



Los Angeles Convention Center®

**LOS ANGELES CONVENTION CENTER
BOARD OF COMMISSIONERS**

Wednesday
March 19, 2014
9:00 a.m. – 10:30 a.m.
Los Angeles Convention Center
1201 S. Figueroa St., L.A., CA 90015
Executive Board Room

- 1. Call to Order / Roll Call
- 2. Public Comment
- ACTION** 3. Approval of the Meeting Minutes from March 5, 2014
- 4. Executive Director’s Report
 - a. Update on Governance Ordinance – Bud Ovrom
 - b. Hotel Strategy – Bud Ovrom
- 5. Budget Update – Marla Bleavins
- 6. Agenda Forecast / Special Topics:
 - April 2, 2014 - Monthly Status Reports for February 2014
 - April 16, 2014 - Budget Update
 - May 7, 2014 - Monthly Status Reports for March 2014
 - May 21, 2014 - LATCB Contract
- 7. Adjournment

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Materials related to an item on this agenda submitted to the Los Angeles Convention Center Department Commission 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.

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**LOS ANGELES CONVENTION CENTER
BOARD OF COMMISSIONERS**

Regular Meeting Minutes

**March 5, 2014
9:00 a.m.**

The Los Angeles Convention Center Department Commission (Commission) convened a regular meeting on Wednesday, March 5, 2014 at 9:14 a.m. The meeting took place at the Los Angeles Convention Center (LACC), located at 1201 South Figueroa Street, Los Angeles, CA 90015, in the Executive Board Room.

ITEM NO. 1 CALL TO ORDER / ROLL CALL

The meeting was called to order by President Jon Vein.

Commissioners Present:

President Jon F. Vein
Vice President Ray Bidenost
Commissioner Nicole Duckett Fricke
Commissioner Gillian Zucker

Commissioners Absent:

Commissioner Otto Padron

Department Staff Present:

Robert R. "Bud" Ovrom, Executive Director
Tom Fields, COO & Assistant General Manager
Marla Bleavins, Assistant General Manager - Finance and Administration
Cristine Villorante, Recording Secretary

Guests Present:

Brad Gessner, Sr. Vice President & General Manager of the LACC – AEG
Darren Green, Sr. Vice President of Sales – Los Angeles Tourism & Convention Board
Barbara Kirklighter, Sr. Director of Research & Revenue Strategy – Los Angeles Tourism & Convention Board

ITEM NO. 2 PUBLIC COMMENT

There was no public comment to report.

ITEM NO. 3 APPROVAL OF THE FEBRUARY 12, 2014 MINUTES

The Joint Commission meeting minutes from February 12, 2014 were unanimously approved.

ITEM NO. 4 MONTHLY STATUS REPORT FOR JANUARY 2014

a. AEG

Mr. Brad Gessner presented the Commission with AEG's January status report. The highlights are as follows:

- Introduction of AEG's senior management team.
- Rian Hanneman, Director of Operations for Levy Restaurants, gave a brief presentation on the upgrades made to the food service at the LACC, its new branding "Taste of L.A," biodegradable service ware, purchasing from local sources, and an introduction to Groundwork Coffee Company and Melissa Produce.
- Summary of transition from LACC to AEG.
- Summary of Management Transition.
- 10 contracts equating to \$1 million and 30% of AEG's service contracts were awarded to minority-owned, women-owned, or small business enterprise which exceeds the City's requirement for contracted services.
- Staffing is at its leanest in history with 81 full time and 71 part time employees. AEG plans to hire more employees next fiscal year.
- Total of 24 events in January.
- Total revenue is \$250K above forecast.
- Total expenses are \$200K favorable to forecast.
- Initiatives include maximizing parking, food & beverage, filming, advertising & sponsorship sales, and utility contractors' commissions.

b. LATCB

Mr. Darren Green presented the Commission with LATCB's January status report. The highlights are as follows:

- Room night comparison from 2010-2016 showing upward growth from earlier years.
- Summary of 2014 Citywide Conventions with five actualized and five upcoming. Repeat events include Neighborworks America and Zumba. National Cable & Telecommunications Association will do well in auxiliary spending with electrical services and catering.
- Lead production goal is 200 for FY13/14 with a 128 leads year-to-date.

- Booked room nights plan for FY13/14 is 440,000 room nights with 101,000 room nights year-to-date.
- A total of nine promotional trips to promote Los Angeles are planned for FY13/14.
- Marketing services for FY13/14 include \$36M in publication and broadcast circulation value.

ITEM NO. 5 EXECUTIVE DIRECTOR'S REPORT

a. Update on Governance Ordinance

Mr. Ovrom reported that Council Member LaBonge expressed a willingness to call a Special Meeting of the Trade, Commerce and Tourism Committee for the purpose of adopting the Governance Ordinance. Mr. Ovrom and the City Administrative Officer, Mr. Miguel Santana, have made calls to Council Member Krekorian to request that the Governance Ordinance be waived out of the Budget and Finance Committee and be forwarded to the full City Council and adopted.

b. Capital Improvement Projects (CIP) Report

Mr. Fields explained the CIP spread sheet which summarized LACC's CIP projects, with Plan B in mind. The projects highlighted were security surveillance and solar roof. President Vein requested that the Commission be updated on a monthly basis.

c. Budget Update

Ms. Bleavins reported on the budget. The highlights are as follows:

- Currently working on two budgets: resolving the current fiscal year budget and working on the next fiscal year budget, which is currently being considered by the Mayor's office.
- Budget Summary for FY13/14
 - \$26.1M budget
 - Projected deficit of \$1.6M due to aggressive revenue projections at the beginning of the fiscal year, less rental space and ancillary revenue.
 - Change in electrical model resulted in decrease in gross revenue, however there are corresponding cost reductions.
 - Current budget was established months ago and did not assume a private operator would come on board, which incurred transition costs such as IT transitions, and employee payouts for accumulated vacation time and retirement.
 - LACC can cover operating costs; the concern is the \$2M that must be paid to the City in related costs (pension, health care benefits).
 - LACC is mitigating shortfalls by delaying capital expenditures, salary savings from high vacancy rates, AEG's lower cost structure, AEG's low staffing levels, and contracting of services.

- In terms of the City's process for addressing budget issues, the City Administrative Officer (CAO) has a Financial Status Report (FSR) issued four to five times each year that makes adjustments for City Department. The current FSR was heard at the Budget and Finance Committee last Monday and approved by City Council this morning. Currently, there are no recommendations for transferring funds to the LACC. The CAO wants to wait until the next FSR to see if it's really needed.
- Options that are under consideration by staff, in working with the Budget committee, are to request a relief/reduction of the LACC's General Fund obligations (\$2M in related costs and Staples Center incremental parking revenues that pays the debt service) or borrow from the General Fund and pay it back the following fiscal year.
- Some of the revenue enhancements include the parking revenues and the lower cost margin of the food & beverage provider.

President Vein mentioned the increasing trend of unlimited vacation, with a caveat that the employee's work is done, for AEG's consideration.

President Vein also mentioned the Commission's establishment of two sub-committees: a Budget Committee, with Pres. Vein and Commissioner Zucker, to investigate details on budget issues and a Dispute Committee, with Vice Pres. Bidenost and Commissioner Padron, to handle client disputes.

ITEM NO. 6 AGENDA FORECAST / SPECIAL TOPICS

Due to timing issues, the schedule of the AEG and LATCB monthly reports will be adjusted to the first meeting of the month to report on the month before last.

Commissioners Duckett Fricke and Zucker gave notification that they will not be available to attend the Commission meeting scheduled on March 19, 2014.

President Vein and Commissioner Duckett Fricke gave notification that they will not be available to attend the Commission meeting scheduled on April 2, 2014.

ITEM NO. 7 ADJOURNMENT

The meeting was adjourned at 10:37 a.m.



MIKE FEUER
CITY ATTORNEY

REPORT NO. R 1 3 - 0 3 3 6
NOV 22 2013

REPORT RE:

**REVISED DRAFT ORDINANCE AMENDING LOS ANGELES ADMINISTRATIVE
CODE SECTIONS 8.142, 8.143, 8.144, 8.146, 8.149.1, 8.149.2, 8.149.3, 8.149.4,
8.149.6 AND ADDING A NEW SECTION 8.149.7 TO CHAPTER 11, DIVISION 8 OF
THE LOS ANGELES ADMINISTRATIVE CODE REGARDING GOVERNANCE
STRUCTURE OF THE CONVENTION CENTER DEPARTMENT**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Council File No. 12-0692

Honorable Members:

Pursuant to your request, this Office has prepared and now transmits for your consideration the enclosed revised draft ordinance, approved as to form and legality. The revised draft ordinance would alter the provisions of the Los Angeles Administrative Code relative to the governance structure of the Los Angeles Convention Center Department. The revised draft ordinance also modifies the Discount Policy and establishes a new Booking Policy for events licensed at the Los Angeles Convention Center. The revised draft ordinance incorporates the changes that you have requested and includes language that would: (1) enable a designated private operator to operate, manage and maintain the Convention Center; (2) authorize the Executive Director or designated private operator to execute license agreements without the approval of the Board of Los Angeles Convention Center Commissioners; (3) permit the Board in certain exceptional circumstances to approve proposed rate reductions or waivers that do not meet the standard requirements set forth in the Code; and (4) allow the Executive Director to approve the calculation of discounts, reductions or waivers applied to license agreements.

A copy of the draft ordinance was sent, pursuant to Council Rule 38, to the Los Angeles Convention Center Department, and its comments have been incorporated or resolved with the Department.

If you have any questions regarding this matter, please contact Assistant City Attorney Terry Martin-Brown at (213) 978-8134. She or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By 
DAVID MICHAELSON
Chief Assistant City Attorney

DM:TMB:pj
Transmittal

ORDINANCE NO. _____

An ordinance amending Sections 8.142, 8.143, 8.144, 8.146, 8.149.1, 8.149.2, 8.149.3, 8.149.4, 8.149.6 and adding a new Section 8.149.7 to the Los Angeles Administrative Code to modify the governance structure of the Los Angeles Convention Center Department, revise the Discount Policy, and establish a new Booking Policy.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Section 8.142 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

Sec. 8.142. Management and Control of Department.

The department shall be under the control and management of a board of five (5) persons to be known as the Board of Los Angeles Convention Center Commissioners, hereinafter referred to in this Chapter as the "Board." Each Board member shall be appointed and may be removed in accordance with Los Angeles City Charter Section 502. The Board shall be organized in accordance with the provisions of Los Angeles City Charter Section 503. The members of the Board shall be exempt from all civil service provisions and, to the extent feasible, shall be selected to provide representation of the following disciplines on the Board: Business; Hospitality/Hotel Industry; Sports; Cultural Tourism; Entertainment/Leisure Activities; Finance; Conventions/Events and Marketing.

Sec. 2. Section 8.143 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

Sec. 8.143. Duties of Any Designated Private Management Contractor.

In addition to any specific obligations or responsibilities set forth in any executed management agreement with the City, any designated private management contractor of the facility shall have authority to negotiate, execute (in its name), and administer any and all agreements that are required in the ordinary course of business and operation of the Los Angeles Convention Center or as otherwise are necessary for the private management contractor to perform its duties pursuant to a written agreement with the City for management of the Convention Center. Such delegated authority shall include the ability to book/schedule events on the Convention Center's Master Calendar; as well as negotiate and enter into contracts (including licenses with a term exceeding three (3) years, or multi-year licenses) for the use of the Convention Center facilities in accordance with the terms of any management agreement, the Booking Policy stated in this Chapter, and the requirements of this Code and the City Charter, without further approval of the Board, the Executive Director of the Convention Center Department, or the Council.

Sec. 3. Section 8.144 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

Sec. 8.144. Duties of the Executive Director.

The Executive Director shall be appointed and removed in accordance with the provisions of Charter Section 508, and shall have all of the powers of a chief administrative officer of a department under the control of a board of commissioners as described in Los Angeles City Charter Sections 507 and 509. Specifically, the Executive Director shall regularly report to the Board regarding Convention Center operations, including maintenance, finance, sales/marketing, contract administration, public relations, communications, and security/public safety. The Executive Director shall recommend to the Board the schedule of rates and amendments thereto when, in his or her opinion, adjustments to the rates should be made. The Executive Director may enter into contracts (including licenses with a term exceeding three (3) years or multi-year licenses) for the use of the Convention Center facilities in accordance with the Booking Policy set forth in this Chapter without further approval of the Board or the Council, subject to the requirements of this Code and the City Charter. The Executive Director shall report to the Board and serve as the representative of the Board to the Mayor, the Council, other departments, and contractors, such as the tourism and convention bureau and the Convention Center's private management contractor, if any.

Sec. 4. Section 8.146 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

Sec. 8.146. Powers and Duties of the Board.

The Board shall advise the Mayor and Council on all policies related to tourism, marketing the City, and convention business. The Board shall administer any private management or tourism and convention bureau agreements. The specific duties of the Board shall be as follows: consult with, manage and direct the Executive Director and the private management contractor, if any, on the operation and maintenance of the Center; advise the Mayor and City Council on Convention Center operations by submitting regular reports and recommendations, including specific recommendations to Council regarding the schedule of rates and any amendments thereto. Council shall, by ordinance, establish a schedule of rates for the various types of rentals and uses of the Center facilities. There shall be no waiver or reduction of rates as fixed by the Council by ordinance for the use of such facilities except as provided in this Chapter.

The Board shall oversee and direct the contractual performance of the tourism and convention bureau, as applicable. Oversight of that contract and services under it shall include requiring the tourism and convention bureau to develop measurable, quantifiable goals for the services to be provided to the City, reviewing the tourism and convention bureau's annual Sales and Marketing Plan (which should incorporate those agreed upon measurable and quantifiable goals), reviewing regular progress reports by the tourism and convention bureau regarding the achievement of those goals,

evaluating the performance of the tourism and convention bureau and reporting on its performance to Council.

The Board shall also periodically review the performance of the private management contractor, if any, and provide regular reports to Council reflecting the private management contractor's performance of contractual obligations, including those regarding sales and marketing, maintenance, security, improvements, customer satisfaction, and any other matters related to the operation of the Center.

The Board shall also advise on matters related to developing a long-term strategic plan for tourism and hotel growth in the City.

Sec. 5. Section 8.149.1 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

Sec. 8.149.1. Procedure for Reduction of Rates to be Charged to Certain Licensees.

(a) The Executive Director may reduce or waive for specific licensees of the Los Angeles Convention and Exhibition Center the:

- (1) daily rates for Halls A, B and/or C;
- (2) move-in/move-out rates for Halls A, B and/or C;
- (3) miscellaneous rates charged for the use of certain equipment; and
- (4) rates charged for the use of meeting rooms.

Any proposed reduction or waiver of rates to be charged shall be subject to the following conditions:

A. Rates may be reduced or waived only where the anticipated Transient Occupancy Tax revenues which reasonably may be attributed to the convention or trade show under consideration exceed the total amount reduced or waived.

B. The Executive Director shall inform the Board of each proposed rate reduction or waiver and obtain the Board's approval prior to executing a license agreement.

C. Proposed rate reductions or waivers that do not meet the requirements of Subparagraph A of this section shall not be allowed; provided, however, that proposed rate reductions or waivers may be approved by the Board in the following exceptional circumstances:

- (1) industry-wide and travel association events;
- (2) multi-year licenses; and
- (3) events that present an exceptional opportunity to generate extraordinary revenue or a significant number of visitors.

D. There shall be no reduction or waiver of vehicle parking rates at any parking lot or parking structure under the control and management of the Los Angeles Convention Department.

E. A reduction or waiver of rates may be granted under this subsection or Subsection (b), but not both.

(b) The Executive Director may reduce or waive for convention licensees the rental for exhibit halls and meeting rooms. Any proposed reduction or waiver of rental(s) to be charged shall be subject to the following conditions:

(1) Only convention licensees shall be eligible for such reductions or waivers of rental(s) for exhibit halls or meeting rooms.

(2) The total amount of all such reductions or waivers granted to licensees for use of the Convention Center commencing on or after July 1, 2013, may be up to one hundred percent (100%) of the total rates applied.

(3) In no event shall the total reduction or waiver granted to any licensee exceed the total rental for the exhibit halls and meeting rooms to which the license applies when calculated without such reduction or waiver. In no event shall the total reduction or waiver granted to any licensee exceed the total Transient Occupancy Tax receipts reasonably anticipated to be generated for the City as a result of the convention being held in the City.

(4) No such reduction or waiver shall be considered or granted by the Executive Director unless the tourism and convention bureau shall have first recommended such reduction or waiver to the Executive Director in writing. Such recommendation shall include a written statement of the reasons for the recommendation and the calculation thereof. No license for the use of the Convention Center containing such a reduction or waiver shall be issued until and unless the calculation of such reduction or waiver is approved. The calculation of the reduction or waiver made by the tourism and conventions board shall be attached to the license which is issued by the Convention Center, and the license shall specify both the regular rental(s) and the reduced or waived rental(s).

(5) After each event where a reduction or waiver is granted, an audit shall be performed by an independent consulting firm to compare the actual

amount of Transient Occupancy Tax generated to the discount amount. If the discount amount exceeds the Transient Occupancy Tax revenue, the licensee shall be required to pay the Convention Center an amount equivalent to the difference.

(6) The tourism and convention bureau must inform the prospective licensee in writing that said reduction or waiver and the proposed license agreement must be approved and granted by the Executive Director of the Los Angeles Convention Center.

(7) A reduction or waiver of rentals may be granted under this subsection or Subsection (a) hereof, but not both.

Sec. 6. Sections 8.149.2 through and including Section 8.149.4 and Section 8.149.6 are amended to replace all references to "General Manager" with "Executive Director."

Sec. 7. A new Section 8.149.7 is added to Chapter 11 of Division 8 of the Los Angeles Administrative Code to read as follows:

Sec. 8.149.7. Booking Policy.

The Board may contract with a not for profit entity established as a tourism and convention bureau to assist the Department with the responsibility for booking conventions and meetings into Los Angeles Convention Center facilities. Conventions are defined as any events that are not normally open to the general public and that generate primary attendance from outside of the Los Angeles area. The tourism and convention bureau shall have the authority to book these events one year or more in advance of the event's move-in date.

The Department shall have sales responsibility for booking public shows, meetings, special events, banquets, entertainment events, consumer shows and other activities that draw attendees primarily from the Los Angeles area and region, and that appeal to the general public. The Center may book these events up to one year in advance of an event's move-in date.

The Los Angeles Auto Show shall be exempt from the above-stated policy and Auto Show dates may be booked and held by the Department on the Convention Center's Master Calendar more than one year in advance.

The Department shall be responsible for the management and control of the Master Calendar, but may assign this responsibility to the private management contractor, if any. Nothing in this Chapter shall be construed in such a manner as to prevent the tourism and convention bureau from booking dates for all or a portion of the Center's available facilities less than one year in advance of an event's move-in date, upon written approval of the Executive Director.

Sec. 8. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

HOLLY L. WOLCOTT, Interim City Clerk

By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By 
TERRY MARTIN-BROWN
Assistant City Attorney

Date November 22, 2013

File No. CF 12-0692

CITY OF LOS ANGELES

CALIFORNIA

LOS ANGELES CONVENTION CENTER COMMISSION

JON F. VEIN
PRESIDENT

RAY BIDENOST
VICE PRESIDENT

NICOLE DUCKETT FRICKE
NEAL MORITZ
GILLIAN ZUCKER



ERIC GARCETTI
MAYOR

LOS ANGELES CONVENTION CENTER

ROBERT R. "BUD" OVROM
EXECUTIVE DIRECTOR

1201 S. FIGUEROA STREET
LOS ANGELES, CA 90015
(213) 741-1151
FAX (213) 765-4441
TTY (213) 763-5077

January 24, 2014

Trade, Commerce & Tourism Committee
The Honorable Tom LaBonge, Chair
Councilmember Joe Buscaino, Vice Chair
Councilmember Mike Bonin, Member
Office of the City Clerk
200 North Spring Street
Room 395, City Hall
Los Angeles, California 90012

**SUBJECT: COUNCIL FILE NO. 12-0692
REVISED DRAFT ORDINANCE REGARDING GOVERNANCE
STRUCTURE OF THE CONVENTION CENTER DEPARTMENT**

Dear Chairman LaBonge and members of the Committee:

In the near future, your Committee will be considering the above referenced Draft Ordinance, which the Economic Development Committee approved on December 10, 2013.

I am very pleased that the Draft Ordinance is returning to your Committee prior to going to the full City Council. After all, this new approach to the Convention Center and the Leisure and Hospitality sector of our economy started in your Committee!

I am also pleased to report that all is going well with the transition to AEG as the "privatized" operator of the Convention Center. The official changeover took place on December 8, 2013.

As your Committee reviews the City Attorney's revised Draft Ordinance, our Commission requests that you consider a change to the name of the reconstituted department.

In the cover letter to my Progress Report to your Committee on June 18, 2013 (Exhibit A), I speculated that we could encounter some confusion between the current name of the **department**, the L.A. Convention Center, and the name of the physical **building** itself, the L.A. Convention Center. That confusion for the clients using the Convention Center is already becoming apparent.

After considerable discussion at our last LACC Commission meeting, with both AEG and L.A. Tourism participating, it was the unanimous decision of the Commissioners that a name change be formally requested.

While our most immediate goal is to reduce the confusion between the name of the building and the name of the Department, we do not want to create any new confusion between the work of the Department and the work of our other contractor, the Los Angeles Tourism and Convention Board (LATCB), which is now being branded as L.A. Tourism (formerly LA Inc.)

The reconstituted Department has oversight of both the AEG contract (for operations) and the L.A. Tourism contract (for marketing and sales). The Department will also have responsibilities during the modernization and expansion of the Convention Center (with Farmer's Field or Plan B), the promotion of the construction of 4,000 new hotel rooms within walking distance of the Convention Center, and for citywide efforts in promoting and marketing the Leisure and Hospitality sector (a copy of our not yet published Action Plan and Annual Report is attached as Exhibit B).

The LACC Commission, AEG, and L.A. Tourism considered at least 15 different possible names (Exhibit C). Although each potential name has certain merit, as well as challenges, the conclusion was that the recommended name for the reconstituted Department be:

Los Angeles Department of Convention and Tourism Development (DCTD)

It is respectfully requested by the LACC Commission that your Committee incorporate the name into the revised Draft Ordinance.

Respectfully Submitted,



Robert R. "Bud" Ovrom
Executive Director

RRO:cv
Exec Ref 14-006

Attachments

cc: Kelli Bernard, Deputy Mayor
LACC Commission
Brad Gessner, AEG
Ernest Wooden, L.A. Tourism

Ordinance Change Summary
Amending the Los Angeles Administrative Code Regarding the
Governance Structure of the Convention Center Department
Council File No. 12-0692

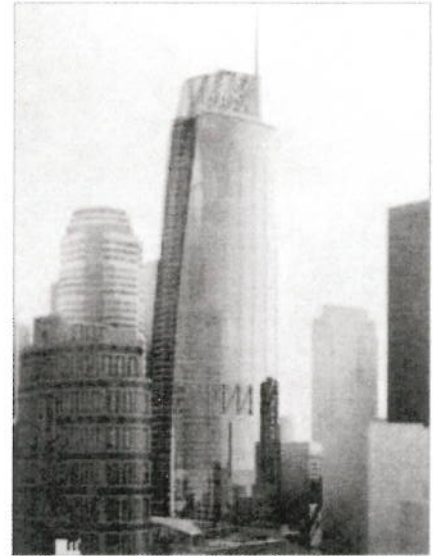
Admin Code Section	Subject	Current/Past Operation	Revised by Ordinance	Competing Centers
8.142	Control of the Los Angeles Convention Center Department	Controlled and Managed by a general manager	Controlled and managed by a 5-member Board of Commissioners with expertise in the following industries: Business, Hospitality/Hotel, Sports, Cultural Tourism, Entertainment/Leisure, Finance, Conventions/Events, and Marketing.	Of the 13 Convention Centers in our competitive set, 76% are controlled by a board varying in size from five to fifteen members
8.143	Operation of the Los Angeles Convention Center	Operated by City employees	The Center will be operated, managed, and maintained by a private operator, including booking events and executing license agreements in accordance to the new booking policy and duties of the Executive Director and Board of Commissioners. (AEG Management LACC, LLC)	According to the most recent PricewaterhouseCoopers survey of similarly sized centers, 17% are managed by private operators, 50% by quasi-public authorities and 33% by local government
8.144	Duties of Executive Director	GM may enter into contracts for the use of the Center not to exceed ten (10) years	Executive Director reports to the Board of Commissioners and serves as the representative of the Board to the Mayor, Council, other departments, and contractors. Executive Director may enter into contracts for the use of the Center not to exceed three (3) years.	
8.146	Duties of the Board of Commissioners	5-member board advised and consulted with the GM on the operation and maintenance of the Center. Submitted recommendations to the Mayor and City Council.	5-member board will: *Consult with, manage and direct the Executive Director on the operation and maintenance of the Center *Oversee and direct the contractual performance of the tourism and convention bureau, including evaluating regular progress reports on the achievement of measureable and quantifiable goals and reporting on its performance to Council *Review the performance of the private management contractor and report the contractor's performance of contractual obligations to Council.	

8.149.1	Discount Policy	<p>*GM can discount up to 50% of the projected TOT</p> <p>*GM reported all proposed discounts to the Board for their comments</p> <p>*Total amount of a discount cannot exceed \$845,000.</p>	<p>*Executive Director can discount up to 99.9% of the projected TOT</p> <p>*Executive Director reports all proposed discounts to the Board for their approval</p> <p>* Total amount of a discount may be up to 100% of the total rates applied.</p>	<p>San Diego Convention Center and Houston's George R Brown Convention Center base discounts on guaranteed ancillary revenue, e.g. F&B.</p> <p>Las Vegas-No discount policy on exhibit space.</p>
8.149.7	Booking Policy	<p>The tourism and convention board can book conventions 2 years in advance of an event's move-in date. The Center books events up to 2 years in advance of the event's move in date.</p>	<p>The tourism and convention board can book conventions one year in advance of an event's move-in date, less than one year with Executive Director written approval. The Center books events up to one year in advance of the event's move-in date. (Auto Show is exempt from the one year booking policy)</p>	<p>According to the most recent PricewaterhouseCoopers survey of similarly sized centers, 75% have a 12-18 month booking window.</p>

DEVELOPMENT OF MORE HOTELS

As a city on the move, Los Angeles is also focused on enhancing its convention-host competitiveness through the development of more hotel rooms within walking distance (1/2 mile) of the Convention Center. The chart below shows a comparison of other major convention centers and the number of hotel rooms within walking distance. And, as noted on the map, there are ample sites available in Downtown LA for new hotel construction, including at least one additional convention headquarter hotel offering upwards of 1,000 rooms.

Together, the Mayor, City Council, the new Economic Workforce Development Department (EWDD), and the LACC Department Executive Director intend to promote the development of 3,000- 5,000 more hotel rooms citywide (with a concentration in the Sports and Entertainment District adjacent to the convention center) by 2020.



Artist rendering of the future Wilshire Grand Hotel

Facility	Hotel Rooms Within 1/2 Mile
Las Vegas Convention Center	16,700
Moscone Center (San Francisco)	12,000
Orange County Convention Center (Orlando)	11,000
Ernest M. Morial Convention Center (New Orleans)	8,600
Georgia World Congress Center (Atlanta)	8,300
San Diego Convention Center	8,200
Anaheim Convention Center	7,000
George R. Brown Convention Center (Houston)	3,300
Los Angeles Convention Center	2131 1,900
Jacob K. Javits Convention Center (New York City)	1,700
McCormick Place (Chicago)	1,100

HOTEL STATUS TRACKING (1/2 Mile from LACC)	
GOAL: 5950	
EXISTING	
JW Marriott	878
Ritz Carlton	123
Luxe	178
Sheraton (The Bloc)	485
Ace Hotel	182
Figueroa Hotel	285
Subtotal	2131
UNDER CONSTRUCTION	
Wilshire Grand	900
Courtyard/Residence Inn	393
Subtotal	1293
PROJECTED HOTELS	
Renaissance	450
OPPORTUNITY SITES	
Fig North	400
Fig Central	500
Fig South	350
Metropolis (400 + 600)	1000
Salvation Army	400
Subtotal	2650
GRAND TOTAL	6524

DRAFT

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: February 28, 2014

TO: Gerry F. Miller, Chief Legislative Analyst
Office of the Chief Legislative Analyst

FROM: Robert R. "Bud" Ovrom, Executive Director
Los Angeles Convention Center Department

SUBJECT: **MEETING REQUEST TO DISCUSS HOTEL INCENTIVES**

I am writing to request a meeting to discuss the current situation regarding hotel development near the Convention Center and the use of economic incentives to promote more new hotels.

We are at a very critical juncture in the evolution of the entire Sports and Entertainment District and I believe it would be helpful to have a high level "meeting of the minds" to make sure we are all moving in a thoughtful and united direction.

With a recovering overall economy, and a particularly resurgent Leisure and Hospitality Sector, we are at the beginning of another downtown building boom. The decisions that are made in the next 3 to 12 months are going to dramatically impact this area for many **decades** to come. We need to do it right!

Given the critical role your office plays in the use of economic incentives for hotel development, I feel you are in the best position to convene a summit level discussion with all the key internal City stakeholders.

Let me add some context to our current situation at the Convention Center. We have embarked on an aggressive "New Direction" to try to turn the Convention Center into the economic engine it should be for the City:

- As of ~~July~~ January 1, 2014, we have successfully implemented the "privatization" of the daily operations of the facility by AEG, with our Department as contact manager.
- The Economic Development Committee (EDC) has approved, and the full City Council will soon consider, the new "Governance Ordinance," which will also place the L.A. Tourism under the oversight of this reconstituted Department (rather than the CAO) and provide greater coordination between the LACC and the LATCB, under an "authoritative" rather than "advisory" Commission.
- We have worked with your office, other City departments and the City Council to develop Plans A and B for the expansion and modernization of the Convention Center, with or without an NFL team.

All of these efforts have significant merit in their own right, but we will still **not** be able to make the Convention Center a true **economic engine unless** we can also substantially **add** to the inventory of **hotels** within walking distance of the Convention Center.

Attached is a table (Exhibit A) from our Action Plan which shows our relative position with regards to hotels and our primary competitors. We will never realistically be in the ballpark with Las Vegas, Orlando or San Francisco. Chicago and New York are able to support their Convention Centers with fewer hotel rooms within walking distance, because they have such substantial mass transit systems. But, we need to be able to compete head-on with cities like San Diego and Anaheim. You walk out the front door of the San Diego Convention Center and they have 8,200 rooms immediately accessible. Anaheim has 7,000 rooms. You walk out our front door and we have only 2,131 rooms nearby!

The goal in our Action Plan is to add 4,000 more rooms by 2020! As ambitious as that might sound, we have a very energetic Hotel Working Group (with representatives from Mayor, Council District, CLA, Planning and LACC) which has mapped out a plan (Exhibit B) which can get there.

Herein lies the rub: although we have seen some exciting events and announcements in the last couple of months, the **plans** being put forward are **below** the **potential** those sites physically provide. If these sites are developed with only the number of rooms currently being considered, we will fall short of our 4,000 room goal.

For example, the Metropolis/Greenland site has entitlements for over ~~1,000~~ 900 – 1,676 hotel rooms, but they are currently proposing to **only** build ~~450~~ 350. The Fig Central/Oceanwide site is one of the largest and most strategic sites in direct proximity to the Convention Center, but has entitlements to build only 250 rooms. Most of the Fig South site, also immediately across the street from the Convention Center, is planned for residential development.

Plans have not yet been announced for several of the other strategic parcels. But, we know in this economy is that developers can get faster and greater returns on their investments with small sized rental apartment projects than they can from hotels.

More housing is absolutely essential for the future of downtown, but there are literally hundreds of other sites where those projects could be built. **Good urban design** and **smart economic development planning** should preserve the **strategic parcels** within walking distance of the Convention Center, particularly those along Figueroa and Olympic, for **hotels** and related retail/commercial development.

My comments should not be construed as derogatory of any of the developers who are moving forward with projects that have been stalled since before the Great Recession. We are very fortunate to have their investments in Los Angeles. I am simply suggesting that we could work with them to possibly do even more!

For example, Oceanwide bought a fully entitled project that includes a 250 room hotel. If they want to build that exact project, they certainly have the right to do so. But, if they want to come back to the City and ask for any financial assistance, then I think the City should also seek more of what it needs (more hotel rooms).

I think the same holds true for Metropolis. They bought that site knowing exactly what the entitlements are. If they want to build it primarily as a residential project, they have the right to do that. If they are only going to put in a ~~450~~ 350 room hotel, I am not sure why the City would need to invest any money in it. They knew what they bought when they bought it and they surely based the value they paid on what they knew they were getting. If the City does not provide any subsidy, they will probably still build exactly the same thing. I think it would be more prudent for the City to invest in projects that also further the stretch goals of the City.

Based on our past work together, you know I am a supporter of financial incentives to promote economic development. Although we took a lot of criticism for it at the time, the City's investment in the JW Marriott/Ritz Carlton at the LA Live has paid off as one of the smartest economic developments the City has ever made.

If you are willing to host an internal brainstorming session, I think there might be win-win alternatives we could consider. For example, although I do not think the City should invest any money in a 250 room hotel at the Fig Central site, if they were willing to build a 500 room, perhaps we could then provide the incentive for all 500 rooms and not just the incremental difference for 250.

Same for Metropolis; I am not sure an investment in a ~~450~~ 350 room hotel is warranted, but if they were willing to do a second hotel on their very large site, then an investment in both hotels might work for them and better meet our aspirational goals.

I know that you always do an economic analysis on any request you receive for financial assistance. I think one of the topics we could discuss at the meeting I am suggesting is the parameters that would be established for considering those incentives.

We are very fortunate - - we have strategically great sites, we have will financed and motivated property owners/developers, and we have a City with a proven track record for using financial incentives to support projects that have been phenomenally successful.

As we open this post-Great Recession chapter of downtown's evolution, I think it would be beneficial to step back and take a fresh look at how, when, and for what we use any future financial incentives.

If you are willing to consider such a meeting, I would appreciate the opportunity to participate.

HOTEL	TOT REFUND	YEARS	OTHER BENEFITS	REQUIRED POLICIES
JW MARRIOTT / RITZ CARLTON	cap of \$62 million NPV using discount rate of 10%	25 years	\$5 million grant from CRA/LA; waived \$3.9 million in permit fees; if TOT cap is reached before year 25, City & Developer split TOT 50/50 until year 25 and if cap is not reached at year 25, developer continues to receive TOT until cap is reached	Lease convention center parking for \$550K per year; Room block agreement with convention center; point of sales for construction related purchases; PLA; local hire for permanent jobs; develop job training program with LA Trade Tech for hospitality
RESIDENCE INN / COURTYARD MARRIOTT	cap of \$21.9 million NPV using discount rate of 10%	not to exceed 25 years		Room block agreement with convention center for up to 295 rooms; PLA; point of sales for all construction related purchases; streetscape improvements on Francisco; City approves hotel operator; TOT amount finalized after cost certification
MANDARIN ORIENTAL	cap of \$60.5 million present value using discount rate of 10%	not to exceed 20 years	included rebate of City's parking tax for 10 years (estimated present value of \$5 million)	City could lower TOT contribution after cost certification complete; City had to approve hotel operator & developer; City point of sale for construction related purchases; including community benefits package (all city policies + perm supportive housing revolving loan fund of \$1.5 million & \$500K towards job training requires developer letter or credit guarantee that City will receive \$4.2 mil annually in revenue from the project; Room block agreement with convention center for 475 rooms; City "point of sale" for construction related purchases; PLA; LEED Silver; construction of mobility hub; pay \$400K to Fig Corridor Environmental Use District; pay \$600K to Dunbar Hotel; \$4 mil in streetscape improvements;
WILSHIRE GRAND	cap of \$54 million NPV using discount rate of 10%	not to exceed 25 years	could go up to \$79 million if commercial/office portion constructed at same time & city revenues increase	