



Agenda Item Details

Meeting	Sep 22, 2014 - City Commission Meeting
Category	13. POLICY FORMATION AND DIRECTION
Subject	13.01 (CONTINUED FROM 5/28/14) Discussion Regarding Tourist Development Tax Funds -- Anita Favors Thompson, City Manager
Type	Action, Discussion
Fiscal Impact	No
Recommended Action	<p>Approve Options 1 & 2</p> <p>Options:</p> <p>1) Direct staff to prepare an agenda item for consideration to amend the June 2004 Tallahassee Community Redevelopment Agency (CRA) Interlocal Agreement to address the following:</p> <p>a. The CRA will maintain the balance of funds as of September 30, 2014 for the performing arts center(s) under the current terms and conditions, which includes recommendations being subject to final approval by the County and City. Please note that the funds may only be used for other projects as permitted by Florida Statute (FS), Section 125.0104. Projects that may be considered include, but are not limited to:</p> <p>i. The proposed Downtown Theatre Project on College Avenue.</p> <p>ii. Performing arts space as part of convention center project.</p> <p>iii. Other performing arts projects as recommended by the CRA.</p> <p>b. The City is provided five years to make improvements to support the Capital City Amphitheater for the purpose(s) requested by the County in an amount equal to the \$508,425 utilized for the demolition of the Johns Building. Any balance remaining at the end of this period will be reimbursed to the County's Tourist Development Trust Fund.</p> <p>c. Formally acknowledge that effective September 30, 2014, the one cent Tourist Development Tax (TDT) currently dedicated to the performing arts center(s) shall no longer be dedicated for such purpose and shall be retained by the County to be utilized in accordance with Florida Law and as described in Option 2.</p> <p>2) Following amendment of the interlocal agreement, the County shall amend the Tourism Plan (Ordinance) to increase the allocation to a total of one cent of TDT to support both the City and County cultural grants and implementation of the Cultural Plan starting in FY 2015.</p> <p>a. In addition, for five years, beginning in FY 2015, the County shall dedicate an additional ¼ cent of the one cent previously dedicated to a performing arts center to support the cultural grant program. Monies accrued from the ¼ cent during FY 2015 shall be distributed during FY 2016 and continue through FY 2020. This will provide a total of 1.25 cents for allocation for cultural and arts grant programs to be administered by COCA. During this five year term, the City and County will continue to commit general revenue funds in the amount of about \$150,000 each towards the operation of COCA. The exact amount can be determined during FY15 in conjunction with COCA staff. The City's proposed budget for FY15 has \$192,036 towards the operation of COCA.</p>

For more information, please contact: Anita Favors Thompson, City Manager, 850-891-8576

Statement of Issue

On June 23, 2004, the Tallahassee City Commission (City), the Leon County Board of County Commissioners (County),

and the City of Tallahassee Community Redevelopment Agency (CRA), adopted the Interlocal Agreement which, among other things, established the Downtown District Community Redevelopment Area (Downtown District). Section 6a of the interlocal agreement set aside one cent of Tourist Development Tax (TDT) funds (also referred to as Bed Tax funds) for the construction and operation of a performing arts center(s) (PAC) within the Downtown District. The PAC Bed Tax funds are maintained by the County but are provided to the CRA for PAC uses consistent with the interlocal agreement. To date, the PAC Bed Tax funds have been used to prepare a market and location assessment for the proposed PAC, for the demolition and site clean-up of the former Johns Building site for the proposed PAC and PAC-related operational expenses. The PAC Bed Tax Fund currently has an estimated \$4.1 million set aside for PAC-related expenses.

In October 2007, during negotiations relating to the first amendment to the interlocal agreement, the City and County Commissions agreed that the County's annual contribution to the Downtown District Community Redevelopment Trust Fund would be 4.29 mils instead of the full millage of approximately 8.3 mils that the County currently contributes to the Greater Frenchtown/Southside Community Redevelopment Trust Fund. In addition to the 4.29 mils (later changed to 1.154 times the City's millage, but capped at 4.2698 mils by the second amendment to the interlocal agreement), the County agreed to continue to contribute one cent in Bed Tax revenue dedicated to the PAC. These funds comprise the \$4.1 million in Bed Tax funds currently under discussion.

On April 8, 2014, the Leon County Board of County Commissioners heard an agenda item recommending that the one cent in PAC dedicated Bed Tax funding be discontinued and that the County use one half of that cent to implement the Cultural Plan. There was no proposed change to the County's TIF contribution to the Downtown District of 1.154 times of the City's millage rate, with a maximum contribution rate of 4.2698 mils.

In addition, the County agenda item recommended that the existing \$4.1 million PAC Bed Tax balance, plus the amount accrued through September 30, 2014, remain with the CRA for performing arts center related uses, and the \$508,425 in PAC Bed Tax funds owed to the County by the City for costs incurred during the demolition of the John's Building, be used for improvements relating to the Capitol City Amphitheater.

Following discussion on the agenda item, the County Commission directed staff to prepare an agenda item for discussion at the April 24 CRA Board meeting that addressed the PAC Bed Tax issues described above.

On April 24, 2014, the CRA Board discussed the recommendations contained in the April 8th County Agenda item and decided to hold a workshop with the full City and County Commissions to allow a detailed discussion of the issues prior to making a decision regarding use of the funds. At that meeting, it was mentioned that the County Commissioners had dealt with these issues on several occasions; however, the City had not had the opportunity to have their own individual discussion.

On May 14 and 28, 2014, the City Commission discussed the April 8th County agenda item and requested additional clarification of the issues. This agenda item is presented to the City Commission for discussion and policy development. If the recommendations are approved by the City Commission, it will be necessary to amend the June 2004 interlocal agreement. All parties to the interlocal agreement (City, County and CRA) will have to approve the amendment(s). Based on the direction provided by the City Commission, City staff will draft the amendment language for consideration by the three parties.

The proposed action would dedicate 1.25 cents of Bed Tax funding to support cultural grant programs. Currently, one penny of Bed Tax generated approximately \$900,000 annually. The proposed action would generate approximately \$1,125,000 annually in Bed Tax funding which would be dedicated to cultural grant program(s). In the current fiscal year the City provided \$403,338 in general fund dollars to support the Cultural Grant Program administered by COCA. Leon County provided \$505,929 in Bed Tax funds to support the Cultural Grant Program. The proposed action would provide a ten to twenty percent increase in the total amount of funding available for cultural grants. However, it should be noted that there are statutory limitations on the uses of Bed Tax funds which could impact local arts and cultural organizations if Bed Tax becomes the sole source of funding for the Cultural Grant Program. The proposed action would not impact the FY 2014/15 Cultural Grant Program assuming the City Commission approves the proposed City budget which includes general fund revenue for the grant program.

Recommended Action

Approve Options 1 & 2 Options

1. Direct staff to prepare an agenda item for consideration to amend the June 2004 CRA Interlocal Agreement to address the following:

a. The CRA will maintain the balance of funds as of September 30, 2014 for the performing arts center(s) under the current terms and conditions, which includes recommendations being subject to final approval by the County and City. Please note that the funds may only be used for other projects as permitted by F.S. Section 125.0104. Projects that may be considered include, but are not limited to:

- i. The proposed Downtown Theatre Project on College Avenue.
- ii. Performing arts space as part of a convention center project.
- iii. Other performing arts projects as recommended by the CRA.

b. The City is provided five years to make improvements to support the Capital City Amphitheater for the purpose(s) requested by the County in an amount equal to the \$508,425 utilized for the demolition of the Johns Building. Any balance remaining at the end of this period will be reimbursed to the County's Tourist Development Trust Fund.

c. Formally acknowledge that effective September 30, 2014, the one cent TDT currently dedicated to the performing arts center(s) shall no longer be dedicated for such purpose and shall be retained by the County to be utilized in accordance with Florida Law and as described in Option 2.

2. Following amendment of the interlocal agreement, staff shall schedule appropriate public hearings to amend the Tourism Plan (Ordinance) to increase the allocation to a total of one cent of TDT to support both the City and County cultural grants and implementation of the Cultural Plan starting in FY 2015.

a. In addition, for five years, beginning in FY 2015, the County shall dedicate an additional $\frac{1}{4}$ cent of the one cent previously dedicated to a performing arts center to support the cultural grant program. Monies accrued from the $\frac{1}{4}$ cent during FY 2015 shall be distributed during FY 2016 and continue through FY 2020. This will provide a total of 1.25 cents for allocation to COCA. During this five year term, the City and County will continue to commit general revenue funds in the amount of about \$150,000 each towards the operation of COCA. The exact amount can be determined during FY15 in conjunction with COCA staff. The City's proposed budget for FY15 has \$192,036 towards the operation of COCA.

Fiscal Impact

There is no direct fiscal impact at this time, but amending the 2004 interlocal agreement will have an impact on the oversight and use of (1) the existing \$4.1 million PAC Bed Tax balance; (2) the annual recurring one-cent tourist development tax dedicated to a performing arts center, and (3) the reimbursement of \$508,425 utilized for the demolition of the Johns Building.

Supplemental Material/Issue Analysis

History/Facts & Issues

On June 23, 2004, the City, the County, and the CRA, adopted the Interlocal Agreement (Attachment 1) which, among other things, established the Downtown District. Included as part of the interlocal agreement was the County's commitment to set aside one cent of TDT/Bed Tax funds dedicated exclusively for a performing arts center(s) within the CRA's Downtown District. The use of the bed tax funds was limited to the debt service, construction and/or operational costs of the performing arts center(s).

Per the interlocal agreement, as amended, Bed Tax funds are held by the County, but are provided to the CRA in support of the debt service, construction and/or operational costs of PAC activities. The use of the performing arts center bed tax funds for anything other than these uses requires an amendment to the interlocal agreement which must be approved by the City, County and CRA. The County's Tourist Development Tax Fund currently has an estimated \$4.1 million set aside for PAC-related expenses.

On April 8, 2014, County staff presented the Leon Board of County Commissioners with a TDT agenda item (Attachment 3) which offered options regarding the use of both accrued and future Bed Tax funds and the \$508,425 reimbursement of Bed Tax funds used by the City to demolish the Johns Building in preparation for the future PAC. A detailed discussion of these recommendations follows in this report and is also contained in the Leon County Statement of Issue in Attachment 4.

On April 24, 2014 the CRA Board discussed the recommendations contained in the April 8th County Agenda item and decided to have more discussions prior to making a decision regarding use of the funds. At that meeting, it was mentioned that the County Commissioners had dealt with these issues on several occasions; however, the City had not had the opportunity to have their own individual discussion.

On May 14 and May 28, 2014, the City Commission discussed the April 8th County Agenda Item and had some questions regarding future use of the full cents and other options for funding cultural programs. Since the May meeting, City and County staff met to discuss the recommendations for use of the TDT funds. The options contained in this agenda item reflect the staff's discussions.

This agenda item is presented to the City Commission for discussion and policy development. If the recommendations are approved by the City Commission, it will be necessary to amend the June 2004 interlocal agreement. All parties to the interlocal agreement (City, County and CRA) will have to approve the amendment(s). Based on the direction provided by the City Commission, City staff will draft the amendment language for consideration by the three parties.

County Staff Recommendations:

On April 8, 2014, County staff presented the Leon Board of County Commissioners with a TDT agenda item (Attachment 3) which offered options regarding the use of both accrued and future Bed Tax funds and the \$508,425 reimbursement of Bed Tax funds used to demolish the Johns Building in preparation for the future PAC. A detailed discussion of these recommendations is contained in the Leon County Statement of Issue in Attachment 4.

The County options are as follows:

1a. The CRA would maintain the \$4.1 million fund balance (plus what is collected through September 30, 2014) set aside for the performing arts center(s) under the current terms and conditions, which includes recommendations being subject to final approval by the County and City. Projects that may be considered include, but are not limited to:

- i. The proposed Downtown Theatre Project on College Avenue.*
- ii. Performing arts space as part of convention center project.*
- iii. Or, other performing arts projects as recommended by the CRA.*

1b. The City is provided three years to make improvements of the Capital City Amphitheater and/or Meridian Building for the purpose(s) requested by the County in an amount equal to the \$508,425 utilized for the demolition of the Johns Building; any balance not utilized during this period of time will be reimbursed to the County's Tourist Development Trust Fund.

1c. A formal acknowledgement that effective September 30, 2014, all future one cent TDT currently dedicated to the performing arts center(s) shall no longer be dedicated for such purpose and shall be retained by the County to be utilized in accordance with Florida Law.

2. Direct staff to schedule a Public Hearing to amend the Tourism Plan (Ordinance) to allocate a total of one cent of TDT to support cultural arts starting in FY 2015. (Note: This can only occur subsequent to the amendment to the Interlocal Agreement being approved.)

3. Upon approval of the sales tax extension, direct the County Administrator to negotiate a preliminary agreement, subject to Board of County Commission approval, with FSU and/or the appropriate parties for a half cent of the tourist development tax to be utilized for the operation and maintenance of the convention center based on the following (Note: This can only occur subsequent to the amendment to the Interlocal Agreement being approved.):

a. Begin dedicating the half cent of TDT for the convention center beginning in FY 2015.

Or

b. Utilize the half cent TDT for tourism-related expenses until such time the convention center is operational.

The County staff report indicated that *“The suggestion presented herein seeks to strike a balance between desired*

community projects and available resources by maintaining the existing fund balance for a performing arts center(s) and utilizing future TDT revenues for other community efforts. Under all of the same terms and conditions of the interlocal agreement, the CRA would continue to have the ability to utilize the \$4.1 fund balance (plus revenues received through September 30, 2014) for a variety of performing arts center needs in the downtown area. This approach would allow the County to increase cultural funding with TDT monies from \$504,500 to approximately \$900,000 annually starting in FY 2015. These additional funds would be used to support the implementation of community needs identified in the Cultural Plan including a capital grants program. Should the Board choose to support the operational and maintenance needs of the convention center, this option affords the desired flexibility to determine the appropriate timing of that financial support as the project details and timeline materialize.”

Following discussion of the agenda item, the County voted 4 to 3 to approve Options 1, 2 and 3.b. as presented in the agenda item and agreed that the issues should be discussed at the April 24th CRA meeting.

CRA Staff Considerations

CRA staff is generally supportive of a continuation of the direction contemplated by the 2004 interlocal agreement regarding use of the accrued PAC Bed Tax funds for performing arts center(s). Should the City, County and CRA Board determine that the accrued PAC Bed Tax funds shall remain with the CRA to be used for performing arts purposes, CRA staff recommends that a process and related review criteria be developed to ensure the accrued funds are utilized as directed. Staff awaits CRA Board direction following the City Commission discussion and the City/ County Commission workshop.

City Considerations

Based on City Commission discussions during the May 14th and May 28th Commission meeting and follow-on discussions between City and County staff, City has made minor adjustments to the original County options and recommends approval of Options 1 & 2 as presented below.

Options

1. Direct staff to prepare an agenda item for consideration to amend the June 2004 CRA Interlocal Agreement to address the following:

a. The CRA will maintain the balance of funds as of September 30, 2014 for the performing arts center(s) under the current terms and conditions, which includes recommendations being subject to final approval by the County and City. Please note that the funds may only be used for other projects as permitted by F.S. Section 125.0104. These projects will be reviewed and approved by the City, County and CRA Boards. Projects that may be considered include, but are not limited to:

- i. The proposed Downtown Theatre Project on College Avenue.
- ii. Performing arts space as part of convention center project.
- iii. Other performing arts projects as recommended by the CRA.

Pros: The CRA Board may be able to identify and fund one or more projects which fulfill the original intent of providing performing arts venues in the Downtown District or other City/County goals as permitted by State Statute.

Pros: CRA Board approved process and criteria will provide CRA staff with direction on how and where the funds can be used.

Cons: The \$4.1 million +/- will no longer be dedicated solely to the FCPAE Performing Arts Center project.

b. The City is provided five years to make improvements to support the Capital City Amphitheater for the purpose(s) requested by the County in an amount equal to the \$508,425 utilized for the demolition of the Johns Building. Any balance remaining at the end of this period will be reimbursed to the County's Tourist Development Trust Fund.

Pros: Dedicating these funds directly to support the Amphitheater will provide funding for important support facilities such as dressing rooms and storage for the Amphitheater.

Cons: Not applicable

c. Formally acknowledge that effective September 30, 2014, the one cent TDT currently dedicated to the performing arts center(s) shall no longer be dedicated for such purpose and shall be retained by the County to be utilized in accordance with Florida Law and as described in Option 2.

2. Following amendment of the interlocal agreement, the County shall amend the Tourism Plan (Ordinance) to increase the allocation to a total of one cent of TDT to support both the City and County cultural grants and implementation of the Cultural Plan starting in FY 2015.

a. In addition, for five years beginning in FY 2015, the County shall dedicate an additional $\frac{1}{4}$ cent of the one cent previously dedicated to a performing arts center to support cultural grant programs. Monies accrued from the $\frac{1}{4}$ cent during FY 2015 shall be distributed during FY 2016 and continue through FY 2020. This will provide a total of 1.25 cents for allocation for cultural and arts grant programs to be administered by COCA. During this five year term, the City and County will continue to commit general revenue funds in the amount of about \$150,000 each towards the operation of COCA. The exact amount can be determined during FY15 in conjunction with COCA staff. The City's proposed budget for FY15 has \$192,036 towards the operation of COCA.

Pros: Provides funding source for implementation of the Cultural Plan.

Cons: The CRA Board no longer has any decision authority on the use of the one cent in Bed Tax funds collected for a performing arts center.

Attachments/References

1. CRA Interlocal Agreement, June 23, 2004
2. Amendment 1 to CRA Interlocal Agreement, October 4, 2007
3. April 8, 2014 Board of County Commissioners Agenda Item (w/o attachments)
4. Leon County Statement of Issue from April 8th Board of County Commissioners Agenda Item
5. Memo from Vincent S. Long, Leon County Administrator, dated April 18, 2014.

[Attach 1.pdf \(1,666 KB\)](#)

[Attach 2.pdf \(700 KB\)](#)

[Attach 3.pdf \(972 KB\)](#)

[Attach 4.pdf \(624 KB\)](#)

[Attach 5.pdf \(344 KB\)](#)