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<b>CITY OF TALLAHASSEE</b>	
<b><u>CITY COMMISSION AGENDA ITEM</u></b>	
<b>ACTION REQUESTED ON:</b>	August 25, 2010
<b>SUBJECT/TITLE:</b>	Discussion of Request for Amendment to Extend Purchase Option Agreement with the Florida Center for Performing Arts and Education Inc.
<b>TARGET ISSUE:</b>	Economic Development

**STATEMENT OF ISSUE**

In 2007, the City Commission authorized an Option Agreement for Sale and Purchase with the Florida Center for Performing Arts and Education Inc. (Center) to allow for the purchase of the "Johns Building site" for a price of \$2,972,000 (Attachment 1). The Agreement includes certain performance milestones; including a requirement that the Center demonstrate having raised a minimum of \$5 million by July 1, 2010.

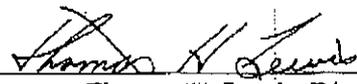
The Center has communicated to the City that they did not meet the \$5 million funding threshold and is requesting an amendment to the Option Agreement to extend the term of the agreement by two years (Attachment 2). The Center has indicated that the current economic downturn has negatively impacted their ability to raise the necessary funds. They are requesting that the term of the Option Agreement be extended to July 1, 2014, and the performance milestones be adjusted accordingly. Staff recommends approval of the amendment request with conditions as specified in the recommended action.

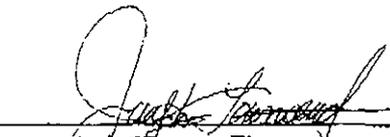
**RECOMMENDED ACTION**

Option 1: Approve an amendment to the Option Agreement for Sale and Purchase with the Florida Center for Performing Arts and Education Inc. (Center) which (1) extends the term of the agreement to July 1, 2014; (2) provides that by July 1, 2012, the purchaser must provide documentation demonstrating that the Center has raised in cash or binding commitments or equivalents, \$5 million; (3) by July 1, 2014, provide documentation demonstrating that the Center has raised in cash or binding commitment or equivalents, \$10 million; and (4) provide language that if the purchaser fails to meet any of these performance deadlines, the City, at it's sole discretion, may terminate the Option Agreement.

**FISCAL IMPACT**

The recommended action will delay the receipt of the property sale proceeds. The Office of Budget and Policy has reviewed this item and concurs that it meets budgetary guidelines.

  
\_\_\_\_\_  
Thomas H. Lewis, Director  
Economic & Community Development

  
\_\_\_\_\_  
Anita Favors Thompson  
City Manager

For information, please contact: Michael Parker, Assistant Director, 891-6457

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### SUPPLEMENTAL MATERIAL/ISSUE ANALYSIS

#### HISTORY/FACTS & ISSUES

In 2006, Theater Consultants Inc. produced a feasibility report that outlined the rationale for the development of a Performing Arts Facility in Tallahassee. That report suggested that Tallahassee could support a 241,741 square-foot facility, which included a 2,200 seat performance theater and 650 seat multipurpose theater. The estimated cost for the facility at that time was \$113,652,000. The Florida Center for Performing Arts and Education Inc. (Center) is a non-profit entity that was established to promote the development of the proposed Performing Arts Facility.

In 2005, the State released a list of properties that were to be declared surplus and sold. A number of the identified sites were prominent locations in the downtown area. A community group composed of representatives from the City, County, the Leon County School Board, the Tallahassee/Leon County Economic Development Council and the Tallahassee Chamber of Commerce was formed to review the potential reuse of the state subject properties. Ultimately, the State sold the Johns Building site and the Chevron Block to the City in 2005.

In 2007, the City Commission approved an Option Agreement with the Center for the purchase of the Johns Building site at a price of \$2,972,000. This purchase amount reflects the City's acquisition cost of \$2,950,000 plus closing costs. The Option Agreement provides that the Center must raise a total of \$10,000,000 by July 1, 2012. The agreement also contains several milestones including a requirement that the Center must raise a total of \$5 million by July 1, 2010.

In 2004, the City, County and Tallahassee Community Redevelopment Agency entered into an interlocal agreement, which provided for the establishment of the Downtown Community Redevelopment District. The interlocal agreement required that the County adopt an ordinance to add one penny to the tourist development tax that would be dedicated to the construction and operation of a Performing Arts Facility. There will be a balance of approximately \$3.5 million in tourist development tax revenue available for the performing arts facility by September 30, 2010.

In 2008, the Tallahassee Community Redevelopment Agency approved a contract to support the operating expenses of the Center. The contract amount was \$562,500 and was for an 18-month period from March 1, 2008 to September 30, 2009. The funds were to allow the Center to hire an executive director and support staff and to support the implementation of the Center's fundraising plan. This contract was funded from the dedicated tourist tax revenue.

The Option Agreement requires that the Center demonstrate having raised a minimum of \$5 million by July 1, 2010. The City has received communication from Bob Inzer, President of the Center, indicating that they have not achieved the required fundraising amount and the Center is requesting an amendment to extend the term of the agreement by two years. The requested amendment would provide that the Center must have raised a minimum of \$5 million by July 1, 2010 and a minimum of \$10,000,000 by July 1, 2014.

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In the amendment request, Mr. Inzer indicates that the economic recession has negatively impacted the Center's fundraising plans and as a result they have only been able to raise \$1,521,797. As a result of the economic downturn, the Center has modified its fundraising plan and has focused on organizational development and board recruitment in an effort to better position the organization to meet the revised fundraising goals as the economy improves.

Staff recommends that the Commission approve the requested amendment to the Option Agreement to extend the term for two years. There is ample evidence to support the Center's contention that the economic downturn has negatively impacted their fundraising efforts. Most of the charitable organizations that the City works with have experienced significant reductions in their private contributions during the current recession. The purpose of Option Agreement performance milestones was to demonstrate whether there was sufficient community support to make the performing arts facility viable. The severe economic conditions encountered over the last 24 months have negatively impacted the fundraising efforts and additional time is merited.

Staff recommends that in addition to the extension, the amended language also indicate that if the Center does not meet the amended performance milestones, the City, at its sole discretion, may terminate the Option Agreement and proceed with alternative development strategies on the property.

It is important to note that the Option Agreement provides for the sale of the property to the Center at the price of \$2,972,000. The proposed amendment will extend that term for two years. The cost to the City to approve the amendment is the opportunity costs of forgoing other development opportunities on the subject property for an additional two years

#### CHARITABLE CONTRIBUTIONS

NA

#### OPTIONS

- 1: Approve an amendment to the Option Agreement for Sale and Purchase with the Florida Center for Performing Arts and Education Inc. (Center) which (1) extends the term of the agreement to July 1, 2014; (2) provides that by July 1, 2012, the purchaser must provide documentation demonstrating that the Center has raised in cash or binding commitments or equivalents, \$5 million; (3) by July 1, 2014, provide documentation demonstrating that the Center has raised in cash or binding commitment or equivalents, \$10 million; and (4) provide language that if the purchaser fails to meet any of these performance deadlines, the City, at its sole discretion, may terminate the Option Agreement.

Pros:

- Provides an opportunity for the Center to retain the Option Agreement to purchase the property, which is important for their fundraising strategy.

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- Sustains the City's objective of supporting the development of a performing arts facility in the downtown.
- Con:
- Delays the subject property's availability for other development if the Performing Arts Facility is not successful.
- 2: Do not approve the proposed amendment and terminate the Option Agreement with the Center on the basis that it failed to meet the Agreement performance requirements.
- Pro:
- City can market the property for sale for redevelopment.
- Con:
- Without a designated site, the Center's fundraising efforts for the Performing Arts Facility will be compromised.
- 3: Do not approve the proposed amendment and provide staff with direction as to how to proceed.

**ATTACHMENTS/REFERENCES**

Attachment 1: Option Agreement For Sale and Purchase

Attachment 2: Letter From Florida Center for Performing Arts and Education Inc.

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Attachment 1

# The FLORIDA CENTER

for Performing Arts and Education

*Building the Stage for Our Future*

August 6, 2010

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2009-2010

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www.TheFLCenter.org

Ms. Anita Favors Thompson  
Manager, City of Tallahassee  
City Hall  
Tallahassee, FL 32301

RE: Maintenance of Option Agreement for Sale and Purchase between the City of Tallahassee and The Florida Center for Performing Arts and Education, Inc.

Dear Ms. Thompson:

Pursuant to the Maintenance of Option requirements in the option agreement dated March 5, 2007, the purpose of this letter and report is to provide an update on our fundraising efforts and other activities, and to request a two-year extension of the time to reach the fundraising milestones required in the agreement.

With \$1,521,797 raised as of July 31, 2010, we are requesting that the agreement milestone dates be amended to read as follows:

*B. By July 1, 2012, documentation showing the Purchaser having raised in cash or binding commitments or equivalents, 5 million dollars, 25% of the fundraising goal of 20 million dollars; and*

*C. By July 1, 2014, documentation showing the Purchaser having raised in cash or binding commitments or equivalents, 10 million dollars, 50% of the fundraising goal of 20 million dollars.*

As you well know, our national economy has suffered in the throes of a major recession over the last few years. In fact, the National Bureau of Economic Research announced in November 2008, just two months after our Campaign Executive Director was hired, that the US economy entered into recession in December 2007, just nine months after the option agreement was executed.

In order to maximize our fundraising opportunities and avoid appearing insensitive to the hardships being felt in the community, our Board of Directors strategically decided not to aggressively solicit major private gifts in the midst of a difficult economic environment that would have greatly increased the likelihood of a negative response. Instead, in 2009 and early 2010, we worked to prepare and position the organization to successfully support the \$20 million *Building the Stage for Our Future* campaign, by focusing on Board recruitment and development, strategic planning, campaign preparation, and building relationships with potential donors that would result in financial support as the economy recovers. With the economy showing signs of improvement, we are now again moving forward and actively soliciting major gifts from prospective donors within the local community and throughout the state.

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The **FLORIDA**  
**CENTER** for Performing Arts  
 and Education

*Building the Stage for Our Future*

**Founding Partners Program**

We have recently launched the Founding Partners giving program that targets major statewide, national, and international corporations that are not headquartered here, but that do business in Florida and want to have a positive presence in the State Capital. Discussions are already underway with several corporations, who are each being asked to donate at least \$1 Million to become Founding Partners of The Florida Center. While these discussions are proceeding favorably, a gift of this amount requires a lengthy cultivation period and a formal proposal that often must be submitted to a corporate foundation, following its policies, procedures and timeline for review and approval. We look forward to announcing our first Founding Partner in the near future. A detailed brochure explaining the program and donor recognition benefits is included in the report that follows.

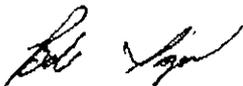
**Johns Site Promotional Video**

I also think you will be particularly interested in the video currently under production that promotes the Johns Site as the ideal location for The Florida Center. The computer model, flyover video of downtown, donated and created by a local business, highlights the advantages of the location including its proximity to other cultural and historic landmarks such as Gaines Street and Cascades Park. The video will be on our website, used in presentations and sent to prospective donors throughout the state and nation, allowing them to envision The Florida Center as an integral part of the vibrant eighteen-hour downtown we envision for Tallahassee's future. This vision of the future, and the over 1300 members of The Florida Center who support it, inspire us to remain committed to our mission and optimistic about our future success.

Despite the negative impact of the recession and the need to request an extension of time to meet the fundraising milestones, The Florida Center has made significant progress in the effort to develop the performing arts center. I am pleased to share additional information about our past accomplishments and future plans in the following report. We also look forward to answering any questions you might have after reviewing the report at the August 25 City Commission meeting.

Thank you, and the City Commission, for your consideration of our request, and for your ongoing support of this important project that we believe will positively transform the entertainment, education and economic futures of our city.

Sincerely,



Bob Inzer  
 President

cc: Jay Townsend  
 Michael Parker