

# Memorandum



CITY OF DALLAS

DATE May 8, 2009

TO Members of the Quality of Life Committee: Pauline Medrano (Chair), Vonciel Jones Hill (Vice Chair), Carolyn R. Davis, Angela Hunt, Sheffie Kadane, David A. Neumann, Steve Salazar

Subject May 13, 2009 Council Addendum Item / DSM Management Group (Council District – 7)

## **SUBJECT**

Authorize a 20 year lease agreement with DSM Management Group, Inc. with an option to extend the term for 4 additional 5-year periods for a city-owned facility in Fair Park known as the Music Hall located at 909 First Avenue, for their continued use, operation and management to provide and bring music and theatrical performances to Dallas under the direction of the Office of Cultural Affairs for the period July 1, 2009 through June 30, 2029 -Annual Revenue: \$1

## **BACKGROUND**

This item authorizes a 20-year lease agreement with DSM Management Group, Inc. (“Lessee”) for approximately 75,300 square feet of space located at 909 First Avenue in the Music Hall at Fair Park. The lease will grant the Lessee the option to extend the lease term for 4 additional 5-year renewal periods. The lease agreement will provide for the Lessee to use and contract with others for the presentation of plays, recitals, concerts, lectures, musical theater and dance performances, meetings, other assemblies and other similar or appropriate purposes.

The lease begins July 1, 2009 and ends June 30, 2029, with four renewal options through June 30, 2029. The City has the right to terminate the lease for convenience with advance written notice or in the event of non-appropriation of funds. The City also has the right to terminate the lease if the City determines that the Lessee is not using the facility in a manner that primarily promotes a public purpose.

The lease terms include provisions for DSM Management Group, Inc. to pay for customary operating expenses to operate the Music Hall, including salaries and compensation for staff, payroll taxes and benefits, office supplies, janitorial services, building operating expenses, routine maintenance and utilities (water, gas, heat, and electricity). DSM Management Group, Inc. will also be responsible for maintaining in good repair all electrical, mechanical and plumbing systems. DSM Management Group, Inc. shall use the proceeds from rental revenues collected to pay for all

operating expenses; DSM Management Group, Inc. may also levy a facility fee of \$2.50 per paid admission for rental of the facility.

The lease terms require DSM Management Group, Inc. to establish two restricted accounts: an operating account and a maintenance account. DSM Management Group, Inc. will deposit \$100,000 annually in the operating account from the rental revenues it collects; this account may be used to pay for utilities and other customary expenses related to the operations of the Music Hall. The maintenance account will be used to deposit eight percent (8%) of the gross revenues collected, less sales and use taxes collected and paid, from food and beverage. The maintenance account will be used for long-term and special major maintenance expenses for the facility. Use of funds deposited in the maintenance account will require the approval of the Director of Cultural Affairs. DSM Management Group, Inc. will submit an annual report of the revenues and expenditures from the operating and maintenance account to the Office of Cultural Affairs.

DSM Management Group, Inc. is a nonprofit corporation chartered under the laws of the State of Texas. The nonprofit was formed in 1998 by Dallas Summer Musicals as part of its winning bid for a concession to operate the Music Hall and the Majestic Theater. This concession agreement was awarded on June 24, 1998 and expires on June 30, 2009. The Office of Cultural Affairs has managed the concession agreement since its inception and is highly satisfied with the performance of the concessionaire.

In discussions for a new agreement with DSM Management Group, Inc. to continue operating the Majestic and the Music Hall, DSM Management Group, Inc. has indicated that it wants to continue operating the Music Hall but it is not in a position to operate the Majestic Theater. OCA has notified the Park & Recreation Department of this long-term lease and will also inform the Park Board. A long-term lease with DSM Management Group, Inc. will allow for the Music Hall at Fair Park to continue to serve as the home of Dallas Summer Musicals, one of the oldest musical theater organizations in the Southwest. Dallas Summer Musicals first performed at the Music Hall in 1951 and since then has provided our community with an active schedule of Broadway musicals, interrupting its successful run only in 1942 for World War II and in 1972 for the major renovations of the Music Hall. DSM Management Group, Inc., as an affiliate of Dallas Summer Musicals created specifically to operate the facility, has been an excellent steward of the city-owned facility, ensuring that generations of Dallasites have the opportunity to enjoy quality theatrical productions in Fair Park.

**PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

This item has no prior action.

**FISCAL INFORMATION**

Annual Revenue: \$1.00

**OWNER**

DSM Management Group, Inc.  
Michael A. Jenkins, President

**RECOMMENDATION**

Staff recommends approval of this item.



Forest E. Turner  
Interim Assistant City Manager

- C:     Honorable Mayor and Members of the City Council  
        Mary K. Suhm, City Manager  
        Deborah Watkins, City Secretary  
        Thomas P. Perkins, Jr., City Attorney  
        Craig D. Kinton, City Auditor  
        C. Victor Lander, Judiciary  
        Ryan S. Evans, First Assistant City Manager  
        A.C. Gonzalez, Assistant City Manager  
        Jill Jordan, P.E., Assistant City Manager  
        Ramon F. Miguez, P.E., Assistant City Manager  
        David K. Cook, Chief Financial Officer  
        Helena Stevens-Thompson, Assistant to the City Manager  
        Maria Munoz-Blanco, Director of Cultural Affairs  
        Theresa O'Donnell, Director of Development Services