



Legislation Text

File #: 21-543, Version: 1

STRATEGIC PRIORITY: Government Performance and Financial Management

AGENDA DATE: April 14, 2021

COUNCIL DISTRICT(S): 2

DEPARTMENT: Department of Convention and Event Services

EXECUTIVE: Joey Zapata

SUBJECT

Authorize a second letter amendment to the Lease Agreement between the City of Dallas and the Arena Group to **(1)** grant a second deferment of the due date for the Fiscal Year (FY) 2021 rent payment in the amount of \$3,400,000.00 for the American Airlines Center (AAC) from a date previously requested by the Center Operating Company, L.P. from April 30, 2021 to September 30, 2021 and approved by the City Council on October 13, 2020 by letter amendment to the Lease Agreement between the City of Dallas and the Arena Group; and **(2)** grant a one-time deferral of the due date for the FY 2022 rent payment in the amount of \$3,400,000.00 for the AAC from October 1, 2021 until April 30, 2022 - Financing: This action has no cost consideration to the City (see Fiscal Information)

BACKGROUND

Given the economic setbacks to both the tourism and sports/entertainment industries created by the onset of the COVID-19 pandemic, the Center Operating Company, L.P. (COC) requested the City of Dallas City Council's consideration of a deferment of the FY 2021 rent payment in the amount of \$3,400,000.00 for the AAC to offset the significant loss in revenue experienced since March 2019. The City Council originally approved a deferment of the \$3,400,000.00 rent payment due on October 1, 2020, until April 30, 2021, by Resolution No. 20-1519 on October 13, 2020, with the forecasted end of the pandemic assumed to be early spring 2021.

With the continued pandemic, collateral revenue loss has persisted and COC has requested further interim deferment relief. Convention and Event Services staff recommends an additional deferment of the previously approved October 1, 2020 rent deferment to September 30, 2021 and the deferment of the October 1, 2021 payment of \$3,400,000.00 until April 30, 2022 to allow the COC and other AAC partners to financially recover and for the AAC to resume revenue-generating operations.

In consideration for the October 1, 2021 deferral, during the course of the next five years the City of Dallas will receive 10 one day rental uses of the AAC, Victory Plaza and/or its garages at no rental cost.

ESTIMATED SCHEDULE OF PROJECT

Began Deferment March 2020
End Deferment April 30, 2022

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On October 13, 2020, City Council authorized a letter amendment to the Lease Agreement between the City of Dallas and the Arena Group to grant the request by the Center Operating Company, L.P. for a one-time deferment of the October 1, 2020 rent payment for the American Airlines Center by Resolution No. 20-1519.

The Government Performance & Financial Management Committee was briefed regarding this matter on September 22, 2020.

[The Government Performance & Financial Management Committee was briefed by memorandum regarding this matter on March 29, 2021. <https://cityofdallas.legistar.com/View.ashx?M=F&ID=9268343&GUID=CDC59E83-FACC-4464-A7B4-129A57D3999F>](https://cityofdallas.legistar.com/View.ashx?M=F&ID=9268343&GUID=CDC59E83-FACC-4464-A7B4-129A57D3999F)

FISCAL INFORMATION

This action has no cost consideration to the City. Revenue for the rent payment on the AAC lease has been collected annually since 1998. If approved, this item will defer the FY 2021 payment of \$3,400,000.00 from the previously approved deferral date of April 30, 2021 to September 20, 2021; and defer the FY 2022 payment of \$3,400,000.00 due date from October 1, 2021 to April 30, 2022 but will not change the amount of total FY 2021 or FY 2022 revenue collected.

OWNER

Center Operating Company, L.P.

Craig Courson, Chief Executive Officer