

Special Called Meeting of the Sandy Springs City Council was held on Tuesday, October 21, 2014, at 9:00 a.m., Mayor Rusty Paul presiding.

Councilmembers and Staff in attendance

Councilmembers present: Councilman John Paulson, Councilman Ken Dishman, Councilman Graham McDonald, Councilman Gabriel Sterling, Councilman Tibby DeJulio, and Councilman Andy Bauman.

Staff in attendance: City Manager John McDonough, Assistant City Manager Bryant Poole, Executive Assistant Raquel Gonzalez, Communications Director Sharon Kraun, and City Clerk Michael Casey.

Consultants in attendance: Rick Davis, Executive Director of Hylton Performing Arts Center; Mike Wooley, Partner with Venue Solutions Group; Tom Williams, Partner with Venue Solutions Group; George Bushey, Design Director for Rosser International, and Ed Arenius, Associate Principal with ARUP.

1. Performing Arts Center (PAC) Programming and Design for the City Center

City Manager John McDonough presented slides 1 – 4 from the PowerPoint presentation.

George Bushey, Design Director for Rosser International, presented slides 5 – 11 from the PowerPoint presentation.

Rick Davis, Executive Director of the Hylton Performing Arts Center, presented slides 12 – 38 from the PowerPoint presentation.

Mr. Davis stated that 269 surveys were received from the public at the charrette.

Councilman Tibby DeJulio asked about the wall calendar exercise and how accurate were the results.

Mr. Davis stated the results were accurate. The results were based on the individuals in the room responding and the events or programs they would like to hold at the facility.

Councilman DeJulio asked if the organizations provided information on how many attendees they were expecting. For example, at a ballet recital did they say how many they were expecting or was that information just left blank.

Mr. Davis stated that information was not given, but staff did request the questionnaires that included the minimum and maximum number of attendees.

Councilman Graham McDonald asked to be provided an entire list of all the groups that participated in the charrettes. He also inquired about those that stated the 1,200 to 1,350 seat size would be more useful.

Councilman DeJulio asked who will use the meeting space besides the Council.

Mr. Bushey stated the small meeting facility will be utilized by the community.

Councilman DeJulio stated he wants to be sure the meeting space has dressing rooms and rehearsal rooms.

Councilman John Paulson stated a previous cost sheet states that a B+ project cost for 800 seats is approximately \$35 million and for 1,000 seats the cost is about \$38 million. The cost increase was about 25%. The larger seating capacity gives the City more options. The City was advised to not provide too little support space, such as rehearsal space.

Councilman Andy Bauman stated the rationale for more seats is because you think there will be more users and due to the economics of the "sell outs". Some of the shows will be sold out. For those users that do not sell out, there is a concern about the rent amount being charged. The trend in stadiums is for a smaller facility, but to create a more private and premium experience. The City does have limited resources. He fully endorses the other uses of the facility with back of house space, rooms for education programs such as summer camps, and senior programming. If the City decides to compromise anything related to the space, it should be more community oriented. If the seating numbers are increased from 1,000, he wants to be sure the City has the money for all the other suggested programs.

Councilman McDonald asked Mr. Davis about the success of this facility being located under City Hall.

Mr. Davis stated placing an arts facility in the middle of City Hall should be done carefully.

Councilman Gabriel Sterling stated there will be two facilities, one for City Hall and one for the performing arts center.

Mr. Bushey stated the plan is for both buildings to be connected.

Councilman Paulson asked how long did it take for the Hylton Center to reach its desired fiscal potential.

Mr. Davis stated their target for performance is to have zero balance at the end of the year. The center has met this every year for five years. They have various revenue streams that include ticket sales, rental income, fundraising, and the university.

Councilman Paulson asked what the Hylton Center's deficit was last year.

Mr. Davis responded about \$350,000.

Councilman Bauman asked what shortcomings in the design of the Hylton Center would Mr. Davis like the Council to know in regards to building the City facility.

Mr. Davis stated the lobby has an apex shape and when there is a long line at the box office traffic flow stops.

Councilman McDonald asked what it cost to build the Hylton Center.

Mr. Davis responded \$42 million.

Councilman Paulson asked on how many days are events held each year.

Mr. Davis stated he does not have that information on hand.

Councilman DeJulio asked if there is a way to tell how to get the maximum utilization out of the facility.

Mr. Davis stated a pro forma would be used as well as a mock business plan.

City Manager McDonough stated the City is looking at all options in order to minimize risk.

Councilman Bauman asked Mr. Davis if the City has a multiuse building with 1,000 seats, will that size deliver a sufficient acoustical experience.

Mr. Bushey stated 1,000 seats may be acoustically good, but there will need to be enough volume in the facility to get there.

City Manager McDonough stated the experts cannot pinpoint the exact right number of seats the facility should have.

Councilman Sterling stated it will be some time before a final decision is made on the number of seats. He would rather the City have the most flexibility and have between 1,000 and 1,200 seats.

Councilman DeJulio asked when will Council have a recommended number of seats and when will they be able to make more decisions.

Mr. Bushey stated currently it is known that 1,050 seats will be able to fit.

Councilman DeJulio asked when will Council know if more than 1,050 seats can fit in the facility. He is not sure how Council can make a decision without the exact information.

City Manager McDonough stated the purpose of this meeting is to receive guidance from Council. The recommendations are for the design. If Council endorses the designs, the experts will try to incorporate these designs. This is only one component of the overall plan. Other items to be considered include parking, roads, office buildings, and meeting space.

Enis Parker, Ga Tech / City Center Consultant, stated staff is in the process of selecting a construction manager for the project. That will not happen until early next year. The cost will be different once the construction manager is working for the City. The first thing the contractor will do is price the project and tell staff if the plan is reasonable or not. Once that is done, then Council can respond to that. The City's revenue and pro forma will be the driver for this project.

Mayor Rusty Paul asked if Council is comfortable with the current design recommendations in order for the team of experts to see what can be done and bring it back to Council.

Mayor Paul led the discussion for slides 39 – 42 from the PowerPoint presentation.

Councilman McDonald asked what Johnson Consulting stated about the seat number range.

Mayor Paul stated they suggested 800 – 1,000 seats.

Councilman McDonald asked what the difference is between the results from Johnson Consulting and what this team of experts focused on.

Mayor Paul stated Johnson Consulting was looking at the project from an economics perspective.

Councilman Bauman stated he would suggest the number of seats be up to 1,350.

There was a consensus of Council to move forward with the suggested recommendations and that the seat number be up to 1,350.

Mr. Davis presented pages 43 – 45 of the PowerPoint presentation.

Councilman Bauman asked how important is allowing the major donors of the project to feel part of the design process.

Mr. Davis stated there are two major donors to the Hylton Center who sit on their board and another major donor who chose not to sit on the board.

Councilman Bauman asked if the donors were involved in the decision making on the project.

Mr. Davis stated one of the donors was a consultant in the design process.

Tom Williams, Venue Solution Group, presented slides 46 – 108 from the PowerPoint presentation.

Councilman DeJulio stated the City needs to address the capital funding as soon as possible. If the City goes to individuals and businesses to ask for a capital contribution to offset the cost the City will be paying, there will be a lot of push back received. If the City goes to individuals and businesses and states an endowment for the arts will be set up to run the facility as a 501(c) (3) there will be a lot more of buy in for that. The reason to work fast is because right now there is a rule with the IRS that says anyone can take money out of their retirement account and not pay taxes on it if they donate it to a 501(c) (3). Most people will not make a donation to something like this from their own personal bank account, but more likely from their IRA. That IRS rule will expire December 31, 2014 and so far the rule has not been extended for next year.

City Manager McDonough stated this facility is predicated on \$15 million in private donations or otherwise the budget will not be met. That amount was built into the budget that was adopted.

Councilman Bauman stated he has a concern about the core policy issues that could impact the PAC. If the facility is made a corporate use facility to rent, one might feel differently about the PAC. However, if another avenue to break even is going to be from the ongoing endowments, he could see resistance to making that contribution. He hopes that the community will step up and assist with the costs of the facility.

Mayor Paul stated these are policy issues that will need to be dealt with. The person contributing money to the facility will want to have a lot of input and Council has to consider that moving forward.

Councilman Bauman stated there may be a possibility for a government subsidy for this venue for the foreseeable future.

Mayor Paul stated this exercise is to get Council to consider what the options are, what the policy choices are, and how the Councilmembers feel about it while getting constituent feedback.

Councilman Bauman stated this facility and its programs should be cutting edge. He does not want to be making the qualitative judgments as to the level of programming it will take to meet the needs of the community.

Councilman Sterling stated Council wants the facility to be world class with a good management company.

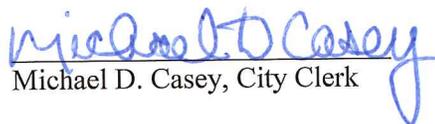
Councilman McDonald stated this facility is being built for the community. It has to satisfy the community needs in order to be built in the first place.

There being no further discussion, the meeting adjourned at 1:30 p.m.

Date Approved: November 4, 2014



Russell K. Paul, Mayor



Michael D. Casey, City Clerk

**SANDY SPRINGS CITY COUNCIL
SPECIAL CALLED RETREAT**

Performing Arts Center Programming

October 21, 2014

Purpose

- To provide Council with a range of additional information to assist you in making an informed decision regarding:
 - Mission statement and measures of success
 - Direction for design team on principles for design for the PAC
 - Consideration of management operations for the facility

History: Milestones

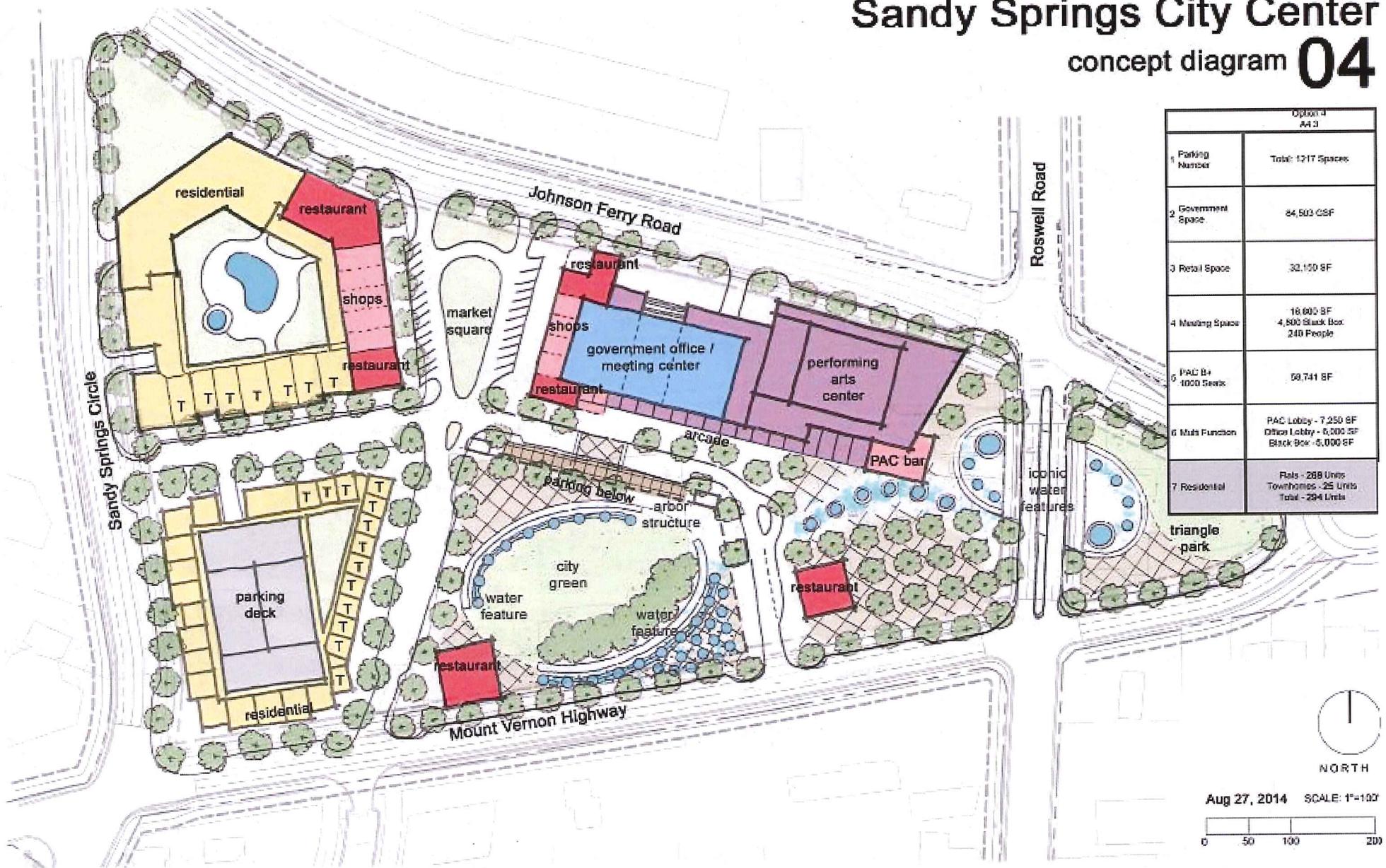
- **2012:** Master Planning Process with Goody Clancy
 - Plan adopted December 2012
- **January 2013:** City Council approves Implementation Phase I plan
 - Land Acquisition, Infrastructure, Public Facility Needs and Project Management
- **March 2014:** Rosser International selected as architect
- **April 2014:** jB+a selected as landscape architect
- **June 2014:** Carter/Selig Enterprises selected as proposed Master Developer
- **July 9 & July 23, 2014:** Special Called City Council Meetings regarding feasibility of a Performing Arts Center (Johnson Consulting Study)
- **July 24, 2014:** Public Open House regarding feasibility of a Performing Arts Center
 - City launches online feedback form

History: Milestones Continued

- **August 19, 2014:** City launches online survey regarding retail wish list for City Center
- **August 27, 2014:** Special Called City Council Meeting regarding performing arts center and meeting space
- **September 2, 2014:** City Council unanimously approves a site development plan and project budget for City Center
- **October 7, 2014:** City hosts series of charrettes on PAC programming
 - Arts & education
 - Civic and business
 - Mayor's panel participate

SANDY SPRINGS CITY CENTER

Sandy Springs City Center concept diagram 04

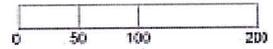


Option 4 A43	
1 Parking Number	Total: 1217 Spaces
2 Government Space	84,503 CSF
3 Retail Space	32,150 SF
4 Meeting Space	18,600 SF 4,800 Stack Box 240 People
5 PAC Bar 1000 Seats	59,741 SF
6 Multi Function	PAC Lobby - 7,250 SF Office Lobby - 6,300 SF Black Box - 6,000 SF
7 Residential	Fels - 288 Units Townhomes - 25 Units Total - 314 Units



NORTH

Aug 27, 2014 SCALE: 1"=100'



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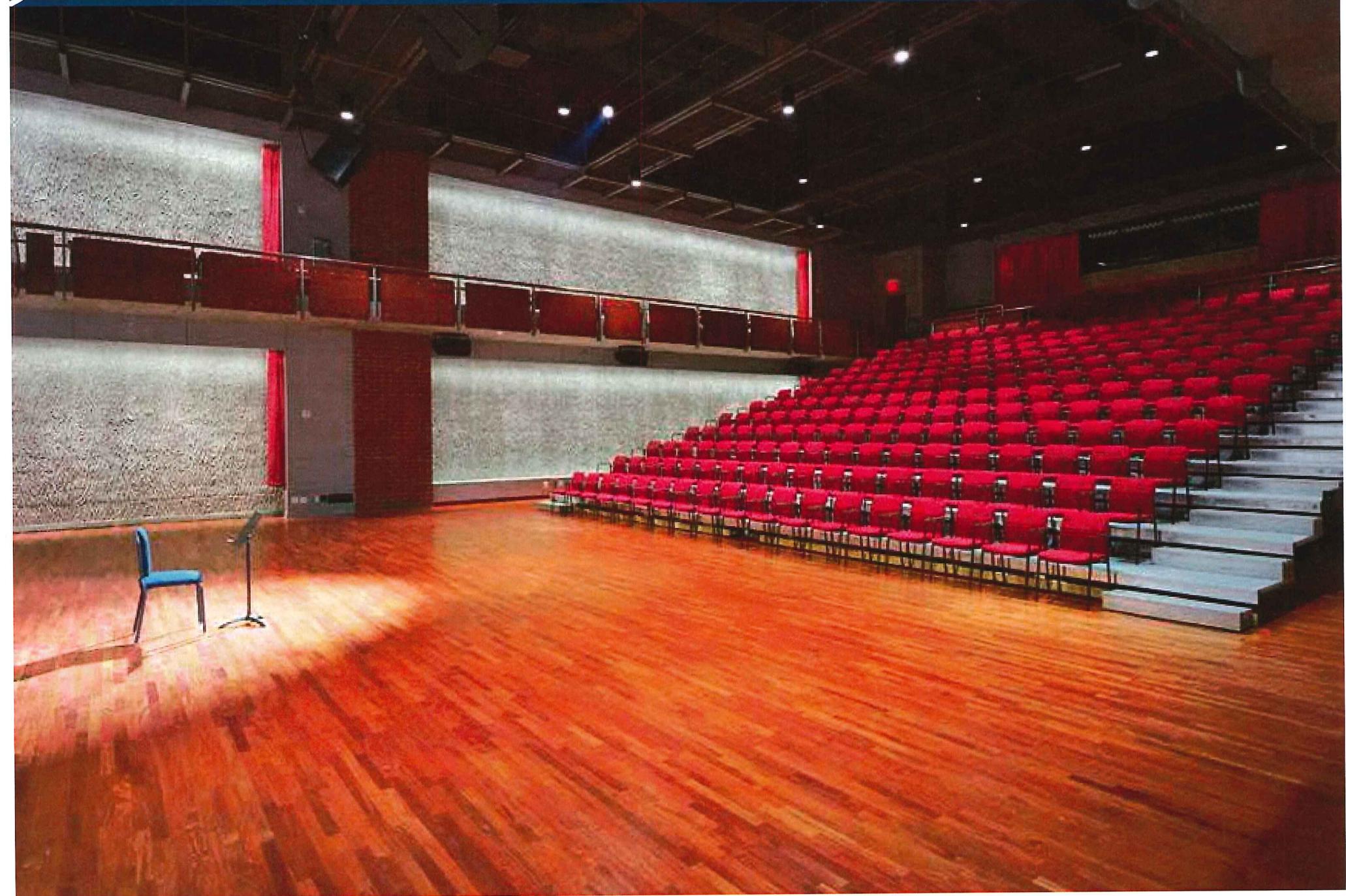
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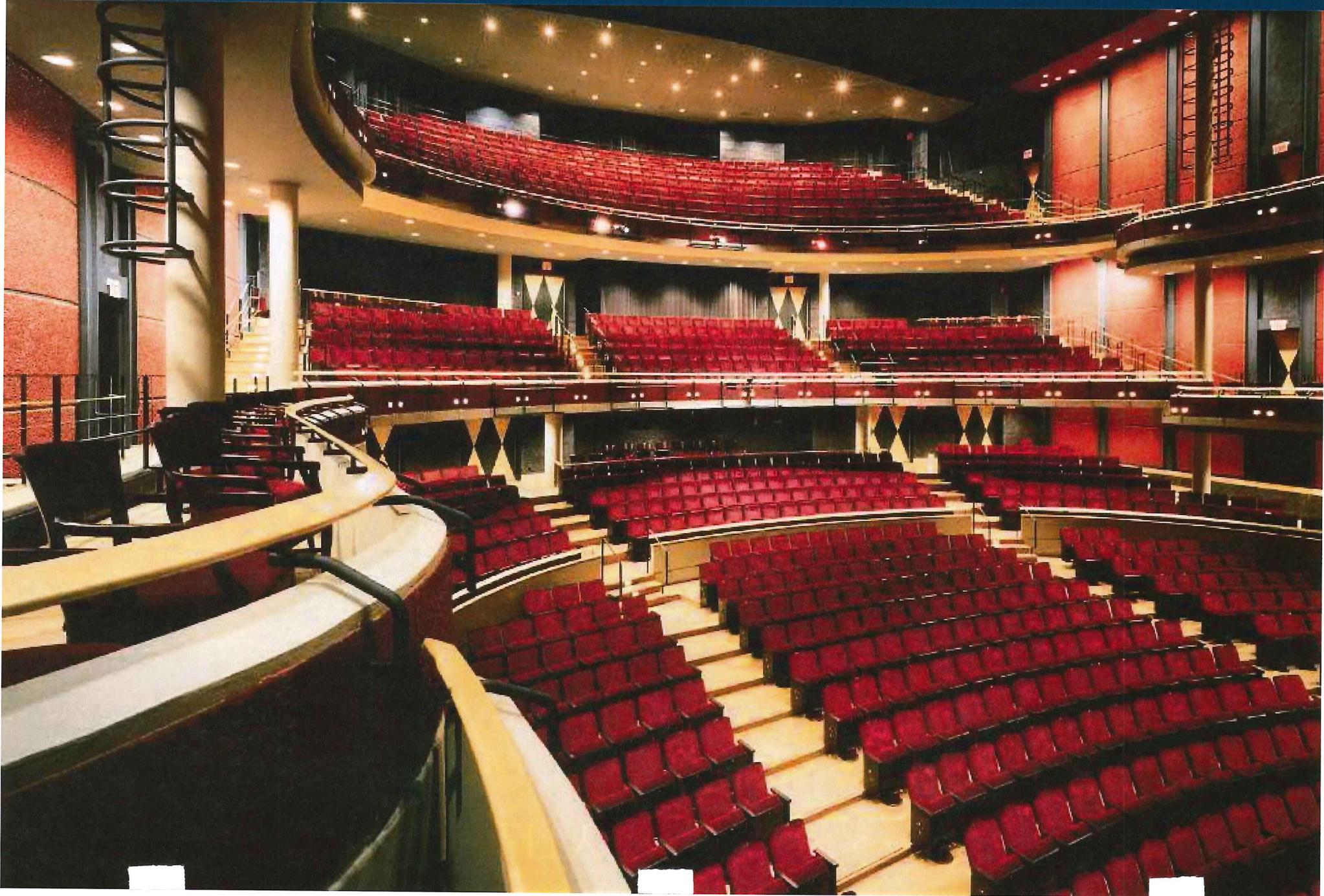
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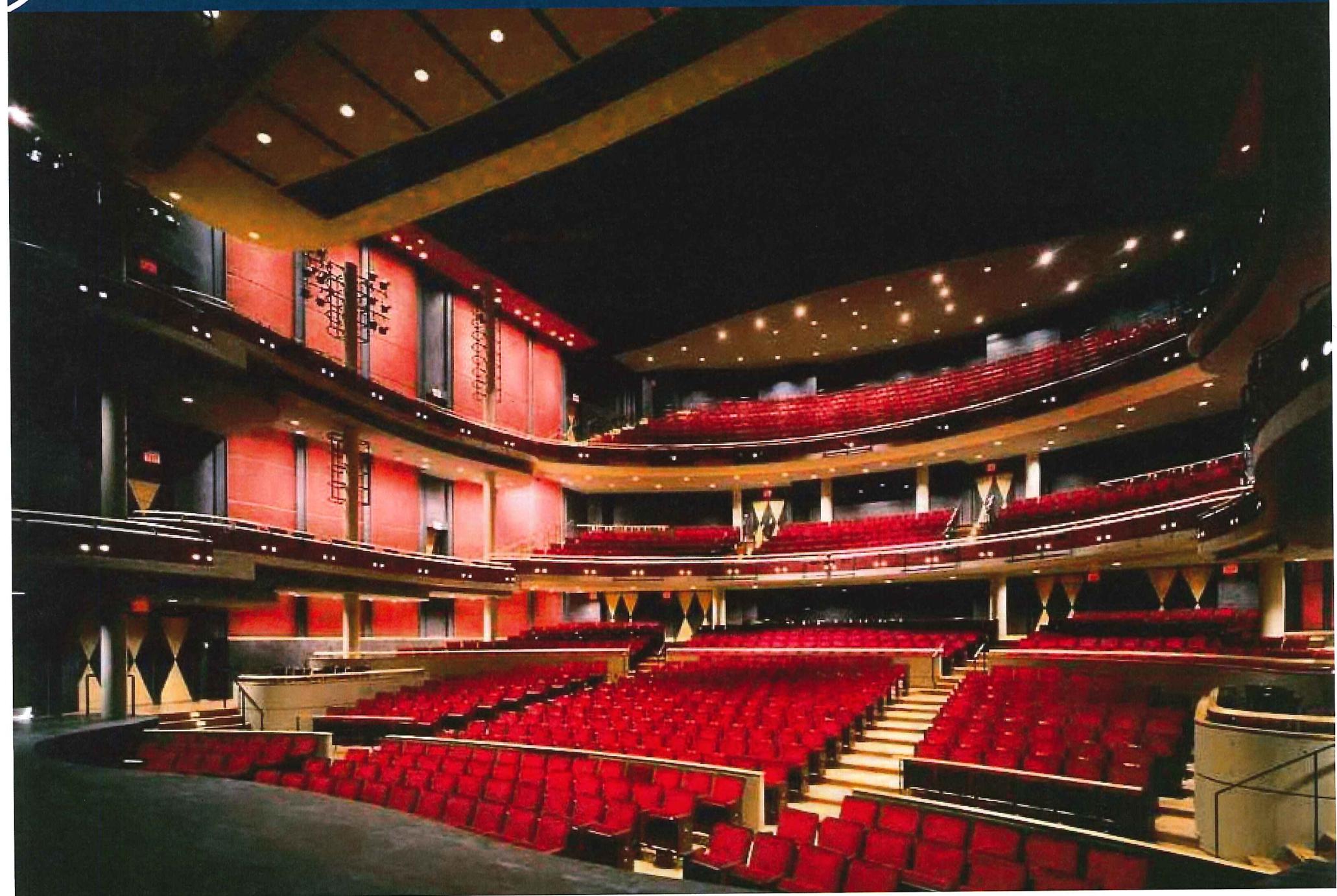
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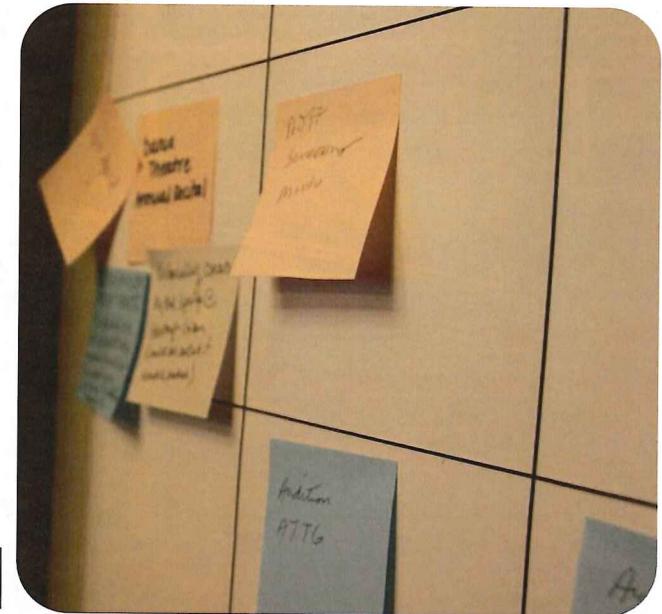


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Why We Held the Oct 7 Charrette

- Engage with potential users
- Draw upon their expertise to assist with developing informed set of decisions
- Get a stronger sense of potential programming
- To assist in the development of a mission statement and supporting objectives



Target Groups

- **Target Groups** (representing 26 organizations)
 - Artistic and cultural community
 - Members of business and civic community
 - Mayor's Arts Advisory Group



Panel of Experts

- Rick Davis, Executive Director
Hylton Performing Arts Center
- Mike Wooley, Partner
Venue Solutions Group
- Tom Williams, Partner
Venue Solutions Group
- Ed Arenius, Associate Principal
ARUP
- George Bushey, Design Director
Rosser International, Inc.

SANDY SPRINGS CITY CENTER



Rick Davis
Executive Director,
Hylton Performing Arts Center

Overview of Charrette

What took place

- Q & A on:
 - Each organization's mission and vision
 - Interest in access to a new facility
 - Potential growth for the organizations when PAC available
- Sticky Note calendar exercise
- Discussion on needed amenities to cater to variety of groups
- Discussion on lessons learned from experiences with other facilities



Other Considerations

- Prior conceptual design and programming work
- Demographic trends
- Charrette participant feedback
- Public survey data
- Conversations with other metro area arts leaders
- Input from planning team
- Consultant's professional experience managing arts facilities, including one with similar scope

Demographic Trends

- Nationally: almost 50% of adults attended at least one performing or visual arts activity in 2012
- Greater percentage took part in “Art-Making and Art Sharing” i.e. participatory activities
- While economic challenges caused some erosion, sector is showing signs of recent recovery

Demographic Trends Continued

- Nationally, above age 55, attendance increases
 - Also impacts accessibility considerations from parking to seating to provision of devices for hearing/visually impaired
- PAC should embrace diversity in program options and foster an atmosphere of inclusion
- No substantial statistical data, but experience also suggests creation of vibrant arts & entertainment profile may serve to attract younger visitors and residents, with implications for programming

Charrette Feedback

- Input clearly demonstrates confidence in the idea of a PAC associated with City Center

“[the PAC will] give Sandy Springs the cultural identity it has been searching to obtain”

“Sandy Springs pride in offering our community events to build common experiences”

“a gathering place for every member of the community...communities flourish where art flourishes”

“creating a sense of place”

“We mingle with others from our community and feel connected to something larger than ourselves”

Charrette Feedback

- The business community feedback was consistent with those representing the arts
 - “People want to live and work where the arts are readily accessible”**
 - “arts help recruit business”**
 - “a selling point for the City’s business endeavors”**

Current Challenges Participants Face

Finding convenient, appropriate and cost effective venues

Venues where alcohol and food can be served (aids in fundraising)

Venues within reasonable distance and costs

Space! Large enough to handle audiences at 1,000 +

Inadequate event parking

Theatre space to expand programming

Lack of meeting and event space within the City

Wish List Participants Provided

Excellent sound quality

Venue where dance recital can be held

**Make hall adjustable with moving baffles,
curtain walls, etc.**

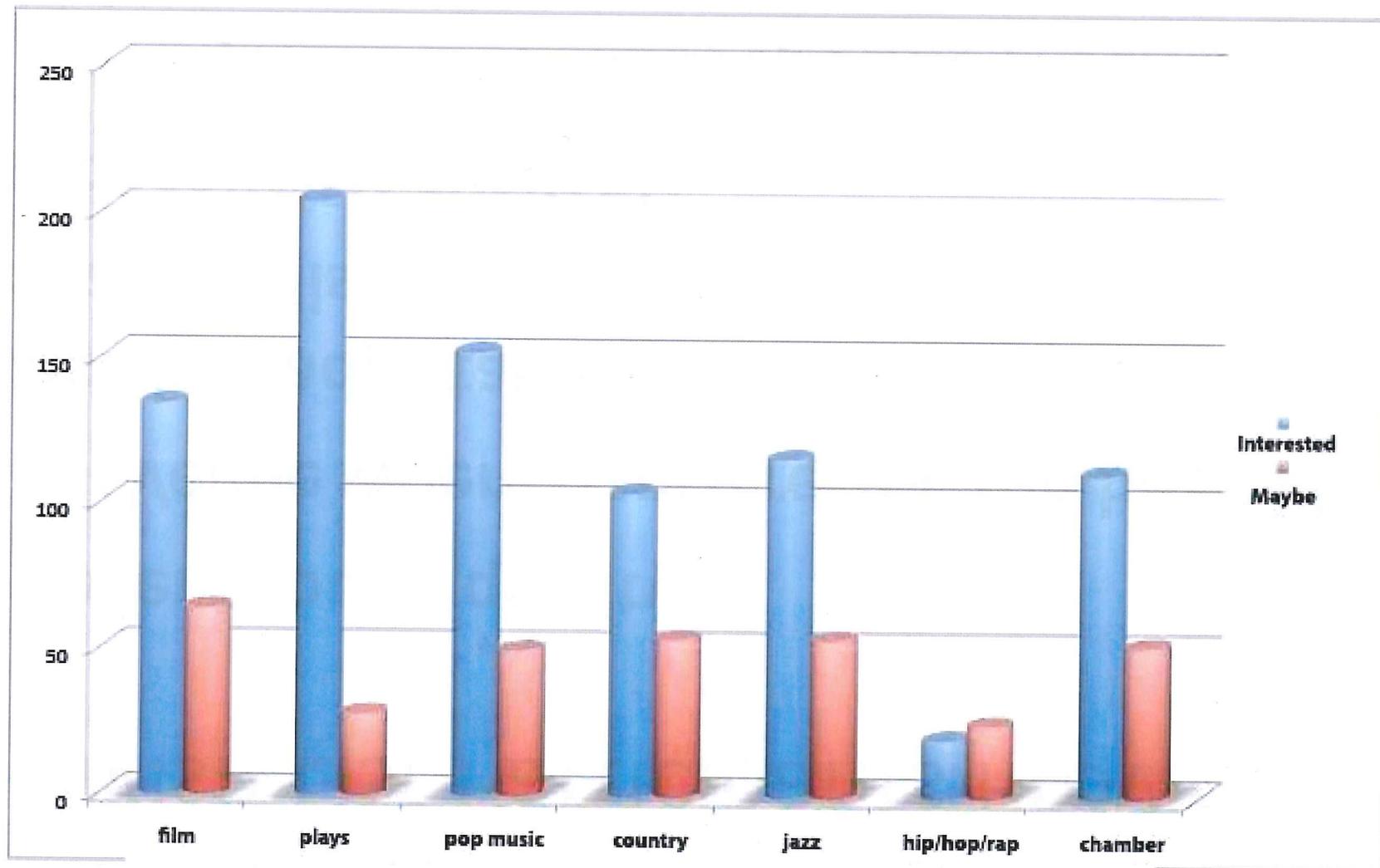
Best acoustics available

**Adjustable to meet specific ensemble
needs**

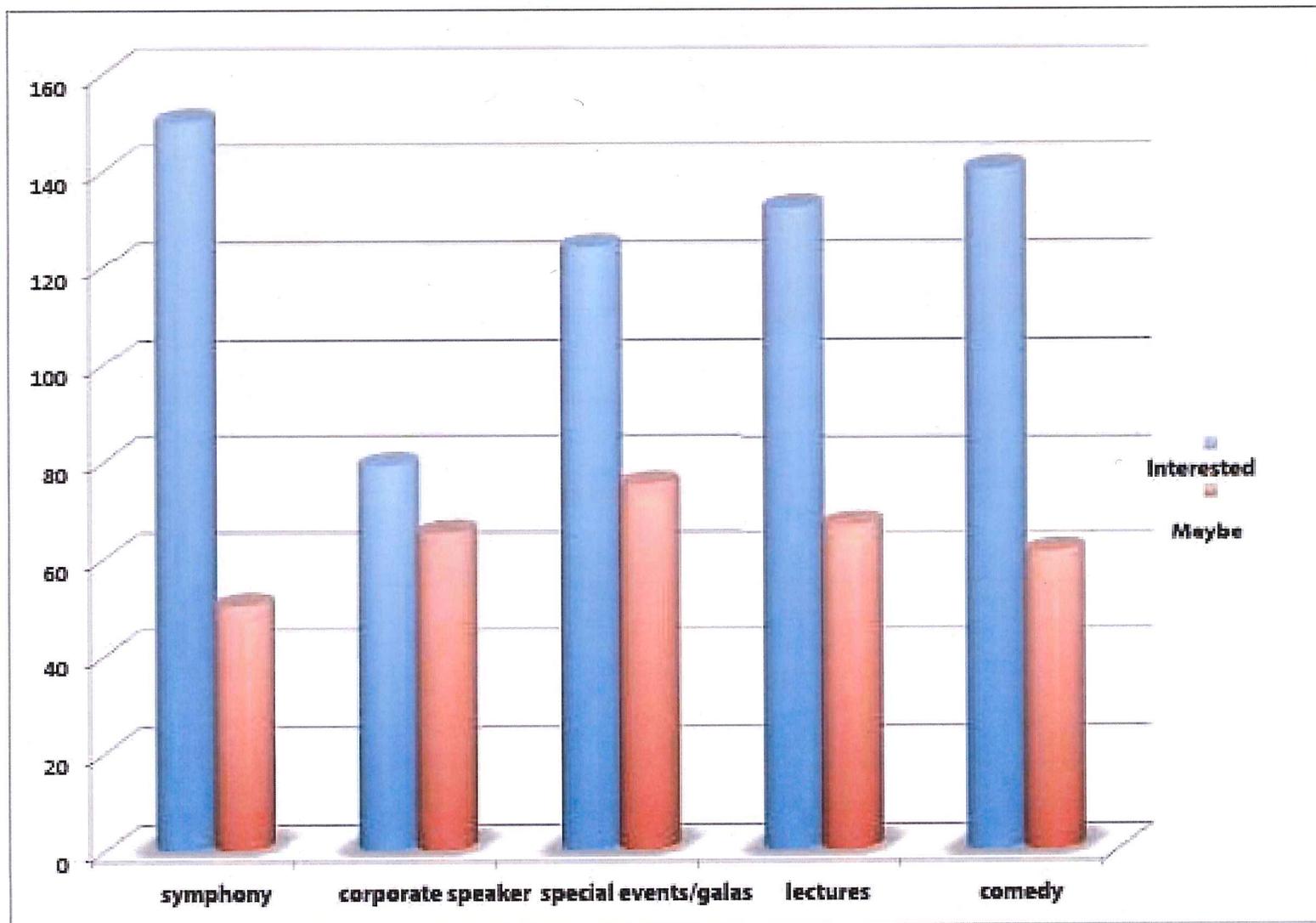
Orchestra pit for live music

Advance technology: sound, screens, lighting

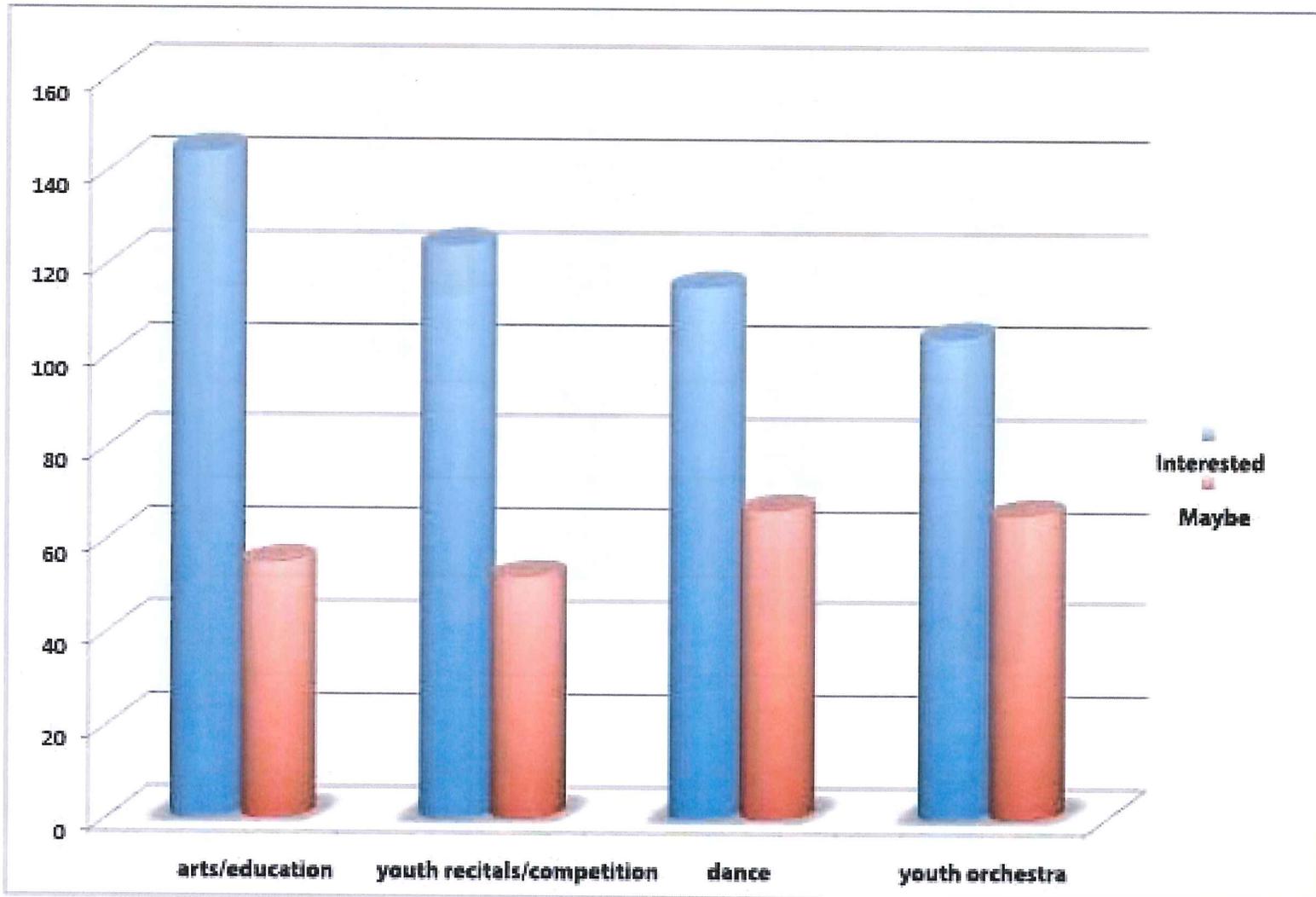
PAC Community Survey Results



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PAC Survey – Other Activities

- Art Gallery
- Youth Drama Productions
- Graduations
- Civic Group Meetings
- Big Band Dancing
- Holiday Parties
- Girl/Boy Scout Meetings
- Choral Groups
- Movie Series
- Networking Events
- Weekend Long Events
- Weddings
- Magic Shows
- Political Debates/Forums
- Folk Music
- Puppet Theatre
- TED Talks

PAC Survey – Ideas & Suggestions

- Fundraising events
- STEM Educational Opportunities
- School performances
- Home for the ASO
- Think Local
- Food and Wine Festival
- Cultural Events
- Children's Theater
- Fine Art Gallery
- Flexible
- Music Festival
- Meeting Space for HOA's and local groups
- Indoor/Outdoor Festivals
- Avant-garde Theater
- Live telecasts of events such as NYC Opera
- Fiddle Contest



Sticky Note Exercise

- More than 400 calendar requests for space on more than 280 days of the year
 - Users expressed needs for several kinds of space and on several scales
 - Users noted ensemble sizes from solo to several hundred
 - Certain times of month/year attracted competing space request, signaling both demand and need for a scheduling policy
-

Sticky Note continued

- Users requested significant space for community festivals and meetings
- Arts education a significant component of PAC's usage



SANDY SPRINGS CITY CENTER



Mission & Vision (working draft)

- Vision
 - The Performing Arts Center will become a primary focal point for Sandy Springs, a creative commons where residents feel at home and visitors are welcome. The Center will serve as a gathering place for artists, audiences, students of all ages, businesses and community groups, providing a place to build community and empower dreams to take flight
- Mission
 - To enhance the quality of life of the Sandy Springs community by providing diverse arts, entertainment, educational, business and civic opportunities



Objectives

- Provide a public gathering place that strengthens community
- Provide a home for local and regional arts organizations in which to showcase their work
- Present a broad variety of programming of the highest quality
- Serves as catalyst for economic development and cultural tourism
- Operates in fiscally sound manner to ensure future sustainability

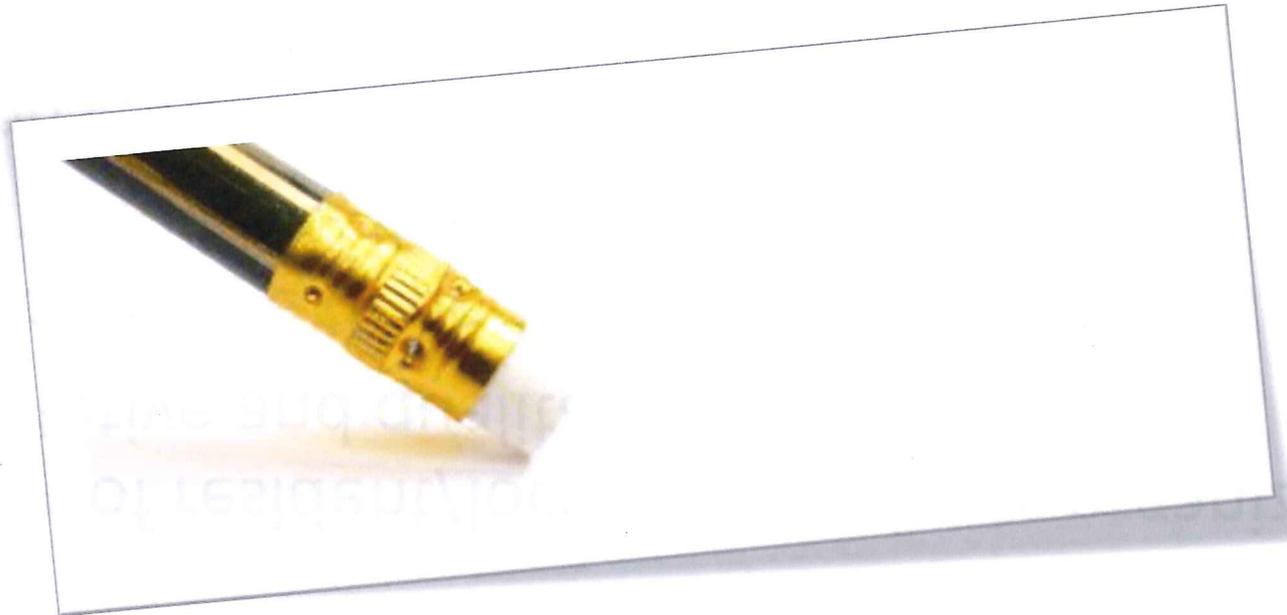
Measures of Success: Direct

- Attendance at resident/local/regional arts organizations events (Includes visual and performing arts)
- Attendance at presented or produced events. (Includes visual and performing arts)
- Usage by corporate and civic organizations: number of days, foot traffic, income
- Usage by educational organizations
- Fiscal performance against targets

Measures of Success: Indirect

- Growth of resident/local/regional arts organizations: quantitative and qualitative
- Press coverage of performances, exhibitions, the City, and the building itself
- Response to regular audience survey instruments, qualitative and quantitative
- Trends in regional economic development: show links to PAC where plausible
- Data on citizen and external perception of Sandy Springs (anecdotes, correspondence, press, etc.) where presence of PAC might be relevant

Design Recommendations



Design Recommendations

- Iconic exterior and interior design **capturing essence of city**, both historical and forward-looking- serves as identifying anchor
- Spacious, welcoming lobby; **capable of serving** as an event space
- Lobby and/or other areas should be capable of displaying **2D,3D and digital visual** artworks
- Adjacencies and flow between performance halls, lobby and rehearsal/meeting rooms should allow for large-scale **connected uses** as well as simultaneous events

Design Recommendations

- Large and small spaces need to be **acoustically isolated** to create quiet canvases for performers to play on
- Both halls should have adequate in-house **lighting equipment** for maintaining a “repertory plot” to serve most needs
- Back-of-house & technical spaces with **efficiencies of sharing** spaces
- Dressing, ‘green’ and assembly/warm-up spaces (rooms) At least one rehearsal room **for each hall** with sprung stage floor installations for dance



Design Recommendations – Large Hall

- Seating capacity of **1,200 – 1,350 seats**, based on scale of production and audience size estimate from user groups
- Stage spaces of 4,500 sf; proscenium, orchestra pit for 30-40 players and grid height 70'+
- Seating configuration such that an audience of 350-400 fills center (main floor feels “full”), with **capacity to darken empty areas to create intimacy**
- Attention to **sightlines / feeling of intimacy**

Design Recommendations: Large Hall

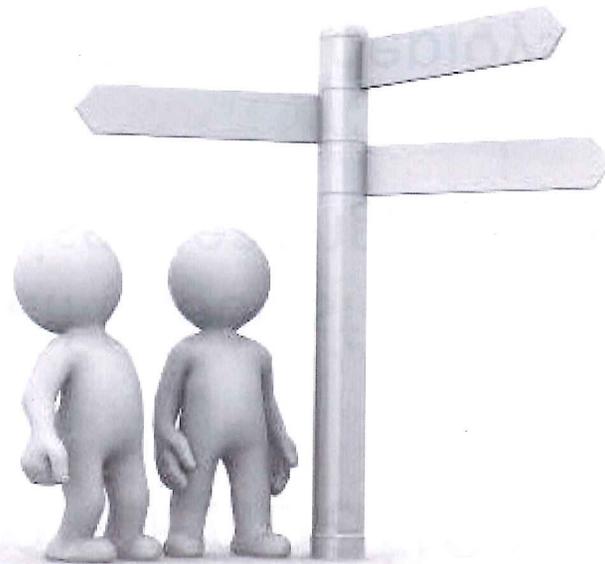
- Partial flat floor/**removable seating area** (to include orchestra pit at floor level) for cabaret tables, dancing and special events
- Attractive **orchestra shell** capable of full/half stage formats
- **Adjustable acoustics**, using mechanical and/or electronic systems
- In-house **sound reinforcement** suitable for large-scale as well as smaller works, but also ability to load in and take out a medium sized touring sound rig



Design Recommendations – Small Hall

- A small, **flexible hall** (5,000 sf-75 x 65 foot stage area) to accommodate riser seating, seated dinner or standing reception
- **End-stage riser seating** that deploys automatically, including seat backs
- Floor-to-grid height of 24' at minimum, with room to stand above and allow some theatrical rigging
- With view on arts education / camp activities, provisions for rehearsal halls and meeting rooms which can be used as **classrooms/teaching studios**, including instructional technology and safety/security considerations

Discussion and Decision



Governance Recommendations

- Best designed PAC is only as effective as its governance and operational management structures allow it to be
- Advisory Council or Board to help set goals, targets and guidelines (not implement day-to-day). Policy questions to consider:
 - Resident Company/Partner program
 - Appropriate balance of presented, produced, rental and other events
- Capability for independent fundraising

Management Options



City Center Update

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PURPOSE

Venue Solutions Group (VSG) has been engaged by the City of Sandy Springs, Georgia to identify and describe potential management options for a new multi-purpose venue being constructed as part of the Sandy Springs City Center. The facility encompasses a performing arts center, black box theater, meeting space, and government offices. There is also a subterranean parking structure that can accommodate approximately 1,100 vehicles, outdoor spaces, as well as a retail component. For ease of identification, the venue, parking garage, and associated outdoor space will be collectively referred to as "City Center" throughout this report. As directed by the City, the management options we identify and recommend do not take into account the retail aspect of the project. As of the production date of this report, we acknowledge there are considerations to add floors to the office space that would be available to local businesses for lease. Our report assumes that only government employees and contractors will maintain offices at City Center.

Based on our research related to the City's current management structure, the interest from the local arts and business community, and the strengths and challenges of third party management options, VSG has been tasked with providing a recommendation to the city that would yield maximum benefit of operations for City Center.

In addition, VSG has been asked to provide sample Request for Qualifications/Request for Proposal documents that could be used if and when the City decides to utilize third party management for the City Center.

Please note that throughout this report, there are numerous references to two (2) types of management firms. They are:

1. Private Management Company. This type of organization is a non-governmental entity that provides venue management services for public assembly facilities – theaters, arenas, stadiums, convention centers, etc. It could be either for-profit or non-profit.
2. Commercial Property Management Firm. This type of organization is a non-governmental entity that provides an array of services, up to and including full management, for commercial and retail property and office space.

METHODOLOGY

In addition to our industry experience and knowledge, VSG considered information from several resources as we created this report.

We closely reviewed all materials provided by the City, including presentations and reports that lead the City to this point. These include:

- The Feasibility Study prepared by Johnson Consulting (dated July 9, 2014)
- The presentation of the City Council Special Called Meeting on July 23, 2014
- The presentation of the City Council Special Called Meeting on August 27, 2014
- The City Council presentation of the Market Feasibility Study by Charlie Johnson

VSG partners attended an all-day “charrette” in Sandy Springs in which local arts organizations, as well as business and civic leaders, were gathered to discuss the project. The purpose of these meetings was to create discussion and gain input related to vision, amenities, technical considerations, and booking interest for City Center.

VSG contacted two (2) of the largest private management companies in the US, as well as a private firm specializing in theater management and consulting, and provided them general information about the City Center project. We requested their feedback on possible contract terms should the City proceed with utilizing an outside provider to manage the facility. Information related to their responses is summarized in Exhibit B.

We spoke with two (2) of the largest commercial property management firms in the Atlanta market to determine their interest in the project and any initial thoughts on how they might approach management. A summary of those conversations can be found in Exhibit C.

Finally, we communicated with four (4) existing performing arts centers/theaters: The Tennessee Performing Arts Center in Nashville, TN; The Stafford Centre in Stafford, TX; The Fox Theatre Atlanta; and Buckhead Theatre. Our conversations with these organizations was to determine their specific facility ownership and management structure, as well as determine any desire for the Atlanta properties to participate in a role at City Center. Buckhead Theatre/Novare Events expressed interest in participating in some fashion related to management of City Center. Buckhead Theatre is privately owned, but managed by Novare Events, which is a firm within the family of Novare Group (<http://novaregroup.com/>). Atlanta’s Fox Theatre is owned and operated by Fox Theatre, Inc., a non-profit organization (www.foxtheatre.org), and the Stafford Centre is owned by the City of Stafford and managed by a private firm called FM Squared (<http://www.fmsquared.com>). Feedback from these venues on potential contract terms is found in Exhibit B.

MANAGEMENT OPTIONS

Scenario 1

Self Operation of Entire City Center

Description

Under this scenario, the City would have complete responsibility for the ongoing operation of the City Center, and the City would employ staff at the venue. This responsibility would include, but not be limited to:

- Booking, scheduling, and servicing events in the PAC, black box theater, and meeting space. This includes securing and managing the ticketing contract, arranging a food and beverage provider, hiring event and production staff, performing sales and marketing duties, finance & payroll, and addressing ADA concerns
- Soliciting and employing all full and part time staff
- Developing fundraising strategies and sponsorship/advertising programs
- Developing grand opening, operating and pre-opening budgets and timeline for operational benchmarks
- Providing maintenance and engineering services (HVAC, electrical, plumbing, pest control, landscaping, painting, cleaning, etc.) for the entire facility
- Managing the government office space and coordinating moves, alterations, and modifications to that space based on department/personnel needs
- Managing pedestrian and employee access, general security and life safety functions
- Responding to emergencies and other incidents on the property
- Create long term capital expense plan

There are aspects of facility management that can be reasonably coordinated with services provided by other City departments and resources. For example, instead of having full time employees or service contracts at City Center for functions like human resources, risk management, and waste removal, the City's human resources and risk management departments could service the venue, and the City's waste removal provider could add City Center to their master contract.

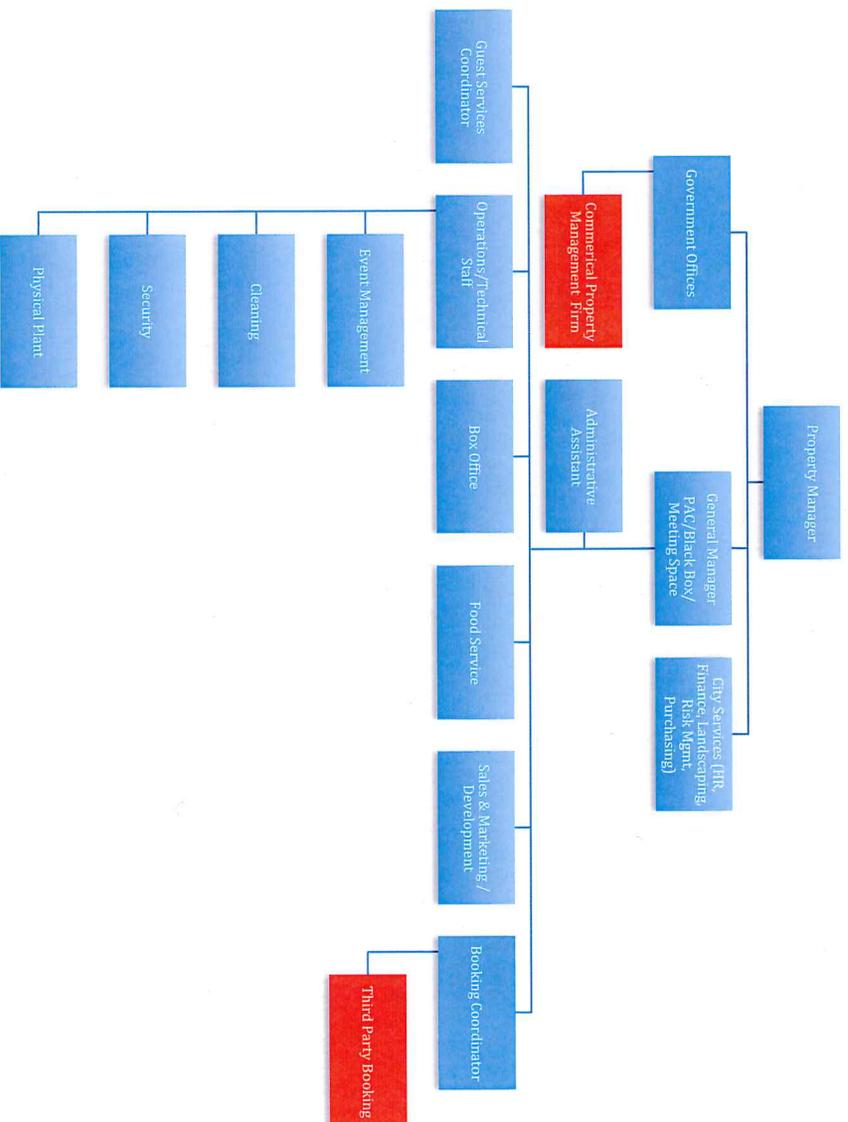
There are two additional options within this scenario for the City to consider.

- 1) The City could establish a booking agreement with an outside entity who would be responsible for soliciting, negotiating, and contracting for certain events in the PAC, black box theater, and meeting space. This entity would supplement or replace the "Booking Coordinator" identified in the org chart below. We discussed this potential with Atlanta's Fox Theatre and Buckhead Theatre. Management at Buckhead Theatre expressed interest

In not only providing booking services, but also in managing the entire City Center. In addition, private management companies will also provide this service.

- 2) The City could consider engaging a commercial property management firm to manage the activities in the government offices. Operational responsibilities including security, cleaning, repairs, utilities, and engineering would fall to the commercial property management firm. Any major equipment failures or significant emergencies would be the responsibility of the City (the type and cost of which would be negotiated). This firm would create a budget for the City's approval, and on a monthly basis, the City would fund an account from which funds could be drawn by the commercial property management firm to pay expenses. Our research indicates a management fee between \$0.50 and \$0.75 per square foot for the commercial office space. If the decision is made to include additional floors for the purposes of leasing to non-government businesses, the need for a commercial property management expertise would increase, as the services of soliciting, negotiating, and leasing office space would be required.

With Self-Operation, a potential organizational structure might be:



-Red indicates a potential subcontractor

-Blue indicates a City representative

Benefits

- Complete control of the facility
- City can (re)prioritize needs in the office space as required
- Current governmental environment and Sandy Springs quality of life is appealing to potential employees
- Application of existing City services could be less expensive than outsourcing (e.g. utilizing existing landscaping or cleaning personnel or contractors, using City HR staff for many of the basic functions)
- The City can more easily change the focus and mission of the building if it becomes necessary
- Governmental purchasing power may be greater than that of alternative management scenarios
- The management fee savings can be utilized for other purposes

Challenges

- Starting a city department from scratch may have logistical and political hurdles
- Municipal policies and procedures can sometimes add additional steps in the approval process that might negatively impact booking opportunities.
- Limited access to 1) established operating policies, procedures and protocols and 2) experienced support staff.
- Understanding of best practices may be lacking (will be entirely dependent upon the experience of senior facility management)
- Incentive compensation tied to sales and marketing functions may be difficult to implement due to municipal government compensation structures
- Restrictions on risking City funds to procure and produce events. The inability to create events or co-promote at risk can limit the amount of potential event activity
- From now until grand opening, there are a great many tasks that must be accomplished, and the City may not have the time and expertise to execute the required tasks to plan and execute a successful grand opening. This can cause the facility to suffer from the desired desirable industry reputation in both booking and presenting events, as well as the desired business partner and guest/community experience

Implementation

The following outline represents the broader concepts required to self-operate the City Center, and we have assumed that the Center would operate as a City department. The process would include:

1. Formally establish the City Center Department within the City of Sandy Springs government
2. Determine staffing, create job descriptions and salary ranges for each position
3. Identify and employ a Property Manager to oversee the City Center
4. Determine which City departments/resources can and will support the operations, and determine lines of communications between departments and services
5. Determine pre-opening timeline and budget for City Center. This includes creating a booking policy, establishing hiring dates, policy creation, training, budget, marketing

6. and promotions, temporary office rent & utilities, insurance, office supplies & postage, legal and professional services, job fair, grand opening events
7. If desired, initiate dialogue with commercial property firms and identify their resources; create plan for permanent engagement (see paragraph below)
8. If desired, initiate dialogue with an entity that can assist with booking
9. Develop and approve first year operating budget
10. Develop budget for furniture, fixtures and equipment; confirm procurement process
11. Participate in all OAC meetings
12. Create plan for integrating City systems and procedures (Human Resources, accounting, payroll, maintenance software)
13. Create plan for integrating City systems (payroll, accounting, purchasing)
13. Initiate development of all operating protocols and procedures

After employing the City Center's Property Manager, the process for contracting with a commercial property management firm (if desired) would be:

1. Develop request for qualifications (RFQ), submits directly to qualified firms, and place advertising as may be required. With the RFQ, include all available studies, budgets, presentations and other materials relevant to City Center
2. City reviews submittals and selects a pre-determined number of firms with whom to proceed (typically 3)
3. Conduct interviews with the selected firms; determine each firm's management philosophy, culture, and general approach to management
4. Request from each firm specific information such as: financial terms for management, 5-year proforma for City Center, marketing plan outline, preventive maintenance approach, plan and approach for subcontracts such as ticketing, foodservice, and cleaning; sample management agreement
5. City reviews information and determines best fit for the facility
6. City and chosen firm negotiates a management agreement

Scenario 2a

Contract Management of Entire City Center Private Management Company

Description

Under this scenario, the City would subcontract complete responsibility for the ongoing operation of the entire City Center, paying a fee (subject to IRS regulations if the facility is constructed with tax exempt bonds) for this service. The subcontractor, also known as a private management company, has a core competency in the management of public assembly facilities, and could be either a for-profit entity or non-profit (for the purpose of this report, we will utilize the "private management company" nomenclature for simplicity). In this scenario, firms would be responsible for:

- Booking, scheduling, and servicing events in the PAC, black box theater, and meeting space. This includes securing and managing the ticketing contract, arranging a food and beverage provider, hiring event and production staff, performing sales and marketing duties, performing bookkeeping, addressing ADA concerns
- Soliciting and employing all full and part-time staff
- Developing fundraising strategies and sponsorship/advertising programs
- Developing grand opening, operating and pre-opening budgets and timeline for operational benchmarks
- Providing maintenance and engineering services (HVAC, electrical, plumbing, pest control, landscaping, painting, cleaning, etc.) for the entire facility
- Implementation of asset management and CMMS policies and procedures
- Managing the government office space and coordinating moves, alterations, and modifications to that space based on department/personnel needs
- Managing pedestrian and employee access; general security and life-safety functions
- Responding to emergencies and other incidents on the property
- Provide city with a long term capital expense plan

It would be neither surprising, nor concerning, if the private management company chose to subcontract the operations of the government office space. Dealing with only the components related to expenses (janitorial, repairs and maintenance, security, etc.), the private management company could subcontract the work to a commercial property management firm (fees could be in the range of \$0.50-\$0.75 per square foot for the office space). During proposal evaluations of private management companies, this topic should be addressed, so the City fully understands the firm's approach in this area.

Alternately, the City itself could issue a request for qualifications or request for proposals to commercial property management firms. The City may, at its discretion, assign the commercial property management contract to the private management company to administer.

Also, the more opportunities for the private management company to generate additional revenue, the more amenable they may be to the lowering the base management fee. That is, they will prefer to utilize their own food and beverage company or their own ticketing and sales subsidiaries. Additional revenue for these subsidiaries are through sales commissions. Not all firms have such subsidiaries, but enough operate these complementary services that it is important to note.

In addition to annual base fees for managing a venue, private management companies also seek to incorporate a level of incentive fee in the contract. The incentive fee is typically based on a benchmark that is mutually agreed upon, and if the private management company meets or exceeds the benchmark, they will be entitled to an additional fee. Subject to IRS regulations regarding the use of tax-free or taxable bonds, incentive fees can be calculated in a number of ways. It could be based on gross revenue generated, meeting or beating a net income goal, hosting a certain number of events, attracting a certain number of attendees, reducing the operating deficit, or a combination of multiple benchmarks. Certain IRS regulations will cap the incentive fee and/or restrict the benchmark upon which it can be based.

Intense and increasing levels of competition among facilities, coupled with increased pressure from governmental entities for facilities to generate a profit or breakeven, have forced many governments to attempt changes in the fundamental process of managing these kinds of venues. As a result, a number of municipally-owned public assembly venues across the country have day-to-day operations contracted to a private management company. Oftentimes, contract management supplies full facility management services (including ticketing, concessions and sponsorship sales), consulting and project services. Under contract management, the facility owner retains all of the rights and privileges of ownership while the contract management firm performs assigned management functions. The owner sets policies while the contract management firm establishes procedures in order to implement the policies. For City Center, the private management entity would be under contract and provide a facility manager on site between 12 and 15 months prior to opening, with their expertise fully engaged to begin creating booking policies, establishing policies and procedures, recommending furniture, fixtures and equipment, and initializing the hiring process.

A private management company is typically an agent of the hiring body (either a government department or an Authority). The firm is usually compensated with a flat annual management fee plus incentive-based compensation designed to reward the contractor based on reaching contractually established benchmarks. Incentives can be based on achieving specific revenue or expense goals; attendance, and other targets such as the number of community events. Private management company fees could range from \$75,000 to \$120,000 per year for an entertainment venue of the size envisioned for City Center, and are subject to current market conditions and the level of enthusiasm by the private management companies. However, these fees are often justified by the potential cost savings the private management company may realize through the implementation and execution of their operating procedures and protocols. Also, it is important to note that fee structures will have certain restrictions if tax-exempt bonds are used to finance the project (limits on duration of the management agreement and as previously mentioned, limits on incentive fee). In addition to the fee for the public assembly spaces, the City can expect to pay between \$0.50 and \$0.75 per square foot (annually) for management of the government office spaces.

If the City wishes to seek a private management company willing to take financial risk on the operations of the venue, it is likely that such terms would allow for the private management company to assume risk only up to the point of losing the annual base management fee. Until a facility of the size and scope of City Center has a track record, it is unlikely a private management company would assume an unlimited amount of the financial downside. If agreeing to some risk, the private management company most likely would request a higher incentive fee should the appropriate benchmarks be met.

Management agreements typically stipulate that the management company submits the next fiscal year operating budget to the governing body for approval (3-6 months prior is reasonable). The governing body is responsible for providing the funds necessary to operate the facility. Whether the facility management company assumes risk for operating losses or not, typically the governing body has to fund a level of operating expenses in advance.

Private management solutions typically provide various key operational and fiscal functions such as policies and directives, organization structure, leadership, job classifications, competition, operations and maintenance, scheduling and booking, finance and accounting, and keeping the owner appraised of capital repairs. It is important, as well, that someone from the governing body is assigned as a Contract Administrator. This individual will be the liaison between private management and the facility owner. He or she will ensure the terms of the contract are being fulfilled, will facilitate the budget approval process, and will work in partnership with the building manager to address operational issues as they arise. The Contract Administrator would also participate in OAC meetings, as necessary, during construction, in order to stay abreast of information that may flow between the private management company and the architect and contractor.

Benefits

- Internal and external network of knowledge/experience and industry best practices
- Greater operating cost efficiencies (national purchasing power, better negotiating for services like ticketing and foodservice)
- Proven operating policies and procedures
- Greater staffing resources and corporate overhead support
- More flexibility with staff compensation, benefits and incentives
- In-house training programs (specific to the industry) to develop staff
- Increased flexibility in negotiating vendor contracts
- Potentially faster decision-making process
- Less stringent procurement process
- Ability to risk own funds to produce events
- Streamlined reporting structure to facility ownership; ownership manages one person/one contract

Challenges

- Requires an investment (management fee) of the owner that otherwise could be used for alternate needs
- Potential for ambiguity with regards to contractual responsibility, if not addressed properly in the management agreement
- The needs of the owner and needs of private management can conflict (e.g. hosting community events vs. corporate events)
- The more required of the private management company (i.e. operate at a breakeven or profit), the more control that firm will require
- Private management may not have the requisite experience necessary to efficiently oversee the government office component of the project should they choose to perform that service themselves

Implementation

We recommend the following steps to contractually engaging a private management company:

1. City identifies a Contract Administrator, who then manages this process
2. Develop a request for qualifications (RFQ) (See Exhibit D for examples), submit directly to qualified firms, and place advertising as may be required. With the RFQ, include all available studies, budgets, presentations, and other materials relevant to City Center
3. City reviews submittals and selects a pre-determined number of firms with whom to proceed (typically 3)
4. Conduct interviews with the selected firms; determine each firm's management philosophy, culture, and general approach to management
5. Request from each firm specific information such as: financial terms for management, 5-year operating proforma for City Center, marketing plan outline, preventive maintenance and asset control, plan and approach for subcontracts such as ticketing, foodservice, and cleaning; sample management agreement
6. City reviews information and determines best fit for the facility
7. City and chosen firm negotiates a management agreement

Alternatively, the City could choose to go directly to a request for proposals (RFP) (see Exhibit E for examples), in which there is a formal scoring system and the selected firm has the highest score. In this situation, and in lieu of an existing City procedure, a group of individuals representing City interests would comprise a selection committee. Based on weighted criteria (e.g. management and incentive fee plan, financial strength of firm, demonstrated expertise, presentation), each committee member scores each firm in the designated categories. The firm with the highest score would be awarded the contract.

Our recommendation is that for this scenario the RFQ process be utilized if possible. This will allow the City to consider more subjective criteria.

Scenario 2b

Contract Management of Entire City Center Commercial Property Management Firm

Description

Under this scenario, as with 2a, the City would subcontract complete responsibility for the ongoing operation of the entire City Center. The subcontractor in this scenario, however, would be a commercial property management firm, specializing in the leasing and management of retail, office, and industrial facilities. In this scenario, they would be responsible for:

- Booking, scheduling, and servicing events in the PAC, black box theater, and meeting space. This includes selecting and managing the ticketing contract, arranging a food and beverage provider, hiring event and production staff, performing sales and marketing duties, performing bookkeeping, addressing ADA concerns
- Soliciting and employing all full and part time staff
- Developing fundraising strategies and sponsorship/advertising programs
- Developing operating and pre-opening budgets and timeline for operational benchmarks
- Providing maintenance and engineering services (HVAC, electrical, plumbing, pest control, landscaping, painting, cleaning, etc.) for the entire facility
- Implementation of asset management and CMMS policies and procedures
- Managing the government office space and coordinating moves, alterations, and modifications to that space based on department/personnel needs
- Managing pedestrian and employee access and general security and life safety functions
- Responding to emergencies and other incidents on the property
- Provide city with a long term capital expense plan

In this scenario, it is possible that the commercial property management firm would subcontract the operations of the PAC, black box and meeting space to a private management company. Or, the City could choose to manage that selection process and assign the contract to the commercial property management firm. In either case, the City would only have to go through one point of contact.

The fee structure in this scenario would be very similar to that of Scenario 2a. There would be both a management fee for the public assembly portion (\$75,000-\$120,000) as well as the office space (\$0.50-\$0.75 per square foot, annually).

It is important, as with Scenario 2a, that someone from the City is assigned as the Contract Administrator.

Benefits

- Internal and external network of knowledge/experience and industry best practices
- Greater operating cost efficiencies (national purchasing power, better negotiating for services like ticketing and foodservice)
- Proven operating policies and procedures
- Greater staffing resources and corporate overhead support
- More flexibility with staff compensation, benefits and incentives
- In-house training programs (specific to the industry) to develop staff
- Increased flexibility in negotiating vendor contracts
- Potentially faster decision-making process
- Less stringent procurement process
- Ability to risk own funds to produce events
- Streamlined reporting structure to facility ownership; ownership manages one person/one contract

Challenges

- Requires an investment (management fee) by the owner that otherwise could be used for other purposes
- Potential for ambiguity with regards to contractual responsibility if not addressed properly in the management agreement
- The needs of the owner and needs of the operator can conflict (e.g. hosting community events vs. corporate events)
- The more required of the commercial property management firm (i.e. operate at a breakeven or profit), the more control the owner has to relinquish
- Local event activity may suffer in order to book larger, more profitable events, which can lead to conflict between owner and operator
- Commercial property management firms may not possess the requisite experience necessary to properly execute the booking and sales & marketing of the PAC, black box theater and meeting space should they choose to perform those services "In-house"

Implementation

We recommend the following steps to contractually engaging a commercial property management firm:

1. City identifies a Contract Administrator, who then manages the process
2. Develop request for qualifications (RFQ), submits directly to qualified firms, and place advertising as may be required. With the RFQ, include all available studies, budgets, presentations and other materials relevant to City Center.
3. City reviews submittals and selects a pre-determined number of firms with whom to proceed (typically 3)
4. Conduct interviews with the selected firms; determine each firm's management philosophy, culture, and general approach to management

5. Request from each firm specific information such as: financial terms for management, 5-year operating proforma for City Center, marketing plan outline, preventive maintenance and asset control, plan and approach for subcontracts such as ticketing, foodservice, and cleaning; sample management agreement
6. City reviews information and determines best fit for the facility
7. City and chosen firm negotiates a management agreement

Alternatively, the City could choose to go directly to a request for proposals (RFP) (see Exhibit F for examples), in which there is a formal scoring system, and the selected firm has the highest score. In this situation, and in lieu of an existing City procedure, a group of individuals representing City interests would comprise a selection committee. Based on weighted criteria (e.g. management and incentive fee plan, financial strength of firm, demonstrated expertise, presentation), each committee member scores each firm in the designated categories. The firm with the highest score would be awarded the contract.

Our recommendation is that for this scenario the RFQ process be utilized if possible. This will allow the City to consider more subjective criteria.

Scenario 3

Hybrid Management – Self-Operation with Subcontracting the PAC/Theater/Meeting Space

Description

Under this scenario, the City would maintain responsibility for the ongoing operation and maintenance of the government offices, and the overall site. The City would then subcontract the PAC, black box theater and meeting space to a private management company. Based on the sample list of responsibilities found in Scenario 1, the separation of duties would be as follows:

- Booking, scheduling, and servicing events in the PAC, Black Box Theater, and meeting space. This includes managing the ticketing contract, arranging a food and beverage provider, hiring event and production staff, performing sales and marketing duties, performing bookkeeping, addressing ADA concerns – **Private Management Company**
- Soliciting and employing all full and part time staff (for PAC/theater/meeting space) - **Private Management Company**
- Developing fundraising strategies and sponsorship/advertising programs- **Private Management Company**
- Developing operating and pre-opening budgets and timeline (for PAC/theater/meeting space)- **Private Management Company**
- Providing maintenance and engineering services (HVAC, electrical, plumbing, pest control, landscaping, painting, cleaning, etc.) for the PAC/theater/meeting rooms - **Private Management Company**
- Developing operating and pre-opening budgets and timeline for operational benchmarks (for government offices)- **City**
- Providing maintenance and engineering services (HVAC, electrical, plumbing, pest control, landscaping, painting, cleaning, etc.) for the government offices – **City**
- Managing the government office space and coordinating moves, alterations, and modifications to that space based on department/personnel needs - **City**
- Managing pedestrian and employee access and general security and life safety functions (outside the PAC/BB theater/meeting space) - **City**
- Responding to emergencies and other incidents on the property – **TBD**

It is important to note that while the aforementioned list assigns responsibilities to one of two parties, the final design of the facility may lend itself to significant reassignment or possible sharing of some responsibilities. In this Scenario 3, the private management company would have complete control of the PAC, black box theater and meeting space. They would perform all the duties as described in Scenario 2a (management of entire City Center), but for those spaces only. It's possible that some services may be managed by only one of the management entities (either City or private management company); for example, the City may choose to manage pest control for the entire City Center, or they may use their maintenance staff to perform all minor repair work,

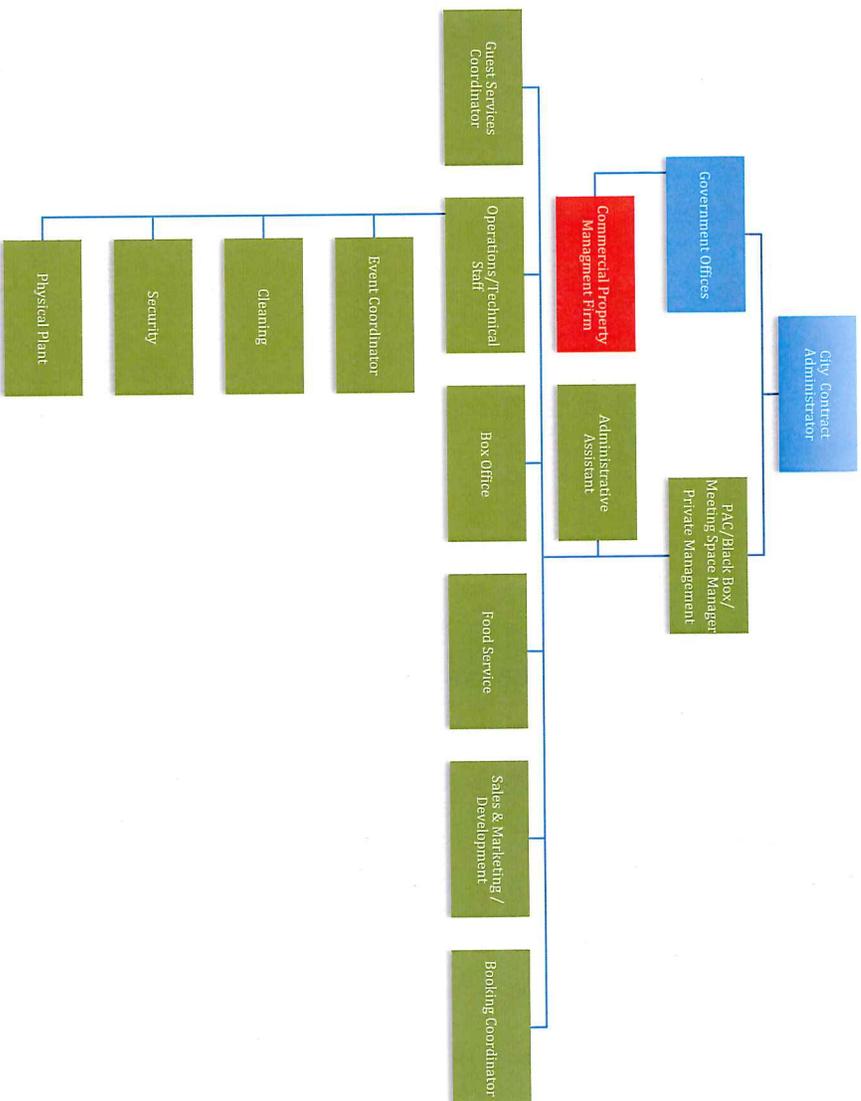
so there is not duplication of staff. This will require extensive planning, coordination, and communication.

With this scenario, the option exists for the City to hire a commercial property firm to manage the activities in the government offices. This means that repair and maintenance, utilities and asset control would fall to the responsibility of the commercial property firm. The annual fee could range between \$0.50 and \$0.75 per square foot. Any major equipment failures or significant emergencies would be the responsibility of the City (provided that failure isn't the result of contractor negligence).

If the City elects to engage a commercial property management firm, there would be a need for almost constant communication and coordination between that firm and the private management company. For example, during an event in the PAC, private management may need an HVAC technician on site, and would have to request, and pay for, such personnel (who represent the commercial property firm). Another example – if the commercial property firm wants to power wash the sidewalks around the facility, they would need to schedule that activity when there were no large events in the PAC or meeting space. This situation is not unique; it simply requires close coordination and cooperation.

And as with Scenario 2a and 2b, the City should assign an individual to be the Contract Administrator to ensure the terms of each subcontract are met, and to act as an intermediary between the two firms should it become necessary. The Contract Administrator should have experience in managing finance functions, establishing metrics to measure performance and accountability and/or facility management experience.

In this scenario, a potential organizational structure might be:



-Blue indicates a City representative

-Green indicate a subcontractor

-Red indicates a potential subcontractor

Benefits

PAC/Theater/Meeting Space

- Internal and external network of knowledge/experience and industry best practices
- Greater operating cost efficiencies (national purchasing power, better negotiating for services like ticketing and foodservice)
- Proven operating policies and procedures
- Greater staffing resources and corporate overhead support
- More flexibility with staff compensation, benefits and incentives
- In-house training programs (specific to the industry) to develop staff
- Increased flexibility in negotiating vendor contracts
- Potentially faster decision-making process
- Less stringent procurement process
- Ability to risk own funds to produce events
- Streamlined reporting structure to facility ownership; ownership manages one person/one contract

Office Space (if self-operating)

- Complete control of the facility
- City can (re)prioritize needs in the office space as required
- Current governmental environment and Sandy Springs quality of life is appealing to potential employees
- Application of existing City services could be less expensive than outsourcing (e.g. utilizing existing landscaping or cleaning personnel or contractors, using City HR staff for many of the basic functions)
- City employee benefits may be more favorable than those of a contractor, and thus a more qualified pool of candidates
- The City can more easily change the focus and mission of the building if it becomes necessary
- Governmental purchasing power may be greater than that of alternative management scenarios
- The management fee savings can be utilized for other purposes

Challenges

PAC/Theater/Meeting Space

- Requires an investment (management fee) of the owner that otherwise could be used for alternate needs
- Potential for ambiguity with regards to contractual responsibility, if not addressed properly in the management agreement
- The needs of the owner and needs of private management can conflict (e.g. hosting community events vs. corporate events)

- The more required of the private management company (i.e. operate at a breakeven or profit), the more control that firm will require
- Communication and coordination is of the utmost importance when two (2) entities are utilized for management
- Additional coordination with City on how services are allocated

Office Space (if self-operating)

- Starting a city department from scratch may have logistical and political hurdles
- Limited access to 1) established operating policies, procedures and protocols and 2) experienced support staff.
- Understanding of current best practices may be lacking (will be entirely dependent upon the experience of senior facility management)
- Incentive compensation may be difficult to implement due to municipal government compensation structures
- Additional coordination with private management on how services are allocated
- From now until grand opening, there are a great many tasks that must be accomplished, and the City may not have the time and expertise to execute the required tasks to plan and execute a successful grand opening

Implementation

As in Scenario 1, the City would follow the following steps:

1. Formally establish the City Center Department within the City of Sandy Springs government
2. Determine staffing, create job descriptions and salary ranges for each position based on the scope and breadth of responsibilities
3. Identify and employ a Property Manager to oversee the City Center. This person would also act as the City's Contract Administrator as previously described
4. Determine pre-opening timeline for City Center. This includes hiring dates, policy creation, training, budget, marketing and promotions; temporary office rent & utilities, insurance, office supplies & postage, legal, professional and management services, job fair, grand opening events
5. Identify existing resources within the City that can be utilized at City Center (e.g. landscaping, waste removal, cleaning, etc.)
6. Initiate steps to secure private management (see information presented at the end of this list)
7. If desired, initiate dialogue with commercial property firms and identify their resources; create plan for permanent engagement
8. In conjunction with the selected management subcontractor(s):
 - a. Develop and approve first year operating budget
 - b. Develop budget for furniture, fixtures and equipment; confirm procurement process
 - c. Create plan for integrating City systems and procedures (Human Resources, accounting, payroll)
 - d. Participate in value engineering process

9. Participate in all OAC meetings

We recommend the following steps to engage a private management company for the PAC, black box theater and meeting space:

1. Develop Request for Qualifications (RFQ) (See Exhibit D), submits directly to qualified firms and place advertising as required. With the RFQ, include all available studies, budgets, presentations, and other materials relevant to City Center
2. City reviews submittals and selects a pre-determined number of firms with whom to proceed (typically 3)
3. Conduct interviews with the selected firms; determines each firm's management philosophy, culture, and general approach to management
4. Request from each firm, specific information such as: financial terms for management, 5-year operating proforma for City Center, marketing plan outline, preventive maintenance and asset control, plan and approach for subcontracts such as ticketing, foodservice, and cleaning; sample management agreement
5. City reviews information and determines best fit for the facility
6. City and chosen firm negotiates a management agreement

Alternatively, the City could choose to go directly to a request for proposals (RFP) (see Exhibit E for example), in which there is a formal scoring system, and the selected firm has the highest score. In this situation, and in lieu of an existing City procedure, a group of individuals representing City interests comprise a Selection Committee. Based on weighted criteria (e.g. management and incentive fee plan, financial strength of firm, demonstrated expertise, presentation), each committee member scores each firm in the designated categories. The firm with the highest score would be awarded the contract.

Our recommendation is that for this scenario the RFQ process be utilized if possible. This will allow the City to consider more subjective criteria.

Simultaneous to the process of contracting with a private management company, the City could also solicit a commercial property firm to manage the government offices. The process would be:

1. City identifies a Contract Administrator, who then manages the rest of this process
2. Develop request for qualifications (RFQ), submits directly to qualified firms, and place advertising as may be required. With the RFQ, include all available studies, budgets, presentations, and other materials relevant to City Center.
3. City reviews submittals and select a pre-determined number of firms with whom to proceed (typically 3)
4. Conduct interviews with the selected firms; determines each firm's management philosophy, culture, and general approach to management
5. Request from each firm specific information such as: financial terms for management, 5-year operating proforma for City Center, marketing plan outline, preventive maintenance and asset control, plan and approach for subcontracts such as ticketing, foodservice, and cleaning; sample management agreement
6. City reviews information and determines best fit for the facility
7. City and chosen firm negotiates a management agreement



Once the second of the two subcontracts has been established, the City may elect to have each firm report to the City's Contract Administrator, or they may consider placing one of the subcontracts directly beneath the other, so that they (the City) only have to administer one contract, and not two.

RECOMMENDATION

Based on our analysis of the information and taking into account the current structure and environment in which the City operates as well as the tremendous interest of local arts organizations to utilize City Center, our professional recommendation is that the City of Sandy Springs contract the management of the entire City Center to a **private management company (Scenario 2a)**. This could be a for-profit entity or a non-profit group.

We recommend utilizing the RFQ process (example documents in Exhibit D), which will allow the City to select a firm based not only on the fee structure, number of similar venues under management, established processes, and financial strength, but also on qualitative characteristics such as organizational culture. This will also allow for a quality discussion on the approach of the candidate firms in managing the government office space.

It is important to note that engaging the services of a management company does not mean their work begins when their designated (and City approved) General Manager is on site in Sandy Springs (which we recommend occur 12-15 months prior to opening). We recommend that the management company be hired between 18 and 24 months prior to the opening of City Center. A pre-opening agreement with the management company is typically utilized and would cover the time from selection to grand opening. A pre-opening monthly management fee can range from \$3,500 to \$10,000 per month, based on the agreed upon scope of services. From two years out until 12 months before opening, a great many tasks must be accomplished, and not all of them have to happen in Sandy Springs. These tasks include, but are not limited to: creating the pre-opening budget, developing advertising and marketing materials (including building logo and web presence), developing booking policies and rental rates, begin to book events, develop the license (rental) agreement, identify plans for food service operations, begin development of premium (box) seating programs, participate in all OAC meetings, provide input on design (where appropriate), and develop a staffing outline and salary ranges. It is reasonable to expect the management company would send a representative to Sandy Springs once or twice a month during this period before the General Manager arrives.

Establishing the mission and vision of City Center will be critical to how the management firm executes the business of booking the venue. The enthusiasm by the area arts organizations to utilize City Center will have to be balanced by the desire to financially break even. Once the mission and vision have been established, the process of managing the expectations of the stakeholders can begin, rental rates established and revenue projections finalized.

EXHIBIT A

Below is a list of external resources that Venue Solutions Group utilized for this project.

Private Management Companies

SMG
300 Conshohocken State Rd.
Suite 450
West Conshohocken, PA 19428
Phone: (610) 729-7900
www.smgworld.com

Performing Arts Centers/Theaters

Fox Theatre Atlanta
660 Peachtree Street NE
Atlanta, Georgia 30308
Phone: (404) 881-2100
www.foxtheatre.org

VenuWorks
4611 Mortensen Road, Suite 111
Ames, Iowa 50014
Phone: 1-888-232-5151
www.venuworks.com

Tennessee Performing Arts Center
505 Deaderick Street
Nashville, TN 37243
Phone: (615) 782-4000
www.tpac.org

Professional Facilities Management
220 Weybosset Street
Providence, RI 02903
Phone: (401) 421-2997
www.pfmcorp.com/

Buckhead Theatre
3110 Roswell Road
Atlanta, GA 30305
Phone: (404) 843-2825
www.thebuckheadtheatre.com

Commercial Property Management Firms

Colliers Atlanta
Promenade, Suite 800
1230 West Peachtree Street, NE
Atlanta, GA 30309-3574
Phone: (404) 252-2288
www.colliersatlanta.buildingengines.com

Stafford Centre/FM Squared
10505 Cash Road
Stafford, Texas 77477
Phone: (281) 208-6900
www.staffordcentre.com/

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EXHIBIT B

Private Management Company and Performing Arts Centers/Theaters Research

<p>Given the current project circumstances, what is a reasonable set of terms for a standard management fee and incentive agreement?</p>	<p>If the City wanted the operator to assume the operating risk, what do those terms then become? That is, the City wants to only have to pay the debt service.</p>	<p>How would you "manage" the government office space? Would you use one ops, engineering and cleaning staff for the whole building? Would you contract out any part of that for the offices?</p>	<p>Do you have a suggestion for any kind of hybrid management where some is private management and some is operated by the City?</p>
<p>Company A</p> <ul style="list-style-type: none"> • Two phase agreement, with appropriate IRIS safe harbors allowing three year termination; • Two year pre-opening contract for design consultation, naming and sponsor sales, staffing, commissioning, then plan and execute opening • 1-5 Year management agreement, with renewal options • Base fee in range of \$80,000 to \$120,000 per Year, depending on variables • PB commission of 5 to 8 % of gross, depending on our possible investment, and other variables • Commission on naming /rights of 5 to 10%, depending on variables 	<ul style="list-style-type: none"> • Must be IRIS compliant if City using tax exempt bonds for financing; • Fees are "at risk" • Penalties in place that commit operator to covering certain leases • Operator may have "operations contract" on city offices portion of facility that would create fee back to the operator to off-set some of the risk of losses on the theatre/conference center side. • Operator fees likely to make investment in PB equipment if he is going to be at risk on operation. • Idea of being at risk could only relate to the theatre/conf center, and not obviously to the city hall portion. • Would depend on the marketability of the theatre/conf center to determine how well it could compete in the general market area 	<ul style="list-style-type: none"> • Flat monthly fee to city to provide general custodial and light maintenance • This would allow for maximum efficiency with labor used in the theatre and conference center • Fee would also allow for some small hedge against the risk component of operating the theatre and conf space 	<ul style="list-style-type: none"> • We do this sort of hybrid in (city name omitted), where city hall is on back side of the performing arts center, and the two are managed separately. • Another example is in (city name omitted) where city operates the park in front of the PAC and we operate everything inside. • If we were to be the operator, I would prefer to operate all of it, charging a reasonable fee to city for their side of the wall.
<p>Company B</p> <p>I would think for the size and scope of the venue you would be looking at a base management fee of \$75,000 plus all pre-approved budgeted expenses. If you add the office component to the mix, you may be adding another \$10,000 annually (plus the pass through expenses.) The incentive fee would be based upon reducing the net operating loss from a pre-established benchmark. I do not foresee this facility operating in the black.</p>	<p>It is unlikely the facility will be profitable unless the operator was granted full discretion to establish rental rates and fees and there was active participation by multiple arts organizations and corporate entities.</p>	<p>Would start out handling the office space myself (using staff (pr or contractors) that could work both public assembly and office space. It would really depend on the amount of business on the arts side of the facility. In the beginning it would make sense to outsource cleaning until the bookings in the venue were constant enough to add staffing; initially the TD would also have HVAC skillets for minor ongoing maintenance issues and there would also be a semiannual maintenance contract for HVAC inspection/service.</p>	<p>The City and the management company should analyze the most efficient way to operate the facility, which may result in a hybrid management form. I would think, however, that a management company would have more flexibility than a City in terms of part time positions, not as expensive fringe benefits such as health insurance/ pension, if the City has untapped resources (people) on staff than maybe they can assume additional duties.</p>
<p>Company C</p> <p>Our core focus is typically on venues relating to entertainment, sports, meetings and conventions, including removed foodservice in these venues under our food division. If the City's desire is for a sole operator, we would certainly consider this approach, but we are equally amenable to working side by side with a qualified commercial real estate management firm firm. A reasonable set of terms for a management fee and incentive agreement for the total project scope. In our estimation, would be in the range of \$250K to 475K annually, with an incentive fee equal to the amount of the base fee. If you wish for us to focus on the entertainment and meeting spaces only, fee structures would likely be in the \$135-\$175K range, plus incentives. The incentive fee could be based upon a number of criteria both qualitative and quantitative. These are ballpark ranges only, and final fees would be based on additional due diligence and final scope of services in any or all spaces.</p>	<p>It would be safe to assume that a management company is going to assume all operating risk, including losses then they are going to expect to be entitled to the lion's share of any operating profit. Additionally, in order to successfully employ its management and operational strategies, a company would expect to have a relatively free hand in setting reasonable rents, selecting vendors and/or sub-contractors and developing policies and procedures.</p>	<p>The efficiencies of scale realized in utilizing one dedicated staff to handle all of the operational functions of the Project would appear to be the logical choice. This decision, however, has to be considered as part of the overall Management Agreement and we would want to do further due diligence on local employment and sub-contractor options, as well as making sure to meet any M/W/DBE goals of the City.</p>	<p>We have experience working in a number of scenarios where management responsibilities are shared between different entities. Clearly defining the roles and responsibilities of each party is key to the successful implementation of such a plan. For example, if the City has other office and/or maintenance facilities that might provide economies of scale, utilizing existing City staff to maintain and clean the new office space, we would think the City would want to explore all options prior to focusing on one direction.</p>

(continued next page)

Company D	Given the current project circumstances, what is a reasonable set of terms for a standard management fee and incentive agreement?	If the City wanted the operator to assume the operating risk, what do those terms then become? That is, the City wants to only have to pay the debt service.	How would you "manage" the government office space? Would you use one ops, engineering and cleaning staff for the whole building? Would you contract out any part of that for the offices?	Do you have a suggestion for any kind of hybrid management where some is private management and some is operated by the City?
<p>Usually for a facility of this size, with the associated staffing requirements, the operator would receive a fee of \$ 150,000 to \$ 200,000 depending upon what services are provided locally and what services would be centralized. Contract term is usually 3 years, with options for extension. Overall budget for a facility this size should be no higher than 1.2-1.5 million per year.</p>	<p>It will be difficult to find an Operator to go at risk, because the small capacity theater will have very tight economics. Popular shows usually break even at 1200-1600 seats at market prices for tickets. Some of the difficulty on the theater side may be offset by revenues from the lra and office spaces.</p>	<p>I presume this statement means that the space will be occupied, but not paid for by the Government authority. On that basis, I would say that it would be best to have one staff to handle the entire complex. We would not suggest a hybrid structure.</p>	<p>We would not suggest a hybrid structure.</p>	

EXHIBIT C

Commercial Property Management Firm Research

Company A

They would be very interested in managing the entire complex (less the retail component, which will be managed by others) or just the government office space. With managing all, there are shared resources and efficiencies of scale.

It's too early to talk about hard numbers for operating expenses, but they provided VSG with general survey-type data for similar office buildings. The operating costs for office spaces are in the range of \$5-7 per (gross) square foot. These costs do NOT include property insurance, property tax, or any costs associated with leasing the space. The assumption was that all leasable space would be occupied by government workers/contractors. These costs do NOT include management fees for the PAC/black box theater/meeting spaces.

Company A's general management process:

1. Create overall venue budget for the owner, which includes all expenses
2. Budget review and approval by owner (Sandy Springs)
3. Owner funds 1/12th of budget each month
 - a. Includes the fee for property management. There is separate line item for the management fee (so it's transparent)
 - b. All expenses are net with no markup
4. Property management firm pays all operating expenses with funds advanced by city
5. Sometimes there is an incentive fee. Typically, this happens when the owner asks the operator to put fee at risk (if operating costs exceed budget, property manager has to make up the difference)
6. Some owners are willing to share any achieved savings
7. They will create and update an annual capital budget; it's up to the owner to fund the account

They already manage some conference centers where they handle booking, AV, setup, etc., in addition to the infrastructure type items like maintenance, repair, cleaning.

Company B

The firm described their *Property Management* service as one that provides cleaning, maintenance, repair, security, and leasing of managed space. They currently provide this service for a governmental entity in the Atlanta area. This service applies to buildings (or groups of buildings) in which there are many tenants.

They described their *Facility Management* service as one that applies to larger organizations with hundreds of thousands of square feet of space. In addition to Property Management, they would



handle other areas such as the mailroom, foodservice, etc. This is geared towards individual companies who maintain a great amount of space (not multiple tenants).

They could manage the entire City Center and subcontract out the public assembly portion of the City Center, although they do operate some conference centers that are located within larger facilities and complexes.



EXHIBIT D

Sample Request for Qualifications Documents
Public Assembly Facility Management



EXHIBIT E

Sample Request for Proposal Documents
Public Assembly Facility Management



EXHIBIT F

Sample Request for Proposal Documents
Office Management

Sandy Springs City Center

{ Options for Management



October 21, 2014

- Venue Solutions Group
- Project Objectives
- Methodology
- Management Options
- Recommendation

VENUE SOLUTIONS GROUP

VSG is today's premier sports and entertainment facility operations consulting practice

3 Partners with more than 65 years of direct experience in facility planning, startup, management and consulting

Small to Large Municipalities – Universities – Professional Sports Teams
Other Consulting Firms – Private Businesses – Architects



PROJECT OBJECTIVES

- Describe potential management options for City Center
- Recommend an option for management
- Provide sample RFP/RFQ's for soliciting private management

METHODOLOGY



MANAGEMENT OPTIONS

SCENARIO 1

Self Operation

RESPONSIBILITIES

- Booking, scheduling, and servicing events
- Subcontracts: ticketing, catering, cleaning, stagehands
- Soliciting and employing all full and part-time staff
- Developing fundraising strategies and sponsorship/advertising programs
- Developing operating and pre-opening budgets and timeline
- Providing maintenance and engineering services
- Managing the government office space
- Managing pedestrian and employee access, and general security and life safety functions

BENEFITS & CHALLENGES

BENEFITS

- Complete control of the facility
- City can (re)prioritize needs in the office space as required
- Application of existing City services could be less expensive than outsourcing (e.g. utilizing existing landscaping or cleaning personnel or contractors, using City HR representatives for many of the basic functions)
- The City can more easily change the focus and mission of the building
- Governmental purchasing power may be greater
- The management fee savings can be utilized for other purposes

BENEFITS & CHALLENGES

CHALLENGES

- Starting a city department from scratch
- Municipal policies and procedures can create lengthy procedures
- Limited access to
 - 1) established operating policies, procedures and protocols
 - 2) experienced support staff
 - 3) best practices
- Incentive compensation may be difficult to implement due to municipal government compensation structures
- Restrictions on risking City funds to procure and produce events
- Pre-Opening tasks may be beyond City's capabilities

MANAGEMENT OPTIONS

SCENARIO 2a

Contract Management
Using A
Private Management Company

RESPONSIBILITIES

- Booking, scheduling, and servicing events
- Subcontracts: ticketing, catering, cleaning, stagehands
- Soliciting and employing all full and part-time staff
- Developing fundraising strategies and sponsorship/advertising programs
- Developing operating and pre-opening budgets and timeline
- Providing maintenance and engineering services
- Managing the government office space
- Managing pedestrian and employee access, and general security and life safety functions

BENEFITS & CHALLENGES

BENEFITS

- Network of knowledge/experience and industry best practices
- Proven operating policies and procedures
- Greater staffing resources and corporate overhead support
- In-house training programs (specific to the industry) to develop staff
- Increased flexibility in negotiating vendor contracts
- Less stringent procurement process
- Ability to risk own funds to produce events

BENEFITS & CHALLENGES

CHALLENGES

- Requires an investment (management fee)
- The needs of the owner and needs of private management can conflict (e.g. hosting community events vs. corporate events)
- The more required of the private management company (i.e. operate at a breakeven or profit), the more control and incentive fee that firm will require
- Private management may not have the requisite experience necessary to efficiently oversee the government office component of the project

MANAGEMENT OPTIONS

SCENARIO 2b

Contract Management
Using A
Commercial Property Management Firm

RESPONSIBILITIES

- Booking, scheduling, and servicing events
- Subcontracts: ticketing, catering, cleaning, stagehands
- Soliciting and employing all full and part-time staff
- Developing fundraising strategies and sponsorship/advertising programs
- Developing operating and pre-opening budgets and timeline
- Providing maintenance and engineering services
- Managing the government office space
- Managing pedestrian and employee access, and general security and life safety functions

BENEFITS & CHALLENGES

BENEFITS

- Network of knowledge/experience and industry best practices
- Proven operating policies and procedures
- Greater staffing resources and corporate overhead support
- In-house training programs (specific to the industry) to develop staff
- Increased flexibility in negotiating vendor contracts
- Less stringent procurement process
- Ability to risk own funds to produce events

BENEFITS & CHALLENGES

CHALLENGES

- Requires an investment (management fee)
- The needs of the owner and needs of private management can conflict (e.g. hosting community events vs. corporate events)
- The more required of the private management company (i.e. operate at a breakeven or profit), the more control and incentive fee that firm will require
- Commercial property management firms may not possess the requisite experience necessary to properly execute the booking and sales & marketing of the PAC, black box theater and meeting space should they choose to perform those services “in-house”

MANAGEMENT OPTIONS

SCENARIO 3

Hybrid Management

RESPONSIBILITIES

CITY MANAGES ENTIRE VENUE

- Manages the government office space
- Manages pedestrian and employee access, general security and life safety functions
- Responds to emergencies and incidents on the exterior and within office space
- Provides maintenance and engineering services for entire building

CITY SUBCONTRACTS PUBLIC ASSEMBLY FACILITY (PAF) COMPONENTS

- Booking, scheduling, and servicing events
- Subcontracts: ticketing, catering, cleaning, stagehands
- Soliciting and employing all full and part-time staff for their space
- Develops fundraising strategies and sponsorship/advertising programs
- Develops operating and pre-opening budgets and timeline for their space

BENEFITS & CHALLENGES

BENEFITS

PAC/Theater/Meeting Space

- Network of knowledge/experience and industry best practices
- Proven operating policies and procedures
- Greater staffing resources and corporate overhead support
- In-house training programs (specific to the industry) to develop staff
- Increased flexibility in negotiating vendor contracts
- Less stringent procurement process
- Ability to risk own funds to produce events

BENEFITS & CHALLENGES

BENEFITS

Office Space (if self-operating)

- Complete control of the facility
- City can (re)prioritize needs in the office space as required
- Application of existing City services could be less expensive than outsourcing (e.g. utilizing existing landscaping or cleaning personnel or contractors, using City HR staff for many of the basic functions)
- The City can more easily change the focus and mission of the building
- Governmental purchasing power may be greater
- The management fee savings can be utilized for other purposes

BENEFITS & CHALLENGES

CHALLENGES

PAC/Theater/Meeting Space

- Requires an investment (management fee).
- Potential for ambiguity with regards to contractual responsibility, if not addressed properly in the management agreement
- The more required of the private management company (i.e. operate at a breakeven or profit), the more control and incentive fee that firm will require
- Additional coordination with City on how services are allocated

BENEFITS & CHALLENGES

CHALLENGES

Office Space (if self-operating)

- Starting a city department from scratch
- Limited access to
 - 1) established operating policies, procedures and protocols
 - 2) experienced support staff
 - 3) best practices
- Incentive compensation may be difficult to implement due to municipal government compensation structures
- Pre-Opening tasks may be beyond City's capabilities

RECOMMENDATION

- Success of current City organizational structure
- Current resources of City of Sandy Springs
- High level of importance placed on the project
- Multiple components associated with the project
- Strong interest from local arts and business organizations

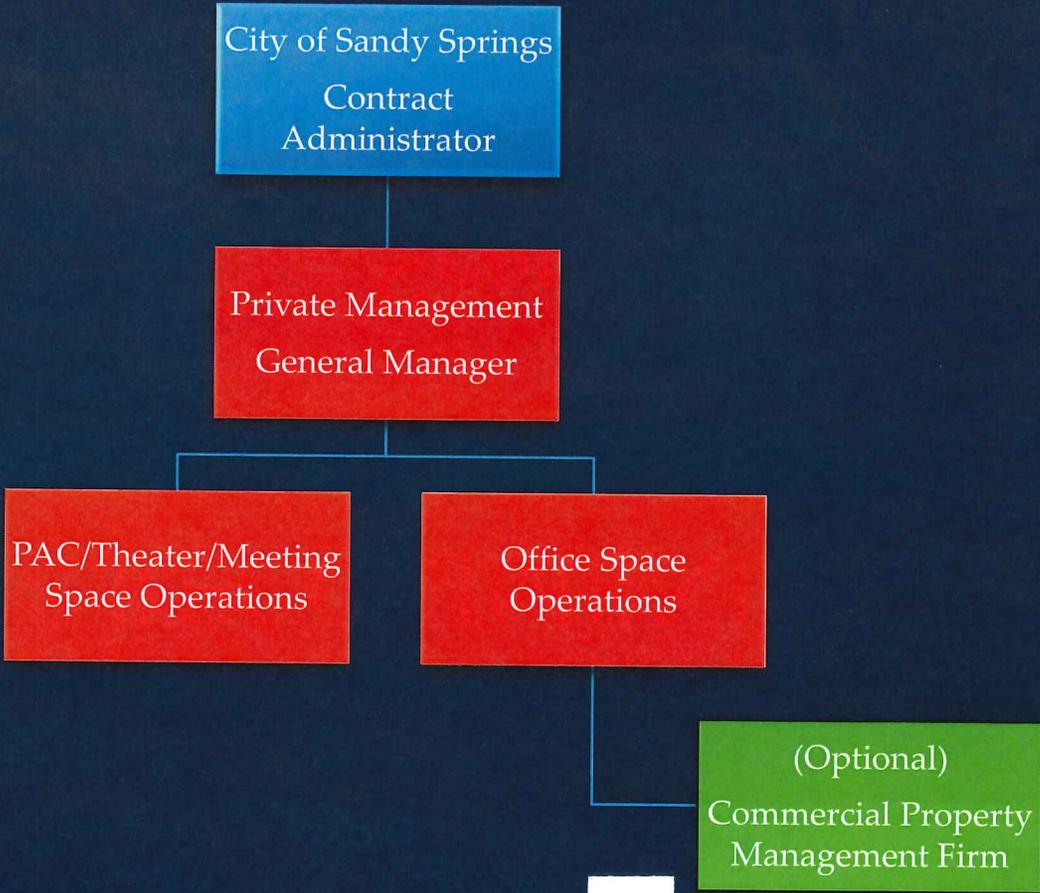
RECOMMENDATION

Scenario 2a Private Management Firm

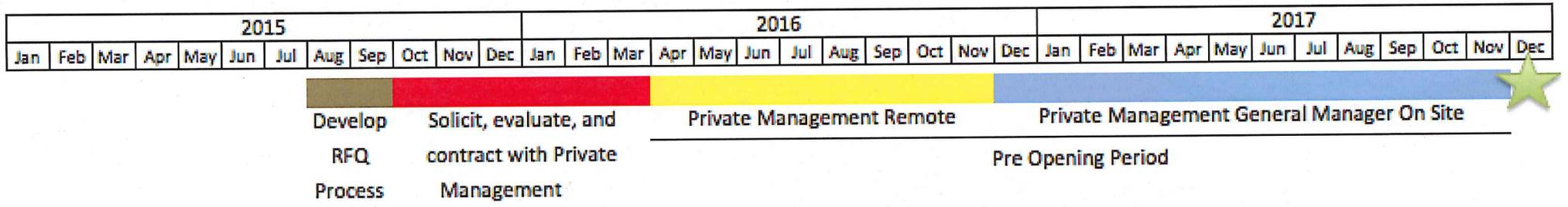
- For profit company
- Non-profit organization

RECOMMENDATION

Private Management Firm



RECOMMENDATION Private Management Firm



FEEDBACK FROM PRIVATE MANAGEMENT FIRMS

Given the current project circumstances, what is a reasonable set of terms for a standard management fee and incentive agreement?

- Two year pre-opening contract for design consultation, naming and sponsor sales, staffing, commissioning, then plan and execute opening
- 5 year management agreement, with renewal options
- Base fee in range of \$80,000 to \$120,000 per year, depending of variables

"A reasonable set of terms for a management fee and incentive agreement for the total project scope, in our estimation, would be in the range of \$250K to 475K annually, with an incentive fee equal to the amount of the base fee. If you wish for us to focus on the entertainment and meeting spaces only, fee structures would likely be in the \$135-\$175k range, plus incentives. The incentive fee could be based upon a number of criteria both qualitative and quantitate."

"...base management fee of \$75,000 plus all pre-approved budgeted expenses. If you add the office component to the mix, you may be adding another \$10,000 annually..."

FEEDBACK FROM PRIVATE MANAGEMENT FIRMS

If the City wanted the operator to assume the operating risk, what do those terms then become? That is, the City wants to only have to pay the debt service.

- Must be IRS compliant if City using tax exempt bonds for financing.
- Fees are "at risk"
- Penalties in place that commit operator to covering certain losses
- Would depend on the marketability of the theatre/conf center to determine how well it could compete in the general market area

"It is unlikely the facility will be profitable unless the operator was granted full discretion to establish rental rates and fees and there was active participation by multiple arts organizations and corporate entities."

"It would be safe to assume that if a management company is going to assume all operating risk, including losses then they are going to expect to be entitled to the lion's share of any operating profit. Additionally, in order to successfully employ its management and operational strategies, a company would expect to have a relatively free hand in setting reasonable rents, selecting vendors and/or sub-contractors and developing policies and procedures."



FEEDBACK FROM PRIVATE MANAGEMENT FIRMS

“Would start out handling the office space myself using staff (PT or contractors) that could work both public assembly and office space. It would really depend on the amount of business on the arts side of the facility. In the beginning it would make sense to outsource cleaning until the bookings in the venue were constant enough to add staffing. Initially the TD would also have HVAC skillset for minor ongoing maintenance issues and there would also be a semiannual maintenance contract for HVAC inspection/service.”

How would you “manage” the government office space? Would you use one ops, engineering and cleaning staff for the whole building? Would you contract out any part of that for the offices?

“The efficiencies of scale realized in utilizing one dedicated staff to handle all of the operational functions of the Project would appear to be the logical choice. This decision, however, has to be considered as part of the terms of the overall Management Agreement. and we would want to do further due diligence on local employment and sub-contractor options, as well as making sure to meet any M/W/DBE goals of the City.”

- Flat monthly fee to city to provide general custodial and light maintenance
- This would allow for maximum efficiency with labor used in the theatre and conference center
- Fee would also allow for some small hedge against the risk component of operating the theatre and conference space

FEEDBACK FROM PRIVATE MANAGEMENT FIRMS

Do you have a suggestion for any kind of hybrid management where some is private management and some is operated by the City?

"We would not suggest a hybrid model for this size and type of facility."

"We have experience working in a number of scenarios where management responsibilities are shared between different entities. Clearly defining the roles and responsibilities of each party is key to the successful implementation of such a plan. For example, if the City has other office and/or maintenance facilities that might provide economies of scale, utilizing existing City staff to maintain and clean the new office space, we would think the City would want to explore all options prior to focusing on one direction."

- We do this sort of hybrid in (city name omitted), where city hall is on back side of the performing arts center, and the two are managed separately.
- Another example is in (city name omitted) where city operates the park in front of the PAC and we operate everything inside.
- If we were to be the operator, I would prefer to operate all of it, charging a reasonable fee to city for their side of the wall.

QUESTIONS?