

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2011 MAY 12 Office of the Agency Administrator
ATTN: P. Lamont Ewell, Interim Agency Administrator
FROM: Community and Economic Development Agency
DATE: May 24, 2011

RE: An Agency Resolution Amending Resolution No. 2010-0099 C.M.S. to Increase the Funding Allocation for Capital Improvements to the George P. Scotlan Memorial Convention Center by \$3,750,000 for a Total Allocation of up to \$7,750,000, and to Authorize an Amendment to the Management Agreement with Integrated Services Corporation to Increase the Original Construction Management Fee by \$153,000 for a Total Fee of up to \$306,000

SUMMARY

It is recommended that the Agency Board authorize a Resolution amending Resolution No. 2010-0099 C.M.S. to increase the funding allocation for capital improvements to the George P. Scotlan Memorial Convention Center (the "Scotlan") by \$3,750,000 for a total allocation of up to \$7,750,000.

It is also recommended that the Agency Administrator be authorized to negotiate and execute an Amendment to the Oakland Convention Center and Convention Center Garage Management Agreement (the "Agreement") with Integrated Services Corporation ("ISC") to increase the original construction management fee by \$153,000 for a total amount of up to \$306,000. The increase of the management fee would be payable out of the additional \$3,750,000 capital improvement allocation.

On July 20, 2010, the Agency Board approved legislation authorizing the allocation of Agency funds of up to \$4,000,000 for necessary capital improvements and repairs to the Scotlan to enhance the facility's appearance, marketability and long-term economic success. While assessing the condition of the aging building, Agency and ISC staff determined that more work is needed in order to meet this objective and to improve the Scotlan to a level that is commensurate with the high standard of recent major renovations at the adjacent Oakland Marriott City Center hotel (the "Marriott"). Accordingly, staff and ISC staff identified additional areas needing repairs and upgrades for an amount up to \$ 4,000,000.

FISCAL IMPACT

Approval of the proposed legislation will require that the Agency provide up to another \$3,750,000 for additional capital improvements and repairs to the Scotlan. Funds in the amount of \$3,750,000 are available from the Agency's Central District Tax Allocation Bonds Series

Item: _____
Community and Economic Development Committee
May 24, 2011

2005 Fund (9533), Capital Improvement Project - Economic Development Organization (94800), Uptown Garage 21st & Telegraph (Project P128670), that will be transferred to Project T426210 (Scotlan Convention Center Capital Improvements - 9533).

The reallocation of \$3,750,000 from Uptown Garage 21st & Telegraph (Project P128670) to Scotlan Convention Center Capital Improvements - 9533 (Project T426210) for the proposed capital improvements to the Scotlan will reduce available funding for the Agency's plans to provide public parking in the Uptown and/or Broadway/Valdez Districts, or financing assistance for the development of a Major League Baseball ballpark at Victory Court in Fund 9533. However, a portion of this reduction in an amount of \$2,000,000 will be backfilled with a reallocation of funding in the amounts of \$1,350,000 from Downtown Streetscape Improvements (Project P128820) and \$650,000 from Streetscape Master Plan (Project P128830). Agency funding is no longer needed for these two streetscape projects because the Agency can use proceeds from its award of funds under the State of California's Infill Infrastructure Grant Program instead. Since the proposed funding reallocation involves only Agency funds, there will be no fiscal impact on the City of Oakland.

BACKGROUND

The Scotlan

The Scotlan, which opened in 1983, is located at 550 10th Street in downtown Oakland and features 64,000 square feet of convention, exhibit, social gathering and meeting room space. The Scotlan is part of a building complex that includes (1) Downtown Oakland's only Class A hotel, the 481-room Marriott, which is owned by the CIM Group (CIM), (2) an Oakland Joint Powers Finance Authority-owned public parking garage with 585 spaces and (3) the Golden State Warriors training facility.

Recent Legislative History

On June 15, 2010, the City Council, pursuant to City Ordinance No. 13019 C.M.S., authorized a sublease of the Scotlan to the Agency for a term of up to 12 years. Pursuant to the terms of the lease the Agency is required to make a payment of \$2,000,000 per year in Fiscal Year 2010-11 and Fiscal Year 2011-12.

On July 20, 2010, the Agency Board passed Resolution No. 2010-0099 C.M.S., authorizing the allocation of Agency funds of up to \$4,000,000 for necessary capital improvements and repairs to the Scotlan.

The Oakland Convention Center and Convention Center Garage Management Agreement

The original 1997 Agreement for the Scotlan was between the City of Oakland ("City") and ISC. When CIM purchased the Marriott in 2007, it also acquired ISC. As part of its 2010 sublease with the City, the Agency assumed the Agreement with ISC and approved an amendment to the

Item: _____

Community and Economic Development Committee
May 24, 2011

Agreement authorizing ISC to provide construction management services for the \$4,000,000 in capital improvements, including up to \$153,000 for construction management fees.

PROJECT DESCRIPTION

The Scotlan has not been substantially renovated or modernized since its opening in 1983. As a result, the facility's physical condition is inferior to competing convention centers in the Bay Area. Furthermore, the building needs several upgrades to promote natural resource conservation and improve energy efficiency.

In 2008, at the City's request, CIM prepared a scope of work and a budget of approximately \$12 million for a complete renovation of the Scotlan. After receiving Agency approval to implement capital improvements of up to \$4,000,000 in July of 2010, CIM reduced the initial \$12 million scope of work to focus on the most urgent items that were originally identified. After notification from Agency staff that additional funding of up to \$3,750,000 might be available, CIM identified a scope of work and budget for a second phase of capital improvement to the Scotlan. There are opportunities to invest in upgraded building systems and facilities that will increase the annual operating income and decrease the annual operating costs of the property, thus providing a higher return on investment for the Agency. As part of the Phase 2 renovation, the building will work towards a LEED Silver certification in the Existing Buildings: Operations & Maintenance.

The scope of work for Phase 1, the initial \$4 million investment, includes the following:

- New tables and chairs for the exhibit hall and the conference rooms
- New furnishings, fixture and equipment for the public areas
- New carpet in the exhibit hall and conference rooms
- New wallcoverings in the conference rooms
- New ADA-compliant bathrooms on the first and second floor
- Upgraded décor in the elevator lobbies and atrium area

The scope of work for Phase 2, the requested \$3,750,000 investment, would include the following:

- New energy management system, including a more efficient heating and cooling system
- Upgraded lighting in the public areas and all conference rooms
- 10th Street entrance upgrade
- Replacing the ceiling tiles in the conference rooms
- State-of-the-art audiovisual equipment and internet access
- A new airwall between the West Exhibit Hall and the East Exhibit Hall
- Rental space improvements

Item: _____

Community and Economic Development Committee

May 24, 2011

It is anticipated that this Phase 2 would be divided into a Phase 2A and Phase 2B. Work for Phase 2A would cost approximately \$2,000,000 and would be focused on those elements that provide the highest return on investment to the Agency, for example installing a new energy management system in the building. Phase 2B would be approximately \$1,750,000. Work would be initiated in the middle of Fiscal Year 2011-2012, depending upon other budget priorities that may arise as a result of the State budget process.

The proposed schedule for the Phase 1 of the project is as follows:

April 2011	Select Designer / Begin Design
May 2011	Order Furniture, Fixtures & Equipment
June 2011	Apply for permits
September 2011	Begin Construction
December 2011	Complete Construction

The schedule for the proposed second phase is being developed by ISC.

Redevelopment staff has been working on an extension for the Central District which would provide significant new funds for projects including the Scotlan. Given the recent discussions about eliminating Redevelopment Agencies statewide, staff has looked for projects that can be achieved in a relatively short period of time and for which funding can be encumbered quickly. Staff has therefore proposed to reallocate funds in order to do additional work at the Scotlan.

Marriott Hotel Improvements

Since 2010, CIM has invested approximately \$17 million to renovate and modernize the 481-room Marriott. This work is projected to be complete by June of 2011. Every room in the hotel has been redecorated and the common areas have undergone a major redesign. Part of the \$17 million is being used to renovate two ballrooms and a lobby area that are on hotel property, but function as part of the Scotlan. CIM is heavily promoting the modernization of the Marriott ("Get Jazzed for Change") to capitalize on this important investment and its marketing campaign is targeting not only potential hotel visitors but also convention groups.

KEY ISSUES AND IMPACTS

The current expanded plan to renovate the Scotlan is part of the City and Agency's on-going effort to attract more visitors and businesses to downtown Oakland. While the proposed additional funding for the modernization of the Scotlan may not immediately translate into substantially increased revenues for Scotlan operations, it will make the facility more competitive and result in more events and higher revenues over time. In addition, modernization

Item: _____

Community and Economic Development Committee

May 24, 2011

of the cooling tower will result in lower energy costs, which will likely reduce the annual operating subsidy from the City.

Revenues from the convention center come back to the City in three ways:

- ***Fees and commissions for site rental.*** Groups that use the Scotlan pay for room and equipment rental, and pay an 8 percent commission on food and a 15 percent commission on beverages provided by the hotel. This translates into sales taxes for the City.
- ***Parking tax.*** All revenues generated by the parking garage are subject to the City's parking tax of 10 percent.
- ***Taxes on hotel rooms, food and beverage.*** The Transient Occupancy Tax (TOT) directs 14% of every room night in any hotel in Oakland to the general fund. Food and beverage sales are taxed at the standard sales tax rate. These taxes go directly to the City's general fund.

Fees, commissions and parking revenues are estimated to increase by approximately \$260,000 per year based on projected increases in the number of events and conventions held at the facility. Taxes collected by the City on hotel rooms and food and beverage sales are estimated to go up by approximately \$200,000 per year. This estimate is only for those taxes that are generated by the Marriott. Convention center visitors will also spend money on transportation to and from the hotel, and on offsite food and beverage purchases.

The Oakland Convention and Visitor's Bureau estimates that each out-of-town convention visitor to Oakland spends \$422 per day with an average stay of three days. Visitor spending for day meetings is approximately \$85 per day. This could lead to significantly greater tax revenue than the \$460,000 estimated here, but it is difficult to quantify the impact separately. This projected \$460,000 in additional revenues represents a 6 percent annual return on cost for the Agency's total investment of \$7,750,000.

Amendment to Management Agreement

The original Agreement was signed in 1997, and amended in 2005. The amended Agreement allows ISC, as an agent of the Agency, to contract for and supervise all capital improvements authorized by the Agency. The proposed legislation would amend the Agreement to increase ISC's construction management fee for phase I of the renovations by \$153,000 for a total fee of up to \$306,000. This fee is lower than what is typical for other construction jobs of this type.

Item: _____

Community and Economic Development Committee

May 24, 2011

SUSTAINABLE OPPORTUNITIES

Economic: Renovation to the Scotlan will complement other successful development activities in the Central District Redevelopment Project Area and strengthen the Central District's economic vitality resulting in increased tax revenues for the City and Agency.

Environmental: The capital improvement program will enhance the energy efficiency systems of the building by installing a new energy management system and energy efficient lights. All aspect of the development will adhere to green building standards where applicable. These improvements will decrease operation and maintenance costs for the facility, and contribute to the health of employees, and hotel and convention center patrons.

Social Equity: The Agency will require that ISC complies with the City's employment and contracting programs, including the Small/Local Business Construction Program, the Small/Local Business Professional Services Program (L/SLBE) and the Local Employment Program.

DISABILITY AND SENIOR CITIZEN ACCESS

All renovation work must comply with city, state and federal ADA requirements. The renovation of all restrooms as part of the first phase of the renovation work will bring these facilities into compliance with city, state and federal ADA requirements.

RECOMMENDATIONS AND RATIONALE

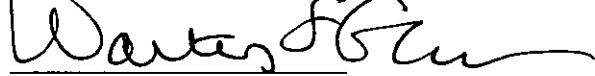
It is recommended that the City Council authorize an increase to the funding allocation for capital improvements to the Scotlan by \$3,750,000 for a total allocation of up to \$7,750,000, and further, that the Agency Administrator be authorized to negotiate and execute an amendment to the Oakland Convention Center and Convention Center Garage Management Agreement with Integrated Services Corporation to increase the original construction management fee of by \$153,000 for a total amount of up to \$306,000, which would be payable out of the additional \$3,750,000 capital improvement allocation.

Item: _____

ACTION REQUESTED OF THE CITY COUNCIL/REDEVELOPMENT AGENCY

Staff requests approval of the resolution which accompanies this staff report.

Respectfully submitted,



Walter S. Cohen, Director
Community and Economic Development Agency

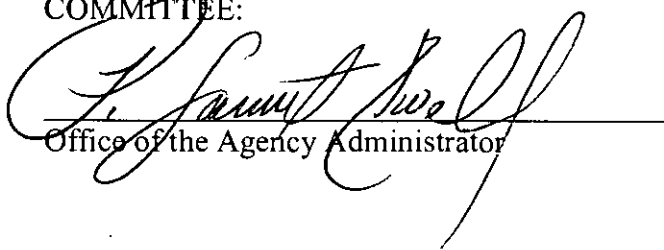
Reviewed by:

Gregory D. Hunter, Deputy Director
Community and Economic Development Agency

Prepared by:

Jens Hillmer
Urban Economic Coordinator

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT
COMMITTEE:



Office of the Agency Administrator

Item: _____

Community and Economic Development Committee

May 24, 2011

Attachment A

Scotlan Capital Improvement Program Phase I

Item	Amount
Soft Costs	\$490,782
Project Management Fee	\$153,000
FF&E for the Exhibit Halls	\$494,451
Other FF&E	\$252,733
Tax and Freight	\$104,606
Elevator	\$3,500
Asbestos Removal	\$9,500
Atrium	\$250,000
Waterproofing	\$289,000
Upgrades to Parking Elevator Lobbies	\$51,267
Main Convention Hall and First Floor Lobby	\$338,330
Integration of Convention Center and Hotel	\$256,880
First and Second Floor Restrooms	\$496,280
Second Floor Lobby and Corridor, Meeting Rooms	\$252,910
Subtotal	\$3,443,239
Contingency	\$556,762
Total	\$4,000,000

Scotlan Capital Improvement Program Phase II

Item	Amount
Soft Costs	\$596,900
Project Management Fee	\$153,000
New Energy Management System	\$800,000
Lighting upgrade	\$450,000
10th Street Entrance upgrade	\$75,000
Additional conference room upgrades	\$450,000
Exhibit hall upgrades	\$365,000
Back of house upgrades and equipment	\$275,000
Rental space improvements	\$175,000
Subtotal	\$3,339,900
Contingency	\$410,182
Total	\$3,750,000

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2011 MAY 12 AM 9:29

APPROVED AS TO FORM AND LEGALITY:

Agency Counsel

REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND

RESOLUTION NO. _____ C.M.S.

AN AGENCY RESOLUTION AMENDING RESOLUTION NO. 2010-0099 C.M.S. TO INCREASE THE FUNDING ALLOCATION FOR CAPITAL IMPROVEMENTS TO THE GEORGE P. SCOTLAN MEMORIAL CONVENTION CENTER BY \$3,750,000 FOR A TOTAL ALLOCATION OF UP TO \$7,750,000, AND TO AUTHORIZE AN AMENDMENT TO THE MANAGEMENT AGREEMENT WITH INTEGRATED SERVICES CORPORATION TO INCREASE THE ORIGINAL CONSTRUCTION MANAGEMENT FEE BY UP TO \$153,000 FOR A TOTAL FEE OF UP TO \$306,000

WHEREAS, the Redevelopment Agency subleases the George P. Scotlan Memorial Convention Center located at 550 10th Street, Oakland, California ("Property") in the Central District Redevelopment Project Area from the City of Oakland; and

WHEREAS, the Property is part of a building complex that includes Oakland's only Class A hotel, the 481-room Marriott, which is owned by the CIM Group ("CIM"), an Oakland Joint Powers Finance Authority-owned public parking garage with 585 spaces, and the Golden State Warriors training facility; and

WHEREAS, no major upgrades have been made to the Property since its construction in 1983, and certain repairs and capital improvements are necessary to enhance the Property's appearance and long-term economic success; and

WHEREAS, a study by the CIM Group concluded that up to \$12,000,000 should be invested in basic repairs and improvements to the Property in order to enhance its marketability and attract users; and

WHEREAS, the Agency, pursuant to Resolution No. 2010-0099 G.M.S., allocated up to \$4,000,000 for necessary capital improvements and repairs to the Property; and

WHEREAS, the Agency desires to increase the scope and budget for capital improvements and repairs to the Property from \$4,000,000 by an amount of up to \$3,750,000 for a total amount of up to \$7,750,000; and

WHEREAS, the City entered into a contract with Integrated Services Corporation ("ISC") for management of the Property on or about November 1, 1997 (the "Agreement"), which Agreement has been assigned by the City to the Agency; and

WHEREAS, ISC is completing a comprehensive renovation and modernization effort at the Marriott, and would like to undertake additional renovations at the Property in order to maximize benefits to both the Property and the Marriott; and

WHEREAS, this redevelopment effort will complement other successful development activities in the Central District Redevelopment Project Area and strengthen the Central District's existing role as a center for administrative, financial, business services and governmental activities; and

WHEREAS, the Agency desires to amend the Agreement to increase the scope and budget for capital improvements and repairs and to increase the construction management fee paid to ISC; and

WHEREAS, the Agency has identified available funds in the amount of \$3,750,000 in the Agency's Central District Tax Allocation Bonds Series 2005 Fund (9533), Capital Improvement Project - Economic Development Organization (#94800), Uptown Garage 21st & Telegraph (Project P128690) that will be transferred to Project T426210 (Scotlan Convention Center Capital Improvements - 9533); and

WHEREAS, the requirements of CEQA, the CEQA Guidelines as prescribed by the Secretary for Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been met; now, therefore, be it

RESOLVED: That the Agency hereby amends Resolution No. 2010-0099 C.M.S., to allocate an additional \$3,750,000, for a total allocation of up to \$7,750,000, for capital improvements and repairs to the Property, and reallocates funding in the amount of \$3,750,000 from the Agency's Central District Tax Allocation Bonds Series 2005 Fund (9533), Capital Improvement Project - Economic Development Organization (#94800), Uptown Garage 21st & Telegraph (Project P128690) to be transferred to Project T426210 (Scotlan Convention Center Capital improvements - 9533) for this purpose; and be it

FURTHER RESOLVED: That the Agency hereby authorizes an amendment to the Agreement with ISC to provide an additional amount of up to \$3,750,000 for capital improvements, repairs and rehabilitation to the Property, including an increase in the construction management fee of up to \$153,000 for a total fee to ISC of up to \$306,000; and be it

FURTHER RESOLVED: That the Agency Administrator is authorized to negotiate and execute an amendment to the Agreement and any other necessary documents, with ISC, and to take whatever other action is necessary, consistent with this Resolution and its basic purposes; and be it

FURTHER RESOLVED: That the Agency has independently reviewed and considered this environmental determination, and the Agency finds and determines, based on the information in the staff report accompanying this Resolution, that this action complies with CEQA because this action on the part of the Agency is exempt from CEQA pursuant to Section 15301(Existing Facilities) of the CEQA guidelines; and be it

FURTHER RESOLVED: That the Agency Administrator or his designee, shall cause to be filed with the County of Alameda a Notice of Exemption and an Environmental Declaration (California Fish and Game Code Section 711.4) for this action; and be it

FURTHER RESOLVED: That all documents necessary to carry out this Resolution shall be reviewed and approved by Agency Counsel prior to execution, and copies will be placed on file with the Agency Secretary.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2011

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF AND
 CHAIRPERSON REID

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
 LATONDA SIMMONS
 Secretary of the Redevelopment Agency
 of the City of Oakland, California