



THE CITY OF SAN DIEGO

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**OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT**

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**Date Issued:** May 5, 2020


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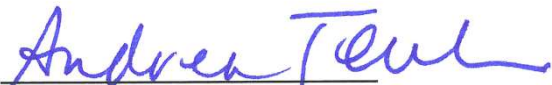
**Budget Review Committee Docket Date:** May 7, 2020

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## **Review of City Agencies FY 2021 Budgets: Convention Center**

The IBA has reviewed the proposed budgets for the Convention Center which are scheduled to be heard Thursday, May 7<sup>th</sup>, 2020. Our review is attached.

  
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Independent Budget Analyst

# Convention Center

## Overview of the Board Approved FY 2021 Budget

The San Diego Convention Center Corporation (SDCCC) is a non-profit public benefit corporation created by the City of San Diego to manage, market, and operate the San Diego Convention Center. A seven-member Board of Directors (Board) comprised of business and community leaders establishes policy for the SDCCC.

The mission of SDCCC is to “generate significant economic benefits for the greater San Diego region by hosting international and national conventions and trade shows in our world-class facility.”

SDCCC provides operating and economic performance measures to reflect the economic benefits resulting from Convention Center operations. The table below shows actual data for FY 2019, SDCCC projections for FY 2020 (pre-COVID and after the onset of COVID) and for FY 2021 (assuming no events in July 2020).

FY 2019 was a year of record setting performance and FY 2020 was projecting to be another excellent year until the pandemic struck. What is clear from the table below is the profound impact the COVID-19 pandemic is having on Convention Center operations and the regional economy in FY 2020. SDCCC staff

will be better able to project FY 2021 performance when there is more certainty regarding the resumption of normalized operations at the Convention Center. The projections for FY 2021 now appear to be a bit optimistic and could worsen depending on how long it takes for the economy to recover and normal convention activity to resume.

## Impact of the COVID-19 Pandemic on the FY 2020 and FY 2021 Operating Budget

The impact of the emerging pandemic began to significantly impact scheduled events and SDCCC operations in March 2020. SDCCC estimates they will be losing at least 52 scheduled events between mid-March and July 2020.

In an effort to protect the City’s homeless citizens (those in City shelters and elsewhere who were unable to maintain adequate social distancing) from COVID-19, the City asked SDCCC if they could convert the Convention Center into a safe homeless shelter for up to 1,500 individuals. In a remarkable effort, SDCCC staff collaborated with the City and its partner agencies to convert the Convention Center into a temporary homeless shelter for up to 1,500 homeless citizens effective April 1, 2020.

As a result, usual business activity at the Convention Center will be suspended for the last

| Actual and Forecasted Benefits from Operations <sup>1</sup> | FY 2019<br>(Actual results) | FY 2020<br>Pre-COVID<br>(Forecast) | FY 2020<br>COVID (Forecast) | FY 2021<br>(assumes no<br>events in July) |
|---|-----------------------------|------------------------------------|-----------------------------|---|
| • Regional Economic Impact                                  | \$1.3 billion               | \$1.3 billion                      | \$838.7 million             | \$1.1 billion                             |
| • Direct Attendee Spending                                  | \$755.3 million             | \$757.8 million                    | \$493.5 million             | \$668.7 million                           |
| • Hotel & Sales Tax Revenue                                 | \$29.0 million              | \$28.6 million                     | \$18.0 million              | \$23.1 million                            |
| • Hotel Room Nights (contracted only)                       | 823,000                     | 792,000                            | 511,000                     | 728,000                                   |
| • Exhibit Hall Occupancy                                    | 83.2%                       | 74.4%                              | 52.7%                       | 70.8%                                     |
| • Number of Conventions and Events                          | 143                         | 161                                | 113                         | 105                                       |
| • Attendance - Primary Business Attendees                   | 606,000                     | 614,000                            | 406,000                     | 450,000                                   |

<sup>1</sup> FY 2019 is actual data. FY 2020 data was projected by SDCCC pre-COVID and after the onset of COVID. FY 2021 data is projected as of April 24, 2020.

# City Agencies: Convention Center

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three months of FY 2020 and for some indeterminable amount of time into FY 2021. Despite this uncertainty, SDCCC staff developed a budget for FY 2021 assuming the Convention Center could resume normal operations in August 2020. While this seemed like a reasonable assumption for the Board to accept when the budget was presented and discussed in late March and mid-April, the ongoing adverse implications of the pandemic on Convention Center operations continues to evolve.

This report reviews the FY 2021 budget adopted by the Board and submitted to the City understanding the assumption of resuming normal operations in August 2020 may be optimistic. The final section of this report discusses potential plans to address revenue losses should the Convention Center be unable to resume regular operations in August as is contemplated in the FY 2021 Budget.

## **FY 2021 Proposed Budget**

On April 20, 2020, the SDCCC Board reviewed and approved a budget for FY 2021. A comparison of this budget to SDCCC's FY 2020 operating budget is provided in the Summary of Operating Budget Changes table on the following page.

The FY 2021 expenditure budget for the Convention Center is approximately \$38.8 million, a decrease of \$222,000 or 0.6% from the FY 2020 Budget.

## **Personnel Expense**

The FY 2021 budget includes total personnel expenses of \$23.6 million, a decrease of approximately \$328,000 or 1.4% from the FY 2020 budget. This reduction results from a \$54,000 reduction in salaries and wages and a \$274,000 net decrease in fringe benefit expense (including a \$342,000 reduction in health insurance premiums).

## **Staffing Levels**

There are 330.68 FTE positions in the FY 2021 budget, a decrease of 16.78 FTE positions as compared to the FY 2020 budget.

The decrease is primarily attributable to a reduction in part time hours (equivalent to 10.78 FTE positions) and a reduction in 6.00 FTE positions. Of the 330.68 FTE positions in the FY 2021 budget, 213.00 (64.4%) are full-time staff and 117.68 (35.6%) are hourly part-time employees.

## **Non-Personnel Expenses**

Non-Personnel Expenses (NPE) increased by approximately \$107,000 or 0.7%, from \$15.0 million in FY 2020 to \$15.1 million in FY 2021. The NPE line items with the most significant year-over-year change are briefly described below:

General Expenses: Decreases by approximately \$1.1 million or 31.9% from \$3.5 million in FY 2020 to \$2.4 million in FY 2021. The decrease is primarily due to the completion of the planned chair and staging equipment replacement program.

Repair and Maintenance: This line item is budgeted to increase by \$811,000 or 31.2% due mainly to fire system, general building, and software & application maintenance expenses.

Utilities: This expense category decreases by \$222,000 or 5.0% due to the expectation for decreased events and activity in the building.

Contracted Services: The budget for this line item is increasing by \$303,000 or 26.0% due to an increase in Other Professional Services to facilitate a planned building assessment.

Insurance: Costs are expected to increase by \$181,000 or 44.9% for property insurance and to establish a claim reserve.

Supplies: Expenses expected to increase by \$139,000 or 31.9% mainly for increased housekeeping supplies.

# City Agencies: Convention Center

| SUMMARY OF CONVENTION CENTER OPERATING BUDGET CHANGES |                     |                     |                      |                     |                          |                    |
|---|---------------------|---------------------|----------------------|---------------------|--------------------------|--------------------|
|   | FY 2019<br>Budget   | FY 2020<br>Budget   | FY 2020<br>Projected | FY 2021<br>Budget   | Increase/<br>(Decrease)* | Percent<br>Change* |
| <b>OPERATING REVENUES</b>                             |                     |                     |                      |                     |                          |                    |
| Building Rent (net of rent credits)                   | \$9,510,829         | \$9,358,263         | \$6,354,150          | \$8,768,220         | (\$590,043)              | -6.3%              |
| Co-Promoted Events                                    | 300,000             | 60,000              | -                    | -                   | (\$60,000)               | -100.0%            |
| Food and Beverage                                     | 11,793,253          | 11,649,835          | 9,236,060            | 10,122,250          | (\$1,527,585)            | -13.1%             |
| Event Services  | 4,911,228           | 4,744,504           | 3,690,900            | 4,117,420           | (\$627,084)              | -13.2%             |
| Utilities   | 6,418,337           | 6,039,732           | 4,342,150            | 6,688,330           | \$648,598                | 10.7%              |
| Telecommunications                                    | 4,636,945           | 4,742,808           | 3,516,920            | 3,566,320           | (\$1,176,488)            | -24.8%             |
| Audio & Visual Services                               | 1,287,350           | 1,352,738           | 1,004,810            | 1,301,640           | (\$51,098)               | -3.8%              |
| Business Development                                  | 160,000             | 475,000             | 391,840              | 621,150             | \$146,150                | 30.8%              |
| Interest/Investment Income                            | 347,646             | 210,000             | 270,000              | 265,000             | \$55,000                 | 26.2%              |
| Other Revenues  | -                   | 238,896             | 205,610              | 109,300             | (\$129,596)              | -54.2%             |
| City of San Diego                                     | 2,133,025           | 2,133,025           | 3,933,030            | 2,186,350           | \$53,325                 | 2.5%               |
| <b>TOTAL OPERATING REVENUES</b>                       | <b>\$41,498,613</b> | <b>\$41,004,801</b> | <b>\$32,945,470</b>  | <b>\$37,745,980</b> | <b>(\$3,258,821)</b>     | <b>-7.9%</b>       |

|   |                     |                     |                     |                     |                    |              |
|---|---------------------|---------------------|---------------------|---------------------|--------------------|--------------|
| <b>OPERATING EXPENSES</b>               |                     |                     |                     |                     |                    |              |
| Salaries and Wages                      | \$18,491,192        | \$18,529,047        | \$18,150,180        | \$18,485,320        | (\$43,727)         | -0.2%        |
| Overtime                                | 105,852             | 109,325             | 136,830             | 98,810              | (\$10,515)         | -9.6%        |
| Fringe Benefits (Health)                | 2,314,566           | 2,001,376           | 1,841,312           | 1,658,950           | (\$342,426)        | -17.1%       |
| Fringe Benefits (Pension)               | 2,560,791           | 2,590,335           | 2,543,603           | 2,608,070           | \$17,735           | 0.7%         |
| Fringe Benefits (Other)                 | 717,281             | 703,298             | 622,975             | 753,790             | \$50,492           | 7.2%         |
| <b>Subtotal Personnel Expenses:</b>     | <b>\$24,189,682</b> | <b>\$23,933,381</b> | <b>\$23,294,900</b> | <b>\$23,604,940</b> | <b>(\$328,441)</b> | <b>-1.4%</b> |
| General Expenses                        | \$2,473,482         | \$3,484,616         | \$3,843,340         | \$2,373,280         | (\$1,111,336)      | -31.9%       |
| Repair and Maintenance                  | 2,741,523           | 2,600,247           | 2,959,470           | 3,411,130           | \$810,883          | 31.2%        |
| Utilities                               | 4,038,326           | 4,429,771           | 4,429,770           | 4,207,670           | (\$222,101)        | -5.0%        |
| Contracted Services                     | 1,255,038           | 1,161,975           | 893,200             | 1,464,620           | \$302,645          | 26.0%        |
| Travel & Transportation                 | 156,260             | 147,742             | 131,440             | 137,510             | (\$10,232)         | -6.9%        |
| Insurance                               | 405,357             | 402,720             | 517,970             | 583,410             | \$180,690          | 44.9%        |
| Telecommunications                      | 44,935              | 45,114              | 44,620              | 51,820              | \$6,706            | 14.9%        |
| Sales & Marketing                       | 2,310,136           | 2,337,192           | 2,322,510           | 2,347,780           | \$10,588           | 0.5%         |
| Supplies                                | 820,722             | 434,846             | 553,360             | 573,730             | \$138,884          | 31.9%        |
| <b>Subtotal Non-Personnel Expenses:</b> | <b>\$14,245,779</b> | <b>\$15,044,223</b> | <b>\$15,695,680</b> | <b>\$15,150,950</b> | <b>\$106,727</b>   | <b>0.7%</b>  |
| <b>TOTAL OPERATING EXPENSES</b>         | <b>\$38,435,461</b> | <b>\$38,977,604</b> | <b>\$38,990,580</b> | <b>\$38,755,890</b> | <b>(\$221,714)</b> | <b>-0.6%</b> |

|  |                    |                    |                      |                      |                      |                |
|--|--------------------|--------------------|----------------------|----------------------|----------------------|----------------|
| <b>NET OPERATING REVENUES/(EXPENSES)</b> | <b>\$3,063,152</b> | <b>\$2,027,197</b> | <b>(\$6,045,110)</b> | <b>(\$1,009,910)</b> | <b>(\$3,037,107)</b> | <b>-149.8%</b> |
|--|--------------------|--------------------|----------------------|----------------------|----------------------|----------------|

| <b>DEBT SERVICE OBLIGATIONS</b>      |                    |                    |                    |                    |                  |             |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|------------------|-------------|
|                                      | FY 2019            | FY 2020            | FY 20 Proj         | FY 2021            | \$ Change        | % Change    |
| Interest Expense                     | \$381,438          | \$891,362          | \$891,360          | \$1,000,220        | \$108,858        | 12.2%       |
| Loan Administration Fee              | 70,125             | 74,487             | 74,490             | 72,200             | (\$2,287)        | -3.1%       |
| Principle: Warehouse Lease           | 2,197              | 2,197              | 2,200              | 2,200              | \$3              | 0.1%        |
| Principle: I-Bank Loan               | 670,975            | 756,061            | 756,060            | 783,200            | \$27,139         | 3.6%        |
| <b>TOTAL DEBT SERVICE OBLIGATION</b> | <b>\$1,124,735</b> | <b>\$1,724,107</b> | <b>\$1,724,110</b> | <b>\$1,857,820</b> | <b>\$133,713</b> | <b>7.8%</b> |

\* Increase/(Decrease) and Percent Change figures are calculated using budgeted numbers for FY 2020 and FY 2021.

# City Agencies: Convention Center

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## Revenue

Budgeted revenue for the Convention Center decreases by approximately \$3.3 million or 7.9% from \$41.0 million in FY 2020 to \$37.7 million in FY 2021. The net year-over-year decrease largely results from changes in the following revenue line items:

Net Building Rent: The expected cancellation of events in July 2020 causes this revenue line item to decrease by \$590,000 or 6.3% from \$9.4 million in FY 2020 to \$8.8 million in FY 2021.

Food & Beverage: Revenue is budgeted to decrease by \$1.5 million or 13.1% from \$11.6 million in FY 2020 to \$10.1 million in FY 2021 due to COVID-19 related event cancellations in July 2020.

Event Services: Revenue from services is also expected to decrease by \$627,000 or 13.2% from \$4.7 million in FY 2020 to \$4.1 million in FY 2021 due to COVID-19 related event cancellations in July 2020.

Utilities: SDCCC provide utility services (e.g., exhibit booth electrical hook-up) to users of the facility and receives a commission for these services. Based on the activity planned for the facility in FY 2021, budgeted revenue from utility-related services has been increased by \$649,000 or 10.7% over the amount budgeted in FY 2020.

Telecommunications: An expectation for decreased commissions due to COVID-19 related event cancellations in July 2020 caused the budget for this revenue line item to decrease by \$1.2 million or 24.8% from \$4.7 million in FY 2020 to \$3.5 million in FY 2021.

Business Development: This line item used to be called Naming Rights and Sponsorship. Revenue is budgeted to increase by \$146,000 or 30.8% in FY 2021, due primarily to a projected increase in revenue from Digital Signage.

Other Revenue: Is expected to decrease by \$130,000 or 54.2% due primarily to a reduction in recycle rebates.

City of San Diego: \$2.2 million of continued support from the City provided SDCCC with funding to cover the cost of the long-term marketing agreement with the San Diego Tourism Authority (SDTA).

## Issues to Consider

### SDCCC's Reserve Policy

The Reserve Policy adopted by the SDCCC Board in 2016 calls for a minimum reserve of at least 8%, and a goal of attaining a 14% reserve, measured as a percentage of the most recent three-year average of annual audited operating revenues. The Policy further states that "Operating Reserves will be maintained to mitigate building maintenance, financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures and to sustain necessary operations in the case of unforeseen emergencies."

As shown in the table on the next page, the Ending Reserve Balance shows projected funds remaining after accounting for net operating revenues, debt payment obligations, loan proceeds received, and money spent for capital needs at the facility. **The projected Ending Reserve Balance in FY 2021 is approximately \$2.1 million which equates to a 5.2% reserve.**

It is important to note that SDCCC's reserve would have been fully depleted but not for the fact that they were recently able to obtain two important loans. The first is a \$4.4 million Paycheck Protection Program (PPP) loan which is expected to be forgiven. This loan enabled SDCCC to retain workers in support of shelter operations and facility maintenance. The second loan (in process) is for \$1.25 million from the California Infrastructure Bank

## City Agencies: Convention Center

| OPERATING RESERVE ACTIVITY                                 | FY 2019<br>ACTUAL  | FY 2020<br>FORECAST | FY 2021<br>BUDGET    |
|--|--------------------|---------------------|----------------------|
| <b>Beginning Operating reserve</b>                         | \$9,017,714        | \$13,674,077        | \$6,160,152          |
| + Net Operating Revenues                                   | 6,904,098          | (6,045,116)         | (1,009,910)          |
| + Transfer of Restricted IBank Contingency to Unrestricted | 826,954            | 0                   | 0                    |
| - Debt Service payments                                    | (651,006)          | (1,724,110)         | (1,857,820)          |
| + Loan Proceeds Received (from I-Bank Loan/PPP Loan)       | 1,468,610          | 4,387,000           | 1,250,000            |
| - Capital Outlay:  |                    |                     |                      |
| - for Capital Infrastructure Projects                      | (1,321,963)        | (2,703,100)         | (1,500,000)          |
| - for Operating Capital Needs                              | <u>(2,570,330)</u> | <u>(1,428,600)</u>  | <u>(935,700)</u>     |
| <b>Ending Reserve Balance</b>                              | \$13,674,077       | \$6,160,152         | \$2,106,722          |
| Ending Balance Expressed as Reserve Percentage             | 36.42%             | 15.18%              | <b>5.19%</b>         |
| Minimum Reserve Balance - 8% per policy                    | \$3,003,974        | \$3,246,579         | <b>\$3,246,579</b>   |
| Over / (Under) Minimum Reserve Balance                     | \$10,670,103       | \$2,913,573         | <b>(\$1,139,857)</b> |

(I-Bank) for the design/engineering of a new roof for the West Building. The acquisition of these loans positively impacts the projected reserve calculation for FY 2021 as can be seen in the above table. While SDCCC's projected 5.2% reserve is understandably below the 8% minimum policy reserve goal given the adverse impacts of the COVID-19 pandemic, it is much better because these favorable loans were obtained.

It should also be noted that SDCCC uses their reserves to finance critical capital projects. These expenditures reduce the ending reserve balance.

The downturn in normal business activity due to the pandemic makes it challenging for SDCCC to balance the need to spend for critical capital projects (to maintain the facility) with the competing goal of achieving their reserve policy goals.

Owing to record-setting operating results in recent years, SDCCC management has generally maintained an Ending Reserve Balance well above their Reserve Policy percentage goals. Maintaining adequate reserves now competes with SDCCC's ability to address identified CIP and Operating Capital needs.

### **Use of California Infrastructure Bank (I-Bank) Loan to Finance Needed Capital Projects**

In a collaborative effort with the City, SDCCC finalized the terms of a \$25.5 million I-Bank loan in December 2016. The loan financed several important projects including the replacement of the Sails Pavilion fabric structure and escalator improvements. The term of the loan is 25 years and the rate of interest is 3.6%. SDCCC started making full annual debt service payments of approximately \$1.7 million beginning in FY 2020 and these payments will continue through FY 2041.

SDCCC staff is currently pursuing an additional loan from the I-Bank to finance the design and construction of a needed roof replacement for the West Building. The total cost of this project is estimated to be about \$7.0 million, \$1.25 million of which would cover the design and engineering process. A loan is only needed for the design/engineering work in FY 2021. With this capital project timeframe and borrowing in mind, SDCCC added approximately \$133,000 of interest expense for the \$1.25 million portion of the contemplated additional loan, increasing the total budgeted debt service payment to \$1.9 million in FY 2021.

## City Agencies: Convention Center

### 10-Year CIP and Operating Capital Needs Assessment

On March 26, 2020, SDCCC’s Board approved an updated 10-year assessment of Capital Infrastructure Projects (CIP) and Operating Capital needs for FY 2021 through FY 2030 as shown in the table on the next page. These projections are the result of condition assessments performed by SDCCC staff and consultants on the facility’s infrastructure and other Operating Capital needs. The projections provide cost estimates, show which projects need to be undertaken, and when they should be undertaken, in order to properly maintain the Convention Center facility.

| <b>10-Year Projections for Capital Improvement Projects (CIP) and Operating Capital Projects (\$ in millions)</b> |                     |                          |                |
|---|---------------------|--------------------------|----------------|
| <b>Fiscal Year</b>  | <b>CIP Projects</b> | <b>Operating Capital</b> | <b>Total</b>   |
| <b>FY 2021</b>  | \$1.5               | \$0.9                    | <b>\$2.4</b>   |
| <b>FY 2022</b>  | \$7.5               | \$1.0                    | <b>\$8.5</b>   |
| <b>FY 2023</b>  | \$9.8               | \$0.2                    | <b>\$10.0</b>  |
| <b>FY 2024</b>  | \$23.1              | \$4.9                    | <b>\$28.0</b>  |
| <b>FY 2025</b>  | \$29.5              | \$0.1                    | <b>\$29.6</b>  |
| <b>FY 2026</b>  | \$5.3               | \$0.1                    | <b>\$5.4</b>   |
| <b>FY 2027</b>  | \$2.7               | \$0.3                    | <b>\$3.0</b>   |
| <b>FY 2028</b>  | \$27.6              | \$0.0                    | <b>\$27.6</b>  |
| <b>FY 2029</b>  | \$4.5               | \$0.0                    | <b>\$4.5</b>   |
| <b>FY 2030</b>  | <u>\$0.0</u>        | <u>\$0.0</u>             | <u>\$0.0</u>   |
| <b>Total:</b>   | <b>\$111.5</b>      | <b>\$7.5</b>             | <b>\$119.0</b> |

The rightmost column shows the total annual capital funding need. While SDCCC is projecting they will be able make the \$2.4 million capital contribution in FY 2021 and maintain a modest 5.2% reserve, the identified capital contributions for next four fiscal years are much larger (e.g., \$28.0 million in FY 2024 and \$29.6 million in FY 2025). It will be challenging for SDCCC to continue to fund identified capital needs and stay in compliance with their Reserve Policy in the coming fiscal

years, particularly if it takes longer than expected to return to a normalized level of convention/meeting activity as the country emerges from the COVID-19 pandemic.

### Annual City Payments in support of the Convention Center—\$15.9M

The City makes annual payments totaling \$15.9 million for debt service, dewatering, and long-term marketing in support of the Convention Center. The total payment is shown as a combination of two line items (the Convention Center Expansion Administration Fund and the New Convention Facility Fund) on page 13 of Attachment 1 in the FY 2021 Proposed Budget.

The City makes annual debt service payments on the Convention Center Expansion Bonds that were issued in 1998 (these Bonds were subsequently refinanced in 2012). The proceeds of these Bonds were used to double the size of the original Convention Center which opened in 1989. The annual debt service payment for these Bonds is approximately \$12.6 million in FY 2021. Annual debt service payments will continue at this level until the bonds mature in FY 2028. Additionally, the City pays for annual dewatering costs (approximately \$1.2 million in FY 2021) - dewatering removes unwanted groundwater from the site.

The City annually budgets a supporting contribution to Convention Center operations. The annual support contribution continues to be budgeted at \$2.1 million in the FY 2021 Proposed Budget. SDCCC uses these funds to cover the cost of their long-term marketing and promotion agreement with the San Diego Tourism Authority (SDTA). In the past, the City has provided larger support payments to assist SDCCC in addressing significant capital needs.

## City Agencies: Convention Center

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### **Potential Approach to Maintain a Balanced Budget if the Convention Center is to Continue as a Homeless Shelter in Response to the Pandemic and is Therefore Unable to Resume Normal Operations Early in FY 2021 as Planned**

Our Office spoke with SDCCC management to better understand potential budget implications if the Convention Center cannot resume normal operations in August 2020 as is contemplated in the FY 2021 Proposed Budget. For example, if there were to be a need to continue shelter operations through October 2020 and resume normal Convention Center operations in December, SDCCC would be several million dollars underbudget due to the loss of projected Convention Center activity. If that were to happen, a combination of expense reductions (PE and NPE) and applying market rate facility rent could help SDCCC maintain a balanced budget.

It may be possible for SDCCC to appropriately bill the City for use of the facility as a homeless shelter in response to the COVID-19 pandemic. This appears to be an expense that would clearly be eligible for CAREs Act relief funding. The amount of rent charged to the City for facility rent would not exceed normal market rate rent charged for use of the building. It would be equivalent to SDCCC's cost to operate and maintain the facility as a safe homeless shelter.

This approach offers a dual benefit of providing ongoing shelter for our homeless citizens who, without safe shelter, are at risk of getting the Coronavirus and supporting continued operation of the Convention Center facility until it can be fully returned to its intended use. **As it appears the impact of the COVID-19 pandemic to Convention Center operations and our homeless citizens may extend beyond July 2020, our Office recommends consideration be given to such an arrangement as soon as possible.**