
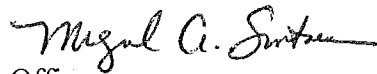


**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: July 25, 2011

TO: Honorable Members of the Ad Hoc Committee on  
Downtown Stadium and Convention Center Renovation

FROM: Gerry F. Miller  , Miguel A. Santana   
Chief Legislative Analyst City Administrative Officer

Pouria Abbassi  
General Manager, Los Angeles Convention Center

SUBJECT: Los Angeles Convention Center and Event Center  
Memorandum of Understanding

**SUMMARY**

Motion (Perry-Smith/Garcetti, CF# 11-0023) instructed the Chief Legislative Analyst (CLA) to engage Anschutz Entertainment Group, Inc. (AEG) in formal discussions regarding its proposal to construct an event center in Downtown Los Angeles (Project) that would host a National Football League (NFL) team, concerts, and other sports and entertainment events; as part of the event center proposal, AEG would construct a new hall to replace the West Hall at the Los Angeles Convention Center (LACC) (collectively, the Project). The CLA established a negotiating team (City Team) comprised of the CLA, City Administrative Officer (CAO), City Attorney, and LACC. In addition, the Council authorized the CLA and CAO to obtain outside consultants to provide economic and fiscal analyses necessary to evaluate the Project.

The City Team met with representatives from AEG to review the proposed Project and determine whether it has merit. The CLA retained Convention Sports and Leisure International (CSL) as its consultant to evaluate the financial model for the Event Center, the economic impacts of the Project on City revenues, the valuation of signage that might be included in the Project, the proposed LACC improvements, and national models of stadium financing. In addition, the CAO retained Public Resources Advisory Group (PRAG) and KNN Public Finance (KNN) to provide analysis of bond structures and the financial guarantee. The CAO and City Attorney hired Orrick, Herrington, and Sutcliffe to provide legal review of potential bond options. It should be noted that Nixon Peabody LLP was recently selected by the CAO to replace Orrick, Herrington and Sutcliffe as bond counsel because of a potential conflict.

The result of discussions with AEG and the studies and analyses provided by the City's consultants is that the proposed Project is financially viable and would improve the LACC facilities, expand the City's economic base, and draw an NFL team to Los Angeles.

The analysis further shows that the proposed Project is entirely unique in that it does not use any public funds to complete the Event Center and actually leverages significant private resources to construct a public improvement, the improved LACC facility (New Hall).

To move this proposal forward, we recommend the Council approve a Memorandum of Understanding (MOU) (Attachment A) that outlines a development model of the Project developed by the City Team and AEG. This MOU is a non-binding framework that will guide discussions on the Definitive Agreements, the contractual documents that would implement the Project. These documents may include a Development Agreement, a Reciprocal Easement Agreement, a Gap Financing Agreement, and documents necessary to issue Bonds for the New Hall. These agreements will be subject to subsequent approval by the Council.

The terms of the draft MOU are as follows:

#### **Event Center**

- No public funds would be used to finance the Event Center;
- AEG would pay a fair market value to lease the City-owned site, adjusted annually, for 55 years; and
- The Project would not proceed until an NFL team has signed a contract to use the Event Center and Event Center financing is in place.

#### **New Hall**

- A New Hall comparable in size to the LACC West Hall with improved functionality would be constructed;
- Approximately \$275M in tax-exempt bonds would provide funding for the New Hall;
- 73% of bond payments would be covered by AEG payments and 27% of net new tax revenues generated by the Event Center would cover the remainder;
- Series A bonds of approximately \$195M would be backed by the Event Center lease payment, new possessory interest tax revenues and limited parking tax revenues; and
- Series B bonds of approximately \$80M would be paid from a Mello-Roos District tax.

#### **Guarantee**

- A three-part guarantee would be provided to ensure sufficiency of funds to cover Project bonds:
  - Period 1, first four years: \$50 million letter of credit, completion guaranty for the Event Center and New Parking Structures, first position for City on the New Parking Structures, a signed team lease, and assignment of team lease and other agreements to City;
  - Period 2, first three years of operation: Completed Event Center, NFL team is playing, \$28 million letter of credit;
  - Period 3, remainder of 30-year bond term: Stability in Event Center and team operations, \$5 million letter of credit plus cash or Letter of Credit to secure Mello-Roos bonds; and
  - AEG would guarantee any shortfall in revenues to pay debt service.

### **Economic Impact**

- Total incremental new tax revenues earned by the City General Fund over 30 years would be \$410 million, or \$146 million net present value; and
- Approximately 2,600 temporary and 6,320 permanent jobs would be created in the City of Los Angeles.

### **Parking**

- AEG would construct and operate two parking facilities (4,000 total spaces) at its cost:
  - LA Live Way Garage -- A 3,000<sup>2</sup>-space garage constructed on the site of the existing City-owned Cherry Street Garage that replaces parking spaces lost from West Hall (1,600 spaces) and Cherry Street Garage (800 spaces) demolition, and
  - Bond Street Garage – A 1,000-space garage on the site of the City-owned Bond Street parking lot;
- The City would have use of the Bond Street Garage for its events when there are no events at the Farmers Field Event Center or Staples Center;
- AEG would pay fair market value to lease these sites, adjusted annually, for 55 years; and
- City and AEG would collaborate to ensure parking availability for LACC events.

### **Other Issues**

- AEG would compensate the LACC for any reduced convention or trade show revenues that result from construction period disruptions;
- AEG would not schedule events into the Event Center that compete with LACC events;
- LACC and AEG would establish a Macro-Booking Committee to coordinate events campus-wide;
- The Staples Center lease would be extended to expire at the same time as the Event Center, in consideration for AEG paying an additional special tax; and
- A Public Benefits package would be developed.

This MOU is consistent with the principles for Project consideration discussed by your Ad Hoc Committee on the Proposed Downtown Stadium and Convention Center Renovation at its meeting of April 18, 2011.

### **RECOMMENDATIONS**

That the City Council:

1. AUTHORIZE the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) to execute a Memorandum of Understanding (MOU) between the City and Anschutz Entertainment Group, Inc. (AEG) substantially in conformance with the attached document setting forth the general terms and parameters for the development of the Event Center, parking garages, and Los Angeles Convention Center (LACC) New Hall; and

2. INSTRUCT the CLA, with the assistance of the CAO, City Attorney, Los Angeles Convention Center, and other departments as appropriate, to prepare and present to Council the Definitive Agreements necessary to fully implement the terms of the MOU.

### **BACKGROUND**

In late 2010 and early 2011, representatives from Anschutz Entertainment Group, Inc. (AEG) began publicly discussing their interest in attracting a National Football League (NFL) team to Los Angeles and constructing a Event Center for its use in Downtown Los Angeles at the current site of the West Hall of the Los Angeles Convention Center (LACC). A key part of the proposal was that the West Hall would be demolished and a New Hall constructed immediately adjacent to the South Hall. The intent was to replace the aging West Hall with a modern exhibition hall and meeting space in a more functional convention center facility. The Event Center and the New Hall comprise the Project.

The AEG proposal indicated that no City funds would be used to fund the Event Center. Further, the proposal provided that only net new revenues generated by the Project would fund the LACC improvements. The intent expressed by AEG was that the City General Fund would be protected, and that the Event Center would leverage new City revenues to support improvements to the LACC.

On January 5, 2011, Motion (Perry-Smith/Garcetti, CF 11-0023, Attachment B) was introduced to begin consideration of the AEG proposal. Motion designated the Chief Legislative Analyst (CLA) as the lead negotiator, with the assistance of the City Administrative Officer (CAO), City Attorney, and LACC (City Team). Motion also instructed the CLA to establish an interdepartmental task force to coordinate the activities of all City departments with regard to consideration of the AEG proposal.

On February 16, 2011, AEG sent a letter to City officials seeking to formally initiate the Project (Attachment C). That letter contained the first written details from AEG concerning its proposal and provided the starting point for discussions between the City and AEG. The City Team initiated regular meetings with AEG to discuss its proposal, identify issues associated with the Project, and determine whether the Project would be financially viable and economically sound.

To assist the City with independent analysis of the proposal, the CLA initiated a competitive search for consultants to advise the City on all aspects of the proposal, including stadium economics, NFL franchise financial considerations, convention center facility needs, and other relevant issues. In April 2011, the CLA hired Convention Sports and Leisure International (CSLI) to provide these services.

Concurrently, the CAO conducted a competitive search for consultants to advise the City on potential bond financing plans for the proposed New Hall, as well as guarantees necessary to ensure that any proposed bond structure had fiscal security and support. The CAO selected Public Resources Advisory Group (PRAG) and KNN Public Finance (KNN) to provide these services. The CAO and City Attorney also conducted a competitive search to identify bond

counsel to provide legal advice concerning the bond scenarios under consideration. Orrick Herrington and Sutcliffe was selected to provide these services. However, they have been replaced by Nixon Peabody LLP due to a potential conflict.

### **LACC EXPANSION**

The publicly owned and operated LACC originally opened in 1971. By 1980, the facility experienced high demand and facility usage, but the existing 234,000 square feet of exhibition space, meeting rooms, and parking spaces were not adequate to meet the demands of expanding convention events. This prompted an effort to significantly expand the facility, which was completed in 1993. The expansion added a new exhibition hall, two levels of meeting rooms, the concourse facility, and parking spaces. The parking structure under the new South Hall was later improved into a hybrid facility that could serve either as parking or exhibit space.

In 1999, the Staples Center was constructed adjacent to the LACC facility, by demolishing the North Hall, a temporary structure, which eliminated 100,000 square feet of exhibit space. Today, the Convention Center contains approximately 867,000 square feet of functional exhibit hall and meeting room space.

AEG proposes to replace the West Hall with a New Hall in a location and configuration that retains similar square footage in exhibition and meeting room space, maximizes contiguous space, and adds a ballroom.

### ***Comparison to Competitive Market***

Renovation of the West Hall and expansion of exhibition and meeting space in the LACC is generally recognized as an eventual necessity. The LACC is currently 15<sup>th</sup> in the nation in terms of overall exhibit hall size and the West Hall is nearly 40 years old. CSL has reviewed improvement plans for competitive convention centers in California, and indicates that there are current and pending infrastructure and capital plans in San Francisco, San Diego, and Anaheim as follows:

- San Francisco has funded and is implementing \$70 million in upgrades, including modernized systems, renovation of aesthetic elements, and communications upgrades. Discussions are underway concerning extensive reconfiguration or expansion.
- San Diego plans a \$753 million expansion that would add 200,000 square feet of exhibit space, a third ballroom, and 100,000 square feet of meeting rooms. Architects have been retained and funding sources are being evaluated. Completion is targeted for 2015.
- Anaheim is developing a \$20 million, 100,000-square foot outdoor pavilion to be completed in 2012. Planning for a 72,000-square foot expansion is underway.

One of the key competitive factors for any convention facility is the amount of contiguous space available for an event. Among 16 competitive facilities, LACC ranks 13<sup>th</sup> in available contiguous

space. Completion of the proposed New Hall would place LACC ahead of San Francisco and San Diego for available contiguous space, which would in turn enhance its competitive market position.

### ***Potential Citywide Event Growth***

CSL reports that national convention activity is relatively stable, with modest growth anticipated in the near future. The recent economic downturn affected the convention business, which is only now starting to rebound. In this economic state, LACC would need to attract existing convention business that is currently using other facilities.

Data indicate that LACC is currently near or at effective capacity for convention and trade show business, operating at or above 70% for most of the last five years. CSL reports that any increase in business would require a change in the mix of events at the facility, implementation of a scheduling pattern that is highly efficient, or a combination of both.

Under these conditions, and based on a review of the 2012 booking calendar, LACC might be able to accommodate up to ten additional citywide conventions. But CSL indicates that these levels of usage do not appear sustainable over an extended period.

### ***Cost of a City-only Project***

LACC staff estimate that it would cost anywhere from \$50-80 million to improve the existing West Hall as a modern convention facility. To remain competitive, though, the City would need to add additional exhibition and meeting room space. The estimate to build the New Hall over Pico Boulevard is \$275 million. Including issuance costs and capitalized interest, the total cost of a City-only funded project would be approximately \$315 million.

If the City were to reject the AEG proposal and move forward with an LACC expansion and modernization project, debt service on \$315 million in bonds would have an annual payment of \$22 million for 30 years. The source of funds for this expansion would be the General Fund. Although such an expansion would likely result in some increase in the number of citywide conventions, it would likely generate revenues comprising only a fraction of the additional costs.

In conclusion, CSL indicates that an increase in the proportion of contiguous space and modest increases in efficient use of space would benefit the LACC. It may be possible to add up to 10 additional citywide events to the LACC calendar, but this would require a different approach to booking the facility. Most importantly, significant improvements in competitive facilities throughout California would cause LACC to experience a gradual decline in business if the current facility was not renovated or replaced.

## **COMPARATIVE STADIUM TRANSACTIONS**

A review of NFL stadium projects completed and proposed across the United States was conducted by CSL to provide context for the proposed Event Center. The study considers the total cost, amount of private funding, and amount of public funding for 22 different stadium projects completed or proposed since 1992. The full analysis is provided as Appendix C of the

CSL report (Attachment D). It includes both summary data and detailed analyses of each of the 23 stadiums included in the study.

Data show that only the new Meadowlands Stadium in New Jersey and the proposed Farmers Field Event Center in Los Angeles are financed completely with private funds. No public money was used in the new Meadowlands Stadium and no public money is used in the proposed Farmers Field Event Center.

The remaining 21 stadiums built or proposed in the United States since 1992 include anywhere from 12% to 100% public funding. On average, public funding comprised 63% of the funding used to complete these projects.

One project of particular note is the Cincinnati Bengals stadium, owned and operated by Hamilton County, Ohio. That project had an estimated cost of \$449.8 million, well above the initial estimated construction cost of \$280 million. Public funds were used to cover 94% of the project's cost, including a county sales tax increase, a State grant, and other public resources. All cost overruns were borne by the County.

The proposed Farmers Field Event Center would be unique in the recent history of NFL stadium projects in that it is not financed with any public funding. Funding is provided entirely by private financing and AEG equity. Because the City would not own or have any financing relationship in the Event Center, all risks and liabilities for costs, leasing, management, and operations are on AEG.

## **EVENT CENTER PERFORMANCE**

CSL conducted a review of the program for the Event Center, including event type and attendance, stadium finances, and team finances. The CSL analysis is provided in Attachment D to this report.

The Event Center as proposed by AEG would provide a venue for NFL games, as well as soccer, concerts, and other sports and entertainment events. It would contain approximately 72,000 seats, with 200 luxury suites and 15,000 club seats. The Event Center would be financed, constructed, and managed entirely by AEG. Approximately 10,200 parking spaces would be located within the immediate vicinity of the Event Center, specifically at LA Live and the Convention Center, with another 20,000 parking spaces within walking distance operated by third party entities. It would be developed as a modern, state-of-the-art venue.

CSL has reviewed the event program proposed by AEG and the operating performance of other major event centers across the country to determine a base scenario for event activity. They have determined that the Event Center would likely host at least 27 events each year, with a total of 1.3 million attendees. These events include NFL pre-season and regular season games, college football, concerts, motor sports events, and soccer. Additional post-season NFL games could occur, as well as "mega" events such the Super Bowl or Final Four, but the CSL model does not incorporate revenues from these events as they will not occur at the facility on a recurring basis.

Based on these assumptions, the Event Center is estimated to earn \$105 million in revenues annually, with expenses of approximately \$50 million.

Analysis of the proposed financing structure for the Event Center indicates that this is a unique project. First, as indicated above, there is no public financing for the Event Center. Typical NFL stadium financing structures provide that a stadium is owned by a public entity and operated by a team. The team retains revenues generated at the facility, including naming rights, concessions, parking, and suite and seat revenues. In return for its right to retain these revenues, the team bears all operating costs and pays the public entity a lease payment for facility use.

AEG has developed a financial model for stadium construction and operations that is completely financed with private resources, including a combination of equity, seat licenses, and other private financing. Table 1 shows the expected financing structure for the Event Center. The estimated Internal Rate of Return (IRR) for AEG is 6.7% based on their contribution of \$900 million and an annual operating profit for the Event Center growing over time. This IRR is significantly below the traditional IRR sought by AEG or other developers of 15-20%. This low IRR indicates that it is not possible to allocate any additional Event Center revenue to the City.

**Table 1**  
**Event Center Development**

Estimated Event Center cost	\$1,200,000,000
AEG/Team Responsibility (% of Total)	100%
NFL G-3 Loan	(\$150,000,000)
Net Personal Seat License Sales (estimated)	(\$150,000,000)
AEG/Team Contribution (net)	\$900,000,000
AEG/Team Equity	\$450,000,000
Debt Service	\$450,000,000
Interest Rate	6.5%
Term	30 years
Annual debt payment	\$34,500,000

Source: CSL, "Fiscal Analysis of Proposed Downtown Stadium and Convention Center Project," July 2011.

The arrangement between AEG and an NFL team will also be unique. As noted earlier, the typical stadium deal provides that the NFL team operates the stadium. In this case, AEG would operate the Event Center, but is not expected to own a majority interest in the team. Since the team would not be receiving revenues that typically accrue, this would require an agreement between the team and AEG that includes sharing of revenues from premium seating, sponsorship sales, and other sources. These revenues are not typically distributed in this fashion. CSL estimates that the team would generate approximately \$336 million in revenues annually, with expenses of \$283 million. This provides an income of approximately \$53 million.



A significant unknown variable in this analysis, however, is the potential that the NFL will charge a relocation fee for any team that moves to Los Angeles. The fee could exceed \$500 million. If such a fee is assessed, the team could be forced to operate at a loss for a number of years.

### **ECONOMIC IMPACT**

As presented, the City would retain half of the net new site specific General Fund tax revenues resulting from the Project and half of the net new site specific General Fund tax revenues would be re-invested in the New Hall. In gross dollars, the City would retain \$210 million in net new tax revenues over the 30-year period, with a present value of \$80 million. As discussed previously, the City's share of the cost of the New Hall is approximately 27%, with 73% of the costs covered by non-tax revenues.

It should be noted that the above figures are very conservative. Initially, tax revenue projections included certain assumptions relative to NFL Super Bowls and college basketball Final Fours. In an effort to be very cautious, the consultants were instructed to remove those assumptions. However, it is highly likely that such events will occur at the Event Center, so the City faces significant upside in net new tax revenues should those events occur. It is also important to note that, as is consistent with City policy, the projections include only direct tax revenues. The "multiplier" effect, which would include such things as higher hotel occupancy and room rates in general, greater sales and economic activity resulting from the increase in job creation, increases in property taxes resulting from investments in the area as a result of the Project, are not included in the projections and would all be retained by the City.

Questions have also arisen relative to how the proposed transaction would benefit the City compared to a scenario in which the City finances the LACC renovations itself. In order to achieve a similar result to the proposed transaction, the City would have to build the New Hall largely as designed in order to make the majority of the LACC's exhibit space contiguous, and invest in capital improvements in the West Hall in order to improve its connectivity to the rest of the LACC and have in excess of one million square feet of exhibit space.

The total cost of the improvements described above would be approximately \$650 million over 30 years in gross dollars and approximately \$315 million in present value. If the tax benefits from the proposed transaction that the City would be foregoing are added to the cost, the total cost to the City from a self-financed project rather than the proposed project would be roughly \$860 million in gross dollars over a 30 year period and approximately \$395 million in present value.

### **SIGNAGE**

In 2008, the City Council approved a tentative signage plan that would have allowed AEG to install signage on the LACC. In that agreement, the City would have received an annual payment of \$2 million, plus additional revenue-sharing income. That agreement required AEG to install and maintain all signage at its cost. Economic circumstances and changes in the legal framework and entitlement process concerning signage, however, prevented AEG from moving forward with their signage plans.

The proposed Project includes a provision that the signage concepts originally approved in 2008 by the City for LACC would remain in place, with certain revisions related to the removal of West Hall and construction of the New Hall. CSL reports that the exterior wall of the South Hall which faces the Highway 110/Interstate 10 Interchange is not impacted by the proposed Project and that this is the most valuable space for signage in the plan. As a result, any revisions to the original signage plan would not significantly change the potential revenues generated by the site.

CSL has modeled the signage plan proposed by AEG and has determined that the size and configuration of signage in this plan would generate approximately \$5.3 million to AEG (Appendix A of the CSL report). Valuation in the CSL model is based on daily average number of adults that would view the signs, the average number of people who are likely to see the signs, a visibility score, and cost of the signage. The visibility score incorporates factors such as distance to the road, sign format and size, number of signs in an area, street type, and orientation of the sign to the road.

Any changes to the proposed signage plan that may result from new campus designs would be re-evaluated and amended as appropriate.

#### **MEMORANDUM OF UNDERSTANDING**

The City Team, in discussions with AEG, has developed a Memorandum of Understanding (MOU) that, if approved by Council, would guide the preparation of the final documents necessary to implement the Project. Should Council move forward with this Project, several documents would be prepared that provide the contractual obligations to allow the Project to be constructed (collectively, the Definitive Agreements). These documents may include a Development Agreement (DA), Ground Lease, Gap Funding Agreement, Reciprocal Easement Agreement (REA), and all documents necessary to issue bonds for the New Hall. The MOU serves as the framework for development of these documents.

It is critical to note that the proposed MOU is a non-binding document. The MOU does not require the City to complete a negotiated deal with AEG, does not obligate the City to move forward, does not restrict the City to the terms therein, and does not impose any financial liability on the City. The intent of the MOU is to establish the framework for preparation of the Definitive Agreements. The City may not, and should not, adopt a binding document until the environmental impact report (EIR) has been completed. Full analysis of the environmental effects of the Project must be analyzed before the City makes a final commitment to the Project. The EIR is expected to be completed in May of 2012.

The proposed MOU prepared by the City Team and AEG is attached as Attachment A. The terms of the MOU are summarized below.

#### ***Event Center***

AEG would construct an Event Center suitable for an NFL team, soccer events, concerts, and other large sports and entertainment events. The facility would be located on the site currently occupied by the West Hall of the LACC. AEG would pay fair market value, adjusted annually,

for a 55-year lease of the site. No public funds would be used to construct the Event Center or to provide incentives for the Event Center to be built.

LACC would receive the right to use the Event Center for a certain number of days, at rental rates comparable to those charged for LACC events. This would allow LACC to provide up to one million square feet of exhibition and meeting space for citywide convention events at a competitive price.

Provisions in the MOU also ensure that an NFL team would be signed to play in the facility for at least 30 years. AEG would not be able to initiate construction of the Event Center until an NFL team has signed a lease and AEG must make every reasonable effort to make sure the team stays in the Event Center. If a team leaves, AEG must find another team to use the facility within a specific period of time.

### ***Parking***

The proposed Project includes elimination of 1,600 parking spaces beneath the West Hall of the Convention Center and demolition of the City-owned 800-space Cherry Street Garage. In their place, AEG would build two parking garages, at their own expense, with a total of 4,000 parking spaces. These garages would be located at the site of the current City-owned Cherry Street Garage and Bond Street parking lot.

AEG would receive a 55-year ground lease for the two City-owned properties for an annual payment currently estimated at \$500,000. AEG would own and operate these garages and retain revenue earned, with one exception. LACC would have the right to use the Bond Street Garage for its events when there are not events at the Farmers Field Event Center or Staples Center, and would retain parking revenues earned by those events.

Aside from the possessory interest and parking taxes as discussed below, the City will receive other revenues from parking operations that will not be attributed as a source of funds for repayment of the bonds. This is to make the City “whole” for the loss of parking revenue as AEG would now own and operate the New Parking Structures. These other revenues include the following:

- **New Parking Structure Ground Rent:** The fair market value would be established through an independent appraisal performed by the City.
- **Revenues from Bond Street Garage:** The City would retain revenues received from Bond Street Garage on days that the LACC hosts events that do not conflict with a Staples Center or Event Center event.
- **Parking Taxes from Off-site Parking:** The City would retain incremental parking taxes received from all other parking garages that generate business from Event Center events.

The City will conduct an audit of LACC parking revenues prior to the completion of Definitive Agreements to ensure that net new parking revenues are sufficient to replace any parking revenues lost due to this Project.

### *New Hall*

AEG would be required to construct a New Hall immediately adjacent to the existing South Hall of the LACC. This new exhibition and meeting space would be comparable in area to the West Hall with improved functionality and of a quality that meets modern standards for convention facilities. AEG would design and construct the New Hall on behalf of the City, with design approvals by the LACC and Department of Public Works, Bureau of Engineering. The New Hall is estimated to cost \$275 million, with funds to be provided through tax-exempt bonds. AEG would be reimbursed for reasonable project expenses from the bond proceeds.

This ensures that the West Hall will be replaced and that there will be no loss of meeting space compared to current facility conditions. The effect, however, will be to provide a modern convention and meeting facility in a much more compact, efficient and contiguous configuration.

### *Finance*

The proposal as it was originally presented by AEG included a plan to finance the New Hall and new parking structures through the issuance of tax-exempt bonds in the amount of \$350 million. As discussions progressed, the cost increased to \$374 million. The debt would have been financed through Lease Revenue Bonds, making the LACC improvements an obligation of the General Fund. To reduce the General Fund obligation, the City Team proposed that AEG finance, own, and operate the New Parking Structures, which would be located on City property leased to AEG. The City Team also proposed that a portion of the debt be financed through Mello-Roos Bonds instead of Lease Revenue Bonds, making this portion of the debt an obligation of AEG.

The bond financing for the New Hall as it is currently proposed is approximately \$275 million, however the deal points regarding the New Parking Structures and the Mello-Roos Bonds reduce the General Fund obligation to approximately \$195 million. The remaining estimated \$80 million would be a Mello-Roos tax obligation of AEG and would represent no claim to the City's General Fund. The ratio of Lease Revenue Bonds to Mello-Roos Bonds may be adjusted to reflect market conditions.

The proposed plan of finance for the New Hall includes two issuances. The first issuance consists of approximately \$195 million in Lease Revenue Bonds (Series A) and the second issuance consists of approximately \$80 million in Mello-Roos Bonds (Series B). Bond proceeds from both issuances would finance construction of the New Hall, interest payments during the construction period, and the costs of issuance. The proposed term of the bonds is 34 years (4 years of construction plus 30 years of operation) to mature by 2046. Analysis of the proposed bond structure has been prepared by PRAG and is attached as Attachment E.

The current financing plan is based on an analysis of estimated fair rental value and other financial market conditions as of July 2011 that require further verification and confirmation.

The City's financial advisors are in the process of determining if the values are consistent with current estimates.

Table 2 summarizes the amount of bonds in each series and the source of revenues that will pay for those bonds.

**Table 2**  
**Bond Finance Summary**

	Total Bond Proceeds	Private Funding		Public Funding	
		Sources	Annual Payment*	Sources	Annual Payment*
Series A: Lease Revenue Bonds	\$195M	– Ground Lease	\$6.5M	– Possessory Interest Tax – On-site Parking Tax	\$3.9M \$0.7M
Series B: Mello-Roos Bonds	\$80M	– Special Taxes	\$5.0M	– None	
<b>Total</b>	<b>\$275M</b>		<b>\$11.5M</b>		<b>\$4.6M</b>

\* Average over 34 years

Series A – Lease Revenue Bonds (approximately \$195 Million)

Lease Revenue Bonds are used to finance construction or improvements of a municipal facility, which are secured by lease payments made by a financing authority on behalf of a municipality. In this case, the Los Angeles Convention and Exhibit Center Authority (Authority) would be the financing authority to issue the debt and make debt service payments from lease payments on the New Hall paid by the City. The Authority previously financed the existing LACC facility and uses City lease payments towards the annual debt service.

Lease Revenue Bonds are funded from the General Fund and are therefore a General Fund obligation. However, it is expected that amounts derived from all funding sources identified in Table 2 would equal or exceed the Series A debt service. The annual debt service payment would be approximately \$11 million and is proposed to escalate. The final payment scheduled for 2046 is approximately \$19 million.

A requirement of this finance plan is that AEG would guarantee to cover any gap between debt service and the funding sources under a Gap Funding Agreement. It should be noted that, based on the proposed estimated revenues, no gap is anticipated.

As part of the original deal, AEG had proposed using the following General Fund sources of revenue for repayment of the bonds:

- Event Center ground lease payment;
- Incremental parking revenue;
- Incremental LACC operating revenue; and

- Incremental tax revenues including construction sales, retail sales, parking, business license, utility, transient occupancy tax, and possessory interest tax.

However, given the state of the economy and the fluctuating nature of tax revenues, the City Team's goal was to limit the sources of repayment to those revenues that are easy to measure and fairly consistent. As a result, the private funding sources that AEG will contribute toward the debt service will increase. According to the current proposal, retail sales, business license, transient occupancy and utility taxes generated by the Project will not be included as a source of repayment for the bonds but would instead benefit the General Fund. Only the following sources of General Fund revenues would be used for repayment of the Lease Revenue Bonds:

1. Event Center Ground Lease (approximately \$6.5 million/annually): The rent will be based on a fair market value assessment. The value will be established through an independent appraisal performed by the City.
2. Possessory Interest Tax (approximately \$3.8 million/annually): Since City property will be leased over a long term to a private party, the County will assess a possessory interest tax in-lieu of property tax. The tax would be paid by AEG on the Event Center and the New Parking Structures. AEG will finance, operate and own the parking structures that will be located on Cherry Street and Bond Street.
3. Parking Taxes (approximately \$715,000/annually): The parking taxes will include incremental parking taxes from on-site parking locations owned by both the City and AEG. The City owned facilities would include the parking locations at the South Hall and Venice Garage, and the AEG owned facilities will include Cherry Street, Bond Street, Olympic East and Olympic West (LA Live Garages).
4. Construction Sales Tax (approximately \$3.8 million/one time): Tax generated during the construction period of the New Hall and the Event Center will be credited by AEG to the City as the point of sale.

#### Series B – Mello-Roos Bonds (approximately \$80 Million)

Under the Communities Facilities District Act, more commonly known as the Mello-Roos Law, local government agencies may levy a special tax as a means of obtaining funding for the construction and improvement of a public facility. Mello-Roos Bonds would be secured by property owned by AEG and therefore would be a private obligation of AEG. Unlike Lease Revenue Bonds, Mello-Roos Bonds are not an obligation of the General Fund.

The original financing plan proposed by AEG involved issuing approximately \$80 million of City-backed Lease Revenue Bonds supported by an approximate \$5 million annual signage payment. That component of the financing has been restructured so that, instead, approximately \$80 million of Mello-Roos Bonds will be issued payable from special taxes on AEG property at Staples Center and LA Live. The result is that \$80 million of bonds will no longer be payable from the General Fund and instead would become an obligation of AEG.

The annual debt service payment on the Mello-Roos Bonds would begin at \$3 million and escalate throughout the term of the Bonds. Beginning in Fiscal Year 2024-25, the special tax payment would increase by an additional \$2 million (present value). The final payment scheduled for 2046 is approximately \$15 million.

### ***Guarantee***

In addition to guarantee measures incorporated as part of the financing plan to address the sufficiency of revenues, such as the Gap Funding Agreement, there would be a separate Guarantee that is co-terminus to the life of the Bonds. The Guarantee addresses the following three periods of risk:

#### Period One – Fiscal Years 2012-13 through 2015-16

The first period begins with the issuance of the Lease Revenue Bonds through the date when the NFL team plays its first home game in the Event Center. The risk occurs after the bonds have been issued and before the Event Center is completed, since a portion of the revenues generated from Event Center operations will be used to pay the debt service. The guarantee in this period requires that the Event Center be completed, that an NFL team is under contract, and that there is sufficient credit support and equity available to support payment of the Series A Bonds until the point in which the Event Center will be fully operational and generating the revenue to pay the Bonds.

Components of this guarantee are:

- Letter of Credit (\$50 Million): The annual debt service payment for Lease Revenue Bonds would be approximately \$11 Million. The letter of credit secures several years of debt service in case of default during this period. AEG may allocate up to \$10 million to serve as a partial Reserve Fund for the Lease Revenue Bonds and up to \$4 million to serve as a partial Reserve Fund for the Mello-Roos Bonds. The remaining balance may be allocated to secure the Gap Funding Obligation;
- Completion Guaranty: AEG would back a completion guarantee on the Event Center and New Parking Structures;
- City would be in the first position to assume AEG rights on the New Parking Structures if AEG defaults;
- A signed team lease; and
- Assignment of team lease and other ancillary agreements to the City subject to comparable rights (and obligations to cure) of the Senior Lender and then the City.

#### Period Two – Fiscal Years 2016-17 through 2018-19

The second period covers the first three years following the NFL team's first home game at the Event Center. At this point, the New Hall and Event Center would have been completed, the team would have begun play, and significant new revenues would be generated. At this stage,

risk is related to the success of events at the Event Center, and is not associated with construction or completion. As a result, the guarantee would cover on-going bond payments in the form of a Letter of Credit in the amount of \$28 million. AEG may allocate up to \$10 million to serve as a partial Reserve Fund for the Lease Revenue Bonds and up to \$4 million to serve as a partial Reserve Fund for the Mello-Roos Bonds. The remaining balance of \$14 million may be allocated to secure the Gap Funding Obligation.

#### Period Three – Fiscal Years 2019-20 through 2045-46

The third period entails the final operating years and ends with payment in full of all Bonds. During this time it is assumed that the Event Center has reached stability in its operations. AEG would be required to provide a Letter of Credit in the amount of \$5 million to secure the Gap Funding Obligation. Also, the Reserve Fund for the Lease Revenue and Mello-Roos Bonds would be secured by cash from AEG, by excess cash available from Bond proceeds, or an additional Letter of Credit.

#### ***Other Issues***

The MOU provides that AEG would compensate the LACC for any construction period disruptions that result in reduced convention or trade show revenues and that they would not schedule events into the Event Center that compete with LACC events. These measures ensure that construction activities prior to opening of the Event Center do not degrade business at the LACC, nor would the operation of the Event Center itself.

One of the most critical elements of the MOU is a requirement that LACC, LA Inc., and AEG establish a Macro-Booking Committee to coordinate events campus-wide. Much of the success of this campus will depend on the ability to manage transit and transportation into and out of the area. Event coordination will be essential to ensure that major events do not conflict with one another, particularly on NFL game days.

Another element of the MOU is that the Staples Center lease would be extended to expire at the same time as the Event Center, in consideration for AEG paying an additional special tax. The Staples Center agreement was executed in 1998 and includes a 55-year lease of that site. AEG has requested that an additional 18 years be added to that lease to ensure that the terms for both Staples and Farmers Field expire at the same time. Any extension, however, requires that AEG pay fair market value for the additional years.

Additionally, a Public Benefits package would be developed by AEG in cooperation with the City and community leaders. The elements of this package would be contributions above and beyond existing requirements such as the 1% for the Arts Fee.

#### **NEGOTIATING PRINCIPLES**

At its meeting of April 18, 2011, your Ad Hoc Committee considered a report by the CLA that outlined 12 principles regarding negotiations with AEG. The principles included key concepts related to Project financing, protection of the City's General Fund, and the use of private financing in the Project. The MOU attached is fully compliant with these principles.



In addition, Councilmember Rosendahl introduced five amendments to those principles. Your Committee asked that the CLA report to Committee on those amendments. These amendments relate to protection of the General Fund, restricting the use of public funds in the Event Center, providing a guarantee that ensures coverage of payment obligations, CEQA compliance, and revenue sharing of Event Center naming rights. Upon review, it has been determined that the MOU as proposed is compliant with four of the five amendments presented.

The MOU, however, does not contemplate any revenue sharing of Event Center naming rights. Review of the financing and revenue sources by the City's independent consultant shows that the Event Center would not be feasible without AEG's full use of the naming rights revenues.

Attachment F provides the text of the principles considered by your Ad Hoc Committee with a review of the MOU elements that address those principles.

### **TIMELINE**

Approval of the recommendations in this report would allow the Project to proceed to the next step, which involves the drafting of Definitive Agreements that establish the contractual obligations for the Event Center, parking garages, and New Hall construction, as well as the terms of the ground leases and release of the bonds. Concurrently, all required California Environmental Quality Act (CEQA) environmental review would be conducted.

Once all of these documents are approved and executed and CEQA requirements have been met, AEG would begin construction of the New Hall, the parking garages, and then the Event Center.

The following timeline provides a review of the milestones for complete Project implementation, assuming the Council approves this report in August 2011.

August 2011	Approval of the MOU
September 2011	Initiate discussion of Definitive Agreements
May 2012	Consider CEQA actions and Definitive Agreements
Summer 2012	Initiate construction of the New Hall and New Parking Structures upon execution of contract between AEG and an NFL team
Summer/Fall 2013	Opening of the New Hall and New Parking Structures and Initiate construction of the Event Center
Summer 2016	Opening of the Event Center

### **FISCAL IMPACT**

There is no impact to the General Fund associated with this report. This is a non-binding Memorandum of Understanding to guide the development of Definitive Agreements that will establish contractual obligations for the Project, which will be presented at a later date should Council approve the recommendations contained herein.

*Attachments:*

- A: Memorandum of Understanding Between the City of Los Angeles and Anschutz Entertainment Group, Inc. (AEG)
- B: Motion (Perry-Smith/Garcetti, CF# 11-0023)
- C: AEG Event Center Proposal (AEG)
- D: Fiscal Analysis of Proposed Downtown Stadium and Convention Center Project (CSL International)
- E: Proposed Plan of Finance for New Hall (PRAG and KNN)
- F: City Negotiation Principles for Event Center Project (CLA)

**Attachment A**  
Memorandum of Understanding  
Between the City of Los Angeles  
and AEG

Prepared by the City Team and AEG

**MEMORANDUM OF UNDERSTANDING BETWEEN  
CITY OF LOS ANGELES AND  
ANSCHUTZ ENTERTAINMENT GROUP, INC.**

This MEMORANDUM OF UNDERSTANDING (“MOU”) between the CITY OF LOS ANGELES, a California municipal corporation and charter city (“City”), and ANSCHUTZ ENTERTAINMENT GROUP, INC., a Colorado corporation (“AEG”), is intended to memorialize preliminary terms and provide a general framework for negotiations between the parties in relation to AEG’s proposal to build: (1) an exhibit hall, meeting rooms, and ancillary and supporting spaces (“New Hall”), all as further described below, to replace for the Los Angeles Convention Center (“LACC” or “Convention Center”) the spaces, functions, and facilities provided by its existing West Hall, which is intended to be undertaken by L.A. Convention Hall, LLC, an affiliate of AEG, and (2) an event center, which will include a stadium sufficient to accommodate a National Football League (“NFL”) team, concert and other uses, meeting, and exhibit space (“Event Center”) and two new parking structures (the “New Parking Structures”), all of which are intended to be undertaken by L.A. Event Center, LLC, an affiliate of AEG (AEG, L.A. Convention Hall, LLC and L.A. Event Center, LLC are individually or collectively, as applicable in each instance, referred to as “AEG”; City and AEG are collectively referred to as “parties;” and the New Hall, Event Center and New Parking Structures are collectively referred to as “Proposal” or “Project”). If agreement can be reached, these negotiations may result in definitive binding agreements (“Definitive Agreements”) which may include various contracts, leases, issuance of bonds and other legal documents.

**MOU IS NOT A CONTRACT AND IS NOT BINDING ON THE PARTIES.** The parties understand and agree that this MOU is: (1) neither a contract, lease, or commitment, (2) not binding on either party but simply a discussion outline which may be changed by either party at any time, creates no binding contractual obligations, and does not commit either party to a particular course of action, and (3) subject to termination at any time by either party at that party’s sole discretion without notice and without any liability on the part of either party to the other party, except as may be specified in the accompanying binding Evaluation Phase Agreement. All terms and issues set forth in this MOU are subject to further discussion or revision. AEG and the City each acknowledges and agrees that all contracts, transactional documents, leases and land use entitlements must be approved in accordance with the provisions of state law, the City’s Charter and Administrative Code, and all other applicable legal requirements (“Applicable Requirements”).

**FINANCIAL STRUCTURE.** Unless specifically indicated, the financial structure, including mechanisms and amounts (“Financing Plan”), is preliminary and subject to additional analysis, audits, and modifications. The current Financing Plan for New Hall is based on analysis, estimates of fair rental value, and financial market conditions and other reasonable assumptions as of July 2011 that require further verification and confirmation. The

parties understand and agree that the final Financing Plan may require revisions based on the results of continuing analysis and audits and the financial market conditions at the time the New Hall is ready to be financed, which is currently anticipated to occur in the spring of 2012. The final Financing Plan will be subject to the mutual agreement of the parties, and the approval of the City Council and Mayor prior to the issuance of any bonds for New Hall.

**CALIFORNIA ENVIRONMENTAL QUALITY ACT.** In accordance with California Code of Regulations, Title 14, section 15084(d)(3), AEG, at its sole cost, shall complete an Environmental Impact Report ("EIR") which shall fully analyze the impacts of the Proposal. The City shall subject the EIR prepared by AEG to the City's own review and analysis, and the EIR shall reflect the City's independent judgment. Notwithstanding the fact that the EIR will be prepared by AEG, the ultimate responsibility for ensuring the adequacy and objectivity of the EIR rests with the City. City retains the absolute sole discretion to: (1) modify the transaction, create and enter into transactional documents, and modify the project Proposal as may, in its sole discretion, be necessary to comply with the California Environmental Quality Act ("CEQA"), except that any modifications to the Event Center portion of the Proposal shall be at the sole discretion of AEG, (2) select other feasible alternatives to the Proposal to avoid significant environmental impacts, (3) balance the benefits of the Proposal against any significant environmental impacts prior to taking final action if such significant impacts cannot otherwise be avoided, and/or (4) determine not to proceed with the Proposal. No legal obligation will exist unless and until the parties have negotiated, executed and delivered mutually acceptable agreements based upon information produced from the CEQA review process and on other public review and hearing processes, subject to all applicable requirements.

**BINDING AGREEMENT FOR CITY COSTS, INDEMNITY, AND ENTRY.** The parties will enter into a separate and binding agreement, in a form to be mutually satisfactory to the parties, to ensure that the City's General Fund is not at risk while AEG and the City evaluate the Proposal. The agreement will set forth AEG's obligation to pay, or reimburse the City for, certain third party costs reasonably incurred by the City in connection with the Proposal, including but not limited to costs incurred for outside financial, technical, real estate, and legal consultants with expertise in the subjects involved in these negotiations. In addition to its commitment to reimburse certain third party costs, AEG shall in good faith consider reasonable requests by certain City departments (e.g. planning) for payment of additional fees on account of additional dedicated staffing required to process expedited project approvals. The agreement will also set forth AEG's indemnification of the City and the parties' respective rights to access and documents during the evaluation of the proposal. It is the parties' mutual intent that, to the extent legally permissible and should Definitive Agreements be entered into, all such amounts paid by AEG pursuant to such agreement shall be reimbursed to AEG out of proceeds from the Bonds (as defined below).

**PARTIES' GOALS.** Among other matters, it is the parties' intent that:

(1) all agreements reached by the parties shall be "cost neutral" to the City, meaning that the City's General Fund, except for an amount equal to the revenues from the Project as specifically identified herein, will not be used to satisfy the City's obligations under the Bonds (as defined below) to be issued in connection with the New Hall;

(2) no City funds will be used for either the Event Center or New Parking Structures;

(3) in addition to providing a venue for spectator sports and entertainment events, the Event Center shall include a fixed or operable permanent roof, at AEG's election, and shall be constructed so as to provide viable additional event, meeting rooms, and exhibit space that will be made available for LACC upon terms agreed to by the parties, and that together with existing LACC event space, shall bring total available LACC event space to over 1 million square feet of usable space;

(4) substantial Project revenues will be generated and will be sufficient in time and amount to pay debt service on any Bonds issued for the New Hall as set forth herein;

(5) only those Project revenue sources identified below (which shall be limited to the specified portion of demonstrated total net incremental tax revenues, and those other dedicated Project revenues identified below, generated by the Project) shall be used to support any tax-exempt or taxable bonds or other state and local obligations issued for the New Hall ("Bonds"), it being the intent of the parties that not more than 50% of the total net new revenues generated by the Project shall be available and required for payment of debt service under the Bonds. The City will have no liability for such debt service in excess of these revenues, all as more specifically set forth below;

(6) AEG will provide a guaranty or a combination of credit support, including a letter of credit, pledge of assets, and such other mechanisms or combinations of these and other mechanisms, as described below, on terms acceptable to the City, in order to ensure that no City funds, other than those funding sources discussed herein, shall be used to satisfy the City's obligations with respect to the Bonds. The form and amount of such guaranty or other credit support may change throughout the term of the Bond financing as more specifically set forth below;

(7) City will retain fee ownership and control over the New Hall, including the entire LACC, and City will continue to own and operate LACC in its final configuration, subject to the terms and conditions set forth herein;

(8) the New Hall will meet the space, function, and layout requirements of the LACC, as determined by City and as more fully described below;

(9) in order to protect against any shortfall in the revenues reasonably anticipated

from the business and operations of LACC during demolition and construction of the Project, the schedule for the demolition of the existing LACC West Hall and parking facilities and the construction of the New Hall, Event Center, and the New Parking Structures shall mitigate and compensate to the fullest extent reasonably possible as more fully described below, any material disruption of existing service or scheduled events at the LACC that cannot otherwise be reasonably accommodated, and City parking revenue shall not be negatively impacted by either the demolition of the existing LACC parking facilities or the construction of the Project;

(10) the Definitive Agreements to be negotiated by the parties will include, among other agreements, a development agreement pursuant to which AEG will provide a public benefits program which shall be treated as consideration under such development agreement; and

(11) AEG shall enter into contracts with one or more NFL team(s) to play in the Event Center for a period of time at least equal to the final maturity of the Bonds originally issued in connection with the New Hall.

In an effort to accomplish the foregoing goals, the parties have negotiated the proposed terms and conditions of the Project as more particularly set forth below.

**TRANSACTION OVERVIEW.** The parties intend to discuss proposed transactions consisting of the following:

A. Proposed Facilities

1. Event Center.

- (a) AEG will, at its own cost, construct the Event Center, which shall be sufficient to accommodate a wide variety of uses, including without limitation, NFL football, soccer, conventions and exhibitions, trade shows, concerts and other entertainment, and sporting events, on the property where the West Hall of the Convention Center is currently located exclusive of Gilbert Lindsay Drive/Plaza ("Event Center Property") (as illustrated in the most recent proposed Project site plan attached hereto as Appendix A), it being the intent of the parties that the Event Center Property shall encompass all of the real property associated with the original West Hall completed in 1971, excluding areas significantly improved and/or built as part of the 1993 South Hall expansion, required to enable the construction of the Event Center. The Event Center will be designed to provide approximately 150,000 sq. ft. of floor space at the event level and approximately 100,000 sq. ft. of additional meeting space and other ancillary facilities. The final Project site plan shall be subject to the mutual agreement of the parties, and shall be attached as an exhibit in the Definitive Agreements.

- (b) Subject to the terms and conditions set forth herein, AEG will grant City the right to reserve a certain number of dates for the Event Center to be used by the City for "City Wide Conventions." For the purposes of this MOU, the term "City Wide Conventions" shall mean those multi-day convention and exhibition events utilizing more than the total existing available LACC convention/ exhibition space and generating bookings of not less than 3,000 total room nights with 1,500 room nights on peak and use of at least 3 hotels. Subject in all events to the scheduling requirements of the NFL team(s) and to certain other additional major events to be agreed upon by the parties, provided however, that major events must be of such a nature as to generate significant out-of-area attendance and hotel room nights, AEG shall commit that the Event Center shall be reasonably available to the City for advance bookings of City Wide Conventions, as shall be more specifically described in a macro-booking policy that will be jointly developed by the parties ("Macro-Booking Policy"). The City shall have the right to utilize the Event Center in connection with all other LACC convention and exhibit events other than City Wide Conventions subject to availability. Any use of the Event Center by the City shall in all events be consistent with all other terms and conditions imposed by AEG in connection with all other unrelated third party users of the Event Center convention and meeting space, including without limitation the payment by such third party users of a rental or use fee and a reimbursement to AEG of its costs and expenses incurred in making such space available; provided, however, that solely in connection with the use of the Event Center for City Wide Conventions as agreed upon and set forth in the Macro-Booking Policy, AEG shall only charge the City rent for its use of the Event Center to the extent that City imposes rent or other similar charges on the event producer, consistent with customary convention industry discounts and such other policies as shall be set forth in the Macro-Booking Policy. AEG shall be reimbursed for its direct costs and expenses. As part of the Macro-Booking Policy, the parties will determine staffing plans when LACC is using the Event Center, which shall, to the extent practicable, contemplate the provision of event staffing by LACC at the Event Center during LACC events. AEG, LACC, and L.A. Inc. (or its successor as named by the City) shall establish and maintain a booking and operational oversight committee for the Macro-Booking Policy.
- (c) AEG agrees that it will not actively solicit the booking of the Event Center for use in connection with City Wide Conventions except in conjunction with the City's marketing efforts for the LACC and consistent with the Macro-Booking Policy.



- (d) The Event Center and New Parking Structures will be designed, developed and constructed by AEG as a private development, and will be constructed by AEG entirely without the use of City funds, including the demolition, remediation, and removal of all structures and infrastructure currently on the Event Center Property and the property underlying the New Parking Structures.
- (e) City will grant AEG a long-term lease of the Event Center Property ("Event Center Ground Lease") at an agreed-upon total fair market value annual rental rate presently estimated to equal \$6,500,000 per year ("Event Center Ground Rent"). The Event Center Ground Rent shall commence and be payable under the Event Center Ground Lease upon the earlier of: (1) completion of construction of the Event Center (i.e., the issuance of a temporary certificate of occupancy), or (2) the commencement of use of the Event Center, but in no event later than 48 months after the issuance of the Lease Revenue Bonds (as defined below), and shall escalate annually thereafter by 1.75% per year. Event Center Ground Rent shall be payable annually, in advance, during the entire term of the Event Center Ground Lease.
- (f) The Event Center Ground Lease shall be for a term of fifty-five (55) years and shall include customary and reasonable operating covenants, such as a requirement that AEG shall conduct (or cause to be conducted) sporting and other events (including from time to time events of national or international prominence) within the Event Center with commercially reasonable frequency. Such operating covenants shall be consistent with contemporary stadium and arena operations. To the extent that the operating covenants set forth in the existing STAPLES Center Ground Lease provide a useful model, the parties may use them as templates for the Event Center operating covenants. Additionally, during the entire term of the Event Center Ground Lease, AEG shall manage and operate the Event Center, or cause the Event Center to be managed and operated, as a multipurpose sports and entertainment facility in compliance with applicable laws, rules and ordinances, and in a manner consistent with the manner and standards by which Comparable Facilities (as described below) are managed and operated, and shall perform maintenance and capital improvements necessary to maintain the Event Center in a manner comparable to that in which Comparable Facilities are generally maintained. Comparable facilities shall include Cowboys Stadium in Arlington, Texas, Meadowlands Stadium in Newark, New Jersey, and Lucas Oil Stadium in Indianapolis, Indiana, as well as any stadium in which NFL teams regularly play their games and which are completed

within three (3) years of completion of the Event Center (“Comparable Facilities”). Upon the expiration or earlier termination of the Event Center Ground Lease, at the election of the City, AEG shall demolish the Event Center and provide the City with a buildable pad on the Event Center site at AEG’s sole cost and expense.

- (g) AEG shall enter into a contract (“Venue Contract”) with an NFL team to play its home games in the Event Center for a period of time at least equal to the final maturity of the Bonds originally issued in connection with the New Hall. AEG may, at its discretion, enter into a Venue Contract with a second NFL team; provided, however, that any such additional Venue Contract may be for a term expiring prior to the final maturity of the Bonds. AEG’s Venue Contract with at least one NFL team playing at the Event Center will require that such team play substantially all home games at the Event Center and remain at the Event Center for a term consistent with comparable stadium transactions, but in no event less than the longer of 30 years or the term of the Bonds. In addition, the City shall have either a security interest in all Venue Contracts and/or the right to enter into separate Venue Contracts with each NFL team. If at any time during the term of the Bonds, AEG fails to maintain an NFL team (or replacement NFL team) which plays substantially all of its home games at the Event Center, AEG shall (1) commit to take such all steps as are reasonably necessary to enforce its rights against such NFL team, (2) cooperate with the City as reasonably requested in connection with the City’s pursuit of any rights it may have directly against such NFL team, and (3) use all good faith commercially reasonable efforts to secure a replacement NFL team; it being agreed that (x) AEG’s breach of its obligations set forth in (1), (2), or (3) above, or (y) the failure of AEG to maintain an NFL team in the Event Center through completion of payment of all Bond debt service as a result of AEG’s breach of its obligations under the Venue Contract, or (z) AEG’s failure in any event to fulfill its obligations under the Event Center Ground Lease, including without limitation its obligation to pay the Event Center Ground Rent when due, shall in each instance constitute a default by AEG under the Event Center Ground Lease. In the event of a default under the Event Center Ground Lease that is not cured by any senior lenders and that results therefore in the termination of the Ground Lease, subject to the rights of any senior lenders as specifically described in the applicable “mortgagee protections” to be contained in the Event Center Ground Lease and in such other “inter-creditor” agreements that may be entered into between any such senior lenders and the City, the City will have the right to assume AEG’s rights under all existing Venue Contracts and all Event Center operating

contracts (including but not limited to those agreements regarding ticket sales, premium seating, concessions, parking, permanent or other seat license sales, on-site merchandise, sponsorship sales, signage, naming rights, and media rights revenue).

- (h) AEG agrees, and will cause the NFL team(s) to agree, that City of Los Angeles business license taxes and sales taxes, as applicable, will be paid on all Event Center-related revenues, including but not limited to ticket sales, premium seating, concessions, parking, permanent or other seat license sales, on-site merchandise, sponsorship sales, signage, naming rights, and local media rights revenue.
- (i) To the extent that any NFL team(s) moves to the Los Angeles area prior to completion of the Event Center pursuant to a Venue Contract, AEG shall (and shall use its commercially reasonable efforts to cause such NFL team to) actively pursue an arrangement providing for such NFL team to play its NFL games at the Los Angeles Coliseum until the Event Center is completed; provided, however, that neither AEG nor such NFL team shall have any obligation to enter into such an arrangement unless the parties can do so on a commercially reasonable basis taking into account all relevant factors.
- (j) The Event Center Ground Lease shall provide that within no less than two years prior to the expiration of the Venue Contract, AEG shall exercise all commercially reasonable efforts to either extend the term of the Venue Contract or enter into a new NFL team agreement, such extension or new agreement, in either of such events, to have the longest term available on commercially reasonable terms, it being the intention of the parties that the extended Venue Contract or new NFL team agreement shall expire at the expiration of the Event Center Ground Lease.
- (k) Concurrently with the parties' entering into the Event Center Ground Lease, AEG, City and the owner of the STAPLES Center shall enter into a Reciprocal Easement Agreement (the "REA") on terms satisfactory to all parties thereto in order to accommodate the shared uses of certain spaces and other facilities within certain portions of each of the Event Center, the New Hall, and the land surrounding the STAPLES Center, all as shall be more specifically set forth in the REA.
- (l) AEG and City will jointly apply for and obtain, or at the City's election, the City will authorize AEG to file applications for, all regulatory approvals and entitlements for the New Hall, New Parking Structures, and Event Center, which shall include conducting all traffic, parking,

environmental, and other studies required for this Project, it being the intent of the parties that all such costs shall be borne solely by AEG except for a reasonably allocable portion (not to exceed in total \$1,000,000) of such costs that the City would have incurred had construction been limited to building the New Hall and had the City built the New Hall for itself. AEG understands and agrees that the approval of this MOU by City does not constitute approval of any such applications, either currently filed or to be filed in the future. Approvals of those applications are subject to separate and independent State and City requirements and City's approval of this MOU does not constitute a commitment by City to take any particular action in relation to such applications.

2. New Parking Structures.

(a) Lease of Property and Construction of Garages. City will grant AEG a 55-year ground lease of the property located west of the Event Center (e.g., the Bond Street and Cherry Street garage locations, together with any vacated portions of such streets) (the "New Parking Structures Ground Lease"). In addition to providing LACC with the rent-free use of the Bond Street Garage as described herein, AEG shall pay to City an annual rental payment under the New Parking Structures Ground Lease currently estimated to be \$500,000 per year (the "Parking Rent"), it being the intent of the parties that (after taking into account LACC's use of the Bond Street Garage) the Parking Rent shall constitute fair market value to City. Parking Rent shall commence and be payable upon the earlier of: (1) completion of construction of the New Parking Structures (i.e., the issuance of a temporary certificate of completion), (2) the demolition of the existing West Hall, or (3) the commencement of use of the New Parking Structures, but in no event later than December 31, 2014. AEG shall have the right, at its election, to separate the New Parking Structures Ground Lease into two (2) separate leases, one lease in connection with the Bond Street Garage and one lease in connection with the L.A. Live Way Garage; provided, that the combined overall economic terms and conditions of such leases shall be identical to the economic terms and conditions of the New Parking Structures Ground Lease set forth herein.

(b) AEG shall construct, at its sole cost and expense, an approximately 1,000 space parking structure located on the Bond Street property (the "Bond Street Garage") and an approximately 3,000 space parking structure located on the former Cherry Street garage location fronting on L.A. Live Way (formerly known as Cherry Street) (the "L.A. Live Way Garage") to: (1) replace approximately 1,600 West Hall and 800 Cherry

Street parking spaces, and (2) provide approximately 1,600 additional parking spaces for use in connection with Convention Center, Event Center, and STAPLES Center events.

(c) Operation of New Parking Structures.

1. The City shall operate and have exclusive use of the Bond Street Garage for LACC events during all portions of days when there is no conflicting event occurring at the Event Center or STAPLES Center. City shall retain all revenue from such use and shall be responsible for all operating costs associated therewith.

2. AEG shall make parking available for LACC patrons in the L.A. Live Way Garage in connection with all LACC events during which there are no events occurring in either STAPLES Center or the Event Center, provided, that AEG shall operate and retain the revenue from such garage at all times.

3. The parties shall jointly establish and implement a parking coordination plan to minimize conflicts and ensure the optimal and mutually beneficial operation of their respective parking garages. Such parking plan shall seek to provide sufficient parking for LACC patrons. Such plan shall also take into account LACC's desire that such parking shall be available at customary LACC parking rates on those days when there are conflicting events occurring in either STAPLES Center or the Event Center, and shall contemplate that the parties will seek to implement such commercially reasonable measures as may be feasible in order to satisfy LACC's desire, including, without limitation, the parties may explore and seek to implement a joint parking validation program and similar measures.

4. Upon demolition of the West Hall and the existing Cherry Street garage, AEG shall assume all rights and obligations regarding the STAPLES Center's right to use and control approximately 1,200 spaces within the New Parking Structures (the "Existing STAPLES Center Spaces") in connection with all STAPLES Center events, and the City shall no longer have any rights or obligations under the existing parking lease for the West Hall/Cherry Street garages (the "West Hall/Cherry Street Garage Lease").

3. New Hall.

(a) As an obligation under the Event Center Ground Lease and each of the

Definitive Agreements, prior to constructing the Event Center, AEG shall construct a new convention center hall for the City, and shall renovate and repurpose certain existing areas of the LACC, including all required infrastructure (to include, but not be limited to, a relocated or replaced central utility plant), all to replace the existing West Hall exhibition halls, meeting spaces, special function spaces, kitchen, food court, offices, related ancillary spaces being demolished, outdoor event space, and exterior staging areas (the "New Hall"). The West Hall shall not be taken out of service prior to the opening of the New Hall without the City's prior consent. The New Hall will be owned and operated by City for Convention Center use.

- (b) Subject to the provisions of this subparagraph (b), AEG will be responsible for the design and construction of the New Hall. AEG shall cause the New Hall to be (1) designed in accordance with design criteria and standards reasonably acceptable to the City, including the City's requirement that the New Hall be compatible in design with the City's existing LACC South Hall, and (2) constructed consistent with designs approved by the City pursuant to reasonable review and approval rights to be described in the Definitive Agreements, it being the intent of the parties that the New Hall and related spaces will meet or exceed the functional utility currently provided to the LACC by the West Hall. City and AEG will jointly develop a budget for the construction of the New Hall. Such budgeted cost (currently estimated by AEG to be approximately \$234 million, inclusive of soft and hard costs) will be financed by the Bonds (described below). If costs of the New Hall exceed the agreed upon budget and financing plan, then AEG shall be responsible for such overruns except to the extent they are caused by design changes required by the City or delays caused by the City. AEG will select, and enter into contracts, with the architect, construction contractor, and other consultants for the New Hall in consultation with the General Manager of the Convention Center, the City Engineer, and such other representatives as may be designated by the City generally consistent with the guaranteed maximum price ("GMP") approach proposed by AEG to the City Engineer; provided, however, AEG has selected, with the City's consent, Populous to be the project architect for the New Hall. All of the New Hall design and construction contracts shall be privately let by AEG; provided, however, that AEG shall contractually agree with the City in the Definitive Agreements to comply with those certain contracting requirements, guidelines and standards required by the City as shown on Appendix B attached hereto and made a part hereof.

- (c) Upon passage of a reimbursement resolution by the City, out-of-pocket third party design and project management costs incurred by AEG in the design of the New Hall (e.g., architect and consultant fees) from the inception of the Project and specifically approved by the City shall be treated as New Hall "project costs," and shall be reimbursed to AEG out of Bond proceeds; it being recognized by the parties that the New Hall budget to be mutually approved by the parties shall consider such reasonable design and project management costs incurred by AEG.
- (d) AEG will fund all environmental analysis and approvals required for the Project, and each Project-related approval will include an obligation that AEG indemnify and, at City's option, defend City at AEG's exclusive cost and expense in any resulting litigation. The New Hall budget shall include, and AEG shall be reimbursed from Bond proceeds for, the costs of a fair and reasonable allocation of costs incurred by AEG for the entitlement approvals, off-site infrastructure improvements, and other costs or expenses reasonably and properly allocated by the parties to the New Hall, but not for such costs applicable to the Event Center, the New Parking Structures, or to litigate to defend Project-related approvals.
- (e) The parties will identify and agree upon such additional mechanisms as may be reasonably required by City to ensure that the Event Center and the Convention Center are operated in a complimentary and cooperative manner that will mutually benefit the parties.

#### B. Proposed Financing Plan

1. Event Center Financing. AEG will be solely responsible for financing the design and construction of the Event Center. No City funding, including but not limited to the issuance of bonds, will be provided for the Event Center. In order to comply with Tax Code requirements in connection with the Proposal, some of the existing Convention Center bonds must be redeemed or defeased, the total cost of which is currently estimated by City to be approximately \$2,000,000. AEG shall provide the funds necessary for such redemption or defeasance. To the extent construction sales taxes generated by the Project are not used to pay debt service on the Lease Revenue Bonds (described below), AEG shall be entitled to a credit against Event Center Ground Rent for the redemption or defeasance costs in the amount of the unused construction sales taxes received by the City. The City shall cooperate in redeeming or defeasing any existing bonds necessary for the transaction, and in releasing the Event Center Property from the leases securing the existing bonds, and the parties shall mutually take all reasonable steps in order to minimize the amount of such redemption or defeasance costs and to make available alternative Project sources of funding to reimburse AEG for such costs to the greatest

extent reasonably possible.

2. New Parking Structures Financing. AEG will be solely responsible for financing the design and construction of the New Parking Structures. No City funding, including but not limited to the issuance of bonds, will be provided for the New Parking Structures. AEG shall control and retain the revenue from the New Parking Structures at all times, subject to the City's reservation of right to use the Bond Street Garage for Convention Center events during all portions of days when there is no conflicting event at the Event Center or STAPLES Center. City shall retain all revenue from such use and shall be responsible for operating costs associated therewith.

It is the intention of the parties that the incremental parking revenue to the City from Event Center events plus the incremental off-site parking tax to the City from Event Center events (all as further described below) shall compensate the City for the net income to the City currently generated by its parking operations at the West Hall garage. City shall engage an independent third party auditor to conduct an audit to verify its net income currently generated by its existing parking operations at the West Hall garage, said audit to take into account expenses properly allocable to said parking. Such audit will be used to ensure that the City is "made whole" for the loss of parking revenue derived from its West Hall parking operation. If the audit reveals that the current net income to City from its West Hall parking operation is materially less or more than the sum of incremental parking revenue to City from Event Center events and incremental off-site parking tax to the City from Event Center events, then the parties shall adjust these terms to compensate for such discrepancy. There will be no change in current application of STAPLES Center incremental parking revenue under the existing STAPLES Center Gap Funding Agreement.

3. New Hall Financing. It is currently contemplated that tax-exempt bonds ("Bonds") will be issued to finance construction of the New Hall, consisting of (a) lease revenue bonds ("Lease Revenue Bonds") in the approximate principal amount of \$195,000,000 and payable by the City from its General Fund in amounts not expected to exceed the sources of revenues described below, and (b) Mello-Roos bonds ("Mello-Roos Bonds") in the approximate principal amount of \$80,000,000, payable by special taxes levied on certain AEG real property as described below. The parties agree to mutually attempt to optimize the Bond financing structure in order to maximize the total Bond proceeds available to the Project and to minimize the total debt service payable thereunder, it being the further mutual desire of the parties to maintain to the greatest extent commercially feasible the same ratio of Lease Revenue Bonds to Mello-Roos Bonds as set forth above.



4. Sources for Repayment of Bonds.
  - (a) The sources of General Fund revenues that will be used to pay debt service on the Lease Revenue Bonds shall be (1) rent paid by AEG to the City under the Event Center Ground Lease (which rent payments shall be paid annually in advance), (2) the City's share of possessory interest tax paid by AEG on the land underlying the Event Center and the New Parking Structures, (3) parking taxes received by the City from parking for Event Center events at (i) the New Parking Structures, (ii) AEG's Olympic West and Olympic East garages within the L.A. Live project, and (iii) City's Venice Street and South Hall garages, and (4) the City's share of construction sales taxes generated by the Project.
  - (b) In consideration for the overall benefit to AEG and its affiliates in connection with the development of the Project, such as, among other items, the extension of the existing STAPLES Center ground lease on terms and conditions satisfactory to the owner of the STAPLES Center, and the receipt of certain signage rights on terms and conditions satisfactory to AEG, AEG has agreed, and will cause its affiliates to agree, to permit the creation of certain community facilities districts on its existing L.A. Live and STAPLES Center projects. As such, the sources of repayment of the Mello-Roos Bonds shall be (1) the imposition of a special tax to be levied on the leasehold interest in the STAPLES Center, and (2) the imposition of a special tax to be levied on the fee ownership interest of the LA Live real properties, excluding the J.W. Marriott/Ritz Carlton Hotel. The STAPLES Center special tax levy shall commence to be assessed in fiscal year 2024-2025, shall be in the approximate annual amount of \$5,000,000, and shall escalate by 3% each fiscal year thereafter until fiscal year 2045-2046, after which time such special assessment shall no longer encumber the STAPLES Center ground lease. The L.A. Live special tax shall commence to be assessed in fiscal year 2014-2015, shall be in the approximate annual amount of \$3,000,000, and shall escalate by 3% each year thereafter until fiscal year 2045-2046, after which time such special assessment shall no longer encumber the applicable L.A. Live properties.
  - (c) AEG shall be obligated ("Gap Funding Obligation") to pay any shortfalls in the General Fund revenues described in Section B(4)(a) as may be required to make timely debt service payments on the Lease Revenue Bonds, which obligation shall be set forth in a Gap Funding Agreement.

5. Credit Support. AEG shall provide the City with credit support for AEG's Gap Funding Obligation and for any debt service reserve funds ("Reserve Fund") securing payment of the Bonds. Such credit support shall be in the form of one or more letters of credit (collectively, the "Letter of Credit") issued by an entity or entities and with terms acceptable to the City.

(a) For the period beginning at issuance of the Lease Revenue Bonds through the date on which the NFL team plays its first home game in the Event Center ("Period One"), the Letter of Credit shall be in the amount of \$50 million. During Period One, AEG may allocate portions of such Letter of Credit to the Reserve Fund, currently estimated to be approximately \$10 million of the Letter of Credit to serve as a partial Reserve Fund for the Lease Revenue Bonds, and approximately \$4 million of the Letter of Credit to serve as a partial Reserve Fund for the Mello-Roos Bonds. The balance of the Letter of Credit shall secure the Gap Funding Obligation.

(b) For the three-year period following the NFL team's first home game in the Event Center ("Period Two"), the Letter of Credit shall be in an amount equal to the next 2 years' total debt service under the Lease Revenue Bonds and Mello-Roos Bonds immediately following the expiration of Period One, which amount is currently estimated to be \$28 million. During Period Two, AEG may allocate portions of such Letter of Credit to the Reserve Fund, currently estimated to be approximately \$10 million of the Letter of Credit to serve as a partial Reserve Fund for the Lease Revenue Bonds, and approximately \$4 million of the Letter of Credit to serve as a partial Reserve Fund for the Mello-Roos Bonds, and shall allocate the balance of the Letter of Credit to secure its Gap Funding Obligation.

(c) For the period following Period Two and ending with payment in full of all Bonds ("Period Three"), AEG shall provide a Letter of Credit in the amount of \$5 million to secure the Gap Funding Obligation. During Period Three, the Reserve Fund for the Lease Revenue and Mello-Roos Bonds will be secured by cash from AEG, by excess cash available from Bond proceeds (including without limitation any accumulated interest earnings or excess proceeds available as a result of "net funding" the Bonds), or by an additional Letter of Credit.

6. Guaranty and Additional Security Protections. In addition to the above, the following additional security protections shall apply:

(a) AEG shall provide, for the benefit of the City, a completion guaranty from a guarantor acceptable to the City, and the City shall not unreasonably withhold its approval, which guarantees completion of the Event Center and New Parking Structures, it being the intention of the parties that the completion guaranty shall be issued by the same guarantor as approved by

the senior lender on the Event Center and that such senior lender will be a nationally recognized financial institution.

- (b) AEG shall grant the City the right to terminate the ground lease on the New Parking Structures upon any termination of the Event Center Lease resulting from AEG's default thereunder. AEG shall not place any leasehold financing on its interest in the New Parking Structures Ground Lease or otherwise pledge the New Parking Structures as collateral for any financing until after the end of Period One as described above.
- (c) AEG shall not place any leasehold financing on its interest in the Event Center Ground Lease or otherwise pledge the Event Center as collateral for any loan having a principal amount in excess of 60% of AEG's total project costs to design and construct the Event Center.
- (d) At the commencement of each year starting from the issuance of Bonds and until the debt service on the Bonds is paid in full, AEG shall deposit with the City the amount of the annual Gap Funding Obligation as based on a good faith estimate reasonably agreed to by the parties, consistent with any history of such payments and current applicable Project revenue projections.

C. Additional Terms.

1. STAPLES Center Lease Extension. The parties agree that the ground lease for the STAPLES Center shall be extended to make the STAPLES Center ground lease co-terminus with the Event Center Ground Lease, in consideration for fair market value rent to be paid by AEG to the City for each year of such extension as described herein. The parties agree that the special assessments to be imposed on the STAPLES Center leasehold pursuant to Section B.4.(b) above reflect, among other things, the fair market rent for the period of such extension. During the years of the extension, AEG shall have the continuing right to impose, collect and either apply to other expenses or retain, in its sole discretion, an admissions fee of 3-5% on all paid tickets at STAPLES Center.

2. Event Center Admissions Fee. AEG shall have the right to impose and collect an admissions fee to be initially set at 4% on all paid tickets at Event Center events (the "Event Center Admissions Fee"); provided, however, that AEG shall have the right from time to time to adjust the Event Center Admissions Fee (but not to exceed 5% in any event). AEG shall have the right to apply all Event Center Admissions Fee receipts towards the payment of Event Center Ground Rent, but assumes all risk for any shortfalls, and shall have the right to use any excess Event Center Admissions Fee receipts to satisfy any of AEG's other monetary obligations to the City (e.g., the Annual Signage Payment, AEG's Gap Funding Obligation, etc.).

3. Signage. In exchange for AEG's construction of the New Hall and its performance of all other obligations with respect to the Project as contemplated herein, the City shall grant AEG exterior signage rights on and around the Convention Center. AEG and the City had previously negotiated an agreement which contemplated signage rights that the City has estimated to have a fair market value of \$5,000,000 per year. The parties agree that the special assessments to be imposed on the L.A. Live properties pursuant to Section B.4.(b) above reflect, among other things, such fair market value. The City acknowledges that, in conjunction with the removal of the West Hall and the construction of the New Hall as part of the proposed Project, AEG intends to modify the prior signage plan, including removing and adding some locations and modifying certain sign types; provided that (a) AEG agrees that the total square footage of signage in the revised plan shall not be materially greater than the total square footage of the plan that the City has valued in connection with this MOU, and (b) if the City reasonably concludes that the value of the final agreed signage plan is materially greater than \$5,000,000 per year, then the parties shall renegotiate to reach agreement on appropriate adjustments in the financial terms of this arrangement. AEG must obtain all required regulatory approvals and entitlements for said signs. In addition, the terms and conditions set forth in Section B.1 above relating to the redemption/defeasance of certain existing City bonds shall, to the extent applicable, also apply in connection with City's granting of such signage rights on and around the Convention Center, it being understood that the total extent of such signage granted may impact such redemption/defeasance costs to be incurred. AEG shall have the exclusive right to utilize such signage and to sell inventory thereon, subject to the City's right to promote and publicize LACC events. The term of the AEG Convention Center signage rights will commence in 2014 and shall be co-terminus with the initial term of the Bonds. Any extension of the term shall be subject to mutual consent of the parties and at new agreed-upon terms. Subject to the City's collateral assignment and other rights upon AEG's default (all as more particularly described above), AEG shall retain all signage and naming rights for the Event Center.

4. Construction Contracting. AEG shall select in its sole discretion, and enter into contracts with, the architect and general contractor for the Event Center and New Parking Structures; provided, however, that as part of the Definitive Agreements AEG shall agree that in connection with such contracts, it shall comply with applicable City provisions for prevailing wage, MBE/WBE and workforce utilization, local hiring, and such other requirements required by law or reasonably agreeable to the parties.

5. Ground Lease General Provisions. The Event Center Ground Lease shall include customary and reasonable ground lease provisions, including without limitation, provisions concerning default, restrictions on assignment, indemnification, leasehold financing, and mortgagee protections. To the extent that the corresponding provisions set forth in the existing STAPLES Center Ground Lease provide a useful model, the parties may use them as templates for the Event Center Ground Lease.

6. Non-Competition. The parties agree that it is in their mutual best interest to enhance the existing financial performance of the LACC and its ability to attract the greatest number of events. Therefore, the parties agree as follows:

- (a) Except as may occur in active conjunction with LACC, AEG agrees that it will not solicit the booking of the Event Center for any event which LACC has the capability to support and host in terms of space, functionality, availability, and services and which LACC has historically booked and hosted prior to the existence of the Event Center.
- (b) Both Parties shall strive to coordinate the booking and scheduling of events in their respective facilities so as to avoid or minimize to the greatest extent possible any conflicts between the facilities and the events held within such facilities, and to ensure as much complementary activity as possible; it being the mutual goal of the Parties to avoid and minimize LACC loss of business and market share due to any such potential conflicts.
- (c) Both Parties shall on a collaborative basis seek to attract and book new large scale City Wide conventions and other similar events of sufficient size so as to be able to engage the facilities and services of both the Event Center and the Convention Center; provided, however, that once such any such new large scale event has been secured, either Party shall have the right to seek to have its facility (or a portion thereof) serve as the venue for some of the events comprising a part of such large scale event.

In any event, based on all of the foregoing, AEG, LACC, and L.A. Inc. (or its successor as named by the City) agree to collaborate and to seek a more detailed and integrated delineation of relative business and booking methodology and event activity within the Macro-Booking Policy to be jointly developed by the parties.

7. Non-Disruption. AEG and City each commits in good faith to actively collaborate with the other in attempting to arrive at practical solutions in order to minimize any disruptions to LACC events and LACC revenues to the greatest extent reasonably practicable during AEG's construction of the Event Center. In particular, once AEG has established and presented to LACC its construction and mobilization schedule for the construction of the Event Center, LACC will develop and present to AEG a schedule of potential LACC events to be held during the period of construction of the Event Center. Based upon such schedules, the Parties shall thereafter work together on an on-going collaborative basis to jointly identify potential solutions intended to avoid or mitigate to the greatest extent possible such disruption to LACC revenue generating activities during such period; including without limitation, the parties shall explore such measures as seeking to adjust the scheduling of certain construction activities,

providing alternative parking arrangements or temporary substitute venues, and the like. Only after having first jointly exhausted all potential avoidance or mitigation efforts, AEG shall reimburse LACC for its clearly demonstrated losses actually suffered solely and directly as a result of the disruption to LACC revenue generating events as a result of AEG's construction of the Event Center. In addition, as part of the parties' collaborative efforts to mitigate any such disruption, there may be instances where the parties mutually determine that economic incentives must be offered to contracted LACC clients (for space or date moves or both) throughout the construction process. To the extent the Parties mutually determine that such incentives are reasonably necessary, the actual cost to LACC of such incentives will be reimbursed to LACC by AEG. Notwithstanding anything herein to the contrary, LACC acknowledges that AEG shall have no liability for any loss of revenue which may be attributable to general market conditions or the failure of LACC to attract or retain business due to competitive reasons unrelated to any disruption which may be caused by AEG's construction of the Event Center.

8. L.A. Live Event Deck. The construction of the New Hall and the Event Center should obviate the need for an expansion of the Convention Center over the airspace parcel currently occupied by the event deck at the Olympic West Parking Garage at LA Live, which parcel is defined as the "Convention Center Expansion Parcel" under the LASED Specific Plan. Therefore, if requested by AEG, the City shall process an amendment to the LASED Specific Plan to modify the existing use restriction on the Convention Center Expansion Parcel to provide that on the earlier of the completion of New Hall to the satisfaction of the City or October 21, 2021, the Convention Center Expansion Parcel may be used for any other uses permitted by the LASED Specific Plan. Parking, temporary and signage uses as currently allowed under the LASED Specific Plan shall continue to be allowed. At AEG's election the processing of such specific plan amendment may be concurrent with or subsequent to the processing of approvals for the Project. All processing, environmental review, and other costs arising out of such an amendment shall be borne by AEG. The processing of such an amendment does not commit the City or its Planning Department, City Planning Commission or City Council to approve any requested changes.

9. Public Benefits. AEG will implement a public benefits program to benefit the residents of the City. The specific details of the program will be developed by AEG over the next year and shall be in writing when the Definitive Agreement are reviewed by Council.

**IMPLEMENTING THIS MOU.** This MOU authorizes City staff, with the assistance and consultation of the City Attorney, to negotiate agreements consistent with the terms and conditions of this MOU with AEG and to report to the City Council or the Ad Hoc Committee on Downtown Stadium and Convention Center Renovation on the progress of such negotiations. AEG understands that any and all contracts, leases, bonds and agreements must be approved in accordance with the requirements of the Los Angeles City Charter and the City's Municipal Code and Administrative Code and must be approved by the City Council and Mayor. AEG UNDERSTANDS THAT DEFINITIVE AGREEMENTS SHALL IN NO EVENT BE

EXECUTED UNTIL AEG HAS CONSUMMATED AN AGREEMENT WITH AN NFL TEAM TO PLAY ITS HOME GAMES AT THE EVENT CENTER AND THE TERMS OF THE AGREEMENT ARE SUFFICIENT TO PROTECT THE CITY'S GENERAL FUND AND INVESTMENTS.

**COOPERATION.** In connection with this MOU, the parties shall reasonably cooperate with one another to achieve the objectives and purposes of this MOU. In an effort to accomplish the parties' Goals set forth above, the parties have negotiated the proposed terms and conditions related to the Project as set forth in this MOU, it being understood and agreed that in drafting the Definitive Agreements, in the event of any inconsistencies between any of the parties' Goals and any of the more specific provisions contained in this MOU, the parties shall look to, and be guided by, the more specific applicable provision. The City agrees to jointly apply for and to expedite the processing of entitlements and approvals for the Project.

IN WITNESS WHEREOF, the parties executed this Memorandum of Understanding on the dates indicated.

**CITY OF LOS ANGELES:**

By: \_\_\_\_\_

Chief Legislative Analyst

Date: \_\_\_\_\_

By: \_\_\_\_\_

City Administrative Officer

Date: \_\_\_\_\_

**AEG:**

ANSCHUTZ ENTERTAINMENT GROUP, INC., a Colorado corporation

By: \_\_\_\_\_

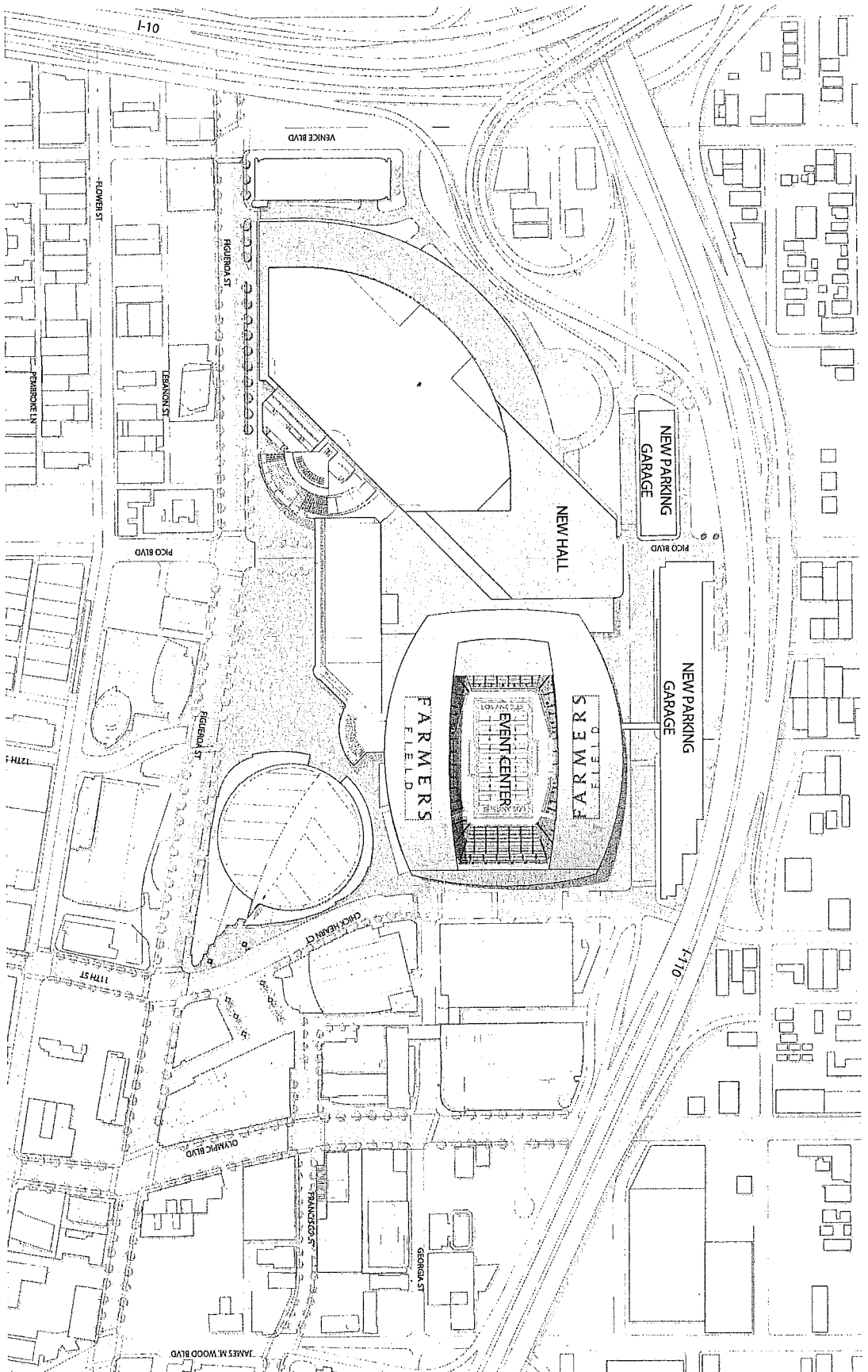
Chief Executive Officer

Date: \_\_\_\_\_

APPENDIX A – Project Site Plan



APPENDIX B – Contracting Requirements for New Hall



Gensler

# Appendix A - Project Site Plan

PROGRESS SET | Proposed Convention & Event Center Specific Plan | Los Angeles, CA | 05.8114.000 | July 20, 2011

**APPENDIX B**

**DESIGN AND CONSTRUCTION CONTRACTING REQUIREMENTS, GUIDELINES AND STANDARDS**

**Contract Requirements for New Hall Project**

**Part 1 -- Professional Service (Consultant) Contracts**

	<b>Contract Requirement</b>	<b>Description</b>
1.	<p><b>MBE/WBE/OBE Outreach Program for Sub-Consultants</b></p> <p><i>ORIGIN: Mayor's Executive Directive 2001-26</i></p> <p><i>METHOD OF COMPLIANCE: Consultant performs Good Faith Effort Outreach and submits documents reviewed by ICON, with the assistance of BCA</i></p>	<p>The policy of the City is to provide minority business enterprises (MBE), women business enterprises (WBE), and all other business enterprises (OBE) an equal opportunity to participate in the performance of all City contracts. This policy applies to all City departments authorized to award contracts.</p>
2.	<p><b>Child Support Assignment Orders</b></p> <p><i>ORIGIN: Council Ordinance #1721401</i></p> <p><i>METHOD OF COMPLIANCE: Consultant submits signed statement</i></p>	<p>Requires that all contractors and subcontractors, performing work for the City, comply with all reporting requirements and wage and earning assignments relative to legally mandated child support.</p>
3.	<p><b>Living Wage Ordinance</b></p> <p><i>ORIGIN: LAAC Section 10.37</i></p> <p><i>METHOD OF COMPLIANCE: Consultant submits signed declaration form</i></p>	<p>Requires payment of a minimum living wage to employees of City contractors and their subcontractors.</p>
4.	<p><b>Service Contractor Worker Retention Ordinance</b></p> <p><i>ORIGIN: LAAC Section 10.36</i></p> <p><i>METHOD OF COMPLIANCE: Consultant submits signed declaration form</i></p>	<p>Encourages the retention of existing service workers when a change in contactors occurs.</p>
5.	<p><b>Americans with Disabilities Act</b></p> <p><i>ORIGIN: U.S.C. Section 12101</i></p> <p><i>METHOD OF COMPLIANCE: Consultant submits signed certification form</i></p>	<p>City requires and monitors that consultant provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services and activities in accordance with the provisions of the Americans with Disabilities Act.</p>

6.	<p><b>Equal Benefits Ordinance</b></p> <p><i>ORIGIN: LAAC Section 10.8.2.1</i></p> <p><i>METHOD OF COMPLIANCE: Consultant files form with Developer for Bureau of Contract Administration (BCA) EBO Full Compliance Listing</i></p>	<p>No Awarding Authority of the City shall execute or amend any contract that exceeds \$5,000 with any contractor that discriminates in the provision of benefits between spouses of employees and domestic partners of employees, and between dependents and family members of spouses and dependents and family members of domestic partners.</p>
7.	<p><b>Contractor Responsibility Ordinance</b></p> <p><i>ORIGIN: City Ordinance #173677</i></p> <p><i>METHOD OF COMPLIANCE: Consultant complete Responsibility Questionnaire</i></p>	<p>Requires that each department make a determination as to whether prospective contractors are responsible and capable of fully performing the work before being awarded a City contract.</p>
8.	<p><b>Slavery Disclosure Ordinance</b></p> <p><i>ORIGIN: LAAC Section 10.41</i></p> <p><i>METHOD OF COMPLIANCE: Consultant files form for BCA SDO Full Compliance Listing</i></p>	<p>City administers policy that requires full disclosure of any participation in or profits derived through slavery by companies seeking to do business with the City.</p>
9.	<p><b>Contract Bidder Certification of Compliance with Lobbying Laws</b></p> <p><i>ORIGIN: LA Municipal Lobbying Ordinance</i></p> <p><i>METHOD OF COMPLIANCE: Consultant submits signed Disclosure Certification</i></p>	<p>Any bidder for a contract shall submit with its proposal a Bidder Certification, proscribed by the City Ethics Comm., that the bidder acknowledges and agrees to comply with the disclosure requirements and prohibitions established in the Ordinance if the bidder qualifies as a lobbying entity under the Ordinance.</p>
10.	<p><b>First Source Hiring Ordinance</b></p> <p><i>ORIGIN: City Ordinance #179281</i></p> <p><i>METHOD OF COMPLIANCE: Consultant submits Signed Declaration and Forms</i></p>	<p>Amends Los Angeles Administrative Code to add a new Division 10, Chapter 1, Article 18 to establish a program that requires service contractors who hire new employees to perform work on a City contract to seek employee references through referrals from the City and other agencies interested in training and finding employment for the traditionally unemployed or under-employed.</p>
11.	<p><b>City of L.A. Non-Discrimination, Equal Employment Practices, Affirmative Action Requirements</b></p>	<p>City requires and monitors consultants and their agreement that it shall not discriminate, will provide equal employment practices and that each will adhere to an affirmative action program to</p>

	<p><i>ORIGIN: LAAC Section 10</i></p> <p><i>METHOD OF COMPLIANCE: Compliance review and approval by Developer, with assistance from BCA</i></p>	<p>ensure that in their employment practices, persons are employed and employees are treated equally and without regard to or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.</p>
12.	<p><b>Monitoring and Enforcement of City of Los Angeles Business Tax Registration Certificate</b></p> <p><i>ORIGIN: LAMC Chp II, Article 1, Section 21.08</i></p> <p><i>METHOD OF COMPLIANCE: Consultant submits BTRC number</i></p>	<p>Requires that the proposer must have a BTRC prior to the award of the contract.</p>
13.	<p><b>Monitoring and Enforcement of Professional Licenses, Professional and Other Insurance</b></p> <p><i>ORIGIN: Board of Public Works Policy</i></p> <p><i>METHOD OF COMPLIANCE: Consultant submits proof of licenses and monitored by BCA</i></p>	<p>City monitors and requires consultants to provide and maintain professional licenses, professional and other insurance required by local, state, and federal laws.</p>
14.	<p><b>Executive Directive No. 14: Small Business Inclusion Program</b></p> <p><i>ORIGIN: Mayor's Executive Directive No. 14</i></p> <p><i>METHOD OF COMPLIANCE: Contractor meets specified subcontractor outreach and hiring objectives for Small Business Enterprises, Emerging Business Enterprises, and Disabled Veteran's Enterprises</i></p>	<p>Through this directive, the Mayor has set City contracting goals to increase opportunities for small business, emerging business, and disabled veteran business enterprises. This directive is intended to modify the Good Faith Effort outreach process that is part of the MBE/WBE/OBE Subcontractor Outreach Program.</p>
15	<p><b>8% Local Preference Initiative (Pending)</b></p> <p>Will apply if ordinance adopted by City Council.</p> <p><i>ORIGIN: City Council 10-2414-S1 adopted 11/3/2010 to direct Jobs and Budget/Finance Committees to draft an Ordinance. Not yet adopted by Council</i></p> <p><i>METHOD OF COMPLIANCE: Contractor meets conditions to be certified as a local business by BCA.</i></p>	<p>In the case of RFP's, Firms certified as "local businesses" by BCA would be entitled to an 8% bonus to their final evaluation score. The report did not mention RFQ's, or Task Order Solicitations from On-Call lists, but it is assumed that the intention is likely that it would apply those as well but that would depend on the final ordinance wording (if passed).</p>

16	<p><b>Bidder Contributions (CEC Form 55)</b></p> <p><i>ORIGIN: On March 8, 2011, voters passed Charter Amendment H.</i></p> <p><i>METHOD OF COMPLIANCE: Contractor submits CEC Form 55 and contract language is added.</i></p>	<p>Only applies to contracts over \$100,000 approved by City Council or other elected officials.</p>
----	--	--

**Part 2 -- Construction Contracts**

1.	<p><b>Equal Benefits Ordinance</b></p> <p><i>ORIGIN: City Ordinance #175115</i></p> <p><i>METHOD OF COMPLIANCE: Contractor submits form to Developer for BCA EBO Full Compliance Listing</i></p>	<p>No Awarding Authority of the City shall execute or amend any contract that exceeds \$5,000 with any contractor that discriminates in the provision of benefits between spouses of employees and domestic partners of employees, and between dependents and family members of spouses and dependents and family members of domestic partners.</p>
2.	<p><b>Slavery Disclosure Ordinance</b></p> <p><i>ORIGIN: LAAC Section 10.41</i></p> <p><i>METHOD OF COMPLIANCE: Contractor submits form to Developer for BCA SDO Full Compliance Listing</i></p>	<p>City administers policy that requires full disclosure of any participation in or profits derived through slavery by companies seeking to do business with the City.</p>
3.	<p><b>Living Wage Ordinance</b></p> <p><i>ORIGIN: City Ordinance #172336</i></p> <p><i>METHOD OF COMPLIANCE: Contractor submits signed declaration form</i></p>	<p>Requires payment of a minimum living wage to employees of City contractors and their subcontractors.</p>
4.	<p><b>City of L.A. Non-Discrimination, Equal Employment Practices, Affirmative Action Requirements</b></p> <p><i>ORIGIN: LAAC Section 10</i></p> <p><i>METHOD OF COMPLIANCE: Compliance review and</i></p>	<p>City requires and monitors contractors and subcontractors and their agreement that it shall not discriminate, will provide equal employment practices and that each will adhere to an affirmative action program to ensure that in his or her employment practices, persons are employed and employees are treated equally and without</p>

	<i>approval by Developer with assistance from BCA</i>	regard to or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.
5.	<p><b>Contract Bidder Certification of Compliance with Lobbying Laws</b></p> <p><i>ORIGIN: LA Municipal Lobbying Ordinance</i></p> <p><i>METHOD OF COMPLIANCE: Contractor submits signed Disclosure Certification</i></p>	Any bidder for a contract shall submit with its proposal a Bidder Certification CEC Form 50, proscribed by the City Ethics Commission, that the bidder acknowledges and agrees to comply with the disclosure requirements and prohibitions established in the Ordinance if the bidder qualifies as a lobbying entity under the Ordinance.
6.	<p><b>Contractor Responsibility Ordinance</b></p> <p><i>ORIGIN: City Ordinance #173677</i></p> <p><i>METHOD OF COMPLIANCE: Contractor complete Responsibility Questionnaire and submits with bid</i></p>	Requires that each department make a determination as to whether prospective contractors are responsible and capable of fully performing the work before being awarded a City contract.
7.	<p><b>Contractor Performance Evaluation Ordinance</b></p> <p><i>ORIGIN: City Ordinance #173018</i></p> <p><i>METHOD OF COMPLIANCE: City completes evaluation form</i></p>	Assures that contractors are routinely evaluated in accordance with approved criteria and that this evaluative data is catalogued and readily accessible to and considered by contract awarding authorities prior to entering into contracts.
8.	<p><b>8% Local Preference Initiative (Pending)</b></p> <p>Will apply if ordinance adopted by City Council.</p> <p><i>ORIGIN: City Council 10-2414-S1 adopted 11/3/2010 to direct Jobs and Budget/Finance Committees to draft an Ordinance. Not yet adopted by Council</i></p> <p><i>METHOD OF COMPLIANCE: Contractor meets conditions to be certified as a local business by Developer with assistance from BCA.</i></p>	Firms certified as "local businesses" by BCA would be entitled to an 8% preference to their bid price. The price used to calculate the low bidder would be reduced by 8% for certified local firms, but if awarded the contract they would be paid their actual bid price before the 8% reduction.
9.	<p><b>Bidder Contributions (CEC Form 55)</b></p> <p><i>ORIGIN: Charter Amendment H.</i></p> <p><i>METHOD OF COMPLIANCE: Contractor submits CEC Form 55 and contract language is added.</i></p>	Only applies to contracts over \$100,000 approved by City Council or other elected officials (not generally the case for construction contracts).

10.	<p><b>MBE/WBE/OBE Subcontractor Outreach Program/Good Faith Effort (GFE)</b></p> <p><i>ORIGIN: Mayor's Executive Directive 2001-26</i></p> <p><i>METHOD OF COMPLIANCE: Contractor performs Good Faith Effort Outreach and submits documents reviewed by Developer with assistance from BCA</i></p>	<p>The policy of the City is to provide minority business enterprises (MBE), women business enterprises (WBE), and all other business enterprises (OBE) an equal opportunity to participate in the performance of all City contracts. This policy applies to all City departments authorized to award contracts.</p>
11.	<p><b>Executive Directive No. PE-6: Hiring of "At Risk" Personnel in City Projects</b></p> <p><i>ORIGIN: Mayor's Executive Directive No. PE-6</i></p> <p><i>METHOD OF COMPLIANCE: Contractor submits signed Declaration Form</i></p>	<p>City requests that each contractor state his or her respective willingness to voluntarily provide training and employment opportunities to "at-risk" individuals in the community as detailed in the MAYOR'S EXECUTIVE ORDER No. PE-6.</p>
12.	<p><b>Executive Directive No. 14: Small Business Inclusion Program</b></p> <p><i>ORIGIN: Mayor's Executive Directive No. 14</i></p> <p><i>METHOD OF COMPLIANCE: Contractor meets specified subcontractor outreach and hiring objectives for Small Business Enterprises, Emerging Business Enterprises, and Disabled Veteran's Enterprises</i></p>	<p>Through this directive, the Mayor has set City contracting goals to increase opportunities for small business, emerging business, and disabled veteran business enterprises. This directive is intended to modify the Good Faith Effort outreach process that is part of the MBE/WBE/OBE Subcontractor Outreach Program.</p>
13.	<p><b>Board of Public Works Mandatory Subcontracting Minimum</b></p> <p><i>ORIGIN: Department of Public Works Policy</i></p> <p><i>METHOD OF COMPLIANCE: Listing of intended subcontractors, to meet MSM, in bid by contractor</i></p>	<p>To be eligible for award of a project by the Board of Public Works, contractor is required to subcontract a minimum of its bid to any qualified available subcontractors. Contractors must list, in their bid, all subcontractors, regardless of bid amount, that the bidder wishes to be credited toward achieving the required Mandatory Subcontracting Minimum (MSM) established for the project.</p>
14.	<p><b>First Time Bidder Evaluation</b></p> <p><i>ORIGIN: Department of Public Works Policy</i></p> <p><i>METHOD OF COMPLIANCE: Research, review and approval by Developer with assistance from BCA</i></p>	<p>The Bureau of Contract Administration researches and evaluates a contractor's qualifications and work history when the contractor is bidding on a City contract for the first time.</p>



15.	<p><b>Approval of all subcontractors before they are allowed to begin work</b></p> <p><i>ORIGIN: Department of Public Works Policy</i></p> <p><i>METHOD OF COMPLIANCE: Research, review and approval by Developer with assistance from BCA</i></p>	<p>The Bureau of Contract Administration reviews and approves all subcontractors, for compliance with applicable laws and licenses, to work on City projects.</p>
16.	<p><b>Monitoring and Enforcement of City of Los Angeles Business Tax Registration Certificate</b></p> <p><i>ORIGIN: LAMC Chp II, Article 1, Section 21.08</i></p> <p><i>METHOD OF COMPLIANCE: Submittal of BTRC number by contractor</i></p>	<p>Requires that the proposer must have a current, valid BTRC prior to the award of the contract.</p> <p>All subcontractors must have a valid, current BTRC prior to working on a project.</p>
17.	<p><b>Board of Public Works "Zero Spills Policy"</b></p> <p><i>ORIGIN: Board of Public Works Policy Adopted June 6, 1998</i></p> <p><i>METHOD OF COMPLIANCE: Monitoring by Developer with assistance from BCA of contractor's compliance with policy</i></p>	<p>City monitors and requires contractors to adhere to the Board of Public Works "Zero Spills Policy" and holds all contractors liable, responsible and accountable for all construction related spills caused by the contractor's negligent actions.</p>
18.	<p><b>Project Labor Agreement (PLA) and Infrastructure Stabilization Policy (ISP)</b></p> <p><i>ORIGIN: Board of Public Works Policy with City Council approval on 12/17/2010 (Council File No. 09-0963)</i></p> <p><i>METHOD OF COMPLIANCE: Monitoring and review by Developer with assistance from the BCA</i></p>	<p>Contractor's agreement to hire a specified percentage of workers who live within the boundaries of the City and County of Los Angeles. The core of the policy is to address unemployment and underemployment in concentrated poverty neighborhoods and to advance the skills of the local labor pool. The PLA is to be included on Public Works Capital Improvement Projects over \$2.8 Million.</p>
19.	<p><b>Vendor and/or Supplier and Broker Participation Recognition</b></p> <p><i>ORIGIN: Department of Public Works Policy</i></p> <p><i>METHOD OF COMPLIANCE: Submittal of form with bid by contractor</i></p>	<p>Bidders must list, in their bids, the names of vendors and/or suppliers and brokers and the dollar amounts for which the bidder has obligated itself, in conjunction with the policies and requirements established by the Department of Public Works subcontracting outreach policy.</p>
20.	<p><b>Bid listing of all Subcontractors performing more than ½ of 1 percent of the work of the project</b></p>	<p>All prime contractors must list in their original bid for work all subcontractors who will perform work in an amount in excess of ½ of 1 percent of the</p>

	<p><i>ORIGIN: Public Contract Code Section 4104 Master General Conditions</i></p> <p><i>METHOD OF COMPLIANCE: Contractor submits list of subcontractors with bid</i></p>	<p>prime contractor's total bid.</p> <p>In addition, the prime contractor must list in their original bid for work, all subcontractors, regardless of the dollar amount of the work if they want those subcontractors to count toward meeting the Mandatory Subcontracting Minimum required on the project.</p>
21.	<p><b>Monitoring and Enforcement of California Contractor's License Requirement(s)</b></p> <p><i>ORIGIN: Public Contract Code</i></p> <p><i>METHOD OF COMPLIANCE: Monitoring and approval by Developer with assistance from BCA</i></p>	<p>The Bureau of Contract Administration monitors and enforces the requirements that all Prime Contractors and/or subcontractors working on a Public Works project have a current, valid California Contractor's License to perform the work designated to be performed by that Prime and/or Subcontractor.</p>
22.	<p><b>Awarding Authority Approval of all subcontractor substitutions</b></p> <p><i>ORIGIN: Public Contract Code Section 4107</i></p> <p><i>METHOD OF COMPLIANCE: Review and approval by Developer with assistance from BCA</i></p>	<p>Based on the recommendation of the Bureau of Contract Administration acting on behalf of the Board of Public Works, all substitutions of a bid-listed or approved subcontractor shall be approved by the Board of Public Works in an open session of the Board. Acting on behalf of the Board of Public Works, the Bureau of Contract Administration may approve the substituting contractor perform work prior to formal approval by the Board.</p>
23.	<p><b>Progress Payments</b></p> <p><i>ORIGIN: Public Contract Code Section 20104.50</i></p> <p><i>METHOD OF COMPLIANCE: Contractor submits monthly payment request application for review and approval by Developer with assistance from BCA</i></p>	<p>The Bureau of Contract Administration administers the monthly progress payments to the general contractor for Public Works construction projects to ensure prompt payment as required by the Public Contract Code.</p>
24.	<p><b>Release of Retention</b></p> <p><i>ORIGIN: Public Contract Code Section 7107</i></p> <p><i>METHOD OF COMPLIANCE: Developer with assistance from BCA administers holding and releasing of retention</i></p>	<p>The Bureau of Contract Administration is responsible for administering the holding and release of a certain percentage of the contractor's progress payment as retention until Final Field Acceptance of the project in compliance with the Public Contract Code.</p>
25.	<p><b>Payment to Subcontractors</b></p>	<p>In conjunction with the listed subcontractor work provided by the general contractor, with their bid,</p>

	<p><i>ORIGIN: Public Contract Code Section 7107</i></p> <p><i>METHOD OF COMPLIANCE: Contractor submits documentation for review by Developer with assistance from BCA</i></p>	<p>the Bureau of Contract Administrations oversees contractor's compliance with payments made to subcontractors in compliance with the Public Contract Code.</p>
--	---	--

**Attachment B**  
Motion (Perry-Smith/Garcetti)  
CF 11-0023

JAN 0 5 2011

11-0023

CO9

TRADE, COMMERCE & TOURISM

Prior CF's 02-0989; 02-0989-S2; 02-0989S1; 02-0985-S1 MOTION

There has not been a National Football League (NFL) team based in Los Angeles for many years. Significant efforts have been made over this time to locate a team in the City and to provide a modern stadium for that team to play in, but every effort to date has been unsuccessful.

As media reports indicate, AEG has recently developed a proposal to attract an NFL franchise to Los Angeles that involves removing the existing West Hall of the Los Angeles Convention Center and constructing a new stadium and event center at that site. Replacement exhibition space would be built immediately adjacent to the South Hall of the Convention Center. News reports indicate that such a project has a cost of approximately \$1 billion.

Although plans for the stadium and event center seem to have progressed such that architects have submitted initial designs in a competitive bidding process, no formal proposal has been submitted for the City's consideration. Such a major endeavor will require significant review and approval by several City agencies, as well as the Council and Mayor.


A major project of this scale may provide important economic benefits to the City in these difficult economic times, most significant being the creation of temporary and permanent jobs necessary to build and operate the facility. The significant upgrade to Convention Center facilities is also an important benefit that could be derived from the project.

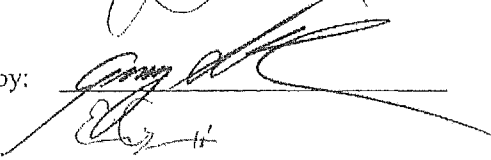
But any such project would have to be funded solely from new revenues associated with the project, must protect the City's tax payers and the City's general fund, and must generate revenues above and beyond those currently generated by the site. Because this project involves the Convention Center, protections must be in place to ensure continued attraction and growth of national conventions to the City and revenues associated with that activity.

Any effort to move this project forward now requires the submission of a formal proposal from the project proponent. This will allow the City to dedicate the resources necessary to consider the merits of this project. If it provides the benefits reported, the City will be able to move forward the various actions necessary to make it happen.

I THEREFORE MOVE that the City Council instruct the Chief Legislative Analyst to form a working group and engage AEG in formal discussions concerning their proposal to build a stadium in Downtown Los Angeles and bring an NFL team to the City; and

I FURTHER MOVE that the Council request that AEG submit its Environmental Impact Report to the City at the earliest possible date to ensure that the City has an opportunity to review and understand all potential impacts associated with this project.

Presented by:   
Jan Perry  
Councilmember, 9th District

Seconded by: 

**Attachment C**  
**AEG Event Center Proposal**

Prepared by AEG