



**Charlottesville Economic Development Authority (CEDA)
Meeting Minutes – April 10, 2018**

Members Present

Tara Boyd
Carolyn Shears
Adrian Felts
Ed Schmitz

Staff Present

Chris Engel
Kelly Bassett
Hollie Lee
Jason Ness

Others Present

Kirby Hutto, GM, Charlottesville Pavilion
Jack Horn, Martin Horn

A meeting of the Charlottesville Economic Development Authority occurred on Tuesday, April 10, 2018 in City Council Chambers. The chair, Ms. Boyd, called the meeting to order at 4:08 PM.

Ms. Boyd opened the public comment period and there being no comments from the public, she proceeded to the next agenda item.

Ms. Boyd called for a motion to approve the minutes from the March 13, 2018 meeting. Ms. Shears moved, seconded by Mr. Felts and all present voted aye. She then called for a motion to approve the Treasurer's Report from March 2018. Mr. Felts moved, seconded by Mr. Schmitz and all present voted aye.

Mr. Engel gave an overview of the history of the Pavilion. In 2004 the City entered an agreement with Charlottesville Pavilion LLC to lease the land under the pavilion, and entered into a loan agreement with the pavilion to assist with construction. CEDA serves as the landlord. The roof has lasted longer than expected, and is now in need of a replacement. Charlottesville Pavilion LLC is requesting an additional \$500,000 be added to the loan to help finance the cost of the \$1.5 million replacement.

Mr. Engel introduced Mr. Hutto of Charlottesville Pavilion LLC to address the economic impact of the pavilion and provide an overview of the replacement project. Mr. Hutto explained it was installed in 2005, and opened in July of that year. Modifications were necessary over the years and they dealt with things as they went along such as gutters and acoustic treatments. These improvements addressed a lot of community concerns, such as noise levels and sound quality. The main concern that they had not counted on was the grime that built up on the roof fabric mostly due to construction in the area. As a result, the fabric degraded over time.

There is a facility maintenance fund in the agreement that they initially hoped to use towards the replacement, but realized there were other items along the way needed to upgrade the facility to keep up with touring industry standards. As a result, these funds were depleted over the years to pay for backstage upgrades, rigging, etc.

Mr. Hutto then addressed the economic impact of the Pavilion. They average 110,000 patrons annually including all events. A 2012 economic impact study based on pavilion event attendees determined that the average patron spent \$27.49 for a total of \$3 million a year in spending downtown. In addition, \$380,000 was paid in city meals tax, so a significant amount of money coming back to City as well. For ticketed concerts and events, 35-55% patrons are from out of the Central Virginia region. Some push up to 55% if the artist does not play in other areas nearby, driving hotel traffic, etc. Before 2005, patrons would have to travel out of the area and take their money to other areas, since 2005, JPJ, the Paramount, Jefferson Theater, and the Pavilion now keep local money here and draw from adjoining markets.

The venue is also used for many community events. It provides a large covered space and experienced staff with the skills to host large scale events. They also staff volunteers from local nonprofit groups and the nonprofit is paid an hourly rate. Local nonprofits have made over \$56,000 from volunteering at Pavilion events. Annually, they host the Benefit for Charlottesville Free Clinic which has raised over \$1.5 million in funds since the Pavilion opened.

In addition, the Pride fest and Monticello Wine Trail event have both moved into the Pavilion, bringing traffic back downtown. It is also available for small scale nonprofit event as well as annual events for private companies. CFA, S&P and Nest Realty have all taken advantage of the Pavilion since there is no other venue on this scale in the area.

Mr. Hutto explained that the roof had reached the end of its useful life. Three different architecture firms have provided opinions. The original firm, FTL no longer exists. They have met twice onsite with Dunn, a company based in Mexico but that does work around the world, even worked on a project in Ruckersville. The bid they gave was the lowest, and fully integrated. They can handle the entire process of the panels, fabric, insulation, and future maintenance. All three bids recommended the fabric from the original source, Surge Ferrari. They hope they can use the higher end product, which is a bit heavier duty with a 20-year lifespan. They plan on using the same design structure so they have to be sure the heavier fabric can still pass the engineering study as they do not want to change the design.

They can redesign the acoustic treatments to be more integrated and less piecemeal. It is currently functional, but new one should be more attractive. Proposal from Duhn includes maintenance and cleaning which they have learned is necessary due to the environment. They want to stay ahead of dirt and grime to maintain the integrity of fabric. They hope to order the fabric as soon as possible, so they can get on the Ferrari manufacturing schedule to have it shipped here by October so Martin Horn can remove the old one on November 1 and have the project completed by March 31, 2019. It is ambitious but doable as long as weather cooperates. Their current budget for the project is \$1.5 million and they have requested that CEDA consider financing one third of the cost.

Mr. Felts asked if maintenance is included, to which Mr. Hutto explained the first year was included. Since the company already maintains the structure in Ruckersville he thinks it would be easy for them to maintain the Pavilion on the same trip. It is important to have the annual evaluation, cleaning and tensioning to ensure there is no chance of potential failure. Ms. Shears asked to confirm that if the new roof is guaranteed for 20 years, that the loan will be paid off by then. Mr. Engel said that the original lease expires in 2034, and the additional funds on the loan would only add another 4 years, until 2026. The current loan has a personal guarantee.

When asked how they plan to fund the remainder of the cost, Mr. Hutto said that the CFO prefers to pay it off with additional financing. He explained that their business is very cyclical dependent on the artists they get. We are small venue in a small market, and

are lucky to have strong connections to the music industry and as a result larger artists are willing to consider it, but every year is still a challenge. He said that the venue is earning its own name though, most tour managers have been here before and know the staff, catering, and hospitality are top of line. The downtown mall scene helps them versus other venues in rural areas. Many of the tour groups stay at Omni, taking up 20-50 hotel rooms due to the convenient location.

Ms. Boyd asked if the maintenance fund contributions will need to increase. Mr. Engel replied that the contribution to the maintenance fund should stay same, based on the attendee rate. Mr. Hutto explained that they don't see needing additional ongoing improvements now that they already have the rigging grid in place and the updated backstage area. Those improvements were made to guarantee acts they wanted and they have worked.

Mr. Engel said the working cash balance is a little over \$1.6 million, so funds are available to add the additional principal to the loan. He would like to get a sense of the board's interest before engaging the attorney to structure the paperwork for the loan. Mr. Felts said he believed the Pavilion to be a cultural and fiscal asset to community and since CEDA has the resources it's worth it to proceed. Mr. Schmitz agreed. Mr. Engel explained that the current interest rate of 3.7% on the loan is still fair at this time based on municipal borrowing rates. The minimum guaranteed payments are in place and the furthest out it would go would be to 2026 with the lease expiring in 2034.

Ms. Boyd asked how the money will be disbursed, and Mr. Engel explained it would be done on a reimbursement basis as it was done previously. Mr. Engel stated that given the consensus on the board to move forward he will have the note drawn up and brought to the board for approval at the next meeting.

Mr. Engel then mentioned the Real Estate analysis is moving forward, and that staff just completed a kick-off call with the consultant HR&A. He then mentioned that the CBIC Awards Gala will be taking place in May and that the board members will receive an invitation soon.

There being no further business, Ms. Boyd called for a motion to adjourn the meeting. Mr. Felts moved, seconded by Mr. Schmitz and all present voted aye. Ms. Boyd adjourned the meeting at 4:49 PM.


Chris Engel, Secretary

4/20/18
Date

5/8/18
Date Approved by CEDA