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CALIFORNIA

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November 28, 2023

Honorable Eunisses Hernandez, Chair
Neighborhoods and Community Enrichment Committee
Los Angeles City Council
c/o City Clerk's Office
City Hall, Room 395
Los Angeles, CA 90012

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

RE: REQUEST FOR NEIGHBORHOODS AND COMMUNITY ENRICHMENT COMMITTEE REVIEW AND APPROVAL OF THE DEPARTMENT OF CULTURAL AFFAIRS UPDATED ANNUAL EXPENDITURE PLAN AND FEE STATUS REPORT FOR THE ARTS DEVELOPMENT FEE (ADF) PROGRAM FOR FISCAL YEAR 2023/2024

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

Pursuant to the established ADF Program guidelines, the Department of Cultural Affairs (DCA) is required to develop an annual Expenditure Plan and Fee Status Report for the ADF Program, submitted herein. This report identifies and commits **\$1,181,185.56** comprised of "Priority Fees" which are fees that were collected five years earlier toward eligible public art projects throughout the City that did not have any findings made in previous years. Due to the date of collection of some of these fees, Los Angeles Municipal Code Section 5.346, et al., which is based on the State Mitigation Fee Act, requires that the Department and City Council approve a set of findings for the "Priority Fees" before December 31, 2023. A finding identifies the purpose for which the fee is to be used and demonstrates a reasonable relationship between the fee and the purpose for which it is charged. DCA has prioritized the commitment of these "Priority Fees" in this report.



RECOMMENDATIONS

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

1. **APPROVE** the public art project commitments and associated findings relative to a total of **\$1,181,185.56** comprised of "Priority Fees" as identified in the FY 2023/2024 ADF Expenditure Plan and Fee Status Report (Attachment A).
2. **INSTRUCT** the Department of Cultural Affairs to update the accrued interest to each of the appropriation accounts, within Fund 516, to be used in tandem with the original ADF fee collected.
3. **AUTHORIZE** the City Controller to approve the interest appropriations, within Fund 516, recommended by the Department of Cultural Affairs.

BACKGROUND

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

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

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

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

Through the adopted ADF Program Administrative Guidelines, now in its ninth cycle, DCA has supported a variety of public art projects that range from mural conservation, art walks, to music and arts festivals, including the City's first public art triennial. DCA has collaborated with individual artists, arts organizations, and festival producers to create temporary and permanent public art projects and programs across the city. Additionally, a COVID Emergency Response Program was developed with the support of ADF monies to provide economic relief to the arts community impacted by the pandemic. Projects are identified by the City Council, in conjunction with DCA, as part of the ADF Expenditure Plan development phase.

SUMMARY OF THE FY 2023/2024 ADF EXPENDITURE PLAN AND FEE STATUS REPORT

The FY 2023/24 ADF Expenditure Plan and Fee Status Report provides an accounting of **\$13,185,062.11** in arts development fees, listed by the Council District, in which the associated private development that generated the fee is located. The report identifies and commits **\$1,181,185.56** within the overall Fund 516 balance that is comprised of "Priority Fees" toward eligible projects and provides associated findings required by the State Mitigation Fee Act.

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

COUNCIL DISTRICT	BALANCE EXPENDITURE PLANS FY 14/15 - 22/23 (A)	PRIORITY FEES (B)	FEES LESS THAN 5 YRS (C)	TOTAL (A) + (B) + (C)
CD 1	\$0.00	\$0.00	\$61,148.07	\$61,148.07
CD 2	\$0.00	\$0.00	\$175,906.78	\$175,906.78
CD 3	\$0.00	\$0.00	\$382,842.34	\$382,842.34
CD 4	\$45,609.35	\$243,346.63	\$1,182,072.70	\$1,471,028.68
CD 5	\$782,106.66	\$324,537.83	\$213,717.15	\$1,320,361.64
CD 6	\$230,861.90	\$10,742.06	\$493,954.57	\$735,558.53
CD 7	\$201,527.33	\$808.61	\$222,019.94	\$424,355.88
CD 8	\$76,757.00	\$0.00	\$13,595.36	\$90,352.36
CD 9	\$0.00	\$0.00	\$197,721.33	\$197,721.33
CD 10	\$171,916.05	\$233,996.76	\$763,704.96	\$1,169,617.77
CD 11	\$763,754.54	\$150,207.96	\$908,381.00	\$1,822,343.50
CD 12	\$48,600.70	\$71,340.65	\$434,788.42	\$554,729.77
CD 13	\$170,605.28	\$28,141.09	\$570,480.05	\$769,226.42
CD 14	\$1,529,247.54	\$551,850.06	\$1,386,569.33	\$3,467,666.78
CD 15	\$211,601.63	\$0.00	\$330,600.63	\$542,202.26
SUB TOTAL	\$4,232,587.83	\$1,614,971.65	\$7,337,502.63	\$13,185,062.11

TOTAL	\$13,185,062.11
FEES THAT REQUIRE FINDINGS	\$1,181,185.56

Consistent with the Arts Development Fee Program Administrative Guidelines, the Department contacted Council Districts with fees over 5 years that needed to make findings and collaborated with them to submit the project commitments for the **\$1,181,185.56** in arts development fees in advance of the December 31, 2023 deadline. Council Districts that did not have fees requiring findings during this reporting period were notified accordingly.

IMPLEMENTATION

Upon approval of the ADF Expenditure Plan and Fee Status Report, DCA will initiate and administer the approved ADF projects and programs accordingly. Of the proposed **\$1,181,185.56** in project commitments, up to **\$212,613.40** will be available to support staffing resources, leaving a remaining balance of **\$968,572.16** for public art projects and programs.

FISCAL IMPACT

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

A handwritten signature in black ink that reads "Daniel M. Tarica". The signature is written in a cursive, flowing style.

Daniel Tarica
General Manager
City of Los Angeles Department of Cultural Affairs

DT:ff

Attachment: A – FY 2023/24 ADF Expenditure Plan and Fee Status Report

cc: Jacqueline Hamilton, Senior Advisor and Director of Neighborhood Services,
Office of Mayor Karen Bass
Tanea Ysaguirre, Office of the City Attorney
Daniela Cuevas, Office of the City Administrative Officer
Karen Kalfayan, Office of the Chief Legislative Analyst
Eric Villanueva, City Clerk