

# **WORKSHOP**

## **Allocation of Tourist Development Taxes**

**Tuesday, December 11, 2012**

**1:00 – 3:00 p.m.**

**Leon County Board of County Commissioners' Chambers  
Leon County Courthouse, 5<sup>th</sup> Floor**

**This document distributed December 4, 2012**

# Leon County Board of County Commissioners

## Cover Sheet for Workshop Item

December 11, 2012

**To:** Honorable Chairman and Members of the Board

**From:** Vincent S. Long, County Administrator 

**Title:** Workshop on the Allocation of Tourist Development Taxes

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<b>County Administrator Review and Approval:</b>	Vincent S. Long, County Administrator
<b>Department/Division Review and Approval:</b>	Alan Rosenzweig, Deputy County Administrator Ken Morris, Director of Economic Development & Business Partnerships
<b>Lead Staff/ Project Team:</b>	Lee Daniel, Director of Tourism Development

### **Fiscal Impact:**

This item does not have a fiscal impact. If the Board approves staff recommendation, the current allocation of Tourist Development Tax (TDT) revenue will remain consistent with the existing allocations. However, if the proposed allocations of the TDT effective October 1, 2013 are implemented this would result in a 40% reduction in available funds to market Tallahassee and Leon County for economic development through tourism.

### **Staff Recommendation:**

Option #1: Direct staff to maintain the existing allocation of the Tourist Development Tax revenue and, to effectuate this direction, authorize staff to schedule the appropriate public hearings to amend the Tourism Development Plan in County Ordinance No. 2011-07.

## Report and Discussion

### **Background:**

On January 14, 1988, the Board adopted the imposition of the first and second pennies of the Tourist Development Tax (TDT), adopted the Tourist Development Council Plan, and created the Tourist Development Council (TDC). On November 23, 1993, the Board increased the Tourist Development Tax from 2% to 3%. On October 12, 2004 the Board approved the levying of the fourth cent and designated the third penny for a separate account within the Tourist Tax Trust Fund to be used for costs associated with the proposed Florida Center for Performing Arts & Education (FCPAE) through an Interlocal Agreement between Leon County, the City of Tallahassee and the Community Redevelopment Agency (CRA).

On March 19, 2009, the Board approved the levying of the fifth cent to support Tourist Development Council activities until October 1, 2011; at which time, the fifth cent would be split between the FCPAE (½ cent) and the Art Space Project (½ cent) (later to become known as Arts Exchange). Additionally, the Board directed that one of the existing pennies be designated to fund activities related to the Council on Culture & Arts (COCA). This would have resulted in three of the five pennies being dedicated to various cultural projects and organizations while correspondingly significantly reducing funding towards marketing efforts.

During the FY 2012 Budget Workshop on March 17, 2011, the Board imposed a two-year hiatus on implementing the changes to the allocation of bed taxes. The Board concurred with staff's and the Tourist Development Council's recommendations to impose the two-year hiatus given the economic climate at the time and the need to invest in tourism marketing to draw additional visitors. This hiatus delayed the setting aside of an additional ½ cent to the FCPAE, a ½ cent for the Arts Exchange Project, and one cent to COCA until October 1, 2013 (Attachment #1). In addition, it provided for prolonged investment in the County's tourism promotion efforts, the results of which are provided in the analysis section of this item and will be presented by staff at the Board workshop. A current chart outlining all five pennies is provided as Attachment #2.

On November 15, 2011, the Board conducted a workshop on the allocation of Tourist Development Taxes (TDT) and to consider utilizing funds set aside for the construction of the Florida Center for Performing Arts and Education (FCPAE) for improvements to the Capital City Amphitheater at Cascades Park (Attachment #3). As reflected in the ratification of the workshop:

- The Board reaffirmed the current allocation of the 1 cent dedicated TDT funds for the FCPAE pursuant to the interlocal agreement with the City of Tallahassee and the Community Redevelopment Agency (CRA)
- The Board clarified that any future discussions regarding the allocation of tourist development taxes will not include the reallocation of the penny currently dedicated to the FCPAE
- The Board did approve the reallocation of existing funds set aside for the FCPAE to support the Capital City Amphitheater at Cascades Park.

- The Board requested that the allocation changes scheduled for October 1, 2013 that will provide an additional ½ penny to the FCPAE, a ½ penny to the Arts Exchange project and one penny to the Council on Culture and Arts (COCA) be revisited sometime in the next year following the completion of the management review of COCA

**This workshop is being presented in response to the Board direction received at the November 15, 2011 workshop.**

### **Analysis**

If the Board maintains the current allocation of the TDT, the County through the TDC will continue with its aggressive marketing campaign, which drives the local tourism economy. However, if currently planned changes to the allocation are implemented effective October 1, 2013, the following commitments will commence or continue with the existing five cents of TDT:

- One-cent currently set aside by the Interlocal Agreement for the FCPAE will continue (no changes are recommended)
- An additional ½ cent will be set aside for the FCPAE, which is not tied to the Interlocal Agreement; staff recommends this ½ cent be maintained for the existing marketing program.
- An additional ½ cent will be set aside for the Arts Exchange project; consistent with the recommendations approved by the Board as part of the management review, staff recommends this ½ cent be maintained for the existing marketing program.
- One-cent will be dedicated to fund COCA related activities, which would result in an approximately \$350,000 increase in funding over the existing \$654,000 allocation, for a total of \$1,004,000.
- The remaining two cents will be dedicated to the Tourism Development Department for marketing and operational purposes.

This structure will reduce the amount of tourist revenue available for marketing and operational purposes from the current 4-cents (minus \$504,500 provided to COCA for re-granting to local cultural institutions for marketing and programming) to 2-cents. Based on approximately \$850,000 generated per penny, the TDC's available budget would be reduced from approximately \$3.4 million annually (inclusive of the COCA allocation) to \$1.7 million. Table #1 illustrates the current and anticipated TDT allocations.

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**Table #1: Current & Anticipated TDT Allocations**

<b>TDT Funding Recipient</b>	<b>Current Allocation (Cent)</b>	<b>Scheduled Allocation (Effective October 1, 2013)</b>
FCPAE ( <i>per Interlocal Agreement</i> )	1	1
FCPAE	0	½
Arts Exchange Project	0	½
COCA	0*	1
Tourism Development Division	4	2
<b>Total</b>	<b>5</b>	<b>5</b>

\*COCA received \$504,500 of TDT in FY 2013 as part of the County budget process. These funds are re-granted to various cultural institutions and organizations in Leon County.

Table #2 shows the TDT dollar amounts effective October 1, 2013 if the Board takes no further action.

**Table #2: Scheduled TDT Dollar Existing Allocations versus Proposed Changes Effective October 1, 2013**

<b>TDT Funding Recipient</b>	<b>Maintain Existing Allocations</b>	<b>Proposed Changes 10/1/2013</b>	<b>% of Total Annual Revenue</b>
FCPAE ( <i>per Interlocal Agreement</i> )	\$850,000	\$850,000	20%
FCPAE	\$0	\$425,000	10%
Arts Exchange Project	\$0	\$425,000	10%
COCA	\$0*	\$850,000	20%
Tourism Development Division	\$3,400,000*	\$1,700,000	40%
<b>Total</b>	<b>\$4,250,000</b>	<b>\$4,250,000</b>	<b>100%</b>

\*COCA received \$504,500 of TDT in FY 2013 as part of the County budget process. These funds are re-granted to various cultural institutions and organizations in Leon County. Additionally, COCA receives \$150,000 in general revenue support for administrative purposes. The funds are not dedicated, but are allocated as part of the annual budget development process; whereas the FCPAE funding is dedicated.

As noted in the background, at the November 15, 2011 Workshop, the Board reaffirmed its support for the current one-cent (fourth penny) being set aside for the FCPAE and directed staff to exclude this portion of the TDT from further consideration for reallocation. Therefore, this analysis focuses on the remaining four cents currently being utilized by the Division of Tourism Development and their reallocation planned for October 1, 2013.

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The balance of the analysis section provides the following:

- A review of the Leon County Division of Tourism Development's (aka Visit Tallahassee) existing marketing efforts and the resulting economic impact, including comparative data of tourist development tax allocations with other Counties throughout Florida
- Council on Cultural Arts (COCA) funding related to the TDT
- Florida Center for Performing Arts and Education (FCPAE) funding related to an additional ½ cent TDT being allocated
- Mike Sheridan proposal
- Arts Exchange funding
- A conclusion that provides a summary of the item and associated recommendations. (Note, based on previous direction by the Board, no recommendations are provided at this time for the fourth cent currently being collected and set aside for the FCPAE.)

Leon County Division of Tourism Development (aka Visit Tallahassee)

Tourism Development has utilized the existing 4 cents of TDT to market Tallahassee and Leon County as a destination for nature-based tourism activities, history and heritage, visual and performing arts, science and discovery, sporting events, meetings and conferences, filming, dining, nightlife and shopping. The additional funds that may be reallocated effective October 1, 2013 have also been used as support for the Choose Tallahassee campaign and to market the VIVA Florida 500 initiative in 2013.

Since the reorganization of all tourism activities as a Division of Leon County in October 2009 and the structural changes to the County Charter approved by voters to place Tourism Development under the County Administrator, marketing activities have been coordinated with other efforts of the County and strategically aligned with the priorities of the Board. The results have been extremely positive. Comparing calendar year 2010 to 2011, visitation increased 13.2% to 2,564,000 people, direct spending from visitors increased 11.4% to \$577.2 million, and tourism related jobs grew by 11.5% to 12,228. Since Tourism Development began managing all tourism marketing and presented its new creative strategy in April 2010, hotel occupancy and revenue have increased in 22 of the 30 months. For fiscal year 2012, which concluded on September 30, 2012, visitation rose by 11.1%, direct spending increased by 11.8%, and tourism related jobs were up 17% to 13,788 over FY 2011.

**Table #3 Increases of Tourism Activities Since 2010**

	Comparison of Calendar Year 2010 to 2011		Comparison of Fiscal Year 2011 to 2012	
	<i>Actuals</i>	<i>Percentage</i>	<i>Actual</i>	<i>Percentage</i>
<b>Visitation</b>	2,564,000	13.2%	2,635,000	11.1%
<b>Economic Impact</b>	\$557.2 million	11.4%	\$629 million	11.8%
<b>Tourism Related Jobs</b>	12,228	11.5%	13,788	17.0%

A total of 9% of all jobs in Leon County are tourism related and this percentage is continuing to grow. This is a byproduct of the Board's strategy and guidance to continue to allocate four cents of the TDT for the purpose of investing in a marketing strategy to draw additional visitors.

These statistical indicators demonstrate a strong return on investment despite the global economic conditions of recent years.

Aside from the recovering economy, FY 2012 also posed some unique challenges. With an early legislative session that resulted in a loss of approximately 25,000 room nights and lower than anticipated attendance at FSU football games this Fall, TDT collections still grew by 10% to \$4,230,314 which is near pre-recession levels. This equates to \$846,062 per penny, an increase from \$731,855 per penny in FY 2010 and \$770,285 in FY 2011. Since FY 2010, TDT collections per penny have increased by 15.6%.

**Table #4 Tourist Development Tax Collections 2010 - 2012**

	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Actual Collections</b>	\$3,659,276	\$3,851,424	\$4,230,314
<b>Collections Per Penny</b>	\$731,855	\$770,285	\$846,063
<b>Percentage Increase</b>	12.8%	5.3%	10.0%

During this time, the unallocated fund balance in the Tourist Development Fund has also been increased from \$750,000 to slightly over \$1 million. Other positive indicators for FY 2012 were a 3.5% increase in countywide hotel occupancy, a 5.1% increase in revenue per available room, a 5.4% increase in hotel revenue and a 1.6% increase in average daily rate.

The VisitTallahassee.com website saw an increase in total traffic of 53% in FY 2012, a 35% increase in unique visitors and a 150% increase in traffic to the mobile site. Social marketing saw a 264% increase in Facebook “Likes” and a 132% increase in Twitter followers. Public relations efforts generated 19 million media impressions, \$261,000 in radio and print promotions exposure and \$1.1 million in advertising equivalency with various story placements, a 13:1 return on investment. Sales highlights during FY 2012 include:

- The Leisure Travel section booked 8,989 room nights worth more than \$3 million in economic impact.
- The Meetings and Conventions section booked 6,507 room nights bringing in over \$5 million to the local economy.
- The Sports section brought 46,000 visitors to the community resulting in over a \$20 million in economic impact.

Tourism Development was able to create and implement three seasonal campaigns, Fall Frenzy, Winter Nights/Holiday Lights, and Naturally Tallahassee. The inaugural Capital Cuisine Restaurant Week was launched in May 2012 featuring 22 local partners. The second annual Restaurant Week is planned for May 2013 and is scheduled to add a musical component. As part of the restaurant week promotion, Tourism Development hosted eight journalists representing publications such as Relish, Cooking with Paula Dean, Simply the Sweet Life, Recommend Magazine, Little Black Dress/Little Red Wagon, Mainstreet Newspapers, and others. Visitation during the traditional shoulder months of May and August grew by 6% and 14% respectively. August actually tied the month of February as the highest occupied month of the year, which is extraordinary, since the legislative session was held during January and February of 2012. August was helped by two Amateur Softball Association tournaments that generated 1,300 room nights and \$950,000 in economic impact.

Once the final agreement between the County and City is executed on the operation of the Capital City Amphitheater at Cascades Park, Tourism Development is scheduled to book and manage the regional ticketed concerts. Of the current \$1 million in the unallocated fund balance, approximately \$186,500 would be used to hire staff or a private management company to book and manage the ticketed concerts and to pay for electricity at the Meridian Point Building that would serve as performer dressing rooms, a production office, ticket office, catering space, and storage space.

Additionally, Tourism Development is allocating funds to develop Trailhassee.com that would serve as marketing resource focused on hiking, running, biking, paddling, and equestrian activities for both potential visitors and in-market users interested in area trails. These efforts are taking place in coordination with the County and City Parks Departments, the joint County/City Geographic Information Systems Department, and local stakeholder groups to identify marketing opportunities and software opportunities for active users such as mapping information and Quick Response Codes for smartphones. Leon County, and the surrounding region, has an abundance of recreational trails so this effort will consolidate the different types into one resource to be marketed in key niche publications.

The Board has prioritized enhancing economic development through tourism as a strategic priority for 2012 and 2013. The growth in all tourism economic indicators is a strong signal that marketing efforts are paying substantial dividends. The benefits of the economic impact of tourism is felt in Leon County hotels and motels, restaurants, retail establishments, gas stations, banks, auto dealerships and numerous other businesses. Adequate marketing funding is essential to support these efforts, increase tourism's economic impact, and job creation. At this time, the issue before the Board is where to strike the balance between investing in the marketing and promotion of the County versus investing in capital projects and cultural programs to expand the locally available offerings.

#### *Council on Culture & Arts*

Of the four pennies dedicated to Tourism Development, \$504,500 is provided to COCA to be re-granted to cultural organizations and events throughout the community. An additional \$150,000 in general revenue is also allocated to COCA for administrative support. In FY 2012, TDT supported grants to 110 different organizations to assist with special events, sporting events, meetings, and conferences. Leon County currently dedicates 32% of the total TDT collections to arts and culture, which is substantially higher than other counties in Florida. Based on figures updated in October 2012, Table #5 reflects other Florida counties heavily invested in tourism and their percentages allocated to the arts (Attachment #4):

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**Table #5: Florida Counties' Support of Arts/Culture with TDT Funds**

County	Total TDT Collections	% To Arts	\$ To Arts
<b>Leon Proposed*</b>	<b>\$4.2 million</b>	<b>60%</b>	<b>\$2.52 million</b>
<b>Leon Current*</b>	<b>\$4.2 million</b>	<b>32%</b>	<b>\$1.35 million</b>
Alachua	\$3.0 million	16%	\$480,000
St. Johns	\$7.0 million	15%	\$1 million
Palm Beach	\$28 million	13%	\$3.6 million
Sarasota	\$13.7 million	10%	\$1.3 million
Polk	\$6.8 million	6%	\$400,000
Broward	\$45 million	1.5%**	\$600,000
Brevard	\$7.4 million	1.5%	\$111,000
Pinellas	\$25.6 million	1.4%	\$350,000
Lee	\$26.5 million	1%	\$225,000
Collier	\$14.6 million	1%	\$140,000

\*Includes COCA and Performing Arts Center allocations

\*\*Broward used \$15 million of its \$30 million reserve fund, plus an additional \$1.9 million for marketing, to enhance two museums, which are not included in this figure.

Since 2003, Leon County has partnered with COCA to implement the Cultural Plan and administer the cultural grant program. During this period, the County has provided COCA with \$5.5 million for these programs, of which \$4.13 million has been re-granted to the community. COCA, in partnership with the County and City, is undergoing a comprehensive update of its Cultural Plan with the goal of completing its recommendations in mid-2013 so that they may be considered during 2013/2014 budget discussions.

Consistent with the findings in the management review, staff recommends continuing to provide cultural grant funding support for COCA through the TDT as part of the annual budget process and not create a dedicated allocation of one penny. This approach allows the Board to either increase or decrease funding for cultural re-granting as part of the regular annual budget process.

#### *Florida Center for Performing Arts and Education (FCPAE)*

On October 23, 2012, the Board accepted a status reports on the FCPAE and Arts Exchange projects (Attachment #5). The following provides a brief summary of the status report and actions that have occurred subsequent to the Board's meeting.

In summary, a total of \$1,114,000 of TDT has been spent to date on operational expenses related to the FCPAE and \$508,425 to demolish the Johns Building on the proposed site. The combined total is \$1,622,512. If the project is not constructed on the former Johns Building site, the Interlocal Agreement between the City and the County requires that any portion of the TDT not needed for the payment of debt service, construction and/or operational costs for the FCPAE be returned to the Leon County Tourist Development Trust Fund along with \$508,425 of TDT funds used to demolish the Johns Building. The CRA must reimburse the County for the demolition costs within twelve months of terminating its option agreement with FCPAE or entering into an agreement with another party whom does not plan on constructing a performing arts center at that site.

Aside from the semi-annual expenditures for the FCPAE operational costs, the Board has approved two expenditures from the FCPAE account for improvements to the Capital City Amphitheater at Cascades Park. On December 13, 2011, upon ratifying the November 15<sup>th</sup> Workshop on the allocation of TDT, the Board approved the redirection of \$1.2 million from the FCPAE account to make improvements to the Capital City Amphitheater at Cascades Park (Attachment #6). The City and CRA Board subsequently approved this expenditure. On August 28, 2012, the Board approved an additional expenditure of \$576,604 for upgrades to the electrical system on the amphitheater stage and to construct additional permanent restrooms (Attachment #7). This brings the total funds redirected to the amphitheater to \$1,776,604. To date, one payment has been made to Blueprint 2000 in the amount of \$371,794. Once the full \$1,776,604 has been paid to Blueprint 2000, approximately \$3 million will remain in the Tourist Development Trust Fund for the FCPAE. This total will continue to grow monthly with the collection of the TDT.

Subsequent to the Board accepting the October 23, 2012 status report, on November 7, 2012, the City granted the FCPAE additional time with regard to its option for the former site of the Johns Building so that a revised project proposal can be presented to the Leon County Sales Tax Committee in December 2012. FCPAE requested the extension given the financial necessity to secure funding through the sales tax extension. The FCPAE is scheduled to present to the Sales Tax Committee on December 13, 2012.

The City has determined that they will consider other purchase offers on the property but would give FCPAE a first right of refusal to purchase the property. If the Performing Arts Center is placed on the recommended sales tax extension project list, then the City Commission, at its discretion, could further amend the agreement to link the terms with the outcome of the sales tax extension referendum.

Given the current status of the project, staff recommends maintaining the existing allocations and not dedicate additional funding (above the dedicated 1 cent) towards the FCPAE at this time. This recommendation, along with subsequent recommendations provided herein, would allow for the continued promotion of tourism activities at a level that has proven beneficial to the local economy.

#### *Mike Sheridan Theater Proposal*

At the October 9, 2012 Commission meeting, the Board directed staff to further research the proposal by Mike Sheridan to construct a 250-400 seat theater somewhere in Downtown Tallahassee. Mr. Sheridan had conditionally decided on a location at 107 College Avenue, immediately behind the Governor's Club, which is currently owned by the Tallahassee Memorial Hospital Foundation. If he could acquire the property at a substantially reduced price, Mr. Sheridan estimated that the cost to open the doors and be fully operational to be approximately \$2 million. If public funds in the amount of \$1 million could be obtained, he and his wife would personally donate \$1 million to match the public funds. He went on to state that based on a reasonable pro forma, the theater could be operating on a break even basis as early as the end of the third year of operation, but may need some subsidy beyond that.

Based on discussions with Mr. Sheridan, he is not currently able to further pursue this project and he stated that his plans have been returned to TMH and the pro forma is not in a format that can be included in this report. Without a pro forma, staff is unable to reasonably determine the need or feasibility for a venue of this size nor its place among the numerous venues underway including the Capital City Amphitheater at Cascades Park, the College Town Entertainment District, or the proposed FCPAE. Given the Board's aforementioned commitment to the ongoing FCPAE efforts, staff recommends that the Board not further consider multiple or competing capital or programmatic funding requests until such time that the community coalesces around a long-term performing arts venue plan that includes a viable capital and operating financial plan with sustainable public and private partnerships.

#### *Arts Exchange Project*

A Status Report on the Arts Exchange was presented to, and accepted by, the Board on October 23, 2012 (Attachment #5). Given the inability to secure significant funding for the project and the expiration of COCA's option for the Railroad Avenue location, the Board may wish to reconsider allocating a half-cent of the fifth-cent bed tax to the Arts Exchange Project at this time. This aligns with the Management Review of COCA presented on November 13, 2012 and the direction approved by the Board at that time:

***Recommendation #10: At a future workshop on the distribution of tourist development taxes, the Board should reconsider setting aside a half-cent of the fifth cent tourist development tax for the Arts Exchange Project.***

COCA was in concurrence with this recommendation given the lack of progress with the Arts Exchange Project. It is also important to note that this action would not affect the annual funding provided to COCA for operational needs.

#### Conclusion

The Board has prioritized enhancing economic development through tourism as a strategic priority for 2012 and 2013. The growth in all tourism economic indicators is a strong indication that marketing efforts are paying substantial dividends. The benefits of the economic impact of tourism is felt in Leon County hotels and motels, restaurants, retail establishments, gas stations, banks, auto dealerships and numerous other businesses. A total of 9% of all jobs in Leon County are tourism related and growing. Projects such as the Treetop Adventures at the Tallahassee Museum, Cascades Park and the Capital City Amphitheater, College Town, and others are major tourism product additions and positive signs of continued tourism growth. Adequate marketing funding is essential to support these efforts, increase tourism's economic impact, and encourage job creation.

Tourism marketing consists of advertising and public relations, digital and social marketing, marketing research, direct sales and visitor services. The scheduled reallocation would result in a 40% reduction to the tourism marketing efforts and require personnel reductions to the County's Division of Tourism Development that employs 10 full-time staff and 2 part-time staff. Table #6 offers a preliminary reduction list for tourism marketing should the full two-cent scheduled reallocation take place on October 1, 2013.

**Table #6: Preliminary Tourism Marketing Cuts**

<b>Program Area</b>	<b>\$2.8 Million (Current)</b>	<b>\$1.7 Million (Scheduled)</b>	<b>Impact</b>
<i>Advertising &amp; Public Relations:</i> Includes paid advertising, public relations, website and mobile site, social marketing, VIVA program and new website for 2013	\$843,000	\$505,800	Elimination of almost all traditional media advertising
<i>Marketing Research:</i> Visitor statistics and trends; special project research such as the impact of special events	\$80,000	\$48,000	Insufficient funds to conduct beneficial strategic research
<i>Sports:</i> Travel, bid pool, hosting expenses; 2012 saw 46,000 visitors and \$20 million in economic impact	\$364,665	\$218,799	Potential loss of 10,600 room nights and \$8 million in annual economic impact
<i>Meetings &amp; Conventions:</i> Travel, bid pool and transportation grants; 6,507 room nights in 2012 for \$5 million economic impact	\$159,091	\$95,455	Potential loss of 2,600 room nights and \$2 million in economic impact
<i>Leisure Travel:</i> Travel to consumer and trade shows including motor coach; generated 8,989 room nights for more than \$3 million in economic impact	\$106,087	\$63,652	Goal of impacting 125,000 consumers and 10,000 travel agents cut by 40%
<i>Marketing Communications:</i> Directs public relations and social marketing programs; generated 19 million media impressions and \$1.1 million in destination exposure plus \$261,000 in promotion exposure; Visitor and Meeting/Events guides; website bloggers	\$206,465	\$123,879	Goal of 150 print and online stories cut by 40% resulting in \$440,000 loss in media exposure
<i>Visitor Services:</i> Assisted 6,521 domestic and 1,120 international visitors and 266 groups representing 22,527 visitors	\$148,905	\$89,343	Ability to service conference, weddings and reunion groups cut by 40%

A Colorado case study was presented to the Board during the November 15, 2011 Tourism Workshop that bears reiteration. In 1993, the Colorado Legislature dissolved Visit Colorado, the state's tourism marketing organization. In only two years, Colorado's domestic market share dropped 30%. This represented a loss to the state of over \$1.4 billion annually. Revenue eventually dropped by \$2 billion a year. In the summer season, the state dropped from #1 to #17 in visitation. The Legislature refunded tourism marketing in 2000, and by 2007 tourism was back to all-time record levels. Even with all the natural attraction and activities offered in Colorado, business is not guaranteed. Competition is intense and marketing is essential to maintaining and growing market share, growing jobs, and enhancing economic development through tourism.

Based on the information presented in this item, staff recommends not proceeding with the scheduled reallocation in order to maintain the current uses of the TDT (Option 1). The following is a brief reiteration for the basis of the staff recommendations:

- The Board has already provided direction with regard to the ½-cent allocation for the Arts Exchange Project as it is unlikely to come to fruition. In addition, COCA was in concurrence with the recommendation to reconsider the allocation given the lack of progress with the Arts Exchange project.
- Given the significant challenges and uncertainty of the FCPAE project, staff recommends not dedicating an additional ½-cent to the FCPAE project at the expense of the County's marketing efforts.
- Funding for COCA granting should continue to be included as part of the annual budget process through of a portion of the TDT at a level established annually by the Board.
- The Board's commitment to economic development through tourism and investment in a comprehensive tourism marketing strategy has provided tangible results including increased visitation data, direct spending, economic impact, and job creation.

Maintaining the existing allocation provides for the collection of funds from the fourth penny for the FCPAE, along with maintaining the current funding levels for cultural programs through COCA and marketing activities through the County's Division of Tourism Development. In fact, the increased spending of TDC funds on marketing has grown the collection of bed taxes in recent years thereby increasing the funding for the FCPAE and the County's marketing activities.

Staff recommends maintaining the existing allocation of the Tourist Development Tax. To effectuate this existing allocation, authorize staff to schedule the appropriate public hearings to amend the Tourism Development Plan in the County Ordinance No. 2011-07. Staff does not recommend the Board consider any action with regard to the fourth penny currently dedicated to the FCPAE until after the Sales Tax Committee has presented its recommendations to the Board.

**Options:**

1. Direct staff to maintain the existing allocation of the Tourist Development Tax revenue and to effectuate this direction, authorize staff to schedule the appropriate public hearings to amend the Tourist Development Plan in the County Ordinance No. 2011-07.
2. Take no further action and proceed with the scheduled allocation of the Tourist Development Tax effective October 1, 2013 which would:
  - a. Reduce the County's Tourism Development marketing budget by \$1.1 million from \$2.8 million to \$1.7 million.
  - b. Provide an additional ½ cent to the Florida Center for Performing Arts and Education, above the currently dedicated 1-cent allocation.
  - c. Provide a ½ cent dedicated allocation to the Arts Exchange project.
  - d. Provide one cent of dedicated funding to the Council on Culture and Arts.
3. Board direction.

**Staff Recommendation:**

Option #1.

**Attachments:**

1. March 17, 2011 Budget Workshop
2. Tourist Development Tax Distribution Chart
3. November 15, 2011 TDT Workshop item
4. County Comparison Chart on Tourist Development Tax allocations
5. October 23, 2012 Status Report on Florida Center for Performing Arts & Education and the Arts Exchange
6. December 13, 2011 Board item
7. August 28, 2012 Board item



**Board of County Commissioners**  
**Leon County, Florida**  
www.leoncountyfl.gov

**Budget Discussion Item**  
**Executive Summary**

March 17, 2011

**Title:**

Tourist Development Tax Allocations

**Staff:**

Parwez Alam, County Administrator

Vincent S. Long, Deputy County Administrator

Alan Rosenzweig, Assistant County Administrator

Scott Ross, Director, Office of Management and Budget

Lee Daniel, Director, Tourism Development

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**Issue Briefing:**

This Budget Discussion Item provides the Board a review of the current structure for the allocation of the Tourist Development Tax and seeks consideration of the recommendation from the Tourist Development Council for FY 2012.

**Fiscal Impact:**

This item has a fiscal impact. Under the current structure for the allocation of the Tourist Development Tax, the Tourism Development Department receives the revenue from four of the five pennies, which generates approximately \$3.2 million per year for marketing and operational purposes. If the allocation that will become effective on October 1, 2011 is not modified, the Tourism Development Department's FY 2012 allocation will be reduced from the current 4-cents to 2-cents. Based on approximately \$800,000 generated per penny, the TDC's available budget would be reduced from \$3.2 million annually (including the \$504,500 to COCA for re-granting to other cultural institutions) to \$1.6 million.

**Staff Recommendation:**

Option #1: Accept the March 3, 2011 recommendation from the Tourist Development Council.

Option #2: Authorize staff to prepare a draft ordinance and schedule a public hearing to amend Section 11-47 of the Code of Laws of Leon County, Florida, providing for amendments to the Leon County Tourist Development Plan, Exhibit A for April 12, 2011, at 6:00 p.m.

March 17, 2011

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**Report and Discussion****Background:**

In June 2004, the Board approved an Interlocal Agreement with the City and the Community Redevelopment Agency (CRA) to address the Downtown Community Development District (Attachment #1). The Agreement addresses a number of issues relating to the overall structure of the district, the financing and the approval of projects. Specifically, Section 6(a) of the Interlocal Agreement provides that the County will impose an additional one-cent Tourist Development Tax on a countywide basis, pursuant to Section 125.0104 (3)(1), Florida Statutes, which may be used to promote and advance tourism in Leon County.

Further, the Interlocal Agreement provides that the proceeds of one cent of the tax previously imposed by the County be segregated from other Tourist Development Tax revenue, and dedicated exclusively for the costs associated with the construction and operation of a performing arts center to be located in the Downtown District Community Redevelopment Area.

Subsequently, at its January 29, 2009 meeting, the Board voted unanimously to (1) authorize staff to prepare a draft ordinance and to schedule a public hearing to consider levying the fifth-cent tourist tax and (2) direct staff to include funding for the Council on Culture and Arts (COCA) in a revised tourist development plan, whether the plan is funded by three or four-cent. At this time, the Board also directed staff to review how the fourth cent tax is being utilized, as requested by the Tourist Development Council (TDC) (Attachment #2).

At its February 26, 2009 meeting, the Board voted unanimously to schedule the first and only public hearing to consider the adoption of an ordinance authorizing the levying and imposition of an additional one percent (fifth cent) Tourist Development Tax for March 19, 2009 at 6:00 p.m., and direct the County Attorney to (1) draft an ordinance to levy the fifth cent to support Tourist Development Council activities until 2012; at which time the fifth cent would be split between the Performing Arts Center and the Art Space Project and (2) designate one of the existing pennies to fund COCA related activities (Attachment #3). At the Public Hearing on March 19, 2009, the Board approved Ordinance 09-06 (Attachment #4). Table 1 reflects the current allocation of the Tourist Development Tax and the allocation that will become effective on October 1, 2011.

Table. 1 Allocation of Tourist Development Tax (Five Cents)

	<b>Current Allocation (Cent)</b>	<b>Allocation (Effective October 1, 2011)</b>
Performing Arts Center ( <i>per Interlocal Agreement</i> )	1	1
Performing Arts Center	0	½
Total Performing Arts Center	1	1 ½
Arts Exchange Project	0	½
COCA	0	1
Tourism Development Department	4	2
<b>Total</b>	<b>5</b>	<b>5</b>

On August 25, 2009, the Board adopted Ordinance 2009-28 which provides for the Leon County Tourist Development Plan (Attachment #5). This plan serves as a blueprint to guide the activities of

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the Leon County TDC and the expenditure of tourist development tax revenue. According to the Plan, tourist revenue may be spent on the following elements:

- Advertising
- Public Relations/Promotions
- Research and Analysis
- Direct Sales
- Convention and Visitor Services
- Special Events
- Administration.

In addition, the Plan breaks down the allocation of the tourist development tax, as specified above.

**Analysis:**

If the Board does not make changes to the current structure, beginning on October 1, 2011, the following commitments will commence or continue with the existing five cents of Tourist Development Tax:

- One-cent currently set aside by the Interlocal Agreement for the Performing Arts Center will continue.
- An additional ½ cent will be set aside for the Performing Arts Center, which is not tied to the Interlocal Agreement.
- An additional ½ cent will be set aside for the Arts Exchange Project.
- One-cent will be dedicated to fund COCA related activities.
- The remaining two cents will be dedicated to the Tourism Development Department for marketing and operational purposes.

This structure will reduce the amount of tourist revenue available for marketing and operational purposes from the current 4-cents (minus \$504,500 provided to COCA for re-granting to local cultural institutions for marketing and programming) to 2-cents. Based on approximately \$800,000 generated per penny, the TDC's available budget would be reduced from approximately \$3.2 million annually (including the \$504,500 to COCA) to \$1.6 million. Table 2 reflects the allocation effective October 1, 2011 and the estimated revenue each agency/project would generate per year.

Table 2. Allocation of Tourist Development Tax Revenue (*effective October 1, 2011*)

Allocation	Amount (Cent)	Revenue Estimate (per fiscal year)	%
Performing Arts Center ( <i>per Interlocal Agreement</i> )	1	\$800,000	20%
Performing Arts Center	½	\$400,000	10%
Total Performing Arts Center	1 ½	\$1,200,000	30%
Arts Exchange Project	½	\$400,000	10%
COCA	1	\$800,000	20%
Tourism Development Department	2	\$1,600,000	40%
<b>Total</b>	<b>5</b>	<b>\$4,000,000</b>	<b>100%</b>

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Table 3 details the impact of keeping the October 1, 2011, Tourist Development Tax allocation in place would have on the current marketing program, which essentially reduces the budget by half from \$3.2 million to \$1.6 million.

**Table 3: Impacts of Funding Reductions**

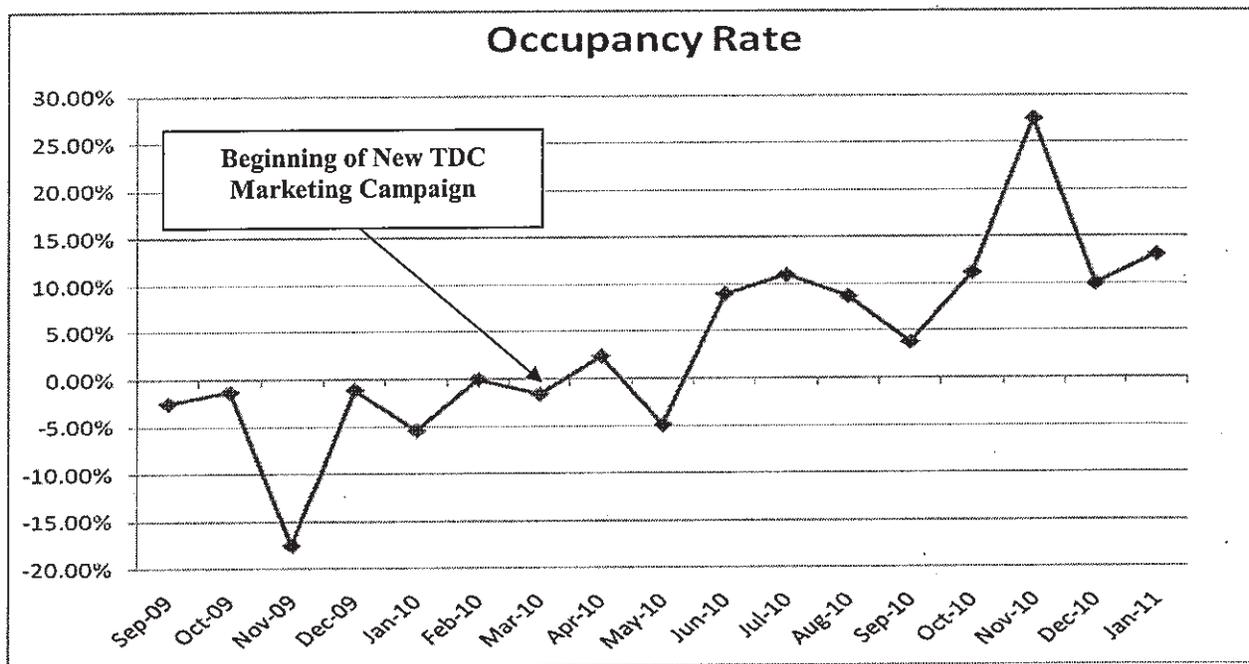
Program Area	\$3.2 million	\$1.6 million	Impact
Advertising & Public Relations	\$725,000	\$362,500	Elimination of all traditional media advertising <sup>1</sup>
Marketing Research	\$80,000	\$40,000	Insufficient funds to conduct beneficial strategic research <sup>2</sup>
Sports Council	\$222,158	\$111,080	Potential loss of 13,000 room nights and \$11.25 million in annual community revenue <sup>3</sup>
Meetings & Conventions	\$68,777	\$34,389	Potential loss of 3,250 room nights and \$1.25 million in annual community revenue <sup>4</sup>
Leisure Travel	\$31,790	\$15,895	Goal of impacting 150,000 consumers and 10,000 travel agents cut by 50% <sup>5</sup>
Marketing Communications	\$42,245	\$21,123	Goal of 150 print and online stories cut by 50% resulting in \$1 million loss in media exposure <sup>6</sup>
Visitor Services	\$62,445	\$31,223	Ability to service conference, weddings and reunion groups cut by 50%

1. Available media dollars would be reduced to \$195,500 of the total \$362,500 advertising & public relations budget. At this reduced level the marketing consultant recommends eliminating all traditional media such as Southern Living, Atlanta Magazine, Garden & Gun, and more due to ad costs which results in a lack of reach and frequency necessary to impact the market.
2. \$40,000 for marketing research would not fund a program with enough sampling capability to be statistically useful, so the TDC would be eliminating this important aspect of the marketing mix.
3. The sports council would be attending only 5 shows versus 12 and would have the Bid Pool portion of its budget reduced from \$174,000 to \$87,000 resulting in a 50% reduction of the room night goal of 26,000. Only 13,000 room nights would result in a loss of \$11.25 million of community economic impact in the first year alone.
4. Meetings & Conventions would only be attending 4 shows versus 12 and conducting 1 sales mission versus 8 causing a goal reduction from 6,500 room nights to 3,250. This reduction would result in a loss of \$1.25 million of community economic impact in the first year alone.

5. Leisure Travel would be attending only 7 shows versus 13 and conducting 2 sales missions versus 4 resulting in a 50% reduction in the goal of impacting 150,000 consumers and 10,000 retail travel agents.
6. Marketing Communications goal of generating 150 favorable print and online stories about Leon County and Tallahassee would generate an advertising equivalent value of almost \$2 million. A 50% reduction would cost the county \$1 million in public relations exposure in key markets.

Chart 1 shows the impact on hotel occupancy rates since starting the new TDC marketing ad campaign in March 2010, funded largely by the implementation of the additional penny bed tax.

**Chart 1: Hotel Occupancy Rate Since Beginning of New Marketing Campaign**



Research conducted by staff in February 2011 showed that Leon County is the highest of the major counties in Florida in terms of dedicating a percentage of its Tourist Development Tax (TDT) to arts and culture. Under the current FY 2011 scenario, Leon County dedicates 33% (includes the \$504,500 provided to COCA) of its TDT collections to the arts, and if the current FY2011 scenario remains in place, this amount will grow to 60% beginning on October 1, 2011. Some other counties and their dedicated percentage to the arts include:

- **Leon County (33%); However, effective October 1, 2011, the amount will be (60%).**
- Alachua County (17%)
- St John’s County (15%)
- Palm Beach County (13%)
- Sarasota County (10%)
- Brevard County (1.5%)
- Broward County (1.5%)
- Pinellas County (1.5%)

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If the Board decides to keep the current structure in place, in addition to dramatically reducing the amount of funds available for marketing, the ability to utilize any portion of the Tourist Development Tax for projects such as a Sports Complex, the development of a convention and events center, or other projects that may have the potential to offer a substantial return on investment, is severely limited.

#### Performing Arts Center

As discussed earlier, through an Interlocal Agreement with the City of Tallahassee and the CRA, one penny of the Tourist Development Tax is dedicated exclusively for the costs associated with the construction and operation of a performing arts center. In addition, another ½ cent scheduled to commence on October 1, 2011, which is not tied to the Interlocal Agreement, is also dedicated to the performing arts center.

In an agreement with the City for the Sale and Purchase of the proposed Performing Arts Center site, the Florida Center for Performing Arts and Education (FCPAE) is obligated to meet certain fundraising milestones to demonstrate their capacity to fund the construction of the proposed Performing Arts Center, including raising \$20 million in five years, with 25% (\$5 million) of the amount raised by July 1, 2010 and 50% (\$10 million) raised by July 1, 2012. However, as discussed at the January 18, 2011 Board meeting (Attachment #6), FCPAE has not met its fundraising goals, and was provided a two year extension to the agreement at the City's August 25, 2010 meeting. In addition, the FCPAE President informed the Board that the Committee will provide a revised plan this summer on the scope of the project.

Given the current status of the Performing Arts Center project scope and delayed fundraising efforts, the Board may consider utilizing the additional ½ cent allocation for more immediate TDC needs. Again, the ½ cent is not a part of the Interlocal Agreement, and is, therefore, available for other appropriations to meet the needs of the TDC, such as marketing, which includes advertising, public relations, sales, services, social media and research. The Board may wish to further consider contacting the City in an effort to amend the current Interlocal Agreement to possibly fund other projects that may boost tourism in Leon County, as presented in the February 8, 2011 meeting regarding funding for the Baroque Paintings Exhibit at the Mary Brogan Museum (Attachment #7).

#### Council on Culture and Arts (COCA)/Arts Exchange Project

Beginning on October 1, 2011, one of the existing tourist development tax pennies is scheduled to be designated to fund COCA related activities, and a ½ cent will be set aside for the Arts Exchange Project. Currently, COCA receives \$504,500 from the Tourist Development Council budget for the purpose of re-granting funds to cultural organizations and institutions throughout Leon County for marketing and programming purposes. COCA also received \$150,000 from general revenue in FY 2011 to support its operational expenses.

#### Recommendation from the Tourist Development Council

The Tourist Development Council met on March 3, 2011 to discuss the current structure for expenditures of the five-cent TDT as well as the implications of the changes scheduled to take place on October 1, 2011. The TDC emphasized the need to adequately market Tallahassee as a destination for leisure, sports, conference, group and film business and that the possibility of reducing the marketing budget under the current four-cent level could have a negative impact on hotels and motels, restaurants, retail establishments and the many other businesses that are impacted

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by tourism. It was also discussed that the County, even at the 33% level, has made a significant investment in arts and culture, and to maximize the benefit of this investment takes significant marketing resources. The TDC further discussed that even with great cultural assets, it does no good unless you can properly market them. Otherwise, the return on this significant investment will not reach its potential.

As described in Chapter 125.0104 (4) (e) the Tourist Development Council “shall make recommendations to the county governing board for the effective operation of the special projects or for uses of the tourist development tax revenue.” Based on this directive, on March 3, 2011, the Tourist Development Council unanimously passed the following recommendation (Attachment #8):

“Due to the current economic climate and the need to create and preserve jobs, the Tourist Development Council recommends a 2-year hiatus in implementing the additional tourist development tax revenue to the Performing Arts Center, Arts Exchange and COCA.”

#### Amending the Tourist Development Plan

In order to accept the Tourist Development Council’s recommendation or make any other modifications to the allocation of the tourist development tax, the Board will have to hold a public hearing to adopt an ordinance to amend Section 11-47 of the Code of Laws of Leon County, Florida, providing for amendments to the Leon County Tourist Development Plan, Exhibit A. The current Plan specifically references the additional ½ cent to fund the Arts Exchange project and the additional ½ cent to support the Performing Arts Center, which are both scheduled to commence on October 1, 2011.

Table 3 reflects the current allocation of the Tourist Development Tax that will remain in effect on October 1, 2011 if the Board accepts the Tourist Development Council’s recommendation.

Table 3. Allocation of Tourist Development Tax

	<b>Current Allocation (Cent)</b>
Performing Arts Center ( <i>per Interlocal Agreement</i> )	1
Arts Exchange Project	0
COCA*	0
Tourism Development Department	4
<b>Total</b>	<b>5</b>
*COCA will continue to receive \$504,500 from the TDC’s budget in FY 2012 for the purposes of re-granting funds to other cultural institutions. In addition, COCA will receive \$150,000 from general revenue to support its operational expenses.	

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Options:

1. Accept the March 3, 2011 recommendation from the Tourist Development Council.
2. Authorize staff to prepare a draft ordinance and schedule a public hearing to amend Section 11-47 of the Code of Laws of Leon County, Florida, providing for amendments to the Leon County Tourist Development Plan, Exhibit A for April 12, 2011, at 6:00 p.m.
3. Do not accept the March 3, 2011 recommendation from the Tourist Development Council.
4. Do not authorize staff to prepare a draft ordinance and schedule a public hearing to amend Section 11-47 of the Code of Laws of Leon County, Florida, providing for amendments to the Leon County Tourist Development Plan, Exhibit A for April 12, 2011, at 6:00 p.m.
5. Board Direction.

Recommendation:

Option #1 and #2.

Attachments

1. Interlocal Agreement between Leon County, the City of Tallahassee, and the Community Redevelopment District
2. January 29, 2009 Agenda Item and Excerpt of Follow-up
3. February 26, 2009 Agenda Item and Excerpt of Follow-up
4. Ordinance 09-06 Authorizing the Levying and Imposition of an Additional 1% Tourist Development Tax
5. Ordinance 2009-28 Leon County Tourist Development Plan
6. January 18, 2011 Agenda Item
7. February 8, 2011 Agenda Item and Excerpt of Follow-up
8. Recommendation from the Tourist Development Council

## Leon County Tourist Development Tax Distribution & Use

Penny	Percent Levy				
	2%	3%	4%	5%	
Adopted	1st	2nd	3rd	4th	5th
Imposed by	1/14/1988	11/23/1993	10/12/2004	3/19/2009	
Authorized Uses Ordinance	Ordinance 88-01; Adopting the Tourist Development Council Plan and creating the Tourist Development Council.	Ordinance 93-19; Amending Leon County Code of Laws (Section 11-46) by increasing the Tourist Development Tax from 2% to 3%.	Ordinance 04-35; Authorizing the levy & imposition of an additional 1% Tourist Development Tax. Authorized 4% collection, but <i>designated the 3rd penny to be separated into a separate account within the Tourist Tax Trust Fund. Florida Statutes allows more flexibility in uses with the 3rd penny than the 4th penny. The 3rd penny is designated for costs associated with the proposed Performing Arts Center through an Inter-local Agreement between Leon County and the City of Tallahassee.</i>	Ordinance 09-06; authorizing the levy & imposition of an additional 1% tourist development tax pursuant to section 125.0104(3)(n) Florida Statutes.	
Ordinance Requirements	To provide funding for the TDC Plan including Research & Analysis, Advertising & Public relations activities, Direct Sales & Marketing, Convention Services, and Special Events coordination with local groups; and used in accordance with F.S. 125.0104.	To provide for the expenditure of a portion of the revenues collected for cultural promotional activities and events beginning January 1, 1995.	Revenues are to be utilized in accordance with section 125.0104(3)(l) F.S.	Uses are outlined according to section 125.0104(3)(n) Florida Statutes.	
Statutory Restrictions	Required the TDC to develop a Marketing Plan for the use of TDT revenues.	Required TDC to develop a Plan <sup>1</sup> in conjunction with the cultural community.	The county shall establish a separate subaccount for receipt of revenues... and interest earnings for the third 1% collected pursuant to Ordinance 88-01.	Commencing 10/1/2011, The county shall establish a separate subaccount for receipt of the second 1% TDT & collected pursuant to Ord88-01 and any interest bearing on such second 1%. Fifty percent shall be used for purposes in 125.0104(5)(a)(1) FS and 50% shall be used for purposes in 125.0104(5) FS	
	<u>s. 125.0104 (3)(c)(d)<sup>2</sup> ---&gt; (5)(a)</u> (a)(1) Acquire, construct, extend, enlarge, remodel, repair, improve, levying the tax maintain, operate, or promote one or more publicly owned and operated convention ctrs, sports stadiums, sports arenas coliseums, or auditoriums <sup>3</sup> or museums that are publicly owned and operated by not-for-profit organizations. . . may be used to promote zoo parks, (2) promote and advertise tourism in the State of FL, nationally & internationally, . . (3) fund convention bureaus, tourist bureaus, tourist info. centers. . . which may include any indirect administrative costs for services performed by the county on behalf of the promotion agency, (4) Finance beach park facilities. . .including inland lakes and rivers. . . , (b) Acquire, construct, extend, enlarge, remodel. . .zoological parks, fishing piers or nature centers which are publicly owned. . . , (c) may be pledged to secure and liquidate revenue bonds issued by county for purposes set forth in (a)(1) and (4).	<u>s. 125.0104 (3)(l)</u> (1) Pay the debt service on bond issued to finance the construction, reconstruction, or renovation on sports franchise facility. . .(2) Pay the debt service on bonds issued to finance the construction, reconstruction, or renovation of a convention center. . .(3) pay the operation and maintenance costs of a convention center for a period of up to 10 years. . .(4) promote and advertise tourism in the State of Florida	<u>s. 125.0104 (3)(n)</u> (1) Pay for debt service on bonds issued to finance the construction, reconstruction, or reno.of a publicly owned or operated professional sports franchise facility or the acquisition. . .of a public owned and operated professional sports franchise facility. . . , (2) Promote and advertise tourism in the State of Florida nationally and internationally. . .		

<sup>1</sup> - A Cultural Plan was developed and approved by the Cultural Plan Advisory Committee, June 2003.  
<sup>2</sup> - The 3rd penny cannot be used for debt service on or refinancing of *existing* facilities specified in (5)(a)(1).  
<sup>3</sup> - Auditoriums--->ie: Performing Arts Center.

# Leon County Board of County Commissioners

## Cover Sheet for Workshop Item

**November 15, 2011**

**To:** Honorable Chairman and Members of the Board

**From:** Vincent S. Long, County Administrator

**Title:** Workshop on the Allocation of Tourist Development Taxes

<b>County Administrator Review and Approval:</b>	Vincent S. Long, County Administrator
<b>Department/Division Review and Approval:</b>	Alan Rosenzweig, Deputy County Administrator Ken Morris, Director of Economic Development & Business Partnerships
<b>Lead Staff/Project Team:</b>	Lee Daniel, Director of Tourism Development

**Fiscal Impact:**

Currently, there is approximately \$4.1 million of tourism development taxes set aside for the Florida Center for Performing Arts & Education (PAC). This item recommends realigning up to \$1.0 million of existing tourist development tax revenue fund balance previously dedicated for the performing arts center to the Meridian Marker Amphitheater at Cascades Park. This action will result in a \$3.1 million balance in the performing arts center account.

This item also seeks to redirect the existing one cent of annual tourist development tax revenue (\$800,000) currently being dedicated for a performing arts center to the Division of Tourism Development's annual marketing budget. It is recommended this reallocation stay in effect until such time as the Board deems appropriate. Under the same pretenses, this item seeks to redirect the allocation of a ½ cent to the performing arts center which is currently scheduled for October 1, 2013. By redirecting the one cent away from the PAC, this item would increase the Tourism Development Department's total FY 2012 budget from \$3,215,785 to \$4,015,785 and would add \$800,000 to the marketing budget if the reallocation was made retroactive to October 1st.

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**Staff Recommendations:**

- Option #1: Amend the Interlocal Agreement to reallocate up to \$1 million from the Tourist Development Trust Fund for a performing arts center to be used for the improvements to the Meridian Marker Amphitheater at Cascades Park, as outlined in Table #2, and contingent upon the City's willingness to amend its current policy to allow ticketed events in Cascades Park.
- Option #2: Amend the Interlocal Agreement with the City and the CRA and Ordinance No. 2011-07 (Tourist Development Plan) to redirect Tourist Development Tax Revenue (\$800,000) currently dedicated for a performing arts center to the Division of Tourism Development's annual marketing budget until such time as the Board deems appropriate.
- Option #3: Amend Ordinance No. 2011-07 (Tourist Development Plan) to delay the allocation of a ½ cent to the performing arts center which is currently scheduled for October 1, 2013, until such time as the Board deems appropriate.
- Option #4: Direct the County Administrator to notify the City and CRA of the Board's actions at today's workshop and request concurrence where applicable:
- The reallocation of up to \$1 million to the Meridian Marker Amphitheater at Cascades Park.
  - Amend the City's policy to allow ticketed events in Cascades Park.
  - Amend the Interlocal Agreement to reallocate the one penny to the Division of Tourism Development's annual marketing budget (the ½ penny is not part of the Interlocal Agreement).
- Option #5: Direct the County Attorney to schedule a Public Hearing to amend Ordinance No. 2011-07 (Tourist Development Plan) as provided in Options #2 and #3 to utilize these funds to enhance visitor marketing.
- Option #6: Direct the Division of Tourism Development to use the funds currently being set aside for a performing arts center for additional marketing activities contingent on the amendment to the Interlocal Agreement and Ordinance No. 2011-07.

## Report and Discussion

### **Background:**

At the economic development workshop on September 13, 2011, the Board approved over 30 recommendations including a request by Commissioner Dozier to schedule a workshop in the fall to discuss the allocation of all five cents of the tourist development tax (TDT). Commissioner Dozier specifically expressed an interest in discussing the funds currently being set aside for the PAC to (1) consider amending the Interlocal Agreement with the City of Tallahassee and the CRA to redirect \$1.2 million of the TDT funds from the PAC to construct a roof over the Meridian Marker Amphitheater stage at Cascades Park and (2) suspend any further TDT contributions to the PAC account until such time as the center is approved by the electorate as part of the sales tax extension.

Subsequent to the economic development workshop, the Board received a presentation on October 11, 2011 from the PAC President, Bob Inzer, on a revised plan for the PAC. The PAC has not met its fundraising goals and is considering a facility on a smaller scale. Following the presentation, Commissioner Desloge requested staff to bring back an agenda item regarding the Performing Arts Center some time after the November 15, 2011 Workshop on Allocation of Tourist Development Taxes.

### **Analysis:**

This workshop provides the Board an opportunity to review the current allocations of all five cents of the TDT and to consider utilizing funds currently set aside for the construction of a performing arts center for improvements to the Meridian Marker Amphitheater at Cascades Park including the construction of a roof over the amphitheater stage. Leon County currently collects all five cents of TDT authorized under Section 125.0104, Florida Statutes with each penny generating approximately \$800,000 annually. Table #1 details the current allocation of each penny, the future allocation based on the Board's direction at the March 17, 2011 FY 12 budget workshop, and the proposed allocation as recommended by staff in this item. This item also includes the original 2004 PAC Interlocal Agreement (Attachment #1), the amended 2007 Interlocal Agreement (Attachment #2), and the 2008 Interlocal Agreement pertaining to the use of TDT proceeds for demolition and site preparation to support the proposed PAC (Attachment #3).

**Table #1: Allocation of Tourist Development Taxes**

<i>Designated Funding Recipient</i>	<i>Current Allocation</i>	<i>Scheduled Allocation (October 1, 2013)</i>	<i>Proposed Allocation</i>
Performing Arts Center (per Interlocal Agreement)	1	1	0
Performing Arts Center (additional ½ cent)	0	½	0
Arts Exchange Project	0	½	0*
COCA	0**	1	0*
Division of Tourism Development	4	2	5
<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>

\*This item does not make any recommendations with regard to the anticipated funding for the Arts Exchange Project or COCA as the Board has directed the Office of Management and Budget to conduct a management review of COCA.

\*\*COCA currently receives \$504,500 from the Division of Tourism Development

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Four cents are currently used by the Division of Tourism Development to market Tallahassee and Leon County as a destination for leisure travel, meetings, and conventions, sporting events and film production. The current marketing plan includes research, advertising, website development, social media platforms, public relations, promotions, direct sales and visitor services. The Zimmerman Agency is under contract to assist with advertising, social and digital programs, and public relations. The Zimmerman Agency is complimented by Bonn Marketing Research, which provides primary research information, and Rowland Publishing which assists in the production of the annual Visitor's Guide that is included in this packet along with the 2010-2011 Year in Review (Attachment #4).

One cent is currently being set aside in a fund for a PAC to be constructed in the Downtown District of the Community Redevelopment Area. At the FY 12 budget workshop on March 17, 2011, the Board accepted the Tourist Development Council's recommendation to implement a 2-year hiatus for setting aside an additional ½ cent to the PAC, a ½ cent for the Arts Exchange Project, and one cent to the Council on Cultural Arts (COCA) which was initially scheduled to be effective on October 1, 2011 (Attachment #5). This would have dedicated three of the five pennies to various cultural projects and organizations, half of which would have been dedicated to the PAC had the Board not approved the 2-year hiatus, instead of marketing activities designed to draw additional visitors to the market. Based on the prior Board's direction, an additional half penny is scheduled to be set aside for the PAC effective October 1, 2013. There is approximately \$4.1 million in the account for the construction of the PAC. This workshop item provides an analysis on the current allocation of the TDT along with the anticipated ½ cent scheduled to commence in 2013 for the PAC. However, this item does not make any recommendations with regard to the anticipated funding for the Arts Exchange Project or COCA as the Board has directed the Office of Management and Budget to conduct a management review of COCA.

#### Meridian Monument Amphitheater

The Meridian Monument Amphitheater at Cascades Park will hold approximately 3,500 people for concerts, theater performances, and other special events. There will not be permanent seating installed but ample room exists for this size audience to bring blankets or folding chairs with the stage at the lowest elevation and grass terraces at higher levels from which to view the performances. A control room is planned to manage stage lighting and sound but, to date, funding has not been identified to furnish a roof for the amphitheater. Upon further research with the Cascades Park project team, the previous estimate of \$1.2 million for the amphitheater roof was a preliminary figure and the revised cost for construction is \$620,700 (Attachment #6). After consultation with the Blueprint 2000 project team, the timeline to construct the roof for the grand opening in the fall of 2012 can be met. Construction should take approximately four months.

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The Tourist Development Council (TDC) took up this issue at its meeting on November 3, 2011 and made several recommendations, which are enumerated in a November 3, 2011 memo to the Board (Attachment #7). An area of concern identified by the TDC is the City's current policy prohibiting an admission fee for events in City parks. In order to utilize TDT funds, the TDC recommends making seven improvements identified in Table #2 and encouraging the City to modify its prohibition on admission fees for special events at the Meridian Monument Amphitheater in Cascades Park. The improvements, along with the TDC's ability to promote special events, are designed to utilize TDT funds as permitted by Florida Statutes and help draw visitors to this venue. The TDC articulated that the allocation of TDT funds to enhance the amphitheater is only appropriate if the venue can become a ticketed venue (for a limited number of events). This will provide a more suitable venue to draw the caliber of entertainment that would be a regional draw to enhance overnight commercial lodging.

Although there is a significant reduction for the actual cost to construct a roof, there would be additional costs associated with making the amphitheater suitable for ticketed events to book the caliber of talent capable of drawing overnight visitors. Portable fencing would need to be purchased that could be installed during ticketed events and stored away at other times. A drawing is attached that outlines where the temporary fencing could be placed (Attachment #8). In addition, a lighting package for the spectator area and other lighting and sound improvements would make the venue more concert ready (Attachment #9). The TDC also requested the Blueprint 2000 Project Team to identify cost estimates for other improvements including seating near the stage and an additional permanent restroom facility. Overall, the TDC recommended using up to \$1 million of TDT for these improvements. An estimated breakdown of these costs is illustrated in Table #2.

**Table #2: Proposed Amphitheater Enhancements**

<i>Type of Improvement</i>	<i>Cost</i>
Amphitheater Roof	\$620,700
Temporary Fencing	\$18,750
Color Kinetic Kit for Canopy	\$20,000
Permanent Sound System	\$20,000
Audience Lighting	\$25,000
Additional Restrooms	TBD*
Seating Near Stage**	TBD*
<b>Tentative Total</b>	<b>\$704,450</b>

\*Estimates will be completed by the end of November 2011.

\*\*Seating was recommended by the TDC as long as the total expenditure of TDT funds does not exceed \$1 million.

There is approximately \$4.1 million in the account for the PAC. Should the Board wish to redirect up to \$1 million for the amphitheater roof and amenities, it would leave approximately \$3.1 million in the PAC trust fund. Based on the wording in the Interlocal Agreement that the one-cent TDT be "dedicated exclusively for the debt service, construction and/or operational costs of a Performing Arts Center(s) to be located in the Downtown District Community Redevelopment Area," the County's Interlocal Agreement with the City and CRA may not require an amendment as the amphitheater could be considered a performing arts center within the Downtown District.

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However, staff would recommend seeking the concurrence from the City and CRA and amend the Interlocal Agreement to reflect any action. Should the Board also wish to consider temporarily suspending the one penny currently dedicated to the PAC, an amendment to the Interlocal Agreement and Ordinance No. 2011-07 would be required (Attachment #10). This would unencumber approximately \$800,000 for FY 2012 that could be used for marketing or other purposes, assuming this suspension was made retroactive to October 1<sup>st</sup> of this year, and ensure that the TDT funds are being fully utilized to attract visitors.

At its November 3, 2011 meeting, the TDC was supportive of temporarily suspending the accrual of TDT funds for the PAC until such time as the PAC is approved by the voters as part of the infrastructure sales tax extension. This temporary modification would increase the total FY 2012 budget for the Division of Tourism Development from \$3,215,785 to \$4,015,785 and would more than double the existing media budget to allow for expansion in current markets and the opening of new markets. In coordination with the Zimmerman Agency and Bonn Marketing Research, staff has prepared some potential uses for any additional marketing funds. Some of the funds could be used to enhance the marketing of spring events given the anticipated hotel occupancy rates associated with the early adjournment of the legislative session and could provide support for the grand opening of Cascades Park (Attachment #11).

In regard to temporarily suspending the accrual of TDT funds for the PAC, the Board has several options it may want to consider. As recommended by the TDC, the Board could redirect funding until such time as the PAC is either placed on the next sales tax extension ballot or wait until the successful passage of the sales tax extension. Another option would be to tie the TDT funds to the PAC's fundraising goals. And finally, rather than tie the allocation of TDT funds to certain criteria, the Board may wish to redirect the funds until it deems appropriate. This final option provides the Board the greatest amount of flexibility given the uncertainty of the PAC fundraising, whether or not this project will be included on the sales tax extension, and the future needs for some of the other projects on the horizon that may seek to utilize TDT funds. Staff would also recommend extending the 2-year hiatus for the ½ cent to the PAC under the same conditions. Otherwise, the current 2-year hiatus will expire thus reinstating additional funding to the PAC on October 1, 2013.

#### Other Projects to Consider

A thorough review of the allocation of TDT funds would not be complete without mentioning two significant projects on the horizon that may seek to utilize TDT funds. On November 8, 2011, the Board selected Real Estate InSync to conduct the feasibility analysis for the proposed sports complex. Once an agreement is executed, the feasibility analysis is expected to take approximately 90 days and will include a market analysis on the type of sports and facilities that would provide the greatest return on investment, the County's financing options along with a cash flow analysis detailing the operating and capital costs, and the potential development or redevelopment scenarios for recommended sites.

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A second project on the horizon is the proposed convention and events center with a headquarters hotel on the O'Connell property located south of the Leon County Civic Center and between Gaines Street and St. Augustine Road. The CRA Board recently received a presentation and draft feasibility study that stated Tallahassee could support a 100,000 square foot convention & events center with 15,000 square feet of flexible meeting space and a 300-room headquarters hotel with 28,000 square feet of space. According to the study, the convention & events center could also be used to host indoor sporting events such as basketball, volleyball, mat sports, and others. The economic impact of this facility was determined to be \$25.1 million annually and would create 320 jobs. However, the facility would operate with an annual operating deficit of approximately \$1.8 million. The CRA Board did not approve moving to Phase II of the project which would have been to issue a Request for Qualifications to gauge interest from the development community. It did direct City staff to bring back an agenda item to look at a smaller and less expensive facility with possible funding options. City staff is expected to bring these options back to the CRA in early 2012.

In reviewing the allocation of TDT funds, it should be taken into consideration that both of these projects may come before the Board in 2012. The TDC has recommended that the Board conduct another workshop on the allocation of TDT funds once the sports complex feasibility study has been completed. Although it is important to realize that there are potential projects competing for limited TDT funds, staff does not recommend a subsequent workshop at this time.

### Summary

Staff concurs with the TDC's recommendation to use of up to \$1 million of TDT funds to turn the Meridian Marker Amphitheater at Cascades Park into a suitable concert and performance venue with the additional amenities as outlined in Table #2. The construction of these improvements can be made in time for the grand opening of Cascades Park in the fall of 2012 and would provide both residents and visitors to Leon County an outdoor performing arts center in the Downtown District Community Redevelopment Area within the next twelve months. The TDC's recommendation is contingent upon the City's willingness to amend its current policy to allow ticketed events in Cascades Park so that the community could have a venue with the versatility and capability to attract entertainment, bring people to Leon County to stay overnight in commercial lodging, and visit local restaurants and retail establishments. This contingency is included in staff's recommendations via Option #1.

If the Board approves the reallocation of these funds to Cascades Park, the next step would be to request the City Commission and CRA concur with the reallocation of dollars and to amend the City's policy to allow ticketed events to the Amphitheater at Cascades Park.

The additional consideration before the Board is whether to amend the Interlocal Agreement and Ordinance No. 2011-07 to suspend any additional contributions being set aside for the PAC to utilize for additional marketing efforts. The TDC is supportive of redirecting the funds set aside for the PAC until such time as the PAC is approved by the electorate as part of the sales tax extension. However, staff recommends redirecting the funds until such time as the Board deems appropriate in order to provide the Board as much flexibility as possible given the uncertainty of the PAC fundraising, whether or not the PAC will be included on the sales tax extension, and the future needs for some of the other projects on the horizon. This recommendation would allow the Board to readdress PAC funding at any time.

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Staff also recommends this include both the one-cent currently dedicated to the PAC and the ½-cent set to commence on October 1, 2013. These actions would require amending the Interlocal Agreement with the City and CRA and require a Public Hearing to amend County Ordinance 2011-07 (Tourist Development Plan). The reallocation of these funds could be used for additional marketing initiatives and would more than double the existing media budget to allow for the expansion of existing efforts and a number of new programs all designed to improve visitation to Leon County, enhance the local economy and provide a return on investment on the TDT.

**Options:**

1. Amend the Interlocal Agreement to reallocate up to \$1 million from the Tourist Development Trust Fund for a performing arts center to be used for the improvements to the Meridian Marker Amphitheater at Cascades Park, as outlined in Table #2, and contingent upon the City's willingness to amend its current policy to allow ticketed events in Cascades Park.
2. Amend the Interlocal Agreement with the City and the CRA and Ordinance No. 2011-07 (Tourist Development Plan) to redirect Tourist Development Tax Revenue (\$800,000) currently dedicated for a performing arts center to the Division of Tourism Development's annual marketing budget until such time as the Board deems appropriate.
3. Amend Ordinance No. 2011-07 (Tourist Development Plan) to delay the allocation of a ½-cent to the performing arts center, which is currently scheduled for October 1, 2013, until such time as the Board deems appropriate.
4. Direct the County Administrator to notify the City and CRA of the Board's actions at today's workshop and request concurrence where applicable:
  - The reallocation of up to \$1 million to the Meridian Marker Amphitheater at Cascades Park.
  - Amend the City's policy to allow ticketed events in Cascades Park.
  - Amend the Interlocal Agreement to reallocate the one penny to the Division of Tourism Development's annual marketing budget (the ½-cent is not part of the Interlocal Agreement).
5. Direct the County Attorney to schedule a Public Hearing to amend Ordinance No. 2011-07 (Tourist Development Plan) as provided in Options #2 and #3 to utilize these funds to enhance visitor marketing.
6. Direct the Division of Tourism Development to use the funds currently being set aside for a performing arts center for additional marketing activities contingent on the amendment to the Interlocal Agreement and Ordinance No. 2011-07.
7. Amend the Interlocal Agreement with the City and CRA and Ordinance 2011-07 to redirect Tourist Development Tax Revenue (\$800,000) currently dedicated for a performing arts center to the Division of Tourism Development's annual marketing budget until such time as the proposed performing arts center is approved by the electorate for the next sales tax extension.
8. Do not reallocate one-time Tourist Development Tax funds from a performing arts center for the stated improvements to the Meridian Marker Amphitheater.
9. Tentatively schedule a workshop on the allocation of Tourist Development Taxes following the completion of the sports complex feasibility analysis.
10. Board direction.

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**Recommendation:**

Options #1, #2, #3, #4, #5, and #6.

Attachments:

1. Original 2004 Interlocal Agreement
2. Revised 2007 Interlocal Agreement
3. 2008 Demolition & Site Preparation Interlocal Agreement
4. 2012 Visitor's Guide / Visit Tallahassee 2010-2011 Year in Review
5. March 17, 2011 FY 12 Budget Workshop Item
6. Fabritec Proposal on Roof Construction
7. TDC Chair Memo on Recommendations
8. Cascades Park/Amphitheater Architectural Drawing
9. Amphitheater Lighting and Sound Package
10. Ordinance No. 2011-07 and Exhibit A, Tourist Development Plan
11. Proposed New Marketing Initiatives

**Tourist Development Tax Breakdown By County**

<b><u>County</u></b>	<b><u>Pennies Collected</u></b>	<b><u>Annual Collection</u></b>	<b><u>% Dedicated To Arts</u></b>	<b><u>\$ Dedicated To Arts</u></b>	<b><u>% For Mkt. &amp; Admin.</u></b>	<b><u>\$ For Mkt. &amp; Admin.</u></b>	<b><u>Other Projects</u></b>
Alachua*	5	\$3.0 mil.	17%	\$480,000	40%	\$1.2 mil.	40% capital projects (Nations Park and TBD) 17% cultural event grants
Brevard	5	\$7.4 mil.	1.5%	\$111,000	48%	\$3.55 mil.	arts \$ for events; 25% beach; 15% baseball, zoo, capital
Broward*	5	\$45 mil.	1.5%*	\$600,000*	66%	\$26.7 mil.	balance to BB&T Center (2 cents) and beach
Collier*	4	\$14.6 mil.	1%	\$100,000	35%	\$3.5 mil.	50% to beaches and inlet maintenance; arts funding grants only
Lee*	5	\$26.5* mil.	1%**	\$225,000**	53.6%	\$14.2 mil.	arts not dedicated; 26.4% beaches; 20% baseball stadium
Palm Beach*	5	\$28 mil.	13%	\$3.7 mil.	31.5%	\$8.8 mil.	40% to conv. center; other to sports, film, events & center maint.
Pinellas*	5	\$25.6 mil.	1.4%	\$350,000	56%	\$14.4 mil.	24% to sports facilities; 8% beach nourishment; 10.6% balance & reserves
Polk	5	\$6.83 mil.	6%	\$400,000	60%	\$4.1 mil.	15% of first two pennies to arts; sports complex;
St. Johns*	4	\$7.0 mil.	15%	\$1 million	64%	\$4.5 mil.	15% to beach projects; 6% conv.center/amphitheater; arts is arts/culture/heritage
Sarasota*	5	\$13.7 mil.	10%	\$1.3 mil.	36%	\$4.5 mil.	54% sports stadium, aquatic nature center and beaches
Leon Current	5	\$4.2 mil.	32%	\$1.35 mil.	68.0%	\$2.86 mil.	20% for performing arts center; 12.6% for cultural grants
Leon Proposed	5	\$4.2 mil.	60%	\$2.52 mil.	40%	\$1.68 mil.	30% performing arts center; 10% arts exchange; 20% COCA

\*Broward % not codified; \$600,000 annual contribution is not codified

\$15 million to Broward Center for the Performing Arts & Museum of Discovery & Science from \$30 million reserve; Board gave \$1.9 million for more marketing

\*\* Lee County not codified

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**Leon County  
Board of County Commissioners  
Cover Sheet for Agenda #17**

**October 23, 2012**

<b>To:</b>	Honorable Chairman and Members of the Board
<b>From:</b>	Vincent S. Long, County Administrator
<b>Title:</b>	Acceptance of Status Report on the Performing Arts Center and the Arts Exchange Projects

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<b>County Administrator Review and Approval:</b>	Vincent S. Long, County Administrator
<b>Department/Division Review and Approval:</b>	Alan Rosenzweig, Deputy County Administrator Scott Ross, Director, Office of Financial Stewardship Ken Morris, Director, Economic Development and Legislative Affairs
<b>Lead Staff/ Project Team:</b>	Lee Daniel, Director, Tourist Development Timothy Carlson, Sr. Management and Budget Analyst

**Fiscal Impact:**

This item has no fiscal impact.

**Staff Recommendation:**

Option #1: Accept the status report on the Performing Arts Center and the Arts Exchange projects.

## Report and Discussion

### Background:

At the October 9, 2012 meeting, the Board asked for an update on the Performing Arts Center and Arts Exchange projects at the request of Commissioner Desloge.

Two recommendations of the cultural plan addressed the need for cultural facility support. The first was for a Cultural Support Space, to address the unmet needs of local artists and art organizations in creating their products. The second was for a performing arts center to meet the cultural needs of the community as a whole. Two citizen advisory committees were appointed by the City and County Commissions and the Council on Culture & Arts (COCA) was asked to manage both efforts.

The Performing Arts Center Committee concluded their work in 2007 with the creation of the 501 (C) 3 Florida Center for Performing Arts and Education (FCPAE). COCA continued the work for the Cultural Support Space project, a.k.a. the Arts Exchange Project.

### Analysis:

#### Performing Arts Center

In June 2004, the Board approved an Interlocal Agreement with the City and the Community Redevelopment Agency (CRA) to address the Downtown Community Redevelopment District. The Agreement addresses a number of issues relating to the overall structure of the District, the financing, and the approval of projects, including the performing arts center (Attachment #1). The Interlocal Agreement provides that the County will impose an additional one-cent Tourist Development Tax on a countywide basis, pursuant to Section 125.0104(3)(1), Florida Statutes (2003). The additional one-cent Tourist Development Tax may be used to promote and advance tourism in Leon County. In addition, the Agreement provides that the proceeds of the one-cent tax imposed by the County, pursuant to Section 125.0104(3) (c) and (d) Florida Statutes (2003), be segregated from other Tourist Development Tax revenue, and dedicated exclusively for the costs associated with the construction and operation of a performing arts center(s) to be located in the Downtown Community Redevelopment District.

During FY 2005 and 2006, approximately \$186,800 was utilized to complete a site analysis and needs/facility assessment for the Performing Arts Center.

In October 2007, the Interlocal Agreement was amended to address the composition of the CRA Board to include four members of the County Commission, expanding the Downtown CRA boundaries and other funding issues (Attachment #2). Additionally, the Agreement was amended to include that any portion of the Tourist Development Tax not needed for the payment of debt service, construction, and/or operational costs for the Performing Arts Center shall be returned to the Leon County Tourist Development Trust Fund.

On March 5, 2007, the City of Tallahassee and the FCPAE entered into an Option Agreement for the Sale and Purchase of the proposed Performing Arts Center site (formerly the Johns Building). The Agreement stipulated that FCPAE would meet certain fundraising milestones to demonstrate their capacity to fund the construction of the proposed Performing Arts Center, including raising \$20 million in five years, with 25% (\$5 million) of the amount raised by July 1, 2010, and 50% (\$10 million) raised by July 1, 2012.

On January 28, 2008, the CRA conceptually approved a request by FCPAE for \$562,500 from the designated Performing Arts Center Tourist Development funds to hire professional staff to provide public information, marketing, and fundraising services necessary to develop the proposed Performing Arts Center. The funding was requested to support FCPAE operating expenses for an 18-month period, March 1, 2008 through September 30, 2009.

Subsequently, in July 2008, the County entered into an Agreement with the City of Tallahassee and the CRA to utilize a portion of existing proceeds collected from the fourth cent Tourist Development Tax to demolish and clear the Johns Building (Attachment #3). In the event FCPAE did not meet the fundraising target of \$20 million within five years, the City would regain control of the property and would be obligated to reimburse the County for all expenditures related to demolishing and clearing the site. The total cost of the demolition and clearing of the building was \$508,425.

On October 14, 2008, the Board of County Commissioners considered, and approved, the funding request of \$562,496 from the CRA for the purpose of supporting the Performing Arts Center's fundraising efforts and operating expenses.

On August 6, 2010, FCPAE notified the City that they did not meet the \$5 million fundraising threshold and requested an amendment to extend the term of the agreement by two years. On August 25, 2010, the City Commission approved an amendment to the Option Agreement for Sale and Purchase, which included the following:

Extended the term of the agreement to July 1, 2014;

Provided that by July 1, 2012, FCPAE must provide documentation demonstrating that the Center has raised cash or binding commitments or equivalents totaling at least \$5 million;

Provided that by July 1, 2014, the FCPAE provide documentation demonstrating that the Center has raised in cash or binding commitments or equivalents totaling at least \$10 million; and

Provided language that if FCPAE fails to meet any of these performance deadlines, the City, at its sole discretion, may terminate the Option Agreement.

On January 18, 2011, the Board considered, and approved, the funding request for the purpose of supporting the Performing Arts Center's operational expenses for FY 2011 in the amount of \$215,000. On October 11, 2011, FCPAE gave a presentation to the Board and distributed a letter regarding the current status of the Performing Arts Center (Attachment #4). Due to the ongoing economic conditions, FCPAE scaled back the scope of the center, as well as its operations, which included the resignation of the FCPAE Director. The Board directed staff to provide a status update on the Performing Arts Center after the November 15<sup>th</sup> Workshop on the Allocation of the Tourist Development Taxes.

During the November 15, 2011 Workshop on the Allocation of Tourist Development Taxes, the Board reaffirmed its commitment to the Performing Arts Center. In addition, the Board allocated funding from the designated Performing Arts Center Tourist Development Tax revenue, up to \$1.2 million, for the Meridian Marker Amphitheater's covering of the stage and other amphitheater improvements at Cascades Park. Subsequently, the funding request was approved by the CRA. *(An additional \$576,604 was allocated to the amphitheater to construct additional restroom facilities and necessary electrical upgrades.)*

On December 14, 2011, the City approved the allocation of up to \$1.2 million of Performing Arts Center Tourist Development Tax revenue to fund the Meridian Marker Amphitheater's covering and other enhancements.

On December 14, 2011 meeting, the CRA voted 8-1 to conceptually approve a funding request from FCPAE to support its operational expenses for FY 2012. Pending Board approval, funding would be provided from the designated Performing Arts Center Tourist Development Tax revenue in the amount of \$149,700. This funding request was approved at the February 14, 2012 Board meeting.

The FCPAE reported that as of September 30, 2011, \$1,533,038 has been contributed toward the performing arts center, of which \$1,138,250 is a conditional contribution. At the time this agenda item was prepared, the terms of the conditions were not available.

As of publication of the agenda, additional information regarding contributions to the Performing Arts Center was not available. If additional information becomes available it will be provided under separate cover prior to the October 23, 2012 Board meeting.

#### Arts Exchange Project

Public meetings were held and input was given regarding the initial needs of the local art organizations and artists. After substantial art organization needs and facilities/space research and surveys, two components of the project were identified:

1. The Creative Work Center - includes rehearsal spaces, black box theatre, commercial space, and shared administrative space.
2. Affordable Housing - a living/work facility for artists who qualify by need.

In late 2006, COCA entered into an initial contract for \$2,500 with ArtSpace Projects, Inc., a non-profit developer of arts spaces and housing, for a one-day consulting visit. ArtSpace Projects, Inc. was brought in for its expertise and existing blueprint from having created 18 similar projects across the United States. From the 2006 meeting, a report was prepared by ArtSpace outlining the market, site, financial, and leadership analysis for the Arts Exchange project (Attachment #5). While, overall the report was positive, regarding the viability of the project, some initial concerns were expressed with regards to adequate financing being available (both private and public), the need for strong leadership, and the "somewhat hidden and dispersed" existing local arts community.

Initial estimates placed the total costs of the Arts Exchange project at \$33 million, with the project located on Gaines Street on property acquired from the City of Tallahassee. In an attempt to secure funding for anticipated predevelopment costs, COCA applied for, and was awarded, a \$375,000 grant from the Knight Foundation in December of 2007 (Attachment #6). The grant stipulated that expenditures from the grant funds could be spent on specific predevelopment activities; such as, conducting housing and real estate market surveys, conducting an environmental study, obtaining site control, leveraging grant dollars, assembling architect and engineering teams, and developing schematic designs.

By 2008, a formal contract was agreed upon with ArtSpace (Attachment #7). This contract was for a total of \$500,000 to cover out-of-pocket costs and expenses related to a feasibility study and pre-construction services. COCA would initially pay ArtSpace \$100,000, and the remaining balance of the contract would be paid in two \$200,000 installments as soon as certain agreed upon deliverables regarding design/financial analysis and financing/fundraising objectives were met. To date, \$375,000 has been paid to ArtSpace for services rendered in accordance to the contract. As of December 2011, COCA did not have any further outstanding financial obligation to ArtSpace.

Over a period of four years, multiple changes to the project occurred, as financing attempts failed, and securing a site location was unsuccessful (Attachment #8). In 2010, COCA submitted, and was approved for, a \$1,000,000 grant for the Arts Exchange housing component from the Federal Home Loan Bank for affordable housing. This award was contingent upon a successful application to Florida Housing for tax credits.

Applications to Florida Housing have been denied on the grounds that a majority of Tallahassee/Leon County is designated a limited development area and therefore ineligible for tax credits (unless it's a planned homeless or very low income community). Due to the Florida Housing decision, COCA has not received any of the grant funds from the Federal Home Loan Bank.

Similar attempts to secure Challenge Grants from the State of Florida, while placing high on the state ranking list, fell through due to state budget cutbacks. No other significant funding sources were secured to finance the Arts Exchange project.

Concurrent to the funding issues, the option for the original Gaines Street location became unavailable, with the city offering an option on an alternative location on Railroad Avenue. Gaines Street location site planning and predevelopment resources were redirected, where possible, and new plans and schematics were developed for Railroad Avenue.

Most recently, a possible relocation to the Miracle Theatre was considered and resources were expended on a basic construction cost analysis. Consideration of this site was dropped after another tenant leased this site. In May 2012, the option for the current Railroad Avenue location with the City was terminated, due to a lack of funding, and the continued denial of project tax credits from the State Housing decision on affordable housing in Tallahassee/Leon County.

In light of the recent events, plans for the Arts Exchange Project have been scaled back. Without adequate financing, COCA has dropped the housing component of the project and plans to focus on the creative work center component. Presently, no location has been identified for the creative work center and a lack of public and private financing remains a major issue.

On September 28, 2012, a draft report of the COCA management review was submitted to the organization for review and comment. The completed management review was to be brought to the Board at its October 23, 2012 meeting; however, COCA requested additional time to respond in order for their board to review the report.

The management review has an entire section on the Arts Exchange project and three preliminary recommendations. One of the preliminary findings is that the Board may want to reconsider allocating a half-cent of the fifth-cent bed tax to the Arts Exchange project at a future workshop, now scheduled for December 11, 2012. The entire management review and COCA's response will be presented at the Board's November 13, 2012 meeting.

**Options:**

1. Accept the status report on the Performing Arts Center and the Arts Exchange projects.
2. Do not accept the status report on the Performing Arts Center and the Arts Exchange projects.
3. Board direction.

**Recommendation:**

Option #1.

**Attachments:**

1. [Interlocal Agreement, June 23, 2004](#)
2. [First Amendment to Interlocal Agreement, October 4, 2007](#)
3. [Interlocal Agreement for demolition of Johns Building Block](#)
4. [FCPAE Presentation](#)
5. [ArtSpace Feasibility Report](#)
6. [Letter from Knight Foundation regarding \\$375,000 grant](#)
7. [ArtSpace Contract](#)
8. [Arts Exchange Needs](#)

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**Leon County  
Board of County Commissioners  
Cover Sheet for Agenda #6**

**December 13, 2011**

<b>To:</b>	Honorable Chairman and Members of the Board
<b>From:</b>	Vincent S. Long, County Administrator
<b>Title:</b>	Ratification of the Actions Taken by the Board at the November 15, 2011 Workshop on the Allocation of Tourist Development Taxes

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<b>County Administrator Review and Approval:</b>	Vincent S. Long, County Administrator
<b>Department/Division Review and Approval:</b>	Alan Rosenzweig, Deputy County Administrator Ken Morris, Director of Economic Development & Business Partnerships
<b>Lead Staff/Project Team:</b>	Lee Daniel, Director of Tourism Development

**Fiscal Impact:**

The balance of the tourist development taxes set aside, pursuant to the Interlocal Agreement between the County, City, and Community Redevelopment Agency (CRA) dedicated toward a Performing Arts Center(s), (PAC) and currently earmarked for the Florida Center for Performing Arts & Education stands at \$4.1 million. This item seeks to ratify the reallocation of up to \$1.2 million from the Tourist Development Trust Fund to be used for improvements to the Meridian Marker Amphitheater at Cascades Park. This would leave \$2.9 million earmarked for the Florida

Center for Performing Arts & Education, which will continue to collect \$800,000 annually through the dedication of the one-cent tourist development tax. Funds were appropriated in the FY 12 budget through the carry-forward process and are available for distribution as directed by the Board.

**Staff Recommendation:**

Option #1: Ratify the actions taken by the Board at the November 15, 2011 Workshop on the Allocation of Tourist Development Taxes.

## Report and Discussion

### **Background:**

On November 15, 2011, the Board conducted a workshop to consider the allocation of tourist development taxes (TDT), and to consider utilizing funds, currently set aside for the construction of a performing arts center, for improvements to the Meridian Marker Amphitheater at Cascades Park.

### **Analysis:**

Following comments by Bob Inzer, President of the Florida Center for Performing Arts & Education, and a presentation by staff, the Board reaffirmed the current allocation of TDT funds for the PAC and clarified that any future discussions regarding the allocation of tourist development taxes will not include the reallocation of the penny currently dedicated to the PAC. Additionally, the Board requested that the allocation changes scheduled for October 1, 2013 that will provide an additional ½-penny dedicated to the PAC, a ½ penny to the Arts Exchange project, and one penny to COCA, be revisited some time in the next year following completion of the management review of COCA.

The Board requested the reallocation of up to \$1.2 million from the Tourist Development Trust Fund be used for improvements to the Meridian Marker Amphitheater, as shown in the following table.

#### **Proposed Amphitheater Enhancements**

<i>Type of Improvement</i>	<i>Cost</i>
Amphitheater Roof	\$620,700
Temporary Fencing	\$18,750
Color Kinetic Kit for Canopy	\$20,000
Permanent Sound System	\$20,000
Audience Lighting	\$25,000
Additional Restroom & Dressing Room	TBD
Seating Near Stage	TBD
<b>Tentative Total</b>	<b>\$704,450</b>

This direction by the Board is contingent upon the City's willingness to amend its current policy to allow ticketed events in Cascades Park, and in the City's support to explore joint management and programming opportunities for the Meridian Marker Amphitheater at Cascades Park. The Board considered possible amenities needed to make the venue more suitable for concerts and performances, and directed staff to include the need for dressing rooms to the proposed list of needed enhancements for the amphitheater. Blueprint 2000 staff is conducting research on possible locations and costs for another restroom that might be combined with a dressing room together with either permanent or temporary seating near the stage.

In addition, the County Attorney advised that the reallocation of TDT funds to make improvements to the Meridian Marker Amphitheater would not require an amendment to the Interlocal Agreement between the County, City, and the Community Redevelopment Agency. However, the Board would need to seek concurrence with the City and CRA on any recommended reallocation of TDT funds.

The CRA Board met on November 21, 2011 and unanimously approved the allocation of up to \$1.2 million of TDT funds, set aside for a PAC, for various improvements, as referenced in the previous table to the planned Meridian Marker Amphitheater at Capital Cascades Park, contingent upon the City amending its current policy to allow ticketed events in the park. The CRA Board also authorized its Chairperson to execute an amendment to the Interlocal Agreement, if needed.

The County Administrator has convened a workgroup of County staff to coordinate with Amanda Sauer, Executive Director of the Tallahassee Symphony Orchestra and Alexander Jimenez, Director of Orchestras at the College of Music at Florida State University, to ensure the quality and production value of the improvements slated for the Meridian Marker Amphitheater. Wayne Tedder and Lee Daniel will lead this effort on behalf of the County and have scheduled a field trip to St. Johns County with community stakeholders (including representatives from KCCI) to examine the operations and programming for its outdoor amphitheater.

**Options:**

1. Ratify the actions taken by the Board at the November 15, 2011 Workshop on the Allocation of Tourist Development Taxes.
2. Do not ratify the Board's actions taken at the November 15, 2011 Workshop on the Allocation of Tourist Development Taxes.
3. Board direction.

**Recommendation:**

Option #1.

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**Leon County**  
**Board of County Commissioners**  
**Cover Sheet for Agenda #23**

**August 28, 2012**

<b>To:</b>	Honorable Chairman and Members of the Board
<b>From:</b>	Vincent S. Long, County Administrator
<b>Title:</b>	Approval of the Interlocal Agreement for the Capital City Amphitheater in Cascades Park and Authorization to Utilize \$576,604 to Complete the Construction of the Amphitheater and Amenities

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<b>County Administrator Review and Approval:</b>	Vincent S. Long, County Administrator
<b>Alan Rosenzweig, Deputy County Administrator Ken Morris, Director of Economic Development &amp; Business Partnerships:</b>	Lee Daniel, Director, Division of Tourism Development

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**Fiscal Impact:**

This item has capital and operating fiscal impacts. The Interlocal Agreement requires additional staffing and promotional needs for the County's Tourism Division, which are anticipated in the

Board's tentative FY 13 budget. Additionally, the County would be responsible for a portion of the utility costs, associated with the City's anticipated acquisition of the Meridian Marker Building. Funds to complete the construction of the Capital City Amphitheater and amenities are available in the current one-cent account of the Tourist Development Fund that is dedicated to a performing arts center. The current available budget is \$4,729,040.

**Staff Recommendation:**

- Option #1: Approve the Capital City Amphitheater Interlocal Agreement (Attachment #1).
- Option #2: Authorize the utilization of \$326,604 from the one-cent tourist development tax dedicated to a performing arts center for electrical upgrades.
- Option #3: Authorize the utilization of no more than \$250,000 from the one-cent tourist development tax dedicated to a performing arts center for construction of permanent restrooms.

## Report and Discussion

### **Background:**

At its meeting of November 1, 2011, the Leon County Tourist Development Council (TDC) unanimously recommended that the Board of County Commissioners (Board) approve the appropriation of no more than \$1 million from the current one-cent TDC account, dedicated for a performing arts center (PAC) in the downtown district of the Community Redevelopment Agency (CRA), to make enhancements to the amphitheater at Cascades Park. These enhancements will make the venue more suitable to host ticketed concerts and offer the ability to attract overnight visitors to Leon County.

On November 15, 2011, the Board conducted a workshop to consider the utilization of Tourist Development Taxes (TDT) and to consider funds currently dedicated to a performing arts center.

Following presentations by County staff and Bob Inzer, President of the Florida Center for Performing Arts & Education, the Board reaffirmed the current allocation of TDT funds for the PAC and clarified that any future discussions regarding the allocation of TDT will not include the reallocation of the penny currently dedicated to the PAC. Additionally, the Board requested that the allocation changes, scheduled for October 1, 2013, to provide an additional ½-cent to the PAC, a ½-cent to the Arts Exchange project, and one cent to the Council on Culture & Arts (COCA), be revisited at some time in the next year, following completion of the management review of COCA.

The Board requested the reallocation of up to \$1.2 million from the Tourist Development Trust Fund be used for improvements to the Meridian Marker Amphitheater at Cascades Park, now called the Capital City Amphitheater. This direction was contingent upon the City's willingness to amend its current policy to allow ticketed events in Cascades Park, and with the City's support to explore joint management and programming opportunities for the amphitheater.

The County Attorney advised that the reallocation of TDT funds to make improvements to the amphitheater would not require an amendment to the Interlocal Agreement between the County, City, and CRA. However, the Board would need to seek concurrence with the City and CRA on any recommended reallocation of TDT funds. The Board ratified the actions taken at the November 15, 2011 workshop on December 13, 2011 as part of the Consent Agenda (Attachment #2).

The CRA Board met on November 21, 2011 and unanimously approved the allocation of up to \$1.2 million of TDT funds, set aside for a PAC, for various improvements at the amphitheater, contingent upon the City amending its current policy to allow ticketed events in the park (Attachment #3). At its meeting on December 14, 2011, the City Commission approved the allocation of no more than \$1.2 million of TDT funds, set aside for a PAC, for various improvements to the amphitheater and to allow for ticketed events in Cascades Park (Attachment #4).

The Blueprint 2000 Intergovernmental Agency (IA) further discussed the amphitheater at its meeting on March 26, 2012. The IA directed staff to pursue all improvements (on-site and off-site) necessary for ticketed events at Cascades Park. In addition, the IA directed staff to bring back a plan that would clarify the roles and responsibilities for the City and County including methods to address concerns expressed on programming and neighborhood issues (Attachment #5).

**Analysis:**

Since the March 26<sup>th</sup> IA meeting, there have been several meetings between County and City staff, including the County Administrator and City Manager, and with the Myers Park and Woodland Avenue neighborhood associations. The result was a draft Interlocal Agreement that was presented to the IA on June 25 providing for the roles and responsibilities of both local governments, as well as a structure that would provide for input by the area neighborhood associations. The IA recommended that the County and City make a few minor changes to the draft Agreement prior to final consideration by the County and City Commissions. One substantive change, discussed at the IA meeting, was to specify that the review to be conducted by the Strategic Team for Amphitheater Grand Entertainment (STAGE) Committee be brought back to the IA following the first year of operation and make recommendations on the number of annual ticketed and regional concerts.

As part of the FY 2013 budget process, the Division of Tourism Development included \$66,500 for either a new staff position or a management contract for marketing and managing the ticketed concerts at the amphitheater, and \$100,000 for programming and promotion costs related to these ticketed concerts. The 30% Meridian Point Building utility expenses outlined in the Interlocal Agreement would be covered in the \$100,000 programming and promotion line item. At the time of this report, the Meridian Point Building is still under the control of Florida State University and not available for amphitheater usage.

The IA expressed its support to utilize \$326,604 for enhanced electrical upgrades to the amphitheater from the one-cent TDT dedicated to a performing arts center in the downtown district of the CRA (Attachment #6). The IA directed staff to bring this item back for ratification by the County, City, and CRA. On June 28, 2012, the TDC unanimously supported the allocation of \$326,604 for the electrical upgrades, plus an additional amount of no more than \$250,000 to construct additional (eight men's and eight women's) permanent restroom facilities in Cascades Park, at a location to be determined (Attachment #7).

As part of the deliberations on the draft Interlocal Agreement and upgrades to the amphitheater, the IA briefly discussed the potential of sharing ongoing maintenance costs for both the amphitheater and Cascades Park. As previously noted, the Interlocal Agreement requires County support for the ongoing maintenance costs associated with the acquisition of the Meridian Marker Building. Should there be an interest in exploring maintenance cost-share alternatives for Cascades Park, staff would recommend revisiting the IA's Interlocal Agreement and broadening the discussion to review all projects funded by the sales tax.

The 2012 Mid-Year Fund Balance reflected that the one-cent Tourist Development Fund dedicated to a performing arts center would have an estimated balance of \$4,765,425 at the conclusion of the 2011/12 fiscal year (Attachment #8). With the deduction of the previously approved \$1.2 million for enhancements to the amphitheater, the balance would be reduced to \$3,565,425. The utilization of the \$326,604 for the electrical upgrades and utilization of no more than \$250,000 for the construction of eight men's and eight women's restroom facilities, would leave a balance of \$2,988,821.

**Options:**

1. Approve the Capital City Amphitheater Interlocal Agreement.
2. Authorize the utilization of \$326,604 from the one-cent tourist development tax dedicated to a performing arts center for electrical upgrades.
3. Authorize the utilization of no more than \$250,000 from the one-cent tourist development tax dedicated to a performing arts center for construction of permanent restrooms.
4. Do not approve the Capital City Amphitheater Interlocal Agreement.
5. Do not authorize the utilization of \$576,604 to complete the construction of the amphitheater and amenities.

6. Board direction.

**Recommendation:**

Options #1, #2, and #3.

Attachments:

1. [Capital City Amphitheater Interlocal Agreement](#)
2. [Ratification of November 15, 2011 Workshop Action Taken on December 13, 2011](#)
3. [November 21, 2011 CRA Approval of \\$1.2 Million](#)
4. [December 14, 2011 City Commission Approval of \\$1.2 Million](#)
5. [March 26, 2012 Blueprint 2000 IA Minutes](#)
6. [June 25, 2012 IA Agenda Item](#)
7. [Letter from TDC Chair on Recommendation from June 28, 2012 Meeting](#)
8. [Fiscal Year 2012 Mid-Year Fund Balance & Retained Earnings](#)

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