

Interview with James G. Hirsch

Carsey-Wolf Center at UC Santa Barbara

16-20 minutes

In September 2010, James G. Hirsch, Founding Partner of International Studios Group, sat down with MIP for an interview. In the excerpts below, Hirsch discusses the role tax credits play in attracting production and facilities investment. ISG is currently working on developing facilities of varying types in Massachusetts and Georgia. In addition, Hirsch discusses the foundation and subsequent sale of Ray-Art Studios, which he and his partner Bob Papazian opened in 1997 and sold in 2003. For more on the state of tax credit incentive schemes, you can read David Gray's ["5 Things" piece](#) on the topic.

James G. Hirsch is a writer-producer who, with partner Bob Papazian, has produced more than 40 television movies, series and miniseries through their production company Papazian-Hirsch Entertainment. Papazian and Hirsch also have a long history in the facilities business, having built and operated the independent motion picture and television facility Ray-Art Studios. After selling the facility in 2004, they founded International Studios Group (ISG), which is developing facilities in Massachusetts and Georgia.

Tax Credits and Production Facilities

Thursday, September 9, 2010

MIP: Why Massachusetts? Why does South Weymouth, Massachusetts seem like a good place to invest in a facility?

For more details, click through to the Southfield development website

HIRSCH: It begins with the tax credits, which were passed in 2005 by the legislature on Beacon Hill. Production immediately started coming in to take advantage of that tax credit but there is no infrastructure to house them. It makes sense to build that infrastructure.

There have been some challenges to the tax credit scheme, especially in this economy, but so far all of those challenges have been met and dealt with by the Beacon Hill legislature. We have had tremendous support from the state legislature in Massachusetts to keep the tax credits going because revenue pours into the state as a result. Yes, they are giving out a tax credit, but there is a multiplier effect that comes from having something shot in the state -- the local dry cleaners, the opticians who make the contact lenses, the hairdressers, carpenters, taxi drivers, motels, and restaurants, they all get more business. The people who are shooting there generate all kinds of business multipliers. While the state may be giving production companies a tax credit, you make up for that lost revenue in the additional business that happens and the jobs and activity created. The idea is that tax credit money also

generates a tremendous amount of ongoing economic activity.

Louisiana has made a huge business out of the tax credit program. Why do people go to Louisiana? Why shoot a movie in Shreveport? What does Shreveport have that Boston doesn't, except maybe warmer weather? If we can build the infrastructure we can increase the amount of production that will come because now there are not only a tax credit but also facilities to use.

Boston is a great destination. People want to be there. Shows want to shoot there. Filmmakers want to film there. Big stars want to go there and stay there, and to take their families while they are shooting. If a studio is trying to get Ben Affleck to do a movie they can shoot in Shreveport or they can shoot in Boston. If they're making a movie in the summer time in Boston they can hire Ben Affleck, who is from there, and he can bring his wife and his kids and they can live at the Cape -- it's not a hard thing to sell. Everyone can live 30 minutes from the Cape. He'll more than agree to shoot there; he'll push for it. On the back of that, there is then created a tremendous opportunity to connect with the educational talent in Boston.

Should the unions representing below-the-line talent in Hollywood see you as public enemy number one?

Good question. No, that would be a little like blaming the mirror for the pimple on your chin. The fact of the matter is we spent years advocating for shooting in Los Angeles when we were running Ray-Art and Sunset-Gower and even before that in all the years when Bob and I were making pictures for television.

We only went out of town when we had a very specific reason, and even then we would only do so on a limited basis. We shot movies set in Texas in Los Angeles. We shot movies that took place in New York in Los Angeles, with maybe a day or two of second unit in New York. We always believed in shooting at home.

We were big advocates for keeping production in Los Angeles, but we couldn't stop the tide. We are not big enough. We weren't important enough. We didn't have enough clout. We tried to affect runaway production when we had the influence of owning a studio but in the years since we sold Ray-Art things have changed. Don't forget we made the deal to sell it in 2003 -- there have been seven years of production flying out of Los Angeles while we haven't been in the production business. You can't blame the building in Massachusetts for production heading there to shoot. You have to go back to why it is leaving Los Angeles.

Why is it leaving?

It is leaving for financial reasons. It comes down to the bottom line. The California tax credit has already been used up and it barely made a dent. There is no cap in Massachusetts or Georgia. If Warner Bros. come and use millions of dollars worth of tax credit, there is still money available for Paramount. In California the available money was used up in a flash.

If there is no more tax credit money in Los Angeles and Warner Bros. has a big feature film to shoot, why would they stay in LA and lose money when the film happens to take place on the east

coast? We are not responsible for those decisions. If people are headed to Massachusetts, I am going to build something for them to use. That is the theory behind it.

From the union's standpoint, we are not their worst enemy; we are their biggest help. Don't forget the teamsters and IATC are national. We are trying to create jobs and business all over the country, and in Massachusetts those are union jobs. Without infrastructure, when a movie comes in they only hire a few people. Only one of those might be a union job. Without facilities, people get paid for a couple of weeks or months, and then the work is done. We are trying to set up ongoing business. Then those workers can have an ongoing life in Massachusetts and-or Georgia, and the unions should support that. We are getting support from the unions because of that.

Once you successfully build these studios and production comes and becomes regular, is the long-term viability of that industry then reliant on continued tax credits?

I don't think so for a number of reasons. In building a permanent industry you can attract businesses that aren't reliant on the tax credits, like the video gaming business. Right now they get that tax credit, but that is big business in both Georgia and Massachusetts. Maybe you build a broadcast facility for some local network. The ABC and Fox affiliates in Savannah have already told us they need a new building. We have looked into and negotiated to build a broadcast facility for them. That is not a business dependent on tax credits.

The second reason we are not dependent on tax credits is that the land around studios becomes valuable. People want to build homes and stores and the like to support the studio, and the land value goes up. On the edge of the studio you could build high-rise offices, restaurants, theaters, and retail and your real estate value goes up. Then you are no longer just dependent on production; instead, you have a true real estate development.

That has always been the plan in Massachusetts. Phase one of our studio in Weymouth is just soundstages and offices. Stage two includes more soundstages and more support buildings. Stage three is retail, an office complex, concert venues, restaurants and movie theaters. Now if Southfield grows into a vibrant new community, and that is already taking place, our studio, which takes up 30 of 1400 acres, also succeeds, and then someday phase three is going to be worth a lot. That is the ultimate goal.

We have the same plan for Savannah where we are taking 22 of 6000 acres. In this economy the woman who controls the property isn't going to build homes or condos or shopping centers. But if we could build a studio on that site, when the economy improves and she starts building those other things, the land value will increase. Then the value of our studio will increase as well. This would be the reverse of what happened to us at Ray-Art where we gained from the Real Estate value. That is the long-term view, which is why we aren't 100% dependent on tax credits.

The Foundation, Operation and Sale of Ray-Art Studios

Thursday, September 9, 2010

HIRSCH: In 1997 we were working-for-fees as hired producers executive producing a series in San Francisco called *Nash Bridges*. About a year or more earlier I suggested to Bob [Papazian] that we needed to reinvent ourselves. As an independent company we were like a leaf in the fall – if we didn't do something we were going to dry out and blow away. Since as a company we had rented facilities for shoots, I suggested to Bob that maybe we could take the other side of the desk. As producers we would know what other producers wanted in a rental facility. This plan to go into the facilities business was a kind of a vagrant idea on my part. I mentioned it to Bob and, the way our partnership works, he picked up on it. At first it didn't really register for him but then he started thinking about it. He started noodling in his head and we got a call that a place was available for sale that could be converted into a studio.

Bob suggested we take a look, so we drove out to the West Valley in Los Angeles to look at what had originally been an aerospace plant built back in the sixties by Rockwell North American Aviation. They had made jet engines for the space program. After that, it was bought by hair products company Redken who made shampoo. In the big earthquake of 1994 it had sustained some damage and was then bought by an individual who started to turn it into an indoor baseball training facility, though what you're going to do with an indoor baseball training facility in Southern California is sort of beyond me. The first time I saw this huge cavernous building it was full of pitching cages and batting cages, but our experience as

producers allowed us to see it could be divided into soundstages. There were 90,000 square feet of office space already and plenty of land to expand. The whole thing made sense from a producer's standpoint -- we had rented places like this, so we knew what you needed.

We bought it and converted it into a fully-fledged studio. Our mantra became "built by producers for producers." For six years we were very successful as a studio, then we were offered "the offer you can't refuse." I like to tell people we deserve a very good pat on the back for being smart enough to see the handwriting on the wall about independent television production but that the real estate we bought was pure dumb luck. We had no idea we were buying such valuable land. A company came in and tore down our beloved studio and built apartments.

We decided to move over into the more established independent studios. We attempted to buy three different studios. The first was Manhattan Beach, and there is a story behind why we didn't buy it that is not worth going into. We tried to buy Culver Studios but were outbid. And we tried to buy Sunset-Gower, which is the old Columbia Studio, the land of Harry Cohn. Again we were outbid. A group called GI Partners bought the studio but they were an investment group, not studio operators. They came to us, hired Bob and made him the CEO of the studio. Smartest move they ever made. For the next three years Bob ran that studio and used what we had learned at Ray-Art to bring it up to shiny new contemporary standards, then GI Partners sold it.

For the last three years we have been working on the idea of

taking our knowledge of facilities outside of Los Angeles. We plan to build studios where film and television production is on the rise, places where there is no infrastructure but apparent need for it.

MIP: Did you witness a decline in the number of independent producers you were working with between 1997 and when you sold Ray-Art?

There was a decline in the number of independent television producers, but remember that independence in the feature film business is a different animal, different by definition. There were lots of individual television producers who worked for the networks or the studios, and they were combined under one roof. But true independents were those companies who took the risk and owned the negatives. There were fewer of those but still a lot of production that needed to come and rent our facilities.

Who were your customers?

Our biggest customer turned out to be Aaron Spelling Productions because they did the series *Charmed* on our stages. They ended up using four of our stages for five years. That's a home run in the independent facilities rental business. Having a hit show that just stays in one place is great if you rent facilities.

You were around for seven years so they must have been a very important client for you.

The other year we had the remake of *The Love Boat* on our stages. It was amazing. They took all four of our main stages and built the entire ship. They had green-screens so you could

shoot in front of the ocean and stuff. I used to say that after they left they could leave the sets and we could offer ocean cruises on dry land as a new business.

Spelling was our biggest customer but only because they put a hit show on our stages. *Love Boat* was Spelling's next big plan and it failed. It only lasted one season. *Charmed* on the other hand was different. The three lead actresses were not happy where they were originally shooting so the production came over to us. They would have stayed longer but after we sold the place they had to leave.

When you bought the facility and started doing work on it did you have any anxiety about filling it up or did you just know that there was enough demand out there to fill it?

There were two things that made that decision a little bit easier. First, when the previous owner heard we were interested in buying it and turning it into a studio he decided to try it himself. He gave up his baseball idea and started bringing in productions. Our original look at the place was in September of 1996, and by the spring he had Fox television doing two series there -- a thing called *413 Hope Street* and another one I think was called *Keep the Faith*. So we knew if we were to buy the place we would already have a tenant for however long those shows lasted. We were also good friends with the head of production at Fox who we had worked with many times before. He knew that we knew the game, as we had found facilities and produced shows for him before. We made another offer to buy the place, and were successful the second time around.

Second, we were still producing *Nash Bridges*, meaning we weren't solely dependent on the studio for our livelihood. I went to San Francisco every week and produced the series and Bob stayed in LA and got his arms around running the studio. That allowed us to do both at once, which was crucial because we didn't have to depend on a new startup business to live. During those years that show made a big difference to our financial security.

How did you distinguish yourself in the market?

At the time the only other significant independent studio that could boast multiple soundstages and a studio feel was Manhattan Beach. There really wasn't anything else like us. There were warehouses converted into shooting spaces, but they were pretty crummy. In fact we got *Charmed* because they were shooting in a warehouse somewhere and the dust was so thick the girls were complaining. It was a dirty old place and they wanted the feel of a real studio.

The other thing that distinguished us was our mantra, "built by producers for producers." We knew people in the business. We knew who was shooting. They knew us. They knew if they came to our studio we would provide them what they needed. It was easy to lure them in because we knew what they wanted. We knew what a production manager looks for when he's looking for an office for production meetings.

So the only other people who had studio space to compete were essentially the majors?

And the established independents. Culver Studios, at the time

still owned by Sony; CBS-Radford, the one in the valley owned by CBS; Sunset-Gower, which was really run down but still doing business. Raleigh Studios was more of a direct competitor -- they were probably the most successful company in LA for having taken the independent facility and turned it into an operational business. Raleigh manages Manhattan Beach, they still have Raleigh, a studio in Budapest I think, and they are building two more – one in Michigan and one somewhere else. The guys at Raleigh have built a really successful business running independent facilities.