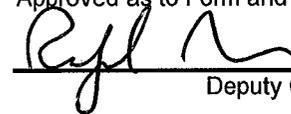


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Approved as to Form and Legality:

  
Deputy City Attorney

## OAKLAND CITY COUNCIL

RESOLUTION No. 86525 C.M.S.

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**A Resolution: (1) Authorizing the City Administrator, Without Returning to the City Council, to Negotiate and Execute a Ten-Year Agreement, with a Five-Year Extension Option, with Integrated Services Corporation, Inc. for Management and Operation of the George P. Scotlan Memorial Convention Center for an Annual Base Fee not to Exceed \$150,000, Plus an Incentive Fee not to Exceed (a) Ten Percent of Net Revenue less than \$500,000 and (b) Twenty Percent of Net Revenue above \$500,000, Such Agreement to be in a Form and Content Substantially in Conformance with the Term Sheet Attached as Attachment A; And (2) Adopting CEQA Exemption Findings Pursuant to CEQA Guidelines Section 15301.**

**WHEREAS**, the City of Oakland (the "City") owns the George P. Scotlan Memorial Convention Center (the "Convention Center") located at 550 10th Street, which also includes a public parking garage; and

**WHEREAS**, the Convention Center is attached to the Oakland Marriott City Center hotel located at 1001 Broadway (the "Marriott") and the Golden State Warrior's practice facility; and

**WHEREAS**, the Convention Center and the Marriott were designed and constructed to be physically and functionally integrated; and

**WHEREAS**, on November 1, 1997, the City entered into the "Convention Center and Convention Center Garage Management Agreement" (as amended, the "Existing Agreement") with Integrated Services Corporation, Inc. ("ISC"), which provided for coordinated use and operation of the Convention Center, the Convention Center garage and the Marriott; and

**WHEREAS**, on May 1, 2015, CIM Oakland City Center LLC, the previous owner of the Marriott and of ISC, sold the Marriott and ISC to AGRE DCP Oakland City Center Owner LLC ("AGRE"), and ISC, under the new ownership of AGRE, has continued to manage the Convention Center; and

**WHEREAS**, the Existing Agreement with ISC expired on June 30, 2015, but was automatically extended by one year in June 2015, and for another year in June 2016; and

**WHEREAS**, since May of 2015, ISC, under the new ownership of AGRE, has significantly improved the financial performance of the Convention Center and increased transient occupancy taxes ("TOT") at the Marriott; and

**WHEREAS**, the City desires to continue its partnership with ISC and enter into a new

management agreement (the "New Agreement") for the Convention Center; and

**WHEREAS**, the City and ISC desire to modify some of the terms of the Existing Agreement by entering into the New Agreement for the Convention Center; and

**WHEREAS**, under the Existing Agreement, the City provides (1) \$675,000 per year (in equal quarterly installments of \$168,500) to ISC for Convention Center operations, paid from the General Fund, to cover utility costs, and (2) a \$45,000 property management fee payable to ISC; and

**WHEREAS**, the proposed New Agreement will provide that the City will continue to provide the \$675,000 payment to ISC to cover Convention Center utility costs, and increase its payment to ISC for the base management fee by \$95,000, from \$45,000 to \$150,000, with annual Consumer Price Index ("CPI") adjustments not to exceed three (3) percent; now, therefore, be it

**RESOLVED:** That the City Administrator or her designee is authorized, without returning to the City Council, to negotiate and execute a New Agreement with ISC based on the following terms and conditions:

- 1) The New Agreement shall have a term of 10 years, with an option to extend the term by another five (5) years, subject to a performance review and at the sole and absolute discretion of the City Administrator.
- 2) ISC shall receive an annual base management fee of \$150,000 with an annual CPI adjustment not to exceed three percent (3%).
- 3) ISC shall receive an incentive management fee not to exceed (a) ten (10) percent of any net operating revenue ("NOI") below \$500,000, and (b) twenty (20) percent of any NOI above \$500,000.
- 4) ISC shall place six percent (6%) of the Convention Center's annual gross operating revenue in a capital reserve fund before calculating NOI.
- 5) Other terms of the New Agreement are described in the term sheet attached to this Resolution as Attachment A; and be it further

**RESOLVED:** That the City will continue to provide \$675,000 (in equal quarterly installments of \$168,500) to ISC to cover Convention Center utility costs, and increase its payment to ISC for the base management fee by \$95,000 from \$45,000 to \$150,000, with an annual CPI adjustment not to exceed three percent (3%) during each year of the New Agreement; and be it further

**RESOLVED:** That beginning in Fiscal Year 2017/18 and every year thereafter, the City shall appropriate (1) an amount not to exceed \$675,000 payable to ISC to cover Convention Center utility costs, and (2) a management fee not to exceed \$150,000 payable to ISC, with an annual CPI adjustment not to exceed three percent (3%) during each year of the New Agreement from the General Fund (1010), Oakland Convention and Visitor's Authority (OCVA), (Organization 90551), in an Undetermined Project (0000000), Fiscal Management Program (IP51); and be it further

**RESOLVED:** That all net cash flow of the Convention Center be deposited in the General Fund (1010), Oakland Convention and Visitor's Authority (OCVA), Central District Redevelopment (Organization 90551), in a Project to be set up for this purpose; and be it further

**RESOLVED:** That the City finds and determines, after independent review and consideration, that the authorization to enter into the New Agreement with ISC is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15301 (existing facilities); and be it further

**RESOLVED:** That any and all documents necessary to effectuate the intent of this Resolution shall be reviewed and approved as to form and legality by the City Attorney prior to execution by the City Administrator or his or her designee and a copy shall be filed with the City Clerk; and be it further

**RESOLVED:** That the City Administrator or his or her designee is further authorized to negotiate and enter into other agreements and take whatever action is necessary and consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, DEC 13 2016, 2016

**PASSED BY THE FOLLOWING VOTE:**

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID,  
AND PRESIDENT GIBSON McELHANEY →

NOES - 0

ABSENT - 0

ABSTENTION - 0

ATTEST: *Latonda Simmons for*  
LATONDA SIMMONS  
City Clerk and Clerk of the Council  
of the City of Oakland, California