

**CIVIC CENTER BOARD OF MANAGERS
WEDNESDAY, MAY 15, 2019
8:00 A.M. – CENTURY CENTER RECITAL HALL**

Members Present

Dennis Andres, Jr.
Linda Doshi
Greg Downes
Randy Kelly
Gil Michel
Michael Neises
Aaron Perri
David Varner

Members Absent

Charmaine Torma

Staff

Jeff Jarnecke
Jacob Hamman
Scott Herczeg
Maricela Juarez
Kate Lawton
Marika Anderson
Mary Ellen Smith

Others

Aladean DeRose/City Legal
Rob DeCleene & VSBM staff
Mikki Dobski
Susan Visser/SB Museum of Art
Daniel Parker/City Controller

The meeting was called to order at 8:00 a.m. by President Perri.

CONSENT AGENDA

Perri entertained a motion to approve the consent agenda 1) Minutes of February 20, 2019; 2) Claims January – April 2019 and 3) Financial Report – 2019 1st Quarter. It was moved, seconded, and the motion carried.

Perri reported that in the Minutes of the February 20, 2019, there is one change under Old Business. The correct surplus amount in the Capital Improvements Funds to transfer to the non-reverting fund is \$177,475 (as opposed to \$177,235) and the capital amount is \$857,363 instead of \$857,663 which would result in a new balance of \$1,034,838. Randy Kelly motioned to approve the corrections; Greg Downes seconded and motion carried.

VENUES REPORT

Personnel and Finance

Varner reported on the bonus agreement with SMG for a total 2018 incentive fee of \$35,000 (of a maximum incentive fee of \$50,000) to SMG for approval. This is based on Criteria #1 of 14,217 total room nights which is 7,317 over the benchmark of 6,900 room nights and SMG is entitled to \$25,000 (50% of the \$50,000 incentive fee.) Criteria #2 is a net promoter score of 75 out of 100 as of 12/31/2018 which is 15 over the benchmark of 75-60) so SMG is entitled to \$10,000 (20% of the \$50,000 incentive fee.) Greg Downes motioned to approve the total 2018 incentive fee of \$35,000 to be paid to SMG, seconded and approved.

Building & Grounds

Doshi thanked Jeff Jarnecke and Scott Herczeg for the progress on the new entrance to Century Center Convention Halls A and B, signage, and comfortable chairs.

Jarnecke reported on the significant progress of the \$1.26 million in improvements which was supported by the Hotel-Motel Tax Board and the carry over amount of around \$800,000 for a total of over \$2 million in improvements. The majority of improvements are completed including new banners and signage. A new storage deck was added to store items. Working with the South Bend Museum of Art to have new artwork commissioned for placement around the building. The north elevator and restrooms will be started in a couple of weeks. Staff office renovation will begin in another week and be completed in July. The last projects are the entrance and parking lot from Martin Luther King, Jr. Boulevard will be reconfigured. Curbs will be reconfigured to allow the middle lane to be for ingress or egress depending on the day and new booth. The sidewalk entrance from the parking lot will be reconfigured. Work will be done on the landscaping on the

entire campus to be completed the end of May. A new marquee will replace the existing marquee outside and a new ribbon board on the crosswalk coming from the DoubleTree by Hilton Hotel that will be seen while driving south on MLK Blvd. which will be installed by the end of May. In the future there will be some capital improvement projects to tackle; however, the budget and Hotel-Motel Tax Board money will be lower so the amount will be considerably smaller than this year.

Morris Performing Arts Center

Jarnecke reported that the Morris for 2019 Q1 had \$64,348 profit. He gave highlights of the Morris 2019 Q1 financials and noted that financials in the meeting packet give line-by-line detail information in a budget format from the City. The Morris is well into the black for Q1 this year compared to last year with a strong showing with Broadway Theatre League events.

Currently 82 events are scheduled in 2019 with the goal of 115 events. That gap will be closed and we will drive traffic through the building. We are pleased with the efforts by the team. The Morris is fully staffed with Jane Moore who started Monday of this week as the new Director of Booking & Event Services. Jane comes from the Elkhart County Fair, is a Certified Meeting Planner and will be a tremendous addition to the team.

The Morris ceiling repair is scheduled to begin August 26 and getting ready to go out to bid. The delay was to schedule the restoration work for 5-6 weeks on the calendar with no events. The entire building will be closed because scaffolding will be built on the entire second level to access the ceiling dome to do the renovation work. The existing 3-foot piece of plaster that failed will be replaced and we want to assure that the rest of the plaster will not fall in the future. We are waiting for the vendor proposal on specifics as to sinking counter anchors into the existing plaster, replacing all the plaster, or other available options.

The Morris will be celebrating 100 years in 2022 and work has started. More information will be shared at a future meeting about the formation of a celebration committee that will raise private funds to dedicate to the building with more renovation and enhancement of the building. The funds will also be used for the dedication and creation of a maintenance endowment so that we do not have to ask for funds again in the future. Starting this summer we will be soliciting sponsors and partners for support and grants to achieve that. We want to be in a spot for construction in both 2020 and 2021 to be ready for 2022 and have a Morris that will lead us into the next 100 years for this community.

At the July meeting information will be shared on the Palais Royale, the efforts with our partners at Navarre Hospitality and current projects.

Century Center

Jarnecke reported that Century Center had a strong 2019 Q1 with \$298,302 profit. That number is front loaded because the first payment of \$637,500 was received from the Hotel-Motel Tax Board. Budget approved was \$4,509,883 for 2019; expenses year-to-date were \$959,647 (21% of budget.) Century Center should be in the black at the end of 2019 which is a testament to the efforts by the team and the partners at SMG at delivering those events including nearly 30 weddings this year. The challenge remains to have over 500 events to have the P&L work. The 2019 Q1 P&L labor expenses were the highest (as budgeted at 20.56% of the budget.)

Jacob Hamman reported on 2019 Q1 sales and marketing efforts compared to 2018 Q1. New contracts down 27% -- 79 in vs 108 in 2018 Q1. New contracts issued was up 2% -- 142 in 2019 vs 139 in 2018. Estimated rent was down 7% -- \$105,575 in 2019 vs \$114,070 in 2018. Attendance was down 7% -- 59,750 in 2019 vs 64,492 in 2018. Site visits were up 2% -- 101 in 2019 vs 99 in 2018. Room nights increased 114% - 902 in 2019 vs 421 in 2018. Cost of goods sold was 24%. The net Promoter Score is at 80; survey return rate at 42%. Room nights by event type included 320/conventions; 9/special events (such as Brewfest); 17/banquets (including weddings); 4/trade shows; 308/sports; 12/meetings; and 232/consumer shows. Staff are working with Visit South Bend Mishawaka to lure groups from Indianapolis. Hamman attended the Indiana Tourism Conference in Noblesville with VSBM. Julie Nowak booked Misty Harbor Boats to replace the Godfrey Dealers Show.

Bendix Theater E-Sports Presentation

Jarnecke introduced Ratio Design and the work being done on the potential redesign concept to transform Bendix Theater into the region's first dedicated e-sports facility and options to renovate and expand Century Center. They designed Venue ND locally and designed and worked through all 6 phases of the expansion of the Indianapolis Convention Center.

Although e-sports may be new to some people, there is traction across the country of cities and communities building dedicated gaming facilities. E-sports is not new to South Bend. The Super Smash Brothers Melee world championship was held with 186 participants in South Bend July 10-12, 2005. FC Diamond was held in 2007 with 256 players and \$10,000 in prize money. That same group of individuals were in high school at the time, then went to Notre Dame and organize tournaments at Notre Dame to this day. There has been outreach from institutions and universities in the area, from partners who would provide the technology and marketing support and a number of other things. Everything that is done today in the Bendix Theater could be done better, more efficiently and a new revenue source would be created with e-sports.

Bill Browne, President and Principal Architect at Ratio Design, introduced Zach Hilleson, Project Director and Design Architect; and Matthew Rueff, Senior Associate/Economic Specialist.

Zach Hilleson gave a presentation on the \$5 million redesign concept of the Bendix Theater for local, regional and national e-sports tournaments. Phase 1/\$2.5 million cost: Stage, screens, ribbon video board, player seating, analyst desk, mobile phone integration, enhanced Wi-Fi and utility upgrades are key. Updates in ceilings, walls and accessibility may be needed. Phase 2: Support space is needed for producing and broadcasting e-sports events over the internet. Back-of-house space is needed for team locker/dressing rooms, offices and training rooms; media/press room; and additional safety and security. Opportunities exist for a gaming village concept with a pre-function gamer gallery; lounge and social spaces; game developer labs; drone racing course, retail store for souvenirs; food and beverage options.

Discussion followed on how many venues the Bendix would be competing with. Hilleson stated that there are production-style venue for the Pacers in Indianapolis; however, there are not venues in this region that provide this level of engagement and production. The Bendix Theater could be used for all other presentation purposes that are currently being hosted – presentations, speakers, performances. The number of seats would remain at close to 700. The current front row of approximately 20 seats would be removed for the gaming area and accessibility. The facilities that have been built in the last 5 years for e-sports are used intensively both day and night. California already has e-sports venues built and currently being built. Orange County, CA, and Las Vegas,

NV, already have 15,000 square feet venues. Data on how many days a year e-sports facilities are used and room nights would be helpful in the decision process. With a \$2.5 million cost, return on investment would be important as well as being able to repurpose the space for cash flow in the future if e-sports were not successful. The type of gaming may need to be looked at and/or restricted as the community might push back about gaming with an active shooter theme. This has a lot of potential for other uses because of the technology such as conferences or viewing Notre Dame games.

Jarnecke stated that Philadelphia, PA, has spent \$50-\$70 million on a dedicated e-sports facility with approximately 3,500 seats by the Lincoln Financial Field and the athletic complex on the south side of the city. Century Center has the existing space available with the Bendix Theater and e-sports would complement what is currently being done with the space. It is anticipated that in the first year the space would be used for e-sports 3 or 4 times. Potential partners and tenants that would use the space as their home base are being identified for steady cash flow. This will be studied further prior to the July 10 meeting. Outreach has started to organizations to include renovations needed for e-sports gaming and future expansion. The sales team would also bid on e-sports tournaments similar to bidding for conferences and association events. It would be beneficial for the sales team to have something new that does not exist in the region to offer potential clients.

Perri commented that this is an exciting concept. E-sports is a billion dollar industry and Century Center could be the first in the region to market this. He thanked Ratio for presenting the concept. There are a lot of things to consider – the potential tenant partners, mix of events, the economics, and the Hotel-Motel Tax return on investment. Perri would like to have Jarnecke's team study this further and present the economics of the business model, possible funding sources and partnerships. Motion made, seconded and approved.

Century Center Redesign and Expansion

Bill Browne of Ratio Design presented the master plan concept for new space for an exhibition hall, ballroom, Junior Ballroom, prefunction and registration for the exhibition hall, prefunction for the ballrooms, meeting rooms, storage, building support, mechanical, electrical, loading dock with 6 bays, and a future limited service hotel with 200 rooms on 8 levels. Century Center would partner with a hotel developer for the hotel. Keeping the facility open while the expansion takes place in phases is a critical component of construction.

Phase I would include the 18,295 sq. ft. ballroom which would have corridors to service that properly and a 7,965 sq. ft. pre-function space of that overlooks the river. Phase II would include 75,000 sq. ft. of exhibit space compared to the current 25,000 sq. ft. with prefunction/registration space at the front of the building along Martin Luther King Jr. Boulevard which would have stairs to the lower level meeting rooms prefunction space. Most of the existing river level spaces would remain. A new 14,057 sq. ft. junior ballroom would be added along with 10,318 sq. ft. for small meeting rooms and 8,680 sq. ft. for large meeting rooms.

Phase 3 for a future hotel have rooms that view the skyline of the city and becomes an important landmark. The first level of a future hotel would take the hotel space to the river level. The hotel would be serviced by a corridor from the Century Center back docks. The concept of having a hotel added to the venue gives an opportunity for shared services for food and beverage and meeting space.

The expansion would downsize the existing surface parking lot to 135 spaces to the south of the expansion. Across the street is a 400 car parking garage to utilize.

The expansion would feature glass across the front to be open and welcoming. The prefunction space could be utilized for conference registration. The plan has opportunities for people watching and a great amount of energy with people moving up and down to the various spaces.

Phase I expansion is estimated at \$70 million. Phase II with renovation for the ballroom is estimated at \$10 million. The Bendix Theater renovation for e-sports is estimated at \$5 million. Phase 3 expansion with the 200 room hotel with a developer or hotelier is estimated at estimated at \$35 million. The plan gives an overview of how to expand the property to the next level to be competitive with conference centers in Fort Wayne, Kalamazoo, Grand Rapids and other competition.

Matthew Rueff of Ratio Design presented on possible funding opportunities for the expansion project. Tax Increment Finance is used throughout the State of Indiana and is one of the major tools for this type of expansion. New Markets Tax Credits require private investors to create jobs and the hotel could be a part of that. Opportunity Funds/Opportunity Zone would rely on private investment for a hotel and could help fill the gap for a hotel investor. Section 108 Loan Guarantee funds are based on Housing and Urban Development (HUD) and the City would apply the funds. A Food and Beverage Tax could be collected and would require a law by the State of Indiana legislature to allow St. Joseph County to collect the tax. This is a major tool for municipalities for convention center projects which has been used by Indianapolis, Fort Wayne, Terre Haute, Bloomington, Vanderburg County. Hotel-Motel Tax could be considered.

Jarnecke thanked Ratio for the presentation and growth solutions to be relevant in the marketplace. Andres asked what the land would be worth if the convention center would be demolished and available for development. Varner stated that more information would be helpful. Andres motioned to continue the study of expansion and explore funding options; Kelly seconded; motion passed.

PRESIDENT'S REPORT

Perri reported that the Indiana State legislature did change the legislation regarding how the Hotel-Motel Tax is distributed. Downes stated that the Hotel-Motel Tax started at 5% which originally funded the building of Century Center. The tax was increased to 6% when the College Football Hall of Fame was built. Ever since the CFHF moved from South Bend many people have been seeking that extra 1% to use. At the very end of the legislative session, the Hotel-Motel Tax was amended effective July 1, 2019, to give 60% of that 1% to a to-be-determined/to-be-built athletic center in Mishawaka. The Hotel-Motel Tax Board is required to set aside that approximate \$650,000 for this fiscal year starting July 1. The remaining 40% of that 1% was given to Potawatomi Zoo which has an \$30-\$35M expansion plan. The Hotel-Motel Tax Board is required to set aside that approximate \$350,00 for this fiscal year starting July 1. Downes is on the Hotel-Motel Tax Board subcommittee that Mark McDonnell chairs with Ron Zeltwenger of 1st Source Bank and Dan Parker, City of South Bend Controller to create an action plan prior to July 1 to present to the Hotel-Motel Tax Board. Many people think that the zoo does not produce a lot of hotel room nights in St. Joseph County which is what funds the Hotel-Motel Tax. The group may need to meet with legislators to figure out what is a better long-term funding mechanism for the zoo and to try to amend the legislation. It may be another year before we know if there definitely will be an athletic complex built in Mishawaka. This presents the first opportunity in 15 years to increase the Hotel-Motel Tax which is

one of the lowest in the State of Indiana. An increase to 8% or 9% be important to Century Center as well as Visit South Bend Mishawaka.

NEW BUSINESS

Nominating Committee Chair Doshi reported that the existing officers have agreed to serve another term: Aaron Perri, President; Michael Neises, Vice President; David Varner, Treasurer; and Randy Kelly, Secretary. Motion made to approve the slate of officers; seconded; and motion carried.

Jarnecke requested a motion for permission for staff to negotiate the SMG Agreement Extension. The term of the Agreement expires December 31, 2020; however, because of the good work by staff room nights are up 120% over a 5-year period. Second, candidates for the General Manager position would be limited with only 16 months remaining on the current Agreement. Motion made to approve staff to negotiate the SMG Agreement Extension; seconded; and motion carried.

Perri stated that the board roster in the meeting materials has been updated with member re-appointments. Board meeting dates have changed and an updated schedule is in the meeting materials.

ADJOURNMENT

With no further business, Perri entertained a motion to adjourn. It was moved, seconded, and the motion carried.

AP: mes