



BOARD OF LOS ANGELES DEPARTMENT OF CONVENTION AND TOURISM DEVELOPMENT COMMISSIONERS

Commissioners: Jon F. Vein, President; Ray Bidenost, Vice President;
Jeremy Bernard; Stella T. Maloyan; Otto Padron

Members of the public who wish to speak during the meeting must submit a "Request to Speak" form to the Board Secretary prior to the commencement of the public comments for each agenda item of interest. Comments by the public on matters not identified on the agenda, but within the subject matter jurisdiction of the Commission, will be heard only during the item designated as "Public Comment." Public speaking will be limited to two minutes per speaker, unless the presiding officer grants some other amount of time before the commencement of the public comment.

Special Meeting
Tuesday, March 22, 2016
9:00 a.m. – 11:00 a.m.
Los Angeles Convention Center
1201 S. Figueroa Street, L.A., CA 90015
Executive Board Room

1. CALL TO ORDER / ROLL CALL

2. PUBLIC COMMENT

3. ACTION ITEMS:

- a. Approval of the Special meeting minutes from February 24, 2016
- b. Approval of the meeting minutes from March 2, 2016
- c. LATCB FY 2016-17 Proposed Budget – Board Report #16-002 - CTD
- d. On-Site Hotel Update - Consideration and Potential Action Regarding Hotel RFI Response and Recommendation – Board Report #16-003 – CTD/JLL
- e. Expansion & Futurization Update – Consideration and Potential Action Regarding items contained in the report – Board Report #16-004 - Bud Ovrom, CTD

4. PRESENTATIONS:

- a. DBFOM Update – Ben Ceja, CAO

5. DISCUSSION ITEMS:

- a. CTD FY 2016-17 Budget update - CTD

6. ADJOURNMENT

AGENDA FORECAST / SPECIAL TOPICS:

- April 6, 2016
 - AEG Monthly Update – February – Brad Gessner, AEG
 - LATCB Monthly Update – February – Darren Green, LATCB

Materials related to an item on this agenda submitted to the Board of Los Angeles Convention and Tourism development after distribution of the agenda packet are available for public inspection in the Executive Office of the Los Angeles Convention Center, 1201 S. Figueroa Street, Los Angeles, CA 90015, during normal business hours.

DRAFT
**BOARD OF LOS ANGELES CONVENTION
AND TOURISM DEVELOPMENT COMMISSION**

Special Meeting Minutes
February 24, 2016
9:00 a.m.

The Board of Los Angeles Convention and Tourism Development Commission (Board) convened a special meeting on Wednesday, February 24, 2016 at 9:00 a.m. at the Los Angeles Convention Center (LACC), located at 1201 S. Figueroa Street, Los Angeles, CA 90015, in the Executive Board Room.

PRESENT:

President Jon F. Vein
Commissioner Otto Padron
Commissioner Jeremy Bernard
Commissioner Stella T. Maloyan

ABSENT:

Vice President Ray Bidenost

PRESENTERS:

Bud Ovrom, CTD

Item 1. Call to Order / Roll Call

President Vein called the meeting to order at 9:05 am.

Item 2. Public Comment

None

Item 3a. Approval of Meeting Minutes from February 3, 2016

UNANIMOUSLY APPROVED

Item 4a. Expansion and Futurization Update

Mr. Bud Ovrom updated the Board on the expansion and futurization of the Los Angeles Convention Center, noting that the Economic Development Committee (EDC) approved a motion to research two paths of financing the project. The EIR and staffing required for the project were also approved and will be applicable to either path of the project. The motion has been waived by Personnel and Animal Welfare Committee and will be heard by the Budget and Finance Committee prior to going to full Council. The P3 conceptual design includes a large residential component, which EDC prohibited in the motion. The Board discussed the topic and will recommend researching all options available.

Item 4b. Hotel Strategy Update

Mr. Bud Ovrom provided a hotel strategy update, stating the lack of hotel rooms within walking distance as compared to competitors and the goal of 8,000 hotel rooms by 2020. Mr. Ovrom also gave an overview of local hotel projects.

Item 4c. Future Meetings

Meetings will continue to be held the first and third Wednesdays of each month.

ADJOURNMENT

The meeting was adjourned at 10:06 a.m.

DRAFT
BOARD OF LOS ANGELES CONVENTION
AND TOURISM DEVELOPMENT COMMISSION

Regular Meeting Minutes
March 2, 2016
9:00 a.m.

The Board of Los Angeles Convention and Tourism Development Commission (Board) convened a regular meeting on Wednesday, March 2, 2016 at 9:00 a.m. at the Los Angeles Convention Center (LACC), located at 1201 S. Figueroa Street, Los Angeles, CA 90015, in the Executive Board Room.

PRESENT:

Vice President Ray Bidenost, Presiding
Commissioner Otto Padron
Commissioner Stella T. Maloyan

ABSENT:

President Jon F. Vein
Commissioner Jeremy Bernard

PRESENTERS:

Brad Gessner, AEG
Keith Hilsgen, AEG
Ellen Schwartz, AEG
Darren Green, LATCB
Wendy Kheel, LATCB
Bud Ovrom, CTD

Item 1. Call to Order / Roll Call

Vice President Bidenost called the meeting to order at 9:01 am.

Item 2. Public Comment

None

Item 3a. Approval of Meeting Minutes from February 24, 2016

Held to next meeting.

Item 4a. AEG Monthly Update - January

Mr. Brad Gessner presented the update for January and noted that occupancy and F&B were up over prior years, mostly due to MaryKay. Mr. Gessner introduced the employee of the month, Michelle Chang. Mr. Keith Hilsgen presented the financial update, noting an expected operating profit of \$8 million this year and a reserve of \$5 million this July. The Economic Impact of LACC booked events for January is \$11.6 million.

Item 4b. LATCB Monthly Update – January

Mr. Darren Green presented the update through January, noting that leads are ahead of last year. Mr. Green noted that the short term booking window continues to fill with events.

Item 4bi. Post-Convention Survey

Ms. Wendy Kheel presented the post-convention survey results, noting a 74% response rate. The data will be reported by Fiscal Year going forward. The objectives of the surveys are to gather detailed data for Economic Impact and to measure client satisfaction. Attendance data remains the same, overall experience is better, and willingness to return is up. LA's rating as a host city is up although F&B remains an issue with most categories moving downward. Brad Gessner mentioned that AEG is focusing on F&B over the next six months.

Item 5a. Expansion and Futurization Update

Mr. Bud Ovrom reported that the dual path motion is being presented in full Council today and a Notice to Proceed could go out as early as March 14 if the motion is approved. Mr. Ovrom noted that CLA is doing an excellent job managing the multiple departments involved in this project, and that the concept design phase has begun. Mr. Ovrom added that delays could cost \$1.5 million per month. Mr. Ovrom announced that Johnson Consulting has been selected to provide the Economic Impact for all LACC events.

Items 5b. On-site Hotel Update

Mr. Ovrom announced that seven submittals had been received as a result of the RFI and a synopsis of the submittals is expected by Friday. Mr. Ovrom showed a fly thru video of the Anaheim Expansion Project.

ADJOURNMENT

The meeting was adjourned at 10:11 a.m.

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: March 22, 2016

To: Board of Los Angeles Convention and Tourism Development
Commissioners

From: Robert R. "Bud" Ovrom, Executive Director 
Department of Convention and Tourism Development

Subject: **LOS ANGELES TOURISM AND CONVENTION BOARD 2016-17
BUDGET REQUEST – BOARD REPORT #16-002**

SUMMARY:

The primary goal of the City's engagement with the Los Angeles Tourism and Convention Board (LATCB) is to grow the local economy by promoting the City as a site for citywide conventions, business meetings and major tradeshow, and as a destination for leisure travel. As part of the annual budget process, and to satisfy the City's Charter-mandated budget deadlines, the Los Angeles Convention and Tourism Development Board of Commissioners (Board) will consider for approval the LATCB's 2016-17 budget proposal for inclusion in the Mayor's Proposed Budget.

Destination Marketing Organizations (DMOs) such as LATCB, engaged by cities for specific convention and travel promotional purposes, are not unique to Los Angeles. Most cities fund their DMOs through hotel occupancy tax to create a separate institution of tourism experts. Based on industry practice, DMOs finalize their budgets within a month or two of the new fiscal year. Attached is LATCB's 2016-17 budget request for the Board's consideration and approval. It should be noted that this request is strictly a general overview at this time, to be revisited prior to the end of this fiscal year.

DISCUSSION:

The Department and LATCB executed an agreement for a five and one half year term, starting January 1, 2015 through June 30, 2020. The LATCB's services include selling Los Angeles as a site for citywide conventions and major tradeshow, business meetings, and as a destination for leisure travel. In exchange, the LATCB receives one percent of the Transient Occupancy Tax (TOT). The TOT is levied on hotel or motel rooms, and is collected by the operator and remitted to the City monthly. The tax rate is 14 percent, of which 13 percent is remitted to the General Fund and the other 1 percent is remitted to the Greater Los Angeles Visitors and Convention Bureau Trust Fund.

The City anticipates that TOT revenue to LATCB for 2016-17 will increase by approximately \$1.2 million from the current fiscal year.

1% Transient Occupancy Tax To LATCB	Actual 2014-15	Estimate 2015-16	Proposed 2016-17
	\$15,377,206	\$16,763,000	\$17,927,000

The LATCB's 2016-17 TOT budget request will pay for services in the following areas (1) Conventions and Meetings, Sales and Services, (2) Domestic and International Marketing, Global Public Relations and Media, and (3) Finance, Information Technology and Human Resources. The following includes more detail on these service areas.

	Amount	Description
Conventions and Meetings, Sales and Services	\$ 7,570,000	Sales for citywide conventions and events in LACC, sales for self-contained hotel events, and client services
Domestic and International Marketing, Global Public Relations and Media	\$ 7,107,000	Television ads, billboards, online advertising, research and analysis, journalist site visits
Finance, Information Technology and Human Resources	\$ 3,250,000	Overhead costs
TOTAL	\$17,927,000	

The City has identified \$100,000 within LATCB's proposed 2016-17 budget to be used for costs related to the promotion of the City; specifically, convention and tourism marketing, communications, and sales effort. Proposals to spend the designated funds must be approved by CTD.

Upon approval, the Mayor will include LATCB's budget as part of the 2016-17 Proposed Budget. Per the City's Charter, the Mayor's Proposed Budget must be submitted to the City Council no later than April 20.

RECOMMENDATION:

That the Board of Commissioners for the Department of Convention and Tourism Development approve the proposed budget for the Los Angeles Tourism and Convention Board for inclusion in the Mayor's 2016-17 Budget Proposal to the City Council.

ATTACHMENT

THE LOS ANGELES TOURISM & CONVENTION BOARD

BASIS FOR THE PROPOSED BUDGET

The 2016-17 Proposed Budget for the Los Angeles Tourism & Convention Board ("LATCB") relates to current year funding as follows:

		Amount	% Change
2015-16 Adopted Budget	Transient Occupancy Tax	\$16,372,000*	
2016-17 Proposed Budget	Transient Occupancy Tax	\$17,927,000*	
Change from 2015-16 Budget	Transient Occupancy Tax	\$ 1,555,000	9.5%

*The amounts above are based on the TOT appropriations designated for LATCB. These amounts do not include funds appropriated to the Department of Convention and Tourism Development (\$193,000 in 2015-16 and **\$215,000** in 2016-17) and the Office of the City Administrative Officer (\$50,000 in 2015-16 and 2016-17).

The City has contracted with the LATCB to market Los Angeles as a convention, meetings and leisure travel destination. In 2016-17, the TOT is anticipated to increase from \$16,372,000 to **\$17,927,000**. The annual City allocation to the LATCB is equivalent to a one percent Transient Occupancy Tax (TOT). The TOT is a 14 percent tax on hotel occupants. The hotel industry had introduced two initiatives to the City Council over the last 30 years to increase the TOT by two percentage points to fund the sales and marketing programs of the LATCB. However, the TOT appropriation to LATCB was reduced from 2 to 1 percent as part of the 2003-04 budget process.

OBJECTIVES

The services and deliverables shall align with the following core objectives:

1. Increase the number of people visiting Los Angeles as both a convention and tourist destination in order to increase the economic benefits derived from out of town visitors to the City.
2. Measure the economic impact from citywide conventions and the tourism and hospitality sector.
3. Facilitate and track visitor engagement with those visiting Los Angeles for both conventions and leisure travel to enhance the visitor experience with the intent of encouraging repeat visitation and longer stays.
4. Effectively leverage TOT funds with other sources of funding to promote conventions and tourism to maximize the yield from the City's investment.

TOT RESOURCES

The LATCB's budget for providing City services is based on an estimate of TOT revenue anticipated for 2016-17.

Available Funds	Actual 2014-15	Forecast 2015-16	Proposed 2016-17
City of Los Angeles to LATCB Contract Payment 1% TOT	\$15,377,206	\$16,763,000	\$17,927,000

City Appropriation and Trust Fund Retention

The Greater Los Angeles Visitors and Convention Bureau (LAVCB) Trust Fund receives an amount equivalent to a one percent TOT. Each year, 95 percent of the projected trust fund receipts are paid in accordance with the agreement between the City and LATCB. The remaining 5 percent is retained (also referred to as the "holdback") in the trust fund in the event of a shortfall in TOT. Nonetheless, the LATCB prepares its annual budget based on 100 percent of the TOT allocation. The 5 percent hold back is typically retained in the fund until year end and until the City is able to assess the actual TOT remitted. At the start of the following fiscal year, the LATCB receives the holdback from the previous year, assuming the actual TOT remitted was higher than budget.

TOT EXPENDITURES

PROGRAM	Actual 2014-15	Forecast 2015-16	Proposed 2016-17
Convention & Meetings Sales & Services	\$ 6,299,110	\$ 7,050,000	\$ 7,570,000
Domestic & International Marketing, Global Public Relations & Media	5,968,394	6,618,000	7,107,000
Finance, IT, Human Resources	2,740,111	3,095,000	3,250,000
TOTAL	\$ 15,007,616	\$16,763,000	\$17,927,000

TOT PROGRAM INFORMATION

To grow visitation, sustain visitor spending and reduce revenue erosion, strategies and tactics for each segment of the visitor economy will be re-evaluated, based on actual results for fiscal year 2015-16.

Convention & Meetings Sales & Services - \$ 7,570,000

The mission of Convention and Meetings Sales and Services is to market Los Angeles as a destination for meetings, conventions and trade shows. The LATCB's sales are segmented between two different target audiences, Convention Center users and those seeking meeting space in hotels.

The decision making process for conventions has been impacted by proposed modernization plans for LACC, the uncertainty regarding the timing of construction and fluctuating hotel inventory. Based on these factors LATCB has adjusted its strategy to include the pursuit of more short-term large corporate business while continuing to target long term association business. This has resulted in an increase in short-term bookings, primarily driven by corporate.

Domestic Marketing - \$3,909,000

The LATCB will be advertising in the following domestic Designated Marketing Areas (DMA's) in fiscal years 2016 and 2017: New York City, Chicago, DC, San Francisco, Sacramento, Fresno and San Diego. These seven markets were determined on the basis of current visitation volume as well as the projected return on investment (ROI). The first three markets (New York City, Chicago and DC) will employ TV ads due to the relatively high ROI that is anticipated, and all seven markets will have a mix of out-of-home advertising as well as digital advertising. The campaign, "Get Lost in L.A." is a new approach focused on the millennial traveler. Last year's campaign produced a 140 to 1 ROI for each dollar invested (source: Strategic Marketing Research Institute).

Separately, through promotional activity with Online Travel Operators (Expedia.com, Hotels.com, Orbitz.com, etc.) the LATCB intends to produce more public exposure and room nights for Los Angeles. One such program is the "Museum Season" program that focuses on promoting the growing stature of the Los Angeles museum portfolio.

International Marketing - \$2,203,000

Additionally, the LATCB has again partnered with Brand USA (the country's national tourism marketing organization that was formed by President Obama's Travel Promotion Act) to run advertising in China, Australia, Canada & Mexico. These four markets are Los Angeles' top overseas visitation markets (airline lift). Given LATCB's investment, Brand USA has contributed nearly \$1 million in matching funds.

Global Public Relations, Earned and Owned Media - \$995,000

The Public Relations and Communications team works with travel writers around the world to increase coverage of Los Angeles. This involves hosting the writers and helping them to experience all that Los Angeles offers. Articles subsequently written about Los Angeles provide "earned" media coverage of the City.

Digital marketing efforts include a website that allows booking of a room in the City and information about everything to do in the City. Social media fans on Facebook, Instagram, Twitter, etc. provide a cost effective method for spreading the information about the City throughout the world.

Total Marketing - \$7,107,000

Finance, Information Technology & Human Resources - \$3,250,000

This area provides overhead support to the operating divisions discussed above. This includes administrative services, finance, human resources, payroll and information technology. Together, these departments are responsible for maintaining financial controls, operational efficiency and contract compliance in all entities.

Total 2016-2017 LATCB TOT Budget: \$ 17,927,000

LATCB has agreed to designate \$100,000 within the 2016-2017 budget of **\$17,927,000** for costs related to convention and tourism marketing, communications, and sales efforts proposed by the City.

ADDITIONAL SOURCES AND USES OF FUNDING

Tourism Marketing District - \$26,300,000

The LATCB has a long term service contract with the Los Angeles Tourism Marketing District ("LATMD") which was formed by Los Angeles City based hotels in 2011. A Tourism Marketing District is similar to a Business Improvement District (BID), but the LATMD is based on room revenue while BID's are based on physical size of the properties in the district. The hotels determined that more funds were needed to competitively sell and market the hotels in the City of Los Angeles. Therefore, they established the district which provides for a 1.5 percent assessment on hotel room revenue. By contract, use of these funds is solely restricted to sales and marketing activities that provide specific benefit to the hotels in the LATMD. The contract specifies these funds cannot be used for other purposes. Use of these funds allows the LATCB and the LATMD to be competitive and market hotels in numerous ways, including placing cable and digital advertisements in key markets in order to increase visitors with the resulting increase in TOT for both LATCB and the City. The anticipated TMD revenue for fiscal year 2016-2017 is \$26.3million.

Los Angeles World Airports International Marketing Alliance - \$2,200,000

Los Angeles World Airports (LAWA) has a \$2.2 million annual contract with LATCB that expires in November 2017. Use of these funds are restricted by the Federal Aviation Administration solely for the international marketing of LAWA. These funds cannot be used for any other purposes.

Corporate Sponsorships, Kiosks and Cooperative Agreements - \$1,700,000

Corporate sponsors provide approximately \$1.7 million of funding which, in accordance with sponsorship agreements, must be used for the benefit and promotion of the sponsors.

Membership Fees - \$1,100,000

LATCB receives approximately \$1.1 million of member dues annually. These funds are used for the benefit of the members.

Visitor Information Center - \$500,000

Our Visitor Information Center at Hollywood & Highland expects to produce approximately \$500K in revenue from selling tickets to various entertainment attractions and theme parks.

PRODUCTIVITY GOALS

In order to delineate production standards for 2016-17, the following exhibits itemize Convention & Meetings Sales & Services bookings and leads goals which are subject to recommendations by the Sales Advisory Board and approval by the Board of Directors of LATCB. The highlights of the exhibits are as follows:

ESTIMATED SALES BOOKINGS

Convention Center Events – For 2016-17, this activity is expected to yield 369,000 room nights, and \$11,520,000 million in Transient Occupancy Tax.

Hotel Association and Corporate Meetings - This department directs its sales activity to hotels with meetings and convention facilities. Production is anticipated to yield 250,000 room nights and \$7,805,000 of TOT in 2016-17.

ESTIMATED SALES BOOKINGS FOR 2016-17

Estimated Future Direct Revenues From Events Booked during 2016-17

	<u>2014-15</u> <u>Actual</u>	<u>2015-16</u> <u>Forecast</u>	<u>2016-17</u> <u>Estimated Goals</u> <u>(A)*</u>	<u>Estimated</u> <u>TOT*</u>
Convention Center Events				
Number	34	38	40	
Room Nights	356,087	351,000	369,000	\$11,520,000
Hotel Association and Corporate Meetings				
Number	358	500	525	
Room Nights	<u>229,804</u>	<u>230,000</u>	<u>250,000</u>	<u>\$7,805,000</u>
TOTALS				
Number	392	538	565	
Room Nights	<u>585,891</u>	<u>581,000</u>	<u>619,000</u>	<u>\$19,325,000</u>

Average Room Rate: \$223.00 (2015 PKF Audit Summary)

Note – In view of current year-to-date sales performance, these goals may be adjusted based on the recommendation of the Sales Advisory Committee and approval by the Board of Directors of LATCB.

**Uncertainty about LACC's future modernization plans may impact future sales production.*

ESTIMATED SALES LEADS - This exhibit outlines sales leads developed by LATCB. Convention Center sales leads in 2016-17 are projected to be 231. Hotel Association and Corporate Meeting sales leads in 2016-17 are projected to be 1,838.

ESTIMATED SALES LEADS FOR 2016-17

**Estimated Potential Future Direct
Revenues From Event Sales Leads During 2016-17**

	<u>2014-15</u> <u>Actual</u>	<u>2015-16</u> <u>Forecast</u>	<u>2016-17</u> <u>Estimated Goals</u> <u>(A)</u>	<u>Estimated</u> <u>TOT</u>
Convention Center Events	225	220	231	\$ 66,529,000
Hotel Association and Corporate Meetings	<u>1,815</u>	<u>1,750</u>	<u>1,838</u>	<u>\$27,314,000</u>
TOTALS	<u>2,040</u>	<u>1,970</u>	<u>2,069</u>	<u>\$ 93,843,000</u>

Average Room Rate: \$223.00 (2015 PKF Audit Summary)

Fiscal Year 2016-17 Average Room Nights per Booking Assumptions:

- 9,225 for Convention Center Events
- 476 for Hotel Association and Corporate Meetings

Note – In view of current year-to-date sales performance, these goals may be adjusted based on the recommendation on the Sales Advisory Committee and approval by the Board of Directors of LATCB.

ESTIMATED ECONOMIC IMPACT OF BOOKED CONVENTION CENTER EVENTS TO BE HELD IN CALENDAR YEARS 2015 THROUGH 2029

Estimated Economic Impact:

- Total direct and indirect/induced impact on business of events held at the Convention Center between the calendar years **2015** and **2029** on **175** events already booked will approximate to **\$2.9** billion.
- These sales will support:
 - **18,922** full time equivalent (FTE) jobs
 - **\$328** million in state and local tax assessments

Economic Impact Detail

	Direct	Indirect / Induced	Total
Business Sales	\$ 1,796,042,000	\$ 1,131,417,000	\$ 2,927,458,000
Jobs Supported Annual FTE's	13,371	5,550	18,922
Taxes and Assessments			
State Total	\$ 118,342,000	\$ 63,323,000	\$ 181,664,000
Local Total	\$ 120,030,000	\$ 25,865,000	\$ 145,895,000



Convention Hotel RFI: *Process Update*

March 22, 2016



TODAY'S DISCUSSION

- Why the Hotel Project?
- Why is the Public Involved?
- Are other Convention Markets Impacted?
- LA's RFI Process Results
- Q&A

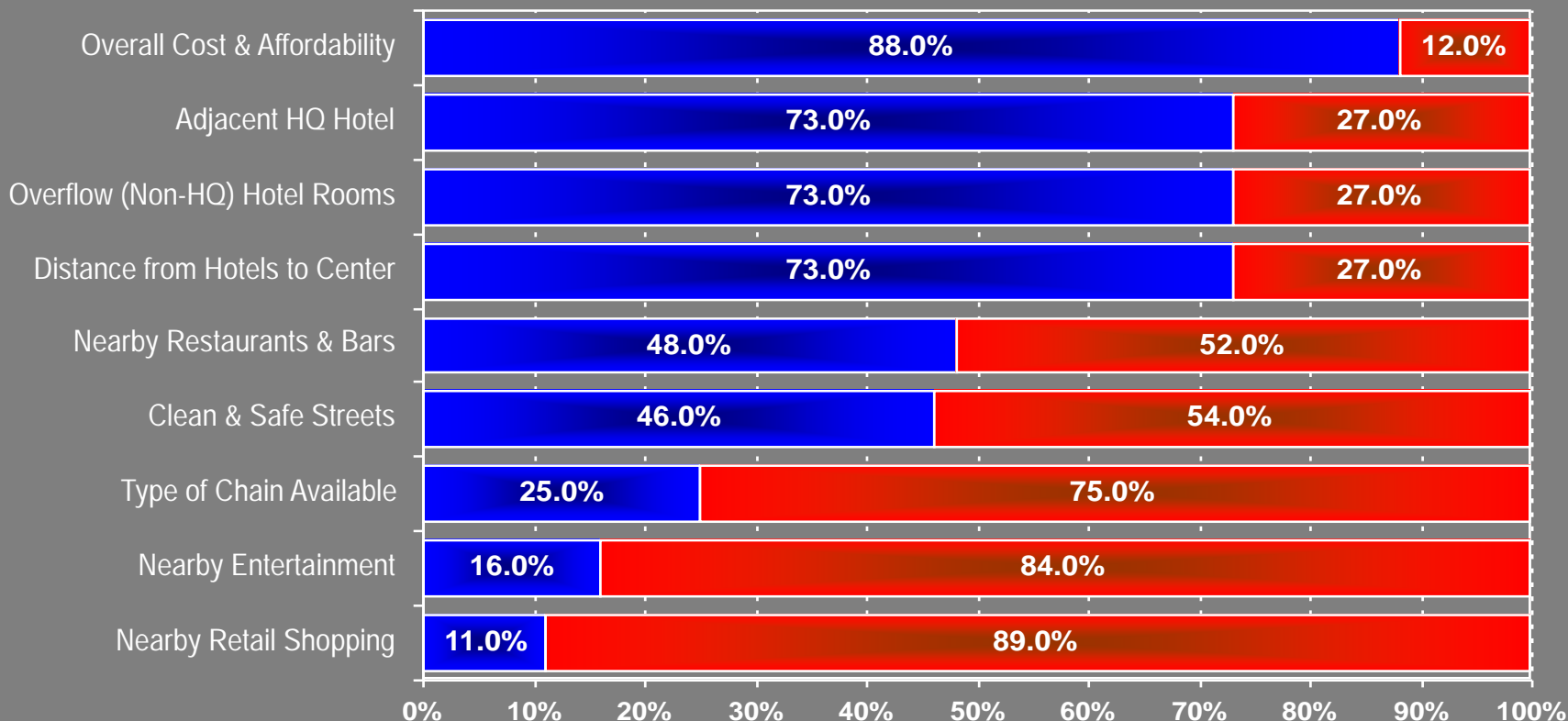
WHY ARE CONVENTION HOTELS IMPORTANT?

Destination Selection Factors

Q: "Can this factor alone have the potential to be a "Deal Breaker"?"

■ Yes

■ No

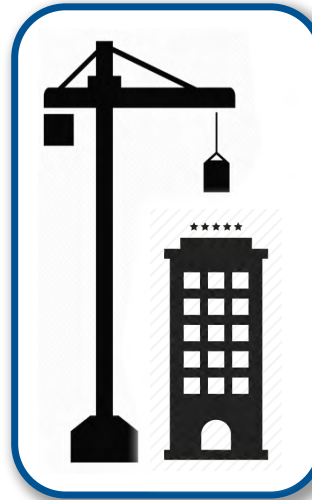


Source: JLL Meeting Planner Survey.

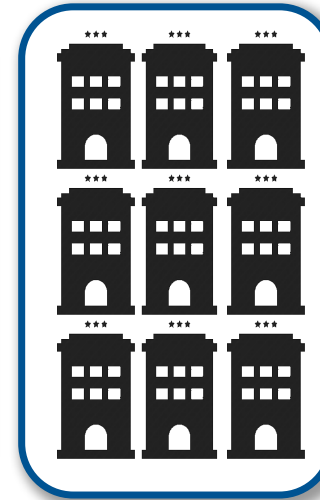
WHY IS PUBLIC INVOLVED? WHY THE GAP?



Tax Reform Act of 1986



**Construction
Costs**



**Limited
Service**



**Room
Rates**

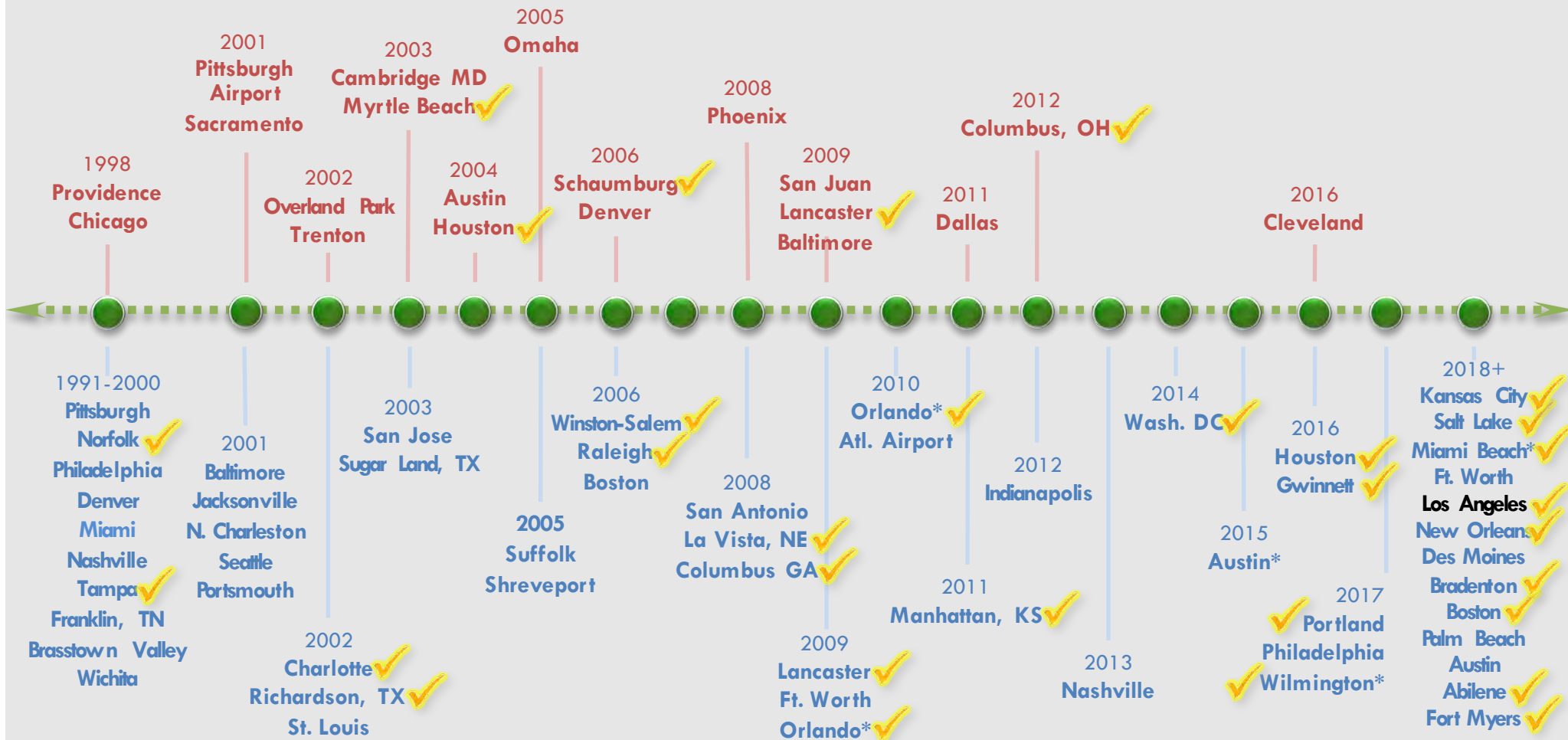


WHY THE GAP?

- Today, almost all convention hotels are infeasible
- Cost to build $>$ Economic value
- The difference between the two is the "Gap"

OTHER CONVENTION MARKETS IMPACTED?

Public Ownership



Private Ownership with Public Incentives

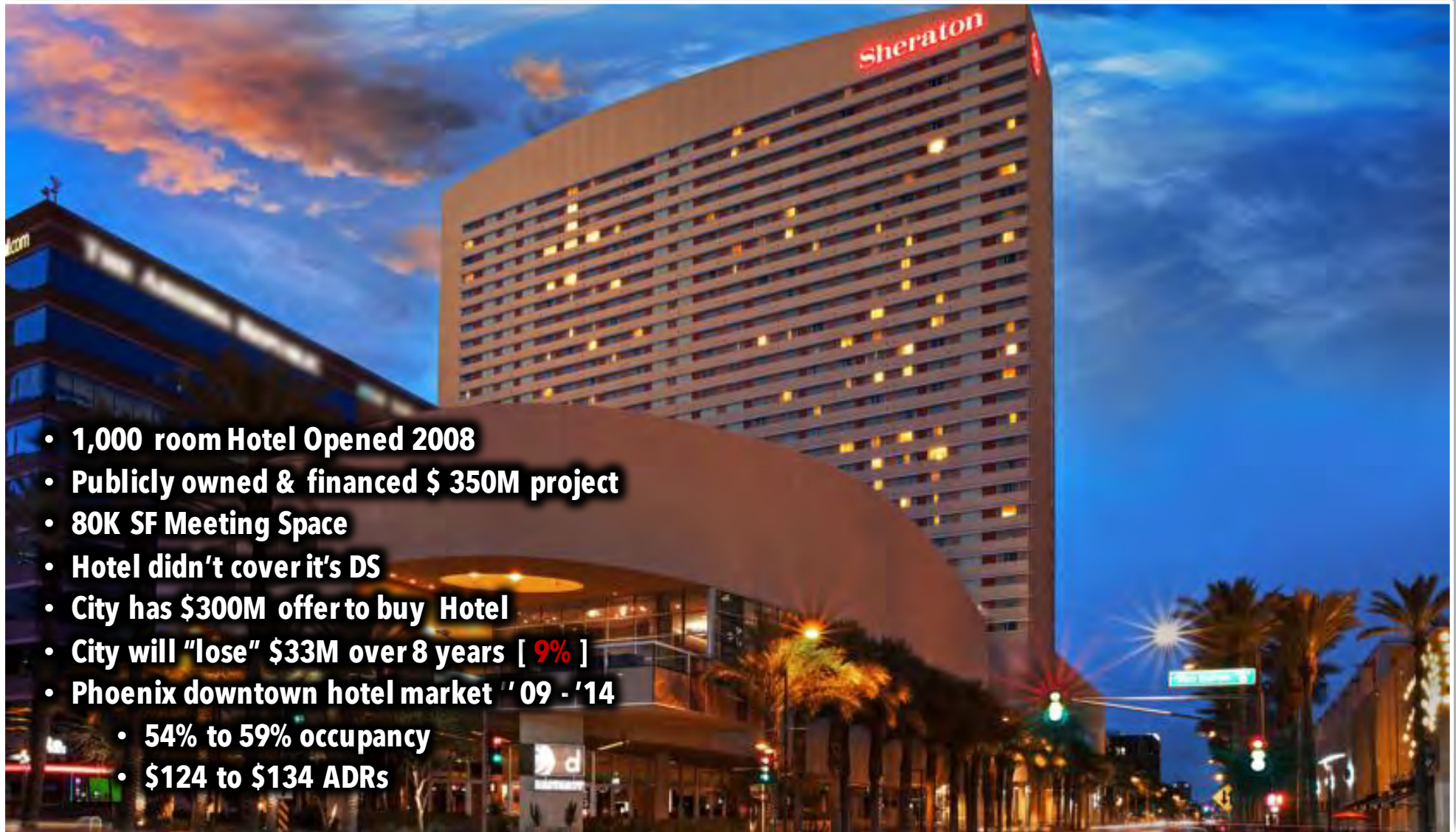
* No Public Incentives

PRIVATE APPROACH CASE STUDY: Houston



- Competitively bid summer 2012
 - Obtained 11 responses
- 1,000 rooms; 100,000 sf meeting space
- \$325.2 million in total project costs
 - \$293.5m w/o land, \$293.5k/key
- \$265.5 million private investment [82%]
- Hotel generated taxes rebated to developer:
 - 10 Year State hotel and sales taxes
 - 20 Year City hotel, sales, mixed-beverage and property taxes
- Public Investment [18%]
 - \$31.7 million in land
 - \$27 million in cash
- Hotel guests park in a HFC garage and pay market rates
- Developer to make annual "parking easement" payments totaling \$62 million over 50 years

PUBLIC APPROACH CASE STUDY: Phoenix



- 1,000 room Hotel Opened 2008
- Publicly owned & financed \$ 350M project
- 80K SF Meeting Space
- Hotel didn't cover it's DS
- City has \$300M offer to buy Hotel
- City will "lose" \$33M over 8 years [9%]
- Phoenix downtown hotel market '09 - '14
 - 54% to 59% occupancy
 - \$124 to \$134 ADRs

L.A.'s RFI RESULTS

- Seven development teams responded, including three or four of most active developers in industry; plus other well-funded organizations
- Proposed hotel brands include:

BELLAGIO

DOLCE
HOTELS AND RESORTS™


Hilton

HYATT

OMNI  HOTELS
& RESORTS

 MGM RESORTS
INTERNATIONAL™

starwood
*Hotels and
Resorts

- Very good response for a non-mandatory RFI and strong interest from developers and hotel brands

SAMPLE LISTING OF 7 TEAM'S HOTEL EXPERIENCE

- | | | | |
|---|------------------|---|---------------------|
| 1. Georgia World Congress Center Hotel | Atlanta GA | 35. Overton Hotel & Conference Center | Lubbock TX |
| 2. Hotel Indigo | Atlanta GA | 36. JW Marriott Marquis | Miami FL |
| 3. Hyatt Regency | Atlanta GA | 37. Omni Convention Hotel | Nashville TN |
| 4. Marriott Marquis | Atlanta GA | 38. Marriott Marquis Times Square | New York NY |
| 5. Omni Hotel @ the Battery | Atlanta GA | 39. Resort at Squaw Creek | Olympic Valley CA |
| 6. Westin Peachtree Plaza | Atlanta GA | 40. Hilton Omaha Convention Hotel | Omaha NE |
| 7. Sands Hotel & Casino | Atlantic City NJ | 41. Portofino Bay Hotel | Orlando FL |
| 8. Hilton Convention Center Hotel | Baltimore MD | 42. Sheraton Convention Hotel | Overland Park KS |
| 9. Waldorf=Astoria Hotel | Beverly Hills CA | 43. Hyatt Regency (u/d) | Portland OR |
| 10. Beau Rivage Hotel | Biloxi MS | 44. Terranea Resort | Rancho Palos Verde: |
| 11. Aloft & Element Hotels at Boston Conven | Boston MA | 45. Hyatt Regency Lake Washington (u/c) | Renton WA |
| 12. Mandarin Oriental | Boston MA | 46. Sheraton Grand Hotel | Sacramento CA |
| 13. Seaport Hotel & World Trade Center Cor | Boston MA | 47. Hilton San Diego Bayfront | San Diego CA |
| 14. Waterside Place Hotel & Mixed Use | Boston MA | 48. Hyatt Regency Mission Bay | San Diego CA |
| 15. Westin Boston Waterfront | Boston MA | 49. Intercontinental Hotel (u/c) | San Diego CA |
| 16. Century Plaza Hotel | Century City CA | 50. Lane Field Hotel | San Diego CA |
| 17. Westin Convention Hotel | Charlotte NC | 51. Le Meridien at Coronado | San Diego CA |
| 18. Suncadia Resort | Cle Elum WA | 52. W Hotel | San Diego CA |
| 19. Marriott Quorum | Dallas TX | 53. Grand Hyatt SFO (u/d) | San Francisco CA |
| 20. Omni Hotel | Dallas TX | 54. Hyatt Regency | San Francisco CA |
| 21. W Dallas Victory Hotel & Residences | Dallas TX | 55. JW Marriott | San Francisco CA |
| 22. Hyatt Convention Center Hotel | Denver CO | 56. Pan Pacific Hotel | San Francisco CA |
| 23. MGM Grand Hotel | Detroit MI | 57. Ritz Carlton | San Francisco CA |
| 24. Omni Hotel | Fort Worth TX | 58. Marriott Hotel | San Jose CA |
| 25. Omni Hotel @ the Star | Frisco TX | 59. Sheraton Puerto Rico Convention Hotel | San Juan PR |
| 26. Hyatt Regency | Houston TX | 60. Renaissance Convention Hotel | Schaumburg IL |
| 27. Westin Convention Hotel | Irving TX | 61. The Portman Ritz Carlton | Shanghai China |
| 28. The Signature at MGM Grand | Las Vegas NV | 62. W Hotel | Silicone Valley CA |
| 29. James Hotel at Sunset | Los Angeles CA | 63. MGM Springfield | Springfield MA |
| 30. The Fig Hotel | Los Angeles CA | 64. Westin La Paloma | Tucson AZ |
| 31. The Hotel & Residences at LA Live | Los Angeles CA | 65. Marriott Convention Hotel | Washington DC |
| 32. W Hollywood Hotel & Residences | Los Angeles CA | 66. MGM National Harbor Hotel | Washington DC |
| 33. Westin Bonaventure | Los Angeles CA | 67. Four Seasons Hotel | Westlake Village CA |
| 34. Omni Convention Hotel (u/c) | Louisville KY | 68. Ritz Carlton Hotel | Xi'an China |

RFI OPEN HOUSE



RFI Open House
January 26, 2016

TEAM'S PRELIMINARY VISION



A word cloud visualization of the team's preliminary vision. The words are arranged in a roughly triangular shape, with the largest words at the bottom and smaller words at the top. The colors of the words range from dark purple to red. The words include:

- Natural Light
- Public Art
- Harmony
- Open Space
- Sophistication
- Appeal and Livability
- Outdoor Spaces
- Sustainability
- Indoor-Outdoor Programming
- Connectedness
- Relaxing and Active Uses
- Intimate Social Gatherings
- Car-Free Experiences
- Vibrant Urban Experience
- Unique
- Everlasting Experiences
- Focal Point
- Pedestrian-Dominant Connections
- Modern Design
- Lively Streetscapes
- High-End Hospitality
- Distinct Sense of Arrival
- Vivid Memories

THE HOTEL SITE





Q&A



Convention Hotel RFI: *Process Update*

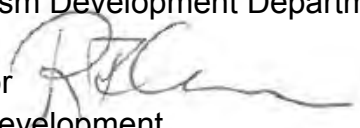
March 22, 2016



CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: March 18, 2016

To: The Commission for the Convention Tourism Development Department

From: Robert R. "Bud" Ovrom, Executive Director
Department of Convention and Tourism Development 

Subject: **REPORT BACK ON REQUEST FOR INFORMATION PROCESS
RELATED TO DEVELOPING A HOTEL ON THE CONVENTION CENTER
CAMPUS – BOARD REPORT #16-003**

SUMMARY:

On March 23, 2016, the Economic Development Committee is scheduled to consider a report from the Convention Tourism Development (CTD) Department and the Economic Workforce Development Department in follow up to the City Council (Council) instruction to issue a Request for Information (RFI) to survey the market's interest in developing a Convention Center Hotel and additional amenities on the Los Angeles Convention Center campus (Council File No. 15-0446). The attached report provides a summary of the seven responses received. In addition, the report recommends that the Council authorize the CTD, CLA, CAO, City Attorney, in consultation with EWDD, Planning and BOE to work in collaboration on identifying next steps for the RFP process, and for CTD to report back within thirty days on its progress.

RECOMMENDATION:

That the Commission of the Convention Tourism Development Department instruct the Convention and Tourism Development Department, the Chief Legislative Analyst, the City Administrative Officer and request the City Attorney to work together in consultation with the Bureau of Engineering, the Economic and Workforce Development Department, and the Planning Department in identifying next steps for the Request for Proposal process and for Convention and Tourism Development Department to report back to Council on this matter within 30 days.

FISCAL IMPACT STATEMENT:

There is no impact to the General Fund associated with the recommendation in this report.

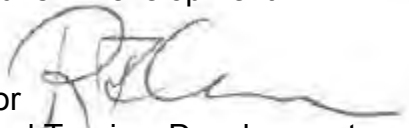
RRO:DM

ATTACHMENT

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: March 18, 2016

TO: Board of Los Angeles Convention and Tourism Development Commissioners

FROM: Robert R. "Bud" Ovrom, Executive Director
Los Angeles Department of Convention and Tourism Development 

SUBJECT: BI-WEEKLY PROGRESS REPORT ON THE LOS ANGELES CONVENTION CENTER EXPANSION AND FUTURIZATION PROJECT - BOARD REPORT # 16-004

After a year of starts and stops, we are now firing on all cylinders! Below are the highlights on the progress we have made since my last report.

1. Council Approves Dual Path Approach

On March 3, City Council voted 12-0 to proceed with the Dual Path approach. Attached is the final Council action – the same as the one approved by the Economic Development Committee (EDC) and waived out of the Personnel and Budget and Finance Committees. The proposed contract with Populous is anticipated for consideration and approval by the Board of Public Works on March 18, which will be followed by the issuance of a Notice to Proceed the early week of March 21.

The 90-day turnaround established by the City Council will begin on March 21. Staff will then have an additional 30 days after the 90 days to report back to the Council. If this schedule holds, a decision could be made in July – 13 months after Populous was selected as the winner of the Design Competition.

The Council Motion retains the prohibition of residential uses in the Design, Build, Finance, Operate, and Maintain (DBFOM) Business Case, but includes all of the budget appropriations, staffing and directions as outlined in the February 17 Progress Report. It should be noted that "branded" residential inside a hotel (like the 224 condos inside the 1,003 room JW Marriott/Ritz Carlton) is considered to be a part of the hotel and not treated as residential. A similar mixed use project would not violate the Council motion.

Everyone hit the ground running as soon as the Council acted:

- March 7 Follow-up meeting with Johnson Consulting on the updated Economic Impact Study. Final report due by April 30.
- March 8 Conference call with Populous, Bureau of Engineering (BOE), and Convention and Tourism Development (CTD) to map next steps

- March 10 California Environmental Quality Act Proposal meeting with BOE, CTD, Council District 9 (CD9), City Administrative Officer (CAO), Chief Legislative Analyst (CLA) and the three “on-call” firms who will be submitting proposals for consideration, to prepare the Economic Impact Report. Responses due March 25.
- March 10 CLA’s standing all-hands meeting to review progress of on-going work (both Paths) with CLA, CAO, CTD, Planning, City Attorney, and Los Angeles Department of Building and Safety
- March 15 Los Angeles Convention Center (LACC) Expansion Project Executive Committee meeting to review next steps with the Mayor’s office, CD9, BOE, CAO, CLA, and CTD. The CLA’s all-hands meeting is to discuss progress on both paths. The LACC Project Executive Committee is primarily focusing on the Populous design path; however the Assistant City Administrative Officer, Ben Ceja, joined this meeting by phone and provided an update on the DBFOM path.
- March 21 Conceptual Plan Refinement Workshops (discussed below)

2. Conceptual Design Refinement Phase (Populous)

Cutting through all the committees, people and assignments, the immediate next steps will include a 3-day workshop on March 21-23:

- A high level workshop will review the big picture items based on feedback we received from three separate meetings with client groups and other discussions with various stakeholders, such as:
 - how to address the concern about contiguous exhibit space
 - where best to place the hotel
 - questions about the utility of the proposed indoor-outdoor ballroom
 - how to determine the most cost effective placement of the proposed rooftop ballroom
 - where to place more revenue generating uses, like retail, restaurants, entertainment venues, related office space, etc.
 - ways to further reduce costs

- A more technical workshop looking at operational issues, such as relationship of the loading docks to the exhibit hall, proximity of the kitchen to the meeting and ballrooms, etc.
- A concluding workshop to review all of the input received and to make sure there is concurrence on the work to be done going forward.

(If any of the Commissioners are interested in attending any of the workshops, just let us know. You are welcome to attend, but we are limited to a maximum of two Commissioners per session.)

Populous will then be given three weeks to go back and translate this input into three design alternatives, which will be ready for the first preliminary review on May 11, 2016. It is anticipated that there will be a series of meetings and phone calls during the remainder of May to refine the three design alternatives. The alternative designs will be considered by the CTD Board prior to going to EDC. The schedule projects a selection of one of the three design alternatives by the week of June 6. The final design selection process will be determined by the City Council prior to the end of June. That selection phase will include a cost estimate for the three alternatives, prepared by an independent cost estimator (the same cost estimates will be used for the DBFOM to assure an apple to apple comparison).

3. **DBFOM**

The CAO will be hosting a kick-off meeting with City staff and the consultants from Arup on March 24. We will have more insight on the DBFOM Path after that meeting.

We have now reached agreement on the Preliminary LACC Facility Program for the P3 Business Case Study. This document covers the parameters of what must be included in the Arup design for the convention center element of its proposed overall masterplan. All land remaining after these needs are met would be available for other revenue generating development.

4. **Schedule**

It was inevitable that all of these delays would ultimately impact the overall schedule. BOE had originally projected a completion date by December, 2020. They are now estimating October, 2021.

Of course, time is money. On a \$350 million construction budget and assuming five percent per year inflation in construction costs, every **month** of delay reduces the amount available for the project by **\$1.5 million!**

5. Hotel

We received seven responses.

LEAD DEVELOPER	HOTEL BRAND(S)
1. The Drew Company, Inc.	Hilton, Hyatt MGM
2. Gatehouse Capital	Hilton, Hyatt, Omni, Starwood
3. JWM Ventures LLC	Dolce Hotel
4. Lowe Enterprises	Hyatt
5. MGM Resorts Intl.	MGM, Bellagio
6. Omni	Omni Hotels & Resorts
7. Portman Holdings	Hilton, Hyatt, MGM

It is very common for developers to be looking at several brands and each brand looking at different developers; both trying to get the best deal they can! This is a very promising collection of brands and developers. There is only a limited number of developers and hotels which can handle a 1,000+ room hotel and 100,000 square feet of meeting and ballroom space. And, we got most of them!

The Jones Lang LaSalle consultant will make a presentation to the CTD Board and the EDC regarding the RFI response on March 22. A decision of whether or not to proceed with the Request for Proposal will be considered in April.

RRO:cv
Exec. Ref. No. 16-028

Attachment

cc: LACC Expansion Project routing

HOLLY L. WOLCOTT
CITY CLERK

City of Los Angeles
CALIFORNIA



ERIC GARCETTI
MAYOR

OFFICE OF THE
CITY CLERK

Council and Public Services Division

200 N. SPRING STREET, ROOM 395
LOS ANGELES, CA 90012
GENERAL INFORMATION - (213) 978-1133
FAX: (213) 978-1040

SHANNON HOPPE
DIVISION MANAGER

CLERK.LACITY.ORG

When making inquiries relative to
this matter, please refer to the
Council File No.: 14-1383

OFFICIAL ACTION OF THE LOS ANGELES CITY COUNCIL

March 15, 2016

Council File No.: 14-1383
Council Meeting Date: March 02, 2016
Agenda Item No.: 21
Agenda Description: CONTINUED CONSIDERATION OF ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to public-private financing options for the Los Angeles Convention Center Expansion Project.

Council Action: ECONOMIC DEVELOPMENT COMMITTEE REPORT - ADOPTED FORTHWITH; THE MAYOR FAILED TO ACT BY MARCH 14, 2016, THEREFORE THE ACTION IS DEEMED APPROVED AND EFFECTIVE MARCH 15, 2016

Council Vote:	ABSENT	BOB BLUMENFIELD
	YES	MIKE BONIN
	YES	JOE BUSCAINO
	ABSENT	GILBERT A. CEDILLO
	YES	MITCHELL ENGLANDER
	ABSENT	FELIPE FUENTES
	YES	MARQUEECE HARRIS-DAWSON
	YES	JOSE HUIZAR
	YES	PAUL KORETZ
	YES	PAUL KREKORIAN
	YES	NURY MARTINEZ
	YES	MITCH O'FARRELL
	YES	CURREN D. PRICE
	YES	DAVID RYU
	YES	HERB WESSON

HOLLY L. WOLCOTT
CITY CLERK

21

Mayor's Time Stamp
OFFICE OF THE MAYOR
RECEIVED
2016 MAR -2 PM 2:12
CITY OF LOS ANGELES

FORTHWITH

City Clerk's Time Stamp
2016 MAR -2 PM 2:07
BY

SUBJECT TO THE MAYOR'S APPROVAL

COUNCIL FILE NO. 14-1383

COUNCIL DISTRICT 9

COUNCIL APPROVAL DATE MARCH 2, 2016

RE: PUBLIC-PRIVATE FINANCING OPTIONS FOR THE LOS ANGELES CONVENTION CENTER
EXPANSION PROJECT

LAST DAY FOR MAYOR TO ACT MAR 14 2016
(10 Day Charter requirement as per Charter Section 341)

DO NOT WRITE BELOW THIS LINE - FOR MAYOR USE ONLY

APPROVED

*DISAPPROVED

*Transmit objections in writing
pursuant to Charter Section 341

DATE OF MAYOR APPROVAL OR DISAPPROVAL _____

MAYOR _____

2016 MAR 15 AM 10:50
CITY CLERK

ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to public-private financing options for the Los Angeles Convention Center Expansion Project.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. AMEND AND REPLACE all of the previously adopted actions on the Economic Development Committee Report (Council file No. 14-1383) adopted by the City Council on December 15, 2015 with the recommendations below.
2. NOTE AND FILE the recommendations from the December 23, 2015 City Administrative Officer (CAO) report, attached to the Council file.
3. INSTRUCT the City Administrative Officer (CAO), Bureau of Engineering (BOE), Department of Convention and Tourism Development (CTD), and Chief Legislative Analyst (CLA) to proceed with a dual path approach for the Los Angeles Convention Center Expansion and Modernization Project (Project) where the City initiates the California Environmental Quality Act compliance process while simultaneously developing elements of the traditional and public-private partnership (P3) approaches with a final selection of one path by June 2016.
4. DESIGNATE a total project budget, if municipally financed, for the Project of not to exceed \$350 million of direct construction costs and \$470 million of total development costs (including direct, soft/indirect, and financing costs).
5. DESIGNATE the City Engineer as the Program Manager for the Project with oversight by the CLA and CAO in accordance with recommendation 3 above, and then, beginning in June 2016, with oversight from the Municipal Facilities Committee and assistance from the CTD, City Attorney, and Department of City Planning.
6. AUTHORIZE and APPROVE BOE to use \$3.3 million of Municipal Improvement Corporation of Los Angeles (MICLA) funding from the MICLA Commercial Paper Program (Los Angeles Convention Center) for the following purposes:
 - a. Delegate the authority to the Board of Public Works to execute a sole source contract with Populous Inc., for architectural and engineering design services for seven years with authority to issue a Notice to Proceed and complete Concept Design Refinement in an amount not-to-exceed \$1.7 million.
 - b. Procure a Project Management consultant to assist BOE with design support and construction cost estimation services in an amount not-to-exceed \$100,000.
 - c. Initiate the CEQA related activities including procurement of an Environmental Impact Report (EIR) consultant in an amount not-to-exceed \$1 million.
 - d. BOE staffing costs directly associated with EIR and design project components in an amount not-to-exceed \$500,000.

7. RESOLVE that the following new positions in the Department of Public Works are APPROVED and CONFIRMED, for the period March 1, 2016 through June 30, 2016, subject to allocation by the Civil Service Commission and paygrade review by the Employee Relations Division as follows:

<u>Public Works Bureau</u>	<u>Code</u>	<u>Classification</u>	<u>Quantity</u>
Bureau of Engineering	9489	Principal Civil Engineer	1
Bureau of Engineering	9485	Senior Civil Engineer	1
Bureau of Engineering	7925	Architect	1
Bureau of Engineering	7561-2	Building Mechanical Engineer II	1
Bureau of Engineering	7246-4	Civil Engineering Associate IV	1
Bureau of Engineering	7246-3	Civil Engineering Associate III	1
Bureau of Engineering	9171	Senior Management Analyst I	1
Bureau of Engineering	1116	Secretary	1
Bureau of Engineering	1368	Senior Clerk Typist	1
Board of Public Works	1523-2	Senior Accountant II	1

8. DIRECT the Personnel Department to expedite the allocation of the above positions for Civil Service Commission consideration.
9. AUTHORIZE the CAO, with the assistance of its P3 financial advisor, Arup Advisory Inc., CLA, CTD, and BOE, to proceed with the detailed development of a Business Case for a Design-Build-Finance-Operate-Maintain procurement integrated with a real estate development component for the Los Angeles Convention Center (LACC) Expansion and Modernization Project (Project), inclusive of architectural and engineering services in support of the business case, with consulting services of up to \$1.9 million to be paid from the Capital Finance Administration Fund. The Business Case documentation will ensure that the City's policies concerning Convention Center design, operations, and maintenance enhance priority convention uses and event experience, efficiency, and flexibility, and that the City maintains design control to ensure implementation of these policies. The Business Case document's project description will prohibit residential uses. The Business Case will affirm the City's booking policy, with a priority on City-wide events that attract out-of-town visitors.
10. DIRECT the CAO to report to Committee once the Business Case has been developed and prior to issuing a Request For Qualification/Request For Proposal for the P3.
11. INSTRUCT the CAO to report to Committee in 30 days with details of the impact the Project will have on the City's debt capacity, including other Council approved projects affecting the debt capacity; potential to phase in the LACC Expansion and Modernization Project; and the impact of the signage, naming rights, and on-site hotel development on the project costs and debt capacity.
12. DIRECT the CTD and CAO to report on the status of the private management contract

and impacts of the P3 on that contract.

13. INSTRUCT the CAO and CLA to report on the fee structure that is negotiated in a P3, including cost controls and performance metrics.
14. DIRECT the CAO, with the assistance of the BOE, CTD, and other departments as necessary, to report on the staffing needed to support the traditional LACC project compared to the staffing needed to support the P3 procurement and development process, including costs.
15. AUTHORIZE the Controller to transfer \$1.9 million from Fund No. 100/53, Account No. 000316 to Fund No. 100/53, Account No. 000170.
16. INSTRUCT the BOE and CAO to complete the Design Services and P3 Business Case in 90 days from the date of Council approval of these recommendations, and to calendar and present the work to Council within 30 days thereafter.
17. DIRECT the Economic and Workforce Development Department (EWDD) to compile results from the Headquarters Hotel RFI and present to Council at the same time as the comparison of the P3 Business Case.
18. INSTRUCT the CAO, BOE, CTD, CLA, and EWDD to provide an update on all facets of the Project including the Headquarters Hotel to the Economic Development Committee and the Board of Los Angeles Convention and Tourism Development within 30 days from the date of Council approval of these recommendations and every 30 days thereafter.
19. AUTHORIZE the CAO to make any technical adjustments and corrections as necessary to transactions included in the report to implement the intentions of the Mayor and City Council.

Fiscal Impact Statement: The CAO reports that there is no impact to the General Fund associated with the recommendations in its report as sufficient funds are currently budgeted in the General Fund, Capital Finance Administration Fund for the development of a business case of a P3 approach. The report is solely related to funding pre-construction costs and the evaluation of alternative funding options.

Debt Impact Statement: The CAO reports that the issuance of commercial paper notes will not cause the City's debt service payments to exceed six percent of the General Fund revenues for non-voted approved debt as these are short-term notes. However, upon completion of the Project, any outstanding commercial paper notes will be refinanced to long-term debt and will impact the City's debt capacity. The future repayment of the debt issued will be a General Fund obligation.

Community Impact Statement: None submitted

(Personnel and Animal Welfare and Budget and Finance Committees waived consideration of the above matter)

Summary

At the public hearing held on February 9, 2016, the Economic Development Committee considered CAO reports relative to public-private financing options for the Los Angeles Convention Center Expansion Project. CAO staff gave the Committee background information on the matter. After an opportunity for public comment, the Committee recommended that Council approve the recommendations contained the CAO report dated February 4, 2016 as amended. This matter is now forwarded to the Council for its

Respectfully Submitted,

ECONOMIC DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PRICE:	YES
CEDILLO:	YES
HARRIS-DAWSON:	YES
KREKORIAN:	YES
MARTINEZ:	ABSENT

SG

14-1383_rpt_edc_2-9-16

-NOT OFFICIAL UNTIL COUNCIL ACTS-