

CITY OF OAKLAND
AGENDA REPORT

2009 JAN 29 PM 4:34

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: February 10, 2009

RE: **Report on the Status of the Henry J. Kaiser Center**

SUMMARY

This report provides information on the status of negotiations regarding the Henry J. Kaiser, Center located on 10th Street near Lake Merritt. On May 6, 2008 the City Council directed staff to exclusively negotiate with Live Nation Entertainment ("Live Nation") to operate the facility and bring live entertainment back to the Henry J. Kaiser Center (the "Kaiser Center").

The Kaiser Center is a unique events facility featuring a 25,000 square foot arena that seats 4,000 to 8,000 people; an art deco theater that seats 1,789 people; and three recreation rooms suitable for use as auxiliary space to the arena or the theater, for hosting private receptions, parties or events for up to 350 people. The Oakland Museum parking lot adjacent to the Kaiser Center accommodates 234 vehicles. Additional parking along 10th street and private lot spaces are available nearby at Laney College.

Following City Council's direction staff met with Live Nation and scheduled a tour of the facility. The facility walk-through revealed that systems repairs are needed to all major systems and significant amounts of cosmetic improvements are also needed.

FISCAL IMPACT

No direct fiscal impacts are included in this report. However, there are Fire Code and ADA issues that may need to be addressed in the near term.

BACKGROUND

The Kaiser Center, located on 10th Street near Lake Merritt, was closed to the public as of December 31, 2005 and is now in a mothball state. During the last five years of its operation (2000-2005), the Kaiser Center's operating losses were approximately \$400,000 to \$600,000 per year. The City is currently spending approximately \$100,000 per year for maintenance, repairs and other expenses.

Live Nation, formerly Bill Graham Presents, is the largest producer of live concerts worldwide, with a global platform that annually reaches 26,000 events connecting with 60 million fans and

Item: _____
CED Committee
February 10, 2009

artists. Live Nation of Northern California has been the leading promoter in the San Francisco Bay Area and Northern California since 1965.

Their Northern California venues include the historic Fillmore, the Warfield Theater, Cobb's Comedy Club and the Punch Line Comedy Club, all in Downtown San Francisco. Live Nation also has three large venues that are owned or leased, including the Shoreline Amphitheatre in Mountain View, the Sleep Train Pavilion in Concord, and the Sleep Train Amphitheatre. Mr. Lee Smith is Chairman for Northern California's Entertainment Division. Live Nation also operates facilities similar to the Center in a number of cities nationwide, including New York, Denver, Miami Beach, Detroit, and Philadelphia.

Pursuant to direction from the City Council at its May 6, 2008 Closed Session, staff began negotiations to enter into a lease arrangement with Live Nation. Staff's goal was to enter into a long term agreement with Live Nation to run the Center at their expense and develop programs and entertainment to once again make Oakland an entertainment and destination point for the Bay Area. Those negotiations were halted after the first site visit to the Center when it was first revealed that a higher level of technical review needed to be undertaken to properly assess necessary repairs and improvements to the facility. Staff received a copy of the facility assessment in October 2008. The cost of system repairs to the facility is estimated at approximately \$3,709,000. The Agency has communicated to Live Nation that the City is not in a position to provide or offer financial assistance for the operation or repairs to the Center.

KEY ISSUES AND IMPACTS

Live Nation Entertainment requested that staff arrange for numerous visits to the facility to determine the full extent of repairs, upgrades and improvements needed before the facility can be re-opened to the public. Most of the inspections have been completed, including:

- ADA and Fire Code inspection
- A written cost estimate by a qualified Engineer /Professional Estimator on the facility's Mechanical Systems and suggestions for upgrades
- An inspection and cost estimate report on the facility's Electrical Systems and suggestions for upgrades

Staff was provided with a comprehensive report from Critical Engineering Group, Inc., commissioned and paid for by Live Nation Entertainment. The report provided a full assessment of the facility and suggested repairs and recommendations. This study recommended mechanical upgrades estimated to be \$ 1,789,000 and electrical upgrades estimated to be \$1,920,000. Total mechanical, electrical and plumbing upgrades are estimated to be \$3,709,000.

In conjunction with the mechanical, electrical and plumbing upgrades the facility requires general maintenance and clean-up to include, but not be limited to, the following:

- Concessions upgrades

- Seating repairs or replacement
- Janitorial clean-up of the facility to include disposing of the contents in the basement
- Complete painting of the facility and replacement of damaged light fixtures
- Bathroom facilities
- Security redesign and installation
- Sound proofing of major concert area

PROGRAM DESCRIPTION

Staff is evaluating the possibility of creating a Performance Arts Center at the Kaiser Center. Recently, staff has been identifying planning and programming grants and have identified 3-4 possible grant opportunities being announced within the next 6-8 months.

The Mayor's Office for Public/Private Partnership has assumed a leadership role in determining a use strategy for the Center, with Live Nation as the focal point. Several civic organizations have expressed interest in intermittent or regular use of the facility. Those requests are being evaluated and considered for the creation of a complementary use program for the facility.

In July of 2005, the Office of the City Administrator issued a request for proposals (RFP) to manage and operate the Center for a two-year term, with the possibility of two, two-year extensions. The RFP set forth the City's primary goals in contracting with an experienced and responsible entity to manage the facility. The goals stated in the RFP were:

- Increase facility revenues;
- Increase the occupancy rates of the Center;
- Allow private, non-profit and governmental entities to continue to rent space in the facility for meetings, performances and cultural events.

The Kaiser Center has a long history of service to the City and now has a unique opportunity to be rejuvenated by Live Nation to its premier status. The Kaiser Center is an asset to the City and the community, and re-establishing it as an entertainment venue clearly serves the City's best interests and the needs of the Community.

SUSTAINABLE OPPORTUNITIES

Economic:

Live Nation may possess the financial capacity to operate and manage the facility without City of Oakland support. They bring a strong team of experienced professionals from the entertainment business to manage the facility, and have the capacity to market, enhance ticket sales and improve the image of the facility, resulting in a benefit to the City.

Environmental

There is no impact on the environment from this program.

Social Equity:

Live Nation has the capacity to engage the Performing, Fine Arts and Entertainment communities to deliver live stage performances and concerts consistent with those desired by the broader Oakland community. Live Nation would embrace the rich cultural history of Oakland and support those activities that further enhance Oakland's strong cultural and youth orientated programs and activities.

DISABILITY AND SENIOR CITIZEN ACCESS

The Kaiser Center, at 10th street near Lake Merritt is accessible to local transportation. It is located two blocks away from the Lake Merritt BART station. The facility does not present barriers to the physically impaired.

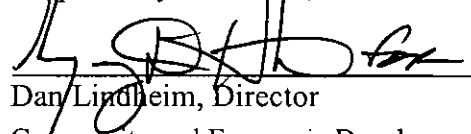
RECOMMENDATION(S) AND RATIONALE

Staff recommends that the Council accept this report and authorize staff to move forward with the negotiations with Live Nation.

ACTION REQUESTED OF THE CITY COUNCIL

Authorize staff to continue to move forward in determining appropriate repairs, programming and partnership structure for any agreement with Live Nation to operate the Kaiser Center.

Respectfully submitted,



Dan Lindheim, Director

Community and Economic Development Agency

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Economic Development and Redevelopment

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Business Development

APPROVED AND FORWARDED TO THE
CED Committee:



Office of the City Administrator

Item: _____
CED Committee
February 10, 2009