



City of Arts & Innovation

Development Committee

TO: DEVELOPMENT COMMITTEE MEMBERS DATE: APRIL 19, 2018

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARD: 1

SUBJECT: DEVELOPMENT OF THE BOX AT THE FOX ENTERTAINMENT PLAZA PRIMARILY AS A COMEDY CLUB BY LAFFSTYLE ENTERTAINMENT, INC. - DIRECT SUBMITTAL

ISSUE:

Select Laffstyle Entertainment, Inc. of Riverside for the development of The Box at the Fox Entertainment Plaza primarily as a comedy club.

RECOMMENDATIONS:

That the Development Committee:

1. Select the Laffstyle Entertainment, Inc. proposal; and
2. Direct staff to negotiate a lease agreement with Laffstyle Entertainment, Inc. for the development of The Box primarily as a comedy club.

BACKGROUND:

The City constructed the Fox Entertainment Plaza, which includes a 12,000-square-foot restaurant space, a 9,000-square-foot exhibition space (The Showcase), a 4,000-square-foot black box theater (The Box), and a 396-space parking garage, with the vision of expanding the creative economy, revitalizing downtown while promoting Riverside as a destination.

Since completion of the Fox Entertainment Plaza in 2013, staff marketed the restaurant space, identified an experienced developer, Arteco Partners, and negotiated a long-term lease for the development of a food and beverage market, known as Riverside Food Lab. Riverside Food Lab is currently under construction and is anticipated to be opened in June 2018. Staff is actively exploring various options for the development of The Showcase. Even though staff has been diligently managing The Box to offer a variety of performances and events to professional performers and community organizations, The Box has not generated net revenue since its opening. Losses from its operations have been absorbed by the General Fund. Table 1 below provides a financial summary of The Box from Fiscal Year 2014/2015 through Fiscal Year 2017/2018.

TABLE 1

Fiscal Year	Number of Events	Revenues	Expenses	Total Profit/(Loss)
2014/2015	7	\$85,243	\$115,438	(\$30,195)
2015/2016	33	\$51,735	\$117,482	(\$65,747)
2016/2017	33	\$68,614	\$94,011	(\$25,397)
2017/2018	19	\$22,497	\$39,079	(\$16,582)
Total Impact to the General Fund				(\$137,921)*

*Note: Does not include City staff time or janitorial costs.

Led by a City-hired consultant, extensive outreach, with various community groups and key stakeholders, was conducted which resulted in the identification of three different groups of users for The Box: non-profit corporations, performance-based community organizations, and commercial entities. Based on these targeted users along with a great deal of research and input from the City consultant, staff created a three-tiered fee structure, which was approved by the City Council on May 14, 2013 (Attachment 1).

As approved by the City Council, staff has managed The Box as a community venue targeting the anticipated performances and events and charging rates that were vetted through a thorough outreach and research process as outlined in Attachment 1.

Since 2015, the City has booked The Box to a total of 46 different groups, consisting of schools, non-profit organizations, performance organizations, religious organizations, service clubs, and government agencies. These users produced a total of 92 events (one-day events are accounted for 34% of this total). Table 2 below shows the breakdown of the events that took place on various days of the week. The non-profit organizations generated 95% of the events while performance-based community organizations generated 5% of the events. The Box did not attract any substantial or long-term commercial organizations. A list of events that occurred at The Box from April 2015 through May 2018 is shown on Attachment 2.

TABLE 2

Mondays	Tuesdays	Wednesdays	Thursdays	Fridays	Saturdays	Sundays	Total
14	1	21	8	14	17	17	92

Performances and events for The Box consist of theatrical shows, educational workshops, and community-oriented events. Since 2015, activities that occurred at The Box were consistent with the intended use, which includes musicals, plays, operas, films, comedies, dances, and events, consisting of award ceremonies, parties, meetings, receptions, conferences, and holiday functions. Performances accounted for two-thirds of the activities while events accounted for one-third of the activities at The Box.

The repeated users of The Box included Bella John Theatricals (15 times), Riverside Arts Council and Encore Performing Arts (6 times each), Riverside Lyric Opera (5 times), Riverside Repertory Theatre (4 times), and several others. The top five groups (representing 11% of the total users) produced 36 events (or over 39% of the total events at The Box), while 10 users (representing 22% of the total users) booked The Box two or three times and produced a total of 25 events. The

remaining 31 different groups (representing 67% of the total users) rented the facility once and produced one event each for a total of 31 events.

Table 2 below provides a breakdown of the expenses paid by the General Fund from FY 2014/2015 through FY 2017/2018 to operate The Box as a community-oriented performance space for professionals and community groups.

TABLE 3

Expenditures	2014/2015	2015/2016	2016/2017	2017/2018	Total
Professional services	\$ 97,713	\$91,480	\$68,137	\$27,479	\$284,809
Marketing, advertising	0	556	0	0	556
Utilities	3,593	5,514	4,932	2,226	16,262
Communication	0	0	296	149	445
Maintenance, repair	8,781	16,627	20,230	8,988	54,626
Bank charges	180	246	240	120	786
Rental equipment	650	1,730	143	0	2,523
Miscellaneous	4,520	1,329	33	117	5,999
Total	\$115,243	\$65,747	\$25,397	\$16,582	\$360,077

Even though some users of The Box stated that the costs to rent The Box are cost prohibitive, the facility rental rates approved in 2013 were and still are competitive with the industry standards, which was extensively researched before implementation. The rental rates have not been increased since adoption. For a one-day (eight hours) rental of The Box, commercial entities pay \$800 for weekdays and \$1,300 for weekends, while non-profit corporations and performance-based community organizations are charged \$900 and \$1,100 for either weekdays or weekends, respectively. Payments from the targeted users have not been adequate to cover expenses for The Box. These fee arrangements include paying for at least one technician to manage audio equipment and lighting.

In exploring options to maximize the capacity of the facility and lessen impact to the General Fund, comedy seemed to be a viable alternative for consideration. The Box would be ideally suited to operate as a comedy club because of its size and setup.

Staff reviewed the comedy club concept with Live Nation, the current operator of the Fox Performing Arts Center (Fox) and the Riverside Municipal Auditorium (RMA), on development of The Box as a comedy club. However, negotiations ended because the City did not agree with Live Nation's proposed financial structure.

In 2014, the City retained Plantation Productions, Inc. to provide logistic and technical needs for events held at both The Box and The Showcase; the contract will expire on April 30, 2018. While the option of transforming The Box into a comedy club is being considered, staff intends to seek approval from the City Council prior to the expiration of the contract to extend the term for an additional two years. With written notice, the City has the option to terminate the contract with Plantation Productions, Inc. at any time. If The Box were leased to LaffStyle for a comedy club, Plantation Productions would no longer be necessary since LaffStyle would be responsible for logistics and technical operations of The Box. Termination of Plantation Productions would not result in a net cost savings to the General Fund since the facility rental rates charged for use of The Box are used to pay Plantation Productions, which offset each other.

DISCUSSION

Located between comedy venues in Ontario and the Inland Empire casinos, Riverside offers an ideal location on the Southern California map for comedy. As part of Riverside's ambition to become a center for entertainment, culture and nightlife, now is the time for the transformation of the underutilized Box into a comedy club.

On August 10, 2017, staff issued a Request for Qualifications for the development, operation, and management of The Box, at the Fox Entertainment Plaza, located at 3635 Market Street, as a comedy club. On October 26, 2017, when responses were due, staff received two proposals from Laffstyle Entertainment, Inc. (Laffstyle) and Arteco Partners.

On November 27, 2017, the Selection Committee interviewed both qualified proposers. The Selection Committee included staff from the Community & Economic Development Department and the Public Works Department. Subsequently, the Selection Committee selected the proposal submitted by Laffstyle as being the most viable. The proposal for transforming The Box into a comedy club is included as Attachment 3.

The Laffstyle proposal is summarized below:

1. **Use:** Comedy Club consisting of 240 prepaid and assigned seats; food and alcoholic drinks will be served for its patrons
2. **Premises:** 4,000 square feet of interior space, outdoor plaza space and concession area above the Showcase
3. **Lease Rate:** \$5,000 per month / \$60,000 per year in the first year with three percent (3%) annual increases thereafter
4. **Term:** Five (5) years with an option to extend an additional five (5) years
5. **Operating Capital and Tenant Improvements:** \$300,000
6. **Tenant Improvements:** Laffstyle will be responsible for paying for the conversion of the women's restroom into a small kitchen and main bar; installation of a new stage, furnishing, lighting, and equipment; and set up of tables, chairs and VIP booths.
7. **Utilities:** Laffstyle will be solely responsible for payment for all utilities, including trash, water, gas, electricity, lighting, heating, telephone, internet, and other utilities as well as communication services used by Laffstyle on the Premises. Additionally, Laffstyle will reimburse the City for its share of the Common Area Maintenance costs related to the Fox Entertainment Plaza parking garage, outdoor plaza, and concession area.
8. **Possessory Interest:** Laffstyle will be solely responsible for payment of all possessory interest taxes levied or assessed against the Premises.
9. **Other uses:** Laffstyle has agreed to accommodate a minimum of 25 events annually to provide a venue for artists and local groups, as well as arts education and rehearsal space.

Laffstyle's operating structure consists of Perryn Holtrop as the owner and general manager

partnering with Randy Lubas as the club manager, and Shawna Rider as the bar manager. Mr. Holtrop has been an entrepreneur since he was 19 and owns several patents. Mr. Holtrop has experience developing, promoting, booking, and running comedy clubs. Mr. Lubas has over 40 years of experience in the comedy industry and currently owns two comedy clubs in Valencia and Ventura. Ms. Riders has experience recruiting, training, and developing national chain restaurants.

Laffstyle is proposing to open the comedy club as follows:

- Wednesday from 6:00 p.m. to 11:00 p.m.
- Thursday from 8:00 p.m. to 10:00 p.m.
- Friday and Saturday from 7:00 p.m. to 12:00 a.m. (midnight)
- Sunday from 5:00 p.m. to 10:00 p.m.

The intent of The Box is to provide an entertainment venue for comedy acts, traveling artists and local groups, as well as arts education and rehearsal space. Laffstyle will allow The Box to be used for other entertainment related functions, at a minimum of 25 occasions per year, outside their regular working operating hours. The Box will be available all day Monday and Tuesday, with functions on Sunday with an advanced notice. For weekends that the FOX has big comedy acts booked (e.g. Jerry Seinfeld or Kevin Hart), Laffstyle will forgo comedy acts at The Box and be available to accommodate community-oriented events to not compete with the Fox. Users of the Box will be required to reimburse Laffstyle a minimal fee of approximately \$500 for up to three hours (staff time, use of equipment, and cleaning) and \$100 per hour thereafter, plus \$40 per hour if technical support on the premises is required to assist with lighting, sound and presentation projection. The current facility rental rates for The Box for a single day up to 8 hours, are as follows:

- Any Non-Profit 501 (c) 3 Business or Organization: \$900/day, any day of the week
- Performing Arts Based Business or Organization: \$1,100/day, any day of the week
- Other Commercial Businesses or Organizations: \$800/day (Monday - Thursday) and \$1,300/day (Friday – Sunday)

By comparison, under the LaffStyle proposal, a user would pay \$1,000 to rent The Box for 8 hours.

Laffstyle has passion for the industry, strong connections with the industry talents and artists, current successful operations, and sufficient experience to undertake the development, operation, and management of The Box as a comedy club, as well as entertainment related functions. To maximize the capacity of The Box and reduce the operating costs to the General Fund, staff recommends that the Development Committee select the proposal submitted by Laffstyle.

The Purchasing Services Manager concurs with the recommendation above.

FISCAL IMPACT:

Based on the terms of the proposed lease agreement, which is subject to the approval of the City Council, the City will begin receiving revenue of \$5,000 a month upon issuance of a Certificate of Occupancy. The City would generate a minimum of \$60,000 annually plus three percent (3%) annual increases from the lease with Laffstyle in addition to reducing the impact on the General Fund from operational losses at The Box.

Prepared by:	Rafael Guzman, Community & Economic Development Director
Certified as to availability of funds:	Adam Raymond, Chief Financial Officer/City Treasurer
Approved by:	Al Zelinka, FAICP, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachments:

1. City Council Memorandum Dated May 14, 2013
2. List of Events from 2015 to Present
3. Laffstyle Proposal
4. Presentation