



CITY OF GLENDALE, CALIFORNIA REPORT TO THE SPECIAL CITY COUNCIL

AGENDA ITEM

Report: Alex Theatre Lease and Management Agreement with SAS Entertainment Partners, Inc.

1. Motion Authorizing the City Manager to Enter into a Management Agreement with SAS Entertainment Partners, Inc.
2. Introduction of 10-Year Lease Ordinance
3. Motion Authorizing City Manager to Amend Existing Public Works Department Contracts for Alex Theatre Maintenance:
 - a. Golden State Lock & Safe (8001213) increase contract amount by \$12,017 for a new not-to-exceed amount of \$37,017
 - b. KONE (C106846A) increase contract amount by \$14,380 for a new not-to-exceed amount of \$969,583.68
 - c. Glendale Fire Systems (8001119) increase contract amount by \$11,892 for a new not-to-exceed amount of \$959,892
 - d. Global Power Group (8001441) increase contract amount by \$10,100 for a new not-to-exceed amount of \$561,780
 - e. Acco Engineered Systems (8001439) increase contract amount by \$221,616 for a new not-to-exceed amount of \$1,321,160
 - f. South Coast Industrial Door (8001440) increase contract amount by \$5,500 for a new not-to-exceed amount of \$753,000
 - g. Majestic Fire (8001238) increase contract amount by \$1,590 for a new not-to-exceed amount of \$51,590
 - h. Allied Reliability (8000247) increase contract amount by \$1,900 for a new not-to-exceed amount of \$46,900
 - i. Moe Plumbing (8001570) increase contract amount by \$23,500 for a new not-to-exceed amount of \$449,155
4. Resolution of Appropriation in the amount of \$755,000
5. Motion Authorizing City Manager to Extend Interim Agreement and Right of Entry with SAS Entertainment Partners, Inc. until the effective date of the Lease Ordinance

COUNCIL ACTION

Item Type: Action Item

Approved for _____ **calendar**

EXECUTIVE SUMMARY

In 2020, the City Council issued a Request for Proposals to identify an operator for the Alex Theatre that could attain the Council's three stated goals of financial stability for the Theatre, accessibility to community groups while serving as a cultural hub, and to attract top quality entertainment clients, events, and performances with great frequency which will be an economic catalyst for the downtown. Following a national search, three proposers were presented to the Council and SAS Entertainment was selected for further negotiations. While negotiations were ongoing, a 6-month interim management agreement was initiated, during which time SAS demonstrated their aptitude for success as the operator of the Alex Theatre. With a succinct plan for capital improvements and enhancements to the Theatre, and a Facility Fee fund which would offset the investment by the City, SAS meets the goals set by the Council and their agreement is recommended for approval by the Council.

COUNCIL PRIORITIES

Economic Vibrancy. The Alex Theatre serves as the heart of the Arts & Entertainment district and drives business and patronage to the downtown. A successful venue and operator will make for a more vibrant district.

RECOMMENDATION

Staff recommends approval of all aforementioned motions and introduction of the long-term Lease Ordinance. Each motion is necessary for the successful implementation of the Lease and Management agreement with SAS Entertainment Partners, Inc. In addition, to approve a resolution of appropriation in the amount of \$755,000.

BACKGROUND

The Alex Theatre is a historic resource located in downtown Glendale and owned by the City of Glendale. Since 2008, the venue had been managed by Glendale Arts (formerly known as the Alex Regional Board). In anticipation of the expiring management term with Glendale Arts, at the June 30, 2020 public meeting, the City Council directed staff to prepare a Request for Proposals ("RFP") to seek an operator for the Alex Theatre.

Included within the RFP were the primary goals, listed in order of priority as directed by the City Council, for an organization in place which can:

- Establish consistent financial stability and sustainability for Alex Theatre operations, while minimizing the level of the annual management fee provided by the City.
- Provide a cultural facility and performing arts venue that is available, accessible, and affordable to use by local community organizations and non-profits.
- Attract top quality entertainment clients, events, and performances with great frequency which will be an economic catalyst for the downtown.

The City Council reviewed the three proposals that were submitted to the City by Glendale Arts, General Admission, and SAS Entertainment and ultimately during the September 28, 2021 public meeting, directed staff to negotiate with a sole proposer, SAS Entertainment.

Staff entered into a 6-month Interim Management Agreement and Right of Entry with SAS Entertainment on October 30, 2021 while the negotiations for a formal long-term agreement were being finalized.

The terms of the proposed Lease and Management agreement with SAS are as follows:

- **Lease Term:** 10-year term with one 10-year option
- **City Responsibilities:** The City will be responsible for the Alex Theatre building including all large capital improvements, and the maintenance of the building structure and systems, including plumbing, HVAC, lighting, etc. As presented during the September 28, 2021 meeting, these costs include:
 - Capital Improvements / Capital Outlay \$4,500,000
 - Major Improvements \$800,000
 - Utilities \$125,000 (annually)
 - Personal Property replacement \$200,000

A 10-year capital outlay / improvements plan with specific timelines, annual costs and projects, and closure periods, totaling \$3,175,000 is included as **Exhibit 3**.

The City's Public Works Department will maintain the Building Systems. Annual maintenance costs are estimated at \$60,000, with one-time immediate repairs / improvements totaling \$75,000. Other facility maintenance such as the roof, auditorium ceiling, and the maintenance of the structure itself have cost estimates that remain within the original \$4,500,000 in projected improvement costs.

- **Facility Fee Fund:** \$2.00 Ticket Fee per ticket for tickets \$25 or less face value and a \$4.00 per ticket for tickets more than \$25.00 per ticket face value. The Management Agreement requires SAS to collect and remit the Ticket Fee to the City on a quarterly basis. This Fee will be utilized for the Capital Improvements / Outlay needed for Theatre management and operation, needed for the City's Facility System maintenance managed by Public Works, and as-needed for other large maintenance / management / improvement projects which improve the asset.
- **Operator Responsibilities:** Operator is responsible for the daily maintenance and repair of all other items (e.g., general cleaning, trash and debris disposal, and cleaning restrooms and other facilities). The Operator will be responsible for

coordinating with the City on scheduling capital improvements, including those that are the City's financial responsibility.

- **Management Fee:** No fee.
- **Personal Property:** All personal property the City purchased for operation of the Theatre will remain the City's personal property. This ensures continuity of the Theatre in the event of an operator change. The personal property includes sound equipment, lighting systems, etc. which ensures the property can operate as a Theatre.
- **Theatre Use:**
 - **Programming:** Rental venue that serves as a cultural hub
 - **Public Use of Theatre:** City retains the right to schedule six rent-free event days and six rent-free receptions. The City will not pay for the facility, but will incur staffing costs.
- **Focus:** Operator will focus efforts solely on the management, revenue generating capacity, and name recognition of the Alex Theatre.
- **Required Annual/Quarterly Reporting:** SAS will be required to provide an annual report demonstrating performance metrics (shows, ticket sales, media coverage, etc.) which report will be presented to the City Council. SAS will also be required to provide the City with quarterly status updates on the amount of Facility Fee Funds collected, and to transfer those funds to the City's account for the Theatre CIP.

The total City contribution is estimated at \$6,750,000 over the 10 years. SAS will be collecting a per-ticket Facility Fee and returning the revenue to the City as an offset to these facility maintenance and improvement costs. The 10 year projected cost to the City, offset by the estimated Facility Fee revenue, is approximately \$1,750,000.

SAS will be providing a financial guarantee as part of the management agreement to reach a Facility Fee collection to cover the \$3,175,000 in Capital Outlay / Capital Improvement and \$1,250,000 in utilities costs, or otherwise will financially reimburse the City for the delta at the end of the first term of their 10-year agreement, contingent on the option for renewal being executed.

ANALYSIS

Based on a history of success, and over the 6-month interim management term, SAS Entertainment has demonstrated their capability of satisfying the three goals set by Council during the RFP process: to provide financial stability, create a cultural facility and

performing arts venue that is available, accessible, and affordable, and to attract top quality entertainment clients, events, and performances with great frequency which will be an economic catalyst for the downtown. Over the 6-month interim agreement, SAS has already hosted four sold-out shows, three of which were over the course of just one weekend.

SAS has presented a capital outlay plan which will make the Theatre competitive in the entertainment industry in terms of sound production, lighting, overall quality, and atmosphere, and will be initiating a marketing campaign to bring greater name recognition to the Alex Theatre. These ongoing improvements will continue to build on the brand SAS is already known for throughout the entertainment industry, and will drive continued growth and business to the Theatre.

The financial contribution the City will be making to improve its asset is anticipated to be offset by the revenue from ticket sale fees that SAS will be remitting to the City. By fostering an entertainment venue and operator that can serve as a catalyst for the Arts & Entertainment District, the City is making an investment in the vibrancy of the downtown and Glendale as a whole.

Because the Alex Theatre is a City-owned asset, the City's Public Work's Department will be taking on the maintenance of the Facility Systems including HVAC, elevators, plumbing etc., and will continue to care for the structural elements of the building to ensure proper care of the historic resource. As such, the following contracts are recommended for amendment to account for the additional facility's maintenance:

- Golden State Lock & Safe for building locks
- KONE for elevator service
- Glendale Fire Systems for fire & life safety services
- Global Power Group for generators
- Acco Engineered Systems for HVAC services
- South Coast Industrial Door for the gates and doors
- Majestic Fire for fire extinguishers
- Allied Reliability for thermal imaging
- HL Moe Plumbing for domestic hot water and sump pumps

The lease and management agreement is being proposed with a 10-year term, with an option for a 10-year renewal, as a longer agreement period allows the operator to develop long term relationships with shows and promoters, and establish the venue as a location for the high quality entertainment the Council is seeking. This term period also allows for a realistic capital improvement and capital outlay schedule to upgrade the Theatre. Per City Charter, Article VI, Section 15, leases over 5 years require an ordinance introduction and adoption. Staff is recommending the ordinance for the 10-year lease and management agreement be introduced and will return on May 3, 2022 for the adoption. As such, staff is also recommending an extension of the current Right of Entry and Interim Agreement which is set to expire on April 30, 2022, until the ordinance takes effect.

While the utilities obligation is outlined for \$125,000, \$60,000 had already been budgeted as part of the FY 22-23 budget process, so only the balance is being requested.

STAKEHOLDERS/OUTREACH

While specific outreach was not expected as part of the interim or in preparation for a long term management agreement, SAS Entertainment has been meeting monthly with the Theatre's long term clients and resident companies. They have developed good rapport with these clients to better market and cross promote their shows. SAS Entertainment will continue to conduct outreach and connect with such stakeholders through their long-term lease and management agreement through the marketing and cultural offerings to the community.

FISCAL IMPACT

The City's obligations set forth in the Theatre Lease and Management Agreements with SAS Entertainment will cost \$755,000, which was not included as a part of the FY 2021-22 budget. Any unspent funds will be requested as a carryover to the FY22-23 Fiscal Year. Therefore, staff is requesting for an appropriation of \$755,000, from the City's Measure S fund balance. The appropriation request is outlined below:

Requesting Appropriation			
Amount	From (Account String)	To (Account String)	Funding Source
\$755,000	24274-1010-NON-0000-P0000		Measure S Fund Balance
\$135,000		43110-1010-CDD-2524- P1280	Measure S Fund
\$65,000		46005-1010-CDD-2524- P1280	Measure S Fund
\$405,000		51000-1010-CDD-2524-P1280	Measure S Fund
\$150,000		51200-4011-CDD-0020-P000 CDD00796AN	Measure S CIP Fund

ENVIRONMENTAL REVIEW (CEQA/NEPA)

Staff has determined that the actions introducing an ordinance approving a long-term lease with SAS, approving a motion authoring the City Manager to execute the Management Agreement with SAS, approving a motion extending the current interim agreements with SAS, and adopting a resolution of appropriation of funds for the maintenance and capital improvement program for the Alex Theatre are exempt from further environmental review under the California Environmental Quality Act ("CEQA") pursuant to Title 14 of the California Code of Regulations ("CEQA Guidelines") because the actions involve the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of an existing public facility, will not involve an expansion of the facility,

which activities are exempt pursuant to CEQA Guidelines §15301.

CAMPAIGN DISCLOSURE

The names and business addresses of the members of the board of directors, the chairperson, CEO, COO, CFO, Subcontractors and any person or entity with more than 10% interest in the company proposed for contract in this Agenda Item Report are attached in **Exhibit 4**, in accordance with the City Campaign Finance Ordinance No. 5744.

ALTERNATIVES

1. Council may approve all motions and resolution of appropriation as presented by staff. This will ensure the Theatre is professionally managed and sufficiently funded to be competitive in the entertainment industry.
2. Council may reject one or more of the motions or resolution of appropriation presented by staff; this may alter the feasibility of the overall contract and / or the Theatre's success.
3. Council may consider any other alternative not presented by staff.

ADMINISTRATIVE ACTION

Prepared by:

Bradley Calvert, Assistant Director of Community Development

Approved by:

Roubik R. Golanian, P.E., City Manager

EXHIBITS/ATTACHMENTS

1. 10-Year Lease Agreement for the Alex Theatre, 216 N. Brand Blvd.
2. 10-Year Management Agreement
3. 10-Year Capital Improvement / Capital Outlay Plan
4. Campaign Disclosure Form
5. Public Works Contract Amendment Detail