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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Mark Sawicki
Director, EWD

SUBJECT: Informational Update on the Henry J. Kaiser Convention Center Adaptive Reuse Project

DATE: September 30, 2016

City Administrator Approval

Date:

10/13/16

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Update From Orton Development, Inc., On The Progress Of The Henry J. Kaiser Convention Center Adaptive Reuse Project.

EXECUTIVE SUMMARY

On July 21, 2015, the City Council adopted a resolution authorizing an Exclusive Negotiating Agreement (ENA) with Orton Development, Inc., (Orton) for the rehabilitation, adaptive reuse and operation of the Henry J. Kaiser Convention Center, also known as the Oakland Municipal Auditorium. As part of that action, the City Council requested that Orton return to the Community and Economic Development Committee (CED) during the ENA period to provide an update on its progress on the project. This report provides a brief overview of the project background and status. Orton and its design team will provide a more comprehensive project update at the October 25th CED meeting.

BACKGROUND / LEGISLATIVE HISTORY

On September 22, 2014, the City issued a Request for Proposals (RFP) from real estate development teams to rehabilitate, adaptively reuse and operate the Henry J. Kaiser Convention Center under a long-term ground lease with the City.

The Henry J. Kaiser Convention Center is an Oakland-designated historic landmark, owned by the City of Oakland. The building contains approximately 215,000 square feet of floor area including a full basement. It includes an approximately 45,000 square-foot arena that historically could seat up to 6,000 people. The arena abuts the Calvin Simmons Theater, a formal performing arts theater with approximately 1,900 seats. The building also includes ancillary office space, lobby areas, and three ballrooms.

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In 2005, the City Council voted to close the building when the City's operating costs became too expensive. The building has been largely unused since 2005, and is in deteriorating shape due to vandalism and passage of time. The property's basic building systems are in disrepair and significant seismic and structural improvements are required.

The RFP requested creative adaptive reuse proposals for the building. It anticipated that some combination of public and private uses will be necessary to address the City's goal of maintaining regular public access to the building while also ensuring a financially feasible and sustainable project over the long term. Most broadly, the RFP called for a developer to raise the capital necessary to bring the building back to life and to be responsible for rehabilitating, tenaning and operating the building.

The adaptive reuse of the Henry J. Kaiser Convention Center was identified as an important project in the Lake Merritt Station Area Plan ("Station Area Plan"), approved by the City Council in late 2014. The Lake Merritt Station Area Plan revised the zoning of the Henry J. Kaiser Convention Center to allow a broader range of uses in the building including commercial, office, retail and light and custom manufacturing to help support a feasible adaptive reuse of the building.

The RFP also established several other key objectives and requirements such as:

- Long Term Lease: The project calls for a long-term ground lease of the property - not a sale.
- Calvin Simmons Theater: The Calvin Simmons Theater must be restored and operated as a performing arts venue, at affordable fees for local non-profit performing arts groups.
- Public Accessibility: Whatever the mix of public and private uses in the building, the building and site must maintain a sense of public accessibility and have uses that invite the public into the building.
- Neighborhood Connection: Create opportunities to better connect the building - physically and visually - to the surrounding neighborhood, including to Laney College, the Oakland Museum of California, Lake Merritt and BART. Developer was required to have a landscape architect on the design team.

The original RFP is available for review on the City's [website here](#).

On July 21, 2015, the City Council authorized an ENA with Orton Development, Inc., for the project. Orton demonstrated the development experience, track record, and financial wherewithal to deliver such a complicated and risky project. Orton has extensive experience with the rehabilitation and adaptive reuse of large, historically-significant buildings. The City Council approved an ENA for 12 months, and authorized the City Administrator to approve one, six-month extension to the ENA provided the developer is making acceptable progress on the project. The City Administrator granted the six-month extension in July 2016, based on Orton's progress to date, as outlined below.

ANALYSIS

Since approval of the ENA on July 21, 2015, Orton has been making significant progress on the project, as it will further outline at the October 25, 2016 CED meeting. Orton has completed

significant due diligence on the building, particularly its structural issues, completed market feasibility studies for uses, conducted community outreach events, stakeholder interviews and tours, built a financial model for the project, initiated the entitlement process, and created a project website. The City and Orton are making progress on negotiating deal terms that will eventually inform a ground lease and Lease Disposition and Development Agreement (LDDA), which the City Council will be asked to consider for approval early next year.

A few highlights of Orton's efforts and progress are described below.

1. Arena Reuse Feasibility Studies

When the City Council approved an ENA with Orton for the adaptive reuse of the Henry J. Kaiser, it specified that Orton must assess the feasibility of retaining the arena as an event space as it considers future uses for the building. Consistent with that direction, Orton completed a feasibility assessment that concluded it is not feasible from a market or financial perspective to retain the arena as an events venue. The City then hired a third party consultant, Willdan Financial, to peer review the Orton study. Steve Spickard, a nationally-recognized economic expert in event venues, under contract with Willdan, completed the study.

Mr. Spickard reached the same conclusion, completing a very fine-grained analysis of potential event uses for the arena space (see table below): conventions centers, exhibition/trade floors, sports arenas and live entertainment venues. According to the Willdan study, the first three event uses fail a market feasibility test, because of the building's size, its failure to meet basic space and infrastructure needs, and abundance of other venues more appropriate for these uses in the Bay Area. Its use as a live entertainment venue could pass the market test – as it had been used before it was closed down in 2005 because of the significant financial losses to the City. However, it fails the financial feasibility test because the cost of necessary capital improvements -- life safety, seismic, ADA upgrades etc. -- are estimated to amount to more than what the earned income from popular concerts and other special events could bring in.

Both the Orton and Willdan studies concluded that retaining the arena as an events venue is not feasible, and "would not cover the debt of its renovation, and would not generate near enough returns required to justify undertaking such a risky and complex project for a private developer."

The Willdan report's findings are summarized below the full report is included as **Attachment A**. The report completed by Orton is included as **Attachment B**.

Summary of Economic Tests of Possible Full Arena Uses, Willdan Financial

Possible Full Arena Uses	Market Test	Financial Feasibility Test
<i>Convention Center/Conference Center</i>	FAIL	N/A
<i>Exhibition Center</i>	FAIL	N/A
<i>Sports Arena</i>	FAIL	N/A
<i>Live Entertainment/Special Events Venue</i>	PASS	FAIL

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2. Land Use Program and Project Design

Orton has tentatively proposed the following land use program and design for the project, based on its engineering feasibility work, the arena feasibility study and community outreach to date. The building will be placed on the National Historic Registry and the building improvements will be done in accordance with the Secretary of the Interior and State Historic Preservation Office standards for historic rehabilitation. Below is a summary of uses and key design interventions proposed for the building. The design concepts are preliminary and require review by the State Historic Preservation Office as well as the City's Landmarks Preservation Advisory Board and others.

- Calvin Simmons Theater and Ballrooms

The Calvin Simmons Theater will be renovated, reducing the seats from 1,900 to approximately 1,500, which better fits the market feasibility for such a theater and creates a more comfortable theater. Orton is in conversations with Laney College and others to create a "teaching theater" at the Calvin Simmons, to train students in stage management, sound and the theater's hemp house rigging system, among other trades. The ballrooms will be used as rehearsal spaces for performing arts groups and community event and meeting space. The existing bar will be reopened as a public bar and event space.

- Arena

The arena will contain several distinct components:

- *Arts and Cultural Non-Profit Office Cluster*

One third of the arena will be converted to a "building within a building," a four or five-story glass office space within the arena that Orton will market to arts and culture organizations seeking office space, particularly those with relationships to the Calvin Simmons Theater. The office space will include shared amenities such as conference rooms, storage and co-working spaces. The "building within a building" will be glass, offering views into the larger arena space. This new structure will also serve to brace the building laterally, adding seismic support.

- *General Office/Commercial Space*

The remaining two thirds of the arena will include a new mezzanine, with new office space around the perimeter of the arena floor, as well as an open-plan office area on the ground floor of the arena. The arena's historic skylights will be reopened to allow natural light into the space. Rents from the office space will provide an essential source of revenue to support the financing of the entire project.

- *Café and Retail Space*

The ground floor of the "building within a building" will contain café and possibly other retail space, spilling out onto a deck fronting Lake Merritt.

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- *Public Thoroughfare*
A new public passageway will link Lake Merritt Blvd. and 10th Street, allowing regular public access through the building. This thoroughfare will also provide public access to the building's retail space and views of the arena's historic skylights and grand space.
- *Public Podium/Deck*
An enlarged public, outdoor podium will create public space along the front of the building for visitors and tenants to enjoy food and beverages while overlooking Lake Merritt. The podium will improve ADA access, strengthen the building seismically, and allow for easier viewing of the building's historic niches designed by Alexander Stirling Calder.
- Basement
Plans for the 80,000 square-foot basement are still taking shape. Preliminary ideas include educational and maker space (possibly in partnership with Peralta Community College District), music and art studios, and storage space for the theater and arts and culture organizations leasing space in the office building.

3. Public Realm Improvements

Orton is working with Oakland-based landscape architect Walter Hood at Hood Design on schematic designs for the public spaces around the building. In particular, Hood Design will design improvements to the connection between the building and Lake Merritt, and to the public-right-of-way in between the Calvin Simmons Theater and the Oakland Museum of California. In addition, Orton, Walter Hood and surrounding neighbors are working to create better connections to the area from the Lake Merritt BART station, improved wayfinding from BART, streetscape beautification, and other area improvements designed to draw pedestrians to the Henry J. Kaiser, the Oakland Museum of California, Laney College, the Oakland Unified School District properties and the South Lake area.

Attachment C includes a preliminary floor plan and preliminary renderings of the project.

4. Community Outreach

Orton has spent over 180 hours hosting or attending more than fifty community outreach events including broad meetings at the Oakland Museum of California as part of the Museum's popular Friday night programming, as well as intimate discussions and focus groups with small groups of citizens, performing arts groups, community coalition groups such as CALM and the Measure DD Community Coalition among others. The purpose of these events is to engage the community in the design process and receive specific feedback and ideas to inform the project.

Orton has provided building tours for many key stakeholders such as local performing arts groups, representatives from neighboring properties such as the Oakland Museum of California, Laney College, and Oakland Unified School District, local brokers and developers, as well as

conducting a publically-noticed building tour for members of the City's Landmarks Preservation Advisory Board and the public.

Additionally, Orton has launched a project website (www.theoaklandcivic.com) that provides substantial detail about the project and solicits further community input through an online survey and by providing direct contact information for the Orton team.

This outreach is ongoing, and Orton continues to meet with interested community members, potential community partners and stakeholders.

5. Entitlements and CEQA Review

As required by the ENA, Orton has launched the entitlement process with the Department of Planning and Building. It submitted a pre-application zoning application to the Planning Department and has secured Oakland-based environmental review firm ESA as its CEQA consultant. ESA's scope of work calls for an addendum to the Lake Merritt Station Area Plan Environmental Impact Report for the project.

6. Negotiation of Terms

Finally, consistent with the terms of the ENA, Orton and staff remain in active negotiations to establish deal terms for a ground lease with the City for the property. As part of this process, Orton created a financial pro forma that analyzes and demonstrates the project's financial viability. These terms will be brought forward to the City Council for consideration early next year when the City Council is asked to consider a Lease Disposition and Development Agreement (LDDA) and ground lease with Orton for the project.

FISCAL IMPACT

This is an informational update only and therefore there is no fiscal impact.

The City continues to commit staff time to the project and, as contemplated in the RFP, the Successor Agency is expected to invest \$3 million of redevelopment bond funds into the project. A rough estimate suggests over \$130,000 of future tax revenue would be generated from a completed project and the City could potentially receive a share of long term cash flow if and when the private financing is repaid. The negotiation of deal terms is ongoing.

PUBLIC OUTREACH / INTEREST

As described above, Orton has conducted extensive community outreach to inform the project. Public outreach about the project will be ongoing for the duration of the project.

COORDINATION

This project is being coordinated by the Department of Economic and Workforce Development in coordination with the Departments of Planning and Building and Public Works, as well as the City Attorney's office.

SUSTAINABLE OPPORTUNITIES

Economic: The project will bring a vacant, historically significant building back to life and is anticipated to generate significant tax benefits to the City and create short-term construction jobs as well as permanent jobs once the project is complete. Staff's conservative assessment of project employment benefits includes approximately 170 construction jobs and the possibility of more than 350 permanent jobs (potentially many more depending on the final uses). A rough and conservative estimate suggests the City could receive annually approximately \$97,000 in property taxes, \$28,000 in sales tax, and \$7,000 in business license tax from the project if it moves forward.

Environmental: Reusing existing historic buildings in built-out cities is one of the most powerful sustainable building strategies available. The project will also incorporate green building and energy efficient components, and will increase the amount of new public open space and permeable surfaces around the building. The location of the project is in close proximity to major public transportation nodes, including the Lake Merritt BART Station and the future Bus Rapid Transit route (BRT), making it easy for project visitors and workers to use BART and AC Transit. Orton has committed to building to a LEED Silver standard.

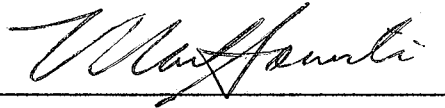
Social Equity: The developer is undertaking a robust community engagement process to ensure a variety of stakeholders and voices inform the project. In addition, the developer will be required to provide use of the refurbished Calvin Simmons Theater to local, non-profit performing arts groups on a regular base at affordable rates. Lastly, the developer is responsible for crafting a public benefits plan during the ENA process that addresses prevailing wage, local and small business hiring and labor peace, which will be reviewed by the City Council as part of its consideration of the LDDA and ground lease.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Receive An Informational Update From Orton Development, Inc., On The Progress Of The Henry J. Kaiser Convention Center Adaptive Reuse Project.

For questions regarding this report, please contact Kelley Kahn, Special Projects Manager, at (510) 238-6190 or kkahn@oaklandnet.com.

Respectfully submitted,



MARK SAWICKI
Director, Economic & Workforce Development

Prepared by:
Kelley Kahn, Special Projects Manager

Attachments (3):

- A. Peer Review of the Henry J. Kaiser Convention Center Arena Reuse Feasibility Report, prepared by Willdan Financial Services, June 30, 2016
- B. Henry J. Kaiser Convention Center Arena Reuse Feasibility Report, prepared by Orton Development, January 2016
- C. Preliminary Project Plans and Renderings

Peer review of the
**Henry J. Kaiser Convention Center
Arena Reuse Feasibility Report**
Prepared for the
City of Oakland

Submitted by
Willdan Financial Services
In association with
Land Economics Consultants, LLC
June 30, 2016
LEC Project No. 1601



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I. Introduction and Executive Summary

Need for the Peer Review

The Henry J. Kaiser Convention Center (HJKCC) opened in 1914 and is located between Lake Merritt Boulevard and 10th Street, immediately east of the Oakland Museum of California. The building is one of the most historic structures in the city and is owned by the City of Oakland.

The building contains approximately 215,000 square feet of floor area including a full basement, including an approximately 45,000 square-foot arena (on two levels) that historically could seat up to 6,000 people. The arena abuts the Calvin Simmons Theater, a formal performing arts theater. The building also includes ancillary office space, lobby areas, and three ballrooms. In 2005, the City Council voted to close the building when the City's operating costs became too expensive. The building remains closed and is in increasing disrepair.

On September 22, 2014, the City issued a Request for Proposals (RFP) to rehabilitate, adaptively reuse, and operate the HJKCC under a long-term ground lease from the City. The RFP requires that the developer restore and operate the Calvin Simmons Theater as a performing arts theater, offering affordable rents for local non-profit arts groups. However, the RFP was open to a variety of uses in the arena portion of the building in order to create a financially feasible and sustainable project.

On July 21, 2015, the City Council approved an exclusive negotiating agreement with Orton Development, Inc. (ODI). Orton Development is conducting due diligence and community outreach for the project and is studying a number of options and uses for the building. The City Council requested that Orton study, as one of the options, the feasibility of retaining the arena as an event space. Consistent with Council's direction, in January 2016, ODI completed an in-house study titled "Henry J. Kaiser Convention Center Arena Reuse Feasibility Report" (HJKCC Feasibility Report). The study finds it is not feasible to retain the arena and create a financially sustainable project.

Because a decision to adaptively reuse the arena side of the building for something other than the traditional use as a full-arena event space is a sensitive and significant one for the Oakland community, the City requested an independent peer review of the HJKCC Feasibility Report completed by ODI. The City selected Willdan Financial Services ("Willdan"), one of their on-call providers, to perform this review. The key staff at Willdan previously worked for the consulting firm Economics Research Associates (ERA), which enjoyed an extensive practice in the financial analysis of venues and other public facilities. For this assignment, Willdan has augmented their review team with another former ERA principal, Steven Spickard, now doing business as Land Economics Consultants (LEC). Mr. Spickard has 30+ years of consulting experience for public agencies regarding venues of all types, and has worked on such comparable and competitive facilities as the Bill Graham Civic Auditorium for the City of San Francisco, and the Fox Theater for the Oakland Redevelopment Agency. Qualifications for the consultant reviewers are included as an Appendix to this report.



Executive Summary

The Willdan/LEC peer review team has examined all of the data in the HJKCC Feasibility Report regarding comparable venues, potential uses, and other financial information. We have, however, used a different analytical approach in evaluating that information. Even so, our independent process has reached the same conclusion; "we recommend moving toward alternative uses, other than an arena, at the Henry J. Kaiser Convention Center," to ensure the long-term financial health of this important building and create a financially sustainable project for all parties.

II. Peer Review of the HJKCC Arena Reuse Feasibility Report

The HJKCC was a state-of-the-art public assembly facility when it opened in 1914. It was built in the Beaux-Arts style in vogue at the time, which sought to bring the City Beautiful Movement from the World's Columbian Exposition of 1893 in Chicago to the East Bay. Its sister facility, now known as the Bill Graham Civic Auditorium in San Francisco, was also built in the Beaux-Arts style, and both were planned to open in time for the Panama-Pacific International Exhibition of 1915. The fundamental concept of the time in venue design was flexibility and multiple use. A grand city only needed one "Municipal Auditorium" facility to house a wide variety of different public assembly activities.

There has been significant evolution in the design and configuration of public assembly facilities over the last 100 years, however, which the industry now refers to more simply as "venues." Over time, public assembly facilities have proliferated, and separated into different types of venues according to their anticipated use. To more accurately dissect and analyze the information presented in the HJKCC Feasibility Report, the peer review will describe four different facility types, and will follow a "process of elimination" when evaluating the potential for them:

1. Convention center / conference center;
2. Exhibition center;
3. Sports arena; and
4. Live entertainment / special events venue.

Economic Evaluation Criteria

The financial "feasibility" of any project is affected by myriad factors. For this review, two sets of economic criteria will be used to evaluate and eliminate potential uses for the HJKCC:

- A. Market Criteria, and
- B. Financial Criteria.

A. Market Criteria

The initial economic test is whether the HJKCC could meet the minimum criteria for market acceptance to host a specific set of uses. If it appears the facility cannot even meet the basic demands of potential user groups, there is no need to evaluate financial projections. Without sufficient users, the requisite revenue will never materialize.



B. Financial Criteria

For possible uses for which the HJKCC can meet the basic physical needs, the review team will delve more deeply into the likely magnitude of cost and revenue flows, as compared with the investment required to refurbish the HJKCC sufficiently to accommodate such uses. Under the terms of the arrangement being offered by the City of Oakland, the revenues generated from the HJKCC must not only cover the ongoing operating costs required to generate net revenue, but also be sufficient to amortize the debt required to fund the significant, one-time capital costs of upgrading the building that will be borne by the private development partner. If net operating income cannot repay the initial capital investment, the project will not be financially sustainable for a private partner.

Convention Center / Conference Center

Upon its renovation in the mid-1980s, the Oakland Auditorium was not only renamed to commemorate Henry J. Kaiser, but the words "convention center" were tacked on. At the same time renovations were being made, the City was also building a new convention center a mile away, in downtown Oakland adjacent to what was then the Hyatt Regency Hotel (now the Marriott), and both buildings were given names commemorating Oakland civic leaders. The new facility with attached hotel was intended to become the City's true convention center. It opened in 1983 with the name George P. Scotlan Memorial Convention Center. The convention center title in the new name of the HJKCC has been a misnomer, however, and may have led to some confusion in the HJKCC Feasibility Report. This can be seen in some of the discussion of comparable venues in the HJKCC Feasibility Report, as well as in the quote at the end of the executive summary from Heywood Sanders, which points out that "almost every convention center in the United States operates at a loss, not even counting the annual cost in debt service."

For the first half of the 20th century, and more, the Oakland Auditorium functioned adequately as a convention center as they were known at the time. As America boomed in the post-World War II era, however, the convention industry grew rapidly throughout the country. Industry groups grew larger, meetings were held in various locations rotating throughout the United States, and the needs of the user groups for facilities to accommodate those meetings grew more differentiated and sophisticated. The contemporary convention center in a U.S. city must have several specific facilities and features to be effective in capturing a share of the market. These absolutely necessary facilities include:

1. One or more large exhibit halls;
2. A ballroom or two sufficient to house a plenary session of the meeting group and/or function as a banquet room serving the entire assembly at once;
3. A significant bank of breakout meeting rooms with a variety of sizes and preferably the flexibility to modify sizes during the event; and
4. A significant inventory of hotel rooms in close proximity, preferably with one or more seasons in which guest rooms are underutilized and can be discounted for large convention group business.

In addition, there are many other facilities and features desired by user groups to enhance convention market attractiveness including an adjacent headquarters hotel (i.e., which offers additional meeting and ballroom space as



well as a large inventory of guest rooms), substantial airlift capacity at a nearby airport, many choices in off-site restaurant and entertainment amenities, appropriate cost levels, and others.

For a few convention user groups in a very specific size range (relatively small ones) the HJKCC might be construed as having an appropriate exhibit hall by using the floor of the arena, and when coupled with a ballroom or two upstairs, the HJKCC might barely meet the first two of the facility requirements described above. On the other hand, the HJKCC does not have the bank of breakout meeting rooms required to function as a competitive convention center today. The HJKCC would also suffer heavily in review of many of the other desirable features and facilities the market is looking for in the 21st century. In spite of its name, the HJKCC does not truly function as a convention center for Oakland. Oakland's marketable convention center is the George P. Scotlan facility adjacent to what is now the Oakland Marriott City Center, and both convention center and headquarters hotel have undergone significant renovations within the last five years.

While the HJKCC fails the market test (i.e., the first of the two economic criteria), it is worth describing briefly the unique economics of the convention industry for American cities. As was pointed out in the Heywood Sanders quote, they all lose money on an operating basis. For a successful convention destination such as nearby San Francisco, however, the beneficial economic impact on the entire community (derived from the convention business occurring at times when the visitor industry would otherwise be suffering from underutilized capacity) greatly exceeds the operating losses incurred in the convention center. Furthermore, hotel taxes in America have been set relatively high, allowing revenue from the hotel tax to be dedicated to funding subsidies for convention centers in order to create an economic development engine that is beneficial citywide regardless of the localized loss from operating the convention center. In other words, while the Sanders quote is accurate for the convention industry, it is irrelevant in this case because the HJKCC does not truly function as a convention center, and would not generate the beneficial economic impact and tax revenue necessary to subsidize it.

The HJKCC Feasibility Report studied several true convention centers among their comparable venues analysis, including:

- Sacramento Convention Center Complex;
- Bakersfield Convention Center Complex; and
- Anaheim Convention Center.

In their convention center roles, these complexes all offer the four required types of assembly spaces and hotel rooms to function properly. Anaheim, with its location adjacent to Disneyland and surrounded by thousands of hotels has long been one of the powerhouse convention destinations on the west coast. What is also potentially confusing is that each of the three complexes include arenas, which may or may not have much function in serving the convention industry. All three arenas serve local residents more than convention visitors, and as such likely require subsidies, but because they are included in the accounting for larger convention center complexes the subsidies may be less obvious.



It is worth also focusing for a moment on conference centers, as opposed to convention centers. A conference center shares many of the same characteristics as a convention center, and has been included under this same topic heading. There is typically a significant difference in scale, with a conference center being much smaller than a contemporary convention center. A logical question might be whether the HJKCC could function as an urban conference center, even if it is not adequate for a convention center. The response to that, however, is that conference center users also require significant meeting rooms, and typically do not have much use for an exhibit hall as large as what is created by the arena floor. Furthermore, most conference centers employ a business model where the majority of revenues are generated by renting hotel guest rooms, which would also render the HJKCC uncompetitive in the conference center marketplace.

Exhibition Center

The arena floor of the HJKCC can function as a 25,499 square-foot, high ceilinged, column-free, flat-floor space that can function as an exhibit hall. Such a basic flexible space can be used for a variety of exhibitions that produce revenue. There are two different business models used to produce exhibition events:

1. The first may be termed a "tradeshow" and is typically organized by a non-profit industry trade association. Attendees (delegates) pay a single registration, generally to a multi-day event, and gain access to the exhibit hall by showing their name badge as proof of registration.
2. The second is more properly thought of as a "consumer show" and is generally organized by a for-profit company. Attendees pay an entry fee at the door on a daily basis, and although the show may cover two or three days over a weekend, most people only attend for one day.

In both business models, the exhibit hall is typically marked off in 10' x 10' booth spaces, and the exhibition organizer will charge exhibitors depending on the amount of space they wish to rent. True multi-day tradeshows may fill hotel rooms in the host city, and like conventions, may create beneficial economic impacts on the host community and thereby be worthy of some public subsidy. Trade shows that do successfully attract significant numbers of out-of-town delegates are able to qualify for use of convention centers, and will be held in facilities such as the Moscone Convention Center and the San Jose Convention Center. Contemporary tradeshows also share many of the same market demands as conventions, in that their events have often added industry meetings, continuing education, and other functions that require a large bank of breakout meeting rooms as well as banquet facilities and hotel guest rooms in close proximity.

Consumer shows, on the other hand, serve the regional residents who drive to the exhibition location and return home at the end of the day. Consumer shows generate very little economic impact and are not worthy of public subsidy, but in a strong consumer market can generate substantial revenue for the event organizer, who can in turn afford to pay a market rent to the owner of the exhibit hall.

In the first half of the 20th century the Oakland Auditorium functioned as a trade and consumer show hall for the City. When the Coliseum Complex was first built in the 1960s, an exhibit hall was included between the outdoor stadium and the indoor arena. In combination with the arena floor, the Coliseum Complex offered more space than the



Oakland Auditorium and became the venue of choice for shows of this type. Consumer shows have continued to grow, however, and now typically require a minimum of 100,000 square feet of enclosed space (preferably in a single hall). Competitive Bay Area consumer show venues serving the Oakland market today include:

- Alameda County Fairgrounds – (95,000 square feet in 9 enclosed buildings);
- San Mateo County Event Center – (195,000 square feet of facility sizes from small meeting space up to the only 100,000+ square feet exposition hall outside of San Francisco); and
- Cow Palace – (246,000 square feet, including 30,000 square feet on the arena floor).

In terms of Exhibition Center use, the bottom line for the HJKCC is that at 25,499 square feet it is simply too small to be an effective competitor for the majority of the consumer show business in the Bay Area. While an attempt to operate the HJKCC as such might attract and incubate a few small new start-up shows, the frustration would likely be that over and over shows would move to larger locations in subsequent years, having outgrown their original home at the HJKCC. Lacking meeting rooms and sufficient hotel rooms in proximity, the HJKCC would also not be a competitive venue for tradeshow organizers. The HJKCC fails the market acceptance test as an exhibition center.

Sports Arena

In the first half of the 20th century the HJKCC served frequently as a sports arena. By combining “courtside” seating on the arena floor with the fixed seats in the upper level, the venue can seat approximately 6,000 for a sports event. In the post-World War II era, arenas designed for professional sports (e.g., NBA basketball or NHL ice hockey) grew dramatically, and marketable arenas for these anchor tenants now routinely seat 19,000 or more. Contemporary arenas designed for minor league and collegiate sports, however, remain much smaller and often seat 6,000 to 7,000. Between 1997 and 1999 the UC Berkeley women’s basketball team made the HJKCC their home while the Haas Pavilion on campus was being renovated. On superficial inspection, the HJKCC would appear to be a candidate for minor league and/or collegiate sports use.

The trend in the design of new arenas in the 21st century for collegiate and minor league sports has ironically been toward somewhat smaller seating capacities. Both collegiate and minor league teams have found it better to have slightly smaller facilities that they can more easily fill, creating the excitement of a full house on game nights, and creating a sense of scarcity when pricing and selling tickets. On the other hand, new arena buildings have not gotten smaller. In spite of having slightly smaller seating capacities, new arenas buildings are as much as double the size of older ones; offering wider concourses, many more points-of-sale for concessions, more lavish concession choices, many more restrooms; and much more extensive facilities for teams, including expansive locker rooms, practice courts, training facilities, duplicate facilities for the away teams, etc. The HJKCC Feasibility Report uncovered this same need for ancillary facilities and the current lack of such facilities in the HJKCC in their investigations into possible WNBA and NHL minor league franchises (pages 25-26).

To enhance the offering of support and customer-service facilities at the HJKCC significant new investment would be required. The HJKCC Feasibility Report quoted estimates of \$25 million needed as a minimum to attract a WNBA



franchise, and gave an example of a \$50 million investment to accommodate a minor league ice hockey franchise. Many of the new, larger, more lavish, but-smaller-seating-capacity arenas have been built for minor league hockey in states throughout the American West. Virtually all were developed with some significant infusion of public money, often in the form of revenue bonds backed by a combination of net operating revenues and public tax sources. Unfortunately, several of those have failed to meet their operating revenue performance projections in recent years, and communities are already having to unexpectedly shoulder the burden of long term debt service by relying on general fund tax resources. Examples include:

- Rio Rancho, New Mexico (7,000-seat arena opened 2006);
- Wenatchee, Washington (4,300-seat arena opened 2008); and
- Prescott Valley, Arizona (6,200-seat arena opened 2006).

The HJKCC Feasibility Report also points out on page 15 that one of the comparables they studied, the Rabobank Arena in Bakersfield loses money on an ongoing basis (6,400-seat arena opened 1998).

The HJKCC does not now have any of the extensive facilities demanded in the market place today to attract anchor tenant sports franchises or collegiate teams. The HJKCC fails the market acceptance test as contemporary sports arena.

Live Entertainment/Special Events Venue

True to its original multi-use concept from 100 years ago, the HJKCC has long accommodated a wide range of special events that include both an audience and some type of performance. For almost 70 years it housed an annual Christmas Pageant with 4,000 proud parents in the upstairs seats and a grand performance by 1,700 Oakland school children organized by Louise Jorgensen of the City's Recreation Department. In more recent decades it emerged as a favored venue for rock concerts. Although described as seating approximately 6,000, the HJKCC arena was rated at a capacity of 7,900 in the Pollstar concert industry data base in 2005 when the facility was closed, which reflected "festival seating," meaning a couple thousand more people could be accommodated by standing without having any chairs placed on the arena floor in front of the stage.

The HJKCC represents a "mid-sized" concert venue in the constantly changing mix of venues available in the Bay Area market place. At the large end of the scale are sports facilities and outdoor amphitheaters (e.g., Oracle Arena and Shoreline Amphitheater in Mountain View), which hold tens of thousands of fans. At the smaller end are the theaters that typically hold 3,000 or less (e.g., Fox Theater and the Paramount). In most metro areas around the country, there tend to be lots of traditional theaters and quite a few major league sports facilities, but very few venues that can hold a concert for 4,000 to 8,000 patrons, and the Bay Area is no exception.

While there are relatively few mid-sized venues, there are still some potent entertainment business competitors for the HJKCC. The HJKCC's sibling facility across the bay, the Bill Graham Civic Auditorium, has a very similar capacity and has a dedicated promoter / operator, Another Planet Entertainment (the same promoter that is bringing shows to the Fox Theater in Oakland). The HJKCC Feasibility Report correctly stated "The Bill Graham Civic Auditorium presents



very stiff competition for the HJKCC.” As will be seen below, the economics for this reuse of the Bill Graham Civic Auditorium were very different from the situation today with the HJKCC, due to a massive prior investment by the City of San Francisco in the structure of that facility. During the outdoor season, the nearby Greek Theatre at UC Berkeley also offers a similar mid-sized capacity, and is also managed by Another Planet Entertainment. Competition can also come from the other sized venues on occasion. For example, for aesthetic rather than economic reasons, an artist might prefer to do two shows at the Paramount when touring through the Bay Area, rather than one night at the HJKCC. At the other end of the size range, a 19,000-seat arena such as Oracle can accommodate a smaller show by creating some form of “cut down” facility, perhaps by not selling the upper tier of seats for an artist that does not have the drawing power to fill the entire arena.

The HJKCC enjoys a good location for entertainment events, central to the Bay Area market and well served by transit. The front door of the arena is less than 1,500 feet from the escalator at the Lake Merritt BART station. It is highly visible to the market, with an iconic presence at the foot of Lake Merritt. The HJKCC was still attracting entertainment and special event uses in the early 2000s before it was shut down for financial reasons.

While financial concerns are still present and must be examined in more detail next, the HJKCC passes the market test as a live entertainment and special events venue.

Financial Feasibility Test

The current business model for staging concerts and similar live entertainment shows in the Bay Area was pioneered by Bill Graham in the 1960s, and incubated in a variety of San Francisco venues. Bill discovered that he could rent existing facilities relatively affordably, and with a low cost basis could then provide a well-organized concert and high quality of experience, and still be able to pay the artists sufficiently and cover all the costs of staff, marketing, event management, clean up, etc. (and of course, have a little left over for himself). He did not build or redevelop venues, but rather moved from one existing facility to another as costs or other problems rendered the previous venue unusable for his concert promotion. Winterland in San Francisco provided a 5,000 – 6,000 capacity mid-sized venue in the form of a relatively unimproved space that had previously housed an ice skating arena, and Bill was able to use it for a time without making any significant capital investment. When Winterland closed at the end of 1978 to be redeveloped into housing, much of his concert business of mid-sized scale moved to the HJKCC, at the time still known as the Oakland Auditorium, which was available to rent as-is without requiring any major capital investment. In the early 1980s the Oakland Auditorium became the unofficial home of the Grateful Dead, and for the next 20 years continued to accommodate concerts promoted by Bill Graham Presents. A 1987 MC Hammer concert there was considered a particularly epic East Bay experience.

The conventional wisdom in the concert industry has generally been that the revenues earned from producing popular music events are not sufficient to support the costs of new construction for purpose-built fully-enclosed venues. Outdoor amphitheaters, which had a dramatically lower cost per “seat” created, especially when large numbers of people could be accommodated on cheap lawn spaces, were another matter. Bill Graham was an early pioneer in this phase of the concert venue evolution as well, and was heavily involved in the design and development of the Bay Area’s first huge amphitheater at Shoreline Park in Mountain View. Large outdoor amphitheaters of this type,



accommodating 15,000 to 25,000 people were built all over the U.S., with at least one now serving each major metropolitan market. Another similar Bay Area venue is the Concord Pavilion, which started out as a smaller amphitheater but was eventually expanded. Artist touring schedules evolved to match, creating a more intense seasonality in live music touring, timed to meet good weather in outdoor facilities countrywide. The industry is continuing to evolve, with multi-day outdoor festivals now proliferating with 100 or more artistic acts and tens of thousands of fans.

There have also been a few experiments in the concert industry with trying to provide new fully-enclosed mid-sized venues to meet that missing facility type. The usual outcome for freestanding facilities has been that the original developer has gone bankrupt because the earned net revenues could not repay the capital cost of development, but the second (or third) owner/operator was finally able to support a sustainable concert entertainment business by buying the facility out of bankruptcy for pennies on the dollar. A notable example of this is the 6,300-seat theater built in Grand Prairie, Texas, which opened as the "NextStage" Theater in 2002. The original developer went broke very quickly and with new ownership and naming rights it continued on as "Nokia Live at Grand Prairie." After the City of Grand Prairie had to step in to buy the facility from the second owner, it is now operated by AEG under the name "Verizon Theatre." In another case or two, the developer of a new mid-sized venue was able to subsidize the oversized development costs of the facility internally through other components in a much larger development project, as has been the case with LA Live, which also included new housing, hotel, office, and retail development. A few other purpose-built mid-sized entertainment venues have been subsidized by major casino/hotels in Las Vegas.

The San Francisco Giants have toyed with the idea of including a mid-sized entertainment venue in their redevelopment proposals for their parking lot (the "Mission Rock" project) over the last couple decades, although the current plan does not include a new venue of that scale, presumably because they cannot make the financial numbers work.

In order to assess the ability of concert entertainment business to pay capital costs of development for reuse, the peer review team looked at the terms of two recent proposed deals for events venues. The HJKCC Feasibility Report mentioned one of them on page 22, the current lease of the Bill Graham Civic Auditorium signed in 2010 by Another Planet Entertainment. The City of San Francisco negotiated for almost two years with a joint venture partnership composed of Another Planet Entertainment and AEG Live, with extensive discussions of how much capital expense could be supportable from the concert business, and what the tradeoffs might be between annual rent paid to the City and the required capital investment from the private operator. The City was more interested in maximizing the amount of capital investment from the private sector, and was willing to forego lease payments beyond a token base rent of \$100,000 per year (although the City may gain additional "participation rent" income if the venue performs better than expected in future years.) When the joint venture dissolved, Another Planet Entertainment was willing to move forward with the lease that had been drafted to date. With a lease term of 20 years, the agreement calls for Another Planet to invest \$10 million in renovation and refurbishment of the building, primarily for "acoustic and seating improvements," indicating that all parties anticipate that level of capital investment to be sustainable.



It is important to note that, unlike the case in Oakland, there was no similar requirement to renovate and subsidize a Calvin Simmons Theater type facility. Also, in San Francisco substantial physical improvements had already been made by the City in the building. In the wake of the 1989 Loma Prieta earthquake San Francisco voters approved a large general obligation bond to repair many of the historic buildings in the Civic Center. The structure of the Bill Graham Civic Auditorium needed seismic upgrades, and became the first major project of the bond program. Architectural, mechanical, electrical, plumbing and hazardous materials abatement work was also required throughout the building to allow for the structural work. Concurrent with the seismic upgrade, upgrades to comply with the Americans with Disabilities Act (ADA) were made. The building reopened in 1996 after 20 months of construction and a City investment of \$25.8 million dollars. In today's dollars, that investment would be over \$40 million of public dollars before Another Planet took over as operator.

The second indicator of capacity to pay capital investment was made public in Los Angeles with the competition to re-lease the historic Greek Theatre for continued use as a concert venue. Although the Greek Theatre is an outdoor venue, it is also a mid-sized venue seating 5,800, and it too needed ADA improvements, structural strengthening of some of the seating areas, and other physical improvements. The City of Los Angeles was interested in maximizing the amount of capital investment it could gain from its private partner. Two experienced concert promoters vied for the opportunity, and amid charges of improper accounting and poorly defined offerings, much information was made public in Council Committee hearings and on the City's website in 2014. Over the first 2 years of what would be a 10-year lease, the joint venture team of Nederlander Concerts and AEG Live offered to make capital improvements with estimated hard costs of \$12.9 million. The other proposing team headed by Live Nation offered \$14.6 million in hard costs. (Including some dubious estimates of contingency factors, soft costs, furniture fixtures and equipment, representations of total capital contributions were closer to \$19 and \$25 million respectively for the two proposers.) One party tried to get the City to extend the lease to 20 years by promising additional capital investment in the second decade, and with all the confusion the City Council voted to throw out both proposals and is now attempting to operate the venue in-house with City staff.

It is important to note that, unlike the case in Oakland where the HJKCC has been closed for a decade, the Greek Theatre is an ongoing operation with a proven track record of attracting artists and fans and making profits, and is consistently voted one of the most popular music venues in the country, year after year. It enjoys a long outdoor season, and is located in the heart of one of the strongest markets for live music in North America.

The conclusion that can be drawn from the terms of these recent proposed deals is that an experienced concert promoter, with an extensive network of artist/agent relationships, and with an inventory of other venues of various capacities, might be able to offer \$10 million in capital investment, and perhaps even as much as \$15 million as part of a long term lease to have exclusive rights to produce events in the HJKCC. ODI would likely have to partner with such an entity to maximize the utilization of the HJKCC as a full arena entertainment venue, which would require some sharing of financial returns and possibly further reducing the amount of capital investment that could be supported.



On the other hand, the costs of reopening the HJKCC as a full-arena event venue appear to be dramatically larger than this \$10 to \$15 million range, and additional costs will be necessary to refurbish the Calvin Simmons Theater. When the last major renovation of the HJKCC was conducted in 1985, seismic upgrades were intentionally limited to contain costs, and they did not bring the building into compliance with the codes in effect at the time. The current deficit in basic life safety and building systems is estimated to be approximately \$8 million. Since 1985 (i.e., after the 1989 Loma Prieta earthquake) the seismic codes have gotten even more stringent. ADA improvements will also need to be made, and base building systems need improving. The HJKCC Feasibility Report on page 7 quotes "full-building renovation estimates ranging from approximately \$52 million to \$142.7 million, depending on exact use and level of buildout."

To provide an independent estimate, the peer review team examined the cost plan in the 2006 "Feasibility Study of the Adaptive Reuse of the Kaiser Arena as a New Main Library." By taking the hard costs for "rehabilitation of existing," "preservation of exterior," "new roof and fire alarm," as well as minimal site improvements; and then adding contingencies, design, engineering and construction management, and escalating it all to today's dollars, a baseline range of \$35 to \$45 million was achieved. To this should be added an amount equal to what the Bill Graham Civic Auditorium requires for improvements to stage, lighting, acoustics, seating and concession areas of another \$10 million.

The above data points indicate the capital costs to reopen the HJKCC as a full arena venue are likely to be \$50 million at a minimum. This is several times what the live concert and special event industry can support in debt service payments, even using the best promoter/operator business model possible. For this reason, the HJKCC fails the financial feasibility test as a full-arena event venue.

The HJKCC remains well situated in the Bay Area market for special events, however. If the design for the reuse of the arena side of the building produces one or more smaller spaces, such as a central lobby or atrium space, that could be used, at least part-time, for special events like parties or small performances, the HJKCC could be expected to capture its fair share of appropriately sized events. In the context of a more complex project with other primary uses, special events could become a financial contributor to ongoing operations.



Summary

In order to provide an independent review of the HJKCC Feasibility Report, we have refocused and refined the research ODI did regarding comparable projects, potential users, and other indicators of feasibility into four categories of uses which could be accommodated in four specific types of venues. Using a process of elimination, presented in **Table 1**, the HJKCC can be seen to fail the market test of providing for the basic needs of: convention/conference center users, exhibition hall users, and sports teams. The HJKCC was being used as a live entertainment/special events venue when it was last open in the early 2000s, and could still meet the basic needs of those user groups; thus passing that market test. On the other hand, the HJKCC would need substantial life safety, seismic and accessibility upgrades, in addition to venue-specific refurbishments in order to reopen as a viable, full-arena entertainment venue. The costs of these capital improvements are estimated to amount to more than what the earned income from popular concerts and other special events could bring in; and thus the HJKCC fails the financial feasibility test.

Table 1: Summary of Economic Tests of Possible Full Arena Uses

Possible Full Arena Uses	Market Test	Financial Feasibility Test
Convention Center/Conference Center	FAIL	N/A
Exhibition Center	FAIL	N/A
Sports Arena	FAIL	N/A
Live Entertainment/Special Events Venue	PASS	FAIL

N/A = The financial feasibility test is not applicable if the possible use cannot pass the market test.

After conducting an independent peer review of the HJKCC Feasibility Study, we concur with the statement ODI made at the bottom of page 28:

"In summary, an HJKCC arena potential revenues . . . would certainly not cover the debt of its renovation, and would not generate anywhere near enough returns required to justify undertaking such a risky and complex project for a private developer."



Appendix: Qualifications of the Peer Review Team

Willdan Financial Services

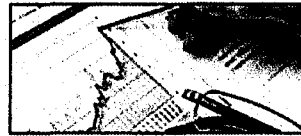
Willdan Financial Services is one of four operating divisions within Willdan Group, Inc. ("WGI"). WGI provides professional technical and consulting services that ensure the quality, value and security of our nation's infrastructure, systems, facilities, and environment. The firm has been a consistent industry leader in providing all aspects of municipal and infrastructure engineering, public works contracting, public financing, planning, building and safety, construction management, homeland security, and energy efficiency and sustainability services. Today, WGI has over 500 employees operating from offices located throughout California, as well as in Arizona, Colorado, District of Columbia, Florida, Illinois, Nevada, New Jersey, New York, Ohio, Texas and Washington.



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Established on June 24, 1988, Willdan Financial Services ("Willdan") is one of the largest public sector financial consulting firms in the United States. Since that time, we have helped over 800 public agencies successfully address a broad range of financial challenges, such as financing the costs of growth and generating revenues to fund desired services. Willdan assists local public agencies by providing the services listed below.

- Real estate economic analysis
- Economic development plans and strategies
- Tax increment finance district formation and amendment
- Housing development and implementation strategies
- Financial consulting
- Real estate acquisition
- Classification/compensation surveys and analysis
- Development impact fee establishment and analysis
- Utility rate and cost of service studies
- Feasibility studies
- Debt issuance support
- Long-term financial plans and cash flow modeling
- Cost allocation studies
- Property tax audits

Our staff of over 70 full-time employees supports our clients by conducting year-round workshops and on-site training to assist them in keeping current with the latest developments in our areas of expertise.

Land Economics Consultants

Land Economics Consultants, LLC (LEC) is a relatively new small business set up in 2010 to serve as the consulting vehicle for Mr. Steven E. Spickard, AICP, LEED AP. The longer history of "the firm" is synonymous with the career history of Mr. Spickard. He has 30+ years of experience in the field of land use economics, the majority of which was spent as a Principal of Economics Research Associates (ERA) based in San Francisco. ERA was a 50-year-old consulting firm specializing in land use economics, which no longer exists in its previous form. Over the last few years, subsequent to ERA's acquisition by AECOM, the vast majority of the former ERA staff have left and formed a nationwide network of small consulting entities in each of the cities where ERA once had offices. Mr. Spickard, and Land Economics Consultants, routinely subcontracts with long time colleagues at ERA who are now consulting separately, but in an electronically interlinked way. We see our new business model as the 21st Century consulting "firm" combining principal level experience and deep specialized expertise, with well-oiled working relationships and low overhead. For this assignment LEC is pleased to join a team with several former ERA colleagues who are now doing business as Willdan Financial Services.



Resume for Key Staff

STEVEN E. SPICKARD, AICP, LEED AP, Managing Principal of LEC

Qualifications in Convention, Sports & Mixed-Use Entertainment Projects

Mr. Spickard has conducted over 400 major consulting assignments in his 30+ year consulting practice. A primary area of specialization involves venues, including convention centers, sports facilities, rock-and-roll concert halls, amphitheaters, and the full range of retail, restaurant, and hospitality uses that create vibrant urban entertainment districts. He has also conducted studies for one-time events ranging from races to international Olympic events. Areas of focus have included their development, expansion, financing, operations, and economic impacts. A selection of projects that reflect this specialized experience by category includes the following:

Entertainment Driven Projects:

- **Province of Ontario, Music Festivals** – Assistance to staff of Infrastructure Ontario as they negotiate a management contract with Live Nation for redeveloping Ontario Place, on the Toronto waterfront, for outdoor concerts, music festivals, and community events (current assignment.)
- **Greek Theater, Los Angeles** – Peer review of proposals submitted to the City of Los Angeles for exclusive management and operation of the historic Greek Theater, on behalf of Nederlander Concerts.
- **Oakland Redevelopment Agency/California Capital Group** – Market potential for live music and entertainment reuse of the Historic Fox Theater in Oakland, California.
- **City of San Francisco, Bill Graham Civic Auditorium** – Negotiating assistance, financial projections, and background market studies in support of City staff as they negotiated with Anschutz Entertainment Group (AEG) and Another Planet Entertainment (APE) over the lease for the Bill Graham Civic Auditorium.
- **Santa Clara County/House of Blues** – Market analysis and financial feasibility of developing a 7,000-seat concert hall for popular music as a public/private partnership.
- **Grateful Dead Productions** – Market analysis and financial feasibility of a proposed entertainment attraction focusing on the music scene in San Francisco.
- **Cal Expo Amphitheatre** – Analysis of the concert market in the Sacramento Metro Region and feasibility study for a proposed new outdoor amphitheater on the State Fairgrounds property.
- **Portland Development Commission, Rose Quarter** – Market analysis for mixed-use in support of the urban design planning to enhance the Rose Quarter Entertainment District including the Rose Garden Arena, Memorial Coliseum, Oregon Convention Center, and other facilities.
- **San Francisco Performing Arts** – Analysis of potential for redevelopment of the City-owned site at Grove and Van Ness as a new performing arts center.
- **Solano County Fairgrounds Redevelopment** – for a 150-acre site owned by Solano County in the City of Vallejo, visioning study and market overview for special event center, exposition hall and sports facilities to replace existing fairgrounds, coupled with financial analysis of returns to private master developer and fiscal analysis of revenue flows to public partners from development of retail, restaurant, office, and entertainment uses as a reuse strategy for a former county fairgrounds.

Sports Events and Sports Facilities:

- **City of Oakland, Peer Review** – Review and independent analysis of an economic and fiscal impact study submitted in support of a possible downtown ballpark for the Oakland A's, with follow up guidance to City staff.
- **San Francisco Giants** – Multiple assignments, including economic impact of MLB franchise, impact of a new downtown ballpark, potential for concerts and other entertainment uses within the facility, and investigation of other ventures outside the facility for their subsidiary, Giants Enterprises.



- **2002 Winter Olympics, State of Utah** - As part of the analysis of the feasibility of holding the Olympic Winter Games in Utah, assessment of the immediate and long-range economic impacts.
- **Oakland A's** – Economics of moving the MLB franchise to a new site in Fremont, California, and developing a 143-acre mixed-use "Ballpark Village" with residential, lifestyle retail, main street retail, and hotel uses in addition to the major league sports facility.
- **Collegiate Arena/Special Events Center** – For California State University-Sacramento, market demand and sizing for a new special event center arena as part of a campus master plan update.
- **America's Cup 34 Attendance Projections** – Subconsulting assistance to the event planning team in developing attendance projections.
- **Albuquerque Arena and Entertainment Complex** – Financial analysis and economic impacts of developing a new arena and entertainment retail complex to add to the existing convention center and headquarters hotel in downtown Albuquerque, NM.
- **Grand Prix Bicycle Racing, San Francisco** – Attendance estimation and economic impact of conducting international cycling racing finals on the streets of San Francisco's Northern Waterfront (two studies).
- **Oakland-Alameda Coliseum Commission** – Potential for revenue enhancement and economic impact of constructing the new Oakland Arena.
- **Blockbuster Entertainment Corp.** – Economic impact and tax revenue generation of developing a billion dollars' worth of real estate in South Florida, including an arena, a stadium, an entertainment village, and visitor-serving hotel and meeting facilities.
- **SMG, Venue Programming** – Market potential for reprogramming the Bill Graham Civic Auditorium in San Francisco to accommodate more sports events or popular concerts.
- **City of Portland, Oregon** – Analysis of the revenue potential for continued use of the Memorial Coliseum as a sports and entertainment venue.
- **Canada Olympic Park** – In Calgary, Mr. Spickard headed up the economic analysis on the master planning team for the expansion and intensification of uses on the site of the former 1988 Olympic Winter Games, including evaluation of a wide variety of indoor and outdoor sports facilities.

Convention Centers

- **City of Los Angeles** – Strategic survey of 10 of the largest convention destinations to identify best practices in municipal governance, management, and marketing of the facilities.
- **San Diego Convention Center Corporation, City of San Diego, CA** -- On behalf of the Mayor's Task Force on Convention Center Expansion, feasibility study of expansion and testimony to the Task Force regarding market demand and economic impact.
- **Washington State Convention Center, Washington** -- Feasibility and economic impact of the non-contiguous expansion of the WSCC in Downtown Seattle.
- **San Francisco Tourism Improvement District, City of San Francisco, CA** -- Working for a special Expansion Facility Task Force, analysis of the market demand and economic impact of developing the "Moscone East" project as part of a complex public-private partnership opportunity.
- **City of San Francisco** – Feasibility and economic impact of expanding the Moscone Convention Center (now known as "Moscone West").
- **Arizona Auditor General** – Estimation of economic impact, job creation and tax revenue generation from the construction and expansion of the Phoenix Convention Center .
- **West Kowloon Cultural District, Kowloon, Hong Kong** – Analysis of the issues associated with including a major exhibition center in the West Kowloon Cultural District at a major new reclamation site on Victoria Harbour.



- **City of Los Angeles** - Economic and fiscal implications of changing booking policies for the Los Angeles Convention Center.
- **Delhi-Mumbai Industrial Corridor, Exhibition/Convention Center** – Recommended development program and feasibility of building a new meeting and exhibition facility in Aurangabad, India.
- **City of Koyang, Korea** – Mr. Spickard was part of the consultant team that analyzed the potential for the nation's largest exhibition and convention center complex including hotel and mixed-use development in the city of Koyang, Korea, just north of Seoul.
- **City and Borough of Juneau** – Management study for the Centennial Hall Convention and Civic Center.
- **County of Santa Clara** – Feasibility of developing a major new exhibition complex in San Jose, California.
- **City of Phoenix** – Operations audit for the Phoenix Civic Plaza convention center and performing arts facility.
- **City of Pasadena** – Management and operations analysis for the Pasadena Center, including performing arts and convention facilities.
- **Reno Convention and Visitors Authority** – Feasibility of convention center expansion.

Economic and Fiscal Impact Analysis

- **Los Angeles Convention and Visitors Bureau** – Economic impact of the total tourism industry in Los Angeles County.
- **City of Santa Barbara** - Evaluated long-range growth strategies for the City using a scenario analysis format to project alternative futures, including the economic impact of the city's tourism economy.
- **State of Washington** - Economic implications of five proposed themed attractions designed to draw additional tourists from out-of-state.
- **San Francisco Planning and Urban Research Association** - Economic and fiscal importance of tourism to San Francisco.
- **Midpeninsula Regional Open Space District** – Fiscal analysis of the proposed annexation of 140,000 acres of coastal San Mateo County into this special district.

Mixed-Use Urban Real Estate Development:

- **San Francisco Waterfront** – Evaluation of a proposed 16-acre waterfront mixed-use development including office, retail, industrial/technology, historic preservation, and cultural arts components at Pier 70 for the Port of San Francisco.
- **Riverfront Attractions** – Feasibility, operations and impacts of six proposed projects along the riverfront in Portland, Oregon, including restaurant, retail, market hall, and recreational uses.
- **Santa Fe, New Mexico** – Market demand and financial pro forma analysis for alternative mixes of retail, hotel, residential, and office uses in a vibrant complex in the heart of the historic district of Santa Fe.
- **Philippines** – Market and financial analyses in service to the master planning team on the redevelopment potential of a five-hectare site in the Metro Manila area of the Philippines. The proposed project included 300,000 square meters of office and commercial retail space, and over 1,000 hotel, residential, and serviced apartment units.
- **National Park Service, Presidio Trust** – Within the nation's most urban park, market and financial real estate analysis for the collection of historic and non-historic buildings at the West End of Crissy Field for reuse as hotel, retail, food and beverage, and special event spaces.

Mr. Spickard has evaluated markets for entire new towns as well as for individual proposed retail, residential, office, hotel, and mixed-use projects in dense urban settings throughout the Western United States. After assisting in project concept formulation from a market perspective, Mr. Spickard typically evaluates planning alternatives from the dual perspectives of private developer pro forma financial feasibility, and such entitlement concerns as job creation, economic development and fiscal impacts.



Prior to founding Land Economics Consultants, LLC, in 2010, Mr. Spickard spent 32 years with Economics Research Associates (ERA) and AECOM, which acquired ERA in 2007. Prior to that he worked several years at SRI, International, and had job experience in local, regional, state and federal governments. Mr. Spickard graduated Magna cum Laude from the University of California, Berkeley, with a BA in economics. He later returned to Berkeley to earn a Masters degree in City and Regional Planning. Steven E. Spickard, A.I.C.P., is a charter member of the American Institute of Certified Planners, a member of the Urban Land Institute (ULI), and is a LEED Accredited Professional with the US Green Building Council.

Henry J. Kaiser Convention Center Arena Reuse Feasibility Report



Prepared by:
Orton Development, Inc.
January 2016

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EXECUTIVE SUMMARY

At the request of the Oakland City Council, Orton Development, Inc. (ODI) conducted a feasibility study to determine whether rehabilitating the Henry J. Kaiser Convention Center arena as a venue space could be economically viable. ODI set out on the project with a set of fresh eyes. Very soon, however, the result was clear: arenas cost a lot to build and lose money, even before taking into consideration the costs of renovation and debt service.

We took seven approaches:

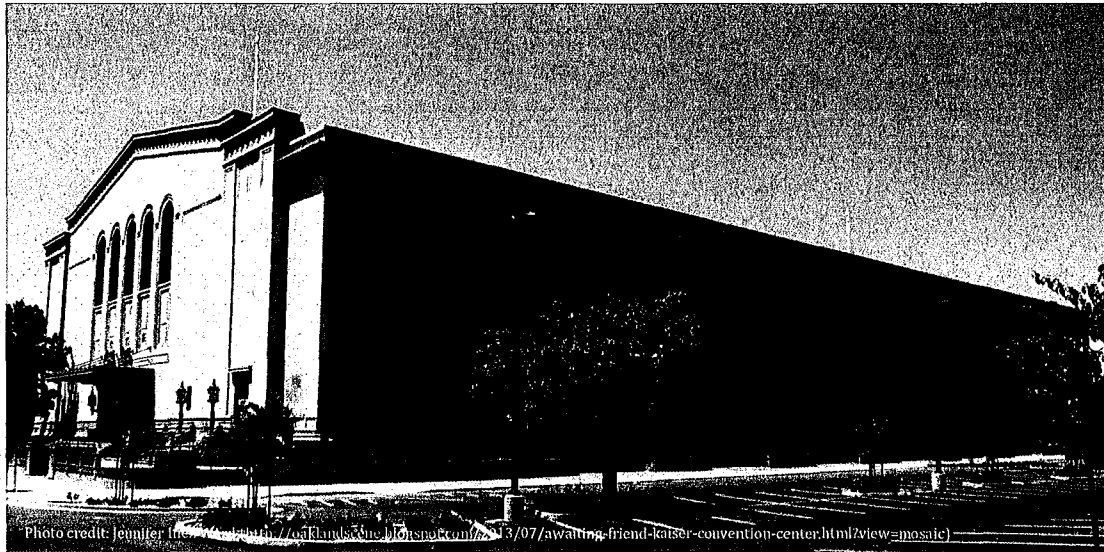
1. We looked at the economic research in the field.
2. We looked at similar arenas.
3. We looked at our competitive advantages and disadvantages.
4. We looked at costs and income.
5. We canvased potential users:
 - a. WNBA
 - b. Minor league hockey team
 - c. Cirque du Soleil
 - d. APE
 - e. Live Nation
6. We looked at the Bay Area competitive market:
 - a. University of California halls
 - b. Berkeley Community Theater
 - c. Bill Graham Auditorium
 - d. Paramount Theatre
 - e. Fox Theatre
7. We took a detailed look at the following facilities:
 - a. Sacramento Convention Center
 - b. Anaheim Convention Center
 - c. Rabobank Arena (Bakersfield)

Our findings can be summarized by the following quote:

**"Convention centers have thus come to be justified as "loss leaders."
Local convention and visitors bureaus (CVBs) and center promoters
acknowledge that almost every convention center in the U.S. operates at a
loss, not even counting the annual cost in debt service. Centers simply do
not take in revenues equal to the cost of operation."**

- Heywood T. Sanders -

Convention Center Follies: Politics, Power, and Public Investment in American Cities



HENRY J. KAISER CONVENTION CENTER: BACKGROUND

Oakland, California

History

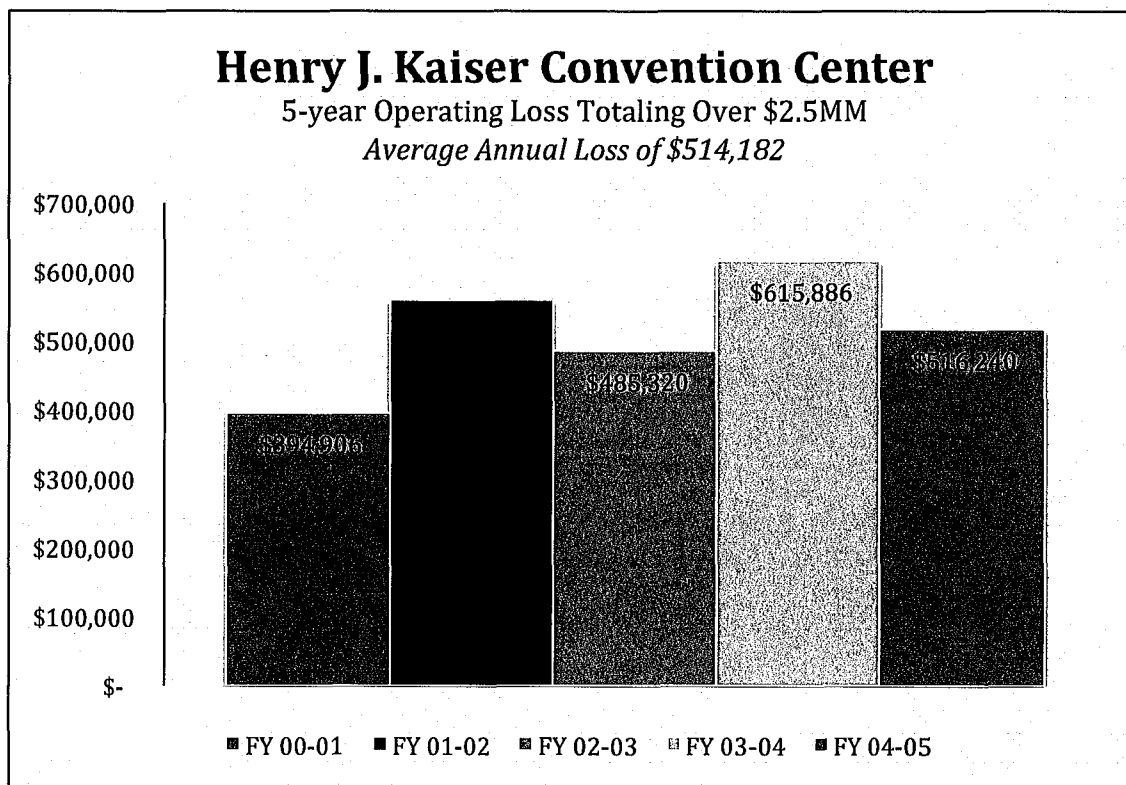
Built in 1914 as a Beaux Arts-style multi-purpose arena and theater, the Henry J. Kaiser Convention Center (HJKCC) contains approximately 215,000 square feet of floor area and includes a 45,000 square foot, 6,000 seat arena and a 1,900 seat theatre, as well as multiple ballrooms and a full basement. Historically, the site has been used as two adjoining but distinct venues.

The convention center and theatre have a very rich history. The 45,000 square foot arena has hosted events ranging from a Martin Luther King Jr. speech on the 100th anniversary of the Emancipation Proclamation's signing to concert performances by Elvis, James Brown, and the Grateful Dead. Opposite the arena floor sits the Calvin Simmons Theatre, a 1,900-seat venue that shares a stage with the arena. Since the arena and theatre share a single stage area, there were often issues with noise contamination when both venues were in use on the same night. For example, on one night, a ballerina performance of Anna Pavlova's "The Dying Swan" in the Calvin Simmons Theatre was drowned out by a boxing match next door, according to Graham Lustig, Artistic Director of the Oakland Ballet Company.

Financials

Throughout the years, the Henry J Kaiser Convention Center struggled to remain profitable. In the five years immediately preceding its 2005 closing, the HJKCC incurred heavy losses, operating at a \$516,000 loss in 2005 and accumulating \$2.5 million in losses between FY2001 and its FY2005 closing.¹

A 2005 report produced by the Finance & Management Committee estimated that the annual cost to “mothball” the facility would only be \$94,000 annually and would include “basic, post-closure maintenance and repairs, including graffiti abatement, litter control, and landscape maintenance.”²



Since its closure in 2005, the City has made several attempts to sell or reuse the Henry J. Kaiser Convention Center. A bond measure was placed on the ballot in 2006 to fund the conversion of the building to the City's new main public library, but the measure was defeated. In 2010, Peralta Community College District considered purchasing the facility for

¹ Deborah Edgerley. “Status Report Regarding the Proposed Closure of the Henry J. Kaiser Convention Center.” City of Oakland, December 31, 2005. Available [online]: <http://clerkwebsvr1.oaklandnet.com/attachments/12228.pdf>

² Edgerley.

\$10 million, but in 2011 declined to move forward.³ In 2011, the building was sold for \$28 million to the Oakland Redevelopment Agency. In 2012, the redevelopment agency was dissolved by the State of California, and ownership of the Henry J. Kaiser Convention Center reverted back to the City of Oakland.

In the ten years since the HJKCC's closing, the building has deteriorated and has been repeatedly vandalized. Security measures are costing the City \$15,000 per month, nearly twice the City's original \$7,800 per month cost estimate for mothballing the facility.⁴

Previous Considerations

Before its closure in 2005, the Office of the City Administrator issued an RFP to contract with an outside entity to manage the facility as an attempt to keep the Henry J. Kaiser Convention Center in operation with the following goals:

- To increase revenue generated by the Henry J. Kaiser Convention Center
- To increase the occupancy rates of the Center
- To allow private, non-profit and governmental entities to continue to rent space in the facility for meetings, performances and cultural events

The City required the following services:

- Management of the operations
- Management of the grounds and parking lot
- Management of sales and marketing
- Box office management
- Management of repairs and maintenance
- Administrative services reporting and auditing⁵

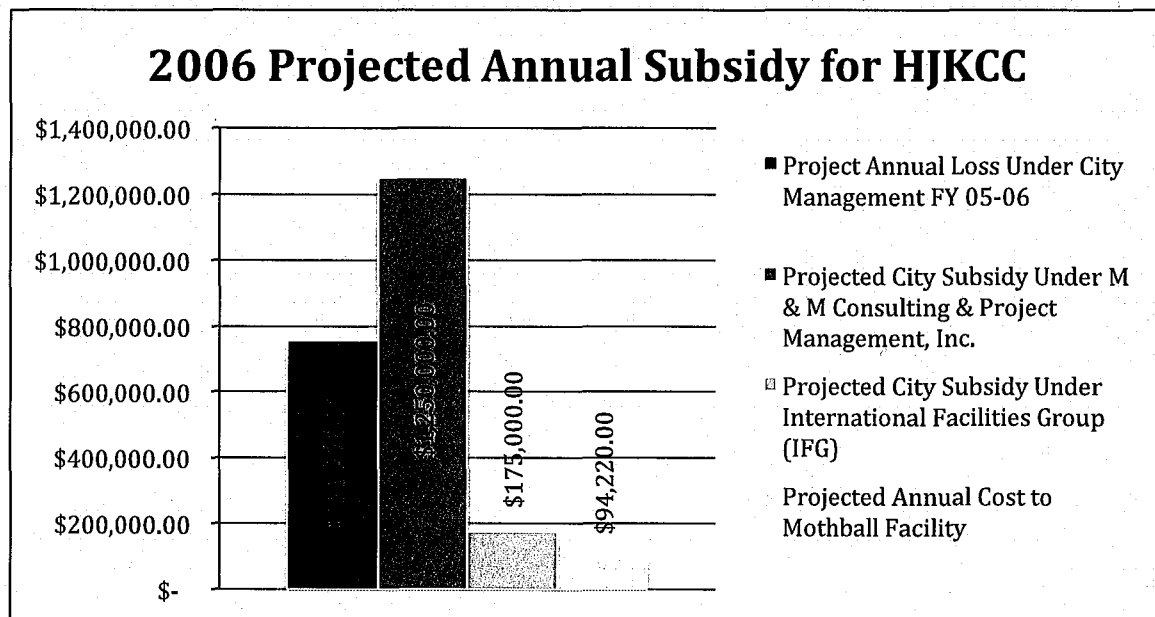
After an exhaustive search, only two of the ten contractors who expressed interest in the RFP submitted a proposal: M & M Consulting and Project Management, Inc. and International Facilities Group (IFG). The City concluded that, irrespective of the subsidy, neither management company was qualified to manage the HJKCC, and after further dialogue and review, City staff concluded that "neither proposal presented a viable solution to significantly reduce the City's ongoing financial subsidy of the HJK Center."⁶ In both proposals, the City would continue to operate at a significant loss. The chart below compares the costs to the City under the various proposals.

³ Matt Krupnick. "Peralta District Considering Kaiser Purchase." San Jose Mercury News, November 10, 2010. Available [online]: http://www.mercurynews.com/breaking-news/ci_16577487

⁴ Claudia Cappio. "Developer Selection and ENA for The Henry J. Kaiser Convention Center." City of Oakland.

⁵ Edgerly.

⁶ Edgerly.



Building Upgrades

In the late 1970s, engineers recommended a seismic retrofit to bring the building to up to then-current building code to mitigate earthquake hazards. At that time, however, the City of Oakland did not have the funding required to complete all necessary upgrades. Today, the HJKCC requires a substantial seismic retrofit to return the facility to any productive use.

The HJKCC is in need of major seismic, base building systems, and ADA improvements for any future use. To rehabilitate the arena into a viable venue that is competitive with other similar venues in the arena will require additional substantial investment. Previous studies⁷ have estimated that upgrading arena-side base systems would cost approximately \$10 million, with a full-building renovation estimates ranging from approximately \$52 million to \$142.7 million, depending on exact use and level of buildout.

⁷ Claudia Cappio. "Developer Selection and ENA for The Henry J. Kaiser Convention Center." City of Oakland.

COMPARABLE VENUES

In order to determine the feasibility of rehabilitating the HJKCC arena into a venue, Orton Development, Inc. (ODI) looked at comparable venue spaces throughout California. To the extent possible, ODI tried to find venues of similar square footage, seating capacity, age, and locational appeal to the HJKCC arena. For some comparable venues, information on operating budget and renovation costs were either unavailable or inconsistent between sources. Nevertheless, the information available supports the argument that renovating the HJKCC as an arena is not financially tenable for ODI or any other private investor without significant public subsidy from the City of Oakland.

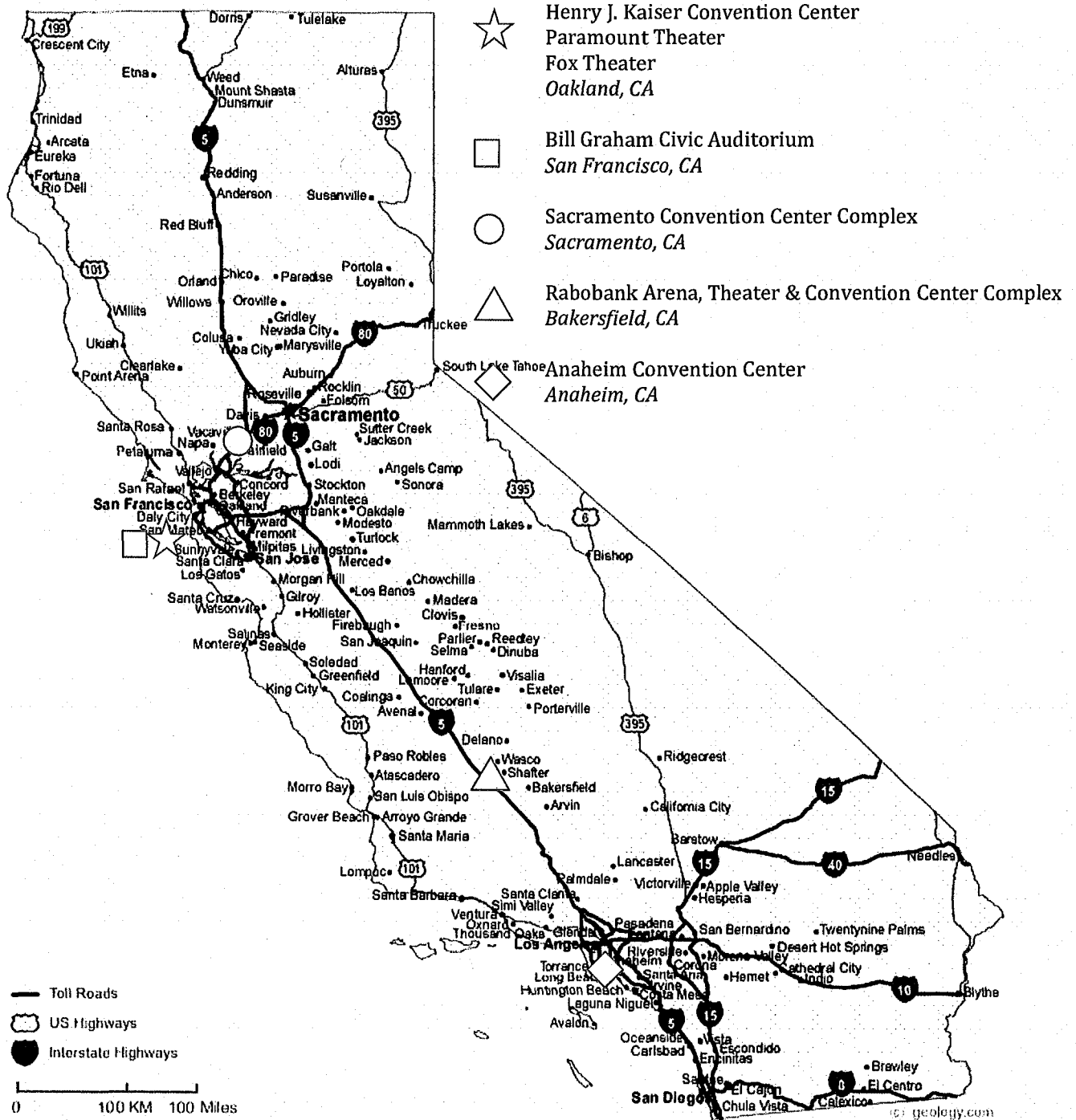
Due to complexities of financing and accounting practices for these different venues and cities, debt service, capital outlay, annual taxes, depreciation, insurance, etc. have not been included in annual operating expenses unless otherwise noted in cited sources' documentation. For the vast majority of venues studied, however, it is clear that the facilities debt service is equal to, if not greater than, its operating expenses, meaning that a facilities' debt is far greater than represented by its annual (operating) loss. To detail these facilities' debt services and capital outlay would take a great amount of expense – an unnecessary expenditure since major losses can be shown through facilities' annual budgets.

"I literally have never seen a study that says anything other than build it, expand it. Given the realities of the market, it's astonishing to me, to say the least, that there isn't a feasibility study that says demand is down, supply is up — don't built it."

- Charles Chieppo -
Research Fellow at the Harvard Kennedy School
*On Convention Center Expansions*⁸

⁸ Adam Elmahrek. "Experts: Anaheim's Convention Center Gamble Sure to Fail." Voice of OC, March 10, 2014. Available [online]: <http://voiceofoc.org/2014/03/experts-anaheims-convention-center-gamble-sure-to-fail/>

Map Of Venues Studied



Sacramento Convention Center Complex

Sacramento, California

Overview

The Sacramento Convention Center Complex located in downtown Sacramento, California consists of several facilities, including 37,000 square feet of exhibit space, 70,559 square feet of meeting rooms, a 2,398-seat Community Center Theater, and a 3,849-seat Memorial Auditorium. Though these three venues are distinct in terms of the events they put on, their financials are lumped together in Sacramento's accounting system, and individual financial statements are not available for each venue.

Memorial Auditorium



Built in 1926, the Memorial Auditorium is a Nationally Registered historic property that hosted a variety of performances ranging from violin concertos to Rolling Stones concerts. After sixty years of performances, Sacramento City Council voted to close Memorial Auditorium on February 18, 1986 due to fire, life and safety considerations, and lack of ADA accessibility.⁹

After ten years and a \$10.8 million dollar renovation, the building reopened in 1996 and serves as a venue for concerts, community events, and corporate conferences.

⁹ William Edgar. "Report Back to Councilmember Pane Regarding Memorial Auditorium." City of Sacramento

Community Center Theater



The nearby Brutalist-style Community Center Theater was built in 1974 and currently hosts performances by the Sacramento Philharmonic Orchestra, California Musical Theatre, Sacramento Opera, and the Sacramento Ballet.

In 2007, the Sacramento City Council approved a \$48,000,000 ADA renovation for the 2,400-seat theater, which had not had a major renovation since its 1974 construction. The theater has still not been upgraded to date due to a lack of financial resources, despite a judge's order to move forward with the renovation.¹⁰

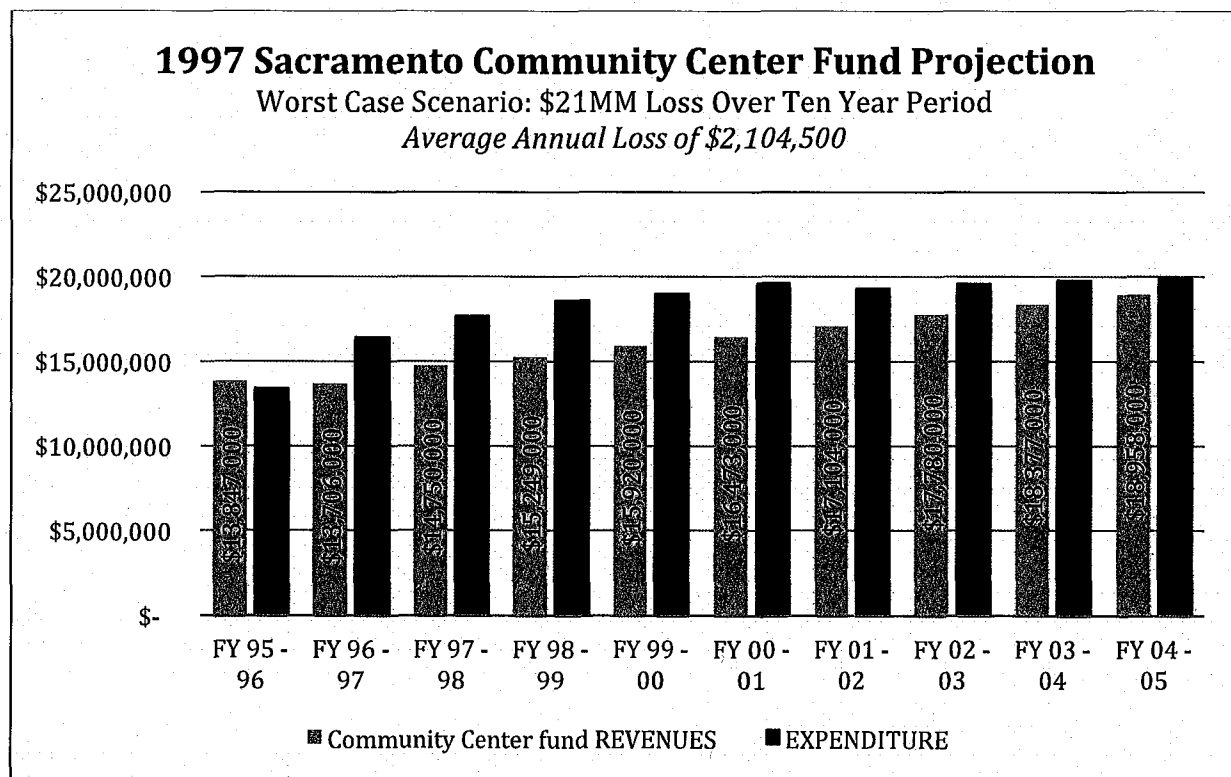
Convention Center



¹⁰ Ryan Lillis. "Sacramento City Treasurer Delays Major Renovation of the Community Center Theater." *The Sacramento Bee*, November 18, 2013. Available [online]: <http://www.sacbee.com/news/local/news-columns-blogs/city-beat/article2583165.html>

Originally designed as a 50,000 square foot exhibit hall with ten meeting rooms, the Convention Center was built in 1974 to accommodate large meetings and conferences. In 1996, the Convention Center underwent an expansion that brought the total available space of the center to 134,000 square feet in hopes of making the Convention Center more competitive and thus more profitable.

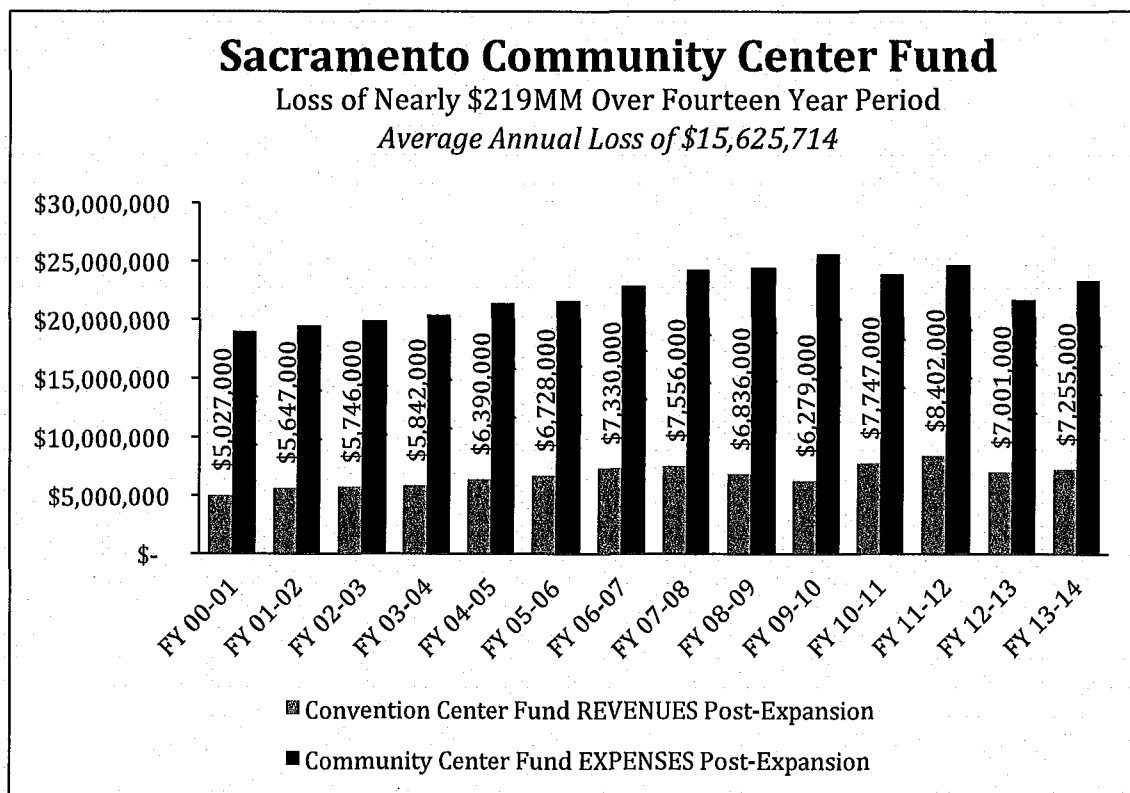
Since the City of Sacramento knew the Convention Center would not generate enough revenue to cover its costs, it had hoped that the City's transient occupancy tax would help cover the remainder of its costs. The City reasoned that the improved Convention Center would lead to bigger conferences, which in turn would lead to more hotel rooms being rented in Sacramento, with the Transient Occupancy Tax (TOT) from those rooms flowing through to the City. In a June 1997 City of Sacramento memo titled "Convention Center Status and Fund Balance Analysis," two projections were made with similar assumptions: a "best case" scenario, where an additional 750 hotel rooms were added by July 1, 2004, and a "worse case" scenario, where no additional hotel rooms were added to the supply. The chart below describes the "worst case" scenario based on 1997 Community Center Fund projections.¹¹



¹¹ Sam Burns. "Convention Center Status and Fund Balance Analysis." City of Sacramento

In the City's worst case scenario, they estimated an approximate \$21 million loss (\$2.1 million per year) in the ten year period following the renovation. In fact, the City's losses have been significantly higher. The Sacramento Convention Center Complex has lost approximately \$219 million over the last fourteen years, or nearly \$16 million per year, according to Eye on Sacramento, a city watchdog group, more than seven times the estimated "worst case" scenario.¹²

According to the 2015/2016 Sacramento Budget report, approximately two thirds of the Convention Center's expenses are covered by the City's Transient Occupancy Tax (TOT). Though the Convention Center, which hosts an average of around two major events per month, has only a small effect on the TOT generated, 80% of the tax revenue generated is used to cover the losses of the Community Center Fund.¹³ Absent revenue from the TOT, the City is projected to lose \$17,088,000 from the Convention Center in FY 2015/16 alone – a staggering number for a city with a \$951 million budget. That \$17 million in TOT would be enough to cover Sacramento's projected deficit for 2016-2017 and 2017-2018 if the Convention Center were mothballed.¹⁴



¹² Raheem Hosseini. "New Report Says Sacramento Convention Center is a Taxpayer Money Pit." News Review, September 12, 2013. Available [online]: <https://www.newsreview.com/sacramento/new-report-says-sacramento-convention/content?oid=11390525>

¹³ Hosseini.

¹⁴ Hosseini.

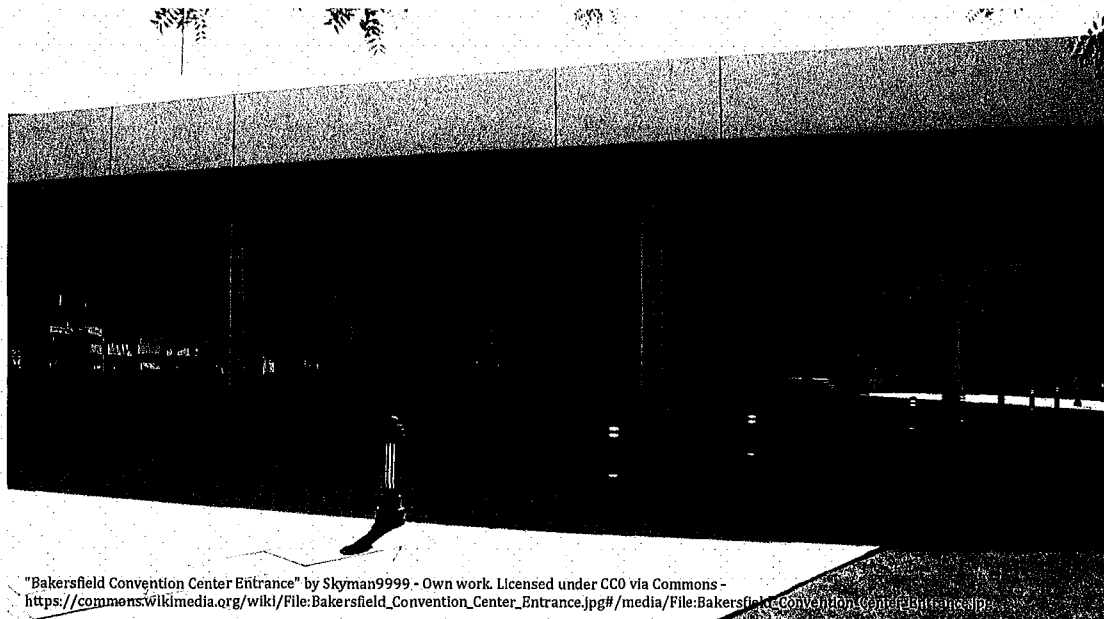
Rabobank Arena, Theater & Convention Center Complex

Bakersfield, California

Overview

The Rabobank Arena, Theater, and Convention Center Complex encompasses two separate buildings, an arena and nearby theater and convention center.

Rabobank Theater and Convention Center



Built in 1962, the Civic Auditorium is a municipal auditorium that hosts large conventions. The theater has 3,000 permanent seats and hosts the Bakersfield Symphony Orchestra, Broadway in Bakersfield, and the Bakersfield Community Concert Association.

In 1980, the Convention Center was expanded to connect with the existing theater. The Center is a 29,450 square foot exhibit hall with thirteen meeting rooms and a 12,885 square foot lobby.¹⁵ The Convention Center hosts large conferences and musical performances.

¹⁵ "Rabo Bakersfield." Visit Bakersfield, n.d. Available [online]: http://visit-bakersfield.s3.amazonaws.com/digital_files/1388/rabo-convention-center.pdf

Rabobank Arena



Built in 1998 in the old parking lot of the theater and convention center, the Rabobank Arena Center has a capacity of 6,400 for sporting events and approximately 10,000 for concerts.¹⁶

The arena hosts a wide variety of sporting events, including CSU-Bakersfield basketball games, the California Interscholastic Federation High School State Wrestling Championship Tournament, and the Bakersfield Condors of the AHL, a minor hockey league.

Management

The Rabobank Arena, Theater, and Convention Center are all managed by a third party operator, AEG Facilities, who also manages the San Joaquin Community Hospital Ice Center and Bright House Networks Amphitheatre for the City of Bakersfield. In AEG's accounting, all five venues managed by AEG appear on the same income statement. From outside reports, ODI was able to determine that the losses from the San Joaquin Community Hospital Ice Center and Bright House Networks Amphitheatre are small, coming in at \$20,785 and \$62,358 respectively in 2013.¹⁷ Backing out the losses of these other venues from the Bakersfield Facilities average annual loss of \$546,897, we see that the losses Bakersfield incurs from the arena and theatre are approximately \$463,754 annually.

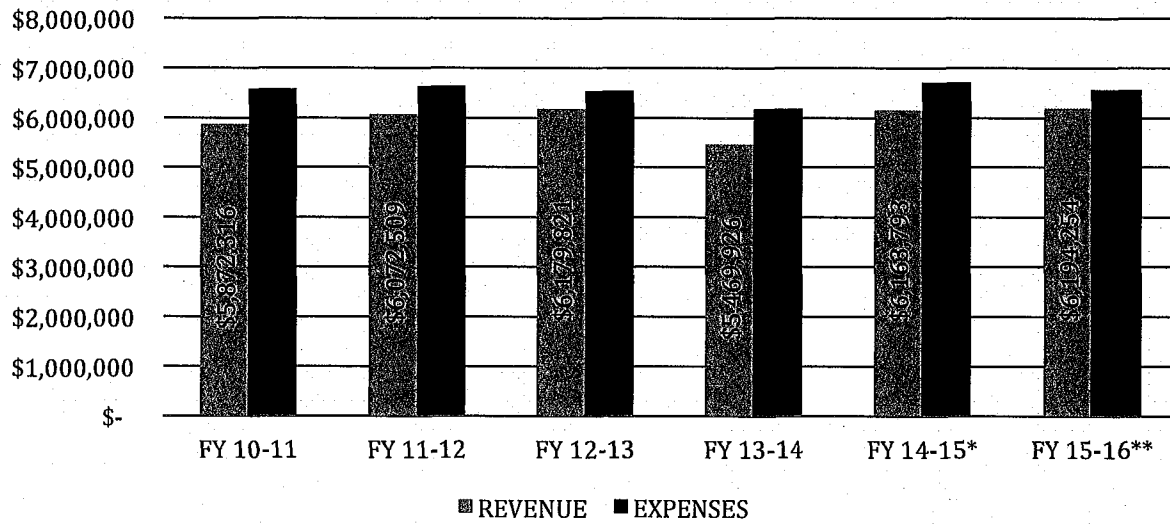
¹⁶ "Rabo Bakersfield,"

¹⁷ Linda Deckard. "AEG Gives Bakersfield a Guarantee." *Venues Today*, April 10, 2013. Available [online]: <http://www.venuestoday.com/news/detail/aeg-gives-bakersfield-a-guarantee04102013>

Bakersfield Facilities

Loss of \$3,281,381 Over Six Year Period

Average Annual Loss of \$546,897



Anaheim Convention Center

Anaheim, California



Overview

Located in Southern California, the Anaheim Convention Center is the largest convention center on the West Coast, totaling over 1.6 million square feet of total space. Ideally located near many tourist attractions such as Disneyland Resort and beautiful outdoor recreational areas, the Center is host to a wide variety of events and conventions, including the video game expo, BlizzCon.

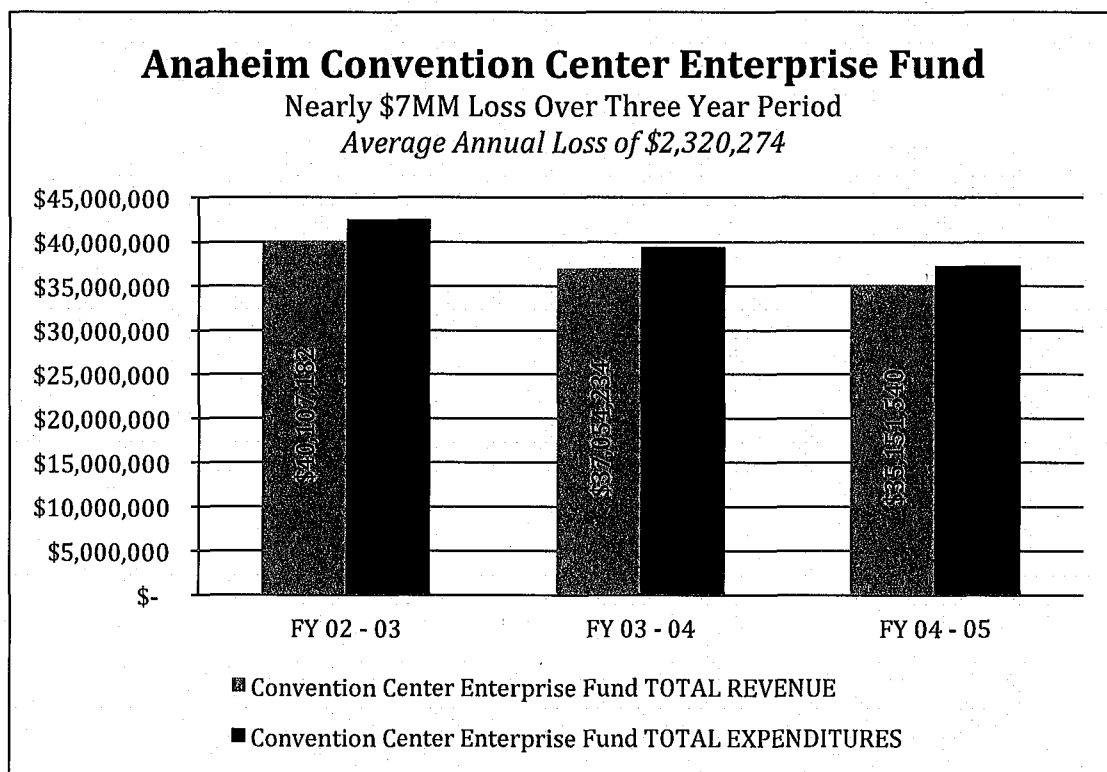
The Anaheim Convention Center opened on July 12, 1967 and featured 400,000 square feet of space.¹⁸ Since its opening, the convention center has been expanded over seven times beginning in 1974 with its seventh “Betterment” expansion slated to open in 2017.

¹⁸ Charles Epting. “Elvis, Nixon & More: Remembering the History of the Anaheim Convention Center.” *Visit Anaheim*, April 2015. Available [online]: <http://blog.visitanaheim.org/blog-post/2015/04/20/elvis-nixon-more-remembering-history-anaheim-convention-center>

Management

The most recent 2015/16 Anaheim budget breaks out the Convention Center budget for FY 2013-2015 but does not break out expenditure costs. Instead, various operations such as the Visitor and Convention Bureau, Stadium Operations, Arena Operations, Grove Operations, ARTIC Operations, and the Convention Center and overseen by the Convention, Sports & Entertainment Department and grouped together in a single line item: "Department Expenditure Total."

Due to this accounting practice, the most recent data that can be found denoting individual revenue and expenditure is for the FY2002–2005. The chart below details the Anaheim Convention Center Fund Expenditures and Revenues for this time period (City of Anaheim n.d.).¹⁹, indicating over \$2.2 million loss in each of the years cited.



¹⁹ "Enterprise Fund – Convention Center." City of Anaheim, n.d. Available [online]: www.anaheim.net/DocumentCenter/View/1039

Paramount Theatre of the Arts

Oakland, California

Overview

Built in 1931, the Paramount Theatre is a movie theatre featuring a live orchestra and Wurlitzer organ. Today, the Paramount is home to the Oakland Symphony Orchestra and the Oakland Ballet and hosts events ranging from movie screenings to live comedy.

When completed, the Art Deco-style Paramount Theatre was the largest multi-purpose theatre on the West Coast with the ability to seat 3,476. On September 15, 1970, after nearly thirty-nine years of operation, the Paramount was forced to close due to financial difficulties.

After two years of closure, the building was purchased by the Oakland Symphony Orchestra Association's Board of Directors and after a year of careful restoration, the building was placed on the National Register of Historic Places in 1973. Less than two years later, the Oakland Symphony Orchestra declared bankruptcy and sold the Paramount to the City of Oakland for \$1 with the requirement that the Symphony would be guaranteed bookings for the next forty years²⁰.



Management

The Paramount is owned by the City of Oakland and managed by a non-profit organization called Paramount Theatre of the Arts, Inc.

The Paramount financial performance ranges from break-even to losses of \$300,000 per year. The costs do not include taxes, insurance, management overhead, reserves, or much maintenance. Though precise financials are not available, it is clear that the Paramount loses money.²¹

²⁰ [http://www.worldlibrary.org/articles/paramount_theatre_\(oakland,_california\)](http://www.worldlibrary.org/articles/paramount_theatre_(oakland,_california))

²¹ Downs, D. (2006, October 24). *Oakland's Paramount Losing Money, Lining Pockets*. Retrieved from East Bay Express: <http://www.eastbayexpress.com/CultureSpyBlog/archives/2006/10/24/oaklands-paramount-losing-money-lining-pockets>

Fox Oakland Theater

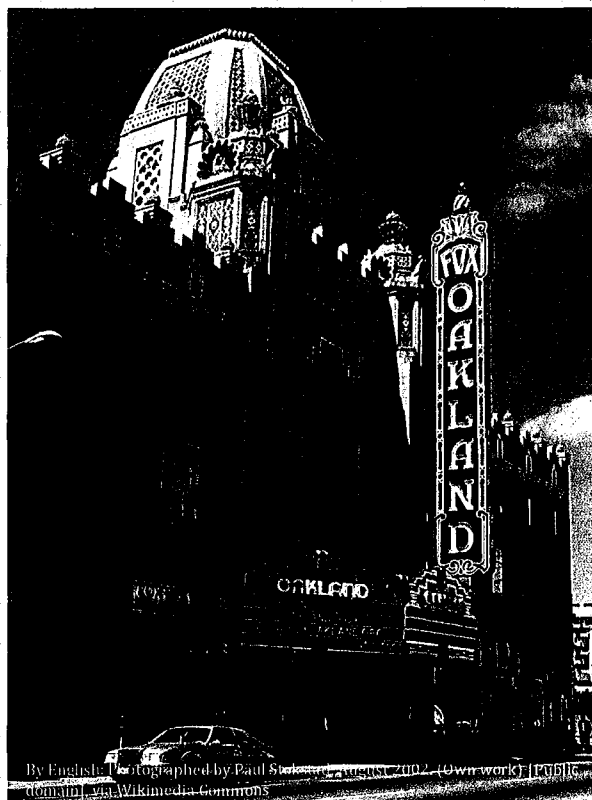
Oakland, California

Overview

In 1928, the Fox Oakland Theater was the largest movie theater in Oakland, boasting 3,200 seats. Today, the Fox is a home to the Oakland School for the Arts and major musical acts in its 2,800-seat concert venue.

The Fox opened on October 27, 1928 as a theater where audiences could take in both live shows as well as motion pictures.²²

After only thirty-eight years of operation, the Fox closed in 1966. During its closure, the theater survived possible demolition, vandalism, decay, and water damage. A fire in 1973 left the building in poor shape, and its shabby condition led to its being called “the largest outdoor urinal in the world.” In 1993, the City bought the property for \$3,000,000.²³



Management

The Friends of the Oakland Fox (FOF) was formed in 1998 as a subcommittee of the Oakland Heritage Alliance. After a year of meeting at the OHA office, FOF formed its own non-profit to raise awareness and funds for the renovation of the theater.²⁴

The Fox Theater is currently owned by the Oakland Redevelopment Successor Agency (“ORSA”) and leased to Fox Theater Landlord LLC (“FTLL”). To finance the renovation, ORSA set up several entities including the Fox Oakland Theater, Inc., a non-profit corporation (“FOT”); Fox Theater Manager, Inc. (“FTM”), a for-profit corporation; and Fox Theater Master Tenant LLC (“FTMT”). Two limited liability companies, FTLL and FTMT, were required to generate equity for the renovation project from four New Market Tax Credit investments and one Historic Tax Credit investment.

²² “The Fox Oakland – History.” Available [online]: <http://thefoxoakland.com>

²³ “The Fox Oakland – History.”

²⁴ Gagné, N. V. (2011, August). *Traditional Building*. Retrieved from 21st-Century Fox <http://www.traditionalbuilding.com/Previous-Issues-11/AugustProject11Fox.html>

The Fox Theater is leased from ORSA to FTLL to FTMT to three tenants – GASS Entertainment, which leases and operates the theater, the Oakland School for the Arts, which has roughly 63,000 square feet of classroom, performance, and mixed-use space, and Rudy's Can't Fail Café. Unfortunately, financials for the Fox have not been available.

Though the Fox Theatre renovation has been a major catalyst for revitalizing uptown Oakland, it has done so at a significant financial cost to the City. The Oakland Redevelopment Agency contributed \$52 million to the project (funds borrowed by the City of Oakland), with additional millions in public monies coming from grants, tax credits, and fundraising.²⁵ In addition, it is reported that there is a \$1 million revenue from billboard payments, brokered by former California Governor Jerry Brown, with the City of Oakland, the Port of Oakland and CBS Outdoor. The billboards' revenues allows the Oakland School for the Arts to occupy nearly half of the building - rent free - and helped provide financing for the building's restoration.²⁶

Although the project has been able to make approximately \$1 million in debt service payments per year, it isn't able to repay most of the Redevelopment Agency debt at the modest 6% interest rate, let alone a market rate return to an equity investor. The Fox's redevelopment shows that even successful venues require substantial public subsidies to be economically viable.

²⁵ Rudy.

²⁶ Gammon, Robert. "Jerry Brown Raised \$12 Million for His Two Oakland Schools." *East Bay Express*, April 28, 2010. Available [online]: <http://www.eastbayexpress.com/oakland/jerry-brown-raised-12-million-for-his-two-oakland-schools/Content?oid=1712012>

Bill Graham Civic Auditorium

San Francisco, CA



Overview

The Bill Graham Civic Auditorium is a multi-purpose arena located in San Francisco's Civic Center district. The 6,000 seat venue was built in 1915 and has hosted a variety of events throughout the years, including the 1920 Democratic Convention. It was also the home of the Golden State Warriors from 1964 to 1967. Currently, the arena hosts large corporate events and trade shows as well as a wide range of musical performances.

Since 2010, the Bill Graham Auditorium has been managed by Another Planet Entertainment on behalf of the City of San Francisco. Though financials are not available for Another Planet, public documents show that Another Planet pays a \$100,000 annual lease payment to the City of San Francisco,²⁷ which covers all costs including utilities and maintenance.

The Bill Graham Auditorium presents very stiff competition for the HJKCC. Though the venues are similar in size and layout, the Bill Graham has superior location and accessibility, an excellent reputation, and extensive nearby amenities. Additionally, the Bill Graham is managed by Another Planet Entertainment, which also controls the Fox Theater and the Greek Theater. Another Planet is likely to oppose the opening of any new venue that might present competitive events or threaten its existing venues.

²⁷ Andrew Wietstock. "\$10 million Renovation on the way for the Bill Graham Civic Auditorium with New Lease." *Curbed SF*, July 1, 2010. Available [online]: <http://sf.curbed.com/tags/another-planet-entertainment>

Other Venues Studied

Oracle Arena and O.co Coliseum Oakland, CA

All anchor tenants currently at the Oracle Arena are considering leaving. If one (or more) are successful, the facility will become more available for large concerts and sporting events. Relative to the HJKCC, Oracle is a far better facility for these events due to its name recognition, better seating, higher capacity (19,596 seats), more modern infrastructure, and ample parking and transportation.

Although the City has a far better understanding of the Coliseum complex's financial situation than ODI, outside reports show that taxpayers still owe \$179 million in bonds whose payments extend well beyond the expected tenure of its anchor tenants.²⁸ As such, ODI expects the City to continue to aggressively look for productive uses for the Oracle Arena facility, presenting serious competition to an HJKCC arena.

Cal Performances

Berkeley, CA

Cal Performances manages four venues including the Zellerbach Auditorium, Zellerbach Playhouse, the Will Randolph Hearst Greek Theatre, and the Wheeler Auditorium. This organization receives financial assistance from UC Berkeley and requires robust annual giving for its funding. Additionally, significant fundraising is required for capital improvements.

The Berkeley Community Theater

Berkeley, CA

The upgraded 3,491 seat Berkeley Community Theater and its smaller 575-seat Florence Schwimley Little Theater is located at Berkeley High School. This venue is very rarely used. It does present competition to the arena for medium sized events.

²⁸ Darrell Preston. "Oakland's Unwanted Sports Arenas Leave \$179 Million Bond Burden." *Bloomberg Business*, May 4, 2015. Available [online]: <http://www.bloomberg.com/news/articles/2015-05-05/oakland-s-unwanted-sports-arenas-leave-179-million-bond-burden>

The UC Theatre in Berkeley

David Mayeri, a former Live Nation executive, took on the UC Theatre in Berkeley as his life's work. He has recently completed a multi-year fund-raising program to completely fund the \$5.6 million renovation²⁹. It is a presenting organization. As such, it is entirely dependent on philanthropy both for its capital improvements and annual campaign. With performances scheduled for March 1, 2016, its 1,400 person flexible concert space and state-of-the-art sound system, the newly renovated UC Theatre is sure to be a strong competitor to HJKCC.

²⁹ Mira Chaplin. "UC Theatre Receives \$1.3 Million Grant to Finish Renovation." *The Daily Californian*, July 31, 2015. Available [online]: <http://www.dailycal.org/2015/07/30/uc-theatre-receives-1-3-million-grant-finish-renovation/>

POTENTIAL USES FOR HJKCC

Very few of the comparable venues ODI studied were even operationally breakeven, and none generated much income to cover their capital cost of redevelopment. In light of this, ODI has looked into leasing the property to a single user as well as an operator like Live Nation or Another Planet Entertainment. Unfortunately, the evidence suggests that these options are also not viable.

WNBA / NHL Minor League Franchise

Discussions with two hockey minor league representatives and research into the WNBA confirm that an additional investment would be required to bring a team to the Henry J. Kaiser Convention Center. Roughly the start-up cost for any franchise, including hockey, requires a minimum of \$25,000,000+, including the necessary locker rooms, work out rooms, amenity areas, and parking.

WNBA

Very few WNBA franchises post a profit in any given year, and given the start-up cost, there aren't a lot of investors.³⁰ Additionally, the WNBA does not have similar contract values for television and sponsorship as the NBA. For example, the WNBA currently has a television agreement with ESPN believed to be worth about \$12 million annually; the NBA on the other hand, has an agreement with ESPN and Turner Sports worth an estimated \$930 million annually.³¹ This large disparity over television rights, where the WNBA earns little over 1% of the NBA's deals, shows that the WNBA does not have the profitability of other major sports leagues.

The most frequent owner of a WNBA franchise is the nearest NBA franchise. Our efforts to reach the Golden State Warriors on this matter did not bear fruit. The City's contacts with the Warriors are better than ours, and we suggest the City contact the Warriors directly if they believe this to be a viable option.

³⁰ John Lombardo. "WNBA Expects at least Six Teams to Turn Profit." *Sports Business Daily*, August 18, 2014. Available [online]: <http://www.sportsbusinessdaily.com/Journal/Issues/2014/08/18/Leagues-and-Governing-Bodies/WNBA.aspx>

³¹ Albert Lee. "Reasons why the WNBA Should Not Significantly Spend More Money in the Immediate Future." *Swish Appeal*, December 23, 2013. Available [online]: <http://www.swishappeal.com/2013/12/22/5234570/reasons-why-wnba-should-not-expand-or-spend-more>

COMPETITIVE ADVANTAGES

The sole competitive advantage of a potential arena space is a central Oakland location, including proximity to Lake Merritt BART station a half-mile away. The Henry J. Kaiser Convention Center is also a neighbor to the Oakland Museum of California, Laney College, the Peralta Park and the Lake Merritt Amphitheater.

The main disadvantages include size and historic constraints, which oversee the building's character and renovation. The building is not code-compliant and will perform poorly in the case of a seismic event. Built more than 100 years ago, the arena is extremely small for today's standards - seating only 6,000 - which further hinders the usability and economics of the space. (The Sacramento King's Arena has been criticized for having among the fewest seats in the NBA at 17,500.)

The arena is adjacent to the Calvin Simmons Theater, which predisposes both sides to technical difficulties such as noise bleed and stage-sharing. The facility has severely dated infrastructure which will need significant upgrades in HVAC, electrical, data and ADA compliance. There is also a lack of yard/parking and transit between BART and door.

COSTS AND INCOME

The basic scope – to build an arena, back of house, seismic retrofit, and to bring the entire structure up to current code, depending on exactly what is built – is a \$50,000,000+ enterprise. For the City to bring in a franchise sport such as the WNBA or NHL minor league would require at least another \$25,000,000 investment, and would still produce annual losses in every likely scenario. These estimates do not include the capital required to cover studies, due diligence, environmental reports, start-up costs, maintenance, insurance, taxes, salary, marketing, debt service etc.

The market evidence clearly shows there is no income to pay for the investment. In addition, these properties can, and often do, lose a lot of money. Even if public monies were made available for the HJKCC Arena's rehabilitation, the City would likely incur losses beyond its initial investment.

In summary, an HJKCC arena potential revenues would likely not cover the costs of its operation, would certainly not cover the debt of its renovation, and would not generate anywhere near enough returns required to justify undertaking such a risky and complex project for a private developer.

CONCLUSION

Based on the above outlined financial, structural, and operational factors, we recommend moving towards alternative uses, other than an arena, at the Henry J. Kaiser Convention Center. We look forward to presenting our vision for the redevelopment of this iconic Oakland building in a financially viable, highly useable, beautiful and historically-significant way.

“When studying this issue, almost all economists and development specialists (at least those who work independently and not for a chamber of commerce or similar organization) conclude that the rate of return a city or metropolitan area receives for its investment is generally below that of alternative projects.

In addition, evidence suggests that cities and metro areas that have invested heavily in sports stadiums and arenas have, on average, experienced slower income growth than those that have not.”

– Adam M. Zaretsky –
Federal Reserve Bank of St. Louis
*Should Cities Pay for Sports Facilities?*³⁵

³⁵ Adam Zaretsky. “Should Cities Pay for Sports Facilities?” Federal Reserve Bank of St. Louis, April 2001. Available [online]: <https://www.stlouisfed.org/Publications/Regional-Economist/April-2001/Should-Cities-Pay-for-Sports-Facilities> (Zaretsky 2001)

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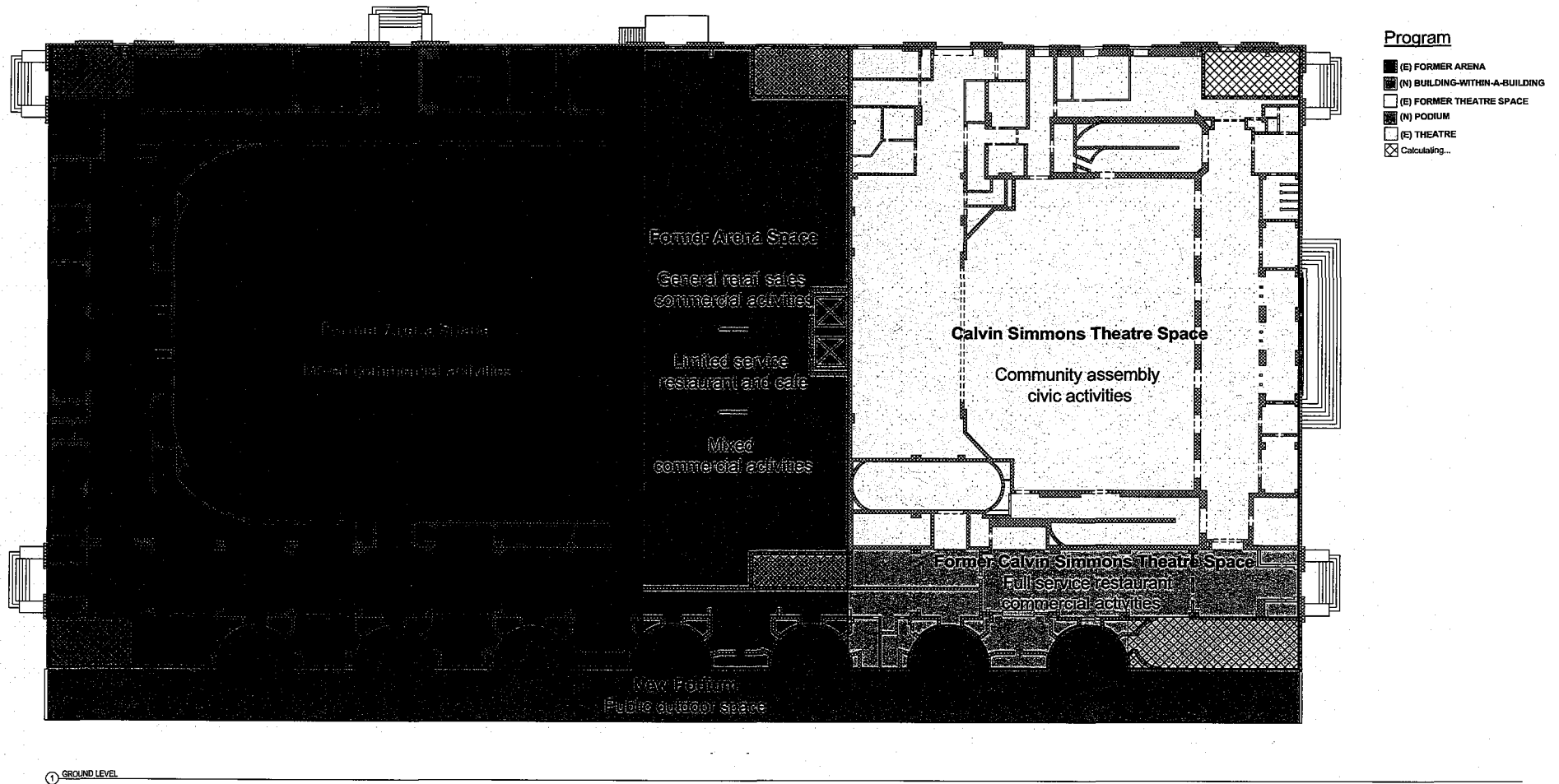
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THE OAKLAND CIVIC CONCEPTUAL RENDERINGS

CED Update | October 25, 2016
Orton Development, Inc.

THE OAKLAND CIVIC

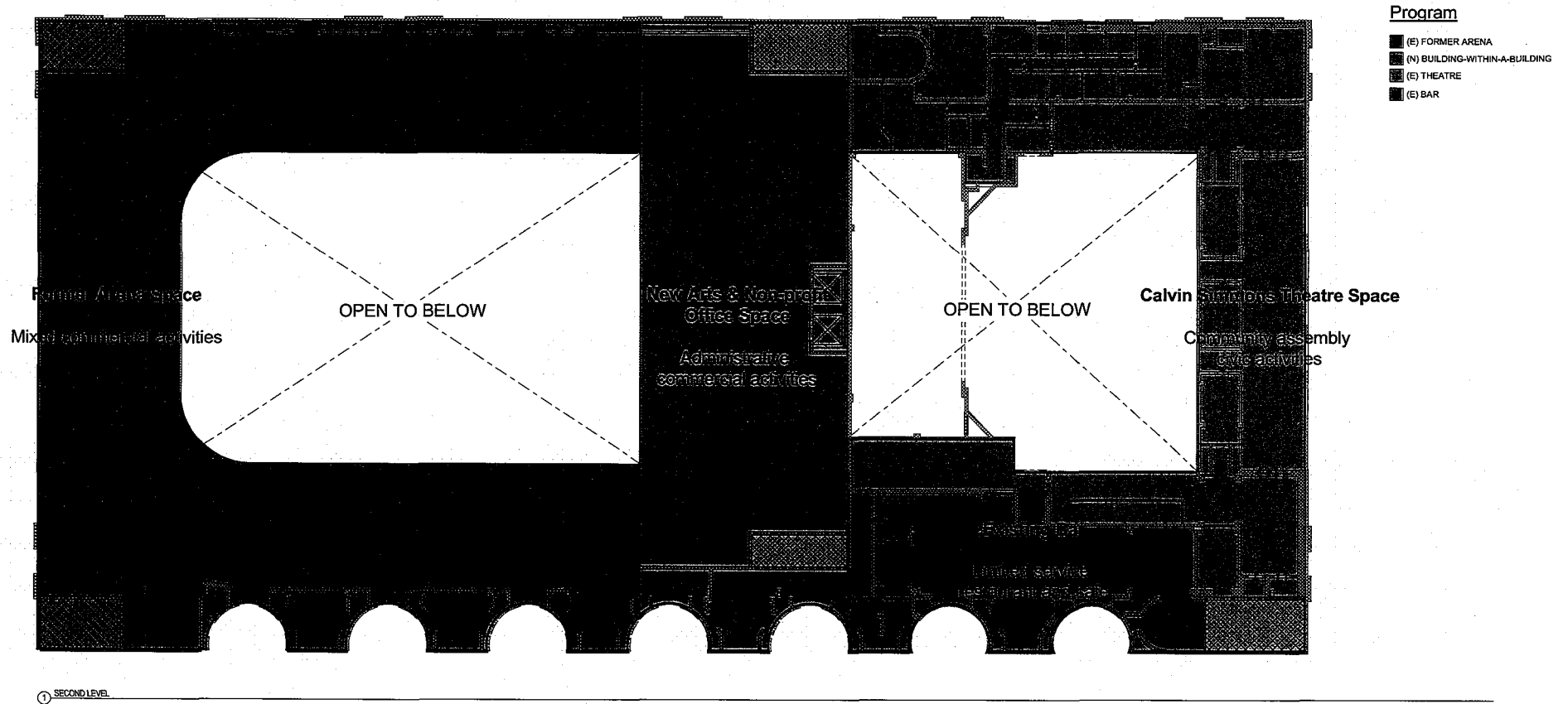
POTENTIAL USES | GROUND LEVEL



CONCEPT ONLY

THE OAKLAND CIVIC

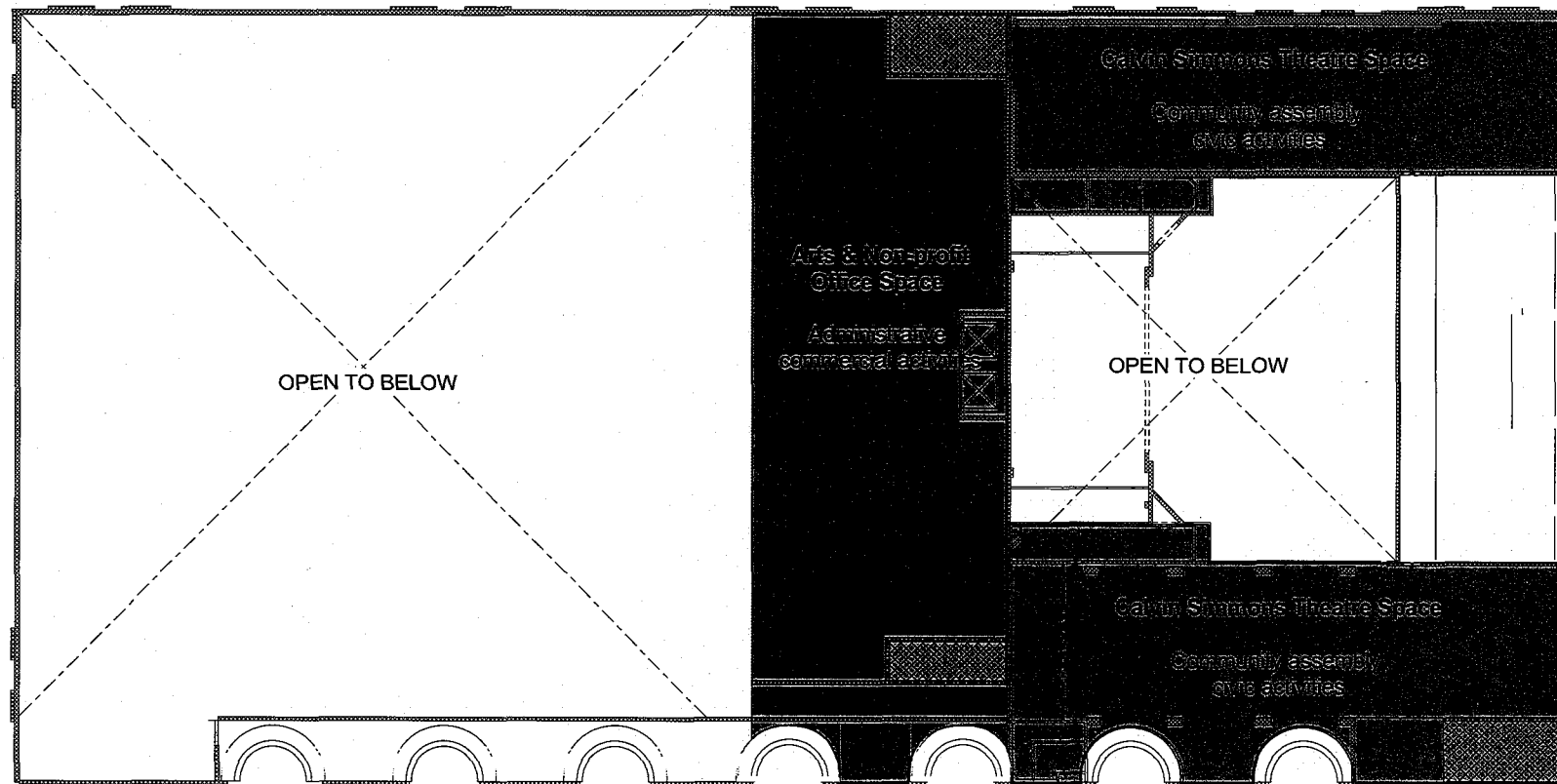
POTENTIAL USES | SECOND LEVEL



CONCEPT ONLY

THE OAKLAND CIVIC

POTENTIAL USES | THIRD LEVEL

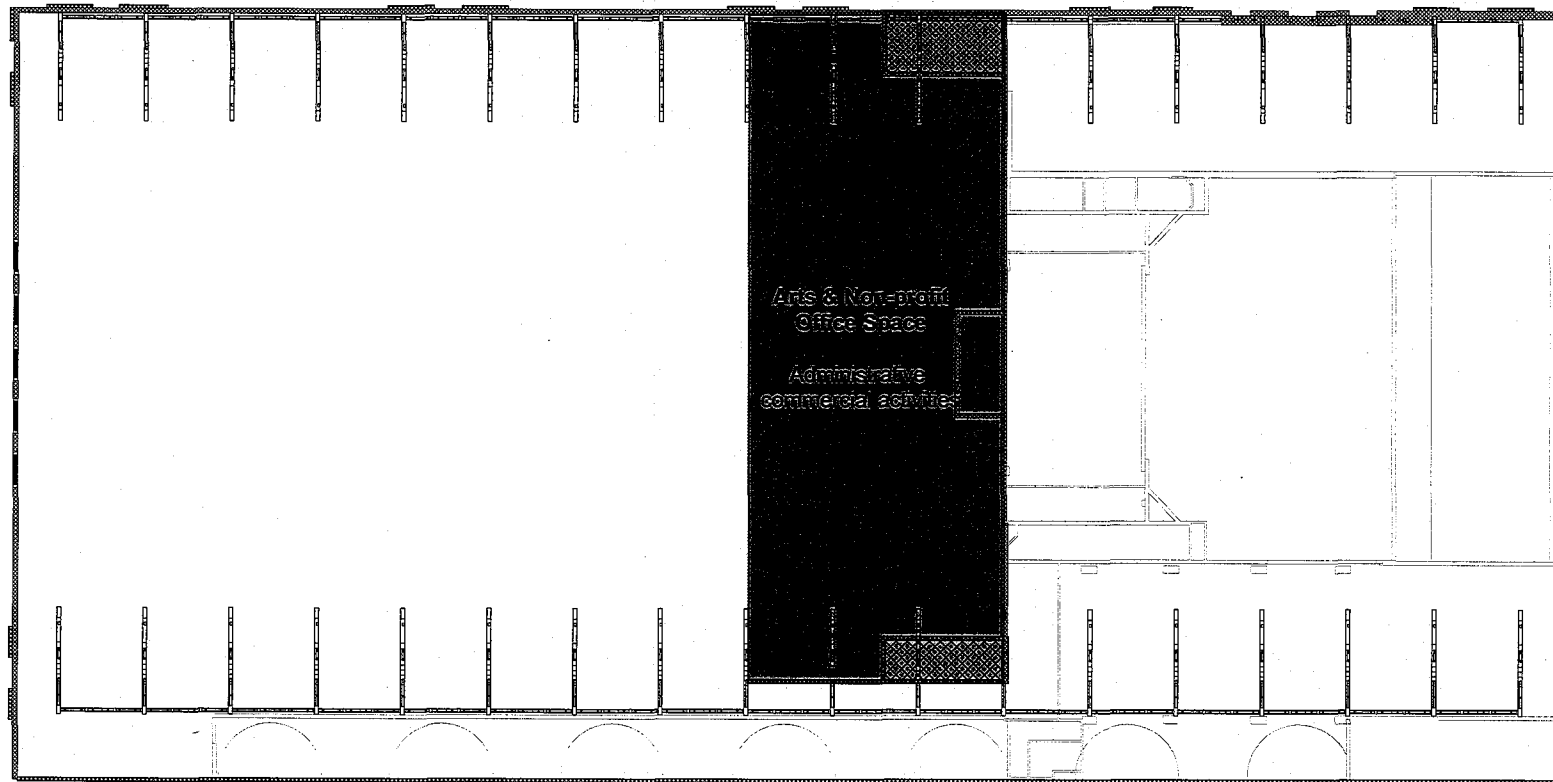


① THIRD LEVEL
1/16" = 1'-0"

CONCEPT ONLY

THE OAKLAND CIVIC

POTENTIAL USES | FOURTH LEVEL



Program

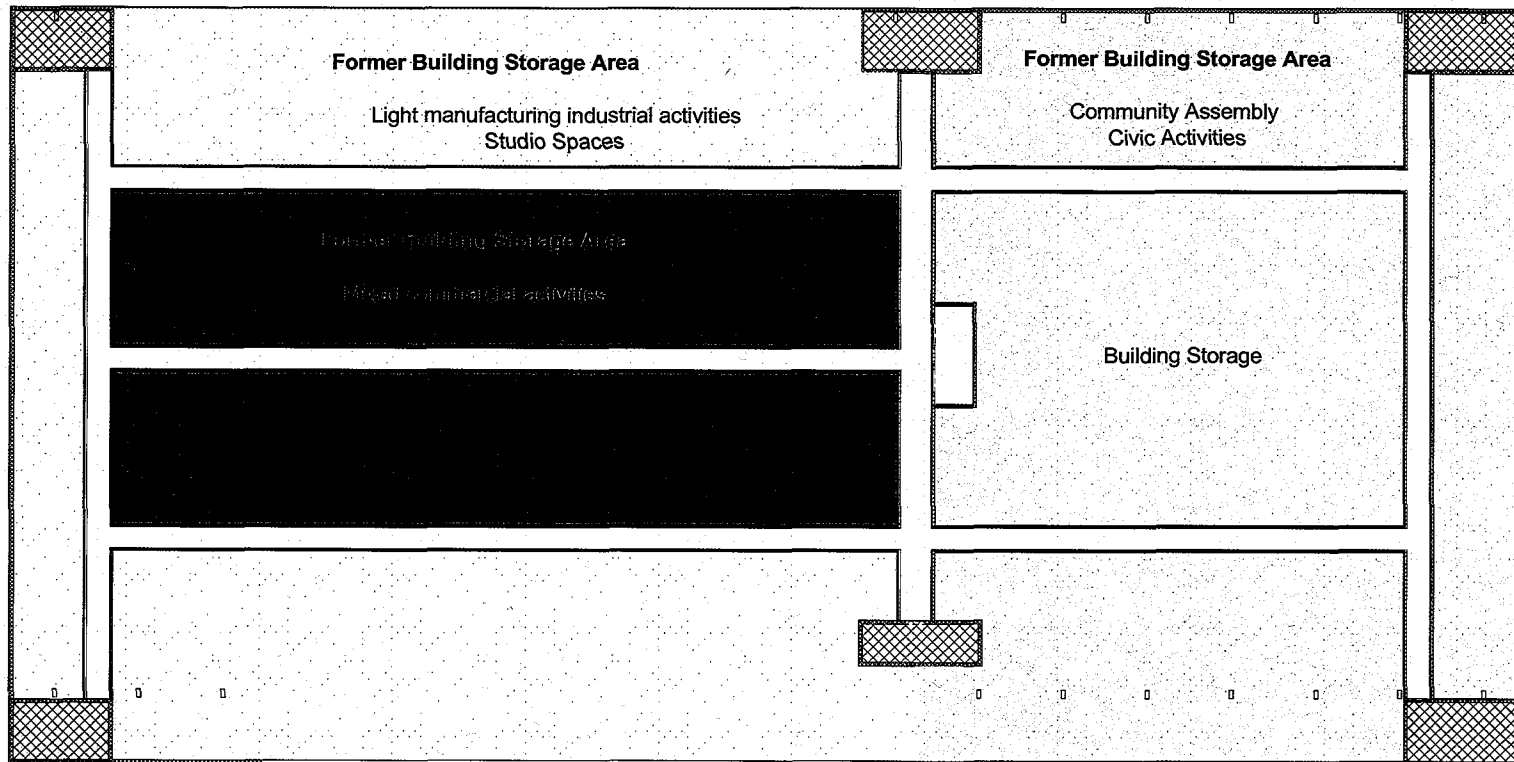
- (N) BUILDING-WITHIN-A-BUILDING
- Calculating...

① FOURTH LEVEL
1/16" = 1'-0"

CONCEPT ONLY

THE OAKLAND CIVIC

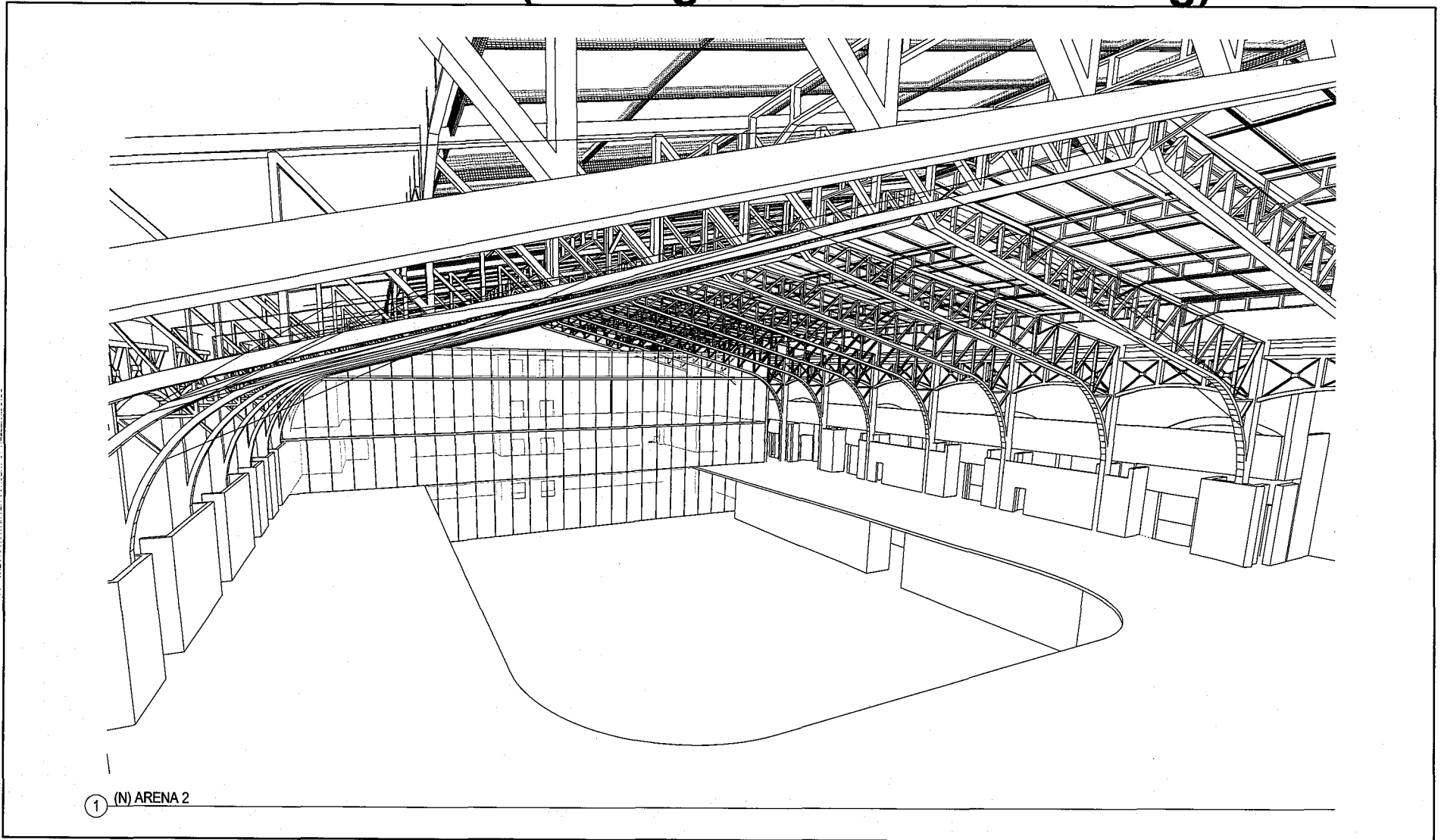
POTENTIAL USES | BASEMENT LEVEL



① BASEMENT

CONCEPT ONLY

Architectural Rendering | **Open Commercial Space + Mezzanine in Former
Arena (looking towards Arts Building)**



① (N) ARENA 2

2016.04.20

HENRY J. KAISER CENTER

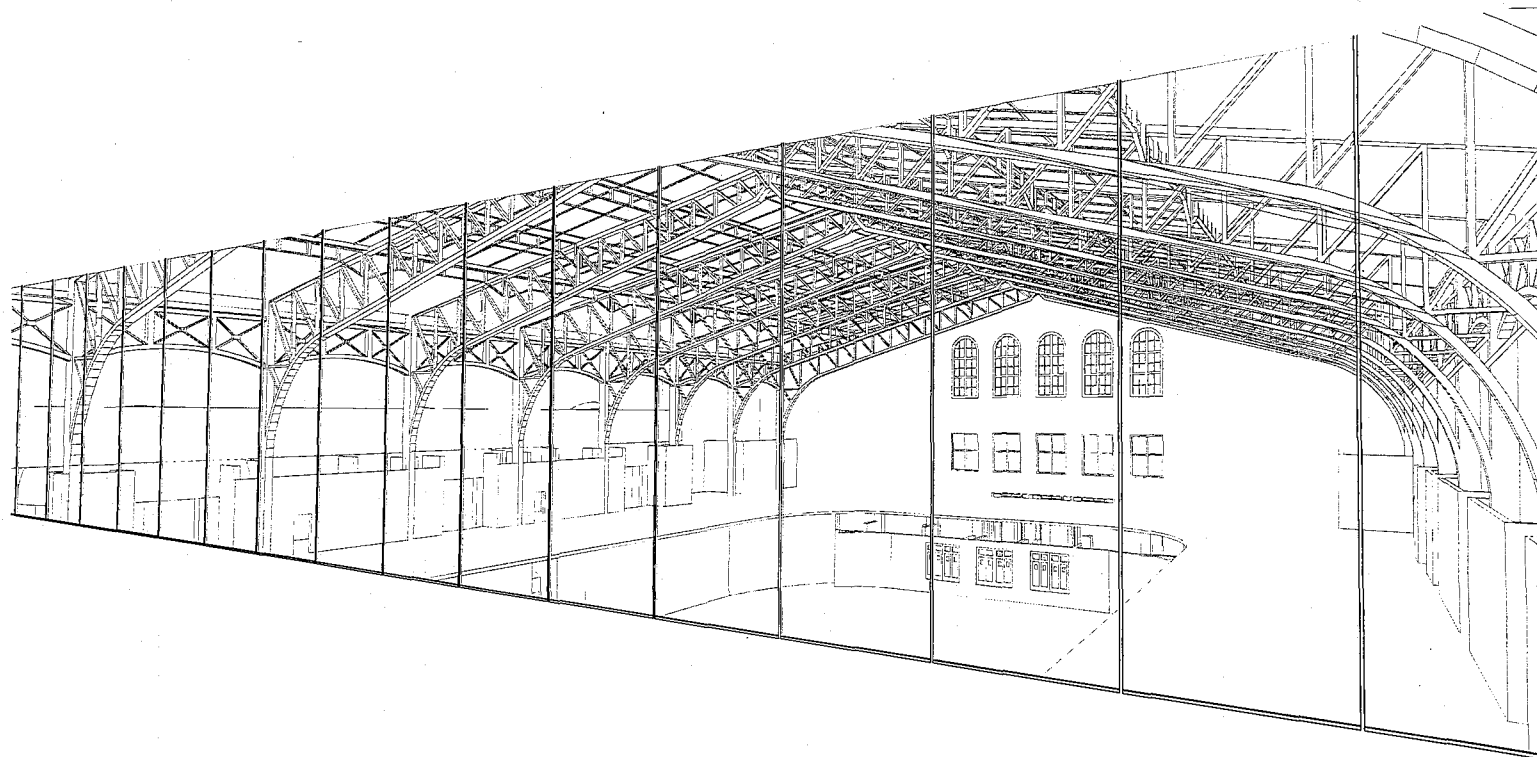
ORTON DEVELOPMENT, INC.

10 10TH ST
OAKLAND, CA 94607

ARENA 2 (N)

HELLER MANUS
ARCHITECTS **HM**

Architectural Rendering | View from New Arts Building into Former Arena



① (N) ARENA

2016.04.20

HENRY J. KAISER CENTER

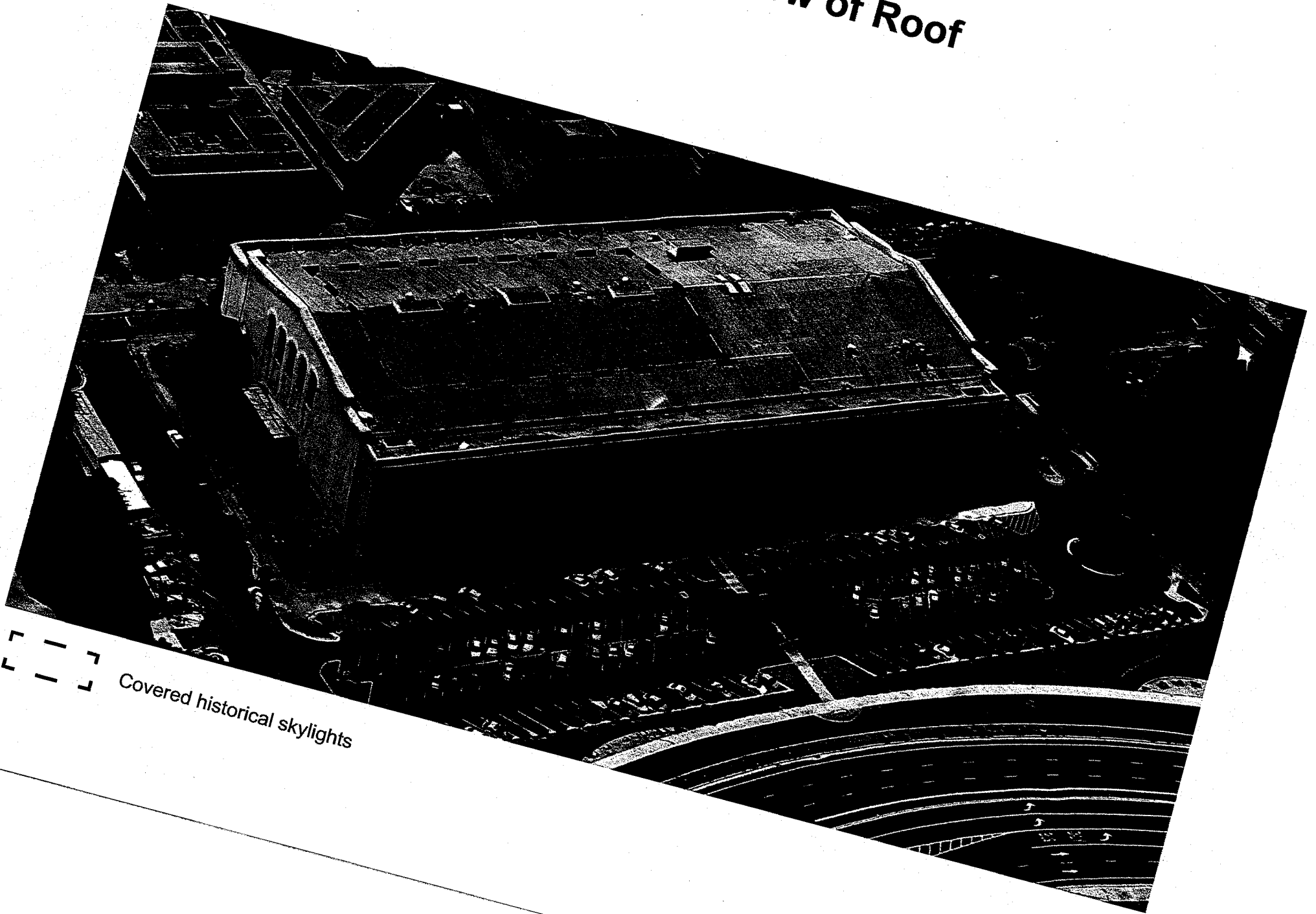
ARENA 1 (N)

ORTON DEVELOPMENT, INC.

10 10TH ST
OAKLAND, CA 94607

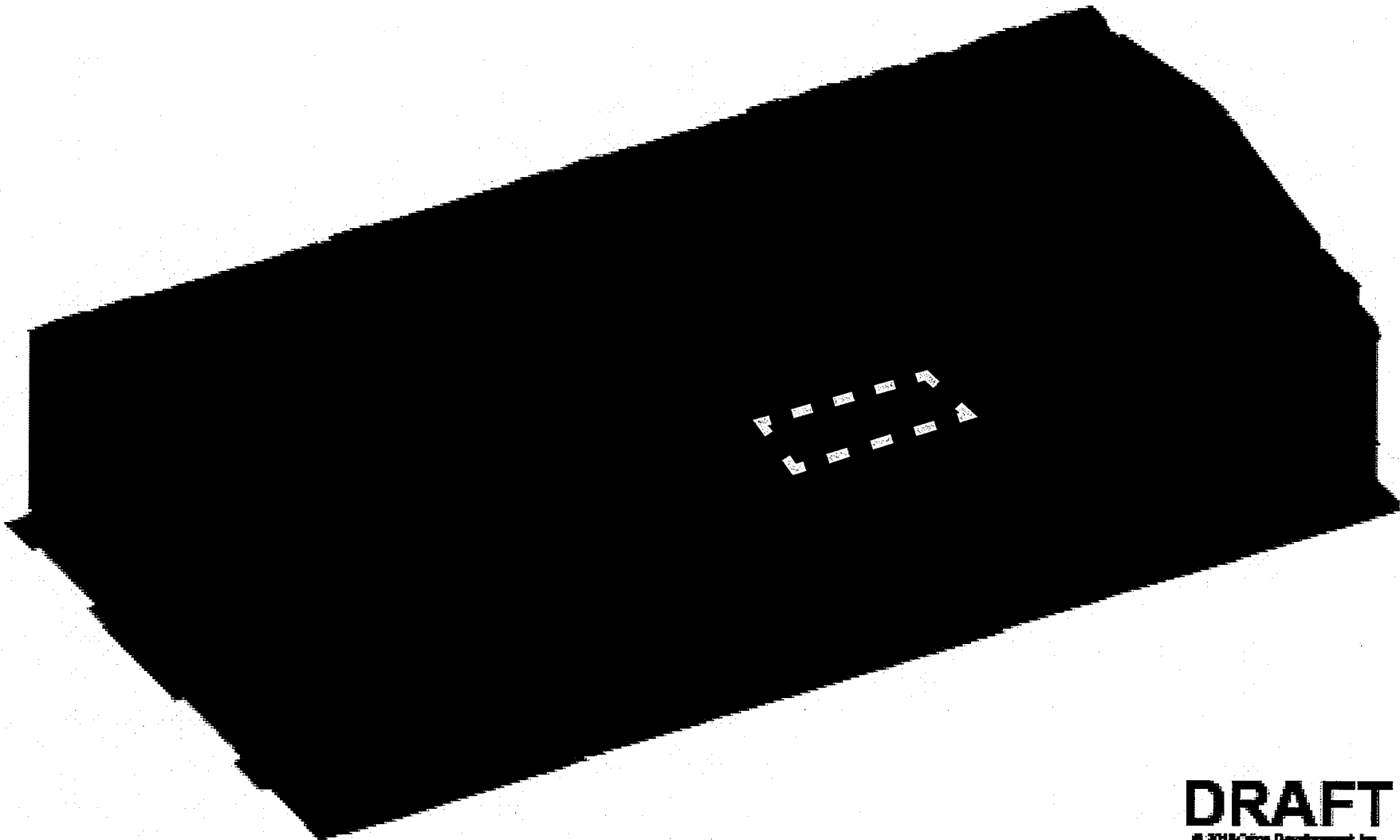
HELLER MANUS ARCHITECTS **HM**

Current Building Condition | **Bird's-eye View of Roof**



Covered historical skylights

Architectural Rendering | **Proposed Restored Skylights & Roof Deck**



Proposed rooftop deck

DRAFT
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Architectural Rendering | **View from Arena Mezzanine**



View from the Second Level mezzanine into Ground Level mixed commercial (former arena) space.

Architectural Rendering | **Public Thoroughfare - View into Former Arena**



View from the public thoroughfare into mixed commercial (former arena) space. Connects Lake Merritt to 10th Street.

Ford Point Case Study | **View from Sunpower into Craneway Pavilion**



The Civic would similarly have visual and physical connections such as this through a variety of uses.