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Proposed New Manager Selected for Santa Clara Convention Center is National Industry Leader

Tentative new contract with Spectra Venue Management provides favorable contract terms for the City of Santa Clara

SANTA CLARA, Calif. – At the [Tuesday, Feb. 5, 2019 meeting](#), the City Council will consider giving the go-ahead to City Manager Deanna J. Santana to negotiate and execute an agreement with Spectra Venue Management (Spectra) for the management and operation of the [Santa Clara Convention Center](#). Spectra, a national industry leader in venue management, food services and hospitality, is the front-runner for operating the Convention Center. After a robust procurement process, the City is positioned to transfer management of the Convention Center by March 18, 2019.

“Thanks to the City Council’s focus on reforms, and staff’s professionalism with a well-run procurement process, we attracted highly regarded venue management firms that sought to manage and operate one of the City’s best assets – the Santa Clara Convention Center,” said Mayor Lisa M. Gillmor. “We look forward to transitioning to a new operator that will expand this facility’s full economic potential while strengthening the relationship among the Convention Center, our hotel and tourism partners, and our broader business community.”

Chart 1 shows the structural benefits, as well as significant capital and advertising contributions, of the proposed agreement with Spectra versus the current operator’s management agreement.

Chart 1: Comparison of Agreement Terms – Spectra v. Current Operator

Proposed Fees and Commitments	Spectra	Current Operator (Santa Clara Chamber of Commerce)
Base Management Fee*	\$165,000 (with CPI adjustments capped at 3% annually)	Agreement contains no Management Fee. (Note: Over the years, Fee of \$45,000 was paid and administratively increased to \$145,292.)
Quantitative Incentive Fee*	Sliding scale up to 12% of income growth from previous year, net of \$165,000 base management fee.	Not included.
Qualitative Incentive Fee*	Capped at \$20,000 based on criteria such as Customer surveys, achievement of economic impact goals, etc.	Not included.
Management fee rebates if income projections are not met	Up to 50% of incentive fees starting in year 2.	No Management Fee in Agreement, General Fund serves as funding source to cover unfavorable financial performance of Convention Center.
Capital Improvement Commitment	\$2 million amortized over 15 years with \$1.15M in year one	No Capital Improvement Contribution, General Fund serves as funding source to cover capital needs.
Advertising Commitment	\$65,000 annually/\$975,000 over 15 years (with Comcast) plus discounted advertising rates	Not included. City’s General Fund covered Convention Visitors Bureau contract for marketing and advertising of Santa Clara.

*Management and Incentive Fees capped at \$400,000 annually

After further fine-tuning its financial package through a Best and Final Offer, Spectra is seeking a base management fee of \$165,000 (with Consumer Price Index adjustments capped at 3 percent annually) and an incentive fee based on fiscal and qualitative goals with a maximum annual cap of \$400,000. If Spectra does not achieve its goals, it will pay back the City up to 50% of its incentive fee. Additionally, to attract more business, Spectra is committing \$2 million in capital improvements amortized over 15 years, with \$1.15 million in upgrades such as new paint, carpet and other improvements in the first year of operations. The agreement would be in effect for five years with the option for two 5-year extensions at the City's sole discretion for a total of 15 years.

Spectra also proposed community involvement in its Convention Center activities by:

- Developing partnership opportunities with the Mission College hospitality program participants;
- Participating in the loan art program with Triton Museum of Art to display artwork at the Convention Center; and
- Jointly developing a community benefit program with the City which may involve the use of Convention Center facilities at a special rate.

In addition, as required by the [City of Santa Clara Worker Retention Ordinance](#), the new operator must comply with retention of vendor employees for contracted services and may consider retaining other current Convention Center employees not covered by the policy.

Per earlier Council direction, the new Convention Center operations and management contract will have much stronger reporting and oversight provisions.

The City conducted public outreach about Convention Center operations through a community survey (available via direct mail and online) and held a Governance and Visioning Workshop on Nov. 15, 2018.

The RFP panel, that recommended Spectra, was made up of highly qualified industry and City experts who are knowledgeable of the convention and tourism industry, and managing public assets. The panel consisted of: Alison Best, Executive Vice President, Membership Engagement, Destinations International; John Caldon, Director of City Hall Events, City and County of San Francisco; Manny Gonzales, VP & General Manager, California's Great America; and City of Santa Clara representatives: Walter C. Rossmann, Chief Operating Officer; Ruth Shikada, Assistant City Manager; Angela Kraetsch, Finance Director; and Craig Mobeck, Public Works Director.

Spectra is one of two firms that responded to the City's [Request for Proposals](#) (RFP) that was issued in October 2018. As an option in the RFP, SMG also submitted a proposal for the management and operation of the Convention Center and Convention Visitors Services or management and operation of the Convention Center only. The agreement, that's under consideration by the Council, is solely for Convention Center operations and management, and does not include tourism/visitor services. The City will continue working with hoteliers and other interested parties in the potential formation of a destination marketing organization.

During the RFP protest period, which ended on Saturday, Feb. 2, 2019, the City received a protest against awarding the contract to Spectra. The City Auditor, serving as the protest hearing officer, determined the grounds for the protest were unfounded.

The City launched a national search for a Convention Center operator after issuing a 180-day termination notice in Sept. 2018 to the Santa Clara Chamber of Commerce for its Convention

Center management contract. The Chamber has been managing the Convention Center since 1984. The Chamber's contract expires on March 17, 2019.

For more information, visit the [City website](#).

About the Santa Clara Convention Center

The Santa Clara Convention Center is uniquely located at the center of the Silicon Valley, surrounded by Levi's Stadium California Great America, global Silicon Valley businesses, premier hotels and the future of the CityPlace development which plans to break ground in 2019 bringing nearly 10 million square feet of mixed-use, high quality venues to the region. Located at 5001 Great America Parkway, the Santa Clara Convention Center has over 262,000 square feet of flexible meeting spaces. It is considered Silicon Valley's premier convention space due to its centralized location and easy access to some of the world's top companies. The high-tech facility can accommodate a range of events including conventions, trade shows, conferences, corporate meetings, weddings and receptions, and other types of special occasions. For more information, visit santaclaraconventioncenter.org/.

About the City of Santa Clara

Located at the heart of Silicon Valley about 45 miles south of San Francisco, the City of Santa Clara truly is "The Center of What's Possible." Incorporated in 1852, Santa Clara covers an area of 19.3 square miles with a population of 120,000. Santa Clara is home to an extraordinary array of high-tech companies, including Applied Materials, Hewlett-Packard, Intel, Nvidia, Oracle, and Ericsson. The City of Santa Clara is also home to Santa Clara University, California's Great America Theme Park, and Levi's® Stadium, home of the San Francisco 49ers and Super Bowl 50. For more information, go to www.SantaClaraCA.gov.

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