

Memorandum



CITY OF DALLAS

DATE October 24, 2014

TO Honorable Members of the Quality of Life & Environment Committee: Dwaine R. Caraway (Chair)
Sandy Greyson (Vice Chair), Adam Medrano, Rick Callahan, Carolyn R. Davis, Lee M. Kleinman

SUBJECT Gexa Energy Pavilion at Fair Park

On Monday, October 27, 2014 the Quality of Life & Environment Committee will be briefed on Gexa Energy Pavilion at Fair Park.

If you have questions, please contact me at 214-640-4071.

A handwritten signature in black ink, reading "Willis C. Winters".

Willis C. Winters, FAIA, Director
Park and Recreation Department

Attachment

c: Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Gexa Energy Pavilion at Fair Park

Quality of Life & Environment
Committee

October 27, 2014



Purpose

- To provide information to the City Council on proposed improvements and funding to the Gexa Energy Pavilion at Fair Park as approved by the Park and Recreation Board on October 2, 2014.

Background

- Gexa Energy Pavilion is a City-owned facility at Fair Park managed and operated by the “Partnership”.
- Original Lease and Use Agreement between the City of Dallas and Pace Entertainment Group, Inc. (Partnership) entered into December 9, 1987
- Amendment to the Lease and Use Agreement entered into June 14, 1989
 - Term of twenty years, with two ten-year renewal options
 - Initial term expired December 31, 2008
 - On September 26, 2007, the Partnership served notice exercising the first ten-year option which is set to expire on December 31, 2018

Background

- The Annual Minimum Guaranteed Rental to the City is \$350,000, plus percentage of all total revenues
- The Annual Minimum Guaranteed Rental to the City, plus percentage of all total revenues in FY 12-13 were \$965,897

Background

- The Partnership is responsible for operating and managing the venue as a concert facility
 - Held 31 shows during the 2014 season (April-October)
 - 27 Live Nation tours including Lady Antebellum, Lionel Richie, Wiz Khalifa, Brad Paisley and Drake
 - 4 were locally booked concerts including Jack FM Throwback, KXT Summercut, and Texas Rap Fest
 - A draw of 352,479 concert-goers made it the third highest attendance generator at Fair Park in FY 13-14
 - The Partnership has brought over 1.4 million concert-goers to Fair Park over the last five years

History of Amphitheater at Fair Park

- Constructed over 26 years ago
- One of the first outdoor amphitheaters built in the United States
- Largest public assembly venue in the Dallas/Ft. Worth market solely dedicated to hosting concerts
- Top venue in the Dallas/Ft. Worth metroplex for national and international touring artists



Annual Revenue Summary

• Fiscal Year	• Revenue Collected
– 2003-04	– \$883,036
– 2004-05	– \$797,818
– 2005-06	– \$640,166
– 2006-07	– \$817,649
– 2007-08	– \$781,747
– 2008-09	– \$1,657,323*
– 2009-10	– \$941,530
– 2010-11	– \$863,271
– 2011-12	– \$701,262
– 2012-13	– \$965,897

*Includes one-time audit finding

Gexa Energy Pavilion Today

- Amphitheater has held up well functionally
 - Roof extends from the stage area to cover most of the reserved seated area
 - Approximately 7,400+ seats
 - 13,000 lawn seating capacity
 - Design and layout of the venue allows events to continue even in marginally inclement weather
- Time has taken its toll in terms of wear and tear on the venue



Gexa Energy Pavilion Today

- The Partnership currently operates 40 amphitheaters across the United States, of which Gexa Energy Pavilion is the oldest venue
- No City capital improvements have been made since the opening of the facility in 1988.
- Improvements and major renovations to the venue are needed to:
 - Remain competitive in market
 - Continue to host major national and international touring artists
 - Provide concert-goers a safe and enjoyable venue

Immediate Capital Needs vs. Funding

- The Partnership has studied proposed improvements to ensure Fair Park remains a desirable concert destination
 - Included in the plan are renovation of entrances, structural improvements, replacement of reserved seating, electrical upgrades, new LED video system, renovation of concession and merchandise stands, HVAC improvements, new sponsorship signage towers, replace fencing and repainting entire facility
 - Preliminary estimated renovation costs total \$6,510,240
- Next Bond Program likely in 2017 or beyond, with no guarantee that improvements to the Gexa Energy Pavilion will be funded

Proposal

- The Partnership proposes to undertake capital improvement and revenue enhancing projects up to \$7,000,000 and exercise their second ten-year option extending through December 31, 2028
- The Partnership will submit plans and scope of projects to DPR-assigned project manager for review and approval.
- The Partnership agrees to comply with the City's Good Faith Effort goals in hiring and contracting with minority and women-owned local businesses

Proposal Continued

- The Partnership proposes to begin construction of approved projects no later than December 1, 2016 and complete construction later than March 31, 2018
- City will grant the Partnership a credit against annual rents due under the Lease in an amount equal to the lesser of the actual costs of the approved completed projects or \$7,000,000 (rent credit)
 - Actual costs will include all soft and hard costs, including design, permitting, bonding, insurance, labor, equipment and materials

Proposal Continued

- The rent credit shall commence in the calendar year that the first project costs are incurred.
- The rent credit will be taken in annual installments of \$500,000 annually (subject to only adjustment for any carry forward deficiencies resulting from the lack of total rent payable) until the full amount of rent credit is realized. Under no circumstance will the City be liable to pay any portion of the rent credit not sufficiently funded by the rents payable under the agreement
 - Example: If costs incurred for calendar year 2014 were \$2,000,000, in calendar year 2015 were \$3,000,000 and in calendar year 2016 were \$2,000,000 then the total rent credit would be \$7,000,000 with the first \$500,000 increment credited by the City against the rent payable due by Live Nation in 2014 and subsequent years until the full amount of the \$7,000,000 rent credit is realized

Proposal Continued

- The Partnership agrees that in no event shall the rent credit reduce the amount of the annual Minimum Guaranteed Rental payable to the City of \$350,000
- The Partnership agrees to increase the current additional rental payment of \$.15 per paid admission tickets sold in accordance with the terms of the contract (Section 3.04) to \$.20 cents

Mayor's Fair Park Task Force

- On September 3, 2014, the report of the Mayor's Fair Park Task Force was presented to the Dallas City Council and the Park and Recreation Board
- Task Force calls for creation of new non-profit organization as operational and marketing authority for Fair Park
 - All existing contracts, including Live Nation, will be reviewed by City Attorney's Office for assignability

Next Steps

- City Council consideration for approval on November 12, 2014