

Submitted via E-mail

Shasa Curl, City Manager
City Of Richmond
450 Civic Center Plaza
Suite 300
Richmond, CA 94804

Technical Memorandum: Analysis, Considerations, and Challenges of Direct City Operation of the Craneway Pavilion

Dear Ms. Curl:

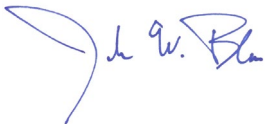
This Technical Memorandum presents the results of a feasibility analysis conducted by **SCI Consulting Group** on behalf of the City Of Richmond (the "City") to evaluate the potential for a successful direct City operation of the Craneway Pavilion. Four potential use scenarios for the Craneway Pavilion are presented:

- Non-Operation
- Special Event Venue (e.g. Weddings, etc.)
- Business/Technical Exposition Center
- Recreation Complex

Other considerations associated with direct City operation are also presented.

If you have any questions or require additional information, please do not hesitate to contact me. I can be reached at 707-430-4300 or via email at john.bliss@sci-cg.com.

Sincerely,



John W. Bliss, P.E., President
SCI Consulting Group



EXECUTIVE SUMMARY

The City of Richmond has engaged SCI Consulting Group to conduct a cursory assessment of the operational challenges and opportunities associated with the Craneway Pavilion. The City seeks to make an informed decision regarding the facility's future operations and the City's potential role in that operation.

Although there are several well-established models for municipalities to operate facilities, (including direct city management, third-party operational partnerships, and private lease arrangements), this study evaluates the financial requirements, implementation considerations, and comparative advantages of direct city management only.

The following four potential use scenarios are considered for direct city management, with estimated costs:

- Scenario 1: Base (Non-Operational or "mothball")
 - \$600,000 annual operating costs
 - \$0 annual revenue
 - -\$600,000 annual stabilization impact

- Scenario 2: Special Event (e.g. Wedding, etc.) Venue:
 - \$1,450,000 annual operating costs
 - \$560,000 annual revenue
 - -\$930,000 annual stabilization impact

- Scenario 3: Business/Technical Exposition Center:
 - \$1,480,000 annual operating costs
 - \$750,000 annual revenue
 - -\$731,000 annual stabilization impact

- Scenario 4: Recreation Complex:
 - \$1,400,000 annual operating costs
 - \$390,000 required startup equipment costs
 - \$270,000 annual revenue
 - -\$1,600,000 annual stabilization impact

The above cost estimates are intended for general planning only, and a more rigorous analysis would be required before the City make a final determination about how to proceed. Note that none of the four evaluated scenarios demonstrated a positive revenue source for the City, and rather, showed a significant annual deficit is likely.

This Tech Memo's objective is to provide the City with basic financial estimates and operational insights to support the selection of an operational model that achieves both fiscal sustainability and community benefit.

Craneway Pavillion Facility Background

The Craneway Pavilion is a significant civic asset located within one of the Bay Area's most historically important industrial complexes: Ford Motor Company's former "Richmond Assembly Plant", which open in 1930 and later moved to Milpitas in 1956. It has been on the National Register of Historic Places since 1988.

This 72,000-square-foot Craneway Pavillion facility occupies a prominent waterfront position at the extreme South end of extremely large and repurposed Ford Point complex. The site represents a notable example of American industrial history, where the legacy of World War II-era manufacturing coexists with contemporary production, retail activity, and ongoing waterfront commerce.

It is situated along the San Francisco Bay shoreline and integrated into the Bay Trail system. The facility is adjacent to the Rosie the Riveter WWII Home Front National Historical Park, placing it within a nationally significant heritage corridor that attracts history enthusiasts and educational groups. The surrounding area experiences a steady flow of manufacturing workers, retail employees, and daily ferry commuters between Richmond and San Francisco, providing a consistent audience for events and demonstrating the area's accessibility and vibrancy.

The waterfront location of the Craneway Pavilion connects it to the broader Bay Area trail network, offering opportunities to capitalize on existing foot traffic and regional visibility. The Ford Point complex constitutes a distinctive mixed-use environment, combining active industrial operations, retail establishments, transportation infrastructure, and cultural and

recreational amenities. Regular ferry service offers direct transit connections to San Francisco and other Bay Area destinations, addressing the common challenge of providing convenient access for event patrons without dependence on personal vehicles.

The location, scale, and historic character of the Craneway Pavilion present substantial opportunities. The primary consideration for the City is determining how to optimize this asset to address both community needs and fiscal sustainability. This Tech Memo offers a comprehensive analysis of operational models and financial requirements to inform decision-making regarding revenue generation.

DRAFT

1. ALTERNATIVE OPERATIONAL APPROACHES

There are several well-established models for municipalities to operate facilities, including direct city management, third-party operational partnerships, and private lease arrangements. The operational model choice depends on staffing capacity, risk tolerance, control priorities, and market conditions. Complete revenue projections are needed before final recommendations can be made. Again, this analysis focusses on direct City management of the facility.

1.1 Direct City Management Model

Key Factors

- Complete control over operations, scheduling, and pricing
- All revenue flows directly to city
- Full financial risk and staffing responsibility

Considerations

This model would be the best overall control of the facility but greatest financial and operational risk.

1.2 Third Party-Operated Model

Under third-party management, an experienced venue operator assumes responsibility for staffing, operations, and marketing. A city typically receives base rent plus a percentage of revenues, or revenue sharing after a management fee deduction.

Key Factors

- Transfers staffing recruitment and retention challenges to operator
- Provides immediate access to industry expertise and networks
- Eliminates procurement constraint issues through operator vendor relationships
- Reduces indirect municipal administrative burden
- Operator assumes revenue risk and performance accountability

Considerations

Management fees are typically 10-20% of gross revenue, reducing net city return. Operator control over scheduling and pricing may limit city priorities for community access. Contract negotiation and oversight require staff capacity.

1.3 Private Lease Model

Private lease transfers full operational control to a lessee in exchange for fixed lease payments. The City receives predictable revenue without operational involvement.

Key Factors

- Eliminates all staffing and operational challenges
- Provides predictable revenue without performance risk
- Minimal ongoing city administrative burden
- Transfers all expertise requirements to private operator

Considerations:

City loses operational control and the ability to prioritize community events. Revenue is limited to lease amount regardless of facility performance. The city may face political considerations regarding the privatization of a public asset.

Table 1 – Operational-Model Risk Considerations

Factor	City Operation	Third-Party Management	Private Lease
Staffing Challenge	High	None	None
Expertise Required	Significant	Provided by Operator	None
Revenue Potential	Highest	Moderate	Fixed
Financial Risk	Full	Shared	None
Operational Control	Complete	Moderate	Minimal

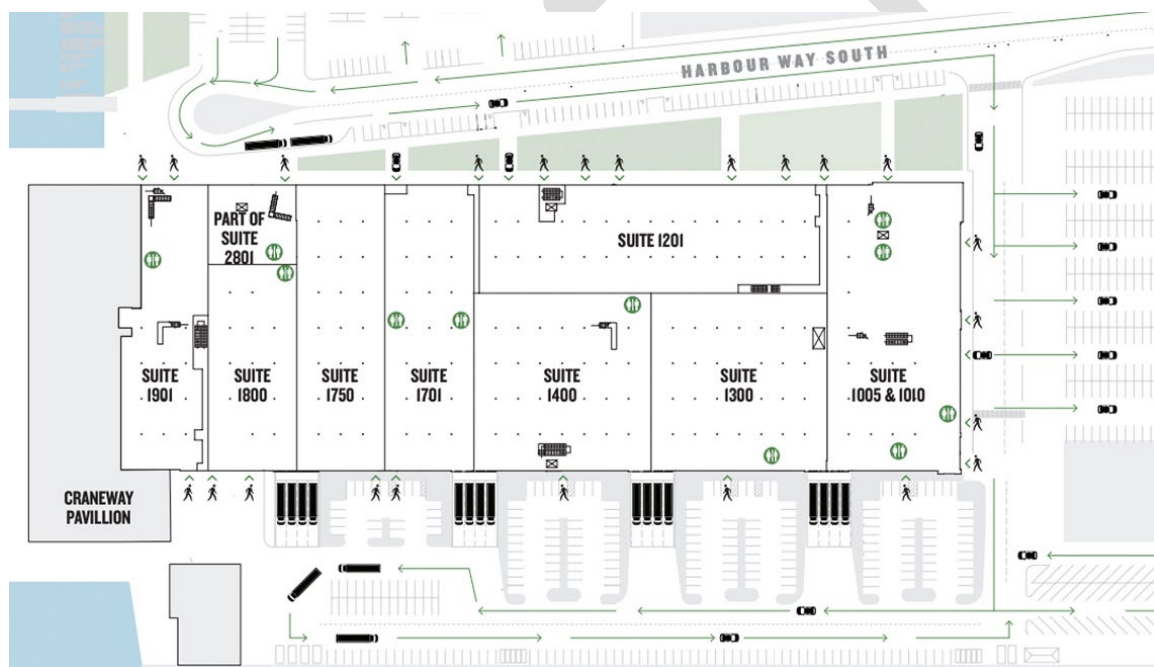
DRAFT

2. FACILITY OVERVIEW AND USE SCENARIOS

2.1 Property Description

The Craneway Pavilion serves as a prominent waterfront event venue situated on the Richmond shoreline, featuring extensive indoor space and panoramic views of the San Francisco Bay. Located within the historic Ford Assembly Building, the pavilion integrates industrial architecture elements with contemporary infrastructure, providing an environment appropriate for large gatherings, conferences, exhibitions, performances and other private events.

The interior space is column-free with 40-foot ceilings that accommodate diverse staging, lighting, and production configurations. Floor-to-ceiling windows provide natural light throughout the day and views of sunsets in the evening. The adjacent grounds feature outdoor terraces and direct waterfront access, enabling planners to incorporate indoor-outdoor programming.



Craneway Pavilion is located on the far left of the above map of the Ford Point

2.2 Operational Use Scenarios

- **Special Event Venue:** Private events, weddings, and corporate functions. This model can likely coexist as a standalone model or with Exposition Center operations.
- **Business/Exposition Center:** Trade shows, conventions, exhibitions, and community events. This model can likely coexist as a standalone model or with Wedding Venue operations included.
- **Recreation Complex:** Indoor sports facility with batting cages, basketball, volleyball, and soccer areas.

2.3 Scenario 1: Non-Operation (Mothball) of Facility

Below in Table 2 is a summary of estimated costs for a non-operation of the facility. One consideration would be to mothball the facility while determining its best use.

Table 2 – Non-Operation Annual Costs

Maintenance & Operations	\$ 200,000.00
Utilities Costs	\$ 144,000.00
Security	\$ 50,000.00
Landscaping/Common Area	\$ 53,000.00
Capital Repairs and Improvements	\$ 100,000.00
Soft Costs	\$ 72,000.00
Total Cost	\$ 619,000.00

DRAFT

2.4 Scenario 2: Special Event (e.g. Wedding, etc.) Venue:

Below are the additional estimated costs for the City to directly operate a special event venue. These costs are added to the base costs (\$619,000) as outlined in the previous section to determine the overall annual costs.

Table 3 Special Event Venue Additional Staffing Costs

Staffing	Unit	Quantity	Unit Cost	Annual Cost
Venue Director	FT			\$ 110,000.00
Operations Manager	FT			\$ 90,000.00
Technical Lead	FT			\$ 70,000.00
Maintenance	FT			\$ 60,000.00
Event Staffing Pool	Hour	1200	\$ 25.00	\$ 30,000.00
Security	Hour	1200	\$ 30.00	\$ 36,000.00
Benefits		40%		\$ 158,400.00
Additional Staffing Subtotal				\$ 554,400.00

Table 4 Special Event Venue - Additional Other Operating Costs

Cost Category	Subcategory	Annual Cost
Administrative Cost		\$ 100,000.00
Additional Utilities		\$ 144,000.00
Insurance	General Liability	\$ 50,000.00
Insurance	Commercial	\$ 100,000.00
Full Operational Cost Subtotal		\$ 394,000.00

Total Annual Operational Costs = \$1,495,400 (619k+554k +394k)

Revenue

The revenue projections presented below assume fully-booked events event throughout the year. This scenario is optimistic yet achievable for a successfully marketed venue with established industry relationships. Actual performance in the initial years may vary as the venue builds market awareness and develops its client base. These calculations are based on the reasonable assumption:

75 events (e.g. Weddings, Quinceañeras, etc.)
 \$7,500 per event
 = revenue of \$562,000.

Table 5, below, summarizes costs and revenues and estimates an overall revenue shortfall of -\$932,900 per year.

Table 5 Special Event Venue - Summary

Estimated Revenue	\$ 562,500.00	
Base Costs	\$ 619,000.00	Table 2
Estimated Additional Scenario 2 Costs	\$ 876,400.00	Table 3 + Table 4
Estimated Stabilization	\$ (932,900.00)	

Key assumptions include:

- Steady monthly booking activity throughout the operational year
- Mix of corporate events and community gatherings
- Average event duration and setup/teardown requirements aligned with industry standards
- Competitive but sustainable pricing that reflects the venue's unique attributes

Considerations:

The Craneway Pavilion holds a very distinctive position in the greater Bay Area market. Due to its large capacity, historic architecture and waterfront location, the venue offers a combination of features that are unmatched by existing special event facilities in the region. This uniqueness opens up an opportunity for the Craneway to establish itself as a premier destination venue and tap into an unmet market demand for larger-scale waterfront event spaces.

Due to the absence of market comparables, revenue projections are based on historical rental rates from the period when the building previously operated as an event space. These rates offer a grounded foundation for financial modeling, while acknowledging that actual performance will depend on market conditions, competitive positioning, and operational execution.

However, as reference, below are several local wedding venues and pricing:

<u>Venue</u>	<u>Size</u>	<u>Fee per Event</u>
Rockefeller Lodge San Pablo CA,	20,000 sqft.	\$5,000
Richmond Civic Center Richmond CA,	20,000 sqft.	\$5,000
Fern Cottage Richmond CA,	1,000 sqft.	\$1,600
Fair View Napa CA,	3,000 sqft.	\$5,000 to \$20,000
The Brazilian Room Berkeley CA,	2,000 sqft.	\$500 to \$5,538

2.5 Business/Technical Exposition Center

Below are the additional estimated costs for the City to directly operate a Business/Technical Exposition Center: These costs are added to the base costs (\$619,000) listed in section 2.3 to determine the overall annual costs.

Table 6 Business/Technical Exposition Center - Additional Staffing Costs

Staffing	Unit	Quantity	Unit Cost	Annual Cost
Venue Director	FT			\$ 110,000.00
Operations Manager	FT			\$ 90,000.00
Technical Lead	FT			\$ 70,000.00
Maintainance	FT			\$ 60,000.00
Event Staffing Pool	Hour	1200	\$ 25.00	\$ 30,000.00
Security	Hour	1200	\$ 30.00	\$ 36,000.00
Benefits		40%		\$ 144,000.00
Additional Staffing Subtotal				\$ 540,000.00

Table 7 Business/Technical Exposition Center - Additional Other Operating Costs

Cost Category	Subcategory	Annual Cost
Administrative Cost	Marketing	\$ 100,000.00
Additional Utilities	Usage Utilities	\$ 72,000.00
Insurance	General Liability	\$ 50,000.00
Insurance	Commercial	\$ 100,000.00
Additional Operational Cost Subtotal		\$ 322,000.00

Total Annual Operational Costs = \$1,481,000 (619k + 540k + 322k)

Revenue

The revenue projections presented below assume fully-booked conference and exposition events event throughout the year. This scenario is optimistic yet achievable for a successfully marketed venue with established industry relationships. Actual performance in the initial years may vary as the venue builds market awareness and develops its client base. These calculations are based on the reasonable assumption:

150 day events (e.g. conferences etc.)
 \$5,000 per day
 = revenue of \$750,000.

Table 8, below, summarizes costs and revenues and estimates an overall revenue shortfall of -\$731,000 per year.

Table 8 Business/Technical Exposition Center - Summary

Potential Revenue	\$ 750,000.00	
Base Costs	\$ 619,000.00	Table 2
Estimated Additional Scenario 3 Costs	\$ 862,000.00	Table 6 + Table 7
Estimated Stabilization	\$ (731,000.00)	

Key assumptions:

- Steady monthly booking activity throughout the operational year
- Mix of corporate events and community gatherings
- Average event duration and setup/teardown requirements aligned with industry standards
- Competitive but sustainable pricing that reflects the venue's unique attributes

Considerations:

Event centers in the Bay Area vary widely in size and capacity. The list below outlines a representative set of facilities that can be used for comparative cost analysis.

<u>Venue</u>	<u>Size</u>	<u>Fee per Day</u>
Cow Palace: San Francisco CA,	30,000 sqft (Main Area)	\$10,000 to \$21,000
Richmond Civic Center: Richmond CA,	20,000 sqft.	\$5,000
Impact Hub Oakland: Oakland CA,	16,000 sqft	\$6,000
El Cerrito Community Center: El Cerrito CA.	5,600 sqft	\$1500
Hillside Club: Berkeley CA,	2,000 sqft	\$2000

2.6 Scenario 4: Recreation Complex:

Below are the additional estimated costs for the city to directly operate a Recreation Complex: These costs are added to the base costs (\$619,000) as outlined in the previous section 2.3 for overall annual costs.

Table 9 Recreation Complex – Startup Equipment Costs

Subcategory	Unit	Quantity	Unit Cost	Total Cost
Batting Cages			\$ 150,000.00	\$ 150,000.00
Removable tile	sq ft	9400	\$ 16.00	\$ 150,400.00
Removable tile	sq ft	3600	\$ 16.00	\$ 57,600.00
Soccer Turf	sq ft	1700	\$ 16.00	\$ 27,200.00
Scoreboards		3	\$ 700.00	\$ 2,100.00
Subtotal Startup Costs				\$ 387,300.00

Table 10 Recreation Complex - Additional Staffing Costs

Staffing	Unit	Quantity	Unit Cost	Annual Cost
Venue Director	FT			\$ 110,000.00
Operations Manager	FT			\$ 90,000.00
Staffing Pool	Hour	5000	\$ 25.00	\$ 125,000.00
Maintenance	FT			\$ 60,000.00
Security	Hour	2000	\$ 30.00	\$ 60,000.00
Benefits	40%			\$ 178,000.00
Additional Staffing Subtotal				\$ 623,000.00

Table 11 Recreation Complex - Additional Other Operating Costs

Cost Category	Subcategory	Annual Cost
Additional Utilities		\$ 144,000.00
Insurance	General Liability	\$ 70,000.00
Insurance	Commercial	\$ 100,000.00
Full Operational Cost Subtotal		\$ 314,000.00

Total Annual Operational Costs = \$1,943,300 (619k + 387k + 623k + 314k)

Revenue

36 paying participants per day
 300 days operation per year
 \$25 per participant
 = revenue of \$270,000

Based on average rental rates observed at comparable nearby sports facilities, annual revenue is estimated at approximately \$270,000. The first year is notably more expensive due to the additional startup cost

Table 12, below, summarizes costs and revenues and estimates an overall revenue shortfall of -\$1,673,300 per year.

Estimated Revenue	\$ 270,000.00	
Base Cost	\$ 619,000.00	<i>Table 2</i>
Additional Start up Costs	\$ 387,300.00	<i>Table 9</i>
Estimated Additional Scenario 4 Costs	\$ 937,000.00	<i>Table 10 + Table 11</i>
Estimated Stabilization	\$ (1,673,300.00)	

Key assumptions:

- Batting cages, basketball court, volleyball court, turf soccer field, scoreboards
- Steady monthly booking activity throughout the operational year
- Competitive but sustainable pricing that reflects the venue's unique attributes

Considerations:

- Replacement intervals of approximately 12 years for basketball/volleyball court tiles and soccer turf
- Sports Complex operation requires additional specialized expertise in sports programming, league management, and recreational facility operations beyond venue event management

3. OTHER MUNICIPAL OPERATIONAL CONSIDERATIONS

Below is a brief discussion of operation considerations.

3.1 Staffing and Expertise Requirements

Specialized Skill Sets Required

Venue management requires specialized expertise not typically found in municipal government, including event sales and marketing, customer relationship management, technical production oversight, and hospitality service delivery.

Recruitment Challenges

Competitive compensation for venue management professionals may exceed standard municipal salary ranges. Civil service hiring processes may limit the ability to recruit candidates with private sector event management experience. The City of Richmond may have limited labor market depth for specialized venue positions.

Training and Development

Building internal capacity requires time and resources. Staff would need training in event booking systems, venue management software, technical equipment operation, and customer service protocols specific to event venues.

3.2 Operational Constraints

Below are operational constraints to consider.

Procurement and Vendor Management

Municipal procurement rules may limit flexibility in vendor selection and contracting. Event venues require responsive vendor relationships for catering, AV equipment, staging, and specialty services. Competitive bidding requirements may conflict with need for established, reliable vendor partnerships.

Budget Cycle Limitations

Annual budget cycles may not align with venue operational needs. Dynamic pricing strategies, marketing campaigns, and equipment upgrades may require mid-year budget adjustments. Revenue volatility creates challenges for fixed annual budget planning.

Decision-Making Speed

Event bookings often require rapid response to inquiries and contract negotiations. Municipal approval processes may create delays in pricing decisions, contract execution, and operational changes that affect competitiveness in the event venue market.

3.3 Expertise Gaps

Marketing and Sales

Successful venue operation requires proactive sales efforts, including attendance at industry trade shows, relationship building with event planners, digital marketing expertise, and customer relationship management. These capabilities may not currently exist within city departments.

Technical Production

Event production involves audiovisual systems, lighting design, rigging safety, and technical troubleshooting. While staff can be trained, building this expertise requires time and may involve multiple hires to ensure coverage.

Industry Networks

Established venue operators benefit from industry relationships with event planners, booking agents, and corporate clients. Municipal operation would start without these networks, requiring significant time to establish market presence.

3.4 Indirect Municipal Costs

Direct operating costs do not capture full municipal burden:

- Human Resources: Recruitment, onboarding, payroll processing, benefits administration
- Finance Department: Accounts payable, revenue processing, budget monitoring, financial reporting
- Legal Services: Contract review, liability management, compliance oversight
- Information Technology: Systems support, booking software, network infrastructure
- Administrative Overhead: Facilities, utilities, general city services allocated to the operation

Note: Indirect costs typically add 15-25% to direct operating expenses but are not quantified in this preliminary analysis.

4. OTHER IMPLEMENTATION CHALLENGES

Below is a discussion of implementation challenges to consider.

4.1 Startup Timeline

Staffing Lead Time

Recruiting qualified venue management staff through municipal hiring processes typically requires four to six months. Specialized positions may take longer due to limited candidate pools. Building a complete team could extend six to nine months from authorization to full staffing.

Market Entry

Establishing market presence requires marketing campaign development, website creation, sales collateral production, and relationship building with event planners and corporate clients. Revenue ramp-up may be slower under municipal operation due to lack of existing industry relationships.

4.2 Ongoing Operational Challenges

Staff Retention

Event venue work involves irregular hours including evenings and weekends. Turnover in hospitality industry positions is typically high. Municipal benefit structures may not fully compensate for schedule demands, potentially affecting retention of quality staff.

Performance Management

Venue success requires customer service excellence and operational responsiveness. Municipal performance management systems may not align well with hospitality industry standards and metrics.

Seasonal Fluctuations

Event venue revenue typically experiences significant seasonal variation. Managing staffing levels and cash flow through peak and off-peak periods presents challenges within municipal budget and employment frameworks.

4.3 Risk Factors Specific to Municipal Operation

- Political oversight may limit operational flexibility and pricing autonomy
- Public scrutiny of operating deficits may affect long-term viability
- Competing municipal priorities may affect resource allocation
- Limited ability to respond quickly to market changes or opportunities

Potential conflicts between revenue maximization and community access goals

5. CONCLUSION

The Craneway Pavilion represents a significant revenue opportunity for the City of Richmond, ranging from \$270K to \$750k. However, there are significant operational costs associated with this revenue that are estimated to run from \$1.0M to \$1.6M. As such, the City's direct operation of the facility brings significant financial risk.

The operational model choice involves fundamental trade-offs between control, risk, and revenue potential. City operation provides maximum control but requires specialized staffing and assumes full financial risk. Third-party and lease models reduce risk and staffing needs but limit control and revenue upside.

The financial analysis of the four operational scenarios reveals that none would achieve self-sufficiency without substantial ongoing subsidization. Under Scenario 1 (Base/Non-Operational), maintaining the facility in a dormant state would require \$600,000 annually with no offsetting revenue.

Activating the facility as a special event venue (Scenario 2) would increase operational costs to \$1,450,000 while generating approximately \$560,000 in annual revenue, resulting in a net annual funding gap of \$930,000. Similarly, converting the property to a business/technical exposition center (Scenario 3) would require \$1,480,000 in operating costs against projected revenue of \$750,000, leaving a \$731,000 annual deficit—the smallest shortfall among the active-use scenarios.

The recreation complex option (Scenario 4) presents the most challenging financial profile, requiring not only \$1,400,000 in annual operating costs and generating only \$270,000 in revenue, but also necessitating \$390,000 in initial equipment investment. This scenario would require ongoing stabilization funding of approximately \$1,600,000 in the first year.

In summary, all scenarios analyzed would necessitate significant and ongoing public subsidy, ranging from \$600,000 to \$1,600,000 annually depending on the operational model selected.

Our recommendation would be to combine Scenarios 2 and 3 and run them in tandem for minimal losses if the City chooses to directly operate this facility. Subsidized funding would still be necessary.