

REUNION ARENA STATUS

Economic Development and
Housing Committee
September 19, 2006

PURPOSE

- To update the Economic Development and Housing Committee on the status of Reunion Arena and recommend for committee consideration a course of action for disposition of this facility.

Background

- Center Operating Company (COC) entered a five (5) year management agreement with the City of Dallas to operate Reunion Arena.
- The Reunion Arena management agreement allowed COC with 60 days notice to terminate the contract. The City was allowed to terminate the agreement upon 60 days notice but only if the land was needed for purposes other than operating Reunion Arena as a sports/entertainment venue.
- On July 17, 2002, COC served the City formal termination notice of the agreement to manage Reunion Arena to be effective September 30, 2002, citing fiscal losses.
- COC has a first right of refusal to book all arena-type events that are interested in using Reunion Arena. COC's contract also requires them to make annual payment of \$3.4 million to the City for the use of American Airlines Center.

Background cont.

- City Council briefed on August 21, 2002 on various options for the future of Reunion Arena.
- Initial operating losses were projected to be \$2.3 million annually.
- In August 2002, recommendation made and accepted by Council to continue Reunion Arena operation as an “ancillary facility to the Convention Center and used as a second downtown arena” venue to capture new events/meetings/conventions.
- Recommendation shifted booking emphasis from professional basketball/hockey/concerts to coordinating with the Dallas Convention/Visitors Bureau (DCVB) to attract large meetings, convention general sessions, as well as collegiate and alternative sports.

Background cont.

- Recognition that physically connecting Reunion Arena to DCC and development of a convention center hotel would enhance the City and DCVB's capability to expand its convention/tradeshow and meetings business.

Reuse Options Explored and Presented to Council – August 2002

- A 1994 study conducted by Ellerbe Becket, Corgan Associates/Austin Commercial and Turner Construction reviewed six options
- Options included –
 - Exhibition space
 - Theater/exhibition space
 - Parking garage
 - Office/retail/parking
 - Casino shell

Reuse Options Explored and Presented to Council – August 2002 cont.

- Additionally, the following considerations were assessed:
 - Demolition of the Arena and fill site
 - Mothball Reunion Arena
 - Explore selling Reunion Arena
 - Issue a Request for Bid for private management

Sporting Events Using Reunion Arena

- Numerous Big 12 Post Season Basketball tournaments in conjunction American Airlines
- NCAA Women's Volleyball Final Championship
- Action Sports World Championships
- US Figure Skating Championship
- NCAA Women's Basketball Tournament
- Tony Hawk Extreme Sports Competition

Major Meetings

- DECA convention meetings in conjunction with Dallas Convention Center
- Several TD Jakes Events - DFW Region
- 7th Day Adventist Convention with DCC
- Great American Trucking Show with DCC
- Girls of Faith Conference

Major Meetings_{cont}

- Motivational Seminars
- Baptist Youth Evangelism Conferences
- Global Day of Prayer National Gathering
- Acquire-the-Fire Youth Conferences
- Joyce Meyer Seminar
- Various local annual high school graduations

Event Activity-Reunion Arena

- FY 2006/07: 20 confirmed events of which 12 are contracted – projected number of events – 31 representing 67 performances and 68 venue use days.
- FY 2007/08: 10 confirmed events of which 5 are contracted – projected number of events – uncertain as most of Reunion Arena business is booked short term (12 months or less)
- FY 2009 and 2010 – 7 confirmed events and 1 contracted event for Lot B

Financial Performance

| | FY 2003 | FY 2004 | FY 2005 | FY 2006(Est) |
|---------------------|------------------|------------------|------------------|------------------|
| ■ Revenue | \$1,773,495 | \$ 931,778 | \$ 698,390 | \$ 839,239 |
| ■ Expenses | <u>2,652,717</u> | <u>2,375,541</u> | <u>2,306,373</u> | <u>2,251,713</u> |
| ■ Income/ (Loss) | (\$ 879,222) | (\$1,443,763) | (\$1,607,983) | (\$1,412,474) |

Estimated Event Economic Impact Since Reunion Arena Return to the City Partial Listing

Reflects impact of significant events held at Reunion Arena as well as events secured by the city with Reunion Arena used in conjunction with American Airlines Center (AAC) or Dallas Convention Center (DCC).

| | |
|--|--------|
| ■ Big 12 Post Season Men's & Women's B'ball Championships with AAC | \$30m |
| ■ US Figure Skating Championships with AAC | \$20m |
| ■ NCAA Women's Volleyball Final Championship | \$1.6m |
| ■ NCAA Women's Volleyball Hotel Fan Package | \$2.8m |
| ■ American Volleyball Coaches Association | \$4.2m |
| ■ Action Sports World Association. | \$1.7m |
| ■ NCAA Women's Basketball Tournament (Regional in '07) | \$2.0m |
| ■ DECA Convention Meeting with Dallas Convention Center | \$34m |
| ■ 7th Day Adventist Convention with Dallas Convention Center | \$35m |
| ■ Joyce Meyer Ministries Seminar | \$3.0m |

TOTAL

\$134.3m

Economic Impact figures supplied by DCVB.

Summary

- Reunion Arena financial performance has exceeded initial projections.
- Reunion Arena's meetings, family shows, alternative sporting events and high school events has attracted approximately 1,870,000 guests to the city center from September 2002 through August 2006.
- First right of refusal provision with AAC will continually impair Reunion Arena's ability to significantly improve its financial performance.
- Financial support for Reunion Arena from the General Fund and/or Convention Center will be required for the foreseeable future.

Recommendation

- City/DCVB will continue to aggressively market Reunion Arena as a public assembly venue until June 30, 2008. This time period will allow city staff and DCVB to complete existing contractual and confirmed booking obligations and work with confirmed groups beyond June 2008 to seek other appropriate venues.
- Reunion Arena would cease to lease space for events beyond June 30, 2008.
- Further, City Council can monitor potential gaming legislation that could affect Reunion Arena site valuation should City Council wish to pursue this activity for the Reunion Arena site.

Recommendation cont

- March - June 2008 staff would prepare documents to commence the sale of Reunion Arena consistent with the City/Hunt Master Agreement and applicable public bid laws.
 - Considerations:
 - If Reunion Arena is conveyed, it must be deed restricted in accordance with Section 15.1(c) of the City/COC arena lease
 - The City/Hunt Master Agreement provides for the disposition of Reunion Arena as follows: Should the City declare Reunion Arena as surplus property, Hunt has a 60 day option to purchase the property from the city at a purchase price calculated under the City/Hunt Master Agreement
 - Updated appraisals would be needed
 - Determine other conditions for a property sale
 - City Council authorization
 - Develop bid packets should Hunt fail to exercise its purchase option consistent with the City/Hunt Master Agreement
 - Sealed bid process

Recommendation_{cont}

- City Council evaluation of bids received should Hunt choose to not exercise its rights under the City/Hunt Master agreement.
- Should the City Council determine to sell Reunion Arena, the existing City/ACC contract would prohibit the City of Dallas from constructing a public assembly venue similar to Reunion Arena.