

City of El Cajon Agenda Report

MEETING: 2/14/17

ITEM NO: 4.4



TO: Mayor Wells, Mayor Pro Tem McClellan,
Councilmembers Goble, Kalasho and Kendrick

FROM: Douglas Williford, City Manager

SUBJECT: AUTHORIZATION TO ENGAGE IN NEGOTIATIONS REGARDING
EAST COUNTY PERFORMING ARTS CENTER

RECOMMENDATION: That the City Council:

1. Authorize the City Manager to engage in negotiations with Live Nation for the purposes of arriving at a mutually agreed upon draft management agreement for the East County Performing Arts Center.

BACKGROUND:

The City Council has established a clear policy that the City will renovate and re-open the East County Performing Arts Center (ECPAC.) In addition, the City has consistently been open to the possibility of creating either a partnership, lease, or management agreement in order to facilitate the sustained operation of ECPAC.

Over the past few years, the City has pursued various options for partnerships, has completed extensive research with significant outside assistance in determining the nature and extent of needed improvements and repairs to the facility, has hired an architectural firm to prepare detailed construction drawings for these improvements and has twice gone out to bid for this work.

Below, is a general history of the facility, with a more detailed timeline provided since the facility's closure at the end of 2009:

1977 – ECPAC opens under a joint powers agreement between the City of El Cajon and the Grossmont Community College District. The facility was jointly funded by both parties, with the Grossmont District assuming full ownership, management and maintenance responsibilities upon completion.

1977-1995 – ECPAC operated by the Grossmont Community College District.

1995 – Due to the need for annual and growing financial subsidies (in excess of \$500,000 \ yr. 1991 dollars), the Grossmont District decides to pull out of the joint agreement with the City and the City of El Cajon assumes sole ownership beginning in 1996.

1996-2009 – City contracts with three different management groups to operate, book and maintain ECPAC. All require annual City subsidies in order to maintain operations. From 1996 – 2009, City’s “out of pocket” annual subsidy was over \$400,000. Actual subsidy, which included significant City staff time to assist in maintaining operations and the physical facility, was much higher, but was not specifically accounted for during this time period. An additional \$150,000 - \$200,000 per year subsidy would be a valid estimate during this time period, representing a total estimated annual City subsidy of between \$550,000 - \$600,000 per year.

December, 2009 – ECPAC closes due to significant annual cost overruns to the City from existing management firm (Christian Youth Theater.)

2010 – City hires Kurt Swanson & Associates to perform study to determine needed repairs and improvements to the facility, as well as a potential business plan for moving forward. Suggested cost estimate for work was \$4.3 million. Given the on-going recession and its effect on City finances, the City Council declined to implement the work at that time.

2011-2012 – City is presented with various proposals, some of which would result in the elimination of the facility. One proposal was for a Marriot hotel to be built on the site and another proposal was to renovate the building as a two-story office building.

November, 2012 – Based on staff recommendations, the City Council formally rejects the proposal to demolish ECPAC to build a hotel and instead directs the City Manager to find an alternative location for the hotel (now under construction on Magnolia Avenue) and to pursue a plan to renovate and re-open ECPAC.

Late 2012 - 2013 – City staff investigates with numerous entities and interested parties necessary repairs and improvements for ECPAC, including experts from the McCallum Theatre in Palm Desert, San Diego State University, SDG&E, SANDAG and many others. Opinions from these contacts vary widely.

March – August, 2013 – City Council agrees to engage in discussions with the Grossmont Union High School District regarding possible joint use agreement for ECPAC. After initial meetings, District decides not to pursue further discussions.

January, 2014 – City is contacted by the Rock Church regarding possible joint use of ECPAC.

April, 2014 – City Council decides to issue Request For Proposal (RFP) for other possible interested parties to manage or jointly use ECPAC. RFP is issued in June, 2014 and, while several interested parties contact the City about the RFP, only two submit proposals – Rock Church and the former management entity, Christian Youth Theater.

June, 2014 – City Council authorizes the hiring of architectural firm Moser-Drew to begin working on renovation plans for the facility.

August, 2014 – After consideration of both proposals, the City Council directs City Manager to begin negotiations with Rock Church.

September, 2014 – March, 2015 – Discussions with Rock Church progress and result in a basic draft lease agreement for use of the facility by the Rock Church for approximately 132 days \ year, with the City\ separate management group assuming responsibility for remainder of the year for public entertainment purposes. No agreement, however, was reached regarding the financial responsibility to repair \ renovate the facility and while contact was sustained between the City and Rock Church, active discussions ended.

March, 2015 – City Council approves bid documents for the repair and improvement of ECPAC and places the documents out to bid.

May, 2015 – Due to on-going roof leakage, City Council authorizes construction to repair the roof.

November, 2015 – The City receives only one construction bid, which is \$800,000 above City Engineer's cost estimate. This cost does not include additional improvements costed out in the bid, which would have provided even greater capabilities for the facility.

December, 2015 – The City Council rejects the lone bid and authorizes staff to re-bid the work.

March, 2016 – Construction documents for ECPAC were re-bid.

July, 2016 – Three responses were received, however, two of them are deemed incomplete and “non-responsive” by staff and legal analysis. The lone valid bid is for \$3,535,000, is still \$600,000 over City Engineer's cost estimate. City staff takes 60 days to look at any valid alternative forms of financing beyond what is already being considered, with none being found.

July, 2016 – Roof repairs completed, at a cost of \$173,000.

August, 2016 to present – City Manager engages in informal discussions with Live Nation, to determine whether they may have interest in ECPAC. After conducting due diligence, Live Nation indicates it is interested in initiating formal discussions with the City of El Cajon for the purposes of considering a full management agreement for the facility.

Previous City Goals For ECPAC

In a previous status report on ECPAC, written a few years ago, certain “key” statements were outlined regarding the likely future of the facility. We repeat them here, as being as true today as they were then:

- Significant and expensive physical improvements will be necessary, especially if the facility is to be viewed by the performing arts and entertainment community as a high quality venue. The minimum cost to re-open the facility in some fashion may be in the \$300,000 - \$400,000 range; however, there are much higher costs associated with additional improvements that could be useful immediately, as well as longer term improvements that will eventually become necessary. These additional costs would be, at least, in the \$2.5 million - \$3.5 million range. This likely will continue to be a City cost, given that the City will continue to own the facility.
- The real question the City will need to address is not what the minimum expenditure necessary is to re-open ECPAC, but rather the most appropriate expenditure necessary to create the best venue we can while still being affordable. This will involve choices the City Council will need to address prior to a capital improvement plan for the facility being approved and funded.
- The single most important ingredient to operating a successful venue will be the individual or group chosen to be ECPAC’s executive director \ manager. That person’s \ group’s expertise in operating this type of venue and their contacts in the performing arts and entertainment communities, along with whatever additional staff that may be needed (i.e. booking, office manager, publicity, etc.), will be of paramount importance to ECPAC’s success. It must be clearly established what the authority and specific role of this person \ group will be. The hiring of the executive director/manager will be the most important decision made for ECPAC’s future and great care must be taken in this decision.
- Concessions at ECPAC have never been viewed as a serious source of revenue in the past. This will likely need to change and there may very well be a need to complete some amount of physical improvements to the building to facilitate this. There also should be serious consideration given to permitting alcohol sales at the facility, which not only is an appropriate form of concession at such venues, but can generate significant additional revenue.
- ECPAC was created by a joint venture of two interested and capable entities – the City of El Cajon and Grossmont Community College District. For many years this partnership worked well. If there is any possibility of a similar joint venture in the future between the City and one or more capable partners, it should be investigated thoroughly.

- While some have suggested that there may be no need for on-going City financial participation to support ECPAC, this has rarely been the case in the past and there are few, if any, examples of this anywhere in California and certainly not in San Diego (i.e. – Poway Performing Arts Center or Escondido Performing Arts Center.) The City Council should anticipate that City funding will be necessary on an annual basis in order for ECPAC to succeed. The City's participation in ECPAC should be viewed as being similar to any of our other recreation or entertainment venues, such as City parks or community centers. We would establish a specific budget on an annual basis, approved by both the City Manager and the City Council.

There certainly are other important factors in ensuring the success of ECPAC beyond those outlined above; however, this discussion can be viewed as a basic framework from which to make future decisions regarding the re-opening and operation of the facility.

Live Nation

Live Nation is the world's and the nation's largest live entertainment producer with 167 venues in seven countries, focused primarily in the United States and Europe. In Southern California, the company operates or books numerous venues, including Chula Vista's Sleeptrain Amphitheater, San Diego's House of Blues and three venues owned by the City of Riverside, two of which have similarities to ECPAC. They also operate several venues in greater Los Angeles. Live Nation Entertainment, Inc., also owns Ticketmaster.

There is no more professional or successful live entertainment group anywhere in the United States.

As these informal discussions have progressed, Live Nation has visited the facility several times to determine its potential usefulness as being a part of their entertainment portfolio. While they have made no commitments, they have expressed interest in engaging in more formal and detailed discussions with the City of El Cajon regarding the possibility of a management agreement to fully operate, manage, market and produce live entertainment at ECPAC. This would not be a lease, which they are not interested in, but rather would essentially take the form of a management agreement, with them being essentially contract staff to the City with specific authorities and financial arrangements that would go along with operating and managing ECPAC.

CONCLUSION

I strongly believe this is an opportunity that the City should pursue. Of all the various possibilities that the City has considered regarding partnerships with other entities or managing the facility ourselves, this is the strongest option, by far, we have thus far been presented with.

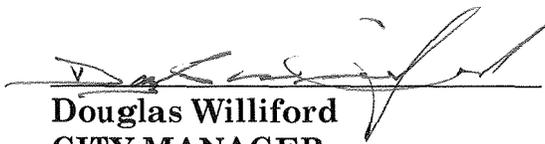
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AGENDA – February 14, 2017
East County Performing Arts Center

Therefore, I am requesting City Council authority to engage in negotiations with Live Nation for the purposes of arriving at a mutually agreed upon draft management agreement for the East County Performing Arts Center. At appropriate times, the City Council will be presented with updates as to the status of these negotiations and, of course, any final agreement must be approved at a public meeting by the City Council itself, after considering public comment.

FISCAL IMPACT:

To be determined.

PREPARED BY:


Douglas Williford
CITY MANAGER