

CITY OF LOS ANGELES

CALIFORNIA



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November 16, 2018

Honorable Mitch O'Farrell, Chair
Arts, Entertainment, Parks, and River Committee
Los Angeles City Council
C/o City Clerk's Office
City Hall, Room 395
Los Angeles, CA 90012

Attention: Mr. Eric Villanueva, Office of the City Clerk

**RE: ARTS, ENTERTAINMENT, PARKS, AND RIVER COMMITTEE
REQUEST FOR REVIEW AND APPROVAL OF THE DEPARTMENT OF CULTURAL AFFAIRS
UPDATED ANNUAL EXPENDITURE PLAN & FEE STATUS REPORT FOR THE ARTS
DEVELOPMENT FEE (ADF) PROGRAM FOR FISCAL YEAR 2018-2019**

This report and its attachments are submitted in compliance with the Arts Development Fee (ADF) Program Administrative Guidelines adopted by the City Council in December 2014, by motion (CF# 13-0933).

Pursuant to the established ADF Program guidelines, the Department of Cultural Affairs is required to develop an annual Expenditure Plan and Fee Status Report for the ADF Program, submitted herein. This report identifies and commits **\$447,197.03** comprised of "Priority Fees" in arts development fees toward eligible public art projects throughout the City. Due to the date of collection of some of these fees, Los Angeles Municipal Code Section 5.346, et al., which is based on the State Mitigation Fee Act, requires that the Department and City Council approve a set of findings for the "Priority Fees" before December 31, 2018. A finding identifies the purpose to which the fee is to be used and demonstrates a reasonable relationship between the fee and the purpose for which it is charged. DCA has prioritized the commitment of these "Priority Fees" in this report.

Additionally, this report identifies and commits **\$2,558,537.71** in fees that are less than five years on Council-identified public art projects and **\$1,505,984.36** in fees that are less than five years on the second edition of the City-wide Public Art Triennial, for a total ADF expenditure plan of **\$4,511,719.10**, including "Priority Fees".

CURRENT:LA will provide a site-specific public artwork and public program at a public park, in each Council District resulting in more than 150 discreet public art events over one month in Fall 2019. The Department of Recreation and Parks and Department of Transportation have agreed to partner with DCA on this initiative to help encourage an increase in visitation and use of park spaces as well as increase ridership in the region's public transit system. The park locations have been reviewed and in some instances recommended by the council staff, and also presented to the Recreation and Parks Task Force Committee for consideration. The Department aims to spread the cost of the initiative equally across all

districts for this Citywide program. However, because private development in the city is uneven, the Department will augment the budget with other funds to cover those districts with limited ADF funds. Upon reconciling the cash account in Fund 516, the Department's Accounting Division has identified **\$637,119.13**, an accumulation of unspent interest over the years, prior to fiscal year 2016, that will be used to partially cover costs for districts with limited ADF funds

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. **APPROVE** the public art project commitments and associated findings relative to a total of **\$4,511,719.10** comprised of "Priority Fees" and fees that are less than five years in arts development fees as identified in the FY2018-2019 ADF Expenditure Plan & Fee Status Report (Attachment A and Attachment B).
2. **INSTRUCT** the Department of Cultural Affairs to update the accrued interest to each of the appropriation accounts, within Fund 516, to be used in tandem with the original ADF fee collected.
3. **AUTHORIZE** the City Controller to approve the interest appropriations, within Fund 516, recommended by the Department of Cultural Affairs.
4. **AUTHORIZE** the Department of Cultural Affairs to appropriate and expend up to **\$637,119.13** of unspent interest earned within Fund 516 under a newly established account (TBD).

BACKGROUND

The Arts Development Fee (ADF) Program was established by ordinance in 1988, revised in 1991, and codified in Los Angeles Municipal Code Section 91.107.4.6 and Los Angeles Administrative Code Section 5.346. The ADF Program complies with the California Mitigation Fee Act and adheres to the tenets of a Nexus Study and a Cultural Master Plan adopted in 1992 by the City Council.

The ordinance requires private developers of non-residential development projects, valued over \$500,000, to pay an arts fee or complete an arts project equivalent to the value of the arts fee. If the developer chooses to pay the arts fee, the amount is based on a square-foot rate calculation or one percent of the valuation of the project designated on the permit, whichever is lower, as determined by the Department of Building and Safety.

From 1991 to 2007, arts development fees were used by the Department of Cultural Affairs to support a variety of arts and cultural activities. In 2007, a restriction was placed on the use of arts development fees that limited the expenditure of the fee to a one-block geographic radius of the related private development project that generated the fee. This restriction severely limited the Department's ability to effectively deploy these resources and resulted in the accumulation of a large cash balance in the Arts Development Fee Trust Fund.

On July 23, 2013 Councilmembers Huizar and O'Farrell co-presented a motion (CF# 13-0933), which was further modified by Committee, instructing the Chief Legislative Analyst (CLA) and DCA, with the assistance of the City Attorney, to report back regarding updates to the Arts Development Fee Program, including changes to the amounts collected and the process for collecting and disbursing funds, as well as recommendations for expanding the types of projects generating arts development fees and expanding the allowable use of fees collected.

Through the adopted ADF Program Administrative Guidelines, now in its fifth cycle, DCA has supported a variety of public art projects that range from mural conservation, art walks, to music and arts festivals.

DCA has collaborated with individual artists, art organizations, and festival producers to create temporary and permanent public art projects and programs across the city. Projects are identified by the Council Offices in conjunction with DCA as part of the ADF Expenditure Plan development phase. Through DCA's work with the Council on the expenditure planning process, as well as the implementation of CURRENT:LA Public Art Triennial, DCA successfully implemented the citywide public art initiative funded with ADF funds in Summer 2016 and with the next public art exhibition slated for Fall 2019.

SUMMARY OF THE FY 2018-2019 ADF EXPENDITURE PLAN & FEE STATUS REPORT

The FY2018-2019 ADF Expenditure Plan & Fee Status Report provides an accounting of **\$13,521,873.73** in arts development fees, listed by the Council District in which the associated private development that generated the fee is located. The report identifies and commits **\$4,511,719.10** within the overall Fund 516 balance that is comprised of "Priority Fees" and fees that are less than five years, in arts development fees toward eligible projects and provides associated findings required by the State Mitigation Fee Act.

The chart below provides a breakdown of arts development fees by Council District:

| COUNCIL DISTRICT | BALANCE EXPENDITURE PLANS FY 14/15 - 17/18 (A) | PRIORITY FEES (B) | FEES LESS THAN 5 YRS (C) | FEES LESS THAN 5 YRS, PROJECTED EXPENDITURES (INCLUDES CURRENT:LA PUBLIC ART TRIENNIAL FEES) | TOTAL (A) + (B) + (C) |
|------------------|--|---------------------|--------------------------|--|------------------------|
| CD 1 | \$31,538.20 | \$91,267.24 | \$645,308.54 | \$386,244.42 | \$768,113.98 |
| CD 2 | \$10,756.11 | \$29,805.15 | \$458,515.98 | \$161,525.72 | \$499,077.23 |
| CD 3 | \$0.00 | \$40,816.58 | \$188,510.72 | \$188,510.72 | \$229,327.30 |
| CD 4 | \$541,186.48 | \$39,933.89 | \$661,338.43 | \$158,072.39 | \$1,242,458.80 |
| CD 5 | \$252,670.32 | \$46,887.99 | \$1,054,868.50 | \$121,787.00 | \$1,354,426.81 |
| CD 6 | \$409,027.62 | \$0.00 | \$337,064.32 | \$140,984.61 | \$746,091.94 |
| CD 7 | \$460,710.49 | \$0.00 | \$279,879.19 | \$50,807.98 | \$740,589.68 |
| CD 8 | \$91,614.22 | \$0.00 | \$32,398.10 | \$0.00 | \$124,012.32 |
| CD 9 | \$0.00 | \$0.00 | \$1,048,904.86 | \$702,899.72 | \$1,048,904.86 |
| CD 10 | \$25,478.12 | \$0.00 | \$856,170.45 | \$36,624.68 | \$881,648.57 |
| CD 11 | \$87,956.52 | \$30,449.14 | \$990,645.23 | \$125,776.30 | \$1,109,050.89 |
| CD 12 | \$0.00 | \$0.00 | \$398,178.19 | \$128,405.78 | \$398,178.19 |
| CD 13 | \$111,892.91 | \$163,746.56 | \$795,218.54 | \$287,105.31 | \$1,070,858.01 |
| CD 14 | \$380,741.37 | \$4,290.48 | \$2,522,828.65 | \$1,575,777.45 | \$2,907,860.50 |
| CD 15 | \$166,257.86 | \$0.00 | \$235,016.79 | \$0.00 | \$401,274.65 |
| TOTAL | \$2,569,830.23 | \$447,197.03 | \$10,504,846.48 | \$4,064,522.07 | \$13,521,873.73 |

| | |
|---|------------------------|
| TOTAL | \$13,521,873.73 |
| TOTAL LESS CURRENT:LA INITIATIVE | \$11,875,447.70 |

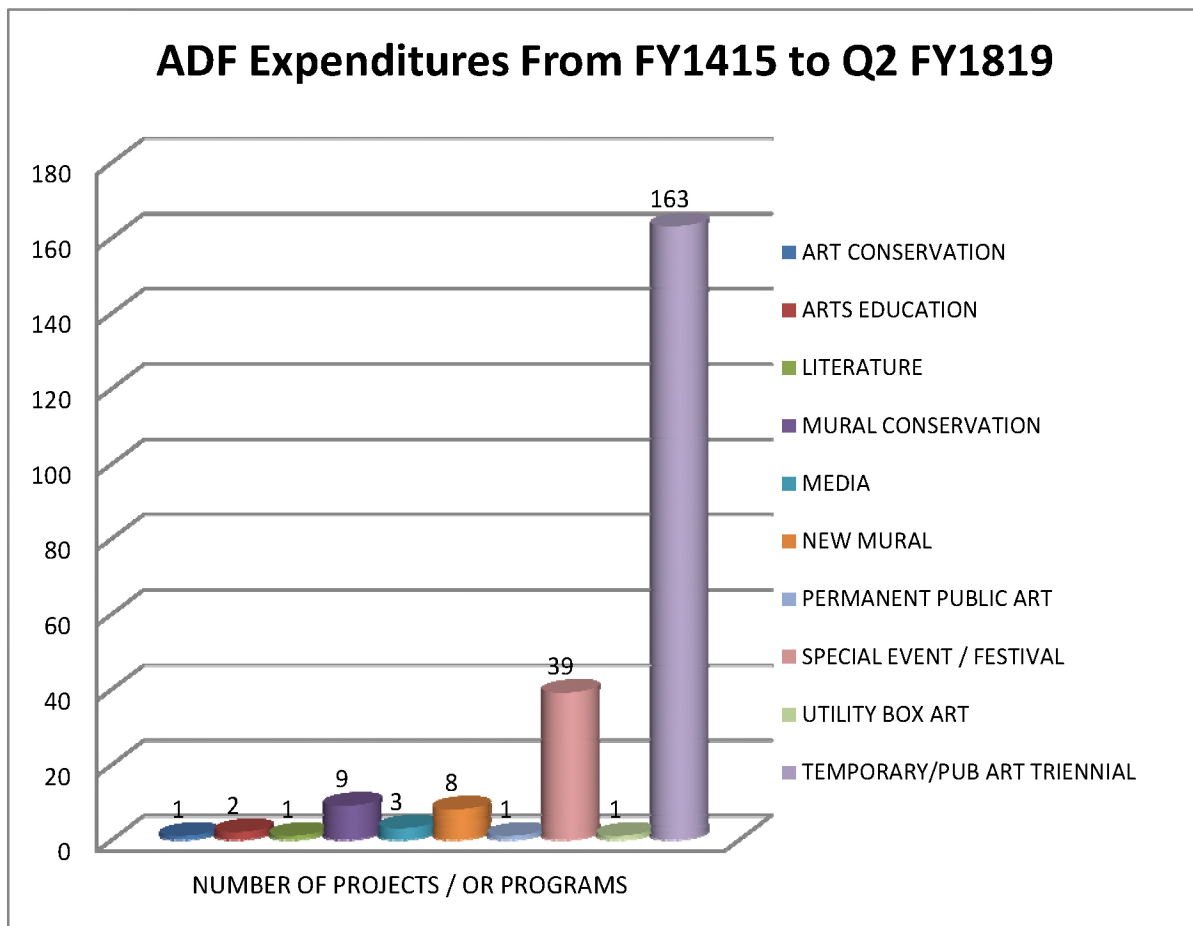
*CURRENT fees approved in FY17/18 are embedded in (A), (B), & (C); SEE ATTACHMENT A

Consistent with the Arts Development Fee Program Administrative Guidelines, the Department met with each Council Office in September and October 2018 and collaborated to develop project commitments for the **\$447,197.03** in arts development fees (labeled “Priority Fees” above) that require findings to be made before December 31, 2018.

SUMMARY OF PRIOR YEAR EXPENDITURES

The chart below shows that from FY14/15 to Q2 of FY18/19, \$4,640,218 has been spent on Council-specific projects and the department-developed citywide art and cultural program supported with ADF funds. Of this amount, the Council-specific projects total \$3,510,756, or 76%, and supported 65 projects, and the DCA-led project total of \$1,129,462, or 24%, and created 163 projects/programs.

The data demonstrates the Council Offices’ preference for one to two day special events and festivals, followed by mural conservation projects and the creation of new murals. The investment of ADF funding in festivals provides free, outdoor and publicly accessible arts activities to communities and the users of private development sites, while the more permanent investment of ADF funding in murals improves the visual identities of communities over the long-term.



IMPLEMENTATION

Upon approval of the ADF Expenditure Plan and Fee Status Report, DCA will initiate and administer the approved ADF projects and programs accordingly. Of the proposed **\$4,511,719.10** in project commitments, up to **\$541,032.25** will be available to support staffing resources, leaving a balance of **\$3,970,686.85** available directly for public art projects and programs.

FISCAL IMPACT

There is no fiscal impact on the City's General Fund, as it relates to this report.



DANIELLE BRAZELL
General Manager

DB:ff

Attachments: A - FY2018-2019 ADF Expenditure Plan & Fee Status Report
B - FY1718 & FY1819 ADF Expenditure Plan CURRENT: LA Public Art Triennial
C - ADF Expenditures Between FY1415 – FY1819 (Q2)

Cc: Barbara Romero, Deputy Mayor, City Services
Nicole Serrano, Office of the Mayor, City Services
Kimberly Miera, Office of the City Attorney
Terry Sauer, Office of the City Administrative Officer
Elaine Owens-Sanchez, Office of the City Administrative Officer
Karen Kalfayan, Office of the Chief Legislative Analyst
Eric Villanueva, Office of the City Clerk