

CITY OF OAKLAND
REDEVELOPMENT AGENCY
SUPPLEMENTAL AGENDA REPORT

OFFICE OF THE CITY CLERK
2007 MAY 31 PM 8:47

TO: Office of the Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: June 5, 2007

RE: **A Supplemental Report On:**

An Agency Resolution Approving the Agreement as Directed by Agency Resolution No. 2007-0036 C.M.S., Which Authorized the Agency to Negotiate a Three-Year Agreement with San Jose Arena Management, LLC to Manage and Operate the Oakland Ice Center for a Percentage of Net Revenue, Pursuant to Specific Criteria, and to Approve the Allocation of Agency Funds in the amount of \$100,000 as Matching Funds for a Contribution from San Jose Management LLC for Necessary Capital Improvements to the Oakland Ice Center, and allocating Additional Agency funds of up to \$200,000 for Capital Improvements to the Oakland Ice Center

SUMMARY

On May 23, 2007, San Jose Arena Management, LLC (SJAM), the proposed new management company for the Oakland Ice Center (OIC), submitted to the negotiating team revised cost estimates for certain capital improvements to the OIC. These revised estimates substantially exceeded SJAM's previous cost projections for such work of May 1, 2007, by \$588,000. When preparing the original Report for this matter, Staff relied on SJAM's estimates as the basis for legislation authorizing an allocation of Agency funds in the amount of \$100,000 as matching funds for a contribution from SJAM for necessary capital improvements to the OIC, and allocating additional Agency funds of up to \$200,000 for capital improvements to the OIC. The allocation of these Agency funds was based on SJAM's May 1, 2007 budget figures for capital improvement work related to the ice plant equipment, the cooling tower and the ice rinks, as well as some initial maintenance work. Staff believed that the allocation of Agency funds in the combined amount of \$300,000, in addition to SJAM's contribution of \$100,000 for capital improvements and \$30,000 for maintenance would be sufficient to make necessary capital improvements at the OIC. Staff's original Report requesting approval of the SJAM management agreement and the allocation of capital improvement funds had already been submitted to the Agency Administrator and publishing by the City Clerk before SJAM provided its revised figures. SJAM has stated that they will not be able to assume responsibility for management of the OIC unless repairs related to the ice rinks and refrigeration equipment are completed.

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Staff is recommending that the SJAM management agreement and the allocation of capital improvement funding at the requested combined amount of \$300,000 described above be approved. Moreover, staff recommends that the OIC be closed for a month to remove the ice, inspect and evaluate all the refrigerant piping systems, and make any necessary repairs. The parties have agreed that the month of July will cause the least amount of disruption to the public. Agency staff has also reached tentative agreement with SJAM that all user groups affected by the proposed shutdown will be accommodated at SJAM's other ice rink facilities in the Bay Area at the same rates that they would have paid at the OIC.

There is a very real possibility that this agreement with SJAM will necessitate the allocation of additional funds of up to \$150,000 from the Redevelopment Agency in order to complete the repair of the ice surfaces and refrigerant equipment. Agency staff will likely return to Council with a request for the reallocation of at least those additional Agency funds in the amount of up to \$150,000 at the beginning of Fiscal Year 2007-09. Furthermore, if there is damage to the piping system under the ice, additional Agency funding to address such potential problems will be required.

KEY ISSUES AND IMPACTS

SJAM's proposed capital improvement budget covers two general areas: large capital improvements and major repair and maintenance. Based on their revised pricing information given to staff on May 23, 2007, SJAM now estimates that an additional \$492,000, or a total of \$856,000, will be required to complete all work related to the ice plant equipment, the cooling tower, the ice rinks and dasher boards. Moreover, SJAM has identified additional repair and maintenance work totaling \$267,000, which sum exceeds the earlier estimate by \$95,000. SJAM's updated capital improvement and major repair budget now totals approximately \$1,233,000.

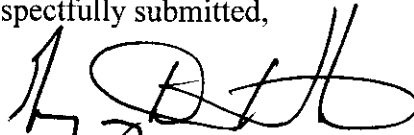
At this time, any identified costs, especially those related to the ice surfaces and the ice refrigeration equipment, no matter by whom they are provided, can only be estimates. Not until the ice is completely taken down and the refrigerant and warm water piping system completely inspected, will anyone be able to provide repair figures with a degree of certainty. Moreover, any costs to repair potentially hidden defects to the piping systems under the ice cannot be definitively known until the ice has been removed.

Because staff had concern over these new and substantially higher figures, staff conducted a review of SJAM's cost projections by obtaining a preliminary second opinion from Rink Specialists, a Virginia-based company specializing in ice installation and ice rinks. Staff's concerns proved to be valid when it learned that the new SJAM estimates were from a general contractor with very little experience in ice installations. Rink Specialists has 31 clients all over the country and has completed over 121 ice installations; they are considered an expert in the field. For rehabilitation and repair of an existing ice rink, the Agency must rely on a specialist in the industry, not a generalist.

Based on information provided by Rink Specialists, it is clear that SJAM's cost projections appear to be extremely high in some areas, especially with regard to those items that relate to the ice plant equipment and ice sub-floors and dasher boards. The excessive costs may be the result of the general contractor's limited experience with ice installations and SJAM's reliance on the general contractor for cost estimates. Staff has asked that SJAM review their last budget, reevaluate each item currently identified as needing replacement and solicit input and additional estimates from specialists in the industry. Moreover, most of the items listed under the repair and maintenance category can be completed as part of on-going facility maintenance during the term of the Agreement, and do not have to be prioritized for repair during the proposed OIC maintenance shutdown in July. Hence, immediate funding for all of the repair and maintenance items will not be needed.


However, we would be remiss not to inform the Council Members that there is a very real possibility that this Agreement with SJAM will necessitate the allocation of funds of up to \$150,000, in addition to the Agency funds in the combined amount of \$300,000 plus SJAM's contribution of \$130,000, in order to complete the repair of the ice plant equipment, the cooling tower, the ice rinks and dasher boards. Furthermore, if there is damage to the piping systems under the ice, additional Agency funding to address such potential problems will be required. More than likely, the Agency will return to Council during the beginning of Fiscal Year 2007-09 with a request for the reallocation of at least those additional Agency funds in the amount of up to \$150,000 to complete the repair of the ice surfaces and equipment. At this time, the Agency has not identified any available funds in excess of those proposed in the agreement Resolution.

Respectfully submitted,



Gregory Hunter
Interim Director of Redevelopment, Economic
Development, and Housing and
Community Development

APPROVED AND FORWARDED TO
THE REDEVELOPMENT AGENCY


Deborah Edgerly
City/Agency Administrator

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