Legislation Details (With Text)

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		In control:	Urban Renewal Agency
On agenda:	11/9/2020	**Final action:**	11/9/2020
Title:	Salem Convention Center Management Agreement and Fiscal Year 2020-21 marketing addendum Ward(s): Ward 1 Board Member(s): Kaser Neighborhood(s): CANDO Result Area(s): Strong and Diverse Economy		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. Convention Center Management Agreement, 2. SCC Marketing Addendum for FY 2020-21		

Date	Ver.	Action By	Action	Result
11/9/2020	1	Urban Renewal Agency	approved	

TO: Urban Renewal Agency Board

THROUGH: Steve Powers, Executive Director

FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Salem Convention Center Management Agreement and Fiscal Year 2020-21 marketing addendum

Ward(s): Ward 1
Board Member(s): Kaser
Neighborhood(s): CANDO
Result Area(s): Strong and Diverse Economy

ISSUE:

Shall the Agency Board authorize the Executive Director to execute the attached Convention Center Management Agreement and the Fiscal Year 2020-21 Amendment and Addendum to the Management Agreement for the Salem Convention Center to provide Transient Occupancy Tax revenues to fund marketing efforts?

RECOMMENDATION:

Authorize the Executive Director to execute the attached Convention Center Management Agreement

and the Fiscal Year 2020-21 Amendment and Addendum to the Management Agreement for the Salem Convention Center to provide Transient Occupancy Tax revenues to fund marketing efforts.

SUMMARY:

The Management Agreement and Marketing Addendum specify The Salem Group LLC's (Manager) obligation to market the City's Convention Center and the Urban Renewal Agency's (Agency) obligation to provide Transient Occupancy Tax (TOT) revenues to pay Convention Center marketing costs.

FACTS AND FINDINGS:

The Management Agreement has reached the end of its 15-year term. The Convention Center has been successfully managed by the Manager during the term and has had a positive financial result each year.

The Manager separately operates an adjacent hotel (Hotel) that shares interior mechanical systems, passageways, and other facilities with the Convention Center. Given the Convention Center's operational success and the physical connection and facilities shared by the Convention Center and the Hotel, staff has negotiated a renewal of the Management Agreement (Attachment 1) rather than issuing a Request for Proposal to solicit the services of a new manager. The impacts of the COVID pandemic were also a factor in renegotiating with the Manager.

Notable changes in the renewed Management Agreement include:

1. Changing terminology from Conference Center to Convention Center;
2. Removal of language tied to pre-opening management services (Section 2.2.);
3. The addition of language clarifying Agency (TOT) funding for marketing services (Section 5.1.1.)
4. Removal of a requirement to restore the Gain-Loss Reserve Account target balance to $4,000,000 (6.3.1);
5. Modification of language regarding Working Capital Shortfall requirements to address the COVID19-pandemic (6.4);
6. The additional of language to simplify the calculation of the Incentive Management Fee (8); and
7. The additional of language to clarify that the new language supersedes all prior agreements.

Additionally, Staff has negotiated an updated Marketing Addendum for FY 2020-21 (Attachment 2). The Marketing Budget was set at $356,955 with the Agency to fund $300,000 or 10% of TOT Revenue, whichever is greater. Actual marketing costs above the TOT revenue allocation are a Convention Center expense.

In July 2003, the Agency Board adopted Resolution No. 03-9 URA, exempting Convention Center marketing from competitive bidding requirements. In each of the subsequent fiscal years, the Agency and the Manager have executed an annual Marketing Addendum to the Management Agreement for the Convention Center.

The budget resolutions for FY 2020-21 adopted by the Agency Board and City Council include a TOT revenue appropriation of $309,090 for Convention Center marketing.
All other terms and conditions of the Amendment and Addendum for FY 2019-20 are substantially unchanged from previous years' Addendums.

BACKGROUND:

In July 2003, the Agency Board entered into a Management Agreement with the Manager to manage the Convention Center Complex on behalf of the Agency. The Manager operates the Hotel on its own behalf, and the Convention Center and the Hotel were constructed in a manner such that they are physically joined, with passageways and shared facilities, so that both the Convention Center and the Hotel may be efficiently and effectively operated.

In March 2005, the Agency and the City of Salem entered into an intergovernmental agreement under which the City agreed to reimburse the Agency from TOT funds for Convention Center marketing costs approved by the City Council. The City's obligation to reimburse the Agency for Convention Center marketing continues until termination of the renewed Management Agreement.

Kristin Retherford
Urban Development Director

Attachments:
1. Convention Center Management Agreement
2. SCC Marketing Addendum for FY 2020-21