



DEPARTMENT OF CULTURAL AFFAIRS
City of Los Angeles

Arts Development Fee Introduction and Sample Documents

Please contact the Public Arts Division at **213-202-5555** *prior to pulling permits* if you have incurred an Arts Development Fee.

Arts Development Fee staff will provide a full explanation of the attached sample documents and facilitate the process with developers interested in completing a project for compliance credit.

Arts Development Fee/Private Percent for Art Program

The following information provides an introduction regarding the Arts Development Fee (ADF). For further information and details regarding the program, please contact the Department of Cultural Affairs, Public Arts Division at 213.202.5555.

Arts Development Fee Ordinance Summary (Municipal Code 91.107.4.6.):

The owner of a development project for a commercial or industrial building for which the total value of all construction or work for which the permit is issued is \$500,000 or more, is required to pay an arts fee.

The amount of the fee is calculated by the Department of Building & Safety using the following formulas:

1. **Office or research and development.** For an office or research and development building, the arts fee shall be \$1.57 per square foot.
2. **Retail.** All retail establishments shall pay an arts fee of \$1.31 per square foot.
3. **Manufacturing.** For a manufacturing building, the arts fee shall be \$0.51 per square foot.
4. **Warehouse.** For a warehouse building, the arts fee shall be \$0.39 per square foot.
5. **Hotel.** For a hotel building, the arts fee shall be \$0.52 per square foot.

In no event shall the required arts fee exceed either \$1.57 per gross square foot of any structure authorized by the permit or one percent of the valuation of the project designated on the permit, whichever is lower, as determined by the Department of Building and Safety. Where there are combined uses within a development project or portion thereof, the arts fee shall be the sum of the fee requirements of the various uses listed above. Developers should contact their Department of Building & Safety Plan Checker regarding Arts Development Fee calculations.

Developer's Options for Arts Development Fee Compliance

The Arts Development fee process permits two options for developers. At the time the developer is assessed an Arts Development Fee by Department of Building and Safety, they have the option of either paying the fee at the plan check counter at Department of Building and Safety when they pull their building permit, or entering into an **advance** agreement with the Department of Cultural Affairs that a department approved art program or project will be executed for the amount of the fee.

Option One, Paying the Fee at Building & Safety:

A developer can fulfill the Arts Development Fee requirement by paying the fee at the Department of Building & Safety when he or she pays other permit fees, and "pulls" the building permit.

In the event that a developer has decided to pay their Arts Development Fee at the counter at Department of Building and Safety, **there will be no opportunity for a subsequent refund.** By paying their fee, the developer has performed the full and final satisfaction of the Arts Development Fee for the development.

Fees paid at the counter are deposited into a special Department of Cultural Affairs fund and play an important part in allowing us the ability to provide arts and cultural services to the community. Arts Development Fee funds are used to support arts projects, facilities and arts educational programs available to the end-users of the development site. They are not added to the general city fund.

Option Two, Entering into an Advance Agreement with the Department of Cultural Affairs:

Developers have the option of completing a Department of Cultural Affairs approved arts project for the value of the Arts Development Fee obligation. The Department of Cultural Affairs will meet with the developer to ascertain their project interest and assist in formulating a project for fee compliance.

When a developer is contemplating and pursuing permits for construction on a building, the developer works with a Plan Checker at the Department of Building & Safety. The Plan Checker will calculate any pertinent fees and then will supply this calculation to the developer. There is a period of time (which can vary from a few days to months) in which the developer is aware of the fees (including the Arts Development Fees) prior to the payment of those fees at Building & Safety.

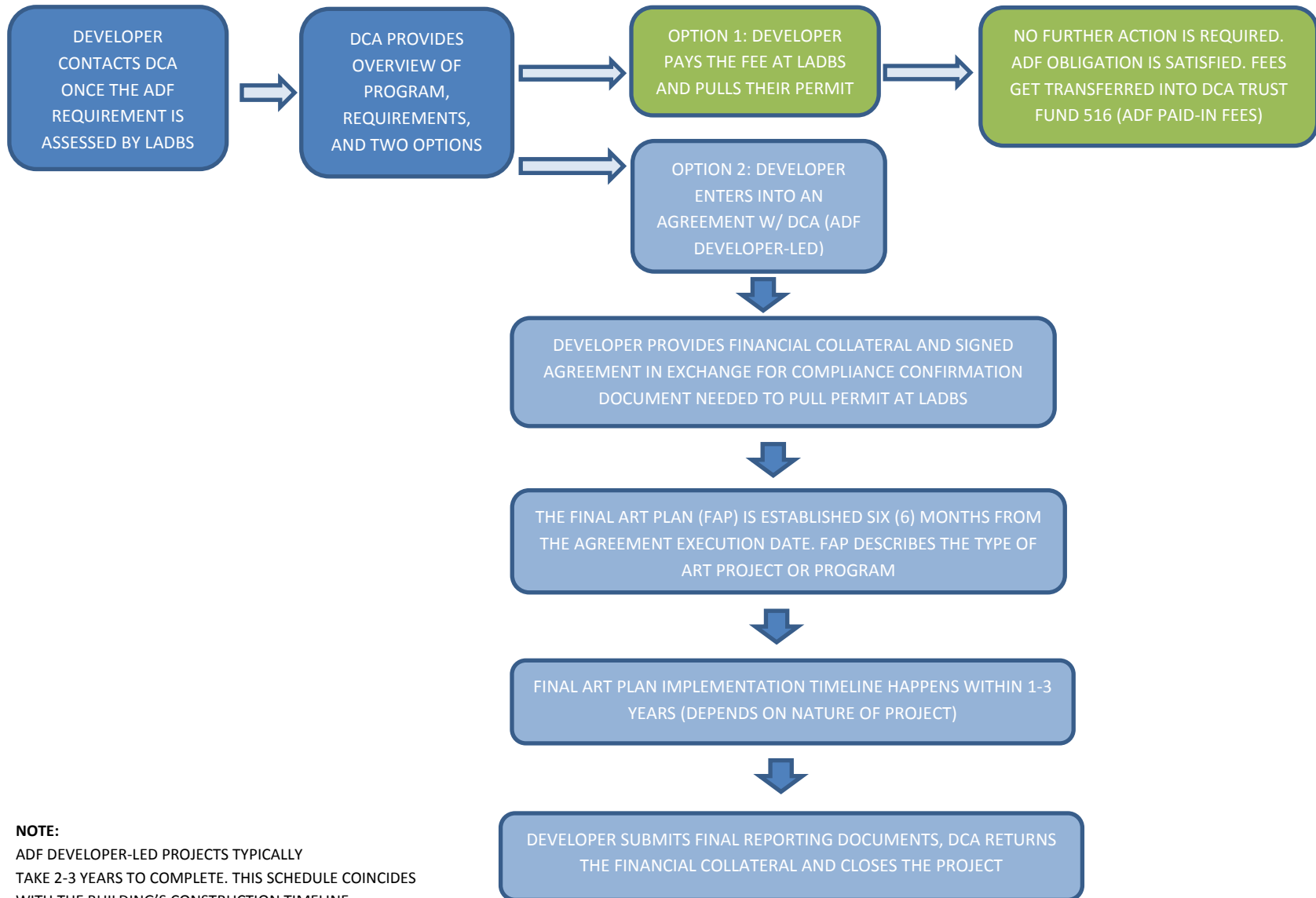
It is during this period that the Department of Cultural Affairs has the opportunity to work with the developer to enter into an advance agreement and issue compliance paperwork, which can be given to Building & Safety when the other fees are paid at the counter. In this case, Building & Safety will accept the compliance paperwork as proof of fee compliance. The developer will then not pay the fee at that time.

In order for the Department of Cultural Affairs to issue the compliance paperwork, the developer must enter into a prior agreement that a project **approved in advance** by the Department of Cultural Affairs will be executed. The developer must also provide the Department of Cultural Affairs with copies of the Permit Application and a financial security in the form of a Letter of Credit or Certificate of Deposit for the amount of the fee. The department will keep this security, to be returned to the developer after the timely completion of the project. Once these steps have been completed, the department will issue the developer with fee compliance paperwork to be given to Building and Safety when pulling their permit.

After the permit has been pulled, the Department of Cultural Affairs will work with the developer to ascertain their interest, and create a Final Art Plan detailing the project to be completed for Arts Development Fee compliance.

Who is considered an artist? An artist is an individual or group who has professional, academic, vocational, or apprentice training in the arts. Their peers recognize this individual or group as a professional of serious intent, has a record of solo and/or group exhibitions with documented examples, or representatives of past work.

**DEPARTMENT OF CULTURAL AFFAIRS
ARTS DEVELOPMENT FEE PROGRAM
DEVELOPER OPTION FLOW CHART**



NOTE:
ADF DEVELOPER-LED PROJECTS TYPICALLY TAKE 2-3 YEARS TO COMPLETE. THIS SCHEDULE COINCIDES WITH THE BUILDING'S CONSTRUCTION TIMELINE.

(Created by DCA)

[SAMPLE]

AGREEMENT SECURED BY A [LETTER OF CREDIT OR CERTIFICATE OF DEPOSIT]

This Agreement Secured by a [Financial Security] is effective upon the execution date of this document by and between the City of Los Angeles (hereinafter "CITY") through its Department of Cultural Affairs (hereinafter "DCA") and [Developer] (hereinafter "OWNER").

WHEREAS OWNER desires to construct a [description of building as per permit application] at [development address], as described by City Of Los Angeles Permit Application: PCIS #[Plan Check Number] (hereinafter "DEVELOPMENT"); and

WHEREAS the Los Angeles Municipal Code Section 91.107.4.6 and Los Angeles Administrative Code Section 22.118 require that prior to issuance of a building permit, a developer shall either pay an Arts Development Fee (hereinafter "FEE") to the Arts Development Fee Trust Fund, or guarantee to the satisfaction of the Department of Cultural Affairs (hereinafter "DCA") that an Arts Development Fee Project equal in value to the FEE will be included in the DEVELOPMENT, or that the OWNER will provide an Arts Project or Program valued at less than the total FEE and pay the remainder of the Arts Development Fee into the Arts Development Fee Trust Fund; and

WHEREAS the OWNER desires to develop as part of the DEVELOPMENT an Arts Project or Program; and

WHEREAS the above-mentioned Art Project or Program cannot be installed or implemented prior to the issuance of a building permit for the DEVELOPMENT.

NOW THEREFORE it is agreed between the OWNER and CITY as follows:

- (1) That OWNER agrees to create a Final Art Plan within six (6) months from the Agreement execution date that will describe the Art Project or Program; and
- (2) That OWNER agrees to implement an Art Project or Program, as described in the Final Art Plan, and as approved in advance by DCA; provided, however, in no event shall the Final Art Plan, DCA require OWNER to incur costs exceeding an amount equal to the FEE in the design, development, and implementation/installation; and
- (3) That OWNER, CITY, and DCA agree no changes to the Final Art Plan will be made unless such changes are mutually agreed to in advance by written amendment to this Agreement executed by both OWNER and DCA; and
- (4) That a [Financial Security] (hereinafter "Letter of Credit" or "Certificate of Deposit") is hereby secured and assigned to the City of Los Angeles, Department of Cultural Affairs in the amount of \$[ADF dollar amount] (hereinafter "LOC or CD Amount"); and
- (5) That the CITY may collect the full [LOC or CD Amount] if the Art Project or Program is not implemented/installed, in place, with Final Reporting Documents (defined below) submitted as stipulated by the OWNER'S Final Art Plan and in place no later than [2-3 years from executed Agreement as per art fabrication and installation schedule]; and

- (6) That the OWNER agrees to keep the [Financial Security] current and enforceable through the date of completion of the implementation/installation of the Art Project or Program, as reasonably determined by DCA; and
- (7) That the OWNER understands that the Final Reporting Documents to be provided under the Final Art Plan for release of the financial security may include the following items depending on the nature of the project and to be detailed in the Final Art Plan (collectively, the "Final Reporting Documents"): financial statement detailing project expenditures, project documentation, promotional materials giving credit to the Arts Development Fee Program, final artist report(s), copies of OWNER/Artist agreement(s), Covenant and Agreement, Statement of Indemnification, maintenance questionnaire, 5-10 digital photographs in JPEG format and on a CD (OWNER agrees that CITY may utilize photo documentation for non-commercial purposes), or other documents identified in the Final Art Plan and determined by the OWNER and DCA as being appropriate to the scope of the Final Art Plan; and
- (8) During only the one (1) year period immediately following the issuance of DCA's letter confirming completion of all terms and conditions associated with the Final Art Plan (hereinafter "Release of All Claims, Project Completion Letter"), DCA shall have the right, upon not less than ten (10) days written notice to OWNER, and through any duly authorized representative, to access, examine and conduct an audit and re-audit of any pertinent books, documents or other records of the OWNER to the extent pertaining to the costs incurred by OWNER in designing, developing and implementing/installing the Art Project or Program; and
- (9) If, as the result of the CITY's audit, the amount expended on the Arts Development Project upon completion is determined by the CITY to be less than the FEE, the remainder of the FEE for the project shall be paid to DCA by the OWNER within thirty (30) days of the OWNER's receipt of the CITY's written deficiency notice; and
- (10) This Agreement shall inure to the benefit of the CITY and shall be binding on the OWNER'S successors-in-interest and assign until the date that is one (1) year from issuance to the OWNER of DCA's Release of All Claims, Project Completion Letter.

SIGNATURES TO FOLLOW:

Date: _____

 [Legal Signatory]
 [Developer Name]

Approved by: City of Los Angeles, Department of Cultural Affairs by:

Date: _____

 General Manager
 Department of Cultural Affairs

(Bank Letterhead)

[SAMPLE]

**Certificate of Deposit
Automatic Renewal**

Not Negotiable

Not Transferable

This certifies that _____
(Depositor)

(Required)

Has deposited in _____ (Bank), the amount of
\$_____ principle payable to **CITY OF LOS ANGELES DEPARTMENT OF
CULTURAL AFFAIRS** upon presentation and surrender of this certificate, properly endorsed, at
the office of issue. The maturity of this certificate is _____ (number of days) from
date, and will be automatically renewed for similar periods unless within 10 days after a maturity
date this certificate is presented for redemption.

This deposit bears interest at the rate of _____ % per annum.

[Area for Bank policy related to renewal term, early withdrawal, etc.]

(Authorized Signature)

(Date)

(Bank Letterhead)

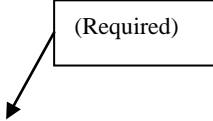
[SAMPLE]

(Letter of Credit language)

PAGE 1 OF 2
ISSUE DATE:

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER:

(Required)



BENEFICIARY: **CITY OF LOS ANGELES, DEPARTMENT OF CULTURAL AFFAIRS**
201 N. FIGUEROA, SUITE 1400
LOS ANGELES, CALIFORNIA 90012

APPLICANT:

AMOUNT:

EXPIRY DATE AND PLACE:

GENTLEMEN:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT IN YOUR FAVOR AVAILABLE FOR PAYMENT BY YOUR DRAFT (S) AT SIGHT DRAWN ON _____ BANK, (Los Angeles, CA), AND ACCOMPANIED BY DOCUMENTS AS SPECIFIED BELOW:

1. THIS ORIGINAL STANDBY LETTER OF CREDIT, AND AMENDMENT (S), IF ANY.
2. THE BENEFICIARY'S SIGNED AND DATED STATEMENT WORDED AS FOLLOWS:
"THE UNDERSIGNED, AN AUTHORIZED REPRESENTATIVE FOR THE CITY OF LOS ANGELES, CULTURAL AFFAIRS, STATE THAT (Developer) IS IN DEFAULT OF PERFORMANCE AND/OR COMPLIANCE UNDER THE INSTRUMENT DATED (date), TITLED 'AGREEMENT SECURED BY A LETTER OF CREDIT'. THEREFORE, WE ARE DRAWING UNDER (Bank) LETTER OF CREDIT NUMBER _____."

SPECIALCONDITIONS:

1. PARTIAL DRAWINGS ARE or ARE NOT ALLOWED.
2. THIS LETTER OF CREDIT IS NON-TRANSFERABLE.
3. IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE DEAMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR A PERIOD OF ONE (1) YEAR FROM THE EXPIRY DATE HEREOF OR ANY FUTHUR EXPIRY DATE, UNLESS AT LEAST THIRTY (30) DAYS PRIOR TO ANY EXPIRATION DATE, WE SHALL NOTIFY YOU BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT THE BENEFIIARY'S ADDRESS AS STATED IN THIS LETTER OF CREDIT, THAT WE ELECT NOT TO EXTEND THIS LETTER OF CREDIT FOR ANY SUCH ADDITIONAL PERIOD.

EACH DRAFT MUST STATE, "DRAWN UNDER STANDBY LETTER OF CREDIT NO. _____ OF (Bank), (Los Angeles, CA)."

WE HEREBY ENGAGE WITH YOU THAT ALL DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS CREDIT SHALL BE DULY HONORED IF PRESENTED FOR PAYMENT AT THE OFFICE OF CITY IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER _____.

SUCH PRESENTATION FOR PAYMENT MAY BE ACCOMPLISHED BY DELIVERY TO THE BANK OF THE DOCUMENTS SPECIFIED ABOVE BY MAIL, COURIER OR MESSENGER, WHICH DELIVERY SHALL HAVE OCCURRED UPON THE PHYSICAL RECEIPT BY THE BANK OF ALL SUCH DOCUMENTS AT ITS OFFICE AT (Bank Address) DURING THE BANK'S REGULAR BUSINESS HOURS AT SUCH ADDRESS.

(Bank name and address) ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT.

THIS LETTER OF CREDIT IS SUBJECT TO AND GOVERNED BY THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS, 1993 REVISION, OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 500.

AUTHORIZED SIGNATURE

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