



Legislation Details (With Text)

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Title:	Recommendation to authorize City Manager, or designee, to execute any and all documents necessary to enter into an agreement with ASM Global, of Conshohocken, PA, for management of the Long Beach Convention and Entertainment Center, located at 300 East Ocean Boulevard. (District 1)				
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Date	Ver.	Action By	Action	Result
5/10/2022	1	City Council	approve recommendation	Pass

Recommendation to authorize City Manager, or designee, to execute any and all documents necessary to enter into an agreement with ASM Global, of Conshohocken, PA, for management of the Long Beach Convention and Entertainment Center, located at 300 East Ocean Boulevard.
(District 1)

On February 12, 1991, the City of Long Beach (City) entered into Management Agreement No. 21667 (Agreement) with ASM Global, formerly known as Spectacor Management Group and then SMG, for the management of the Long Beach Convention and Entertainment Center (Convention Center). ASM Global has successfully managed the Convention Center since that date, overseeing day-to-day operations of the facility as well as the implementation of capital improvements and ongoing maintenance. The current Agreement is set to expire on September 30, 2023. In June 2021, ASM Global submitted a proposal to, among other things, extend the term of the Agreement.

In anticipation of the expiration of the existing agreement, City staff had previously begun an evaluation of industry standards for Convention Center management agreements. Upon receipt of ASM Global's unsolicited proposal, City staff engaged with a specialized consultant team of convention center experts. This team conveyed that the current agreement and its fee structure are outdated, do not provide the incentive structure to encourage the promotion of City-directed priorities, and lack performance measures which are more normative in modern convention center facility management agreements.

Fortunately, many of the deficiencies in the existing agreement were addressed, at least in part, by ASM Global's proposal. ASM Global is a cooperative partner in the negotiation effort,

and is willing to incorporate the City priorities it was presented with and accommodate fee structure changes to facilitate the new agreement. The City and ASM Global are currently negotiating a new agreement which will address the fee structure, diversity goals, booking priority incentives, performance-based incentives, and capital investment needs.

The commitment to the Convention Center's capital investment needs is paramount to the renegotiation process. To this end, the parties will agree to an up-front capital investment payment from ASM Global to the City in an amount of \$7,000,000. Furthermore, if the City and ASM Global exercise a 3-year option to extend the 7-year term, an additional payment of \$3,000,000 will be made.

The proposed amended agreement will contain the following major new terms and conditions:

- **Term:** 7-year extension (until 2029) with one 3-year option to extend (until 2032), at the discretion of the City Manager. Commencement of amended agreement on October 1, 2022.
- **Annual Base Management Fee:** \$500,000 with annual CPI increase, down from the current Base Fee of \$2 million.
- **Annual Operating Plan:** A Committee consisting of representatives of the City, the Long Beach Convention and Visitors Bureau (CVB), and ASM Global will convene annually to develop an Annual Operating Plan using established benchmarks, capital improvement priorities, and Key Performance Indicators (KPIs).
- **Capital Investment Funds:** ASM Global will provide an initial \$7,000,000 contribution to the City supporting urgent capital improvement items at the Convention Center, and another \$3,000,000 contribution towards capital improvement needs if the 3-year option to extend is exercised.
- **Customer Service Standards:** ASM Global will incorporate the use of a mobile based survey tool to measure visitor and user experience across all venues and special events.
- **Fixed Pool Incentive:** Prior to the start of each fiscal year, the Committee will meet annually to assess and recommend weighting and financial and performance-based benchmarks for a Fixed Pool Incentive program (Attachment), for City Manager approval. The fixed pool incentive is capped at \$1,250,000. Its purpose is to strongly incentivize City financial, operational, and booking priorities.
- **Special Revenue Incentive:** Financial incentive for new and special revenue generation based on improvement against benchmarks established by the Committee on an annual basis and only paid after City receives 100 percent of established benchmarks for each category (Attachment). This may include the development of new food and beverage or special event outlets.

- **Labor Peace:** ASM Global will continue its commitment to labor peace through labor peace agreements and collective bargaining agreements. Currently ASM Global has established labor relations with Local 501 Operating Engineers, Decorators Local 831, Teamsters Local 986, IBEW Local 11, and UNITE HERE Local 11.
- **Key Staffing Input:** The City will be afforded the opportunity to review and provide input on changes to key facility staffing changes.
- **Free Use Days:** In addition to the already established City Free Use Day program supporting large Citywide events such as the Black College Fair and Pacific Gateway Job Fairs, ASM Global will support a Community Free Use Program providing up to 100 hours of free use for smaller community-based meetings.
- **Marketing Fund:** ASM Global shall establish a \$350,000 annual marketing fund with an automatic 5 percent increase every year for the Convention Center and include diversity specific outreach and marketing efforts. Thus, by the seventh year of the agreement (2029), the Marketing Fund will have grown to almost \$500,000.
- **Future Development:** City retains the option to develop the Elephant Lot during the term of the amended agreement. ASM Global is committed to working with City to accommodate preparation for the upcoming Olympics.

One of the key components of the agreement is a priority to increase utilization of both the arena and the Terrace Theater for entertainment uses. While both are currently utilized for conventions and various other events, there is an opportunity to prioritize and activate both to attract additional entertainment uses that will benefit the Long Beach community. A number of sections of the agreement are proposed for modification to help boost activation of the theater in the very short term and the arena in the longer-term, after capital improvements are made and existing commitments free up additional use of the arena. This will be a joint partnership between ASM Global and the CVB to balance the needs of both the entertainment and convention sectors for use of those spaces.

- **Booking Goals:** Will be incorporated as part of the Fixed Pool Incentive structure and provide ASM Global with general City Council priorities for Convention Center booking.

Years 1-4: prior to CIP investments

Commercial/Entertainment: 30% or more of available days;
Convention and Trade Shows: 60% or less of available days;
Community Events: 10% or less of available days;

Years 5-10: after CIP investments

Commercial/Entertainment: 50% or more of available days;
Convention and Trade Shows: 45% or less of available days;
Community Events: 5% or less of available days.

- **Procurement Goals:** Will be incorporated into the proposed Fixed Pool Incentive

Structure and will promote the City Council priority for diverse and local procurement.

- **Hiring Goals:** Will be incorporated into the proposed Fixed Pool Incentive Structure and will promote the City Council priority for diverse and local staff hiring.

In addition to the proposed terms, ASM Global has recently instituted new revenue generating activities at the Convention Center:

- ASM Global Sponsorship Network - Estimated to result in \$200,000 new revenue annually as the Convention Center returns to more standard operational levels.
- Ticketmaster Exclusive Agreement - Anticipated to result in \$400,000 new revenue annually as the Convention Center returns to more standard operational levels.

The proposed amended and restated agreement with ASM Global will provide significant capital investment in the Convention Center, regular opportunities to incorporate City priorities, increased accountability, and incentives for future growth. Staff recommends approval and execution of the proposed agreement.

This matter was reviewed by Deputy City Attorney Monica Kilaita on April 27, 2022 and by Budget Management Officer, Nader Kaamoush on April 26, 2022.

EQUITY LENS

The City has incorporated the Equity Toolkit into this recommendation as requested by the City Council on April 21, 2020. Equity considerations were incorporated into the negotiation and development of this agreement. This recommendation is not anticipated to have any adverse equity impacts.

City Council action is requested on May 10, 2022, for sufficient time for the parties to negotiate and timely execute an amended and restated agreement.

If approved, the City will receive a one-time payment in an amount of \$7 million to support investments in capital improvements and critical repairs at the Convention Center. Additionally, based on the negotiated terms of the proposed amendment, including a reduction to the base fee and the introduction of performance incentives, it is anticipated that there will be a net positive effect to ongoing revenue generation at the Convention Center, benefiting our Tidelands Operating Fund Group. The immediate magnitude of that impact is particularly difficult to predict now, due to lingering COVID-19 related booking effects, and the new incentive fee structure proposed in the agreement.

The eventual positive fiscal impact of both the reduction in the Base Fee and the new revenue generation is especially important, because those dollars will help to pay debt service on a possible new Tidelands Operating Fund Group bond(s) issue that, along with ASM Global's \$7 million capital contribution, are expected to finance up to \$75 million in

capital improvements to the less visible, “back of the house” infrastructure (e.g., heating, ventilation and air conditioning) improvements required to increase entertainment programming, and preparations required for the 2028 Olympics. This longer-term investment will continue to be planned and several different revenue sources related to the Convention Center and its increased activities under this contract will be reviewed as potential future debt service payments. A financing plan related to this capital investment will be brought to the City Council at a future date.

This recommendation has a moderate staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. The new agreement requires a higher level of coordination and oversight of the Convention Center and the potential addition of a new FTE to manage the contract will be evaluated as part of the Proposed Fiscal Year 2023 budget process. The approval of this agreement will provide support to our local economy by enhancing Convention Center marketing efforts and promoting diverse and local hires.

Approve recommendation.

JOHNNY M. VALLEJO
ACTING DIRECTOR OF
ECONOMIC DEVELOPMENT

APPROVED:

THOMAS B. MODICA
CITY MANAGER