



CITY OF ORLANDO

OFFICE OF
BUDDY DYER
MAYOR

April 19, 2011

Honorable Teresa Jacobs
Orange County Mayor
201 S. Rosalind Ave., 5th Floor
Orlando, FL 32801

Dear Mayor ~~Jacobs~~, *Teresa*

To follow up after the recent DPAC Board meeting and resulting staff emails and media reports, I want to take this opportunity to clarify the actions we believe are necessary to be undertaken before the Dr. Phillips Center for the Performing Arts (DPAC) can break ground.

As you will recall, the Interlocal Agreement, approved in 2007, outlined a funding structure for the PAC that included \$129 million from the City's Downtown Community Redevelopment Agency (CRA), \$130 million in revenues from the County's Tourist Development Tax (TDT) and additional funds from the State and DPAC philanthropy. Working under this financing plan, DPAC proceeded with design for a three-theater performing arts center, with an estimated construction cost of \$383 million.

When it became apparent in 2008 that the County's financial commitment through the TDT proceeds would not be available on the planned timeline and construction of the performing arts center faced a multi-year delay, I directed DPAC to modify the design of the project so that it could be built in stages. The goal was to develop a first stage that could be built within the funds then anticipated to be available to the project, which included:

- \$129 million from the CRA
- \$9.8 million of the \$130 million committed from the TDT
- \$15 million from State grants
- \$46 million in DPAC Philanthropy
- \$31 million in a "bridge loan" from the City that is to be repaid from already committed TDT funds

DPAC undertook a difficult redesign process that resulted in the development of a plan to construct two theaters during the first stage. In November of last year, DPAC solicited construction bids for Stage 1 to identify the total construction cost. The initial construction bids exceeded the available funds. DPAC and the City began to identify potential cost savings, deferrals and reductions in scope.

As Orange County is a key partner in the Venues plan, we felt it was important to update you on the status of the Venues projects and discuss the involvement of the new County administration. In January, DPAC approached the County to identify options that would allow committed funding to be advanced to the project. The City, County and DPAC agreed to work together to close the projected gap between available funding and the Guaranteed Maximum Price (GMP) and continue the process of identifying cost savings. An enormous amount of time and work was undertaken that led to the creation of the Orlando Community Construction Corporation (OCCC) and an RFQ for a new Owner's Representative.

Despite the value engineering and deferrals that have already taken place and the upcoming review of construction bids by the new Owner's Representative, Stage 1 construction costs are still expected to exceed the current available funding. Additionally, construction experts have indicated another month delay would result in construction material costs increasing by \$1.3 million with additional increases expected for longer delays. With rising construction costs, we are approaching the point when escalating costs will exceed potential cost savings. I am concerned that the project may have to be postponed indefinitely if we do not firm up the GMP in a timely fashion.

We are now at a critical juncture in regard to the future of the Dr. Phillips Center for the Performing Arts. At this point, I believe the most viable option to make the project financially feasible, within the current economic circumstances relating to the TDT, is to modify the Interlocal Agreement to reset the baseline amount to the value for FY 2008, the last year there was positive growth in the TDT, and to permit repayment of advances from other sources to support TDT contributions. Based on our discussions in January, I understand you are generally supportive of these actions because TDT projections and forecasts from our leading tourism partners show that by resetting the TDT baseline and commencing construction in 2011, "bridge loans" from County, and probably the City, would likely not be necessary as the TDT would generate enough proceeds to complete construction on Stage 1. We have attached a proposed amendment.

In order to avoid additional costly delays and potential loss of philanthropic donors, I believe it is important to concurrently undergo the review from the new Owner's Representative while City and County staff finalize the language necessary for amendments to the Interlocal Agreement. This will ensure we are prepared to move forward with agenda items for both the City Council and Board of Commissioners that will enable the project to move forward. Based on discussions between the City and County staff, these items could be made as amendments to the Interlocal Agreement that do not require approval from the TDC because they keep with spirit of the original Interlocal Agreement and do not change the financial commitment.

As we advance these items, DPAC is finalizing their updated operations plan, including an independent review by experts from the Orlando Magic, Walt Disney World Resorts and Universal Orlando. Based on discussions with DPAC, to ensure their Board is fully informed they intend to seek Board approval on the updated operational plan prior to sending over for your review. As previously stated, City staff is prepared to meet immediately to work on the

appropriate changes to the Interlocal Agreement, I request that you assign the appropriate County staff to meet this week and I am confident they should be able to complete this work in the next few weeks as only minor amendments to the Interlocal Agreement are needed.

I recognize this project must overcome challenges in order to break ground on this narrowing timeline. I know we share a commitment to the Venues projects and understand the community benefits of a performing arts center, including the creation of thousands of jobs desperately needed in our construction industry. I believe it's up to us to lead the effort to find a solution that benefits all the residents of our community. Our region has repeatedly demonstrated the power of partnerships, I am confident we can once again work together to finalize a schedule and plan that leads to a groundbreaking this summer and makes this important project a reality.

Sincerely,



Buddy Dyer
Mayor

Cc: Byron Brooks, CAO
City Commissioner Phil Diamond
City Commissioner Tony Ortiz
City Commissioner Robert Stuart
City Commissioner Patty Sheehan
City Commissioner Daisy W. Lynum
City Commissioner Samuel B. Ings
County Commissioner S. Scott Boyd
County Commissioner Fred Brummer
County Commissioner Lui Damiani
County Commissioner Jennifer Thompson
County Commissioner Ted Edwards
County Commissioner Tiffany Moore-Russell
Alex Martins, Orlando Magic
Roger Chapin, Mears Transportation Group
Meg Crofton, Walt Disney World Resort
Ajit Lachandani, County Administrator
Rob Mellon, Dr. P. Phillips Foundation
Jim Pugh, DPAC