



## Agenda Report

21-152

Agenda Date: 2/9/2021

### REPORT TO COUNCIL

#### SUBJECT

Action on an Agreement with Jones Lang LaSalle Americas, Inc. (JLL) for Consulting Services for the Development, Implementation and Operation of Comprehensive Tourism Strategy and Response to Council Questions

#### COUNCIL PILLARS

Promote and Enhance Economic, Housing and Transportation Development  
Enhance Community Engagement and Transparency

#### BACKGROUND

In November 2020, staff completed a competitive Statement of Qualifications (SOQ) procurement process for Consulting Services for the Development, Implementation, and Operation of a Comprehensive Tourism Strategy which resulted in the selection of consultant Jones Lang LaSalle Americas, Inc. (JLL). The SOQ was publicly posted and after proposals were received, an interview panel was convened. JLL was selected as the most qualified firm to provide the services requested by the City.

On January 12, 2021, Council deferred action on the proposed Agreement with JLL and directed staff to return with additional information for Council's consideration. Staff was directed to:

1. Return with opinions from the Chamber, DMO, TID and others on the need for the services provided in the agreement and having the infrastructure in place. What would it cost them to do it themselves and how would they envision moving forward if City did not approve the agreement;
2. Return with incremental milestone completion reports from JLL regarding project milestones from previous agreements; and
3. Return with full previously completed TAP audit of Convention Center Visitors Bureau.

#### DISCUSSION

Staff has compiled the information and various documents as requested by Council. Attachments to this staff report include:

- Letters/statements received from the Santa Clara Tourism Improvement District, Silicon Valley/Santa Clara DMO, Inc. California's Great America, Silicon Valley Central Chamber of Commerce, Levy, and Spectra Venue Management;
- Copies of available presentations, reports and work products by JLL, and
- Copies of CVB-related audit reports completed by TAP International.

The letters from these outside groups indicate that there is a need for ongoing industry-related expertise to assist staff as the efforts continue to form Convention Center and DMO governance,

policies and procedures to address recommendations in the TAP-audit and to develop a new Santa Clara business model based on key performance indicators to bring convention, large group and leisure business to the City which in turn supports the Convention Center and hotel transient occupancy. The letters also indicate that these organizations do not have the ability/capacity to take on the scope of services being provided by JLL.

Further, as there were several Council questions about the services provided by JLL, additional background is provided below.

#### Previous JLL Contract

The City initially contracted with JLL in January 2017 to conduct research and provide Council with an overview of Convention Center and Convention-Visitor Bureau (CVB) models of operation that would increase business and visitors, maximize fiscal performance, and enhance the community. At the time, the City had been advised by the Santa Clara Chamber of Commerce that it no longer wanted to manage/operate the Santa Clara Convention Center requiring the City to determine a strategy for the continuing operation of the Center.

In April 2017, Council approved Amendment No. 1 and revised the scope of work to include a stakeholder engagement process and to prepare a plan for the identification and implementation of a new operating model for the Santa Clara Convention Center and a governance structure for overall convention and visitor services.

In September 2018, based on findings of a performance audit conducted by TAP International, Council directed the City Manager to issue a 180-day notice to the Santa Clara Chamber of Commerce terminating the Convention Center Management Agreement effective March 18, 2019, and to engage in a competitive RFP to secure the services of a firm for the management and operations of the Convention Center. Without staff expertise in convention and hospitality industry, JLL provided critical assistance to City staff in the procurement process including in the preparation of the RFP scope of services; potential vendor outreach; and preparation of technical analysis of the submitted proposals for the benefit of the RFP review panel.

In February 2019, Council approved Amendment No. 2 to extend the contract term to continue ongoing services related to finalizing the new management agreement with Spectra, the new Convention Center operator, and to assist in the operational transition of convention center management. With JLL's assistance, the new management agreement provided for key performance indicators which incentivizes the Center to work collaboratively with the new Destination Marketing Organization (successor to CVB) and the Tourism Improvement District (TID) to grow the overall convention, group meeting, and leisure markets in Santa Clara.

In April 2019, Council directed the City Manager to commence work efforts to form a new Destination Marketing Organization (DMO) to provide convention and visitor services such as a Convention-Visitors Bureau (CVB). Concurrently, the Center's food and beverage provider, ARAMARK, terminated its contract at the Convention Center. JLL again provided critical assistance to City staff in the procurement process including in the preparation of the RFP scope of services; potential vendor outreach; and preparation of technical analysis of the submitted proposals for the benefit of the food and beverage RFP review panel.

In January 2020, Council approved Amendment No. 3 to extend the contract term to continue

services related to the development of the new DMO, including access to an executive recruitment firm for the hiring of the new Chief Executive Officer, and to provide industry specific guidance on Convention Center and food and beverage services operations.

Table A provides a summary of costs related to the JLL contract.

**Table A - JLL Contract Summary**

Summary	Contract Amount	JLL Services	CEO Recruitment	Other <sup>1</sup>	Contract Balance
Original Agreement (1/5/17 - 6/30/17)	\$9,500	\$9,500	-	-	-
Amendment No. 1 (4/25/17 - 6/30/19)	\$170,000	\$165,000	-	-	\$5,000
Amendment No. 2 (5/6/19 - 1/31/20)	\$175,000	\$175,000	-	-	-
Amendment No. 3 (1/30/20 - 12/31/20)	\$194,500	\$137,500	\$40,000	-	\$17,000
<b>Total</b>	<b>\$549,000</b>	<b>\$487,000</b>	<b>\$40,000</b>	-	<b>\$22,000</b>

<sup>1</sup> Amendment No. 3 'Other' were funds budgeted for associated recruitment candidate and JLL associate (Bethanie DeRose) travel costs as needed.

The total contract amount was \$549,000. Of that amount, \$527,000 was expended; \$487,000 for JLL services and \$40,000 for the executive recruitment firm subcontracted by JLL, leaving a contract balance of \$22,000.

#### Cost-Benefit to City

The cost for consulting services for the proposed agreement with JLL is a monthly retainer of \$12,500. This is the same fee as in the previous agreement and is the most cost-effective approach for direct access to the specialized services and expertise the City requires. When evaluating the fee on a cost per hour basis, the City receives the advantage of a reduced hourly cost.

The established hourly rates for JLL team members, Dan Fenton - Executive Vice President and Bethanie DeRose - Vice President, are \$275/hour and \$225/hour respectively. From February 2020 - December 2020, JLL reported a total of 590.75 combined hours which equals to \$232.75/hour (\$137,500 / 590.75 hours).

Retainers generally provide the consultant with a monthly fixed fee for services recognizing that some months there will be a greater need and other months the need may be significantly less. The retainer contract allows the City to call on/utilize services as much as required. The retainer has proven to be very cost effective to the City.

The proposed new contract however also allows for the City to compensate JLL on a time and materials basis if hourly services provided are not equivalent to the monthly retainer. In other words the terms of the proposed agreement allows the City to pay an amount less than retainer in the event JLL services for any particular month are not required or necessary while caps the compensation to JLL in the event services are needed beyond the equivalent time/materials calculation. Over the past

year, the City's use of services has exceeded the equivalent retainer amount therefore has received additional value for the industry expertise provided.

#### Action on a New Agreement

As stated in the attached staff report, RTC 21-1084, staff initiated a competitive SOQ process in preparation for the expiration of the JLL agreement on December 31, 2020. The action being considered is not for a contract extension of an existing agreement with JLL or a contract renewal but for a new agreement in which JLL was selected through a competitive procurement process.

Proposals were evaluated and scored independently by a three-member evaluation team with representation from the City Manager's Office, Hyatt Regency Santa Clara (representing the Tourism Improvement District), and California's Great America (representing the new Destination Marketing Organization).

#### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15378(b)(5) in that it is a government organization or administrative activity that will not result in direct or indirect changes to the environment

#### **FISCAL IMPACT**

A 60/40 cost share strategy will be utilized for this agreement. Sufficient funding is available in the Santa Clara Convention Center Contingency Fund and in the TID/DMO FY 2020/21 Operating Budget.

Sixty percent of the contract amount, \$180,000, will be funded by the Santa Clara Convention Center Contingency Fund and 40%, \$120,000, will be funded by TID/DMO Funds. The TID/DMO funds are generated by self-assessment of the TID hotels and are not City/General Fund dollars. The total cost for services will not exceed \$300,000. The TID/DMO will follow the appropriate process to allocate funding for FY 2021/22.

#### **COORDINATION**

This report has been coordinated with the Finance Department and the City Attorney's Office.

#### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>>.

#### **RECOMMENDATION**

1. Approve and authorize the City Manager to execute an agreement with Jones Lang LaSalle Americas, Inc. to provide consulting services for the development, implementation and operation of a comprehensive tourism strategy retroactive to January 1, 2021 and ending on or about December 31, 2023 for a total maximum amount not-to-exceed \$300,000 subject to the appropriation of funds;

2. Authorize the City Manager to execute any minor or administrative amendments to the Agreement which do not increase the compensation for the Agreement; and
3. Authorize the City Manager to execute up to three one-year options to extend the term of the agreement after the initial term through December 31, 2026 for ongoing consulting services, subject to the appropriation of funds.

Reviewed by: Ruth Mizobe Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. RTC 21-1084
2. Agreement with Jones Lang LaSalle Americas, Inc.
3. Partner Letters/Statements
4. JLL Presentations, Reports and Work Products
5. Audit - "Santa Clara Convention Center and Convention-Visitors Bureau: Restructuring Operations Can Strengthen Accountability, Performance and Revenue"
6. Audit - "Contract Close-Out Review of Convention and Visitors Bureau"