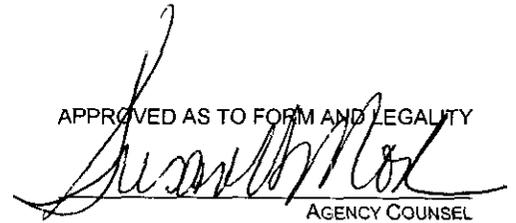


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APPROVED AS TO FORM AND LEGALITY



AGENCY COUNSEL

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND**

2007-0036

RESOLUTION NO. _____ C.M.S.

Resolution Authorizing a Three-Year Operations and Management Agreement with San Jose Arena Management, LLC for the Oakland Ice Center for a Negotiated Annual Fee based on a Percentage of Net Revenue, Pursuant to Specific Criteria and Returning to Council for Final Approval of the Contract

WHEREAS, on May 2, 1997, the Redevelopment Agency of the City of Oakland (Agency) acquired the twin-rink ice skating facility located at 519 – 18th Street known as the Oakland Ice Center (OIC) following the default by the original owner of the OIC on an Agency loan; and

WHEREAS, pursuant to Agency Resolution No. 97-12 C.M.S., the Agency is authorized to enter into contracts necessary to manage and operate the OIC; and

WHEREAS, the current management agreement for the facility expired in March of 2002, and has been continued on a month-to-month basis since its expiration, as provided in the agreement; and

WHEREAS, although the financial performance of the OIC has improved during the last fiscal year, in April of 2006 Agency staff issued a Request for Proposals (RFP) to firms specializing in ice skating facilities management, with the goal to further improve OIC's financial performance and to create additional recreational and other economic benefits for Oakland residents; and

WHEREAS, four qualified firms responded to the RFP, and an RFP Review Committee was established to review and evaluate the qualifications and RFP responses from these firms; and

WHEREAS, following a multi-step review process, the RFP Committee and Agency staff ranked Rink Management Services Corp. (RMSC) as the most qualified and San Jose Arena Management, LLC (SJAM) as the second most qualified of the four responding firms to manage the OIC; and

WHEREAS, on October 24, 2006, the Community and Economic Development Committee directed Agency staff to obtain and analyze additional information from RMSC and SJAM in the following areas:

1. The assumptions and calculations supporting the two-year income and expense pro forma statement submitted by RMSC and SJAM;
2. The impact of the marketing power of the San Jose Sharks organization that SJAM would bring to OIC;
3. Community outreach/marketing programs proposed by RMSC and SJAM;
4. The advantages and disadvantages to the Agency of SJAM's no-base management fee proposal; and
5. The success of RMSC and SJAM in turning around the operational, programmatic, and financial performance of an ice skating facility similar to OIC, following their assumption of management of those respective facilities; and

WHEREAS, staff obtained the additional information, re-evaluated the ranking of RMSC and SJAM, and determined that RMSC still ranked higher, but by a smaller margin; and

WHEREAS, on January 23, 2007, Community and Economic Development recommended that an alternate resolution be forwarded to the City Council authorizing the Agency Administrator to negotiate and execute a 3-year agreement with SJAM instead of RMSC because Committee members found that 1) SJAM's no-base incentive-only management fee would cost the Agency less money if projected revenues are not generated by the OIC, and 2) SJAM's affiliation with the San Jose Sharks National Hockey League franchise should bring name recognition and branding opportunities to the OIC that could increase usage and revenues; and

WHEREAS, SJAM's incentive-only fee proposal is considered reasonable and competitive compared to management fees that are standard in the industry, and those proposed by the other three RFP respondents; now, therefore be it

RESOLVED: That the Agency Administrator is hereby authorized to negotiate a three-year agreement ("Management Agreement") with SJAM for the management and operation of the OIC consistent, but not limited to the terms set forth below, and then return to Council for approval of the contract:

1. The benchmark net revenue (Benchmark Revenue) used to calculate the SJAM's fee shall be the net revenue generated by the OIC, adjusted for any deferred expenses, during the 12-month period ending on the last complete month prior to SJAM's assumption of management of the OIC;
2. The Incentive Management fee that SJAM shall receive during each year of SJAM's management of the OIC shall consist solely of a percentage ("Incentive Percentage") of the net revenue generated by the OIC, adjusted for any deferred expenses, that is in excess of the Benchmark Revenue;

3. The Incentive Percentage shall be subject to negotiation between the Agency Administrator and SJAM;
4. The Agency Administrator shall deposit annual net revenue after deducting payment of SJAM's incentive fee, into a capital improvement reserve for the OIC, with the timing and amounts of such deposits at the sole discretion of the Agency Administrator;
5. SJAM shall complete, within one hundred and twenty (120) days of execution of the Management Agreement, at least \$30,000 of maintenance and clean-up activities ("Initial Facility Clean-up") at the OIC to be determined in consultation with Agency staff;
6. The Agency shall only be required to reimburse SJAM a maximum of \$30,000 for the cost of Initial Facility Clean-up if the Agency's share of net revenue from the OIC after deduction of the Incentive Fee is sufficient to make such reimbursement during the initial 3-year term of the Management Agreement;
7. The Management Agreement shall require that SJAM maintain a balanced and diverse schedule of programs of hockey, figure skating, public skating, ice dancing and other ice-related activities at the OIC, with any significant changes in program scheduling and increases in fees to be brought back to the Agency Administrator for review and approval;
8. During each year of the term of the Management Agreement SJAM shall (a) offer free admission and skating equipment for no less than one thousand (1,000) Oakland Unified School District ("OUSD") students during field trips to the OIC, which shall take place on such dates and times to be determined in consultation with Agency and OUSD staff; and (b) in cooperation with OUSD, SJAM shall arrange the physical transporting of these OUSD students to the OIC, whether by contributions or other means, without any expense/cost to the City/Agency or OUSD;
9. At least four (4) times during each year of the term of the Management Agreement, SJAM shall offer every OUSD student participating in OUSD's After School Program free skating dates and times, and skating equipment;
10. SJAM shall offer additional scholarship programs for OUSD students;
11. SJAM shall endeavor to create a High School Hockey League competition and sponsor at least one OUSD team;
12. SJAM shall contribute an additional \$100,000 (in addition to the \$30,000 for Initial Facility Clean-up) to a capital improvement program ("Capital Improvements"), and the City Administrator shall coordinate with the proposed City/Agency budget an equal match by the Agency or City of Oakland. SJAM shall then implement such Capital Improvements at the OIC in consultation with Agency staff;
13. SJAM shall ensure that Oakland residents receive a ten (10) percent discount on all fees, admissions, and skating equipment rentals;

14. In consultation with Agency staff, SJAM will include up to \$80,000 for direct OIC marketing expenditures during each annual budget cycle for the OIC, and offer another \$175,000 in-kind value at other San Jose Sharks or SJAM-affiliated facilities such as HP Pavilion at San Jose, Logitech Ice at San Jose and Fremont Ice Center;
15. The Agency reserves all naming rights for the facility and any revenues that may be generated from such naming rights in the future. The Agency shall consult with SJAM prior to any name changes of the facility during the period of this contract;
16. The customers and patrons of the OIC are encouraged to form an advisory committee, whose members shall represent a balance of ice activities. SJAM shall meet with the OIC advisory committee at least three (3) times during each year of the term of the Management Agreement. In those meetings, the advisory committee and SJAM management will review and discuss issues relevant to the programs, scheduling and standards at the OIC; and be it

FURTHER RESOLVED: That the Agency Administrator is authorized to take whatever action is necessary with respect to the Management Agreement consistent with this Resolution and its basic purposes; and be it

FURTHER RESOLVED: That any agreements authorized hereunder, including amendments, modifications, or extensions, shall be approved as to form and legality by the Office of the City Attorney and filed with the Office of the City Clerk.

IN AGENCY, OAKLAND, CALIFORNIA, APR 8 2007, 2007

PASSED BY THE FOLLOWING VOTE:

AYES- ~~BRADY~~, BRUNNER, CHANG, KERNIGHAN, ~~YUSEF~~, QUAN, ~~REID~~, AND CHAIRPERSON DE LA FUENTE - 5

NOES- Reid - 1

ABSENT- 0

ABSTENTION- Brooks - 1

Excused- Nadel - 1

ATTEST. 
 LATONDA SIMMONS
 Secretary of the Redevelopment Agency
 of the City of Oakland