



CITY OF OAKLAND

# AGENDA REPORT

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

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

**SUBJECT:** George P. Scotlan Convention  
Center Operating Reserve

**DATE:** April 28, 2022

---

City Administrator Approval

Date:

May 5, 2022

---

## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To Appropriate Additional Funds in the Amount of Two Hundred Thousand Dollars (\$200,000) To Restore an Operating Reserve at the George P. Scotlan Memorial Convention Center Located At 550 10th Street Pursuant To The Terms Of An Amended And Restated Management Agreement With Integrative Services Corporation**

## **EXECUTIVE SUMMARY**

Staff is recommending that the City Council authorize the City Administrator to appropriate additional funds in the amount of \$200,000 to restore an operating reserve at the George P. Scotlan (Convention Center) pursuant to the terms of the 2017 Amended and Restated Management Agreement with Integrative Services Corporation (ISC) for the management and operation of the Convention Center (Management Agreement).

This action will provide necessary funding to cover operating losses at the Convention Center resulting from the continuing Covid-19 pandemic. Per the terms of the Management Agreement, the City of Oakland (City) is required to address the shortfall which also states that any such allocation of additional funds to maintain the Operating Reserve is subject to approval by the City Council.

City Council  
May 17, 2022

---

## **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 and owned by the City. The Convention Center includes a garage with 585 parking spaces (Garage) and is attached to and functionally integrated with the 484-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.](#), dated December 13, 2016, the City and ISC entered into the Management Agreement. 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.

On March 16, 2021, pursuant to [Resolution No. 88560 C.M.S.](#), the City Council authorized the (1) 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.

On December 21, 2022, the City Council passed Emergency [Ordinance No. 13669 C.M.S.](#), which requires patrons and visitors to show proof of vaccination to enter indoor food and beverage establishments, entertainment and recreational locations, gyms and fitness venues, senior adult care facilities and City Senior Center programs, public libraries, dental offices, City Hall, and at large indoor events at City and privately-owned events, including the Convention Center.

## **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. In response, ISC reduced staffing and effectively maintained the Convention Center in a semi-mothballed state, while the Garage remained open for business. During this time, ISC continued to market, manage, maintain, and secure the Convention Center and the Garage.

---

On June 15, 2021, California fully reopened its economy and moved beyond the “Blueprint for a Safer Economy”. As a result, most business sectors gradually returned to usual operations (with limited exceptions for large events). In the Summer of 2021, a new COVID-19 variant, Delta, became the dominant virus in the U.S. and triggered a third wave of infections. In the Winter of 2021-22, a fourth wave of infections started with the rapid spread of another new variant, Omicron, which lasted through February of this year.

Throughout these periods of the pandemic in 2021 and early 2022, business at the Convention Center continued to suffer as vaccination and masking requirements remained in effect, and many planned in-person conventions and conferences were cancelled and replaced by virtual gatherings. While bookings at the Convention Center are trending in a positive direction in the second quarter of 2022, it could take several years before business returns to pre-pandemic levels, depending on the return of regular business travel and corporate meetings.

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

Annual gross revenues from the Convention Center’s exhibit and conference spaces decreased by 70 percent between 2019, the last calendar year of operation of the Convention Center before the onset of the coronavirus pandemic, and 2021, while Garage revenues decreased 26 percent. Operating expenses decreased by 32 percent between these two years.

The Convention Center has incurred an operating deficit of \$983,306, which was offset by \$200,000 that was allocated to the Convention Center as part of biennial budget for Fiscal Year 2021-23, bringing the deficit to \$783,306. ISC projects an additional operating deficit of \$47,649 through June 30, 2022, but does not anticipate a deficit for Fiscal Year 2022-23. In early March 2022, per the terms of the Management Agreement, ISC requested that the City replenish the operating reserve in the amount of \$200,000 and asked for additional funds from the City to cover the current operating deficit of \$783,306 and the projected operating deficit of \$47,649 for a total of \$1,030,955, to ensure the uninterrupted and efficient operation of the Convention Center.

Staff has submitted a Midcycle Budget request to fund the current and projected shortfall in the amount of \$1,030,955 as part of the Fiscal Year 2022-23 Midcycle Budget process. However, given the urgent need for the replenishment of the operating reserve, staff has advanced this component of the funding request prior to Midcycle Budget approval. If Council passes the proposed resolution, the \$200,000 reserve will be subtracted from the original Midcycle Budget request, and the remaining \$830,955 will be included and appropriated in the final Midcycle Budget, if approved.

There are no policy alternatives to the recommended legislation because the City must address the shortfall per the terms of the Management Agreement, which states that any such allocation of additional funds to maintain the Operating Reserve is subject to approval by the City Council in its sole and absolute discretion.

Approval of the requested action advances the Citywide priority of housing, economic, and cultural security.

### **FISCAL IMPACT**

The replenishment of the operating reserve in an amount of \$200,000 would be funded out of General Purpose Fund (1010), Central District Redevelopment Organization (85245), Miscellaneous Contract Services Account (54919), DP900 Administrative Project (1000021), Fiscal Management Program (IP51).

### **PUBLIC OUTREACH / INTEREST**

No public outreach or coordination is required for this legislation other than the posting of the staff report on the City's website.

### **COORDINATION**

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

### **SUSTAINABLE OPPORTUNITIES**

**Economic:** The Convention Center hosts many large events and trade shows each year, bringing visitors to Oakland and creating an economic base for local businesses including nearby bars and restaurants. The Convention Center ensures there is demand for the City's hotels, which in turn creates significant Transit Occupancy Tax (TOT) to the City. In addition, 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.

**Race and Equity:** The Convention Center serves Oakland and the region and hosts large and small corporate events and trade shows. Each year, these events draw thousands of people to downtown Oakland who stay at Oakland's hotels, visit Oakland's diverse restaurant and entertainment offerings, bringing new customers to Oakland's restaurants, bars and other entertainment venues and small businesses. The Convention Center helps create TOT for the City, which supports the City's Cultural Funding Program, a grant program providing funding to Black, Indigenous, and people of color (BIPOC) artists and organizations serving Oakland's

---

diverse neighborhoods. TOT also supports community-based festivals and events serving Oakland's BIPOC communities.

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

The City has determined, after independent review and consideration, that the proposed legislation 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 appropriate additional funds in the amount of Two Hundred Thousand Dollars (\$200,000) to restore an operating reserve at the George P. Scotlan Memorial Convention Center located at 550 10th Street pursuant to the terms of an Amended and Restated Management Agreement with Integrative Services Corporation.

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

Respectfully submitted,



---

Alexa Jeffress, Director  
Economic & Workforce Development  
Department

Reviewed by:  
Kelley Kahn, Director of Real Estate and  
Special Projects

Prepared by:  
Jens Hillmer, Development Area Manager  
Public/Private Development