



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: DOLCE HAYES MANSION
CONSULTANT SERVICES

DATE: 8-9-06

Approved

Date

8/14/06

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to:

- (a) Negotiate and execute a Continuation Agreement with Horwath Hospitality & Leisure, LLC for asset management oversight services to the Dolce Hayes Mansion on behalf of the City to retroactively extend the term of the agreement for an additional year through June 30, 2007, and to increase the compensation by an amount not to exceed \$66,300 for a total amount not to exceed \$162,250 for the term of the agreement, December 1, 2004 through June 20, 2007; and
- (b) Exercise, at the City's sole discretion, a one-year option to extend the term of the agreement through June 30, 2008 with the compensation not to exceed \$72, 576, subject to appropriation of funds in FY 2007-08, for a total compensation for the term of the agreement, December 1, 2004 through June 30, 2008, in an amount not to exceed \$234,826.

OUTCOME

Extension of this agreement will provide continued monitoring and evaluation by Horwath Hospitality & Leisure, LLC ("Horwath") on the City's behalf over Dolce Hayes Mansion operations and industry expertise in making recommendations for the purpose of increasing sales, streamlining expenses and/or improving the condition and quality of the property.

BACKGROUND

On September 24, 2002, the City Council adopted a resolution authorizing the City Manager to negotiate and execute an agreement with HVS International for the period October 1, 2002 through June 30, 2003 for monitoring and evaluation of Hayes Conference Center operations (operated by Hayes Renaissance Limited Partnership (HRLP) under a lease agreement). The agreement was subsequently amended and HVS provided consultant services through June 30, 2004, during which time the HRLP lease agreement was terminated and Dolce International/San Jose, Inc. ("Dolce") assumed management responsibilities per the terms of a management agreement with the City.

In an effort to identify other potential firms providing asset management oversight services, City staff issued a Request for Qualifications ("RFQ") upon the termination of the agreement with HVS International. Through the RFQ selection process, Horwath was selected and, effective December 1, 2004, the City entered into a consultant services agreement with Horwath to provide asset management oversight services through June 30, 2006 to the Dolce Hayes Mansion on behalf of the City at a total cost not to exceed \$95,950.

ANALYSIS

The current consultant services agreement with Horwath expired June 30, 2006. The proposed Continuation Agreement will extend the term to June 30, 2007 at an additional cost not to exceed \$66,300. The Continuation Agreement will also include a one-year option to extend the agreement at the City's sole option at an additional cost not to exceed \$72,576. The total not to exceed cost of the agreement will be an amount not to exceed \$234,826 for the period December 1, 2004 through June 30, 2008.

Horwath has given valuable input and recommendations to increase revenues, streamline expenses, improve customer service and enhance the physical condition of the Dolce Hayes Mansion. In addition, Horwath meets at least two times each month with Dolce and City staff. A summary of Horwath's major contributions and achievements to-date is summarized below:

- Revenues for FY 2005-06 increased by 31% over the prior year, from \$10.5 million to \$13.7 million.
- Gross Operating Profit for FY 2005-06 increased 265% over the prior year, from a deficit of \$480,000 to an operating profit of \$793,000.
- Occupancy rate for FY 2005-06 increased 39% over the prior year, from 38% to 53%.
- Oversaw Dolce's performance of its obligations under the Management Agreement and acted as the City's representative in all meetings and negotiations with Dolce.

- Reviewed Dolce’s marketing plan and made recommendations to increase occupancy, allowing Dolce staff to be more flexible and competitive in their negotiations with potential clients.
- Offered recommendations during Dolce’s annual operating budget preparation to increase cash flow and reduce expenses.
- Reviewed and proposed capital improvements and expenditures consistent with the capital budget.
- Examined all operating reports and other documents provided by Dolce to the City and offered opinions in meetings to the City for assistance in understanding and identifying areas of interest.
- Provided industry expertise in the selection of attorneys, consultants and engineers hired by Dolce to assist in various projects.
- Assisted in identifying and resolving capital and repair and maintenance concerns to maintain and enhance the quality of the property and add interest throughout the property.
- Developed a strong working relationship with Dolce and the City.

Dolce must also be commended on working well with Horwath in a spirit of cooperation and professionalism.

POLICY ALTERNATIVES

Not applicable.

PUBLIC OUTREACH/INTEREST

Not applicable.

COORDINATION

This item has been prepared by the Finance Department in coordination with the City Manager’s Office and City Attorney’s Office.

FISCAL/POLICY ALIGNMENT

Not applicable.

COST SUMMARY/IMPLICATIONS

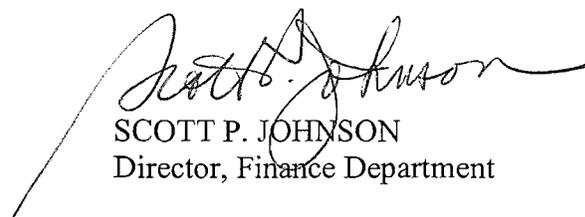
The costs of this action would be funded through operating transfers from the Dolce Hayes Mansion into the Community Facilities Revenue Fund in the amount of \$66,300 in FY 2006-07 and \$72,576 in FY 2007-08.

BUDGET REFERENCE

Fund:	Community Facilities Revenue Fund - 422
Amount:	\$66,300
Budget Document:	2006-07 Proposed Operating Budget Page XI - 21

CEQA

Not a project.



SCOTT P. JOHNSON
Director, Finance Department

For questions, please contact Scott P. Johnson, Director, at (408) 535-7000.