

REPORT OF GENERAL MANAGER

APPROVED

NO. 11-058

DATE February 16, 2011

FEB 18 2011

C.D. 4

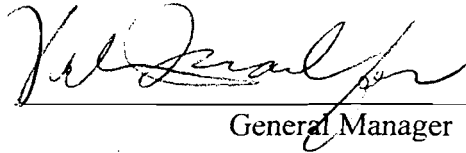
**BOARD OF RECREATION
and PARK COMMISSIONERS**

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: GRIFFITH PARK GREEK THEATRE - THIRD AMENDMENT TO CONCESSION AGREEMENT NO. 245

R. Adams _____
H. Fujita _____
S. Huntley _____
V. Israel _____

*F. Mok NDW
K. Regan _____
M. Shull _____


General Manager

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATIONS:

That the Board:

1. Approve a proposed Third Amendment to Concession Agreement No. 245, substantially in the form on file in the Board Office, between the City of Los Angeles Department of Recreation and Parks and Nederlander-Greek, Inc., for the operation and maintenance of the Greek Theatre Concession, to extend the term of the Concession Agreement from ten (10) years to eleven (11) years, subject to approval of the Mayor, the City Council, and the City Attorney as to form;
2. Find, in accordance with Charter Section 1022, that the Department does not have personnel available in its employ with sufficient expertise to undertake these specialized professional tasks and that it is more feasible to secure these services by contract;
3. Find, in accordance with Charter Section 371(e)(10) and Los Angeles Administrative Code Section 10.15(a)(10), that obtaining proposals would not be reasonably practicable or desirable and would not be advantageous to the City due to the current economic environment, and that in order to provide continuous service to the public and avoid a potential revenue shortfall to the Department, a competitive bidding process is not practicable or advantageous at this time;
4. Direct the Board Secretary to transmit forthwith the proposed Third Amendment, concurrently, to the Mayor in accordance with Executive Directive No. 3 and to the City Attorney for review and approval as to form; and,
5. Authorize the Board President and Secretary to execute the Third Amendment upon receipt of the necessary approvals.

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SUMMARY:

The Greek Theatre is located at 2700 North Vermont Avenue in Griffith Park and has provided entertainment and cultural events to the public since it was officially dedicated in 1929.

Since beginning operations, the open-air amphitheatre has been host to a number of top musical acts such as Ray Charles, B. B. King, Tony Bennett, Bruce Springsteen, Sting, and Michael Bubl . The venue also hosts the annual "Bach, Rock & Shakespeare" event, which allows students from the John Marshall High School Performing Arts Academy to showcase their talent, and has recently been the location for the "Scream" movie awards which honor the best in science fiction, fantasy, and horror films.

The Greek Theatre Concession has been operated by Nederlander-Greek, Inc. (Concessionaire) under Concession Agreement Number 245 since May 21, 2002, and is due to expire on October 31, 2011.

Pollstar, the touring industry magazine and website, has awarded the Greek Theatre "Best Small Outdoor Venue" every year since 2004 and named Rena Wasserman, the General Manager for the Greek Theatre, the 2009 "Facility Director of the Year".

The Concessionaire has actively been involved with the community by maintaining a newsletter, having "Neighbor Nights" events, and hosting monthly "coffee hour" community gatherings. The Concessionaire also hosts the Greek Theatre Advisory Committee monthly meetings during the season, which begins in April and ends in October, to discuss event activities in an open forum. Comments from the public have been positive and concerns have been addressed in a prompt manner.

In 2009, the Greek Theatre generated \$16,498,713.00 in gross receipts, paid \$1,214,442.48 in rent to the Department, and has consistently been the highest revenue-producing non-golf concession.

Over the past several years, revenue for the Greek Theatre has declined due to the current economic environment, the downturn in the concert touring industry, including a decline in audiences, and competition in the surrounding area. Between 2007 and 2010, gross revenue has declined by 38.58%, from \$24,948,267 to \$15,322,303 (Attachment A).

In 2004, the average attendance for the Greek Theatre was 4,609 patrons per show. In 2008, the average attendance decreased by 8.4% to 4,224 patrons per show. The Concessionaire has been working on attracting more events to the venue, but competition nationwide, and particularly in the surrounding area, is making this task increasingly difficult.

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According to Pollstar, gross revenues for the top 100 tours in North America have dropped seventeen percent (17%) during the first half of 2010, compared to revenues in the same time period in 2009. Ticket sales have declined nine percent (9%) from the same time period last year, resulting in the cancellation of several concerts by such top audience-draws as Cristina Aguilera, The Eagles, and Liza Minnelli.

Pollstar also reports that promoters have experienced a significant decline in sales for ancillary items such as food, beverages (alcoholic and non-alcoholic), and merchandise. Such sales have also affected the Greek Theatre, where food and beverages sales have dropped from \$3,757,345 in 2007 to \$2,019,247 in 2010, a decline of 46.26%.

In October 2007, the Nokia Theatre opened at the L.A. Live complex, which also houses music venues such as Staples Center, Club Nokia, and The Conga Room. The Nokia Theatre has a seating capacity of 7,100 patrons versus the Greek Theatre's capacity of 5,801 seats. Between November 2007 and November 2008, the Nokia Theatre grossed \$31,319,346 in revenue and had 444,425 patrons.

The new music venue has successfully drawn business away from other similar venues such as the Greek Theatre, the Hollywood Bowl, the Gibson Amphitheatre, and numerous smaller venues at a time when the public is attending fewer concerts and spending less money at those concerts.

Staff recommends approval of the proposed Third Amendment to Concession Agreement No. 245 with Nederlander-Greek, Inc. to extend the term for one year while a Request for Proposals (RFP) process is performed in order to receive the best possible proposals so the Department can enter into a long term agreement with an experienced and responsible operator, to ensure that a high level of continued service is provided to the public while the RFP process is performed, and to avoid a potential revenue shortfall to the Department.

Charter Section 1022

Los Angeles City Charter Section 1022 prohibits contracting out work that could be done by City employees unless the Board determines it is more economical and/or feasible to contract out the service.

On October 12, 2010, the Personnel Department completed a Charter Section 1022 review (Attachment B) and determined that there are no City classifications with the expertise to perform essential aspects of the work, including the booking of musical and cultural acts and the ability to provide food and beverage services. It is, therefore, more feasible to secure these services through an independent contractor.

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Charter Section 371

As stated previously, due to the current economic environment, the downturn in the concert touring industry, including a decline in audiences, and competition in the surrounding area, a competitive bidding process is not practicable or advantageous to the City at this time.

During the period of the contract extension, staff will identify an economic consultant with music-industry experience to assist in the development of a Request for Proposals (RFP), which will include input from industry experts, the community, and the Greek Theatre Advisory Committee.

FISCAL IMPACT STATEMENT:

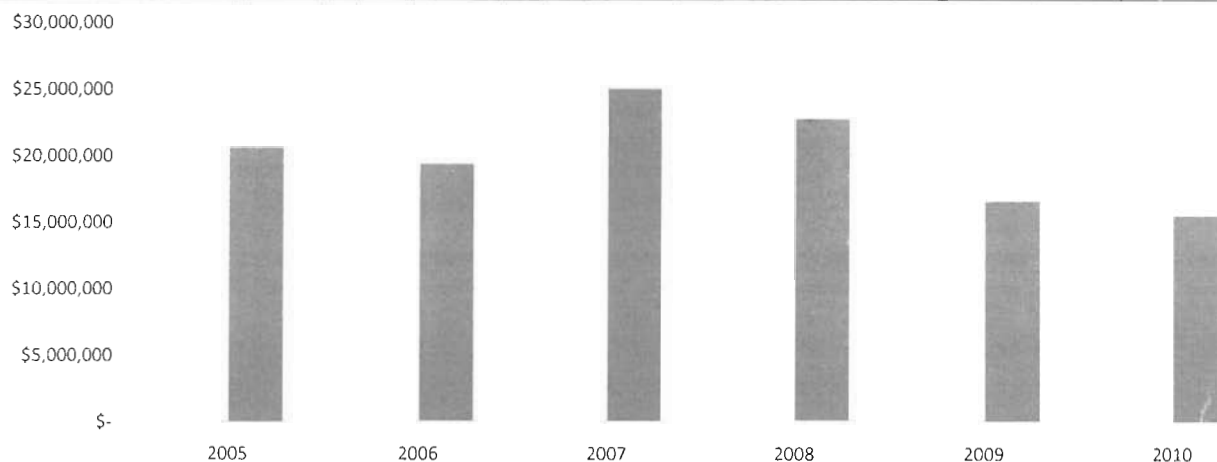
Approving the Third Amendment to extend the Concession Agreement will guarantee that the Department continues to receive a minimum of \$1.2 million in rent from the Greek Theatre Concession, of which 90% (\$1,080,000) will go to the Department's General Fund and 10% (\$120,000) to the Concession Improvement Account.

Report prepared by Désirée Guzzetta, Management Analyst II, Concessions Unit, Finance Division

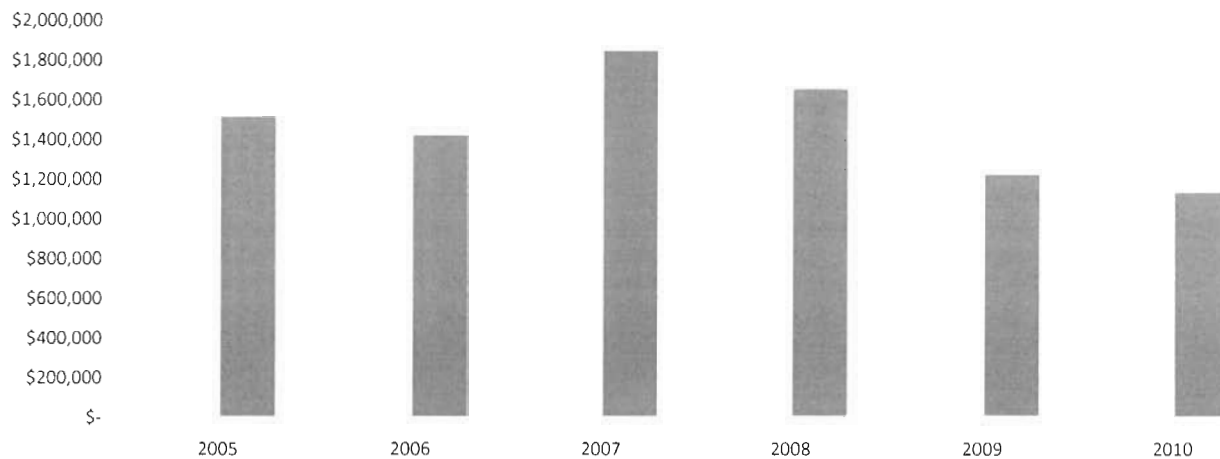
THE GREEK THEATRE CONCESSION

Concession Operator: Nederlander-Greek, Inc.
 Concession Agreement No: 245
 Term of Agreement: May 21, 2002 through October 31, 2011
 No. of Extensions: None
 Council District: 4
 Minimum Annual Rent Guarantee: \$1,200,000

GROSS REVENUE	2005	2006	2007	2008	2009	2010
Gate	\$ 13,728,982	\$ 12,815,764	\$ 14,982,326	\$ 14,205,951	\$ 11,225,985	\$ 9,999,296
Parking	\$ 897,232	\$ 842,636	\$ 1,478,510	\$ 1,211,210	\$ 950,463	\$ 938,216
Sponsorship	\$ 667,500	\$ 720,000	\$ 814,400	\$ 739,687	\$ 131,000	\$ 184,908
Food/Beverage	\$ 2,407,259	\$ 2,301,033	\$ 3,757,345	\$ 2,591,989	\$ 2,125,063	\$ 2,019,247
Merchandise	\$ 976,176	\$ 704,675	\$ -	\$ 633,358	\$ 484,301	\$ 449,469
Other	\$ 1,896,336	\$ 1,959,335	\$ 3,915,686	\$ 3,323,012	\$ 1,581,901	\$ 1,731,167
TOTAL	\$ 20,573,485	\$ 19,343,443	\$ 24,948,267	\$ 22,705,207	\$ 16,498,713	\$ 15,322,303



RENT TO CITY	2005	2006	2007	2008	2009	2010
Gate	\$ 1,098,319	\$ 1,025,261	\$ 1,198,586	\$ 1,136,476	\$ 898,079	\$ 799,944
Parking	\$ 53,834	\$ 50,558	\$ 88,711	\$ 72,673	\$ 57,028	\$ 56,293
Sponsorship	\$ 40,050	\$ 43,200	\$ 48,864	\$ 44,381	\$ 7,860	\$ 11,094
Food/Beverage	\$ 144,436	\$ 138,062	\$ 225,441	\$ 155,519	\$ 127,504	\$ 121,155
Merchandise	\$ 58,571	\$ 42,281	\$ -	\$ 38,001	\$ 29,058	\$ 26,968
Other	\$ 113,780	\$ 117,560	\$ 279,442	\$ 199,381	\$ 94,914	\$ 103,870
TOTAL	\$ 1,508,989	\$ 1,416,922	\$ 1,841,044	\$ 1,646,431	\$ 1,214,442	\$ 1,119,324



PERSONNEL DEPARTMENT CONTRACT REVIEW REPORT

1. Requesting Department: Department of Recreation and Parks

2. Contacts:

Department: Robert Morales Phone No. 818 243-6421 Fax No. 818 243-6451

CAO: Veronica Salumbides Phone No. 213 473-7561 Fax No. 213 473-7514

3. Work to be performed:

The Department of Recreation and Parks seeks services of a contractor for the operation and maintenance of the Greek Theatre in Griffith Park. The contract includes booking entertainment, food and beverage service, marketing, parking, and traffic control.

Is this a contract renewal? Yes No

4. Proposed length of contract: Three years
(Renewal) Start Date: January 2011

6. Proposed cost of contract (if known): \$3.6 million (3 year revenue generating estimate)

7. Name of proposed contractor: Nederlander-Greek, Inc.

8. Unique or special qualifications required to perform the work:

The contractor must have ability to book musical and cultural acts; be knowledge of 1) food and beverage concession; 2) County Health Department rules and regulations; 3) City ordinances, rules, and regulations; 4) entertainment industry, particularly concert tours; 5) hiring and training methods of staff, including ushers, parking lot attendants, and security; and 6) other incidental skills related to operating an entertainment venue.

9. Are there City employees that can perform the work being proposed for contracting?
Yes (*some of the work*) No

If yes,

Classification	Departments	List Expires
Building Repairer	Airports, Convention Center, DWP, GSD, Police, PW Sanitation, Recreation & Parks, Zoo	No List
Carpenter	Airports, Convention Center, DWP, Fire, GSD, Harbor, Police PW Sanitation, Recreation and Parks, Zoo	4/2/2011
Construction and Maintenance Supervisor	DWP, Harbor, PW Street Services, Recreation and Parks, Zoo	No list
Custodian	Various	1/22/2011
Electrician	Airports, Convention Center, DWP, GSD, Harbor, Police, PW Sanitation, Recreation & Parks, Zoo	No list
Gardener Caretaker	Various	Continuous

Maintenance and Construction Helper	Various	7/20/12
Painter	Airports, Convention Center, DWP, GSD, Harbor, Police, PW Sanitation, Recreation & Parks, Zoo	Reserve list through 2099
Park Services Attendant	Recreation & Parks, Zoo	6/30/15
Public Relations Specialist	Airports, Animal Service, Convention Center, DWP, Emergency Preparedness, Harbor, Library, Police, PW Sanitation, Zoo	3/23/10
Traffic Officer	Transportation	4/16/2011

If yes,

- Which class (es) and Department(s): See above.
- Is there sufficient Department staff available to perform the work? Yes No
- Is there a current eligible list for the class(es)? Yes No Expiration Date: see above.
- Estimated time to fill position(s) through CSC process? Unknown due to hiring freeze.
- Can the requesting department continue to employ staff hired for the project after project completion? Yes No
- Are there City employees currently performing some of the work? Yes No

10. Findings

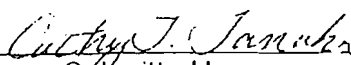
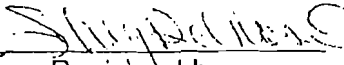
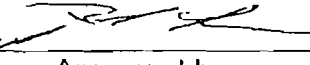
- City employees DO NOT have the expertise to perform the work
 City employees DO have the expertise to perform some of the work

Check if applicable (explanation attached) and send to CAO for further analysis

- Project of limited duration would have to layoff staff at end of project
 Time constraints require immediate staffing of project
 Work assignment exceeds staffing availability

SUMMARY:

The Department of Recreation and Parks seeks to renew a contract with Nederlander-Greek, Inc. for full-service concert booking, food and beverage concessions, and maintenance of the Greek Theatre in Griffith Park. There was not a 1022 Contract Review Report generated for the original contract. Staff has identified several City classifications that could perform some of the work such as property maintenance, public relations, and crowd and traffic control. However there are no City classifications that would provide expertise in booking musical or cultural shows or providing food and beverage concessions.

			<u>10/21/10</u>
Submitted by Cathy T. Tanaka Sr. Personnel Analyst I	Reviewed by Shelly Del Rosario Sr. Personnel Analyst II	Approved by Raul Lemus Chief Personnel Analyst	Date