



Legislation Text

File #: 21-0345, Version: 1

TO: Mayor Richard C. Irvin

FROM: Martin S. Lyons, Chief Financial Officer/City Treasurer
Alex Alexandrou, Chief Management Officer

DATE: May 5, 2021

SUBJECT:

A Resolution authorizing a grant of \$1.5 million as a match to the Dunham Foundation Program Investment of \$1.25 million and \$750,000 grant (total of \$2.0 million) to fund startup expenses for the reopening of the Paramount Theater.

PURPOSE:

The Paramount Theater/ACCA has been working diligently throughout the COVID 19 pandemic to receive funding through the Federal Government under programs similar to CARES. Presently ACCA is working on funding of \$6.9 million from the Shuttered Venue Operators Grant (SVOG) program. These funds will not be received in a timely manner in order for the Paramount to re-open and begin operations this summer. The Dunham Foundation has agreed to fund \$2.0 million if the City of Aurora will match the \$750,000 amount on a two to one basis meaning the City grant of \$1.5 million..

BACKGROUND:

COVID 19 continues to impact the City of Aurora Downtown and this impact is felt the most at the Paramount Theater. At the height of the theater's popularity/success on both an attendance and financial basis the venue was shutdown in March 2020 and over 90% of staff were either laid off or furloughed. As COVID 19 vaccinations began to become a reality the City and Paramount began the analysis to determine when and how the theater could reopen. In early discussions in December 2020 this re-opening operation could have involved financing from the City in excess of \$12 million. City and Paramount Staff have continued to work on alternatives that could reduce this City commitment in lieu of federal funding programs.

The annual operating budget for the theater is approximately \$20 million as noted in attachment A. In order to re-open and start up their operations they will incur operating costs for shows for which they have already collected funds/ticket revenue and therefore need cash flow support to pay for operating expenses. The \$3.5 million combined funding from the City and from the Dunham Foundation will provide start up revenue, however even this amount will not be sufficient to fund all operations before operating revenues become sufficient in late 2022 and 2023 to bring the theater back to a more stable operating capacity.

The above grant is planned to be combined with a potential \$7.0 - \$10.0 million SVOG grant to further close this gap. Attachment B shows the budget submitted by the Paramount for the first

phase of the SVOG that is estimated at \$6.9 million.

Finally, the above transaction will be necessary if the City hopes to receive rental and other income from the Stolp Island Social restaurant whose re-opening is tied to the Paramount re-opening and other sources as outlined in the Section 108 loan agreement done in 2017. For these other revenue sources to return, the Theater must reopen.

DISCUSSION:

The Paramount Theatre/ACCA has approached the City with a plan for re-opening according to CDC/state, etc. guidelines as early as July 2021 for River Edge Park and August 2021 for indoor performances. In order to make this plan a reality, startup funding will be required and such funding will be needed prior to the realistic receipt of other funding from the Federal Government.

The Paramount has worked with the Dunham Foundation to obtain funding as a Program Related Investment in the amount of \$1.25 million and a \$750,000 grant for a total commitment of \$2.0 million. The grant amount is predicated on a two to one match by the City. As noted above it is imperative for the health of the downtown for the Paramount to begin operations as soon as possible.

The City has worked diligently to be on sound financial ground through our management of operating expenses as noted in the most recent 2020 budget amendment presented at the Committee of the Whole on May 4, 2020. Based on this current financial status, the City has cash/fund balance available in the General Operating Fund to support this grant. It is the City's intent if at all possible to fund this grant, through the following sources:

- 1) Utilization of ARPA funding (currently approved by the Federal Government at \$35.2 million for the City of Aurora) under an economic development classification. Final rules for this funding are expected by June 30, 2021, but economic development has been a core category in preliminary discussions.
- 2) Utilization of SVOG program funds from the second application made by the Paramount. As noted above the first application of \$6.9 million will be needed for expenses over the next year, but if the second application of up to \$3.1 million is eligible the City will seek to use such funds as a possible source.
- 3) Other Federal funding not yet identified.

While the above items may sound tenuous at this point, it is important to remember that CARES funds were distributed in advance of final funding guidance and the City did receive nearly \$11 million from the counties and state based on final categories being determined. Furthermore, based on the complexity of the City's total budget it is possible that funding for other major capital and operating expenses that is currently covered by our own revenue sources, could be covered through ARPA, freeing these funds to be used for critical and time sensitive economic development activities.

As noted in the most recent Treasurer's report for March 31, 2021, the City's General Fund Balance is \$27.0 million, which is \$12.8 million higher than it was in March of 2020. The 2020 Budget Amendment as presented on May 4, 2021 to the Committee of the Whole included \$3.5 million in transfers out of the General Fund, which will reduce this Fund Balance to \$23.5 million, which is still above the balances shown at this time of year for 2020, 2019, and 2018.

As has been the case in recent development incentive agreements, the Paramount will be required to

provide expense data to the City and the Dunham Foundation on a monthly basis detailing payroll and operating expenses incurred and funded by this joint \$3.5 million funding.

IMPACT STATEMENT:

This grant to the Paramount Theater will provide necessary funding to begin the re-opening process for the theater which is imperative to the re-opening of the Aurora Downtown.

RECOMMENDATIONS:

That the City Council approve this resolution and to authorize the Mayor and City Treasurer to complete loan documents and agreements required to complete the grant of \$1.5 million to the Paramount Theater is being matched by the Dunham Foundation.



CITY OF AURORA, ILLINOIS

RESOLUTION NO. _____
DATE OF PASSAGE _____

A Resolution authorizing a grant of \$1.5 million to the Aurora Civic Center Authority d/b/a Paramount Theatre to be disbursed at the same time as a \$1.25 million Program Related Investment and a \$750,000 grant provided by the Dunham Foundation designated to fund startup costs for the theater as a result of the COVID 19 pandemic.

WHEREAS, the City of Aurora has a population of more than 25,000 persons and is, therefore, a home rule unit under subsection (a) of Section 6 of Article VII of the Illinois Constitution of 1970; and

WHEREAS, subject to said Section, a home rule unit may exercise any power and perform any function pertaining to its government and affairs for the protection of the public health, safety, morals, and welfare; and

WHEREAS, The Paramount Theater/ACCA operations at multiple venues are vital to the success and revitalization of the Aurora Downtown; and

WHEREAS, The COVID 19 Pandemic has shuttered the operations of Paramount/ACCA for over one year, resulting in an estimated revenue loss of over \$13 million; and

WHEREAS, Paramount Theatre/ACCA has developed a re-opening plan that requires multiple sources of local and federal funding; and

WHEREAS, Paramount Theatre and the City Treasurer will report out on an annual basis the disposition of the forgivable loan;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Aurora, Illinois, as follows:

That the Mayor and City Treasurer are authorized to execute a grant agreement of \$1.5 million that is being matched by a \$750,000 grant and a \$1.25 million Program Related Investment, both from the Dunham Foundation under summary terms to be amplified by all necessary documents, and agreements necessary to execute the grant.