



**MAYOR BOB FOSTER**  
**CITY OF LONG BEACH**  
**REVISED**

July 6, 2010

MEMBERS OF THE CITY COUNCIL  
City of Long Beach

RECOMMENDATION:

**To receive and approve Mayoral appointments to the Blue Ribbon Commission on Funding Arts and Culture in accordance to agenda item 10-0223 as approved by the City Council on March 2, 2010.**

DISCUSSION:

Pursuant to City Council Action of March 2, 2010, I am submitting for your consideration and approval the following nominees to serve on the Blue Ribbon Commission on Funding for the Arts. In addition, attached are the 2001 "Public & Private Percent-for-Public-Arts Study" and the 2004 report to City Council from the Community Arts Funding Strategy Task Force used for deliberation and submitted here for public record.

**Blue Ribbon Commission Nominees:**

**Larry Black** is owner and operator of the Varden Hotel, formerly known as the Dolly Varden Hotel and currently ranked #1 on Trip Advisor. Mr. Black is active in his community and serves on the ICT Board of Directors and the board for the Long Beach Convention Visitors Bureau.

**Blair Cohn** is the Executive Director of the Bixby Knolls Business Improvement Association. Former race director of the International City Marathon, Blair has put his experience to work in Bixby Knolls managing a bustling uptown with a modest budget and creative ideas.

**Carina Cristiano Leoni** is the Project Director of the Connected Corridor; a project of Leadership Long Beach transforming neighborhoods into one community by connecting stakeholders along Atlantic Avenue. She is a former K-

12 teacher and has developed social media curriculum for use by CSULB's Professional Development Services. Ms. Cristiano Leoni remains active with the day-to-day operations of Nino's Italian Restaurant, a family-operated business serving Long Beach for over 50 years.

**Julie Heggeness** is an attorney with a long history with the Long Beach Memorial Foundation. She is currently the Director of Trusts & Estates serving Long Beach Memorial Medical Center and Miller Children's Hospital. As a Leadership Long Beach graduate, she remains very active in her community through several boards and commissions. Ms. Heggeness was recently appointed to the Redevelopment Agency Board.

**Antonio Ruiz** is founder of the Creativity Network, a web based video channel showcasing segments on artists, art venues, performances, and discussions to promote arts, culture, and creativity. Mr. Ruiz is a graduate of the Leadership Long Beach Executive Quick-Start program. He remains active in the community, looking for ways to engage residents, artists, and stakeholders, and to preserve and advocate for the arts within the City.

**Jan van Dijs** is a Principle of J.R. van Dijs, Inc., a locally based building and development company. Jan is actively involved in the restoration of historical properties throughout Long Beach; past projects include the Art Theater, east Village Creative Offices and the Ebell Club.

**Michele Wilson** is an experienced trial attorney in the Civil and Criminal arenas. Ms. Wilson stays involved in her community by serving on local boards for Food Finders, Long Beach City College Foundation, and the Arts Council of Long Beach. She is also a member of CAMEO and past affiliations include the Long Beach Opera, Long Beach Museum of Art, and Musical Theater West.

**SUGGESTED ACTION:**

Approve recommendation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bob Foster". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Mayor Bob Foster  
City of Long Beach

Dated: June 28, 2010



**City of Long Beach**  
*Working Together to Serve*

**Memorandum**

**Date:** June 9, 2010

**To:** Suzanne Frick, Assistant City Manager

**From:** Robert M. Swayze, Manager, Economic Development and Cultural Affairs

**Subject:** Reports

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Please find attached copies of the two reports you requested. The first is the 2001 "Public & Private Percent-for-Public-Art Study." This report includes a full nexus study.

The second is the 2004 report to Council from the Community Arts Funding Strategy Task Force, "Long Beach Community Arts funding Strategy."

Thank you.

RMS:dm  
Att.

# Public & Private Percent-for- Public-Art Study

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FINAL REPORT

Prepared For The Public Corporation For The Arts,  
and The City of Long Beach Redevelopment Agency,  
Long Beach, California

FEBRUARY 2001



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in association with  
J. Spangler Consulting



**Contents**

**Executive Summary** ..... 1

**Introduction** ..... 2

    Purpose of this Study ..... 2

    Methodology ..... 2

**Situation Analysis**..... 3

    Relevant City Policy ..... 3

    Current Support for Public Art..... 3

    Long Beach Public Art Program ..... 4

    Percent-for-Art Fees in Other Jurisdictions ..... 4

**Findings**..... 9

    Purpose of the Fee..... 9

    Proposed Program..... 9

**Nexus Analysis**..... 14

    Legal Basis..... 14

    Estimate of City Arts Spending ..... 15

    Derivation of Civic Art Impact Fee ..... 20

    Calculations..... 23

    Art Impact Fee Calculation ..... 25

    Legal Rationale ..... 31

**Conclusion** ..... 36

**Appendices**..... 37

    Appendix A: Definitions..... 37

    Appendix B: Civic Art Impact Fee Projections ..... 38

    Appendix C: City of Long Beach Impact Fees ..... 39

    Appendix D: Sources ..... 40

    Appendix E: Bibliography ..... 42

**List of Figures**

Figure 1: Art Fees in Selected Cities ----- 6

Figure 2: Estimated Arts Spending by City of Long Beach (1998-99)----- 18

Figure 3: Long Beach Population, Households and Employment (2000 & 2010)23

Figure 4: Long Beach Population, Households and Employment (2005)----- 23

Figure 5: Calculation of Net New Resident Employees by Building Type ----- 26

Figure 6: Calculation of Existing LOS Art Impact Fee (for Total Population  
Growth Associated with Net New Workers by Land Use Type)----- 27

Figure 7: Calculation of Existing LOS Art Impact Fee (for Total Population  
Growth Associated with Net New Workers Households by Land Use Type)28

Figure 8: Calculation of Existing LOS Art Impact Fee (Proportional to the Net  
New Worker Household Population Growth Associated with Net New  
Workers by Land Use Type) ----- 31



## *Executive Summary*

Facing increasing costs for maintaining existing infrastructure and the decline of public support for taxation, governments have been forced to seek alternatives for raising funds. Impact fees on private developments are one alternative.

Impact fee is defined as "a monetary charge imposed by local government on new [private] development to recoup or offset a proportionate share of public capital costs required to accommodate such development with necessary public facilities. The impact fee originated in states and communities experiencing relatively rapid growth, because such growth requires the rapid provision of additional capital facilities to a larger population. The underlying question in all controversies about impact fees is who is to pay for ... public facilities needed to serve a growing population?"<sup>1</sup>

Impact fees for public art exist in numerous municipalities in California and nationwide. Arts impact fees on private developments are instituted as cities strive to provide public art in their communities in the face of reduced federal and state support for the arts.

The first percent-for-art program imposed on public capital improvement projects was established in Philadelphia in 1959. Since then many cities have also enacted percent-for-art fees on public developments including San Francisco, the first west coast city to do so in 1967. Today, an estimated 300 cities, counties, states, federal agencies, and other government bodies have adopted percent-for-art programs, generating more than \$200 million annually in public art support.<sup>2</sup>

After numerous months of research, study and input it has been determined that a citywide percent-for-public-art program is an appropriate mechanism for provision of public art in Long Beach. This study provides the basis for assessing a 1% fee on eligible public and private development projects.

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<sup>1</sup> James Nicholas, *The Calculation of Proportionate-Share Impact Fees* (American Planning Association, 1989), 1.

<sup>2</sup> *Public Art Funding, Developing Percent-for-Art Programs Monograph* (Americans for the Arts, December 2000), 1.



# *Introduction*

## **Purpose of this Study**

It is the purpose of this study to provide a rationale and guidelines for a citywide program to assess a percentage fee for art on public and private developments.

For the **public program**, this report provides the following:

1. eligible development projects have been defined;
2. types of projects to be funded identified;
3. recommendations for allocation of funds made, and;
4. a management structure proposed.

For the **private program**, the same four tasks have been completed, and in addition:

5. a nexus analysis has been performed under the State of California AB 1600 requirements, and;
6. a legal rationale is provided.

Based on a five-year history of development in the City of Long Beach as measured by permit applications with the Planning and Building Department, approximate annual revenues for the percent-for-art program were estimated. These estimates are contained in Appendix B of this report.

## **Methodology**

This study is based on information gathered from five principal sources: review of existing percent-for-art program ordinances and descriptions; interviews with key informants; review of existing nexus study documents; a survey of City of Long Beach departments to determine annual art spending; and a review of literature relevant to the subject. A bibliography contained in an appendix to this study provides a complete listing of sources. The research and information derived from these sources were analyzed and recommendations developed for the civic art impact fee on private and public developments.



## Situation Analysis

The City of Long Beach currently provides art facilities and services to its residents in fulfillment of its role in enhancing the quality of life, economy and environment for its citizens. The City's policies and programs reflect the City's commitment to this continued role.

### Relevant City Policy

The City of Long Beach recently completed a strategic plan to guide the city through 2010. This plan adopts seven strategies and the arts figure prominently in the Neighborhood Development strategy. One of the six goals of the Neighborhood Development strategy is as follows:

Create neighborhoods where arts and cultural programs flourish, services are accessible and all people, including seniors and people with disabilities, have tools to improve the quality of their lives.<sup>3</sup>

### Current Support for Public Art

As documented in A Public Art Plan for Long Beach completed in 1994, a telephone survey of local residents found extremely broad support for public art and design. The overwhelming majority of respondents – in most cases near or above 90 percent – agreed that visually enhanced elements in the city were “very important” or “somewhat important.” The conclusion of the consultants was that, “there is a limited public art activity in neighborhoods, yet there is great interest in and potential for public art to further the objectives of both city-sponsored neighborhood improvement programs and community based organizations.”<sup>4</sup> The new city plan adopted in 1999 said that in order to make the main entries to Long Beach more visually attractive, and increase neighborhood pride, percent-for-public-art legislation should be expanded to cover all public and private construction across Long Beach.

<sup>3</sup> Long Beach 2010... The Strategic Plan, March 2000.

<sup>4</sup> A Public Art Plan for Long Beach (Wolf, 1994).





## Long Beach Public Art Program

A percent-for-public-art policy for the downtown redevelopment area was adopted by the City's Redevelopment Agency in 1989. The policy was later changed to include all redevelopment project areas. It is the only standing policy on public art in the city and is limited to those areas of Long Beach that are within defined boundaries of the redevelopment project areas. The policy and guidelines allow for a broad range of public art options and encourage innovation and diversity through its inclusive listing of eligible expenditures. The guidelines allow developers expending percent-for-public-art funds to choose from a menu of options:

- autonomous artwork;
- artist-designed building elements;
- artist participation as a member of the project design team;
- subsidy of nonprofit organizations' cultural spaces and facilities; or
- sponsorship and underwriting of cultural programming, performances, and special cultural events.

In partnership with the Long Beach Redevelopment Agency, the Public Corporation for the Arts (PCA) administers the Percent-for-Public-Art Program that requires eligible public and private developers to allocate 1% of the total development costs of a project to the creation of public art, cultural programming or cultural facilities. On the private side only developments that get assistance from the Redevelopment Agency fall under the requirement. The 1% requirement is mandated through a contractual agreement between the Redevelopment Agency and the developer.

## Percent-for-Art Fees in Other Jurisdictions

Research revealed numerous percent-for-art programs in California and throughout the United States. The programs, both private and public, are administered through a variety of jurisdictions ranging from redevelopment agencies, transportation authorities, and airport and government entities. The following table describes programs administered by local governments on a citywide basis, and pertains to both public and private percent-for-art fees.

The table describes the programs of six California cities that have adopted arts impact fees on private development on a citywide basis. Of those instituted after enactment of AB 1600 in 1989, two produced and adopted nexus studies — the City of Los Angeles and the City of Newark. Two California jurisdictions — Santa Monica and Los Angeles County — have conducted nexus studies to substantiate proposed arts impact fees, however, arts development fees have not yet been adopted in these jurisdictions.



The percent-for-art fees assessed on public capital improvement projects range from 1% to 2%. The fee basis is generally the total cost of construction but in some cases include "soft" costs (fees, fixtures and equipment, etc.) and land acquisition. Generally the percent-for-art programs support commissioning and acquisition of permanent art work, but in some cases the programs support a wide variety of activities including facilities development, performing art activities, administration, commissioning of temporary art, and unspecified cultural services. Two cities, Portland and Scottsdale, have enacted percent-for-art programs on public projects which are managed by nonprofit organizations.

In 1980, the City of Portland adopted an ordinance dedicating 1% of the construction costs of major capital improvement projects to public art. In 1989, the City of Portland broadened the scope of the program, including an additional 0.33% of the total construction costs for administration and establishing the Public Art Trust. In 1995, the Regional Arts and Cultural Council (RACC), the non-profit successor to the Metropolitan Arts Commission, formerly a city department, was officially authorized to administer the city's percent-for-art program and related services. A ten member Public Art Committee (PAC) consisting of architects, landscape architects, art professionals, visual artists and members of the RACC board of directors, provides the official review of public art projects. The PAC meetings are attended by the chief of staff of a designated city council member. The RACC Public Art Manager reports that the program works very well and is virtually problem-free due to three important factors: the city is very accepting of the program; administration of the program is viewed as a collaborative effort; and a successful track record of 20 years.

In 1988 the Scottsdale Cultural Council was given the authority to operate the city's publicly funded percent-for-art program. The Scottsdale Cultural Council is a nonprofit organization which manages an art museum, a center for the arts and an annual arts festival. The percent-for-art program is managed as part of the museum department and is governed by a Public Art and Collections (PAC) Committee. This fifteen-member committee is made up of artists, architects, art professionals, landscape architects, business people, and members of the board of the Scottsdale Cultural Council. The Scottsdale Cultural Council board approves all PAC Committee recommendations. Staff from the City of Scottsdale's planning department attend every meeting. Public art staff suggest that their program works well because the PAC Committee and the Scottsdale Cultural Council are not political agencies and are given complete autonomy by the City Council. In addition the public art staff work with the city's capital project manager to determine which city projects are eligible.

Figure 1: Art Fees in Selected Cities

City/County	Applicable Development Projects	Exempted Projects	Assessment	Uses of Funds
<b>CALIFORNIA</b>				
Brea- Private	Commercial, industrial, and residential private developments of 5 or more units with a total building valuation of \$500,000 or more and free standing additions to commercial or industrial sites with a total building valuation of \$500,000 or more	Churches, schools, single family homes	1% of building valuation, building valuation based on ICBO	On-site publicly accessible permanent artwork
Culver City- Public	Public building developments with a building valuation exceeding \$500,000	Earthquake rehabilitation required for seismic safety	1% of building valuation excluding land and off-site improvements	Art work or payment to City Art Fund
Culver City- Private	Commercial, industrial, and residential private developments of 5 or more units with a total building valuation exceeding \$500,000 and remodeling exceeding \$250,000	Low- or moderate-income housing, senior housing	1% of building valuation excluding land and off-site improvements	Artwork or in lieu fee to City Art Fund
Emeryville- Public	Municipal projects with development costs in excess of \$300,000 and subject to Design Review.	Projects below \$300,000 threshold	1.5% of building construction costs	Publicly accessible artwork
Emeryville- Private	Commercial and industrial private developments and nonresidential portions of mixed-use projects with building development costs in excess of \$300,000 and subject to Design Review	Residential projects	1% of building development costs, defined as construction costs declared on building permit applications	On-site publicly accessible art work
Fremont- Public	Public buildings and parks with costs of \$500,000 or more	Publicly assisted rehabilitation of private property, affordable housing	1% of construction costs	Publicly accessible artwork
Los Angeles- Private	Nonresidential private construction with a total building valuation over \$500,000	Residential projects, repair, renovation or rehabilitation which does not alter the use or size of a structure, adds handicap facilities, installs fire sprinklers, or complies with the earthquake hazard reduction ordinance	Offices/R&D - \$1.57/sf Retail - \$1.31/sf Whse - \$0.39/sf Mfg. - \$0.51/sf Hotels - \$0.52/sf not to exceed 1% of building permit value	Fee paid into fund to be distributed by Cultural Affairs Department for cultural and artistic facilities, services and community amenities or developer can design an art project or program whereby a 1:1 credit is given for dollars spent towards the total obligation.

City/County	Applicable Development Projects	Exempted Projects	Assessment	Uses of Funds
Newark- Private	Residential, commercial and industrial new construction private projects and additions over 10,000 square feet or that are located along major arterials	Low- and moderate-income housing, developments that are in zoning districts that contain provisions for public art	Office - \$0.58 Retail - \$0.38 Light Manufacturing/Warehouse - \$0.31 Hi Tech - \$0.60	On-site publicly accessible artwork the donation of gallery space or fee paid to city for development of art within the guidelines of the Master Plan
Oakland- Public	Public improvement projects	Port and Airport	1.5%	Temporary or permanent art work
Pasadena- Public	All projects planned through CIP process and at the departmental level. New construction, exterior renovation or remodeling, Municipal buildings and facilities, street improvements street lighting, sewers, storm drains	Not specified	1% of construction costs excluding architectural, engineering and administrative costs.	On-site or off-site public art work, or cultural programming or services
Pasadena- Private	Commercial, industrial and mixed-use private developments over 25,000 square feet	Residential projects	1% of building permit valuation (land costs and off-site improvements are excluded)	Developer may fund cultural facilities, programs or on-site artwork or make in-lieu contribution to Cultural Trust Fund for general enhancement of city cultural resources
San Francisco- Public	Public buildings, above-ground structures, parks, and transportation projects	Transportation improvements such as street paving, repair or improvements; all mechanical, plumbing and electrical system upgrades; structural or seismic upgrades; park and landscape renovations; sewer and water lines; CIP funded improvements for security/life safety; Port developments	Amount not to exceed 2% of estimated project costs Funds which are part of project costs but which are limited by law or funding agency rules will be excluded from calculation	Painting, sculpture or other works of art
San Jose- Public	Eligible municipal and Redevelopment Agency construction projects whose overall budgets exceed \$500,000	Director of Redevelopment Agency and Director of Public Works have discretion to exempt projects	2% of construction budget including design and engineering costs	Public works of art

City/County	Applicable Development Projects	Exempted Projects	Assessment	Uses of Funds
<b>Other States</b>				
Broward County, FL - Public	Planned capital improvement projects determined to be eligible by Cultural Affairs Division staff and the Office of Budget and Management policy	Not specified	Up to 2% of project costs	Acquisition or commissioning of artworks
Loveland, CO - Public	City projects with costs of \$50,000 or more	Projects below \$50,000 threshold	1% of construction costs	Permanent or temporary artwork
Portland, OR - Public	Any project of \$100,000 or more paid for wholly or in part by the City of Portland involving construction, rehabilitation, remodeling, or improvement of any building, structure, park, public utility, street, sidewalk, or parking facility, or projects developed privately and leased back to the City	Improvement projects funded by the Bureaus of Water and Environmental Services; improvement projects funded by: private development revenue, federal or state grants, Street Light Levy Fund and Local Improvement District Revenues	1.33% of total construction costs excluding costs for design, engineering, demolition, land acquisition	On-site or off-site art work or Public Art Trust Fund
Scottsdale, AZ - Public	Capital Improvement Projects	Individual tenant improvements or alterations of less than 30,000 square feet	1% of amount budgeted for capital improvement projects is appropriated to fine arts trust fund	Commissioning of artworks
Seattle, WA - Public	Capital projects paid for wholly or in part by the City to construct or remodel any building, structure, park, utility, street, sidewalk, or parking facility or portion thereof	Not specified	1% of the estimated project costs Funds which are part of project costs but which are limited by law or funding agency rules will be excluded	Acquisition or commissioning of artworks



## Findings

### Purpose of the Fee

The purpose and goals of the City's current Percent-for-Public-Art Program in redevelopment areas provide a basis for a citywide arts impact fee on private development. These are:

The RDA and PCA seek to maintain a public art program in such a way that it is intimately integrated into the fabric of Long Beach and that reflects a broad range of community input and the involvement of artists and arts professionals. The Percent-for-Art program considers artists to be valuable members of a planning or design team and primary resources in the revitalization of designated redevelopment areas and the City. Throughout history the arts have been instrumental in creating unique public places that have yielded physical, social and economic benefits for a community.<sup>5</sup>

### Proposed Program

Building on the RDA's current Percent-for-Public-Art Program; review of arts impact fees in other cities; the recommendations of staff currently responsible for implementing the Redevelopment Agency's Percent-for-Public-Art Program; and input from PCA's public art consultant Gail Goldman, the city wide Percent-for-Public-Art Program is defined as follows:

#### Public

The City of Long Beach will allocate 1% of the construction budget of all eligible capital improvement projects for civic art. This includes projects of the Community Redevelopment Agency.

Seventy percent (70%) of the 1% will be used to provide civic art on-site.

The remaining thirty percent (30%) of the 1% will be directly deposited into the Civic Art Trust Fund.

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<sup>5</sup> *5 Percent For Public Art Program Guidelines for Developers, July 1998.*



## *Public & Private Percent-for-Public-Art Study*

### *Private*

All eligible nonresidential projects in the City of Long Beach will be required to fund civic art in an amount equal to 1% of the construction budget.

Seventy percent (70%) of the 1% will be used to provide civic art on-site.

The remaining thirty percent (30%) of the 1% will be directly deposited into the Civic Art Trust Fund.

### *Exceptions*

Building projects under \$1,000,000 (one million dollars) total construction costs are exempted from the 1% for civic art policy. Other exceptions include:

#### *Arts and Cultural Facilities*

- Museums, galleries, and nonprofit theaters
- Artist live/work spaces (only when primary renter or purchaser is a practicing, professional artist; not intended for "livability" lofts)

#### *Historic and Cultural Heritage*

- Historically designated landmark buildings
- Additions to historically designated landmark buildings

#### *Housing*

- Low and moderate income housing
- Single family residential homes and townhouses
- High-rise residential buildings
- Senior and elderly housing

#### *Schools*

- Long Beach Unified School District
- Private schools
- Universities and colleges

#### *Houses of Worship*

- Churches and temples
- Church buildings (i.e. day care facilities, classrooms)

#### *Miscellaneous*

- Tenant improvements to interior, non-public spaces of existing buildings
- Non-profit charitable and health organizations



*Civic Art in Capital  
Improvement Projects*

The seventy percent (70%) of the 1% allocation for civic art must be used as follows:

- The commission and/or acquisition of publicly accessible, permanent works of art located in or on the capital improvement project site; or
- Fees for artist participation on design and planning teams.

*Civic Art in Private  
Development*

The seventy percent (70%) of the 1% allocation for civic art must be used as follows:

- The commission and/or acquisition of publicly accessible, permanent works of art located in or on the development site; or
- Payment of in-lieu fee -- the amount equal to the full 1% allocation -- into the Civic Art Trust Fund.

*Civic Art Trust Fund*

The Public Corporation for the Arts and the City will establish a special trust fund for civic art, with appropriate interest bearing sub-accounts as necessary for the tracking of all funds associated with both the public and the private sector portions of the Civic Art Program.

*Uses of Civic Art Trust  
Fund*

Funds in the Civic Art Trust Fund may be used as follows:

- Acquisition, installation, improvement and insurance of publicly accessible works of art located throughout the City;
- Fees for artist participation on design and planning teams;
- Arts and cultural planning for civic art initiatives in Long Beach;
- The cost of administering the City's Civic Art Program.
- Maintenance and conservation of existing works of art generated through the Civic Art Program, excluding:
  - Works of art located on City-owned ranchos, museums, and schools;
  - Artifacts donated or gifted to the City; or
  - Historical markers, plaques and commemorative objects.





### *Implementation*

The Public Corporation for the Arts will be charged with the implementation of the Civic Art Program, working in cooperation with City officials, City departments and agencies, and all other appropriate City entities.

### *Annual Report*

The Public Corporation for the Arts will prepare an annual budget that will include projected costs associated with the implementation of the Civic Art Program. In addition, the Public Corporation for the Arts will prepare an annual report for the City detailing the financial status of the Civic Art Trust Fund and the use of the funds generated under this requirement.

### *Policies and Procedures*

The Public Corporation for the Arts will prepare detailed policies and procedures for the implementation of both the public and private sector portions of the Civic Art Program. The policies will address eligible projects and provide guidelines for selecting and contracting artists and incorporating them into the design process. In addition, the guidelines will address the artwork approval process and maintenance and conservation process for all artworks produced through the Civic Art Program.

### *Artist Selection-Public Projects*

The Public Corporation for the Arts will be responsible for the selection of artists for each eligible capital improvement project, in conjunction with the appropriate City department, in accordance with the adopted program guidelines and the participation of a civic art advisory committee. Final approval of artists and artwork are the responsibility of the Public Corporation for the Arts.

### *Artist Selection-Private Projects*

The Public Corporation for the Arts, in conjunction with private developers, will be responsible for the selection of artists for civic art associated with their projects, in accordance with the adopted program guidelines and the participation of a civic art advisory committee. Final approval of artists and artwork are the responsibility of the Public Corporation for the Arts.

### *Maintenance on Public Projects*

City departments that are recipients of civic art under this requirement will be responsible for routine maintenance. Conservation and restoration will be the responsibility of the Public Corporation for the Arts and may be paid from the Civic Art Trust Fund.



*Maintenance on Private  
Projects*

The owner of any civic art project on private property developed under this requirement will be responsible for the maintenance, conservation, and restoration of the artwork.



## *Nexus Analysis*

In 1987, in response to developers' concerns that local agencies were imposing development fees for purposes unrelated to development projects, the California legislature adopted AB 1600 which established a comprehensive framework for the imposition of such fees. AB 1600 requires local governments to demonstrate a link or "nexus" between the development fee being imposed and the project or services to be funded.

### **Legal Basis**

In general, AB 1600 specifies that fees can be levied for specified public improvements, services, or community amenities if certain nexus conditions are met. (Please see the Legal Rationale section of this report for further discussion of the legal framework.) In summary, the main legal requirements for a development fee for civic arts programs and services must do the following:

1. Identify the purpose and use of the fee;
2. Determine a reasonable relationship between the use of the fee and the type of development on which the fee is imposed;
3. Determine a reasonable relationship between the need for the public art, cultural facilities and cultural programming and the type of development project on which the fee is imposed; and
4. Determine a reasonable relationship, or nexus, between the amount of the fee and the cost of the public art, cultural facilities and cultural programming attributable to the development on which the fee is imposed.

The reasonableness of impact fees is usually determined by the rational nexus test. The major tenets of the rational nexus test are as follows:



## *Public & Private Percent-for-Public-Art Study*

- There must be a reasonable connection between the need for artistic/cultural resources and the growth resulting from new development;
- The fees charged must not exceed a proportionate share of the cost incurred or to be incurred in accommodating the development paying the fee; and
- There must be a reasonable connection between the expenditure of the fees collected and the benefits received by the development paying the fees.

These legal principles must be restated in operational terms so that an amount – a fee – may be calculated. The operational principles for this study are:

1. The need for additional artistic/cultural resources that will be financed with development fees must be a consequence of new development rather than arising from existing developments;
2. The charges or fees imposed upon a new development must be no more than a proportionate share of the local government's cost of those new capital facilities needed to service new developments; and
3. The revenues raised must be managed and expended at such a time and in such a time that the development paying the fee will receive a substantial benefit from the improved facility.

### **Estimate of City Arts Spending**

To determine the appropriate level of fees that may be imposed, the consultants conducted a survey to estimate current annual per capita municipal allocations for art and cultural facilities, services and community amenities by the City of Long Beach.

The Director of Financial Management confirmed that the broadest possible approach should be exercised and that all municipal departments should be surveyed for their allocations. With assistance from the City Manager departments were contacted and asked to submit reports indicating spending for art and culture for FY 1998/1999 (the most recent completed year for which data were available). A list of possible areas of expenditures was provided as follows:

- Art classes
- Art purchases
- Murals
- Art services (for example for security for festivals)



## *Public & Private Percent-for-Public-Art Study*

- Art exhibitions
- Banners
- Live performances (for example poetry readings at libraries)
- Concerts
- Maintenance of cultural facilities
- Parades (for example St. Patrick's Day Parade, not including political or sports events)
- Historic Preservation
- Professional architectural services (for example for improvements to cultural and/or historical properties)

As a guide to the departments a definition of art and culture that was developed by the planning team overseeing the 1994 Cultural Plan was utilized:

The sum total of a community's customs, beliefs, traditions, and artistic expressions, both formal and informal

The following principles guided the compilation:

- Departments that are self-financing and do not rely on General Fund revenue for operating support were not included. The only exception to this is in the case of the Convention and Visitors Bureau, which is allocated funds annually from hotel tax revenues.
- Only non-reimbursable expenditures were included. For example revenue collected from fees for art classes provided through the Park, Recreation and Marine Department were deducted from art class expenditures and only the net figure was included. Funds expended by the Library to produce specific exhibitions were not included because, according to staff, the exhibitions were funded through grants from the state of California. On the other hand, programs funded through private donations were considered to be an integral part of the department budget.
- Expenditures for maintenance of historic structures and related architectural services were included.
- Expenditures for parades and festivals were included.
- One-time only expenditures were excluded if the expenditure was deemed to be an exception to normal annual spending.

Twelve departments indicated zero direct spending on arts and culture:

- City Attorney
- City Auditor



## Public & Private Percent-for-Public-Art Study

- City Clerk
- City Council/Mayor
- City Prosecutor
- Civil Service
- Financial Management
- Harbor
- Human Resources
- Oil Properties
- Police
- Technology Services

Two city departments, Gas & Electric, and Water, reported spending on arts programs but their expenditures were not included in the analysis since these departments are self-financing and do not rely on General Fund revenue.

Expenditures from eight City departments plus the Convention and Visitors Bureau were included in the calculation of City spending for arts and culture. These departments are:

- City Manager
- Community Development
- Fire
- Health and Human Services
- Library
- Parks, Recreation & Marine
- Planning & Building
- Public Works
- Convention and Visitors Bureau

The table on the following page provides a tabulation of the results of the survey. Most of the expenditures listed represent direct spending on arts and culture for each department.



Figure 2: Estimated Arts Spending by City of Long Beach (1998-99)

Department	Expenditure	Amount	Total
City Manager	Public Corporation for the Arts	\$500,000	
	Smithsonian Support	\$56,546	
	PCA Newsletter	\$13,500	
	Rose Parade Float	\$115,000	
	City Sponsored Parades	\$39,600	
	July 4th Fireworks	\$30,000	
	Long Beach Junior Concert Band	\$102,000	
	Staff cost	\$4,250	
	<b>Subtotal</b>		<b>\$860,896</b>
	Community Development	Redevelopment Agency Percent-For-Art set aside *	\$230,000
<b>Subtotal</b>			<b>\$230,000</b>
Fire	Parades	\$4,002	
	<b>Subtotal</b>		<b>\$4,002</b>
Health & Human Services	Performers at public health events (musical and dance groups, storytellers)	\$4,595	
	Banners	\$280	
	<b>Subtotal</b>		<b>\$4,875</b>
Library	Maintain Long Beach Photo/history	\$100	
	Live Performances	\$1,000	
	Book Talks	\$90	
	Vocal Concert	\$30	
	Straw Art Website opening	\$30	
	Book Art event	\$0	
	Art exhibitions	\$0	
	Installation of art display system	\$0	
	Annual purchase of art books for adults	\$31,508	
	Annual purchase of art books for children	\$10,503	
	Art Contest	\$0	
	Storytime/live readings	\$0	
	Live performances	\$11,600	
	Summer Reading Program	\$4,250	
	Teen Read and Children's Book Weeks	\$1,000	
	Staff cost	\$296,204	
<b>Subtotal</b>		<b>\$356,315</b>	



Figure 2 (cont'd) Estimated Arts Spending by City of Long Beach (1998-99)

Department	Expenditure	Amount	Total
Parks, Recreation & Marine	Long Beach Museum of Art	\$319,000	
	Homeland Cultural Center	\$172,664	
	Municipal Band	\$394,996	
	Mural Arts Program	\$76,385	
	Rancho Los Alamitos (management and maintenance)	\$387,858	
	Rancho Los Cerritos	\$373,966	
	Black History/Juneteenth	\$17,339	
	Cinco de Mayo	\$13,467	
	Rainbow Harbor Entertainment	\$96,561	
	Sea Festival	\$15,748	
	Art and Cultural Contract Classes	\$149,713	
	Music and Arts Camp	\$71,074	
	Art Supply Costs	\$51,300	
	Estimated Maintenance	\$250,813	
	Administrative Overhead	\$30,535	
Less Reimbursement for Classes and Camp	(\$297,282)		
	<b>Subtotal</b>		\$2,124,137
Planning & Building	Neighborhood Preservation Services (neighborhood preservation officer, training workshops, supplies)	\$116,645	
	<b>Subtotal</b>		\$116,645
Public Works	Architectural Services, Rancho Los Cerritos	\$34,733	
	Architectural Services, Performing Arts Center	\$32,492	
	Improvements, Rancho Los Cerritos	\$300,274	
	Improvements, Performing Arts Center	\$200,000	
	<b>Subtotal</b>		\$567,499
General Fund Spending Subtotal			\$4,264,369
General City Overhead @ 7.33%			\$312,578
General Fund Spending Total			\$4,576,947
Convention & Visitors Bureau	Special Projects	\$14,000	
	Publications	\$77,250	
	Promotions and Promotional Materials	\$278,500	
	Advertising	\$45,000	
	Team Resources	\$171,750	
	<b>Subtotal</b>		\$586,500
<b>TOTAL CITY SPENDING</b>			\$5,163,447
Per Resident Spending			\$11.25

\* Redevelopment Agency percent-for-art funds were included because the City maintains authority over generation and expenditure. The percent-for-art program in Redevelopment Areas mandates that private developments receiving City support are required to allocate funds for public art. The requirement is negotiated on a per project basis through a contract between the City and the developer.





Several departments provide funding to Park, Recreation and Marine for arts programs such as mural making and art classes. In these instances, the expenditure of funds is reflected in the budget of Park, Recreation and Marine only.

In general, the estimated costs represent the most conservative figures. This is due in part to the difficulty in extracting the administrative and overhead costs associated with the spending. For example, an expense for staff costs was provided by the Park, Recreation and Marine department, City Manager, the Library, and the Convention and Visitors Bureau only, due to their relatively significant spending on arts and culture services.

An estimate for General City Overhead of 7.33% was provided by the City Controller. General City Overhead is defined as the costs associated with the general running of the City for services such as those provided by the City Attorney, City Auditor and City Clerk to support citywide functions and programs.

Based on the results of the survey, the total estimated amount of City spending on arts and cultural services for FY 1998/1999 was \$5,163,447. Using an updated population estimate for 1999 of 457,608, this expenditure equates to an amount between \$11 and \$12 per resident of the City of Long Beach.

### **Derivation of Civic Art Impact Fee**

The method of deriving an art impact fee based on a percentage of total construction costs involves a number of assumptions and a series of calculations which form the basis for the variables used in the calculation of the civic art impact fee for the City of Long Beach.

Every step of developing the assumptions and the subsequent calculations uses the most fiscally conservative alternatives. The first and most important consideration in the analysis evaluates the increased demand for future civic art programs and services based on net new resident employment generated from new land use developments. Every new non-residential building constructed in Long Beach, has jobs associated with it and an associated demand for arts programs and services. This net new demand for art programs and services results from the new employee as well as people in the new employee's household. The new development therefore adds to the total Long Beach population demand for arts programs and services.

This analysis excludes the complex assumptions associated with trying to assess a demand for civic art programs and services that might result from new commercial development and potential increase in visitor trade. By using fiscally conservative techniques in the calculation of the civic art impact fee, every effort



has been made to not overstate the future fees that would be necessary from new development. The calculations associated with net new employment are furthermore based on maintaining the existing level of art programs and services for residents of Long Beach.

*Assumptions*

The fee calculation is subject to the following assumptions:

- The future demand for civic art from any future populations associated with net new resident workers, is at least as great as the current resident population demands for civic art programs and services.

The current per capita "Level of Service" (LOS) in the municipal provision of civic art programs and services is derived from a calculation of the current per capita total public spending on civic art. The aim of mitigating any future demand for civic art is based on assessing a fee on net new development that generates net new resident workers and the associated population increases. The LOS is calculated as follows:

$$\text{Total City Arts Spending} \div \text{Resident Long Beach Population} = \text{LOS}$$

- The proportion of resident workers at future developments is at least as great as the proportion of resident workers at existing developments.

The working population in Long Beach is composed of people who live in Long Beach and those who commute into the city for work. It is assumed that the current proportion of workers who commute to the city for net new jobs will remain constant in the future. The Percentage of Future Resident Workers is calculated as follows:

$$\left. \begin{array}{l} \text{Existing Number} \\ \text{of Resident} \\ \text{Workers} \end{array} \right\} + \left. \begin{array}{l} \text{Total Number of} \\ \text{Existing Long Beach} \\ \text{Workers} \end{array} \right\} = \left. \begin{array}{l} \text{Percentage of} \\ \text{Future Resident} \\ \text{Workers} \end{array} \right\}$$

- Different types of land use developments create different densities of worker populations.

This assumption is based on the fact that different types of non-residential development need different amounts of space for each worker. Analysis of new development projects has assumed different employee densities for the purposes of trip generation calculations. The assumed employee densities are based on local markets and industry standards that are well documented in planning and



*Public & Private Percent-for-Public-Art Study*

environmental analysis literature. For the purposes of this analysis, the following land-use types and associated employee densities have been applied to the calculations. These employee densities are based on standards developed for Southern California real estate market conditions and other accepted California industry standards.<sup>6</sup>

Office Building	250 sq. ft./employee
Research and Development	250 sq. ft./employee
Manufacturing	800 sq. ft./employee
Warehousing and Distribution	1,000 sq. ft./employee
Retail	300 sq. ft./employee
Hotel	500 sq. ft./employee

- Different types of land use developments cost different amounts to build on a per square foot basis.

Due to different building types and the amenities associated with land uses, the cost of construction varies by use type. The following construction costs are based on current industry standards and local market conditions.

	<u>1991 \$ per sq. ft.</u>	<u>1999 \$ per sq.ft.</u> <sup>7</sup>
High Rise Office	\$130	\$153
Mid Rise Office	\$ 75	\$ 88
Low Rise Office	\$ 55	\$ 65
Research and Development	\$ 75	\$ 88
Manufacturing	\$ 45	\$ 53
Warehousing and Distribution	\$ 25	\$ 29
Retail	\$ 35	\$ 41
High Rise Hotel	\$159	\$187
Low Rise Hotel	\$130	\$153

<sup>6</sup> Keyser Marston Associates, Inc.; *The Nexus Report prepared for the City of Los Angeles; San Francisco Environmental Assessment Standards.*

<sup>7</sup> Adjusted by 17.5% CPI increases for LA-Riverside-Orange County between 1991 and 1999 and rounded to the nearest dollar. US Bureau of Labor Statistics Data, August 15, 2000.



### Calculations

#### Level of Service (LOS) Calculation

The existing Level of Service is a variable expressed as total dollars spent on civic art programs and services per resident Long Beach worker.

The Total City Arts Spending figure is the numerator in this equation. This figure is determined to be \$5,163,447 on an annual basis (see Estimate of City Arts Spending section of this report).

Based on historic Census data and surveys of major Long Beach employers<sup>8</sup>, 45% of the total employment in the city has been assumed to live in Long Beach. The Total Residents Working in Long Beach is therefore the total employment in Long Beach multiplied by 45%. Figure 3 summarizes population, households and employment data for the City of Long Beach.

Figure 3: Long Beach Population, Households and Employment (2000 & 2010)<sup>9</sup>

	2000	2010
Population	457,608	488,311
Households	169,484	180,857
Employment	209,252	217,901

Utilizing a straight line averaging technique the assumed population, households and employment for Long Beach in the year 2005 are summarized in Figure 4.

Figure 4: Long Beach Population, Households and Employment (2005)

	2005
Population	472,960
Households	175,170
Employment	213,576

Utilizing the employment figures from the tables above and the assumed 45% resident proportion of the total Long Beach employment, the Total Residents Working in Long Beach in 2000 is calculated as follows:

<sup>8</sup> City of Long Beach Major Employers, Department of Community Development, Economic Development Bureau, Business Assistance Division.

<sup>9</sup> City of Long Beach Planning & Building Dept., Advanced Planning Division, via FAX, 10/11/2000.



$$209,252 \times 0.45 = 94,163$$

The Total Residents Working in Long Beach in 2005 can be projected and is calculated as follows:

$$213,576 \times 0.45 = 96,109$$

The LOS calculation can be carried out for the year 2000 based on the figures derived above. This calculation is as follows.

$$\text{Total City Arts Spending} \div \text{Resident Long Beach Population} = \text{YEAR 2000 LOS}$$

OR

$$\$5,163,447 \div 457,608 \text{ residents} = \$11.25/\text{resident}$$

At the current level of annual funding for civic art programs and services, the City of Long Beach is spending \$11.25 for each resident. Of the current Total City Arts Spending figure, \$1,062,493 or 21% can be directly linked to the utilization of civic art by resident workers. This is calculated as follows:

$$(94,163 \div 457,608) \times (\$5,163,447) = \$1,062,493$$

Ignoring inflation, by the year 2005, to maintain the existing LOS for civic art funding, the annual amount spent on all Long Beach residents will need to increase by approximately \$172,710. This increased civic arts spending is based on the addition of approximately 15,352 net new residents in Long Beach over the next five years.

While there are projected to be over 15,000 new residents living in Long Beach by 2005, the net new resident worker population is only anticipated to grow by 1,946 workers. This means that for every new resident worker the overall population is expected to increase by 7.89 or nearly eight people. The anticipated net new demand for civic arts programs and services during the period from 2000 to 2005 using the \$11.25 per resident figure will result in an annual average increase in spending of over \$34,542 needed to maintain the existing Level of Service.



In determining the existing LOS for civic arts programs and services for each resident, this analysis can now begin to evaluate the net new demand for civic arts funding that can be directly attributed to net new resident workers and the population increases associated with these new jobs.

### **Art Impact Fee Calculation**

Figure 5 provides a summary of the estimated number of new resident workers for new development projects based on a threshold of total construction costs of \$1,000,000 (i.e., projects under \$1 million are exempt) for application of an Art Impact Fee. The employee density and building costs for the different land uses utilized in these calculations are drawn directly from the density and cost assumptions described above. An example of the complete set of calculations utilized is provided below.



**Office (high-rise) Example**

A \$1,000,000 high-rise office project with construction costs of \$153/ square foot yields a project of 6,536 square feet:

$$\$1,000,000 \div \$153/\text{square foot} = 6,536 \text{ square feet.}$$

6,536 square feet of office space with one employee for every 250 square feet yields 26 total employees:

$$6,536 \div 250 = 26.14.$$

Only 45% of the net new employees are expected to live in Long Beach, which yields 12 net new resident employees:

$$26 \times .45 = 11.76$$

**Figure 5: Calculation of Net New Resident Employees by Building Type**

Type of Building	# of sq. ft.	# of net new resident employees <sup>10</sup>
Office (high rise)	6,536	12
Office (mid-rise)	11,364	20
Office (low-rise)	15,385	28
Research and Development	11,364	20
Manufacturing	18,868	11
Warehouse and Distribution	34,483	16
Retail	24,390	36
Hotel (high-rise)	5,347	5
Hotel (low-rise)	6,536	6

<sup>10</sup> Calculation: Total number of new workers [# of sq.ft./ (workers/sq.ft.)] X 45%.



Applying current Federal Internal Revenue rules, capital developments of this nature have an expected 39-year life and are amortized for tax purposes over this period. These new resident employees, and their subsequent turnover replacements, are therefore assumed to utilize civic arts programs and services over the useful life of the building.

Scenario One

An example of the complete set of calculations is provided below.

Calculation Example: The new high-rise office building generates 12 net new resident employees. These 12 new workers and the associated 7.89 new residents for every new worker will utilize civic arts programs and services over the 39-year life of the buildings. The existing LOS for each Long Beach resident as calculated above is \$11.25 on a yearly basis. The calculation of the LOS demand is therefore as follows:

$$(12 \times 7.89 \times \$11.25 \times 39) = \$41,540$$

Figure 6: Calculation of Existing LOS Art Impact Fee (for Total Population Growth Associated with Net New Workers by Land Use Type)

Building Type	# of employees	LOS Demand for Civic Arts Services
Office (high rise)	12	\$ 41,540
Office (mid-rise)	20	\$ 69,235
Office (low-rise)	28	\$ 96,929
Research and Development	20	\$ 69,235
Manufacturing	11	\$ 38,079
Warehouse and Distribution	16	\$ 55,388
Retail	36	\$124,623
Hotel (high-rise)	5	\$ 17,309
Hotel (low-rise)	6	\$ 20,770





If a 1% art impact fee for new non-residential development projects in Long Beach were applied, this would exact \$10,000 for each \$1,000,000 of construction costs. From the table above it is clear that a \$10,000 exaction would be justified in all cases of new non-residential development projects of \$1,000,000.

*Scenario Two*

Taking a more conservative approach, the table below calculates the demand for arts programs and services for only the net new workers and their associated household population. The average household size in Long Beach is 2.7 people. In the calculations below, therefore, rather than the 7.89 factor for total resident population increases used in the previous calculations, a factor of 2.7 for resident worker household population is substituted.

*Calculation Example:* The new high-rise office building generates 12 net new resident employees. These 12 new workers and the associated 2.7 people in every new worker's household will utilize civic arts programs and services over the 39-year life of the buildings. The existing LOS for each Long Beach resident as calculated above is \$11.25 on a yearly basis. The calculation of the LOS Demand is therefore as follows:

$$12 \times 2.7 \times \$11.25 \times 39 = \$14,216$$

**Figure 7: Calculation of Existing LOS Art Impact Fee (for Total Population Growth Associated with Net New Workers Households by Land Use Type)**

	# of employees	LOS Demand for Civic Arts Services
Office (high rise)	12	\$14,216
Office (mid-rise)	20	\$23,693
Office (low-rise)	28	\$33,170
Research and Development	20	\$23,693
Manufacturing	11	\$13,031
Warehouse and Distribution	16	\$18,954
Retail	36	\$42,647
Hotel (high-rise)	5	\$ 5,923
Hotel (low-rise)	6	\$ 7,108



Even under these more conservative calculations of net new demand for arts programs and services of new resident workers and their household population, all uses except the hotel uses would exceed the 1% or \$10,000 art impact fee for the new development. In the case above, the hotel use from the standpoint of employee household demand for civic arts is difficult to justify. However, if there is consideration of the fact that hotels draw visitors to Long Beach and assuming visitors also demand arts services the LOS may well exceed \$10,000. (Research into visitor use of arts services was beyond the scope of this study.)

Taken in combination, hotel worker households and visitor demand could justify a 1% civic art impact fee for all the associated hotel development types. These possible justifications would need to be made with underlying assumptions that can be supported by detailed "audience and visitor surveys" of the actual users of the programs and services funded through civic arts budgets. It is assumed that such justifications could be proved in part due to the status of Long Beach as a visitor destination city with attractions such as the Aquarium, Queen Mary and the Grand Prix.

### *Scenario Three*

The final set of calculations, assumes an even more conservative approach to the analysis. In this, only a proportional fraction of the total civic arts spending is attributed to new workers and their household population. Continuing to apply the factors that historically indicate that 45% of the employed people living in Long Beach work in Long Beach and that the average household size for these resident worker households is 2.7 people per household, the following calculations present the most conservative possible estimates of net new worker demands for civic arts programs and services.

*Calculation Example:* Using the Total City Arts Spending figure of \$5,163,447, a worker household size of 2.7 people per household and a factor of 45% of the employed Long Beach residents who actually work in Long Beach, the proportion of civic arts spending on only the locally employed worker household population is as follows.

From the tables above the number of employed Long Beach residents in 2000 totaled 209,252 people. Of these employed Long Beach residents, 45% or 94,163 work in Long Beach. Given a household size of 2.7 people per household, the total population of locally employed workers and their household members comes to 254,241 people. These 254,241 people represent 55% of the total Long Beach population in 2000 (254,241 ÷ 457,608=55%). A 55% share of the \$5,163,447 total civic arts spending is \$2,839,896. Calculating the per capita civic arts spending for just this portion of the entire Long Beach population results in the following:



*Public & Private Percent-for-Public-Art Study*

$$\$2,839,896 \div 254,241 = \$11.17 \text{ per person}$$

The new high-rise office building generates 12 net new resident employees. These 12 new workers and the associated 2.7 people in every new worker's household will utilize civic arts programs and services over the 39-year life of the buildings. The existing LOS for each Long Beach resident as calculated above is \$11.25 on a yearly basis. The calculation of the LOS Demand is therefore as follows.

$$12 \times 2.7 \times \$11.17 \times 39 = \$14,114$$



Figure 8: Calculation of Existing LOS Art Impact Fee  
(Proportional to the Net New Worker Household Population Growth  
Associated with Net New Workers by Land Use Type)

Building Type	# of employees	LOS Demand for Civic Arts Services
Office (high rise)	12	\$14,114
Office (mid-rise)	20	\$23,524
Office (low-rise)	28	\$32,934
Research and Development	20	\$23,524
Manufacturing	11	\$12,938
Warehouse and Distribution	16	\$18,819
Retail	36	\$42,343
Hotel (high-rise)	5	\$ 5,881
Hotel (low-rise)	6	\$ 7,057

Applying the most conservative calculations of net new demand for arts programs and services of new resident workers and their household population results in all uses except the hotel uses, exceeding the 1% or \$10,000 art impact fee for the new development.

#### Legal Rationale<sup>11</sup>

In 1987, in response to developers' concerns that local agencies were imposing development fees for purposes unrelated to development projects, the California legislature adopted AB 1600 which established a comprehensive framework for the imposition of such fees. This legislation, codified in Gov. Code Sections 66000 et. seq. and known as the Mitigation Act, became effective on January 1, 1989.

Under Gov. Code Section 66000, Section (b) includes "fee" is defined as "a monetary exaction other than a tax or special assessment, whether established for a broad class of projects by legislation of general applicability or imposed on a

<sup>11</sup> This section of the report was prepared with the assistance of California Lawyers for the Arts



specific project on an ad hoc basis, that is charged by a local agency to the applicant in connection with approval of a development project for the purpose of defraying all or a portion of the cost of public facilities related to the development project." "Public facilities" includes public improvements, public services and community amenities." Section (d)

Prior to enacting such fees, local agencies are required to:

(1) identify the purpose of the fee; (2) identify the use to which the fee is to be put; and (3) determine how there is a reasonable relationship between the fees' use and the type of development project on which the fee is imposed.

In addition, if the fees will be used to finance public facilities, the facilities shall be identified and the agency must determine how there is a reasonable relationship between the need for the public facility and the type of development on which the fee is imposed, i.e., the nexus. The agency must also determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed.

A description of the civic art fee in Long Beach is provided in the Findings section of this report. Important characteristics of the fee program include:

- The fee will be assessed on private nonresidential development of total construction costs of \$1,000,000 or more.
- A fee split will be applied whereby seventy percent of the fee will be used to fund on-site art programs and thirty percent of the fee will be deposited in the Public Art Fund.
- The on-site art program can consist of publicly accessible permanent artwork, purchase of publicly accessible permanent artwork, in-lieu fee to Public Art Fund, or maintenance and conservation of art works generated through the program.
- The Public Art Fund will fund publicly accessible permanent or temporary art work, purchase of publicly accessible permanent art work, fees for artist participation on design and planning teams, Arts/Cultural planning for public art initiatives in Long Beach, and/or program administration.

Prior to levying a new fee or approving an increase to an existing fee, the local agency shall hold at least one open and public meeting at which oral or written presentations can be made, as part of a regularly scheduled meeting. Government Code Section 66016.



*Such fees are not a "special tax"*

Provided that such fees do not exceed the "reasonable cost of providing the service or regulatory activity for which the fee is charged" and are not levied "for general revenue purposes," the development fees are not considered a "special tax" under Government Code Section 50076 necessitating a two-thirds vote of the district's electorate under Article 13A, Section 4 of the California State Constitution.

### *Judicial Standards*

Compliance with the requirements to demonstrate a "reasonable relationship" between the development project, the need for the fees and the use of the fees, will satisfy judicially created standards for determining the legality of these fees.

Two tests have emerged through U.S. Supreme Court cases which examined the constitutionality of development exactions; and together, they set the standard for field: (1) whether there is an "essential nexus" between a "legitimate state interest" and the condition exacted by the local municipality, *Nollan v. California Coastal Commission*, 483 U.S. 825 (1987) and (2) whether there is "rough proportionality" between the fees and the development, requiring a quantified analysis, *Dolan v. City of Tigard*, 512 U.S. 374 (1994).

In *Nollan*, a public easement was demanded across the Nollans' beachfront property in exchange for a permit to demolish a bungalow on the property and replace it with a three-bedroom house. The easement would have connected two public beaches on either side of the Nollan property, but the state had claimed that it was to enhance the ocean view from the beaches. The court found a lack of nexus between visual access to the ocean and a permit condition requiring lateral public access across the property owners' lot.

In *Dolan*, the U.S. Court reviewed the range of requirements adopted by state courts and decided that "reasonable relationship" was closest to the federal constitutional norm. However, the Court declined to adopt that language and chose instead a standard of "rough proportionality," explaining that such a formulation entails some sort of individualized determination that the required dedication is related both in nature and extent to the impact of the proposed development and finding that the City must make some effort to quantify its findings in support of the dedication.

These cases were analyzed extensively in a California Supreme Court Case, *Ehrlich v. City of Culver City*, 12 Cal. 4th 854 (1996). In *Ehrlich*, the court provides a unique review of a percent for arts fee which was imposed on a private business owner as a condition of changing the zoning restrictions on his property. The plaintiff, who owned a private tennis/health club in Culver City, sought permits to demolish the facility and build townhouses on the property. In



addition to a 1% public art fee, the city imposed a \$280,000 fee for a replacement facility to "mitigate the loss of community recreational facilities," despite the club being private. As to the recreational fee, the Court found no connection between the effect of the new housing development and the required fee. "The amount of such a fee... must be tied more closely to the actual impact of the land use change the city granted plaintiff." 12 Cal. 4th 854 at 884.

The arts fee required that the fee be paid to the city's art fund or, alternatively, be spent for approved artwork of an equivalent value. Under the latter option, the art could either be placed on site or it could be donated to the city for placement elsewhere. The plaintiff argued that the city made no individualized determination that the art mitigates a need generated by the project.

The court agreed with the city that the art in public places fee is not a development exaction of the kind subject to the Nollan-Dolan analysis. As both the trial court and the Court of Appeal concluded, the requirement to provide either art or a cash equivalent is "more akin to traditional land-use regulations imposing minimal building setbacks, parking and lighting conditions, landscaping requirements, and other design conditions such as color schemes, building materials and architectural amenities. Such aesthetic conditions have long been held to be valid exercises of the city's traditional police power, and do not amount to a taking merely because they might incidentally restrict a use, diminish the value, or impose a cost in connection with the property. The requirement of providing art in an area of the project reasonably accessible to the public is, like other design and landscaping requirements, a kind of aesthetic control well within the authority of the city to impose." (12 Cal. 4th 854 at 886). The plaintiff's petition for certiorari to the U.S. Supreme Court was denied, and the issue of an arts fee has not arisen in California appellate case law since this case.

Ehrlich's conclusion that cities can impose art development fees without passing the Nollan/Dolan scrutiny provides strong additional support for imposing fees such as the proposed Long Beach Arts Ordinance. Arguing that it is not at all clear that the rationale (and the heightened standard of scrutiny) found in the Nollan and Dolan cases applies to cases in which the exaction takes the form of a generally applicable development fee or assessment, the Ehrlich court concluded that the courts have deferred to legislative and political pressures to formulate "public program(s) adjusting the benefits and burdens of economic life to promote the common good." citing *Penn Central Transp. Co. v. New York City* (1978), 438 U.S. 104 at 124.

Ehrlich has been used by some jurisdictions, including Culver City, to justify a decision to forego a nexus study to support arts impact fees if the developers are given a choice of whether to put the funds in a fund or to purchase art for their building or for the City. By providing such a choice, the city can argue that it has



avoided the "Nollan/Dolan" requirements of either "reasonable relationship" (Nollan) or "rough proportionality" (Dolan).

In analyzing the proposed development fee for the City of Long Beach, one concludes that legal precedent firmly establishes that the City can enact a fee to compensate for the increased need for cultural services imposed by new development. The City needs to show that there is a "rational nexus" or connection between the need for artistic/cultural resources and the growth resulting from new development. The fees charged must not exceed a proportionate share of the cost incurred in accommodating the development paying the fee. Finally, there must be a reasonable connection between the expenditure of the fees collected and the benefits received by the development paying the fees. Having demonstrated these criteria in advance, the legislation calling for payment into a fund, and thus giving the City maximum flexibility about how to spend these resources, should be able to withstand any judicial scrutiny or legal challenges.





## *Conclusion*

In a time when revitalizing every neighborhood of the city, and improving the gateways and entrances to Long Beach have become major priorities as noted in the recently adopted *Long Beach 2010, The Strategic Plan*, expanding the Percent-for-Public-Art program can be a major assist to these efforts.



# Appendices

## Appendix A: Definitions

*Artist* – a practitioner in the Arts, generally recognized by his/her peers, critics and other arts professionals as committed to producing works of art on a regular basis.

*Civic Art* - public art, cultural facilities and cultural programs for the City of Long Beach.

*Construction Costs* – Construction costs for a project as declared on building permit applications, including but not limited to construction, electrical, plumbing and mechanical permits, for the project, and as accepted by the Building Official, but shall not apply to costs solely attributable to tenant improvements.

*Impact fee* - a monetary charge imposed by local government on new development to recoup or offset a proportionate share of public capital costs required to accommodate such development with necessary public facilities.



## Appendix B: Civic Art Impact Fee Projections

In order to estimate the annual potential funding which could be generated from a civic art fee on public and private development a five year permit history of development in the City of Long Beach was analyzed. Reports from the Planning and Building Department provided figures for public and private developments with total construction costs of one million dollars or more from the period of 1996 through 2000. These totals are as follow:

*Total Public Development Projects over \$1M for the past five years =  
\$431,895,000*

*Total Private Development Projects over \$1M for the past five years =  
\$307,684,205*

It should be noted that the total public development figure of \$431,895,000 includes projects for the quasi-governmental agency, Long Beach Transit. Also included are projects of the Harbor Department in the amount of \$62,000,000. Based on discussions with City staff it may be determined that Harbor Department and Tidelands projects should be exempted from the percent-for-public-art program.

In order to estimate the annual funding potential for a citywide civic art fee over the next five years, the historical figures were utilized without consideration for market and environmental forces which would likely effect the actual future development totals. Calculations for the annual estimate are as follows:

$$\begin{aligned} \$431,895,000 \div 5 \text{ years} &= \$86,379,000 \times 1\% = \\ & \$863,790 \text{ yielded on public projects per year} \end{aligned}$$

$$\begin{aligned} \$307,684,205 \div 5 \text{ years} &= \$61,536,841 \times 1\% = \\ & \$615,368 \text{ yielded on public projects per year} \end{aligned}$$



### Appendix C: City of Long Beach Impact Fees

Existing Impact Fees imposed by the City of Long Beach on new development are listed below:

#### *School Impact Fees*

\$0.33 per square foot for Commercial/Industrial  
\$2.05 per square foot of Residential

#### *Sewer Capacity Fee*

\$61.13 per Equivalent Fixture Unit

#### *Park and Recreation Facilities Fee*

\$2,680 per Single Family Unit,  
\$2,070 per Duplex or Multi-family Unit,  
\$1,522 per Mobile Home Unit Pads or Secondary Housing Unit,  
\$1,015 per Accessory Unit up to 220 square feet

#### *Transportation and Improvement Fee*

Downtown Commercial Fee  
Office: \$3 per square foot  
Retail: \$4.50 per square foot  
Hotel: \$1,125 per guest room  
Movie: \$90 per seat

#### *Citywide Fee*

Office: \$2 per square foot  
Retail: \$3 per square foot  
Hotel: \$750 per guest room  
Movie: \$140 per seat  
Industrial: \$1.10 per square foot  
Warehouse: \$1.10 per square foot

#### *Residential Fee*

Citywide: \$1,125 per dwelling unit  
Accessory, up to 220 square foot: \$236.25  
Secondary, up to 640 square foot: \$663.75  
Senior Citizen: \$663.75



## Appendix D: Sources

### *City of Long Beach:*

Lennie Arazo, Gas & Electric  
Department  
Victoria Bell, Police Department  
Robert Bernard, Zoning Officer  
Deborah Chankin, Public Works  
Gary Flaxman, Community  
Development Department  
Pat Garrow, Senior Planner  
Dan Gooch, Fire Department  
Desiree Gooch, City Manger's  
Office  
Reginald Harrison, City Manager's  
Office  
Phil Hester, Park, Recreation and  
Marine Department  
David Honey, Health and Human  
Services  
Annette Hough, Budget Manager  
Jack Humphrey, Advanced Planning  
Officer  
Seyed Jalali, Development Project  
Manager, Economic Development  
Department  
Tom Johnson, Harbor Department  
Suzanne Mason, Parks, Rec and  
Marine  
Willie Miranda, Planning and  
Building  
Carolynn Montgomery, Secretary,  
Advance Planning Division  
Larry Montgomery, Community  
Development Department  
Gwendolyn Parker, Department of  
Public Works  
Georgie Richmond, Planning and  
Building Department  
Richard Steinhaus, Library  
Department  
Roberto Torrez, Director of  
Financial Management  
John Wills, Water Department  
Eugene Zeller, Planning and  
Building

### *Advisory Committee for Public Art:*

Martin Betz, Exhibition Director,  
Long Beach Museum of Art  
Ilee Kaplan, Associate Director,  
University Art Museum, CSULB  
Robert Leigh, Managing Director,  
Long Beach Playhouse  
Jay Kvapil, Chair, California State  
University Long Beach Art  
Department  
Patricia Lofland, Community  
Leader  
Jennifer Curry Scott, President,  
Scott Investment Advisors  
Jane Netherton, President & CEO,  
International City Bank

### *Nexus Advisory Committee:*

Desiree Gooch, Administrative  
Assistant to City Manager  
Robb Hankins, Executive Director,  
PCA  
Barbara Kaiser, Bureau Manager,  
Redevelopment Agency  
Gerald Miller, Assistant City  
Manager  
Jorge Pardo, Director, Visual Art  
and Design, PCA (resigned,  
October 2000)



**Other:**

Roberta Babcock, City of Oakland  
Michael Biddle, City Attorney, City  
of Emeryville

Brenda Brown, City of San Jose  
Cynthia Brown, Seattle Arts  
Commission

Vida Brown, City of Culver City  
Margaret Bruning, Public Art  
Manager, Scottsdale Cultural  
Council

Chuck Canada, Recreation  
Superintendent City of Fremont

Steve Chesser, Community  
Relations, Boeing

Ramon Curiel, Personnel Director,  
LBSD

Jessica Cussick, Cussick Consultant  
Christian Dance, Sunnyvale Arts  
Council

Eloise Damrosch, Regional Arts and  
Culture Council, Portland

Carol DeLay, City Planner, Culver  
City

Linda Howell DiMario, Long Beach  
Convention and Visitors Bureau

Maria Dresch, Public Policy  
Institute of California

Mark Johnston, Public Art  
Administrator, City of Los  
Angeles

Jonathon Gluf, City of Pasadena

Gail Goldman, Public Art  
Consultant

Peggy Kendellen, Public Art  
Manager, Regional Arts and  
Culture Council, Portland

Cary Letterer, City of Walnut Creek

Jamie McKenzie, Public Policy  
Institute of California

Joseph Pannone, City Attorney,  
Culver City

Susan Pontius, Public Art Program,  
City of San Francisco

Gary Schaub, Leshner Center for the  
Performing Arts, Walnut Creek

Julie Silliman, Senior Public Arts  
Officer, Metropolitan  
Transportation Authority, Los  
Angeles

Consuelo Underwood, Silicon Valle  
y Arts  
Council

Erlinda Wormo, Housing and  
Development Department, City of  
Pasadena

Laura Zucker, Executive Director,  
Los Angeles County Arts  
Commission



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# CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

R-27

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (562) 570-6711 • FAX (562) 570-6583

GERALD R. MILLER  
CITY MANAGER

May 18, 2004

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

SUBJECT: Transmittal of Community Arts Funding Strategy Task Force Final Report

## DISCUSSION

On March 25, 2003, the City Council endorsed the Three-Year Financial Strategic Plan (Plan), the City's strategy for addressing the structural deficit in a logical and balanced manner. The Plan called for reductions in the City's support for arts and cultural programming by approximately \$1.5 million, down from a budget close to \$2.7 million in Fiscal Year 2004. In light of these reductions, the Mayor convened, with the input of City Councilmembers, a 17-member Community Arts Funding Strategy Task Force (Task Force) charged with developing a long-term funding strategy for arts and culture in Long Beach. Each of the 17 members served as representatives for the larger Long Beach arts and cultural community.

The Task Force was called to order in January 2004. Since that time, the group has held six Task Force meetings and two community workshops. The first community workshop was attended by over 50 members of the public and was instrumental in developing a comprehensive list of both public and private funding options for the arts, in addition to identifying benchmark "arts" cities in the United States for comparing funding mechanisms. The second community workshop, attended by over 40 interested residents, provided an opportunity for the Task Force to receive feedback from the public on possible funding strategy recommendations developed by the Task Force.

During the last three months, the Task Force developed an extensive list of potential funding options. With the help of AMS Planning and Research, the Task Force also received reports on best practice approaches from across the country for funding arts and cultural activities. Once a comprehensive list was developed, the Task Force prioritized each idea based on its ability to generate sufficient revenues, its reliability as a revenue stream, and the community's willingness to support the funding option.



HONORABLE MAYOR AND CITY COUNCIL  
May 18, 2004  
Page 2

The Task Force arrived at a long-term, multi-pronged, funding strategy that includes both public and private support. The recommendations are included in the attached Task Force correspondence and final report.

TIMING CONSIDERATIONS

City Council action is requested at the May 18, 2004 meeting to allow the City Manager time to review and analyze the comprehensive Community Arts Funding Strategy Task Force report.

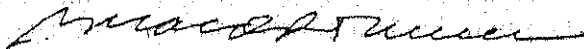
FISCAL IMPACT

There is no fiscal impact related to the presentation of this report.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Refer the Community Arts Funding Strategy Task Force Recommendations and Final Report to the City Manager for further review and analysis, and to report back to the City Council on possible implementation options.

Respectfully submitted,



GERALD R. MILLER  
CITY MANAGER

Attachment  
GRM:SRM:SPS  
CAPS TF CC Letter 5-18-04

May 18, 2004

Long Beach Mayor and City Council  
333 West Ocean Boulevard, 14<sup>th</sup> Floor  
Long Beach, CA 90802

Honorable Mayor and City Council,

It is with great enthusiasm that I submit for your review the Community Arts Funding Strategy Task Force's recommendations for a long-term funding strategy for the arts and culture in Long Beach. We did our work acting on the premise that a strong arts and cultural community is critical to the quality of life in our city — a belief we hope and believe you share.

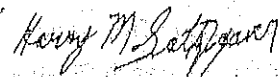
As you are no doubt aware, the City's Three-Year Financial Strategic Plan calls for dramatic reductions in the City's support for the arts. As a result, the Mayor, with recommendations from the City Council, convened a 17-member Task Force charged with identifying a strategy for future funding. Each of the Task Force members represents a segment of the diverse Long Beach arts and culture community. All showed an incredible dedication and passion to our task.

Since January 2004, the Task Force has conducted six meetings and two very well attended community workshops to gather the public's ideas about potential funding options and to provide feedback on the direction of the group. The Task Force also received reports on funding mechanisms used in benchmark cities and best practices for arts funding in other municipalities.

Understanding that we are all partners in strengthening the quality of life for Long Beach residents and visitors, the funding recommendations are both public and private in nature. These recommendations are spelled out in more detail in the attached Community Arts Funding Strategy Task Force Recommendations and the enclosed report.

On behalf of the members of the Community Arts Funding Strategy Task Force, I thank you for the time and consideration given to this report.

Sincerely,



Harry Saltzgaver  
Task Force Chair

Attachments

**COMMUNITY ARTS FUNDING STRATEGY  
TASK FORCE RECOMMENDATIONS  
MAY 2004**

The Community Arts Funding Strategy Task Force recommends that the Long Beach City Council:

1. Support ongoing General Fund support for the arts
2. Pursue a transient occupancy tax increase to be dedicated to the arts (requires 2/3 voter approval to be dedicated)
3. Pursue an admissions tax on all arts, sports, and entertainment events to be dedicated to the arts (requires 2/3 voter approval to be dedicated)
4. Support the establishment of a one-time Arts Initiative Funding Committee to fund raise and advocate for the recommended tax measures
5. Reconsider the proposed reductions to the arts in FY 05 as a means of providing bridge funding

The Task Force further recommends the following steps be taken:

1. Conduct a legal review of the recommended tax measures
2. Research alternative collection methods (e.g. flat tax vs. percentage of ticket price) for the admissions tax
3. Investigate methods of allocation for arts funding
4. Research ways to continue General Fund support for the arts

**TASK FORCE MEMBERSHIP**

Phil Appleby, Community Representative

Shashin Desai, International City Theatre

Steve Elcker, Community Representative

Jack Fishman, Long Beach Symphony  
Orchestra

Nancy Fox, Museum of Latin American Art

Robert Guyett, Community Representative

Nini Horn, Community Representative

Judy Jankowski, KKJZ 88.1 FM

Michael Levy, Michael Levy Gallery

Liz Miramontes, Community Representative

Ron Nelson, Long Beach Museum of Art

Larry Rice, Musical Theatre West

Harry Saltzgaver, Task Force Chair,  
Community Representative

Robert Senske, Jr., Windsor Productions

Joan Van Hooten, Public Corporation for the  
Arts

Maxie Viltz, Village Treasures

Jerry Wulk, Long Beach Playhouse

# Long Beach Community Arts Funding Strategy

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FINAL REPORT  
MAY 2004



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707.778.8445  
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# *Community Arts Funding Strategy Task Force Roster*

Phil Appleby, Community Representative

Sashin Desai, International City Theatre

Steve Elicker, Community Representative

Jack Fishman, Long Beach Symphony  
Orchestra

Nancy Fox, Museum of Latin American Art

Robert Guyett, Community Representative

Nini Horn, Community Representative

Judy Jankowski, KKJZ 88.1 FM

Michael Levy, Michael Levy Gallery

Liz Miramontes, Community Representative

Ron Nelson, Long Beach Museum of Art

Larry Rice, Musical Theatre West

Harry Saltzgaver, Community  
Representative, Task Force Chair

Robert Senske, Jr., Windsor Productions

Joan Van Hooten, Public Corporation for the  
Arts

Maxie Viltz, Village Treasures

Jerry Wulk, Long Beach Playhouse

## **Moderator**

Daniel Iacofano, Moore Iacofano Goitsman, Inc.

## **Consultants**

AMS Planning & Research Corp.

Robert Bailey

Arthur Greenberg

## **City Representatives**

Diane Jacobus, Senior Advisor to the Mayor

Suzanne R. Mason, Deputy City Manager

Stephen Scott, Assistant to the City Manager

## Contents

Executive Summary .....	1
Recommended Actions .....	1
Introduction.....	2
The Process .....	3
Long Beach's Arts Industry .....	5
Key Informants .....	6
Case Studies.....	7
Lodging Taxes (Transient Occupancy Tax).....	7
Local Option Sales Taxes .....	8
Amusement / Entertainment Taxes (Admission Taxes).....	9
Property Tax .....	11
Percent for Art.....	11
Other Taxes and Fees .....	11
California Voter Approval Requirements.....	12
Funding Alternatives .....	15
Admissions Tax .....	15
Port Container Tax.....	15
Sales Tax .....	15
Utility Users Tax .....	15
Property Tax .....	16
Airport Landing Fee.....	16
Cruise Ship Passenger Fee.....	16
Golf Fee.....	16
Marina Slip Fee .....	16
Percent for Art Fee.....	16
Transient Occupancy Tax .....	16
Summary – Public Initiatives .....	17
Private Initiatives.....	19
Events.....	19
United Arts Fund.....	19
Arts Endowment .....	19
Earned Revenue Sources.....	19
Corporate Council / Business Committee for the Arts .....	19
Summary – Private Initiatives .....	20
Appendix A: Summary of City of Long Beach Budget Reductions for Arts and Cultural Programs	
Appendix B: Examples of Innovative Local Funding for the Arts	
Appendix C: PCA Cultural Inventory	
Appendix D: Recent Admission and Transient Occupancy Tax Elections in California	
Appendix E: Task Force and Public Meeting Notes	

## Executive Summary

Over a four month period from January through April 2004, a 17 member Task Force convened numerous meetings and conducted extensive research to identify a long-term funding strategy for the arts in Long Beach. The Task Force's work originated as a result of the City's projections of a \$105-million budget shortfall and projected reductions in support for the arts that will amount to over \$1.5 million over a three year period from 2004 – 2006.

The Task Force researched and evaluated over 30 public funding alternatives and dozens of private strategies. Public funding practices in cities throughout the US were examined and analyzed for their applicability to Long Beach.

As the Task Force finalized its work, a prioritization process was undertaken to arrive at a recommended set of alternatives. It was agreed that the overall goal of the strategy would be:

*Develop a long-term arts funding strategy that is multi-pronged, including both public and private support. Proposed funding options should be sufficient in size, reliable, and acceptable to the community.*

The final vote of the Task Force to recommend a combined tax and private initiatives was unanimous.

## Recommended Actions

The Task Force recommends that City Council:

1. Continue general fund allocations to support the arts
2. Pursue an increase in the Transient Occupancy Tax, the revenues to be dedicated for the arts
3. Pursue an Admissions Tax or Fee initiative, the funds from which to be dedicated for the arts
4. Support the establishment of an Arts Initiative Funding Committee to solicit private donations to finance and advocate for the initiatives
5. Provide bridge funding for FY 2004-05 by delaying proposed funding cutbacks to the arts

Recommended next steps:

6. Conduct a legal review of the proposed tax measures
7. Research alternative formulas for admission taxes
8. Investigate alternative methods for allocation of the revenues from the tax measures
9. Research ways to continue general fund support for the arts

## **Introduction**

In January 2004 the City of Long Beach retained AMS Planning & Research to undertake research for a Community Arts Funding Strategy. The goal of project has been to identify potential funding sources for the arts. The project arises from a \$105 million structural deficit in the General Fund that the City is experiencing. In March 2003, City Council endorsed a Financial Strategic Plan to reduce the deficit which proposed drastic reductions in funding for the arts over a three year period.

The major recipients of the City's arts funding have been the Public Corporation for the Arts (PCA) and the Long Beach Museum of Art. The proposed funding for the annual contract with the PCA will be reduced from a high of \$1.75 million in 2002 to \$350,000 by 2005. The Museum's funding is slated to be reduced from \$669,000 in 2003 to \$319,000 by 2005. Other funded programs such as a Summer Youth Theater and Municipal Band Concerts will be similarly reduced. In total the budget reductions for arts and cultural programs will be \$959,000 in 2004 and an additional \$550,000 in 2005. Further details of the City's budget may be found in Appendix A.

Traditionally, the City has funded arts and culture from the General Fund and the Special Advertising and Promotions Fund (SAP). Given the limits on this funding and priorities for public safety and infrastructure maintenance the City is seeking alternative sources of funding for the arts.

AMS worked with a community-based Task Force under the guidance of a professional facilitator throughout a four month planning process.

The research consisted of the following tasks:

- interviews with key local arts, cultural, recreation, business, foundation and government representatives to explore opinions regarding potential funding mechanisms, opportunities, potential obstacles, and mechanics of implementation
- studies of comparable and innovative funding strategies from throughout the US
- analysis of local taxing options
- meetings with the Task Force to review research findings and develop recommendations for preferred funding strategies
- two public workshops to discuss potential sources and obtain input on recommendations

The following report provides a summary of the research and recommendations.

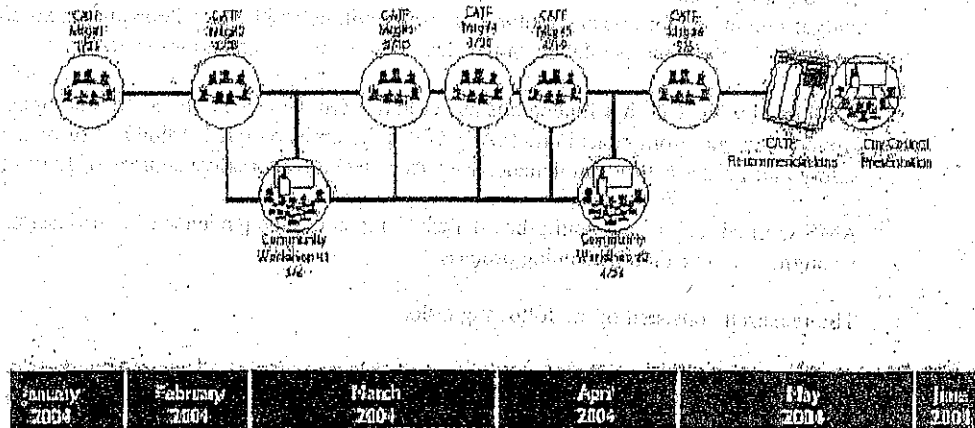


### The Process

Over a four month period from January through April 2004, a 17-member Community Arts Funding Strategy Task Force held 6 committee meetings and two Community Workshops attended by almost 100 people.

Chaired by Harry Saltzgaver, the Task Force engaged in spirited discussions and brainstorming of a wide range of approaches to funding the arts. The Task Force's focus was on developing a long-term strategy to fund the arts that would be stable and secure. Both public and private funding options were explored.

Figure 1: The Planning Process



Over 30 public funding options, ranging from airport landing fees to golf fees to taxing artists were reviewed. (See Community Workshop #2 presentation in Appendix E for a complete list.) Private funding options considered included creating an arts endowment, a corporate council for the arts and a community foundation which would raise funds through donations, planned giving, etc. Fundraising events were discussed at length, ranging from a festival of the arts to auctions of artists' work. "Entrepreneurial" strategies, such as selling arts branded water to advertising marquees were also considered.

The Task Force heard of innovative arts funding strategies in over 50 US cities researched by AMS.

As the Task Force finalized its work, a prioritization process was undertaken to arrive at a recommended set of alternatives. It was agreed that the overall goal of the strategy would be:

*Long Beach Community Arts Funding Strategy*

*Develop a long-term arts funding strategy that is multi-pronged, including both public and private support. Proposed funding options should be sufficient in size, reliable, and acceptable to the community.*

With regard to the amount, or size, of funding, the Task Force indicated that the need is to at least replace the amount of City funding proposed to be eliminated. A reliable source of funds is desirable, such as a tax (e.g., TOT, property, utility) or endowment that would not fluctuate from year to year. Finally, the funding strategy needs to have support from the community and, if necessary secure at least a majority of votes if voter approval is required.

In all, over 25 unique funding options were evaluated and prioritized based on the projected amount each could provide and their advantages and disadvantages. The final vote of the Task Force to recommend the combined tax and private initiatives was unanimous.

## Long Beach's Arts Industry

Many studies have provided compelling evidence of how the arts in a community stimulate the local economy by supporting local jobs, providing income to local residents, and generating revenue for governments. A national study conducted by Americans for the Arts<sup>1</sup> revealed that nonprofit arts organizations alone—a fraction of the total arts industry—generate \$36.8 billion of business within their communities. This spending results in 1.3 million full-time-equivalent jobs, \$25.2 billion in income to local residents, \$790 million to local governments, \$1.2 billion to state governments, and \$3.4 billion to the federal government. A recent study by AMS in the City of Ventura revealed that their artists and arts organizations produce an annual economic impact of \$18 million, generating 645 full time jobs and producing over \$2.25 million in revenue for local and state governments.

According to the Public Corporation for the Arts, (PCA) there are more than 135 non profit arts, cultural, heritage and science-based non-profit organizations in Long Beach. PCA maintains a cultural inventory that documents economic and attendance information for these organizations. (See Appendix C) AMS reviewed the data and has estimated the economic scale of the arts industry in the City.

Using the PCA data, an estimate of total organizational expenditures indicates that the total operating budgets of 100 arts and cultural organizations is about \$20 million a year. It should be noted that this estimate excludes the Long Beach Aquarium, the City's libraries and parks and recreational activities and many historical organizations (e.g., Rancho Los Alamitos and Rancho Los Cerritos) but includes the arts activities of California State University Long Beach and Long Beach City College.

Using the PCA data, AMS's estimate of annual attendance at arts events conducted by these organizations is between 900,000 and 1,000,000. Economic impact studies by AMS and others reveal that arts audiences spend, in addition to ticket prices or admission fees, an average of \$10 to \$40 on meals, beverages, lodging, transportation and other event-related items. AMS's recent study in Ventura indicated that local audiences spent, on average, \$15.62 in addition to their ticket or admission fee. Tourists spent an average of \$41.32. The overall average was \$19.35. A recent study of the economic impact of the arts in California<sup>2</sup> estimated audience spending at \$16.00.

The PCA data appears to include both local and non local events of the organizations. If it is assumed that about three quarters of their events are in Long Beach, the local annual audience would be between 675 and 750 thousand (for the 100 arts organizations). Based on the Ventura data, and assuming about 15% of audiences are visitors to Long Beach for the activity, the event-related expenditures by local audiences would be at least \$14 million annually.

This rough analysis of the PCA data indicates that the arts industry in Long Beach generates total economic impact of at least \$34 million annually. A more detailed study would undoubtedly provide a larger number based on primary research and calculations of regional economic multipliers.

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<sup>1</sup> The Economic Impact of the Arts, Americans for the Arts, Washington, DC, 1994.

<sup>2</sup> The Arts: A Competitive Advantage for California II, California Arts Council, 2004

## **Key Informants**

In order to provide context for the study, interviews were conducted with community leaders to explore opportunities for and obstacles to funding strategies for the City's artists and arts organizations.

Key issues determined through these interviews are summarized below:

- There are many State of California laws and regulations that limit the ability of local government to raise revenue. The California State Board of Equalization regulates the application of sales taxes. For example, while other municipalities states selectively apply sales taxes to specific goods such as food or beverage (in some cities to fund the arts), such a tax is prohibited in California. In addition, Proposition 13 requires a two-thirds majority vote to approve a new or increased tax for specific purpose.
- Voters in the City of Long Beach have shown limited interest in increased taxation and approved a reduction in the City's utility user tax (UUT) in 2000.
- There are many restrictions (Federal and other) on fees or taxes on port-related activities (e.g., container tax/fee or docking fee).
- The City has several agreements that limit other tax sources, such as with cruise ship companies that may not be taxed or charged a fee for embarkations or docking
- There is concern that a large increase in the City's Transient Occupancy Tax could deter visitors and place the City in a poor competitive position for conventions and meeting business; on the other hand, CVB leadership seems quite confident that the city can still remain competitive (with its competitors for conventions, such as Anaheim), with an increase of up to 3%.
- Many departments and agencies of the City are facing drastic budget reductions and are also seeking new sources of funds
- The climate for new or additional tax is bleak given the soft economy and high unemployment
- Many applaud the City for its prior dedication to arts funding and their commitment to researching potential new sources

## **Case Studies**

AMS conducted a survey and studies of funding models. Sites for study were selected in consultation with the Task Force. Results are summarized below following an introductory summary of public funding models. Details may be found in Appendix B.

There are no comprehensive listings of funding sources for arts and cultural organizations. However, Americans for the Arts does publish a triennial monograph describing the universe of local arts agencies (e.g., arts councils, commissions, government office of cultural affairs, united arts funds, and other similar program/service organizations) and their funding sources.

From the most recent report describing funding of local arts agencies (LAAs) (published by Americans for the Arts in August 2001, covering the years 1997-2000), the following statistics can be drawn:

- 86% of LAAs serving populations between 100,000 and 500,000 receive some form of local government funding
- Local government funding accounts for an average of 32% of LAA budgets
- 22% receive funds from hotel/motel taxes
- 17% receive public funds from a percent-for-art ordinance (usually dedicated to art in public places programs)
- 10% receive property taxes
- 6% receive funds from sales taxes
- Local government support increased an average of 13% annually between 1997 and 2000; larger increases have been reported in the last few years in markets up to 1 Million, as much as 24% growth per year
- Since 1994, 50% of LAAs increased their revenue received from local government (anecdotal evidence suggests that for the years following the economic downturn in 2000, revenues from local governments have at best held steady)

In addition to the commonly-used lodging, sales and property taxes, other local option taxes used by some municipalities include community development fees, admissions taxes (e.g., ticket surcharges), fees on videotape rentals, proceeds from lotteries and/or gaming, and income taxes.

### **Lodging Taxes (Transient Occupancy Tax)**

The use of hotel/motel taxes to fund arts and culture grew in popularity during the 1980s thanks to a number of communities that established a "nexus" between tourists/visitors and a community's cultural offerings. Many communities have chosen to apply TOT funds to arts and culture believing that a healthy arts community helps to draw visitors and contributes to economic development. These taxes are often acceptable to the citizenry because they are paid by non-residents. A contrarian view, sometimes held by the travel and tourism industry opposes this levy, believing that

### *Long Beach Community Arts Funding Strategy*

higher occupancy taxes make a community less competitive, particularly for the convention market, where a few percentage points difference can amount to a substantial total when hundreds of hotel rooms are booked.

Some examples of lodging taxes for arts and culture include:

- Dade County, Florida, where 20% of a 2% tax funds programs of the Cultural Affairs Council, generating \$1.8 million;
- San Diego where 1% of a 10.5% tax supports the Arts Commission's programs and grants, generating \$8.3 million. A proposal to increase this tax to 13% to fund several programs, including public safety, the arts and libraries failed to receive a 2/3 voter approval in March 2004;
- San Antonio, Texas, where 9% of net hotel/motel taxes (about \$3.2 million) support the Office of Cultural Affairs' programs and grants;
- Austin, Texas, where the City's Department of Cultural Affairs receives 14.3% of a 17% occupancy tax (64% funds the Convention Center, 21% to the Convention & Visitors Bureau), resulting in \$2.2 million granted to cultural groups out of \$15.6 million in total receipts;
- Columbus, Ohio where the Arts Council receives one-quarter of the 6% bed tax that generated \$6 million in 2000;
- San Francisco, California's Grants for the Arts program realizes \$14.5 million annually from the local transient occupancy tax, based on 8.5% of the TOT; and
- San Jose, California, where a portion of hotel/motel taxes generate almost \$11 million each year for arts and cultural groups.

### **Local Option Sales Taxes**

Taxing the sale of products and services in California is regulated by the state and, while most of the tax accrues to them, most localities have enacted local add-ons to fund a wide range of public services. There are few, if any, examples of local sales taxes in California being dedicated to funding arts and culture; some national examples include:

- ***Broward County, Florida (Fort Lauderdale)***

The County has enacted a local option tax dedicating sales tax revenue on specified goods and services (admissions, compact discs, home electronics, and videocassette rental) to the Cultural Affairs Council, generating approximately \$5 million annually. Others include video rental, lottery or gambling taxes (Phoenix (AZ), Shreveport (LA)).

- ***Denver (CO) Scientific and Cultural Facilities District***

Created by a popular vote in 1988 (reauthorized in 1994 and up for approval in 2004), Denver's Scientific and Cultural Facilities District (SCFD) receives 0.1% of local sales tax for support of arts and culture. The District's mission is "to fund organizations that provide for the enlightenment and entertainment of the public through the production, preservation, exhibition,

*Long Beach Community Arts Funding Strategy*

advancement or preservation of art, music, theater, dance, zoology, botany, natural history or cultural history." The District encompasses portions of 7 counties with boundaries that mirror those of the Regional Transportation District. Approximately \$38 million was distributed in 2001.

- *Tempe, AZ*

A 0.1% sales tax passed by voters in 2000 is dedicated to fund a new Tempe Center for the Arts

- *Salt Lake City*

A 0.1% county sales tax funds the zoo, arts organizations and parks (ZAP tax)

- *St. Paul, MN*

A half-cent sales tax is divided among three recipients; the arts receive 10 percent, or about \$1.5 million annually for grants to local arts organizations

#### **Amusement / Entertainment Taxes (Admission Taxes)**

Many US cities impose a fee or tax on amusement and entertainment venues and events. There are few examples, however, of the revenues being dedicated to arts and culture.

- *Peoria, IL*

A hotel, restaurant, and amusement tax (HRA) brought in \$6.6 million in 2003 and was used to fund the civic center theaters bonds and operations; the local arts agency received \$103,000 for a grants program.

- *Shreveport, LA*

While not an amusement tax *per se*, the Riverboat Fund receives revenue from a share of the "win" of three local casinos. Of the \$13.5 million collected last year, the local arts council received \$640,000.

- *Portland, OR*

A fee, ranging from \$0.50 to \$1.50, is added to the price of tickets to all events at the Convention Center and the Portland Center for Performing Arts. A "user's fee" is added to the price of tickets to all events at its facilities. The revenues fund operations of the venues.

- *Amusement Taxes in California*

Over 20 California Cities impose admission taxes. Some cities apply the tax to all entertainment and amusement events and venues in the community. Most cities limit the fee or tax to selected venues. Figure 2 provides information on 13 California cities with admissions taxes or fees. None of the taxes are earmarked for specific expenditures. Most are voter-approved but Chula Vista and San Fernando were negotiated with the venue operators.

AMS's research indicates that collection of admission taxes is a relatively simple process. Santa Cruz, for example, reports that one person dedicates about 12 hours per month to track and collect the revenue and send out forms. The tax raises approximately \$1.6 million annually. Interestingly, Santa Cruz, which has had their admissions tax since 1993 reports that their average movie price is less than surrounding communities which do not impose the tax.

Figure 2: Admissions Taxes in California

City	Levy	Venues Taxed	Comments
Avalon (Catalina)	4%	Tours, museums, galleries, playhouses, concert halls, dances, night clubs, golf courses, sports	
Azusa	Flat .50	imposed at swap meet	Voter approved 1997
Chula Vista	2%	A "revenue sharing" agreement with the amphitheater and water park	
Del Mar	10%	Charged at Del Mar Grounds	Suspended pending court challenge
Fairfield	Flat \$5 per round, .25 per bucket	Golf courses & driving ranges	
Gilroy			Failed on ballot in 2000
Indian Wells	3% in 2003 up to 5% in 2006	All "events" as defined by ordinance.	Voter approved 1999
Inglewood	Flat .60	Great Western Forum only	Any venue with more than 1,000 seats
Monterey Park	6%	Charged at college stadium and convention center	
Pasadena	7%	Only Rose Bowl events	Sliding scale, Since 1973
San Fernando	Flat .45	Charged against admissions to their outdoor swap meet	Approved by council years ago; tied to CRI
San Francisco	Flat .50 on tickets under \$25.01, \$1.50 for tickets over \$25.01	Imposed on stadium events	Voter approved 2000
Santa Cruz	5%	Races, dances, concerts, picnics, entertainment, sports, lectures, films	Voter approved 1993, raises \$1.5mm/yr

Notes:

Other cities with admissions taxes include Irwindale, Salinas, Cypress, Riverside, San Mateo (Horse Track), East Palo Alto, Manhattan Beach



### **Property Tax**

Property tax is the largest single revenue source for local governments but designating the funds to the arts is an uncommon practice.

- ***St. Louis Zoo/Museum District***

The Zoo/Museum District was initially approved by voters in 1971 and an expanded version was endorsed in 1983. Funds are realized through a .222% tax on real property throughout St. Louis County and are currently over \$40 million. The District includes the three original members (Zoo, Art Museum, and Science Center) which are City-owned and operated, and the Missouri Historical Society and Botanical Garden which were added in 1983. Additionally the metro area also dedicates a portion (4/15 of the 3.75% tax) of its hotel/motel taxes to a Regional Arts Commission, generating about \$3 million annually.

- ***State of Montana***

The Montana legislature allows counties to levy up to 2 mills (0.1%) for parks and cultural facilities if local voters approve. About half of the state's counties impose the tax, funds from which are used a variety of ways.

### **Percent for Art**

Percent for Art is the most common funding source for public art in the US. Local ordinances set aside a percentage of funds from the construction budgets of public (and occasionally private) capital projects. The funds are almost always used for acquisition and commissioning of artworks within the project and related activities such maintenance and interpretation.

While the scope and range of percent for arts programs is widening (e.g., inclusion of highway, park and utility projects), AMS was unable to identify any communities where the funds are used for general support for arts and culture.

### **Other Taxes and Fees**

There are many cities that have imposed unique fees and taxes for funding the arts. Here are a few examples:

- ***Bridge Tolls***

Delaware River Port Authority, a regional transportation and economic development agency, owns four bridges. Toll revenues are used for regional economic development projects that promote tourism and some funds have gone to cultural projects and to the Greater Philadelphia Cultural Alliance.

- ***Voluntary Contribution on Tax and Utility Bill***

Alameda County (CA) Arts Commission solicits voluntary donations with the property tax bill. The donation form is the only insert included in the tax bills and about \$50,000 is received from a mailing to 402,000 households.

Several states have check-off programs for the arts on their state income tax forms, including Alabama (arts), Rhode Island (arts & tourism) and Virginia (historic resources). The arts check-offs are one of several organizations that taxpayers can choose, and they raise relatively low amounts of funds (Alabama raised \$17,000 in 1999; Rhode Island raised \$3,800 in 1998).

### *Long Beach Community Arts Funding Strategy*

- **Utility Late Fees**

In Wilson (NC), a ten dollar fee is assessed on all late electric, gas and water bills in the county and distribute it to local non-profits. The Arts Council of Wilson receives \$100,000 and the local science museum \$75,000. Total fees collected in 2003 were \$630,000 from about 65,000 customers.

- **Car Rental Tax**

In Las Vegas, 2% of the car rental may be earmarked to fund a new Culinary Training Academy and a new Las Vegas Performing Arts Center. The tax could raise \$4 million per year and contains a provision that excludes local residents renting replacement cars after an accident. In Austin a 5% car rental tax is being used in part to fund a new Center for the Performing Arts.

- **Golf Fees**

A one dollar fee at Tucson's five public courses funds youth programs, including ArtWorks, a summer job training/arts program for at-risk youth.

- **Building Permit Fees**

In Huntington Beach (CA) a cultural enrichment fee of 8 cents per sq. ft. is applied to residential building permits to fund the Huntington Beach Art Center.

- **Food and Beverage**

In Richmond (VA) a one percent increment in the City's meals tax go to finance a new Virginia Center for the Performing Arts. The tax will bring in an additional \$2.7 million per year and was structured so that if the Performing Arts Center does not meet its fundraising goals by 2005, the tax will automatically be rescinded.

### **California Voter Approval Requirements**

#### **Background**

California cities may charge a tax for public services and facilities that provide general benefits that are not otherwise prohibited by state law. There need not be a direct relation between an individual taxpayer's relative benefit and the tax paid. The state reserves a number of taxes for its own purposes, including taxes on cigarettes, alcohol and personal income.

The California Constitution distinguishes between a general tax and a special tax. General tax revenues may be used for any purpose. A majority of voters must approve a new general tax or increase. Special tax revenues must be used for a specific purpose, and two-thirds of voters must approve a new special tax or its increase. (See Figure 3)

Figure 3: Approval Requirements for Local Revenues

Local Level	Governing Body Approval	Voter Approval
City or county "general" taxes (revenues used for unrestricted purposes)	2/3 (Majority for charter cities)	Majority
City or county "special" taxes (revenues used for specific purposes)	Majority	2/3
All school or special district taxes	Majority	2/3
General obligation bonds	Majority	2/3 <sup>a</sup>
Other debt	Majority	None
Property assessments	Majority	Majority of affected property owners. Votes weighted by assessment liability
Property—related fees	Majority	2/3 of voters or majority of affected property owners <sup>c</sup>
Fees—all other	Majority	None
<sup>a</sup> Includes revenue and lease-revenue bonds and certificates of participation. <sup>b</sup> Exception: The Constitution specifies that a majority of voters can approve bonds used for repairing or replacing unsafe public school buildings and 55 percent of voters can approve bonds for new school facilities under certain conditions. <sup>c</sup> No vote required for gas, electric, water, sewer, refuse, or developer fees.		

**Recent Experience with Voter Approvals**

In March 2004, California voters considered more than 50 local tax measures, 27 of which were special use taxes requiring 2/3 voter approval.

Two of three utility user taxes (general use) received approval. Four of seven transient occupancy taxes passed but notably, San Diego failed to pass a two-thirds vote to increase its TOT for a range of dedicated uses including public safety, libraries and the arts. Discussions with local authorities indicate that the failure was due to a last minute advertising campaign by a conservative advocacy organization funded by two local dissident hotel owners. Moreover, the Mayor did not support the

*Long Beach Community Arts Funding Strategy*

measure because the revenues were earmarked (supporters pursued a dedicated fund since they felt that City Council has a poor record of public trust). After spending almost \$1.5 million on the campaign, supporters were bitterly disappointed, particularly because they felt that the last minute advertisements were misleading. Funds were raised from hotel operators, unions, and arts organizations, who contributed \$85,000 to the effort.

Of eight sales tax proposals on the March 2004 ballots, three passed, all by more than two-thirds majority. Three cities narrowly defeated their measures, by only a few dozen votes in some cases. Dedicated tax proposals tended to be for public safety. There were no arts or recreation issues. City parcel taxes were considered in 37 communities, all requiring 2/3 approval. All but a few failed; notable exceptions were library taxes in Oakland and Santa Paula. Most were for public safety related issues.

In November 2002, California voters voted on more than 160 measures. Of particular interest in that election were 16 TOT ballots for general revenues, 12 of which succeeded. Another six TOT increases that were earmarked were voted on and only one received a 2/3 majority. Special taxes also fared poorly with three of four failing to receive the super-majority. Most (8 of 9) utility user taxes also failed to receive approvals.

*Conclusion – Tax Votes*

California voters are generally skeptical about tax and fee increases, except for educational bonds. Even transient occupancy taxes, which are not paid by local voters, do not receive consistent support. Discussions with local officials involved in tax measures suggest that the most important success criterion is an in-depth understanding of the voting community prior to developing a campaign. They stress the importance of research, polling and focus groups to identify community issues, establish the arguments that will persuade voters, and develop communications strategies that relate directly to voter opinions and attitudes. They also point out the need for creating relationships among like-minded constituencies (arts and tourism, for example) and an extended awareness and education program. All of these do not assure success as evidenced by San Diego's 15 month campaign and extensive research and public awareness advertising.

### Funding Alternatives

Based on the interviews with key informants, national research and input from the Task Force, a number of potential public funding options were identified and further researched by the consultants. A brief description of each follows:

#### Admissions Tax

Preliminary research by the City of Long Beach indicates that annual attendance at entertainment, sports and cultural events in Long Beach is at least 1.8 million. A further 1.8 million movie attendances are estimated. Sporting events, including the Grand Prix attract over 400,000 annually.

It was felt by many on the Task Force that a modest tax or fee on all such events could receive voter approval. Local leaders interviewed for the study, however, were cautious about voter support.

Figure 4: Attendance at Long Beach Events

Estimated Attendance	Description
1,800,000	Cultural events (including Queen Mary, Aquarium, Ranchos, arts events)
1,800,000	Movie tickets
200,000	Sporting Venues (CSULB Pyramid, LB Conv. Center)
200,000	LB Grand Prix
4,000,000	TOTAL

Source: Public Corporation for the Arts, City of Long Beach, LB Grand Prix Website

#### Port Container Tax

Federal law prohibits imposition of taxes or fees on goods passing through the port.

#### Sales Tax

Voter approval for an addition to the sales tax is doubtful in the opinion of most local leaders, particularly if it were dedicated.

#### Food & Beverage Tax

The State Board of Equalization deems food and beverages to be a component of the sales tax. As noted above, an increase in the sales tax would be doubtful.

#### Utility Users Tax

Potential revenue from a utility user fee is substantial—for each 1% increase, about \$7 million is realized annually. The current utility tax is 6% down from 10% since November 2000 when voters

approved a 5 percent reduction (an additional 1% reduction will be implemented in October 2004). Given this, it is, in the opinion of local leaders and the Task Force members, unlikely that local residents would vote to increase the tax. In addition, this tax is regressive, in that lower income residents pay a greater portion of their income, although there is some relief for seniors and the poor.

#### **Property Tax**

In a best case scenario, property taxes might represent the best potential source given the national precedent for using such funds and the sheer amount of funds they could generate with a very small increase. Due to the need for a 2/3 majority and traditional voter reluctance to property-related increases, this alternative has limited potential.

#### **Airport Landing Fee**

An increase in landing fees, given the growth in traffic at the Long Beach Airport could realize substantial revenue. There is little nexus between these fees and funding arts and culture and there are federal restrictions on imposing landing fees and the use of said fees.

#### **Cruise Ship Passenger Fee**

There are three cruise operators based in Long Beach, Carnival Cruises, Catalina Express and Catalina Cruises. Due to restrictions in the use of Tidelands revenues, any increases in this fee would need to remain in the State defined Tidelands and would not be eligible for non-Tidelands activities, such as arts and culture support.

#### **Golf Fee**

Long Beach boasts some of the finest (and affordable) public golf courses in the region. They are under the City's Parks, Recreation and Marine Department and operated under contract to a private company. Fees are used to support the maintenance of the courses and other parks programs. There is a limited nexus with the traditional arts programs and golf and the Parks Department, which is facing similar budgetary constraints as the arts, and would likely retain any fee increase.

#### **Marina Slip Fee**

Due to restrictions in the use of Tidelands revenues, any increases in this fee would need to remain in the State defined Tidelands and would not be eligible for non-Tidelands activities, such as arts and culture support. Additionally, there is little nexus between the arts and marinas.

#### **Percent for Art Fee**

The City's percent for art fees are currently limited to capital projects within the redevelopment areas.

#### **Transient Occupancy Tax**

Each one percent of transient occupancy tax realizes about \$1.1 million annually. The close nexus between arts and tourism, potential support from the Convention and Visitors Bureau (CVB) and the fact that local residents do not pay this tax combine to suggest that there is potential for voter support for an increase. On the negative side, a large increase could compromise the City's competitiveness in the convention business. For purposes of comparison a TOT of 15% would put

*Long Beach Community Arts Funding Strategy*

Long Beach at the same level as Anaheim, 4.5% higher than San Diego and one percent above Los Angeles.

**Summary – Public Initiatives**

While the research and analysis did not reveal any new or exceptionally promising funding sources, the Task Force consensus was that Admissions Tax and Transient Occupancy Tax offer the best potential

As a third strategy, the Task Force proposed was to establish an "Arts Endowment" that would raise private funds to augment the public initiatives and provide urgent immediate funding for the City's arts organizations as well as support for financing an election campaign. This concept is described in the following section.

Figure 5: Alternatives: Taxes and User Fees

Tax/Source	Projected Amount	Advantages	Disadvantages
Utility User Tax	\$7 million (1% increase)	Substantial \$\$ Previously approved in LB Precedent elsewhere Stable	Lack of voter support Regressive tax Lack of Nexus
Admissions Tax	\$1.5 million plus (Based on 50 cents per ticket)	Nexus Precedent in 20 CA cities	Would tax non-profit & amateur events Strong lobby against by providers Lacks political support
Cruise Ship Embarkation	\$300,000+ (\$1 per passenger)	Nexus Doesn't tax local residents	Prior agreements with operators Limited \$\$ Volatile
Transient Occupancy Tax	\$1.1 million annually (1% increase)	Nexus Doesn't tax local residents Support from partners (CVB) Stable	Limited \$\$

Notes: Preferred Alternative

All measures would require voter approval -- 50% for a general tax, 2/3 for dedicated tax



### **Private Initiatives**

Discussion with the Task Force focused on several private funding solutions that other communities have undertaken and possibilities for Long Beach. It was agreed by all that a multi-faceted combined public and private funding effort would have a greater chance of success.

The following outlines several of the strategies that were discussed. Refer to the meeting notes in Appendix E for a comprehensive "brainstorm" listing.

### **Events**

It was noted by members of the Task Force that arts events generally do not generate large profits. Even the Long Beach Grand Prix, which attracts 200,000 has reportedly made only a small profit (although it contributes \$40 million to the local economy, according to the promoter's estimates). Nevertheless, events can build awareness and support for the arts, and can produce a small profit or break even.

### **United Arts Fund**

Several US cities have established community-wide arts fundraising efforts patterned on the United Way. While some are successful and build on the synergy of the arts, experience over many years suggests that support gradually declines. This, some believe, is due to the failure to maintain relationships with donors and competition with fundraising efforts of local arts organizations, particularly large ones.

### **Arts Endowment**

A one-time effort to raise a significant capital base to use as an endowment received support from Task Force Members. To replace the lost funding from the City (about \$1.5 million) would require an endowment of at least \$30 million, based on earnings of at least 5% annually. Raising this amount may be feasible over a long term, but the Task Force noted that the need is short term.

### **Earned Revenue Sources**

Discussion of earned revenues ranged from development of arts "products", sale of local artists' works, to a "cow" project where sculptures (whales were suggested by one informant) decorated by local artists are installed in public locations throughout the City and auctioned off after the exhibition. These represent only a few of the suggestions; Appendix E lists others suggested at the Task Force meetings.

The potential for advertising marquees to be located along the 405 and 407 freeways was suggested. In 2003, the City of Rohnert Park constructed a high-tech marquee to advertise events at the Spreckles Theater and to sell commercial advertising. The sign, which cost \$500,000, was funded using the theater's endowment and is located on City land. It will earn the theater \$300,000 annually from advertising revenues. These represent only a few of the suggestions; Appendix E lists others suggested at the Task Force meetings.

### **Arts Funding Initiative**

Many members of the Task Force believe the best strategy may be to raise funds from individuals and corporations to meet both short-term and long-term needs. An initial effort would focus on "Bridge Funding" to cover immediate needs arising from the City's cutbacks as well as funding an

election campaign for the tax measures. It was suggested that City officials could play a role in facilitating private funding; one proposal was to create a blue ribbon "Mayor's Committee" to engage prominent donors and corporations to participate in a fundraising campaign.

**Summary -- Private Initiatives**

The preferred private initiatives are highlighted in Figure 6. Short-term efforts should focus on bridge funding and financing a voter campaign and center on contributions from large private donors and Long Beach corporations. Long-term, some suggested establishing an endowment for the arts, the revenues from which would be used to support the programs and operations of the City's arts organizations and artists.

**Figure 6: Alternatives; Private Initiatives**

Source	Projected Amount	Advantages	Disadvantages
United Arts Campaign	?	Would coalesce arts groups Synergy Usually more effective for large arts groups	Compete with existing fundraising Limited \$\$ Lack of agency to create (PCA?)
Endowment	?	One-time effort Stable	Would take long time to accumulate capital
Earned Revenue Marquee Product Auction	?	Could be substantial \$\$	Could be volatile Lack of agency to develop and manage
Corporate Council /Business Committee	?	Synergy	Lack of corporate will

*Note: Preferred Alternative*

## Conclusion

As the Task Force finalized its work, a prioritization process was undertaken to arrive at a recommended set of alternatives. It was agreed that the overall goal of the strategy would be:

*Develop a long-term arts funding strategy that is multi-pronged, including both public and private support. Proposed funding options should be sufficient in size, reliable, and acceptable to the community.*

A multi-pronged strategy that incorporated both private and public funding would demonstrate to donors and voters alike that there is a broad base of support for the arts in Long Beach.

The amount of funding should be sufficient in size to at least replace the lost City funding of about \$1.5 million annually.

The funding should be reliable and not subject to economic fluctuations, continuing voter approval or City Council decisions.

Finally, the strategy needs to be acceptable to the community if it is to receive voter approval.

The final vote of the Task Force to recommend the combined tax measures and private initiatives was unanimous.

## Recommended Actions

The Task Force recommends that City Council:

1. Continue general fund allocations to support the arts
2. Pursue an increase in the Transient Occupancy Tax, the revenues to be dedicated for the arts
3. Pursue an Admissions Tax or Fee Initiative, the funds from which to be dedicated for the arts
4. Support the establishment of an Arts Initiative Funding Committee to solicit private donations to finance and advocate for the initiatives
5. Provide bridge funding for FY 2004-05 by delaying proposed funding cutbacks to the arts

Recommended next steps:

1. Conduct a legal review of the proposed tax measures
2. Research alternative formulas for admission taxes
3. Investigate alternative methods for allocation of the revenues from the tax measures
4. Research ways to continue general fund support for the arts