



# City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: SEPTEMBER 17, 2019

FROM: GENERAL SERVICES DEPARTMENT      WARD: 1

SUBJECT: SECOND AMENDMENT TO QUALIFIED CONVENTION CENTER MANAGEMENT AGREEMENT WITH RAINCROSS HOSPITALITY CORPORATION TO PROVIDE FOR AN OPTION TO EXTEND FOR ONE ADDITIONAL FIVE-YEAR TERM TO 2028, UPDATE THE CONSUMER PRICE INDEX AND TARGET ANNUAL REVENUE BUDGET PROCEDURE, ALLOCATE FUNDING FOR CAPITAL IMPROVEMENT PROJECTS, AND OTHER CLARIFYING ISSUES; FOR A BASE CONTRACT AMOUNT OF \$400,000 ANNUALLY – SUPPLEMENTAL APPROPRIATION

## **ISSUES:**

Approve the Second Amendment to Qualified Convention Center Management Agreement with Raincross Hospitality Corporation to provide for an option to extend the Agreement for one additional five-year term to 2028, update the Consumer Price Index and target annual revenue budget procedure, allocate funding for capital improvement projects, and other clarifying issues.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the Second Amendment to Qualified Convention Center Management Agreement with Raincross Hospitality Corporation to extend the Agreement for one additional five-year term to 2028, update the Consumer Price Index and target annual revenue budget procedure, allocate up to \$100,000 of Convention Center profits for capital improvement projects, and other clarifying issues, for a base contract amount of \$400,000 plus an annual CPI increase and opportunities for an incentive bonus;
2. Authorize an increase in estimated revenues in the amount of \$4,079 to account 2250000-343670 and appropriate expenditures in the same amount to account 2250000-459971; and
3. Authorize the City Manager, or his designee, to execute the Second Amendment to the Qualified Convention Center Management Agreement with Raincross Hospitality Corporation, including making minor and non-substantive changes.

## **BACKGROUND:**

The Riverside Convention Center (Convention Center) was originally constructed in 1974 and reopened in March 2014 after a \$45 million renovation and expansion. In 1996, the City began contracting with Entrepreneurial Hospitality Corporation (EHC) to operate both the Convention Center and the Riverside Convention and Visitor's Bureau (RCVB). The RCVB focuses on attracting convention and visitor business to Riverside, both at the Convention Center and at the many other venues in the City, including, but not limited to, hotel meeting rooms, sports venues and the Riverside Municipal Auditorium.

In 2009, the City issued a request for proposals for management and operation of the Riverside Convention Center and RCVB. EHC was the sole proposer and on November 25, 2009, the City Council approved a Management and Operations Agreement that encompassed both the Convention Center and the RCVB. This Agreement was for five years with one five-year option to renew. In August 2012, the City Council approved the assignment of the EHC contract to Raincross Hospitality Corporation (RHC), a local company formed by the principal executive at EHC.

On August 27, 2013, the City Council approved a Qualified Convention Center Management Agreement with RHC for a ten (10) year term through 2023 for the operation and management of the Convention Center. The Agreement requires RHC to operate the Convention Center as an agent of the City and be paid a base operating fee of \$400,000, with an annual increase based on the Consumer Price Index (CPI), and be eligible for an incentive bonus of \$100,000 if annual target revenues reach \$4,000,000 or more. If revenue exceeds \$4,500,000 in a fiscal year, the base operating fee shall increase to \$480,000 with annual CPI increases, and the annual incentive bonus shall increase to \$120,000 if annual target revenues reach \$5,000,000 or more.

On October 22, 2013, the City Council approved the First Amendment to the Qualified Convention Center Management Agreement to eliminate a reference to the City's previous Purchasing Resolution (Resolution No. 211822) and to clarify the procurement process for any repair, maintenance, and construction related to the Convention Center. The amendment also ensured the procurement of goods and services (i.e. food and beverages) is not subject to the typical public bidding process and is conducted in compliance with all established City practices, which allows RHC to secure goods and services in a timely manner to accommodate the needs of users and not impact programmed operations.

## **DISCUSSION:**

The RHC has successfully managed the operation of the Convention Center with positive performance, including meeting it's 2018/2019 Strategic Goals and Performance Measures. The RHC has efficiently attracted an increased number of events per year while competing with surrounding convention centers, and scheduled events are booked past the current termination date in 2023. Key accomplishments for RHC include: Ranking in the Top 3 for Best Conference/Convention Center under 100,000 square feet by California Meetings and Events; establishing a rating of 96% for both customer satisfaction and clients likely to return; achieving 57% operational profit growth and 73% parking revenue growth; and economic impact growth of 37.85% since fiscal year 2014-15.

Due to the success of RHC in scheduling events past the term of their current agreement, the City and RHC have negotiated amendments to the agreement that includes the following key provisions:

Second Amendment to Qualified Convention Center Management Agreement

1. Five Year Extension. The Management Term is being extended by five (5) years to 2028, as noted in Section 7 of the amendment.
2. Plaza Area. The Convention Center has exclusive use of the 10,000 square foot plaza and landscape areas (“Plaza Area”) adjacent to the Convention Center, until such time as Plaza Area is included in any proposed development of Lot 33. If included in proposed development, it will become under the exclusive control of the City or the City’s selected developer of Lot 33, as noted in Section 2 of the amendment.
3. Target Annual Revenue Budget Procedures. Updates the budget procedures by requiring the City to provide a projected two-year budget preparation schedule to RHC on or before December of alternate years, and requiring RHC to comply with the time lines set forth in the schedule. Adds Performance Measures that are mutually agreed upon by the City and RHC, as noted in Section 9 of the amendment.
4. Capital Projects. Includes an allocation of a percentage of Convention Center profits up to \$100,000, mutually agreed upon by the City and RHC, for potential capital improvements, facility improvements, programs and/or services that will increase economic activity at the Convention Center and the City, as noted in Section 11 of the amendment.
5. Consumer Price Index. Updates the Consumer Price Index to include Riverside-San Bernardino-Ontario, CA as its own Core Based Statistical Area (CBSA), as noted in Section 3 of the amendment, and establishes the month of March for CPI review purposes, to ensure consistency from year to year, as noted in Section 3 of the amendment.
6. Parking Lot 33 and Expansion of Convention Center. Includes language stating that the City intends to develop Lot 33 with a private developer, and that the Parties agree to coordinate prior to and during any development so as to maximize the profitability of the Convention Center and, if possible, to phase construction so as not to impact the Convention Center. Should any development occur, the City will require that any new development provide sufficient parking for the Convention Center, as well as sufficient parking for the new development, as noted in Section 14 of the amendment.

Furthermore, as an expanded Convention Center will alter the responsibilities of Manager and change the financial performance of the Convention Center, the Parties agree to meet in good faith to discuss and review the terms of the Original Agreement and this Second Amendment.

7. Request for Proposals. Includes language stating that on or before December 2026, the City shall issue a Request for Proposals to procure a management firm to manage the Convention Center after the end of this Qualified Management Agreement. In the event Manager does not respond to the Request for Proposals or is not the successful proposer, Manager shall cooperate and ensure a smooth transition between Manager and the new manager, as noted in section 7 of the amendment.

**FISCAL IMPACT:**

There is no additional fiscal impact associated with the approval of the proposed amendments to

the Qualified Convention Center Management Agreement. The total fiscal impact of the Qualified Convention Center Management Agreement in FY 2018/19 is \$650,640, including base and annual CPI increases and an incentive fee of \$105,173, funded from Convention Center Management Fee account no. 2250000-459971. The base contract amount for FY 2019/20 is \$561,024 and RHC is eligible to receive an incentive bonus in December 2019 estimated at \$109,093, if FY 2019/20 revenues exceed \$5,000,000, for a total contract amount of \$670,117. The incentive bonus will only be paid if revenue target is achieved and will be offset by positive revenue growth at the Convention Center.

Prepared by: Carl Carey, General Services Director  
Certified as to  
availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer  
Approved by: Moises Lopez, Deputy City Manager  
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Second Amendment to Qualified Convention Center Management Agreement
2. Presentation