



Staff Report

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TO: Urban Renewal Agency Board
THROUGH: Steve Powers, Executive Director
FROM: Kristin Retherford, Director

SUBJECT:

COVID-19 Impacts - Salem Convention Center

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

ISSUE:

COVID-19 Impacts - Salem Convention Center.

RECOMMENDATION:

Information only.

SUMMARY:

This report summarizes impacts to the Salem Convention Center (SCC) from COVID-19 and Governor Kate Brown's Executive Orders.

To provide enough funds to cover any operating shortfalls, the annual Gain Loss Reserve Account deposit of profits for FY 18-19 has been deferred so the Convention Center Manager can maintain enough cash on hand to cover operations.

Salem Convention Center is an asset owned by the Urban Renewal Agency and operated by The Salem Group, LLC through the Convention Center Management Agreement

FACTS AND FINDINGS:

The Gain Loss Reserve Account is a required precautionary measure to fund potential operating shortfalls and capital projects. The management agreement between the Urban Renewal Agency

and The Salem Group, LLC requires the Gain Loss Reserve stay at or above \$4 million and requires The Salem Group LLC to deposit yearly profits into the account. The Gain Loss Reserve Account balance as of April 30, 2020 is \$5,301,662.

Sales

Preceding the Executive Orders, the SCC was on pace to do \$4.9 million in gross sales for the fiscal year ending June 30, 2020. As a result of the Executive Orders, all events for the rest of March, April, May, and June were cancelled by clients. Actual gross sales for the fiscal year ending June 30, 2020 are now estimated to be \$3.8 million.

Net Operating Income

Preceding the Executive Orders (through month ending February 29, 2020, SCC recorded \$593,180 in net operating income for the year-to-date. Due to the cancellation of all events, net operating income for the fiscal year ending June 30, 2020 is projected to decline to \$290,000, for a total cumulative loss of \$304,000 incurred over those four months.

Future impacts and challenges for SCC for the fiscal year beginning July 1, 2020 will be dependent upon when the Executive Orders are modified or lifted. The continuing impact of the Executive Orders will be zero revenue each month, \$65,000 loss of net operating income each month, and 72 employees laid off.

Recent cancellations indicate the impacts will continue through August. Cancellations are now occurring for September and October due to the uncertainty relating to how long the Executive Orders will be in place. SCC events require long lead times by clients.

In addition to the above stated impacts, the Salem Convention Center is reviewing design and development of appropriate practices and procedures in order to meet the requirements Governor Brown may impose for reopening. Spacing, group size, and other conditions will have an impact on SCC operations.

BACKGROUND:

In 2005 the construction of the Salem Convention Center (SCC) was completed. In March 2020 it celebrated its 15-year anniversary with a steady growth of revenue and an unbroken record of operating in the black. From 2005 through March 2020 the SCC had nearly 1.2 million in event attendees and generated more than \$51 million in total net revenue.

Sheri Wahrgren
Downtown Revitalization Manager