorization, amount reduced by \$9,500	501,535.12
Total	\$3,844,782.30

State appropriation funding is to be spent in 2020 for \$501,535.12 and in 2021 for \$396,530.38 to prevent losing funding. Additional reauthorization may be requested; given the two previous reauthorizations this request may not be approved.

City staff has had discussion with leadership from NMSU and DACC about the possibility of partnerships related to developing the film industry building from the Creative Media Institute (CMI) and Creative Media Technology (CMT) programs, both of which are recognized for their quality nationwide. This partnership would call for a commercial film studio collocated next to academic buildings as well as strengthening the collaboration linked to Digital Media for economic growth in our community.

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On March 6, as part of the International Film Festival, a meeting was hosted by CMI included U.S. Rep. Torres Small, N.M. Rep. Steinborn, N.M. Rep. Small, Director for CMI program, CMI Faculty, Film Las Cruces staff (including new director), Arrowhead Park staff, and industry members.

On March 11, NMSU hosted a Creative Campus charrette. Stakeholders from the city, university, FLC, and private industry were invited to participate in a Design Charette for a Creative Campus at Arrowhead Park. The big idea was for a complex that would include a Film Studio and the Creative Media Technology (CMT) and Creative Media Institute (CMI) programs from NMSU and DACC. NMSU is taking the lead on next steps for this approach.

Based on the history and potential next steps, staff is presenting the following options.

Options

City Staff is requesting direction from City Council on options for moving forward with the Film Studio project.

Option 1

- Acquisition and retrofit of 2100 S. Valley. Additional appraisal required.
- Estimated acquisition price of \$1,850,000, based on average from two appraisals previously completed.
- Estimated cost of retrofit \$2,187,188, plus additional expenses for noise wall of \$557,136, as recommended by Zia Engineering noise and vibration study.
- Potential need for roof replacement with estimated cost of \$1,044,732.
- Total estimated cost (figures from 2017): \$5,639,056. Note that management and operations costs are not yet estimated.
- In order to use the state appropriation funding on this building, the City would have to own it.
- This site is currently leased by DACC and managed by FLC as a teaching and training facility. It is also available for commercial use.

Pros	Cons
Lower cost for retrofit than new construction	Gap in financing of ~\$1,794,273.70*
Shorter timeline than new construction	Suboptimal facility, not state of the art facility
Easy access/rates for local film producers	Unwillingness/uncertainty of interest from industry partners to manage/operate
Increase in GRT through location rentals	Financial gap for management/operations costs, currently unknown.
Catalyst for economic growth in Valley Drive area	Pre-production focused
	Limited space available for expansion
	Unknown long-term life of the building

*Gap in financing is considering estimated cost of \$5,639,056 minus funding available of \$3,844,782.30. The listed costs would have to be updated.

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Option 2

- Partnership with NMSU/DACC to co-locate with CMI/CMT new buildings at Arrowhead Park
- Aggressive strategy to recruit anchor tenant to manage and operate film studio
- Film Studio would be part of the Creative Campus

Pros	Cons
Purpose-built for industry standards	Gap in financing ~ \$8 million
Longer timeline than retrofit existent facility	Requires a private entity for investment, management, and operations
New jobs through construction	Longer timeline to recruit, 18-24 months to be operational
Annexation of new area, resulting in an increase in GRT	Rates may not be accessible for local film producers
Synergies with NMSU/DACC for students and graduates during and after graduation	
Hub for interdisciplinary approach to digital media	
Potential LEDA deal from CLC and NMEDD as a recruitment tool for the private partner	
Options for expansion, if needed	

City staff is committed to support the growth of the digital media sector, with film as the catalyst for career opportunities for community members. The direction from City Council on how to proceed is needed to prioritize accordingly.

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Complete timeline

Date	Resolution	Action	Amount (expenses in parenthesis)
Dec-14	Yes	City's resolution to support Film Infrastructure	-
Nov-15	Yes	MOU with Film Las Cruces (FLC), \$95,000 yearly committed	\$ (285,000.00)
2015	Yes	City received two state appropriations for \$402,000 + \$555,000 for Film Infrastructure	\$ 402,000.00
			\$ 555,000.00
2015	Yes	City allocated \$3,000,000 from Hold Harmless GRT for Film Infrastructure	\$ 3,000,000.00
Mar-16	No	Initial site assessment: WMIP and Arrowhead Park	\$ (21,120.94)
Dec-16	Yes	Separation of sound stage from LCCC	
Dec-16	Yes	CM authorized to negotiate a property acquisition agreement	-
Mar-17	No	Phase I Environmental Assessment, 2100 S. Valley	\$ (2,750.00)
Apr-17	No	First right of refusal for 2100 S. Valley	\$ (5,000.00)
Feb-17	No	Appraisal for 2100 S. Valley	\$ (5,965.00)
Apr-17	No	Building condition assessment, 2100 S. Valley	\$ (37,157.27)
Jun-17	No	Phase II Environmental Assessment, 2100 S. Valley	\$ (8,166.76)
Jun-17	No	Property boundary survey, 2100 S. Valley	\$ (12,618.00)
Jun-17	No	First appraisal, 2100 S. Valley	\$ (3,515.00)
Jun-17	No	Second appraisal, 2100 S. Valley	\$ (4,264.66)
Aug-17	No	Visit to Cinespace in Chicago	-
Aug-17	No	Decision for no acquisition and to not extend first right of refusal on 2100 S. Valley building	-
Apr-18	No	Purchase of film set for \$20,000	\$ (20,000.00)
Jul-20	No	RFP for Investment, Management, and Operations	-
Aug-18	No	Republish RFP for Investment, Management, and Operations	-
Aug-18	No	Site sound assessment, 2100 S. Valley	\$ (16,041.00)
Nov-18	No	RFP - Interview of RFP respondent	-
Nov-18	No	RFP Selection Notice issues	-
Dec-18	Yes	City Council presentation, approved to negotiate contract	-
Jan-19	Yes	Support of Out of Zone tax credit	-
Jan-20	No	RFP Cancellation Notice issued	-
Sep-19	Yes	Transition from MOU to Contract with , \$95,000 yearly committed	\$ (285,000.00)