

ATTACHMENT H
Make-Whole Payment Analysis



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VIA ELECTRONIC MAIL
MEMORANDUM

To: Office of the CAO
From: Paul J. Silvern and David Berneman
Date: September 5, 2012
Re: Make-Whole Payment Analysis for the Proposed Downtown Stadium and Convention Center Project

Summary and Conclusion

This memo provides our analysis of whether future parking-related revenues and parking tax payable to the City of Los Angeles ("City") after implementation of the of the Downtown Stadium and Convention Center Project ("Project") will exceed or fall short of parking-related revenues now received by the City from Los Angeles Convention Center (LACC) parking supply that is scheduled to be demolished as part the Project. Under the terms of the Memorandum of Understanding (MOU) between AEG and the City, a net negative result would require a "Make Whole Payment" by AEG (i.e., if future parking-related revenue and parking tax after Project implementation is less than the existing parking-related revenues that would be eliminated by the Project's planned demolition of existing LACC parking supply).

As summarized in Table 1, our conclusion is that the City will realize more future parking revenue and parking tax after the Project is implemented than it will surrender from demolition of existing parking resources at the LACC West Hall, the existing Bond Street parking lot and the existing Cherry Street parking garage. Therefore, a Make Whole Payment would not be required.

Table 1 - Make-Whole Payment Calculation Summary

Lost Revenues		Exhibit Number
1) Lost Revenues Net of Expenses	\$2,079,334	1
2) Existing Lease Revenue	\$550,000	1
Total Lost Revenues	\$2,629,334	1
Added Revenues		
1) Ground Rent Revenue	\$1,870,000	2
2) Event Center Events Parking Tax	\$820,797	2
Total Added Revenues	\$2,690,797	2
Make-Whole Payment Required? (Lost Revenues vs. Added Revenues)	\$61,463	NO

Prepared by: HR&A Advisors, Inc.

This memo summarizes our analysis approach. More detailed calculations of parking-related revenue loss and revenue gain are contained in Attachment A to this memo.

The Changes in Revenue-Generating Parking Supply That Will Be Affected by the Project

Under the terms of the MOU, the City will allow AEG to demolish the existing LACC West Hall, including 1,671 parking spaces, to make way for a new NFL football stadium, which will also be used for a variety of other events, and at other times can also be used to supplement LACC exhibit space (the "Event Center"). AEG will also be permitted to ground lease City-owned property now occupied by a surface parking lot located on Bond Street and an existing parking structure located on Cherry Street, and to construct new parking structures on each of these properties, for a total of 3,924 new spaces. Implementation of the Project is expected to increase parking demand associated with the annual schedule of Event Center events, and to stimulate additional convention activity at LACC. The increase in parking associated with net new Project-related activity will increase parking revenue, most of which will accrue to AEG and other private parties and some of which will accrue to the City/LACC. But in all cases, the increase in parking will also generate tax revenue for the City from its 10 percent tax on the cost of parking.

City Parking-Related Revenues That Will Be Lost as a Result of Implementing the Project

The existing annual parking-related revenues that will be lost as a result of implementing the Project include:

1. Lost Revenues Net of Expenses
 - Parking revenues and parking tax on 1,671 spaces at LACC West Hall;
 - Parking revenues and parking tax on 283 spaces used mainly for truck marshaling at the existing Bond Street parking lot;
 - Parking revenues and parking tax on 858 spaces at the existing Cherry Street parking structure; and

2. Existing Lease Revenues

- Lease revenue now paid to LACC for use of spaces at LACC West Hall and the Cherry Street surface lot for events at Staples Center.

Based on analysis of LACC financial documents and interviews with LACC personnel, we estimate that the sum of these lost revenues totals \$2.6 million.¹ See Attachment A, Exhibit 1 for the supporting calculation details.

City Parking-Related Revenues That Will Be Added as a Result of Implementing the Project

With implementation of the Project, LACC and the City will receive the following new parking-related revenues:

1. Ground Rent Revenues

- Ground lease payments for the properties under the new Cherry Street and Bond Street parking structures. Based on discussions with City staff, the annual ground lease payment is expected to be \$1.87 million. See Attachment A, Exhibit 2 for the calculation details supporting this estimate.

2. Event Center Events Parking Tax

- Parking tax from all paid parking associated with new events at the Event Center. Based on an analysis of annual Event Center attendees, their mode of transportation and other factors derived from the CS&L economic impact report, the Project's Draft EIR and interviews with the Draft EIR traffic and circulation consultant, we derived an estimate of the parking demand associated with the Event Center's annual events schedule. See Attachment A, Exhibit 2 for the details of this analysis.

We then allocated this parking demand to available parking supply as follows:

- ✓ The new AEG-controlled Bond Street and Cherry Street parking structures. Based on discussions with AEG personnel about projected parking rates, we estimate that the use of these spaces will generate \$366,000 in annual parking tax. See Attachment A, Exhibit 2 for the calculation details supporting this estimate.
- ✓ The remainder of demand was assumed to be provided by privately owned parking lots, parking structures and parking garages within existing commercial and residential development throughout the downtown area that are located within a 20-minute walk of the Event Center. Based on a gradient of per-space pricing that declines as distance from the Event Center increases, we estimate that the use of these spaces will generate \$455,000 in annual parking tax. See Attachment A, Exhibit 2 for the calculation details supporting this estimate.

¹ All dollar amounts presented in this memo and Attachment A are stated in 2012 dollars.

The combination of these new parking-related revenues to the City/LACC and parking tax revenue will exceed the amount of current revenue from parking resources that will be removed as a result of implementing the Project. Therefore, we do not expect that a Make Whole Payment will be required.

It is also worth noting that, consistent with the terms of the MOU, this analysis does not account for any above-trend increase in the number of LACC trade shows, conventions and other events that is projected to occur from the implementation of the Project. According to the Project's Draft EIR, AEG is projecting an increase of approximately 1.3 million attendees due to Project enhancements at LACC. These attendees and their resulting parking demand will generate additional parking-related revenues and parking taxes resulting in a greater surplus of future revenues than is presented above.

Should you have any questions, feel free to contact either Paul or David at (310) 581-0900, or via email at psilvern@hraadvisors.com and dberneman@hraadvisors.com, respectively.

Attachment A

Exhibit 1 - Make-Whole Payment Calculation Detail

Lost Revenues Resulting from the Project

Sources

<p>1) Lost Revenues Net of Expenses West Hall Cherry Street Bond Street Total</p>	<p>FY 2010-11 \$1,699,130 \$368,481 <u>\$11,723</u> \$2,079,334</p>	<p>Per the Attestation Report: Convention Center Parking Revenues and Expenses, October 6, 2011. Includes 10% parking tax accrued by the City. Adjusted to 70% per conversation with Greg Rosicky (LACC) to account for transfers to other LACC halls.</p>
<p>2) Existing Lease Revenue West Hall/Cherry Street</p>	<p>\$550,000</p>	<p>Per conversation with Diana Mangjoglu (CAO).</p>
<p>Total Lost Revenues</p>	<p>\$2,629,334</p>	

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Exhibit 2 - Make-Whole Payment Calculation Detail

Added Revenues Resulting from the Project

Sources

<p>1) Ground Lease Payment Cherry Street/Bond Street Ground Lease Payment Total</p>	<p>Annual Ground Lease Payment \$1,870,000</p>	<p>Per conversation with Diana Mangioglou (CAO).</p>
<p>2) Events Center Events Parking Tax Total Annual Attendance Less: No Shows Pre-Season Less: No Shows Regular Season Less: Walkers or Bikers Less: Transit Users Total Less No Shows & Other Modes of Transit Attendees per Car Cars Event Days Cars Per Event Day LACC-Controlled AEG-Controlled Third Party-Controlled</p>	<p>Parking Tax Calculation 1,347,100 16,245 10,067 21,820 <u>93,512</u> 1,205,456 3.0 401,819 27 <u>14,882</u> 0 4,924 9,958</p>	<p>Per Fiscal Analysis of Proposed Downtown Stadium and Convention Center Project, CS&L, July 22, 2011. Per Draft EIR Transportation Study, modified to use proportionate values that account for no shows. See Appendix 1 Per Draft EIR Transportation Study. Per Fiscal Analysis of Proposed Downtown Stadium and Convention Center Project, CS&L, July 22, 2011. Assuming 100% occupancy. See Appendix 2 Remainder.</p>
<p>LACC Controlled Spaces Avg Charge per Space LACC Controlled Total Revenue Parking Tax Revenue @ 10% Event Days LACC Controlled Spaces Parking Tax Revenue</p>	<p>0 \$20.00 \$0 \$0 27 \$0</p>	<p>Per conversation with Greg Rosicky (LACC). Per conversation with Greg Rosicky (LACC). No LACC spaces are planned to be reserved for Events Center event use. In the event some spaces are provided for Events Center events the charge would be \$20.00.</p>
<p>AEG Controlled Spaces Avg Charge per Space AEG Controlled Total Parking Tax Revenue @ 10% Event Days AEG Controlled Spaces Parking Tax Revenue</p>	<p>4,924 \$27.50 \$135,410 \$13,541 27 \$365,607</p>	<p>From above. Per conversation with Ignacio (AEG). 2,518 of AEG spaces will be reserved for LA Live. Average charge for remainder will be \$27.50, including pre-purchased passes.</p>
<p>Third Party Controlled Spaces (Remaining) Wtd Avg Charge per Space Third Party Controlled Total Parking Tax Revenue @ 10% Event Days Third Party Controlled Spaces Parking Tax Revenue</p>	<p>9,958 \$16.93 \$168,589 \$16,859 27 \$455,190</p>	<p>From Above. See Appendix 3</p>
<p>Total Added Revenues</p>		<p>\$2,690,797</p>

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Appendices

Appendix 1 - Attendees Using Alternative Modes of Transit

	EIR Transportation Study		Percent of Total		Remaining Attendees		Proportioning Using CS&L (after no shows)		Percent of Total		Remaining Attendees		Annual Total Using CS&L Figures	
Attendees Per Event	72,000							62,342						21,820
Walkers or Bikers	2,520		3.5%		69,480		2,182		3.5%		60,160			
Transit Users	10,800		15.0%		58,680		9,351		15.0%		50,808			93,512

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Appendix 2 - Available AEG-Controlled Spaces

AEG-Controlled Spaces ¹	# Spaces
Bond Street	924
Cherry Street/LA Live Way Garage	3,000
LA Live Garages	3,518
Total AEG-Controlled Spaces at Project Stabilization	7,442
Less: Spaces Dedicated to LA Live ²	2,518
Total AEG-Controlled Spaces Available	4,924

¹ Per Draft EIR.

² Per discussion with Ignacio (AEG).

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Appendix 3 - Charge Per Space for Third Party Controlled Lots

Distance (minutes)	<5	>5 & <10	<10 & <15	>15 & <20	Total
Total Existing Supply (not including LACC or AEG) ¹	888	10,056	20,113	10,348	41,405
Percent of Total	2%	24%	49%	25%	
Charge ²	\$50	\$25	\$15	\$10	
Spaces (third party remaining)	214	2,419	4,837	2,489	9,958
Wtd Avg Charge per Space					\$16.93

¹ Per Draft EIR Transportation Study.

² Per HR&A based on observation of existing parking rates distribution and discussion with Mike Bates (Mobility Group).
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