

**AGREEMENT TO PARTIALLY FUND ACTIVITIES
BETWEEN THE CITY OF LOS ANGELES
AND
LOS ANGELES TOURISM AND CONVENTION BOARD**

THIS AGREEMENT (“Agreement”) is made and entered into as of January 1, 2015, by and between the City of Los Angeles, a municipal corporation (“City”) and Los Angeles Tourism and Convention Board, a nonprofit California corporation (“Contractor”).

RECITALS

A. City desires to increase the competitiveness of the City of Los Angeles as a convention and tourist destination in the national and international market place so that the City can derive greater economic benefit from out-of-town visitors in the form of job creation, tax revenue and spending at local businesses.

B. City desires to have the Los Angeles Convention Center (LACC) serve as an even stronger economic engine for the City by enhancing the number and quality of citywide conventions that utilize a significant number of hotel rooms.

C. City desires to spread the economic benefits of tourism through the City by leveraging the cultural and geographic diversity of the City.

D. City desires to engage out-of-town visitors to enhance the visitor experience and encourage extended and repeat overnight stays.

E. To accomplish this purpose, it is necessary to develop and execute sales, marketing, advertising and public relations programs designed to apprise individuals, groups and organizations of the commercial, climatic, educational, recreational, and cultural advantages of Los Angeles, as well as its modern and extensive convention facilities.

F. Contractor is a California nonprofit mutual benefit corporation whose members are individuals and businesses engaged in the tourism and convention business, including hotels, restaurants, transportation providers, theme parks and museums. As a Destination Marketing Organization (DMO), contractor engages in activities to promote Los Angeles as an attractive destination for visitors and has assembled comprehensive information relating to housing, recreational, entertainment, transportation and other facilities which are of interest to visitors. Contractor also maintains extensive files and programs relating to groups, organizations and societies which regularly hold meetings and conventions.

G. Contractor is uniquely qualified by virtue of its possession of the foregoing information, its offices in other cities in the United States and around the world, and its relationships with local hotels and carriers, to undertake the promotion and advertisement of Los Angeles as a premier convention or meeting host, and as a destination for tourists and tour groups.

H. Contractor's activities can support and foster the creation and growth of additional employment in Los Angeles through the monies spent by visitors in Los Angeles. The City will also directly benefit from increased Transient Occupancy Tax ("TOT") revenues generated by visitors' stays in hotels and other accommodations in Los Angeles.

I. City has created and established within its Treasury a special trust fund, known as the "The Greater Los Angeles Convention and Visitors Bureau Trust Fund" (the "Trust Fund"). A fraction (as determined in Section 4(a), below) of all amounts of Transient Occupancy Taxes received by the City under the tax imposed by Los Angeles Municipal Code Section 21.7.3 shall be placed in the Trust Fund. Expenditures from the Trust Fund shall be made solely to finance the promotion and advertising of Los Angeles as a destination for the purpose of attracting conventions, trade shows, and tourism to Los Angeles in keeping with the terms of this Agreement.

J. Contractor's activities serve a public purpose from which the City will benefit. Accordingly, the City desires to provide financial assistance to the Contractor.

K. City desires to have the funding it provides in support of promoting the City as a convention and tourist destination spent in such a way that maximizes the return on its investment.

IN CONSIDERATION of the mutual promises, covenants, representations and agreements set forth below, the City and Contractor hereby agree as follows:

1. **Definitions**

The following terms used in this Agreement shall have the defined meanings set forth below:

Booked Room Nights - (1) Hotel room nights for attendees of a meeting and/or event held at LACC that has confirmed attendance by an executed Letter of Intent with the Contractor for a specific future event, or (2) room nights for self-contained meetings or events, in City hotels, which have been confirmed by an executed contract between the hotel and event sponsor.

Center Events - Events booked by the LATCB that do not meet the definition of a citywide convention.

City - The City of Los Angeles, a municipal corporation.

City Council - The City Council of the City of Los Angeles.

Citywide Convention - An event held at the Los Angeles Convention Center that generates at least 3,000 room nights with 1,500 room nights on peak and utilizes no fewer than 3 hotels.

Council Committee - The City Council policy committee appointed to oversee the functions of the CTD, or such other committee of the City Council as the Council may designate.

Contractor - Los Angeles Tourism and Convention Board also known as LA Tourism.

Controller - The Controller of the City of Los Angeles.

CTD - Convention and Tourism Development Department, City of Los Angeles.

CTD Board - Board of Convention and Tourism Development Commissioners.

LACC - Los Angeles Convention Center, owned by the City of Los Angeles.

LACC Operator - Private company contracted by the City to manage and operate the LACC.

Letter of Intent - Letter signed by the client confirming Los Angeles as the host city for their Citywide Convention and outlining the financial commitments of the Los Angeles Tourism & Convention Board and total room night commitments of the client.

Sales Lead - Citywide Lead also referred to as Prospect is defined as a potential future meeting/convention (event requiring sleeping rooms, meeting space, exhibit space and/or food and beverage, etc.) that could be held in Los Angeles utilizing the Los Angeles Convention Center ("LACC") and a minimum of three Los Angeles hotels and/or 3,000 total room nights.

TOT - Transient Occupancy Tax imposed by Los Angeles Municipal Code Section 21.7.3.

Trust Fund – Greater Los Angeles Visitors and Convention Bureau Trust Fund established in the Administrative Code Chapter 15 Section 5.315.

2. Term

The term of this Agreement shall be from January 1, 2015 to and including June 30, 2020.

3. Services to be Provided by Contractor and other Related Responsibilities

- a. The services and deliverables to be provided by the Contractor as well as the related goals and performance metrics under this Agreement are substantially set forth in Appendix E, "Services to be Provided by Contractor for Contract Year 2014-15". Prior to the start of each fiscal year, CTD and Contractor will establish mutually agreeable goals, objectives and deliverables for the upcoming fiscal year thereby executing a new Appendix E each year. The services and deliverables shall align with the following core objectives:
 - i. 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;
 - ii. Measure the economic impact from citywide conventions and the tourism and hospitality sector;
 - iii. 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; and
 - iv. Effectively leverage TOT funds with other sources of funding to promote conventions and tourism to maximize the yield from the City's investment.
- b. To achieve these objectives optimally, the City recognizes and encourages LATCB to leverage these contract funds with other non-TOT funds to drive hotel stays yielding increased TOT revenues and visitor spending that benefits the City's General Fund and the Los Angeles economy. As such, Contractor shall use best efforts to develop other sources of revenue, such as memberships and sponsorships to support the promotion of tourism in Los Angeles.

- c. Contractor shall use its best efforts to promote and utilize hotels and other accommodations in the City of Los Angeles to offer and secure room blocks for conventions and/or events at the LACC.
- d. Contractor shall report to the CTD on the implementation and status of room block agreements that are operational.
- e. Contractor shall use TOT funds to promote the City for the purpose of attracting conventions, tradeshow and tourism to the City and for no other purpose.
- f. Contractor shall be responsible for a post audit of room nights consumed following convention and/or events at the LACC and report the results of such audits to the CTD quarterly. Contractor shall use best efforts to produce these audits within 120 days after the events conclude.
- g. Contractor shall report to CTD board on a monthly basis regarding progress towards meeting goals and performance metrics set forth in Appendix E and on any other topic related to the convention center industry or tourism as reasonably requested by the Board or by the CTD.
- h. Promote Los Angeles in the media. Apprise the CTD Board of major destination advertising and tourism media campaigns, funded by non-TOT funds during the early stages of creative development.. Collaborate with City to ensure that media campaigns compliment City's effort to brand itself. Support the City's effort brand itself if requested to do so. Any specific dollar amounts for such an effort will be determined during the budget process.
- i. Maintain web site and social media platforms to engage potential visitors to Los Angeles in a manner that compliments the City's efforts to brand itself. As part of this effort, Contractor shall provide web analytics to the CTD and CTD shall treat such information as proprietary.
- j. Contractor shall report to City officials on its plan to market Los Angeles to visitors.
- k. Contractor shall use best efforts to leverage the geographic and cultural diversity of the City to drive hotel stays and promote tourism with additional focus on areas of the City that may have been overlooked by traditional tourism efforts.
- l. Contractor shall provide CTD with comprehensive convention and

tourism industry data and analysis to inform the City as to the performance of tourism as a key economic driver and assist CTD with developing special reports for its stakeholders.

- m. Contractor shall meet with CTD staff and the LACC Operator on a regular basis to discuss operational, policy and business issues related to booking events at the Convention Center.
- n. Contractor shall book events into the Convention Center in accordance with the booking and discount policies in the Los Angeles Administrative Code.
- o. Contractor shall use its best efforts in booking the City's convention facilities in a manner that uses rental discounts judiciously and maximizes revenue for the LACC facility while prioritizing the booking of citywide conventions to drive hotel room nights.
- p. Contractor shall provide other mutually agreed upon services to carry out the core objectives of this Agreement as identified in Section 3 including Appendix E and elsewhere in the Agreement.

4. Payments by City

- a. City will credit to the Fund an amount equivalent to a fraction of all TOT received by the City during the term of this Agreement. Said fraction shall have as its numerator the number "1" and as its denominator the number which coincides with the current percentage of TOT imposed by the Los Angeles Municipal Code. By way of example, the current TOT is 14 percent. Therefore, City will credit to the Fund an amount equivalent to one fourteenth (1/14) of all TOT received by the City during the term of this Agreement so long as the 14 percent TOT remains in effect. Five (5) percent of the actual receipts deposited in the Fund shall be held by the City in said Fund for the purpose of offsetting any possible decline in Fund receipts. It is understood and agreed that any and all sums paid to Contractor by City will be used by Contractor only for allowable costs incurred in performing one or more of the services set forth in Section 3 of this Agreement.
- b. The City anticipates appropriating for the purposes of this Agreement, a total of 95 percent of the projected receipts of the Fund during each fiscal year during the term of this Agreement. City shall advance to Contractor on each July 1, October 1, January 1 and April 1, during the term of this Agreement 23.75% of the projected receipts of the fund for each fiscal year.
- c. Approximately thirty (30) days in advance of July 1, October 1, January

1 and April 1 (individually referred to as a “Quarterly Payment Date”), during the term of this Agreement, Contractor shall submit an advance billing (“Advance Billing”) in the manner prescribed by the City (substantially as contained in Appendix B, attached hereto), requesting payment by City of allowable costs incurred or to be incurred during the calendar quarter ending on the next Quarterly Payment Date, in an amount not to exceed one fourth (1/4) of the amount appropriated by City for purposes of this Agreement for the applicable fiscal year. After receipt and audit, to the extent deemed necessary by City, and approval of each such Advance Billing, City shall pay Contractor the amount of the Advance Billing (“Advance Billing Payment”).

- d. Prior to the payment of the April 1 Advance Billing, if the City’s projected receipts to the Fund through the end of the fiscal year will be less than originally anticipated, the amount paid to the Contractor in the April 1 Advance Billing Payment shall be adjusted so that total payments for that fiscal year shall not exceed the amount of receipts projected to be deposited into the Fund.
- e. If, at any time prior to June 30th of each year, the City projects receipts to the Fund through the end of the fiscal year will be greater than originally anticipated, due to actual collections in excess of projections or revised forecasts, the Contractor shall have the right to invoice the City for the increased amount and such excess shall be paid, prior to June 30th of such year.
- f. June of each fiscal year, the Contractor may request payment of any balance of the 5% holdback account remaining on June 30th. Payment of said funds shall be made in a lump sum to the Contractor as soon after July 1 as practicable. If Contractor fails to request payment of said funds, the remaining balance of the 5% holdback account shall be appropriated to the Contractor in accordance with Section 4(b) and paid to the Contractor as soon after July 1 as practicable.
- g. In the event that Contractor requires funds in addition to the budget amount for a legitimate promotional purpose, to perform special studies or to offset a decline in Fund Receipts and to the extent that additional monies may be available in the Fund, Contractor may request such funds from the City Council through the CTD.
- h. Within 30 days after the end of each Quarterly Payment Date, Contractor shall submit to the City Council, by providing copies to the CTD, an interim progress statement of cumulative costs incurred during the fiscal year of the Agreement to that date, prepared in a manner substantially in the form set out in Appendix C, attached hereto

("Interim Progress Statement"). City shall review or audit the Interim Progress Statement and the supporting books and records to the extent deemed necessary by the City. A final determination of allowability shall be made only after Contractor's submission to the City of a copy of its audited financial statements and completion of the City's audit, as described below in Section 4(i). City shall also informally review Contractor's monthly financial statements, as described in Section 5(a), to ensure general compliance with the provisions of this Agreement.

- i. Contractor shall maintain records as provided in Section 5(d). Within one hundred twenty (120) days following the end of each fiscal year, after Contractor's books have been audited by a certified public accountant and such accountant's independent report has been issued, and after Contractor's books for such period have been closed, Contractor shall submit a copy of its audited financial statements to City. City shall conduct its final year-end audit and issue its final report to Contractor on allowability of costs ("Allowability Report") within 60 days after receipt of Contractor's audited financial statements. Any costs incurred by Contractor using TOT funds which are not specifically incurred for purposes of services to be provided by Contractor under Section 3 of this Agreement shall be unallowable costs for purposes of this Agreement. In the event funds paid to Contractor under Section 4 of this Agreement exceed total expenditures by Contractor for services described in Section 3 for the fiscal year in question, such amount shall be refunded by Contractor to the Fund within 30 days after Contractor's receipt of the Allowability Report. Such Fund reimbursements shall be available for future disbursement to Contractor for allowable costs. If the Contractor does not have sufficient funds to repay such amounts to the Fund, the amount owed shall be deducted from the next quarterly payment from the Fund due to Contractor.
- j. Any cost determined by the City to have been incurred by the Contractor for activities or services not authorized by this Agreement shall be deemed to be unallowable costs and shall be reimbursed by Contractor as provided in Section 4(i). Any disputes which are not resolved by negotiation between Contractor and City's designee for contract administration shall be presented by the CTD to the City Council with recommendations for action by the Council which shall finally determine the matter. Contractor shall be included in the resolution of any such disputes.
- k. All Billings and Statements shall be submitted to the CTD for review and approval. Should the CTD find that any Billings, Statements or Year-End Claims of the Contractor are not in compliance with the

provisions of this Agreement, and should efforts to obtain compliance by the Contractor prove unsuccessful, the CTD shall report thereon to the City Council with recommendations for action by the Council. Contractor shall be included in the resolution of any such disputes.

- l. Should any of the payments provided for under Section 4(c) be less than one fourth (1/4) of the amount appropriated by the City for purposes of this Contract in the applicable fiscal year, any of the subsequent invoices for that year by the Contractor may request payment of the amount for that period plus the difference between the amount paid by City on such prior invoice and one fourth (1/4) of the amount appropriated by the City for purposes of this Agreement in that fiscal year.
- m. Although the term of this Agreement is for five and one-half years funding to the Contractor in each fiscal year is conditioned upon the City Council appropriating funds to the budget for the Agreement and the availability of sufficient monies in the Fund to reimburse the City's general fund for Advance Billings of the Contractor. The failure of the City Council to appropriate funds for this Agreement shall be deemed a termination by the City subject to the provisions of Section 11.
- n. Notwithstanding anything contained in this Agreement to the contrary, the City shall not be obligated to appropriate any particular amount of monies or any monies for funding of this Contract for any fiscal year.
- o. In incurring travel and related expenses, Contractor shall, when practicable, make reasonable efforts to abide by Los Angeles Administrative Code sections 4.242.1-4.242.9 (Policy for Travel Expenses, Non-Travel Expenses and Elected Officials' Contingency Account Expenditures). Notwithstanding the foregoing, Contractor shall not use funds provided under this Agreement for tickets to sporting events or concerts, limousine service, site inspections via helicopter, welcome gifts, alcoholic beverages or memberships in dining or social clubs.
- p. The Contractor may designate monies as part of its annual funding to be used as a reserve fund ("Reserve Fund") and include such monies as part of its Advance Billings. These monies may be held by Contractor and carried over for use in subsequent fiscal years and may be used at the discretion of the Contractor for any purposes permitted under this Agreement. The maximum which may be set aside by the Contractor and held in the Reserve Fund and carried over to subsequent fiscal years may not exceed fifteen (15) percent of the annual budget appropriation for the succeeding year. Any amounts held by Contractor in the Reserve Fund exceeding fifteen (15) percent cannot be carried over by the Contractor, but must be reimbursed to

the Fund.

- q. Any funds paid to Contractor under this Agreement not expended at the end of each fiscal year shall augment the Reserve Fund and be carried over for use in subsequent fiscal years in accordance with the provisions of Section 4(p).
- r. Contractor shall use its best efforts to procure goods and services from local businesses in the City of Los Angeles.

5. Financial Reporting Requirements

- a. Contractor shall submit to the CTD copies of its monthly financial statements. Said statements shall include specific information as to all sources of funds and in-kind contributions, amounts received from each such source, and the programs and services for which City and other funds have been expended. With each of its monthly financial statements, Contractor shall provide copies of its computerized check register and general ledger for the period covered by the statement. The Interim Progress Statements, referred to in Section 4(h), shall be accompanied by copies of Contractor's financial statement for the period covered.
- b. Within 120 days following the end of its fiscal year, Contractor shall provide to the CTD a copy of its audited financial statement for such fiscal year.
- c. The Advance Billings shall be prepared in a form substantially as show in Appendix B attached to this Agreement and signed by an authorized official of the Contractor. Interim Progress Statements submitted by the Contractor shall be certified by an authorized official or agent of the Contractor that the costs and expenses, incurred or to be incurred, for which payment is requested are reasonably related to Contractor's performance of services under this Agreement and are true and correct, in the form provided for in California Code of Civil Procedure Section 2015.5.
- d. Contractor shall maintain and preserve books of account and other financial records during the term of this Agreement. Said books and records shall accurately record monies received by source, date and amount; and monies expended by name of vendor, description of goods or services purchased, the nature and purpose of the expenditure and the date of purchase and the amount. The record of amounts paid to vendors shall distinctly separate City Fund expenditures from private transactions of the Contractor. Contractor shall retain such books and records for at least three years following

the final payment by City hereunder for the fiscal year in question. At any time during the term of this Agreement or within three years following the final payment under this Agreement, the City and its authorized representatives shall have the right, on reasonable notice and during regular business hours, to review, inspect and audit the Contractor's books and records. Such information shall be maintained as confidential by the City to the extent permitted under the California Government Code, section 6250 et seq. (California Public Records Act).

- e. Following the end of each fiscal year during the term of this Agreement, Contractor shall submit a report to CTD and the Council Committee describing the services provided and the accomplishments attained from Fund expenditures during such fiscal year.

6. Competitive Bidding

In the interest of economy and to assure the effective use of City funds, for all matters involving the expenditure of City funds over \$25,000, Contractor shall solicit bids by advertising or by request to three or more qualified potential providers of applicable goods or services. Contractor shall make reasonable efforts to obtain bids from at least three different qualified parties and shall select the lowest and best responsible contractor on the basis of such bids as are received; provided that Contractor may reserve the right to reject all such bids. Contractor shall document and maintain all such bids or proposals to enable the City to audit the same. Notwithstanding the foregoing, in instances where Contractor determines that it is not feasible to solicit three bids, Contractor shall, at least ten days before incurring such expense, report to the CTD the basis for said determination.

7. Budget Requirements

Contractor shall provide to the CTD, in a form prescribed by the CTD, information for use in the Mayor's annual budget submission to the City Council. This shall include the Contractor's annual proposed budget, details such as actual expenditures and revenues, estimates on source of funds, revenues, expenditures, major areas of work emphasis, and productivity goals. Contractor and CTD shall develop a schedule each year for the delivery of this information. Contractor shall notify CTD of any major changes in the portion of its budget that is funded by the CVB Trust Fund.

Budget shall include funding to cover the cost of contract administration by the City. The amount of the funding for this purpose shall be determined during the budget process and subject to the agreement of both parties.

Budget shall also include funding to be spent on initiatives specified by the CTD for purposes that are consistent with the goals and objectives of this Agreement, the specifics of which shall be determined during the budget process.

8. Compensation Payment of Sales Staff

Contractor may provide incentive compensation payments to staff in the Director and Manager positions or classifications that are directly involved in the function of selling the City of Los Angeles as a site for business meetings, conventions, trade shows, and other group activities involving the overnight stay in City of Los Angeles hotels. Procedures and criteria utilized for these incentive compensation payments must be approved by the Sales Committee of the Board of Directors of the Los Angeles Tourism and Convention Board and reviewed by the CTD. Except as provided in this paragraph, Contractor shall make no incentive compensation payments from funds provided under this Agreement to executive staff, senior management, or non-sales staff members.

9. Insurance and Indemnity

Contractor agrees to maintain the insurance coverages and limits listed on the Insurance Requirements Sheet, attached to this Agreement as Appendix 'D,' and to comply with the applicable insurance conditions set forth in PSC-10 and PSC-17 of Appendix A to this Agreement.

10. City Designee for Contract Administration

a. This Agreement shall be administered on behalf of the City by the CTD. The CTD shall be responsible for receiving and forwarding all Advanced Bills, statements, Year End Claims and other similar documents for approval. Upon approval for payment by the CTD, the CTD will process payments as required under this Agreement. The CTD shall be responsible for reviewing, approving and making recommendations to the City Council as necessary or appropriate as to matters such as requests for additional funds, disputes regarding Advance Billing Payment, or significant changes in the services to be provided by Contractor. The Office of Finance shall conduct the final year-end financial audit of the Contractor, as described in Section 4(i). The Contractor shall reimburse City for the salary expense, including indirect costs, of a City auditor assigned to assist the Office of Finance in administering the Agreement; provided, that in no event shall the total of such reimbursement exceed \$25,000 per year.

b. City auditor shall, for purposes of auditing any Advance Billing

Payment submitted by Contractor, have access to all books and records of the Contractors for both allowable and unallowable costs incurred under this Agreement and for all Contractor sources of revenue as provided in Section 5.

- c. The Contractor shall give notice of the time and place of meetings of its Board of Directors to the CTD. The CTD shall be entitled to attend all meetings of the Contractor's Board.

11. Termination

Notwithstanding any other provision contained in this Agreement to the contrary, City, on appropriate action by the City Council, or Contractor may terminate this Agreement upon not less than 180 days prior written notice, subject to all provisions for statements, audits, payments or refunds contained in this Agreement. In the event of early termination of this Agreement by City, Contractor shall be entitled to (a) payment under this Agreement up to and including the date of termination and (b) reimbursement for all unavoidable costs associated with such termination.

12. Notices

A notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given (1) on personal delivery, (2) 24 hours after deposit with Federal Express or a comparable express courier, addressed to a party at the address set forth below, or (3) 48 hours after deposit in the United States mail, by certified mail, postage prepaid, addressed to such party. A party may designate another address for notice purposes by giving written notice to the other in the manner provided in the Section.

If to Contractor: Los Angeles Tourism and Convention Board
333 S. Hope Street
18th Floor
Los Angeles, CA 90071

If to City: Los Angeles Department of Convention and
Tourism Development
1201 South Figueroa Street
Los Angeles, CA 90015

13. Incorporation of Standard Provisions, Precedence of Documents

- a. The Standard Provisions for City Personal Services Contracts, attached to this Agreement as Appendix "A" and the appendices referred to in subparagraph (b) below are incorporated into this

Agreement.

- b. In the event of an inconsistency between any of the provisions of this Agreement and the appendices to this Agreement, the inconsistency shall be resolved by giving precedence in the following order:
 - i. Provisions of this Agreement.
 - ii. Appendix A, Standard Provisions for City Personal Services Contracts (Rev. 03/09).
 - iii. Appendix B, Advance Billing.
 - iv. Appendix C, Interim Progress Statement.
 - v. Appendix D, Insurance Requirements.
 - vi. Appendix E, Services to be Provided by Contractor, and subsequent annual reports under Appendix E.

14. Miscellaneous Provisions

- a. The subject headings of the paragraphs and subparagraphs of this Agreement are included for convenience only and will not affect the construction or interpretation of any of its provisions.
- b. Unless the context clearly requires otherwise:
 - i. Plural and singular numbers will each be considered to include the other;
 - ii. The masculine, feminine, and neuter genders will each be considered to include the others;
 - iii. "Shall," "will," "must," "agree," and "covenants" are each mandatory;
 - iv. "May" is permissive;
 - v. "Or" is not exclusive; and
 - vi. "Includes" and "including" are not limiting.
- c. All references to sections, paragraphs and subparagraphs are to those in this Agreement, unless the context otherwise requires. Documents attached to this Agreement as exhibits or appendices are incorporated in this Agreement as though set forth in full.

15. Processing of License and Discount Requests

The Contractor is required to submit the license request packets to the LACC Operator within two weeks of executing a Letter of Intent with sales leads for such conventions, meetings and trade shows to be held in the

City of Los Angeles. The license request packet shall include a cover memorandum from the Contractor, a request form for a LACC License with three years of history, a cost analysis form, a pricing discount approval form, the transmittal Convention Center Reservation Form and the signed Letter of Intent.

Contractor shall cooperate with requests by the LACC Operator to expedite the submittal of such license packets if circumstances warrant the submittal within less than the two week time frame referenced above, i.e. competition with another convention center for the business.

Contractor shall submit to the CTD through the LACC operator for prior review and approval all rental discounts to be offered to LACC licensees. Rental discount request requiring CTD Board approval should be submitted at least two weeks prior to the Board meeting date.

16. Personnel

At the written request of the Executive Director of the Convention and Tourism Development Department, delivered by messenger, Contractor shall change or remove Contractor's personnel assigned to perform services on the City's account relating to the Convention Center. Contractor shall take the requested action in the time indicated by the Executive Director, which shall not be less than one business day after delivery of written notice. Contractor's President and Chief Executive Officer ("CEO") shall have the right to meet at a mutually acceptable time to discuss the basis for the requested change or removal and any alternative course of action. If the meeting between the Executive Director and the Contractor's CEO does not resolve the matter, the Contractor's CEO may request a meeting with the Mayor or his representative to discuss the action and any possible alternative course of action. After such a meeting, the decision of the General Manager, after consultation with the Mayor, shall be final.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

THE CITY OF LOS ANGELES
a municipal corporation

LOS ANGELES TOURISM AND
CONVENTION BOARD a California
nonprofit corporation

By: _____
ROBERT "BUD" OVROM
Executive Director

By: _____
ERNEST WOODEN JR. ,
President

Dated: _____

Dated: _____

APPROVED AS TO FORM AND
LEGALITY

ATTEST: HOLLY WOLCOTT , City
Clerk

MICHAEL N. FEUER
City Attorney

By: _____
TERRY MARTIN-BROWN
Assistant City Attorney

By: _____

Dated: _____

Dated: _____

Attachment A

**Second Amendment to
Implementation Agreement**

**SECOND AMENDMENT
TO
IMPLEMENTATION AGREEMENT**

by and among

City of Los Angeles,

L.A. Event Center, LLC,

L.A. Convention Hall, LLC,

L.A. Parking Structures, LLC, and

L.A. Arena Land Company, LLC.

Dated as of _____, 201__

**SECOND AMENDMENT
TO
IMPLEMENTATION AGREEMENT**

This Second Amendment to Implementation Agreement (“Second Amendment”) is made as of this _____ day of _____, 201____ (“Second Amendment Effective Date”), by and among L.A. Arena Land Company, LLC, a Delaware limited liability company, L.A. Convention Hall, LLC, a Delaware limited liability company, L.A. Event Center, LLC, a Delaware limited liability company, L.A. Parking Structures, LLC, a Delaware limited liability company, and the City of Los Angeles, a California municipal corporation and charter city (“City”) (collectively, the “Parties”).

RECITALS

A. The Parties previously entered into that certain Implementation Agreement, dated as of October 18, 2012, in connection with a proposed renovation of the Los Angeles Convention Center and development of an event center commonly known as the Farmers Field. That Implementation Agreement, as supplemented by a certain October 17, 2012, letter and amended by that certain First Amendment to Implementation Agreement (“First Amendment”) entered into by and among the Parties as of October 16, 2014, shall be collectively referred to herein as the “Implementation Agreement”. All capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Implementation Agreement.

B. The Parties now desire to enter into this Second Amendment to clarify the Plan B Design Process specified in the First Amendment in order to more accurately reflect the Parties’ intent.

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, the Parties hereby agree as follows:

AGREEMENT

I. Clarification Regarding Plan B Design Process

That certain portion of Section III of the First Amendment that states:

“(b) Following the full execution of this First Amendment and until April 17, 2015, the City and AEG shall jointly continue the City’s “Plan B Design Process” in order to advance the mutually desired expansion and modernization of the Los Angeles Convention Center in the event that the conditions to Closing under the Implementation Agreement cannot be timely satisfied, all as follows:

(i) The City, acting jointly through its CLA and CAO, shall work with the LACC Commission president or another designated LACC Commissioner, the City’s Bureau

of Engineering, and Developer to formulate and provide design criteria to each of the Selected Architects and to issue a notice to proceed with the design competition pursuant to such design criteria;”

shall be deleted in its entirety and replaced with the following:

“(b) Following the full execution of this First Amendment and until April 17, 2015, the City will continue its “Plan B Design Process” in order to advance the desired expansion and modernization of the Los Angeles Convention Center in the event that the conditions to Closing under the Implementation Agreement cannot be timely satisfied, all as follows:

(i) The City, acting jointly through its CLA and CAO, shall work with the LACC Commission president or another designated LACC Commissioner, and the City’s Bureau of Engineering, to formulate and provide design criteria to each of the Selected Architects and issue a notice to proceed with the design competition pursuant to such design criteria;”.

The following new subsection (vii) shall be added to Section III. (b) of the First Amendment immediately following the existing Section III. (b)(vi) thereof:

“(vii) Prior to finalizing the design criteria and issuing a notice to proceed with the design competition to any of the Selected Architects, the City shall first afford the general public with a reasonable opportunity, but in no event less than 15 days after the City makes available to the general public its proposed design criteria, to comment on the City’s proposed design criteria.”

II. Affirmation of Other Terms

Except as otherwise provided herein, all terms and conditions contained in the Implementation Agreement (inclusive of the First Amendment) are hereby ratified and confirmed. The Implementation Agreement (inclusive of the First Amendment) shall remain in full force and effect, except as expressly modified by this Second Amendment.

[signature pages follow]

IN WITNESS WHEREOF, the Parties hereby have executed this Second Amendment as of the Second Amendment Effective Date.

CITY OF LOS ANGELES, a municipal corporation of the State of California

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

APPROVED AS TO FORM:

MICHAEL N. FEUER, City Attorney

ATTEST:

HOLLY L. WOLCOTT, City Clerk

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

L.A. EVENT CENTER, LLC, a Delaware
limited liability company

By: _____

Name: _____

Title: _____

Date: _____

L.A. ARENA LAND COMPANY, LLC, a
Delaware limited liability company

By: _____

Name: _____

Title: _____

Date: _____

L.A. CONVENTION HALL, LLC, a
Delaware limited liability company

By: _____

Name: _____

Title: _____

Date: _____

L.A. PARKING STRUCTURES, LLC, a
Delaware limited liability company

By: _____

Name: _____

Title: _____

Date: _____

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: November 14, 2014 Council File No. 13-0762
Council District: 9

TO: Honorable Members of the City Council
City of Los Angeles

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

SUBJECT: **REQUEST FOR INTEREST (RFI) FOR AN ON-SITE 1,000 ROOM
HOTEL AT THE LOS ANGELES CONVENTION CENTER**

SUMMARY

The Los Angeles Department of Convention and Tourism Development (CTD) requests authority to work with Economic and Workforce Development Department (EWDD) to develop and release a Request for Interest (RFI) for an on-site hotel at the Los Angeles Convention Center (LACC). The purpose of releasing an RFI would be to determine the level of interest in developing a 1,000 room hotel and to solicit input as to how a potential transaction could be structured.

On October 18, 2012, the City entered into a two year Agreement with AEG to construct an NFL Stadium and Event Center at the current location of the Convention Center's West Hall. That Agreement has now been extended to April 17, 2015, to allow AEG additional time to secure an NFL football team. AEG also requested to collaboratively design an alternative plan for the modernization and expansion of the Convention Center without an NFL stadium during the extension period.

On December 18, 2013, the **City Council directed** staff to develop a **back-up plan** in case the NFL Stadium/Event Center failed to come to fruition. The Convention Center is a billion dollar City asset which needs to be better utilized as an economic engine for the City. The City's first choice for achieving this continues to be the NFL Stadium/Event Center. However, if that is not going to happen for reasons beyond the City's control, another alternative must be ready to be put into action.

As part of the assessment of alternative uses at the LACC, the Urban Land Institute provided the City with a Technical Advisory Panel report which recommended that one or more large on-site hotels be incorporated into the overall plan to revitalize the LACC, as part of an overall vision and to add 3,000 – 5,000 hotel rooms within walking distance of the LACC.

Although there is ample prima facie evidence that the LACC is severely lacking in hotel room supply within reasonable walking distance, securing a hotel developer and operator to invest over \$500 million to actually build one could be a totally different matter! Rather than rely on a consultant to do a theoretical hotel demand study, the CTD staff believes it would be more realistic to go out to the open marketplace to engage hotel developers, operators and clients to determine the actual depth of real interest in undertaking such an endeavor.

Moreover, the recent surge in residential development in the South Park area makes it difficult for hotel developers to secure sufficient land for hotel development at an economical price. By using excess LACC land, the LACC accomplishes two goals: 1) it enables hotels to be built immediately contiguous to the LACC, which is operationally preferable; and 2) it allows the LACC to control its own destiny and not have hotel projects compete against large residential projects, which are more lucrative for private developers in today's market.

This request to release an RFI to solicit tangible interest from actual hotel developers and operators is an essential element for meeting the City Council's desire to be in the position to immediately move forward with an alternative plan, if an NFL team cannot be secured by AEG. It would be an expensive, time consuming and meaningless exercise to have these architectural teams provide three designs for an on-site hotel, if there is no developer willing to finance and build one!

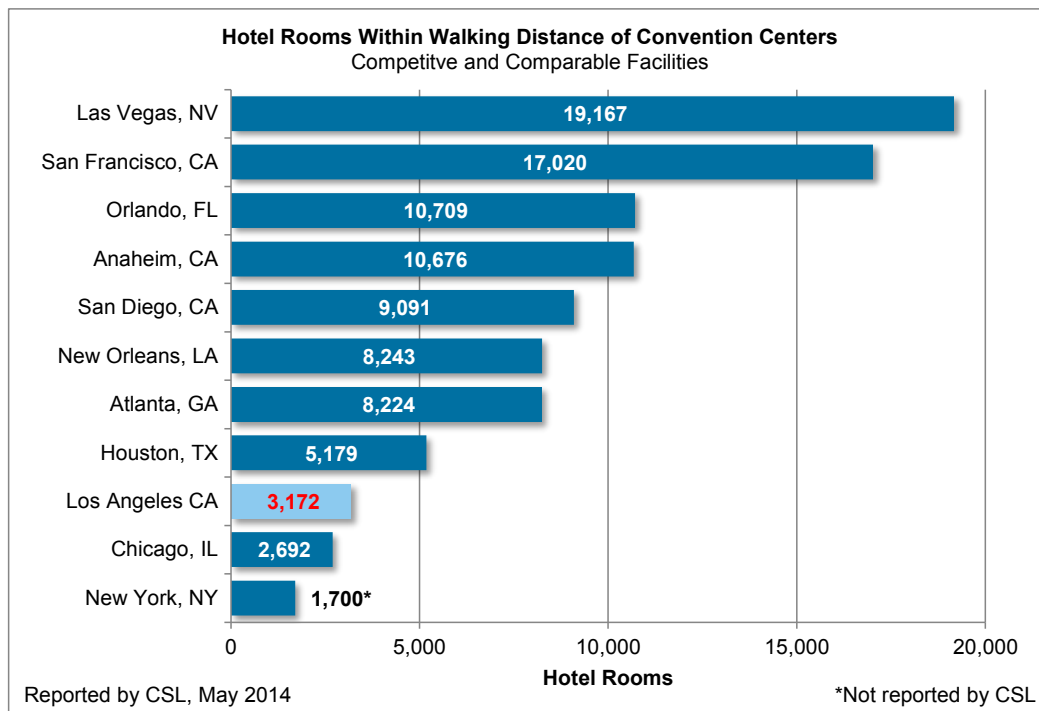
RECOMMENDATIONS

That the City Council, with the approval of the Mayor:

1. Instruct the City Administrative Officer (CAO) to transfer \$60,000 from CTD Salary Savings, Account Number 1010, to Contractual Services, Account Number 3040.
2. Authorize the Economic and Workforce Development Department (EWDD), in collaboration with the CTD Department, to enter into an Agreement (attached) with the Strategic Advisory Group (SAG) to undertake a Request for Interest (RFI) and a User's Interest Study for a 1,000 room hotel to be located on the site of the LACC.

ANALYSIS

An analysis of factors which contribute to the LACC's underperformance compared to competitive cities reveals a very dramatic deficiency in the number of hotel rooms within walking distance of the convention center.



According to a 2014 report by CSL Consulting Group (CSL), at the current number of hotel rooms within walking distance, **the LACC can accommodate only 74% of the national convention market's hotel room requirement, whereas over direct competitors in San Diego, Anaheim, and San Francisco can meet 92-99% of the market's needs.**

Not only does Los Angeles immediately forfeit 26% of the national convention business, it is that portion of the market which represents the largest and most lucrative conventions, such as: the Orthopedic Surgeons Association (32,000 attendees); American Society of Hematology (35,000 attendees); American Heart Association (28,000 attendees); and American College of Cardiology (28,000 attendees). Each of these four events generates approximately 50,000 room nights and each would have contributed approximately \$60 to \$80 million in economic impact to Los Angeles.

According to CSL, the LACC needs over 7,000 rooms within walking distance to be able to accommodate 90% of the convention market. Today we have only 3,172.

The table below provides a different perspective of the same problem. The San Francisco, Anaheim, and San Diego Convention Centers each host two to almost four times as many citywide conventions as Los Angeles. Those conventions result in literally hundreds of thousands more hotel room nights being sold than in Los Angeles - and hundreds of millions of dollars of lost economic impact each year.

CALENDAR YEAR 2013	LOS ANGELES	SAN FRANCISCO	ANAHEIM	SAN DIEGO
Citywide Events	22	52	84	75
Room Nights Sold	154,769	852,921	463,839	704,029
Avg Room Nights/Event	7,035	16,402	5,522	9,387

The convention industry is very specific about what it looks for in a convention center: meeting planners desire large, 1,000+ room hotels on-site (preferred) or within easy walking distance. The average size of existing hotels near the LACC is only 264 rooms. San Diego, by comparison, has three hotels in excess of 1,000 rooms each with immediate adjacency to the Convention Center (Marriott Marquis – 1,360 rooms; Manchester Hyatt – 1,628 rooms; Hilton Bayfront – 1,190 rooms, with plans to add an additional 500 rooms).

The hotels of Los Angeles boasted a record breaking 80.6% occupancy rate for FY 2013-14. While hoteliers may be celebrating soaring occupancy rates and increased revenue per room, these numbers also indicate a dire need for increased hotel supply. The City and the Los Angeles Tourism and Convention Board (LATCB) adopted a goal of 50 million visitors by 2020. For calendar year 2013, we achieved 42.2 million. With the hotel supply already at over 80% occupancy, it means Los Angeles will not be able to accommodate the desired increase in visitors.

The inaugural FY 2012-13 CTD Department Action Plan set an initial goal of 4,000 new hotel rooms by 2020 (in addition to the then current supply of 2,597 rooms). Although that total of 6,597 rooms would still be below San Diego, Anaheim, and San Francisco, it is a goal that is realistically achievable by 2020. As the chart on the top of Page 5 shows, 575 rooms were opened last fiscal year. Another 1,250 are currently under construction. An additional 633 rooms are entitled and expected to start construction in the near-future, for near term total of 2,458 additional rooms.

HOTELS WITHIN WALKING DISTANCE	
EXISTING AS OF JULY 1, 2013	
1	J.W. Marriott Los Angeles L.A. LIVE
2	Sheraton Los Angeles (The Bloc)
3	Figueroa Hotel
4	Stillwell Hotel
5	Mayfair Hotel
6	Luxe City Center Hotel
7	Ritz Milner Hotel
8	The Ritz-Carlton, Los Angeles
9	O Hotel
OPENED FISCAL YEAR 2013-2014	
10	Residence Inn Los Angeles L.A. LIVE
11	Ace Hotel
12	Courtyard Los Angeles L.A. LIVE
UNDER CONSTRUCTION	
13	InterContinental Los Angeles Downtown
14	Hotel Indigo
UPCOMING	
15	Renaissance
16	Fig Central
POTENTIAL SITES	
17	LACC
18	Olympic West
19	9th Street Sites
20	Fig South
21	dtLA South Park
22	Case Hotel
23	Fig North



One limiting factor to achieving this goal has become apparent in recent months. Although new hotels in Downtown are being constructed, most of them are smaller than what is needed to help drive the convention business. For example:

- The Metropolis/Hotel Indigo project, now owned by Greenland, USA, was entitled for 900 hotel rooms. Only 350 hotel rooms are currently planned, with the majority of the site to be used for residential development.
- The Fig Central site, now owned by Oceanwide, is expected to add 860 residential units and 200,000 square feet of retail, but only 183 hotel rooms. Moreover, this hotel is expected to be in the super luxury niche, at or above the Ritz-Carlton at LA Live. While very beneficial for the City, it won't really be a convention oriented hotel.

- The Fig North site, now owned by Shenzhen Hazens Real Estate Group, appears to be looking at about 300 hotel rooms, or only about 122 hotel rooms more than the current 178 room Luxe City Center Hotel at that location.
- The new 900 room, 73-story InterContinental Hotel at Wilshire Grand is going to be a fabulous addition to downtown, but it is replacing a 900 room hotel which has existed at that location for decades.
- The Jamison Properties Project, at the southeast corner of Figueroa and 12th Street, immediately across the street from the LACC's primary entrance, will have 648 residential units and 48,000 sq. ft. of retail, entertainment and restaurants and **no** hotel.
- In the last several years, virtually all of the eastern side Figueroa Street frontage from Pico to Venice Boulevards, immediately across the street from the LACC's South Hall, has been developed with midrise wood frame rental apartments and **no** hotels.

All of these projects will be outstanding developments which will benefit the City in a great many ways. However, the hotel components of these mixed-use projects will not be large enough to provide the hotel rooms necessary to move Los Angeles into the top tier of national convention destinations.

The 1,001 room JW Marriott and Ritz Carlton Headquarter Hotel at LA Live has been a phenomenal boom for the Convention Center and all of Downtown. However, its very success has resulted in higher room rates and lower room availability. A November 7, 2014, report from PKF Consulting Group for LATCB concluded that between September 2007 and August 2014 the JW Marriott/Ritz Carlton only fulfilled 63% of the total rooms requested for citywide conventions pursuant to the 2007 Room Block Agreement with the City. A separate review of that PKF report will be undertaken to determine if the results comply with the terms of the Room Block Agreement. For the purposes of this report, it further demonstrates that the JW Marriott is increasingly unable to meet the needs of the LACC.

With the football stadium, the surrounding smaller hotels probably would suffice, since most fans attending the games would be locals who would return home after each of the eight regular home games. But, an expanded Convention Center will attract more out of town conventioners and visitors who would stay in the hotels year round, rather than just during football season. Moreover, not having an NFL Stadium on the LACC campus frees-up enough land to build 1-3 hotels physically connected to the Convention Center. One or more 1,000 room hotels integrated into the Convention Center would put the LACC into a whole new level of national and regional competitiveness.

As the map on Page 5 shows, additional sites in the immediate area remain available for additional hotel development in the future. Along with a 1,000 room hotel on the LACC site, it is plausible that we could get to almost 7,000 rooms by 2020. That would still be far less than San Francisco (17,020); Anaheim (10,676); and San Diego (9,091) but would move the LACC into a more competitive range of convention centers with hotels within walking distance. Linking the hotels outside the Convention Center area by transit, as is found in Chicago and New York City, would also better enable Los Angeles to truly compete at a national level.

Although this analysis would appear to demonstrate ample demand for more hotels, getting hotel developers and operators to invest hundreds of millions of dollars to build them could be a totally different matter! Rather than simply retain a regular consultant to do an academic “hotel demand study”, staff is proposing to use this six month time extension to go out to the market and empirically determine the level of interest and commitment by national hotel developers and brands capable of successfully undertaking a 1,000 room hotel on the LACC campus.

Hence, by April 2015 the City would have not only six different conceptual designs, but also a concrete expression of interest by credible hotel developers and operators.

To undertake this assessment of hotel interest, the CTD staff is recommending the SAG be retained by the EWDD, working in conjunction with the CTD.

SAG specializes in the execution of headquarter hotel projects. SAG has represented public entities in developing 22 hotel projects totaling 11,421 rooms that are either open today or are opening soon. For example, in 2012 SAG opened the 532 room Hilton in Columbus, Ohio; and in 2013 the 1,170-room Marriott Marquis in Washington, D.C. In 2013, SAG closed the financing on the 1,000-room Marriott Marquis in Houston scheduled to open in 2016. Currently, SAG is leading the headquarter hotel developer solicitation process in Houston, Boston, Miami Beach, Salt Lake City, Kansas City, and Portland.

SAG is an approved consultant for the City of Los Angeles, most recently assisting the Recreation and Parks Department (RAP) with the Greek Theater negotiations. The CTD did a background check with RAP and they reported that SAG did a good job for them.

In addition to the RFI, SAG will also do a “Citywide Booking Impact” study using an on-line survey tool to make direct contact with national and regional meeting and event planners to understand the impact the prospective convention hotel could have on their propensity to meet in Los Angeles.

The SAG work will take 12 – 14 weeks to complete this work for a fixed cost of \$60,000.

As a part of the Council approved six month extension, AEG agreed to reimburse the City for \$600,000 for design services relating to the proposed alternative plans for Convention Center expansion and improvement. In addition, AEG agreed to reimburse the City \$150,000 to facilitate its review and consideration of such alternative plans. However, the \$150,000 was designated for the services requested by the CAO and CLA. The \$150,000 from AEG was not contemplated to be used in furtherance of the assessment of the on-site hotel alternatives. The CTD has adequate funds in its FY14-15 budget from salary savings to pay for this professional service. The CTD is recommending that the City Council authorize the transfer of these funds from salary savings to professional services in order to pay for the RFI.

RRO:cv

Exec. Ref. No: 14-175

Attachment

cc: Board of Los Angeles Convention & Tourism Development
Los Angeles Convention and Exhibition Center Authority
Kelli Bernard, Deputy Mayor
Miguel Santana, Chief Administrative Officer
Sharon Tso, Chief Legislative Analyst
Glyn Milburn, Mayor's Office of Economic Development
Diana Mangioglou, Office of the CAO
John Wickham, Office of the CLA
Terry Martin Brown, Office of the City Attorney
Ernest Wooden, LATCB
Brad Gessner, LACC General Manager