



# AGENDA REPORT

**TO:** Edward D. Reiskin  
City Administrator

**FROM:** Alexa Jeffress  
Director, Economic and  
Workforce Development

**SUBJECT:** George P. Scotlan Convention  
Center Operations

**DATE:** February 26, 2021

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City Administrator Approval

Date: Mar 2, 2021

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## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To Execute A First Amendment To An Amended And Restated Management Agreement With Integrative Services Corporation For The Management And Operation Of The George P. Scotlan Memorial Convention Center, Authorizing The Use Of Capital Reserves, In An Amount Not To Exceed \$160,000, For The Payment Of Operating Expenses During Fiscal Year 2020-21 And Increasing The Annual Set-Aside For Capital Reserves From 6 Percent To 8 Percent Of Operating Revenue For 4 Years.**

## **EXECUTIVE SUMMARY**

Staff is recommending that the City Council authorize the City Administrator to execute a first amendment (First Amendment) to the Amended And Restated Management Agreement (Management Agreement) with Integrative Services Corporation (ISC) for the management and operation of the George P. Scotlan Memorial Convention Center (Convention Center), authorizing (1) the use of capital reserves, in an amount not to exceed \$160,000, for the payment of operating expenses during fiscal year 2020-21, and (2) an increase in the annual set-aside for capital expenses from 6 percent to 8 percent for a period of 4 years to restore the Convention Center's capital reserves. This action will provide necessary funding to cover growing operating losses at the Convention Center as a result of its ongoing closure during the Covid-19 pandemic.

## **BACKGROUND/LEGISLATIVE HISTORY**

### ***The Scotlan Convention Center/Marriott/Warriors Practice Facility Complex***

The Convention Center, which first opened in 1983, is located at 550 10th Street in City Council District 3 and owned by the City of Oakland (City). The Convention Center includes a garage with 585 parking spaces (Garage) and is attached to and functionally integrated with the 484-

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room Oakland Marriott City Center hotel (Marriott), located at 1001 Broadway. In 1997, the Golden State Warriors, pursuant to the terms of a Lease with the City, constructed a practice facility and corporate offices on the top deck of the Garage.

On January 26, 2017, pursuant to Resolution No. 86525 C.M.S., adopted December 13, 2016, the City and ISC entered into the Management Agreement for a term of 10 years with a 5-year option to extend. The Management Agreement includes provisions requiring that (a) the City fund an operating reserve in the amount of \$200,000, (b) such operating reserve funds shall pay for any operating expenses that exceed available gross revenues, (c) ISC may request additional funds from the City if the operating reserve is insufficient to cover operating costs, subject to approval by the City Council in its sole and absolute discretion, and (d) ISC must set aside 6 percent of gross operating revenues generated by the Convention Center to fund a capital reserve each year.

## **ANALYSIS AND POLICY ALTERNATIVES**

### ***Management of the Convention Center during the Pandemic***

On March 18, 2020, the County of Alameda issued a shelter-in-place order in response to the Covid-19 pandemic, temporarily closing the Convention Center's exhibit and conference spaces to the public without a specified reopening date. As a result, ISC has reduced staffing and effectively maintained the Convention Center in a semi-mothballed state, while the Garage has remained open for business. During this time, ISC has continued to manage, maintain, and secure the Convention Center and the Garage, and is marketing the Convention Center for events in late 2021 and beyond, subject to the lifting of the shelter in-place order.

### ***Convention Center Operating Cost Deficit***

As a result of the temporary closure, for the period beginning mid-March through December of 2020, the Convention Center has incurred an operating deficit of \$611,463. ISC projects an additional operating deficit of \$480,000 (or approximately \$80,000 per month), for the period of January through June 30<sup>th</sup>, 2021, for a total of \$1.1 million, with potential additional deficits accruing in fiscal year 2021-22 until reopening of the facility is permitted under State and County guidelines.

Monthly gross revenues from the Convention Center's exhibit and conference spaces decreased by 88 percent between the periods of mid-March to November 2019 and mid-March to November 2020. Garage revenues decreased 67 percent during the same period, while average operating expenses decreased 47 percent. Currently any significant revenues generated by the Convention Center are exclusively attributable to the Garage.

The City funded an operating reserve for the Convention Center with \$200,000, which ISC expended to cover operating shortfalls last year. Per the terms of the Agreement, ISC may request that the City provide additional funds into the operating reserve if such funds are necessary to assure payment of on-going operating costs. ISC has requested that the City

restore the operating reserve and provide additional funding to pay for the current deficit and projected operating shortfalls through the end of the fiscal year.

Staff is proposing that up to \$160,000 be drawn from the Convention Center's capital reserve, which has an unallocated balance of approximately \$270,000, to help fund the current operating deficits through the end of this fiscal year. This would leave approximately \$110,000 in the capital reserve for any capital repairs that might be necessary during the next 11 months of this calendar year. ISC is requesting that staff increase the annual set-aside from Convention Center revenue for capital reserves from 6 percent to 8 percent for a period of 4 years to replenish the capital reserve.

As stated above, the \$160,000 authorized by this resolution will not fully address the current and projected operating shortfall of approximately \$1.1 million through June 30<sup>th</sup>, 2021. Staff is working with ISC to determine if additional reductions to operating costs are feasible and to evaluate alternative funding sources to cover ISC's operating costs until conference activity can resume.

### **FISCAL IMPACT**

The proposed use of capital reserves of up to \$160,000 for operating expenses will not impact the City's General Fund or any other City Fund. Staff is proposing to make up for the reduction of \$160,000 from the capital reserve by increasing the annual set-aside from Convention Center revenue for capital reserves from 6 percent to 8 percent for a period of 4 years.

However, staff is proposing to restore the operating reserve of \$200,000 as part of the fiscal year 2021-23 budget, which will impact City Funds. Staff is also working with ISC to identify and apply for third-party funds to address current and projected operating deficits.

### **PUBLIC OUTREACH / INTEREST**

No public outreach or coordination was deemed necessary for this proposed legislation beyond the standard City Council agenda noticing procedures.

### **COORDINATION**

This report and legislation have been reviewed by the Office of the City Attorney and the Budget Bureau.

### **SUSTAINABLE OPPORTUNITIES**

**Economic:** There are no economic sustainable opportunities associated with the proposed First Amendment. However, ISC is required to comply with the City's local business and employment participation requirements.

**Environmental:** There are no environmentally sustainable opportunities associated with the proposed First Amendment. ISC will be required to maintain its current Leadership in Energy & Environmental Design (LEED) certification for the Convention Center, and staff and ISC are diligently working to get recertified in 2021.

**Race & Equity:** There are no social sustainable opportunities associated with the proposed First Amendment.

### **CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)**

The City has determined, after independent review and consideration, that the proposed First Amendment is exempt from CEQA pursuant to Section 15061(b)(3) (common sense exemption) of the CEQA guidelines.

### **ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council adopt a Resolution Authorizing the City Administrator to execute a First Amendment to An Amended And Restated Management Agreement With Integrative Services Corporation for the Management and Operation of the George P. Scotlan Memorial Convention Center, authorizing (1) the use of capital reserves, in an amount not to exceed \$160,000, for the payment of operating expenses during Fiscal Year 2020-21, and (2) an increase in the annual set-aside for capital reserves from 6 percent to 8 percent for 4 years.

For questions regarding this report, please contact Jens Hillmer, Development Area Manager, at 238-3317.

Respectfully submitted,



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Department

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