



Los Angeles Convention Center®

**LOS ANGELES CONVENTION AND
EXHIBITION CENTER AUTHORITY COMMISSION**

MEETING AGENDA

Wednesday, May 14, 2014
12:00 p.m.
Los Angeles Convention Center
1201 S. Figueroa St., L.A., CA 90015
Board Room

1. Call to Order
2. Public comment regarding items within jurisdiction of the Authority
- ACTION** 3. Approval of the Joint Commission meeting minutes from February 12, 2014
4. President's Comments
5. Commercial Paper Program / Short Term CIP – Natalie Brill, CAO
6. Status of Bonds – Natalie Brill, CAO
7. Plan B / Design Competition – John Wickham, CLA
8. Executive Director Report
 - a. Action Plan – Bud Ovrom
 - b. Operations – Tom Fields
 - c. Financial – Marla Bleavins
9. Proposed Future Monthly Meeting Schedule:
 - a. June 11, 2014
 - b. July 9, 2014
 - c. August 13, 2014
10. Adjournment

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Materials related to an item on this agenda submitted to the Los Angeles Convention & Exhibition Authority 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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DRAFT

**LOS ANGELES CONVENTION CENTER DEPARTMENT
and
LOS ANGELES CONVENTION & EXHIBITION CENTER AUTHORITY**

JOINT COMMISSION MEETING MINUTES

**February 12, 2014
10:30 a.m.**

The Los Angeles Convention Center Department Commission (Department) and the Los Angeles Convention and Exhibition Authority Commission (Authority) convened a joint Commission meeting on Wednesday, February 22, 2014 at 10:38 a.m., at the Los Angeles Convention Center (LACC), located at 1201 South Figueroa Street, Los Angeles, CA 90015, in Meeting Room 503.

ITEM NO. 1 CALL TO ORDER / ROLL CALL

The Joint Commission meeting was called to order by Vice President Jon Vein.

Department Commissioners Present:

Vice President Ray Bidenost
Nicole Duckett Fricke
Gillian Zucker

Authority Commissioners Present:

President Susan Rodriguez
Vice President Andrew Walter
Carlos Alfaro
Wayne Avrashow
Tom Cañas
Candice Choh
Florence Chung
David Cunningham
Peter Gravett
Robert Mallicoat
Sylvia Robledo

Department Commissioners Absent:

President Jon Vein
Commissioner Neal Moritz

Authority Commissioners Absent:

Shahiedah S. Coates
Kanchan Mattoo
Donald Smith

Department Staff Present:

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

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Guests Present:

Ted Tanner, Sr. VP of Real Estate Development – AEG
Glyn Milburn, Business Team Representative – Office of the Mayor
Diana Mangioglu, Sr. Administrative Analyst II – Office of the City Administrative Officer
Brad Gessner, Sr. VP of Regional Operations & General Manager – AEG
Barbara Kirklighter, Sr. Director of Research & Revenue Strategy – Los Angeles Tourism & Convention Board

ITEM NO. 2 PUBLIC COMMENT

Ms. Joyce Dillard expressed her concerns with regards to the Authority Commission's role and being left out of discussions relative to the LACC, the conflict of public benefit, the importance of the tax-exempt status, and more disclosure of information between the Authority and Department Commissions.

President Rodriguez, in the context of the limited jurisdiction of the Authority, would refer Ms. Dillard's concerns to the City Attorney's office, which would be in a better position to respond than the Authority.

ITEM NO. 3 APPROVAL OF MEETING MINUTES

- The January 22, 2014 Department Commission Minutes were unanimously approved.
- The January 8, 2014 Authority Commission Minutes were unanimously approved.

ITEM NO. 4 EXECUTIVE DIRECTOR'S REPORT

Mr. Bud Ovrom introduced Mr. Ted Tanner who presented the Joint Commission AEG's design update of Plan A. The following are highlights from Mr. Tanner's presentation:

- Primary motives are to enhance and grow the Los Angeles Convention Center (LACC) and to deliver and fulfill an economic uplift of the City's economy.
- Focused on bringing an NFL team to the City of Los Angeles (fully entitled to bring 2 teams to Los Angeles).
- AEG has invested millions of dollars in preparation to be shovel ready once an NFL team is announced.
- Acknowledged and thanked Tom Fields for being a terrific partner on behalf of the LACC, working shoulder to shoulder with AEG on the planning and development of the integration of the Convention Center and the stadium.
- The development site is 68 acres, which is the subject of the Environmental Impact Report (EIR) and entitlements, comprised of: Staples Center, Gilbert Lindsay Plaza (GLP), South and West Halls, parking garages and lots to the west of L.A. Live Way.
- Phase I replaces West Hall with exhibition and meeting spaces, improves access and integration of South Hall, construction of 3000 parking stalls (replacing existing Cherry St. garage), redevelopment of Gilbert Lindsay Plaza, and relocation of bus and drop off facilities.
- Phase II is the construction of the stadium, fully integrated with the modernized and expanded Convention Center, and the construction of a 960 stall garage on the Bond St. lot.
- The modernization is estimated to be a 4-1/2 to 5 year undertaking because of the staging and development of the New Hall, GLP, the parking garages, and the stadium (a.k.a. Farmer's Field).

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- The architects and designers who were awarded the design of the project are:
 - Populous designing Convention Center, New Hall, and Pico Passage
 - Gensler designing Farmer's Field
 - HNA designing the parking garages
 - Melendrez designing GLP
- Pico Passage
 - Utilities and back of house functions are taken care of behind South Hall.
 - Creation of a new lobby on the north side of Pico Blvd. which accesses the New Hall, the exhibition facilities as well as meeting rooms and new ball room.
 - A new passageway into the Convention Center for the South Hall and new North Pico entrance.
 - Consolidated loading entrances for the LACC, Staples Center, and Farmer's Field
 - Created expanded areas for drop-off areas, both on North and South side of street
 - Preserved the loading/unloading areas for buses and taxis
 - Widened the sidewalks to 20' by removing one westbound lane of Pico Blvd.
 - Created protected pedestrian crossings
 - LED lighting throughout, making it as light and open as possible
- Expansion of the exhibition halls
- Multi-Purpose Room
 - Crown jewel of the LACC
 - Highly flexible
 - World Class ball room, 50,000 square feet, region's largest (seats 4,000 – 5,000 in a theater style seating and 2,000 – 3,000 in a table seating style)
 - Can divide into separate meeting rooms
- Signage and branding opportunities
- Renovated and expanded food services area, more communal dining opportunities
- Focused on the public realm, based on Streetscape Design Guidelines referenced in AEG's original L.A. Sports and Entertainment District Master Plan, which has guided the streetscape improvements: wider sidewalks, double rows of street trees, outdoor dining experiences, comfort in walking, self-contiguous campus, a safe and pleasant place
- Transportation
 - Improved way finding
 - New bike lanes and bike access
 - My Figueroa Project improvements
 - Pico Station improvements to increase capacity and support improved access to the LACC
 - Convenient drop-off/pick-up areas for bus, taxi, limo, and parking
- Parking
 - Key was not to build more parking stalls
 - Over 40,000 parking stalls in walking distance
 - Educate people through apps, on how to get to the campus
 - Tickets sold that includes public transit tickets
- Improving freeway underpasses with lighting, landscaping, light structure, and murals

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- GLP
 - 4.5 acre area
 - Remove bus loading and drop off activity
 - Recapture as open area used for extending exhibits outdoors, Game Day Fan Fest events
 - Restaurant at the corner of the park
 - Create funds to support community events such as Movies in the Park, Food Trucks, Farmer's Markets
 - Artscape
- Parking
 - John Friedman and Associates has been hired to come up with a parking façade along the freeway
- Sponsorship and advertising in and around the LACC as a revenue stream
- Farmer's Field
 - 14.1 acre site
 - Build a 72,000 capacity stadium
 - Lightweight retractable roof
 - Artificial turf
 - Field level is lowered which allows one to view the expanse of the stadium upon entry
 - Collapsible seats will allow an additional 135,000 sq. ft. of usable area for expanded convention use
 - Meeting room level has club and hospitality areas that are accessible from the Convention Center for breakout meetings that overlook the stadium.

Upon the completion of the presentation, Mr. Tanner answered questions from the Joint Commission.

Commissioner Cunningham asked if there will be tailgating allowed. Mr. Tanner stated that there will be amenities available within LA Live for those who like to tailgate.

President Rodriguez asked if Plan A is not successful, will the City be able to incorporate the designs and development plans into Plan B. Mr. Tanner stated that many of the plans can be integrated into Plan B, but how it will be paid is the bigger question. Mr. Ovrom added that the City is committed to Plan A, but the City has a fiduciary responsibility to the citizens to have a back-up plan. Plan B has been discussed in both the Department and Authority Commission meetings which includes an architectural competition and financing options. If the City ends up with Plan B, the City will take the best ideas from Plan A and incorporate them into Plan B.

Commissioner Robledo asked if there are any studies or research that indicates how many people take public transportation into the area. Mr. Tanner stated that AEG has monitored Kings, Clippers and Lakers games. The use of Blue and Expo Lines have increased 5%-10%. AEG's goal is to have 20%-25% utilization which they believe is achievable.

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Commissioner Robledo also commented that there is a need for better signage from the Pico Station to the LACC. Mr. Tanner stated that way finding is critical to the project. Mr. Ovrom added that the City is working with Metro on a more comprehensive way finding system.

Vice President Bidenost asked for clarification on the capacity of the Ball Room. Mr. Tanner stated that it depends on how it's configured, but the rule of thumb for a 48,000 sq. ft. ball room would be 15 sq. ft. per person for a 10 seat round table and 7 - 8 sq. ft. per person for a theater style seated event.

Vice President Bidenost expressed his concerns over getting food to the Ball Room and Valet Parking. Mr. Tanner stated that a new kitchen is being developed one level below the Ball Room. Mr. Fields added that on the same level and behind the Ball Room there is a plating area to support the Ball Room. Pico passage is a robust area for valet parking and the distance from the valet parking, is not far from the drop off point (enter the lobby's circulation corridor and up one level). Mr. Ovrom added that the Ball Room would still be incorporated into Plan B.

Commissioner Cañas expressed his concerns with regards to parking once the stadium is built and multiple events happening simultaneously. Mr. Tanner stated that part of the EIR referenced programming of events and while there could be Convention Center activity while there is an NFL game, there would not be a Staples Center event. Sporting events are planned so they do not overlap. LA Live has 3500 parking spaces and the lots do not get filled due to the abundance of surface parking. Mr. Ovrom added that the vision of the future of L.A. is to be a transit friendly city. Mr. Tanner also stated that AEG's goal is to be the best in the NFL in terms of reducing private passenger automobile trips. That's a tough task in comparison to Seattle and more transit oriented cities, but AEG is committed to its goal.

ITEM NO. 6 AGENDA FORCAST / SPECIAL TOPICS

The Department Commission has a conflict with the 2nd and 4th Wednesday, if the Department Commission would like to change the scheduled to 1st and 3rd Wednesday to ensure participation, starting with the first Wednesday of March, 2014.

ITEM NO. 7 ADJOURNMENT

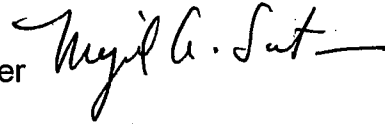
The meeting was adjourned at 11:35 a.m.

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: May 6, 2014

To: Budget and Finance Committee

From: Miguel A. Santana, City Administrative Officer



Subject: **CONVENTION CENTER – CREATING A CONVENTION CENTER
COMMERCIAL PAPER PROGRAM**

During the consideration of the 2014-15 Proposed Budget, the Budget and Finance Committee (Committee) requested that the City Administrative Officer (CAO) report on the feasibility of developing a Commercial Paper (CP) Program for the Los Angeles Convention Center (LACC) for the purposes of debt financing capital equipment and real property improvements.

The 2014-15 Proposed Budget includes a \$2 million appropriation in the Capital Finance Administration Fund for a CP Program for the LACC. CP is a short-term obligation with maturities ranging from one to 270 days. It is often used as interim financing until a project is completed to take advantage of lower interest rates. A CP program is beneficial because it:

1. Enables projects to be financed as-needed rather than waiting for a critical mass of projects to be financed with long-term debt;
2. Limits the negative arbitrage during the construction period for projects;
3. Enables the City to defer debt service costs by “rolling over” commercial paper until long-term financing is needed;
4. Short term tax-exempt rates are, on average, the lowest cost of funds; and,
5. Capitalized interest is not required.

The LACC CP Program would be the City's third CP program. The City also has a MICLA (Municipal Improvement Corporation Los Angeles) and Wastewater System CP programs. Under the LACC CP program, the City would take advantage of lower variable interest rates until the debt is rolled into long-term financing with a fixed rate.

In terms of next steps, this Office will be hiring the appropriate financial advisor and bond counsel, hiring an appraisal to assess the property value of the LACC facility, and undergoing a competitive bid process to obtain a letter of credit from one or more commercial banks. This Office will return to the City Council for final approval of all documents for creating the LACC CP Program.

During the consideration of the 2014-15 LACC Proposed Budget, this Committee recommended to debt finance a list of “High Priority Items” from the LACC 5-Year Capital Improvement Plan (See Attachment). Until the LACC CP Program is in effect, the City has the ability to issue short term debt through the MICLA CP Program to start debt financing the list of projects. Upon creation of the LACC CP Program, the MICLA CP Program will be reimbursed for costs incurred.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Instruct the City Administrative Officer to return to the City Council for final approval of all documents for creating the LACC CP Program; and,
2. Authorize the City Administrative Officer to issue commercial paper for the Los Angeles Convention Center through the Municipal Improvement Corporation of Los Angeles as an interim measure until the Los Angeles Convention Center Commercial Paper Program is created.

FISCAL IMPACT STATEMENT

The proposed recommendations have no impact on the General Fund as debt service payments have already been budgeted as part of the 2014-15 Proposed Budget.

DEBT IMPACT STATEMENT

In accordance with the City's Financial Policies, Debt Management Section, the maximum debt service payable in any given year may not exceed six percent of General Fund Revenues for non-voter approved debt. The proposed recommendations will not cause debt service to exceed this limit as commercial paper is short-term debt whose debt service payments have been budgeted as part of the 2014-15 Proposed Budget.

ATTACHMENT

MAS: DM: 09140235

Question No.360

CITY OF LOS ANGELES
CALIFORNIA

LOS ANGELES
CONVENTION CENTER
COMMISSION

JON F. VEIN
PRESIDENT

RAY BIDENOST
VICE PRESIDENT

NICOLE DUCKETT FRICKE
OTTO PADRON
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

May 1, 2014

The Honorable Paul Krekorian, Chair
The Honorable Mitchell Englander, Vice Chair
The Honorable Paul Koretz, Member
The Honorable Bob Blumenfield, Member
The Honorable Mike Bonin, Member
Budget and Finance Committee
c/o Erika Pulst, Legislative Assistant
Office of the City Clerk
200 North Spring Street
Room 395, City Hall
Los Angeles, California 90012

SUBJECT: **SUPPLEMENTAL REPORT ON MAYOR'S PROPOSED CONVENTION CENTER BUDGET FOR FISCAL YEAR 2014-15**

Dear Chairman Krekorian and Members of the Committee:

On April 22, 2014, I submitted to your Committee a letter indicating our **support for the Mayor's proposed budget** and highlighted the progress we have been achieving on the **New Governance** structure, the **privatization** contract with AEG, the plans to **modernize and expand** the Convention Center (with or without an NFL Stadium) and our efforts to promote the **construction of 4,000 new hotel rooms by 2020**.

That April 22nd letter also outlined the work which still needs to be done to reform the dysfunctional financial structure of our **Operating Budget** and the urgent need to address a **Capital Improvement Program** to address years of deferred maintenance.

During the subsequent week, we have been engaged in very productive discussions with the City Administrative Officer (CAO), the Mayor's office, the Los Angeles Tourism and Convention Board (L.A. Tourism), and our AEG operators about the **urgent** need to address our **most critical capital projects** during the first half of this upcoming fiscal year.

We are fortunate to be seeing an overall recovering economy, and a particularly resurgent tourism and hospitality sector. In order to capture this economic upswing, our competing

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convention centers in San Diego, Anaheim, and San Francisco are all undertaking significant upgrades and/or expansions. In order to **prevent losing** some of our largest citywide conventions, and to **enhance our ability to attract** even larger future conventions, it is critical that we start making the most essential physical improvements to the Convention Center as we begin the new fiscal year.

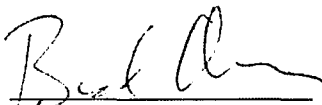
Out of a larger list of mid and long term needs, L.A. Tourism and the Convention Center staff have identified the attached list of **14 projects totaling \$5.4 million** which can and should begin immediately. Moreover, we want to assure this Committee and the City Council that:

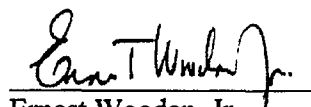
1. All of the recommended projects can and should be done **regardless** of whether or not we subsequently construct an **NFL Stadium**, or undertake the alternative **Plan B** remodeling and expansion. **None** of the projects recommended here will be damaged by or **rendered unnecessary** by any future new construction.
2. All of the recommended projects can be supported by the **funds currently included in the proposed budget**. No new or additional **appropriations** are **required** or requested in this budget. The current proposed budget provides for \$2 million to pay debt service on commercial paper funding for the Convention Center. That \$2 million would be leveraged and used to debt service the \$5.4 million in proceeds. Ultimately, this short term financing will be "taken out" in any long term financing for the stadium Plan A or the alternative Plan B expansion and remodeling.

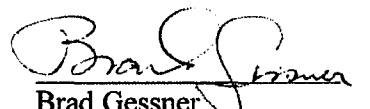
RECOMMENDATION

In order to be in a position to commence the work as soon as possible after the start of the new fiscal year, and with the concurrence of the CAO, we are recommending that the attached list of itemized projects be added to the list of LACC Acquisitions in the Capital Financial Administration Fund Budget.

Respectfully submitted,


Robert R. "Bud" Ovrom
Executive Director
Los Angeles Convention
Center


Ernest Wooden, Jr.
President & CEO
Los Angeles Convention
& Tourism Board


Brad Gessner
Sr. VP & General Manager
AEG

RRO:cv
Exec Ref 14-062

Attachment

cc: Rick Cole, Deputy Mayor – Budget & Innovation
Kelli Bernard, Deputy Mayor – Economic Development
Miguel A. Santana, City Administrative Officer
Gerry F. Miller, Chief Legislative Analyst
LACC Commission

**LACC 5-Year Capital Improvement Plan
"High Priority Items"**

LOS ANGELES CONVENTION CENTER		5 Year Prioritized Infrastructure Capital Plan (CIEP)					REVISED 04/25/14
		Note: Figures are merely estimates. Quotes must be obtained for actual pricing.					
Item #	Equipment / Infrastructure	2014-15 FY	2015-16 FY	2016-17 FY	2017-18 FY	2018-19 FY	Est. Project cost
1	Security Surveillance Replacement Program: Upgrade entire video surveillance system including new operating system, console/control/monitoring station, increase data storage capacity, create secured server room, install 150 new IP cameras and associated cat-6 cabling. The existing equipment is outdated, inferior, and insufficient. Many of the cameras are out of service. This project is critical the safety and security of employees, visitors and property.	\$900,000					\$900,000
2	Electronic Parking Equipment Upgrades: The existing electronic parking equipment is old and has been malfunctioning. Many of the repair parts are obsolete and no longer available. Parking revenues are one of the largest sources of funding at the Convention Center, and therefore, it is imperative that the parking system is reliable and functional to the greatest degree possible.	\$1,100,000					\$1,100,000
3	South Hall Meeting Rooms HVAC variable frequency drive (VFD) Upgrades: Three (3) of the 300 series Meeting Rms. have loud HVAC systems that cause disturbance to occupants and clients.	\$70,000					\$70,000
4	Concourse Hall HVAC System Upgrade: Upgrade the HVAC system in Concourse hall with state of the art air distribution system to save energy; and to provide comfortable air distribution to meet client needs. Existing system does not allow for the varying demand clients require, resulting in unsatisfactory results in providing air conditioning and heating into the space. The new system uses various sensors with VFD control to stratify the air in such a manner as to greatly reduce the speed in which air handling fans must run.	\$150,000					\$150,000
5	West and South Halls moveable wall repairs: The moveable walls are original to the building and due to the age and wear they are in need of repairs. The safe functionality of the moveable walls are critical to the operation of the Convention Center.	\$125,000					\$125,000
6	South Hall and Concourse public restroom entry vestibule alteration: Many of the existing vestibules have carpeted walls that are stained and unsightly. This project would entail removal of the carpet to be replaced with drywall and paint.	\$150,000					\$150,000
7	Modernize 411 Theater: Reupholster 300 seats, change décor, and upgrade AV support to make the theater more marketable and appealing to clientele. The theater has not been upgraded since it was constructed in 1993. Upholstery is worn and outdated and the appearance is shabby. Cost is a rough estimate. Pricing needs to be confirmed.	\$500,000					\$500,000
8	South Hall 10" diameter high pressure fire sprinkler pipe replacement: The existing original high pressure pipe is deteriorating and new leaks have been appearing each year. A portion of the pipe is routed directly through an elevator machine room, causing the potential for water damage to sophisticated equipment and controls contained in the room. This project will re-route the pipe out and around the machine room, and tie in at the most logical point of connection.	\$75,000					\$75,000
9	South Hall Floor Remediation- Cracks in the concrete slab of the South Hall exhibit floor allow water intrusion that will weaken structural integrity by corroding the steel in the floor. Epoxy injection into the cracks is required to prevent further deterioration. Approximately 35% of the exhibit hall has been treated, with 65% remaining. If this condition is not mitigated the steel reinforcement of the floor will weaken and may eventually require more costly repairs and a temporary closure of the hall.	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$1,750,000
10	Colortran Dimming System: Replace failing obsolete Colortran room lighting dimmer system with new Dimmer system. Replacement would be in the following order: Concourse Hall, 400 Rooms, 300 Rooms, 500 rooms, and Petree Hall. Need to verify pricing. A reliable lighting control system is very important to clients and is the standard within the convention center industry.	\$350,000	\$350,000	\$100,000			\$800,000
11	South Hall Cooling Tower Replacement: Five (5) existing cooling towers are corroded and have reached the end of their lifecycle. This equipment is critical to the efficient function of the HVAC system and the associated energy efficiency. The plan is replace two the first year, two the second year, and one the final year. (pricing needs to be verified).	\$450,000	\$450,000	\$225,000			\$1,125,000

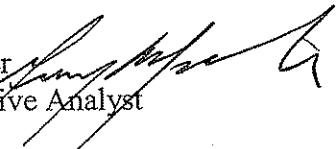
Authority / Agenda Item# 5 / 5-14-14
LACC 5-Year Capital Improvement Plan
"High Priority Items"

12	Carpet Replacement: Due to the high traffic usage and ongoing cleaning/shampooing, the existing carpet backing is deteriorating and the seams are parting, causing trip hazards and unsightly conditions. Additionally, the color is fading, and numerous stains cannot be cleaned. First year includes Concourse Hall and Concourse walkway, Hall-G, H&J, and K lobbies, and southern end of Kentia lobby.	\$300,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,100,000
13	Escalator and Elevator Repair/Modernization Program: Due to the age and use of the equipment, major repairs and modernization are needed on a yearly basis. Modernization includes: Elevators - new controls, motors & pumps, cab interiors, lighting, etc. / Escalators - new handrails, handrail chains and rollers, etc. Reliable, modern elevators and escalators are directly related to a positive guest experience, safety and client satisfaction.	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$1,500,000
14	Automatic Transfer Switches (ATS) for DWP Vaults: LACC has five (5) main Electrical services from LADWP that provides electrical power for the entire facility. All five services (vaults) are outfitted with a redundant secondary feed in the event the primary feed becomes disrupted; however, the secondary feeds currently requires "manual switching" which requires LADWP staff to drive out to the site and manually transfer the feed. This process results in long delays without power. By installing the ATS's, power would automatically switch from the primary feed to the secondary feed in a matter of seconds, quickly restoring power to the facility.	\$600,000	\$900,000				\$1,500,000
Total(s)		\$5,420,000	\$2,550,000	\$1,175,000	\$850,000	\$850,000	\$10,845,000

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: December 4, 2013

TO: Honorable Members of the Economic Development Committee

FROM: Gerry F. Miller 
Chief Legislative Analyst

ALTERNATIVE MODERNIZATION OPTIONS FOR THE LOS ANGELES CONVENTION CENTER

SUMMARY

This report provides additional information as requested by the Economic Development Committee (Committee) at its meeting of September 24, 2013, concerning alternative development options for the Los Angeles Convention Center (LACC) (CF 13-0762).

The Ad Hoc Committee on Downtown Stadium and Convention Center Renovation, at its meeting of March 27, 2013, initiated a discussion of development options for the LACC in the event that the New Hall and Event Center (NH-EC) project approved by Council on September 28, 2012, does not proceed.

In response to Motion (Perry-Parks, CF 11-0023-S13), the Chief Legislative Analyst (CLA) commissioned a study by Convention, Sports and Leisure (CSL) to compare the LACC facilities to similar facilities around the nation and identify future planning needs to ensure that the LACC would be competitive in the future. The CLA, at Council instruction, also commissioned the Urban Land Institute (ULI) to form a Technical Panel to evaluate LACC renovation options. At its meeting of September 24, 2013, the Committee received a report on the outcome of these two reports and requested that the CLA follow up with additional detail.

This report consolidates key concepts and recommendations in the two studies and recommends proceeding with both short-term and long-term strategies to improve the LACC. Recommendations in this report lead to actions to improve and modernize the facility, as well as ensure expansion of exhibition space and meeting room.

Recent discussions with convention meeting planners have made clear that the City must be ready to implement an alternative development strategy immediately should the NH-EC program falter. Without actionable plans to improve the LACC in place, the City will likely lose a significant amount of existing business and will be unable to gain new bookings in future years.

A process is proposed to initiate designs for an expanded, renovated, and modernized LACC. A design competition could result in the development of conceptual designs and selection of a

project architect in a timeframe relative to possible expiration of the NH-EC Implementation Agreement.

It should be reiterated that the City remains committed to the NH-EC project. Staff have taken every effort necessary to advance designs for the New Hall and the Cultural Affairs Commission has given final approval to the New Hall Design. But recent news reports concerning the NFL and NFL owners' interests in locating teams to London and Toronto suggest that the City must be prepared with other options to immediately effectuate LACC improvements that do not rely on the development of a stadium on the site.

This report refers to the NH-EC project as Plan A. The alternative development scenario is referred to as Plan B.

RECOMMENDATIONS

That the Council:

1. Instruct the Bureau of Engineering, Los Angeles Convention Center, and Los Angeles Tourism and Convention Board, with assistance of the Chief Legislative Analyst and City Administrative Officer (LATCB), to prepare a Task Order Solicitation (TOS) for the development of conceptual plans for the renovation, expansion, and modernization of the Los Angeles Convention Center (LACC) campus, including exhibition space, meeting rooms, outdoor space, hotel opportunities, and other amenities, and report back in 90 days; and
2. Instruct the CAO to work with the Bureau of Engineering to determine the amount of funding needed for the TOS, identify a source of funds for the TOS, and report back in 90 days;
3. Instruct the CLA, with the LACC, Bureau of Engineering, and CAO to report back in 60 days on short-term LACC capital improvements and a plan to prioritize and implement those improvements; and
4. Instruct the Department of City Planning to report on the environmental and entitlement review process required for an alternative development scenario, including reference to entitlements approved for the New Hall and Event Center project.

BACKGROUND

The City entered into an Implementation Agreement (IA) with Anschutz Entertainment Group (AEG) on October 18, 2012, to move forward with the development of a new exhibition hall, meeting rooms, and ballroom for the LACC (New Hall) to replace the existing West Hall. The West Hall would then be torn down to develop an Event Center, also known as Farmers Field, that would host an NFL team and other major events.

At the March 27, 2013, meeting of the Ad Hoc Committee on the Downtown Stadium and Convention Center Renovation(now consolidated into the Economic Development Committee),

the CLA reported that its consultant, CSL, had been commissioned to survey competitive convention centers around the nation and report on the services and amenities that the LACC needs to become a competitive facility. Such information is necessary to determine options for the City in the event that the New Hall and Event Center project does not move forward.

New Hall and Event Center Project

The City has dedicated significant staff resources to meet the requirements of the IA which are focused on development of final design of the New Hall. LACC and Bureau of Engineering staff have participated in extensive meetings to ensure that the New Hall would meet the City's requirements. Those efforts led to the presentation of final designs to the Cultural Affairs Commission for approval. At its meeting of November 7, 2013, the Commission voted unanimously to provide approval of the final design. This allows the project to move to the preparation of construction drawings.

The City remains committed to the NH-EC project and staff have made every effort to advance the goals of the project, the IA, and the New Hall design. Such efforts remain the first priority for staff.

This report refers to the NH-EC project as Plan A.

Alternative Development Scenarios

The NH-EC project will expire October 18, 2014, if AEG is unable to obtain a National Football League (NFL) team to play in the Event Center. Motion (Perry-Parks, CF 11-0023-S13) instructed staff to explore options to ensure modernization of the LACC should the agreement expire.

As previously noted, the City must consider other options to ensure that, in the event Anschutz Entertainment Group (AEG) is unable to secure an NFL franchise, plans are in place to improve the LACC and continue development of uses, services, and programs for the community.

The Council requested that the CLA develop options related to the enhancement of the LACC, including seeking the assistance of the Urban Land Institute (ULI). To that end, the CLA retained the ULI to convene a Technical Assistant Panel (TAP) to evaluate options for the LACC should the contract with AEG expire. The resulting report, released in August 2013, identified a number of critical improvements and concepts that should be incorporated into alternative development plans, referred to as Plan B, for the LACC.

In addition, the CLA retained Convention, Sports, and Leisure (CSL) to provide background data concerning the current needs of convention centers and a review of the LACC in comparison to those needs. The resultant report identified a number of improvements that would improve the LACC.

Below is a summary of the criteria identified by the ULI and CSL for a Plan B improvement plan for the LACC:

ULI

- "Jewel" Status
- 300,000 square feet of new exhibit space
- Join South Hall and West Hall
- Additional meeting rooms
- Outdoor space
- 60,000 square foot ballroom
- Central circulation element linking all parts of the Center
- Upgrade, renovate West Hall
- Cover LA Live Way with Parking

CSL

- Link space between South Hall and West Hall with Exhibition floor area
- Add 30,000 square feet in meeting room space
- Add 60,000 square foot ballroom
- Introduce natural light where appropriate
- Enhance electronic signage for internal wayfinding and event information
- Incorporate production facility for clients
- Enhance campus integration with retail, food service, and other elements
- Improve Gilbert Lindsay Plaza as conceived in Farmers Field project
- Create informal gathering places
- Add cultural and linguistic capabilities to meet International demand

Impact of Upgrade Delay on Convention Bookings

The LATCB has reported that meeting planners are indicating significant concerns about the status of the LACC and its ability to meet their needs. Conventions are typically booked several years in advance. Also, it is important to note that many clients attract vendors and exhibitors with precision equipment that can be sensitive to construction activities. As such, the LATCB must have a credible construction plan and schedule available to assist in the booking process.

Many clients have been booked into the LACC over the next four years with the expectation that their event would either occur during construction or follow completion of construction. But with the failure to begin construction last year and uncertainty as to when construction will actually begin, many clients are concerned about what will happen during their event and how to plan for it. The City and LATCB are unable to address concerns that these clients raise as there is no certainty with regard to the start of construction.

This status is a concern for future bookings as well. The LATCB is unable to provide prospective clients with certainty regarding construction impacts during their event.

Many meeting planners are also looking for improved facilities at the LACC. Maintenance and capital improvements have been placed on hold at the LACC during negotiation of the NH-EC development. This has resulted in a four-year backlog of actions necessary to keep the LACC at standard levels. In addition, there have been no upgrades to the facility since completion of the South Hall and Concourse Hall in the early 1990s. So while the core layout and functionality of

the facility remain strong, it has become worn and dated. Periodic improvements at competing facilities, such as San Francisco, San Diego, and Anaheim have placed the LACC well behind in terms of offering a modern convention destination.

Strategy for Plan B

The key benefit of the New Hall and Event Center project is that funding for the New Hall would be derived from new revenues resulting from construction of Farmers Field. Without those new funding sources, the City would be required to identify funds to pay for Plan B improvements. But it will be necessary to develop a detailed project concept with preliminary designs before a full funding plan can be crafted.

Since it will take approximately one year to develop a detailed project concept, with initial designs, it may be appropriate to identify and implement short-term improvements to the facility while long-term improvements are designed. This will ensure that LACC clients benefit immediately from a better facility.

As previously mentioned, the City has deferred maintenance and improvements over the last four years while the NH-EC project was under consideration. Significant expenditures on maintenance and upgrades was not appropriate as construction of the New Hall was intended to address those needs. Failure to implement the NH-EC project, however, means that the LACC must immediately receive support to address the backlog in maintenance and infrastructure upgrades.

The following strategy prioritizes improvements that can be implemented immediately, while work begins to implement the biggest, costliest improvements. The effect is to gradually accomplish the ultimate goal of developing a modern convention facility that can accommodate the exhibition and meeting needs of 98% of national and international convention events.

Short-term

Certain improvements to the LACC could be accomplished with modest funding, initiated quickly, and address key issues identified in the CSL and ULI reports. These would include improvements such as the creation of informal gathering places, improvements to digital connectivity and service delivery, and aesthetic improvements.

For example, designs for the New Hall in Plan A have progressed to the 100% stage. Within these designs are improvements to the South Hall that could be implemented in a Plan B scenario.

An important criteria for short-term improvements is that these projects would not negatively impact or constrain the long-term, significant improvements that are necessary, such as creation of a ballroom. It is essential that no funding is spent on improvements that would only be torn out in a year or two when large-scale improvements are implemented.

Below are several items identified as short-term improvements that would have a beneficial impact on convention business:

Items from New Hall Design

1. Tiered seating in South Hall Lobby to promote informal gathering and social networking. Both CSL and ULI recognized that the changing nature of the convention business, with a growing reliance on digital communications, requires the creation of informal gathering places for event participants to meet. The New Hall design incorporates such a space in the South Hall.
2. Food Court expansion and enhancements. Such enhancements would support expanded convention business by providing more seating and a reconfigured kitchen and service area.
3. Enhanced electronic signage. This would provide better information for convention participants and reduce the need for custom signage boards.
4. Outdoor connection/stairs from Food Court to Gilbert Lindsay Plaza. This would implement one of the key concepts in the ULI report, which emphasized the value of the outdoor experience in Los Angeles as a marketing benefit. An exterior walkway and stairwell/tiered seating area would connect the interior food court with the outdoor opportunities in Gilbert Lindsay Plaza.

Other Items

5. Gilbert Lindsay Plaza improvements. Prior to the Farmers Field project, the City received State Prop 1C grant funds to improve Gilbert Lindsay Plaza, with a budget of approximately \$2.8M. These funds must be expended by 2017. The Plan A project identified additional improvements, increasing the budget to approximately \$10M.
6. Technology. Enhancements to ensure maximum service for wi-fi connectivity, video conferencing, simultaneous translation, and other technology upgrades to serve convention clients and visitors. In addition, CSL recommends development of a production facility to support convention client activities. Additional details are needed to fully scope out such a concept and it may be possible for the City's Information Technology Agency to partner on this concept.
7. Facade and Other Aesthetic Upgrades. The West Hall has not been significantly renovated to modern design standards. Modest upgrades, such as carpet replacement and painting, have been curtailed until the final outcome of the New Hall and Event Center Project has been determined. Some of the upgrades necessary could be addressed as short-term capital improvements, such as new carpet and paint. Others, such as facade replacement, would require more substantial funding and would need to be integrated into the long-term solution noted below.
8. Maintenance and Infrastructure Backlog. Existing LACC clients have indicated that they require greater electrical reliability in the LACC, as well as improved

information technology infrastructure. The LACC should identify maintenance and infrastructure improvements that require immediate attention.

Long-term

The ULI study recommended that the City work to achieve “Jewel Status” for the LACC. The panel recognized that site constraints would not allow the City to expand in a way that would attract all conventions. Thus, the recommendation is to maximize use of the existing space and ensure that the design and services create an exceptional experience for LACC visitors and exhibitors.

Based on input from the ULI Technical Panel and the CSL report, key design criteria for the Plan B alternative development scenario should include:

1. **New Exhibition Space**
CSL recommends adding 300,000 square feet of new exhibit space to the LACC. Such space could connect the South Hall and the West Hall, providing the contiguity desired by the largest exhibitors.
2. **New Meeting Room Space**
Additional meeting room space is recommended by both ULI and CSL. The LATCB recommends an additional 75,000 square feet to meet convention business needs. CSL recommends that meeting rooms of diverse sizes be provided.
3. **Ballroom**
Both ULI and CSL recommend that an expansion of the LACC include a large ballroom approximately 60,000 square feet in size. The New Hall design includes a 45,000 square foot ballroom, which would be the largest in the Los Angeles area. A ballroom can be designed in a way that meets multiple needs, including additional exhibition and meeting room space.
4. **Facade and Other Aesthetic Upgrades**
As noted previously, short-term improvements to the facade and aesthetics of the LACC could be implemented quickly. Others, such as resurfacing the exterior of the LACC, should be incorporated into the architectural review and renovation of the facility.
5. **Maximize Outdoor Exhibit and Event Space**
The Los Angeles climate provides an ideal opportunity to create outdoor exhibit and event space that is not possible in other regions of the country. Any design should maximize the opportunity for outdoor functions, exhibits, and similar activities. Special attention should be given to viewsheds.
6. **Identify public-private development opportunities that fit with the LACC campus and generate adequate revenue to support development of the major improvements.** These could include one or more hotels or retail uses. Revenues generated through the development of private uses on the property, including ground lease payments and possessory interest tax, could be used to help support bond payments. The conceptual

plan should provide a blank pad where a privately owned and operated hotel, or other commercial use, could be located.

Implementation for Plan B

Short-term improvements should be reviewed and approved in the context of the annual City budget process. The LACC should prepare and submit to the Council and Mayor a comprehensive Capital Improvement Plan for consideration in the 2014-2015 budget.

Long-term improvements will require architectural services. The Bureau of Engineering (BOE) recommends an expedited process using its existing list of On-Call architects. A Task Order Solicitation would be prepared and released seeking services, then three or four firms would be selected from the list to prepare conceptual designs. Selected firms would be provided funds, estimated at \$100,000 per firm, and asked to participate in a conceptual design competition. These firms would be required to include on their team a design firm and construction manager with significant convention center experience. Firms would be required to submit an architectural model, site plan, exterior elevations, a cost estimate, design and construction schedule, and a phasing plan. The competition would result in the submission of designs from which the City would choose a final architect. A timeline for this process is provided below.

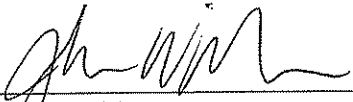
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| 1. | Develop Task Order Solicitation (TOS) for Board of Public Works and Council consideration and approval | February 28, 2014 |
| 2. | Issue TOS to BOE's On-call Architectural List | March 17, 2014 |
| 3. | Hold presubmittal meeting to answer any questions and tour the Convention Center site | March 27, 2014 |
| 4. | Issue addendum in response to Pre-Submittal meeting and Job Walk, if necessary | April 10, 2014 |
| 4. | Receive TOS responses | April 28, 2014 |
| 5. | Evaluate proposals, interview (if necessary), and short-list selected firms | May 19, 2014 |
| 6. | Seek Board of Public Works Approval to award the TOS (as TOS exceeds \$100,000) | July 2, 2014 |
| 7. | Notice to Proceed to Selected firms | July 9, 2014 |
| 8. | Selected Firms Complete Conceptual Design work | October 8, 2014 |
| 9. | Interviews and Presentation of Work Products | October 15, 2014 |

10. Presentation of Final Selected Firm to Board of Public
Works and Council

October 24, 2014

At an appropriate point during this design phase, the BOE would be required to complete environmental analysis. Preliminary information from the Department of City Planning indicates that a limited environmental process would be required. The Environmental Impact Report (EIR) for the New Hall and Event Center project included an alternative development scenario whereby the LACC would be expanded and a large hotel constructed on this site. As a result, it is anticipated that the City can rely on and update that EIR to support this development process.

As previously discussed, the Implementation Agreement with AEG expires October 18, 2014. The City should have a reasonable expectation as to whether an NFL team will be moving to Los Angeles by the time it would award a Notice to Proceed on the development of a Concept Design for the Plan B alternative development scenario.



John Wickham
Analyst

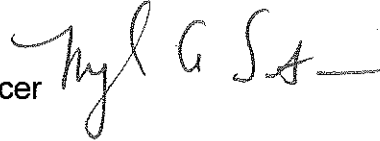
CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Memo No. 72

Date: May 6, 2014

To: Budget and Finance Committee

From: Miguel A. Santana, City Administrative Officer

Subject: **CONVENTION CENTER – PLAN A AND PLAN B FINANCIAL IMPLICATIONS**

During the consideration of the 2014-15 Proposed Budget, the Budget and Finance Committee (Committee) requested that the City Administrative Officer (CAO) report on the reimbursement implications for Plan A if the Stadium is developed and the financial implications of Plan B.

As part of Plan A the City has executed an Implementation Agreement with Anschutz Entertainment Group (AEG) for a two year term ending on October 18, 2014. The Agreement requires that AEG secure a National Football League team by the end of the term, otherwise the project will not move forward. The financing plan for Plan A includes leveraging net new tax revenues generated by the Event Center development and includes no funding from existing General Fund revenues, which will pay for the cost to build the New Hall of the Convention Center. The debt under Plan A is proposed to be financed in part through Lease Revenue Bonds (LRB), making a portion of the LACC improvements an obligation of the General Fund. The sources of revenue for the LRB are limited to revenues that are easy to measure and fairly consistent, including ground lease payments, possessory interest tax, parking taxes and construction sales tax. A portion of the debt under Plan A is also to be financed using Mello-Roos Bonds, a Mello-Roos tax obligation on AEG, and would represent no claim to the City's General Fund.

The City Council has determined that there should be an alternative option or plan ("Plan B") in place so that improvements could be made to the Convention Center in case Plan A does not move forward (See Attached). On December 6, 2013, this Office issued a report with potential options for financing Plan B. Given the early stages of this process, we had to make several assumptions including projects costs of \$200 to \$300 million and that the project will be debt financed. Any debt issued for the renovation of the Convention Center, or as part of Plan B, would be in addition to the current debt of \$321,875,000. The final debt service payment will be made in 2023. This Office presented five financing scenarios for the Council to consider as potential options including the following:

1. Base Case Approach – The most conservative model, includes a fixed rate with debt service payments beginning in 2016 prior to the current debt maturing in 2023.
2. Variable Rate Demand Obligation – Similar to the Base Case Approach, debt service payments for a variable rate demand obligation bond (VRDO) would begin in 2016. A VRDO is defined as a debt obligation with a long-term maturing and an interest rate that is reset periodically by the remarketing agent or the underwriter based on changing market conditions.

3. **Taxable Rate** – The Convention Center is financed with tax-exempt bonds; therefore it is governed by a number of rules under the Federal Tax Code. Exceptions to tax laws allow for private use subject to a maximum capacity of \$15 million (in private payments or value). The City has used virtually all of its private use, which has impacted its ability to increase direct operating revenue. It is worthwhile to explore the taxable option if the difference in revenue is significant enough to offset debt service costs.
4. **Deferral of Debt Service Payments (Options 4 and 5)** – The City also has options to defer debt service payments until the existing LACC debt matures in 2023. Although this would provide the City with the most budgetary flexibility, it is also more expensive in the long term. Option 4 assumed deferred payments set at a fixed interest rate and Option 5 assumed a variable interest rate.

If Plan B debt service payments were to begin prior to the current debt maturing, available or additional revenue will need to be identified to pay for the difference. At this point in time it would be premature to recommend a financing plan.

MAS: DM: 09140236

Question No.361

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 06, 2013
To: The City Council
From: Miguel A. Santana, City Administrative Officer
Reference: September 24, 2013, Economic Development Committee Meeting, CF 13-0762
Subject: **FINANCING OPTIONS FOR AN ALTERNATIVE MODERNIZATION PROJECT OF THE LOS ANGELES CONVENTION CENTER**

CAO File No. 0670-00001-0003
Council File No. 13-0762
Council District: 9

MASE FOR

SUMMARY

On September 24, 2013, the Economic Development Committee (Committee) considered the current status of the Downtown New Hall and Events Center Project (New Hall/Event Center Project). It was reported to the Committee that the City had executed an Implementation Agreement with Anschutz Entertainment Group (AEG) for a two year term ending on October 18, 2014. The Agreement requires that AEG secure a National Football League (NFL) team by the end of the term, otherwise the project will not move forward. The City Council (Council) determined that there should be an alternative option or plan ("Plan B") in place so that improvements could still be made to the Convention Center in case the project did not move forward (C.F. 13-0762). At the Committee meeting it was instructed that this Office report back with potential options for financing Plan B.

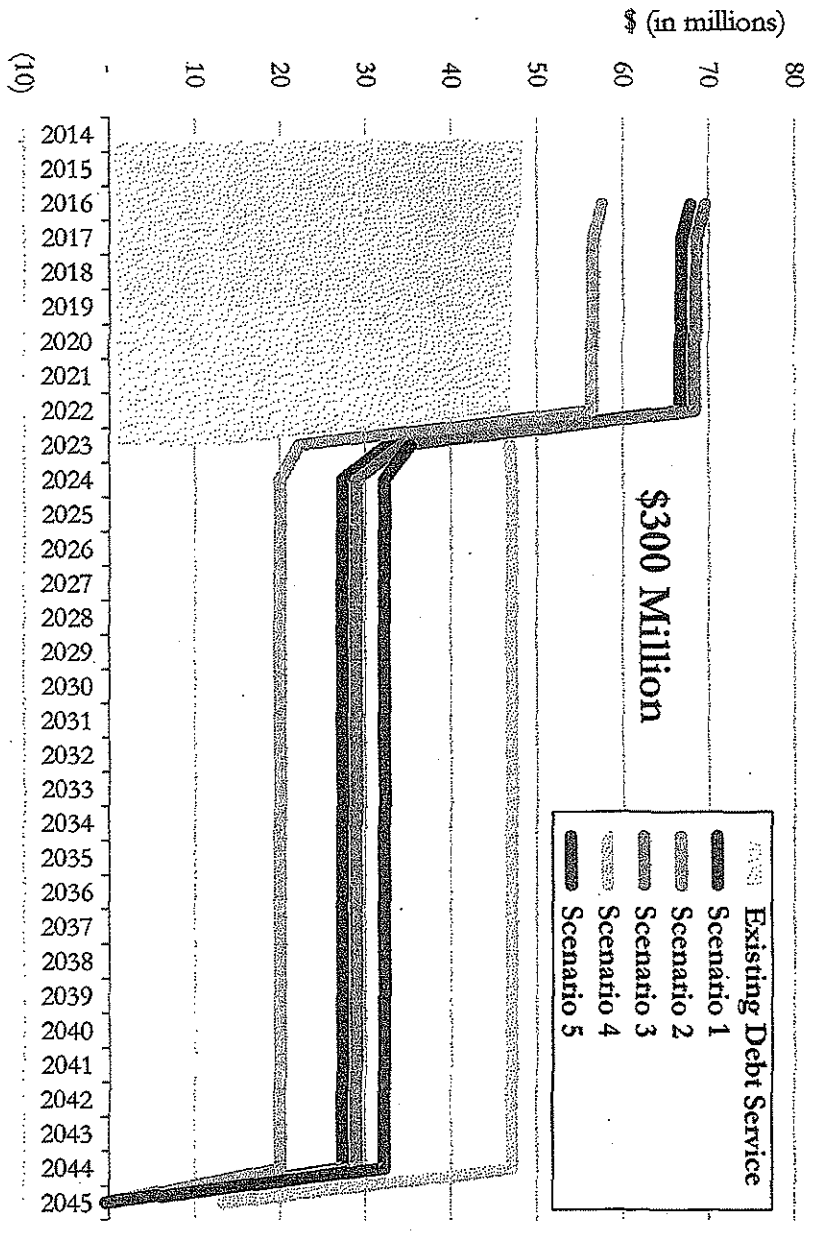
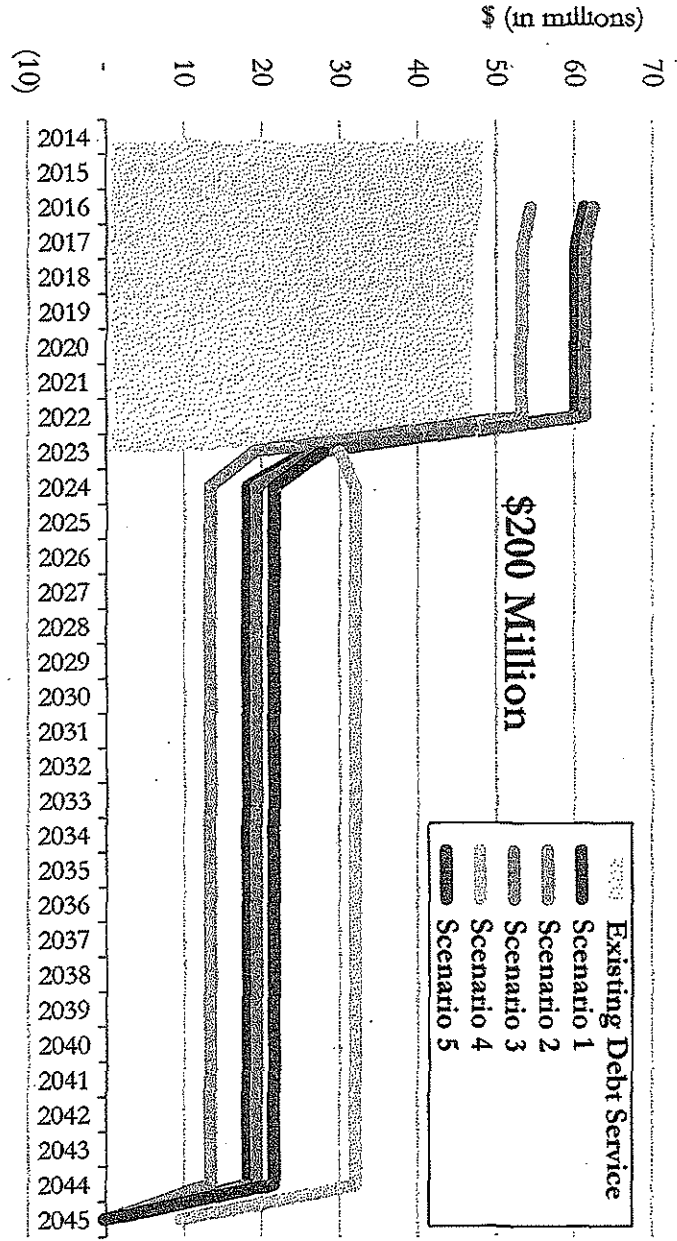
This Office worked with KNN Public Finance (financial advisor), one of the City's general financial advisors that was also hired as the financial advisor for the New Hall/Event Center Project, to prepare five financing approaches for the Council to consider (ATTACHMENT 1). Given the early stages of this process, we had to make several assumptions including project costs of \$200 to \$300 million, and that the project will be debt financed. The range for the project cost is based on the New Hall budget that was developed as part of the New Hall/Event Center Project. Currently, the City has \$321,875,000 in outstanding debt on the Convention Center facility. The annual debt service payment for 2013-14 is \$48,355,025 and will decrease by approximately \$100,000 each year thereafter. The final debt service payment in 2023 significantly drops to approximately \$13 million. Any debt issued for the renovation of the Convention Center, or as part of Plan B, would be in addition to the current debt.

Attachment 2 is the current non-voter approved debt chart, showing the amount available for project costs. The current ratio of General Fund debt service to General Fund revenues is 4.86 percent, equivalent to approximately \$290 million in project funds.

The two charts on Page 3 provide what the current annual debt service payment is, shaded in gray, and the incremental difference assuming five financing approaches to pay for improvements to the Convention Center as part of Plan B. According to the financial advisor, this is a reasonably conservative analysis assuming interest rates 100 basis points over current market for long term debt, and historic averages for the variable rate options. Scenarios 1 and 2 display debt service schedules with payments beginning within a year of issuance. It creates a budgetary obligation and requires the City to identify additional or available revenue to pay for the new debt, while simultaneously making payments on the current debt. However, in the long term it is less expensive for the City to start making payments rather than deferring cost to future years.

We also considered deferring debt service payments to 2023, when the existing Convention Center debt matures, to provide the City with budgetary flexibility. As displayed in the graphs below by deferring payments the project becomes more expensive and results in higher debt service payments for future years (Scenario 4) in comparison to Scenarios 1 and 2. The City has the option of using a variable rate approach (Scenario 5), which defers payments until 2023 by using the commercial paper program to defer interest costs. Both variable interest rate financing approaches (Scenarios 2 and 5) would be intended to help manage the cost with expectations of a lower interest cost in exchange for accepting the risk of rising variable interest rates; both variable options would be secured with letters of credit.

Scenario 3 provides the taxable alternative. The City has only issued tax-exempt debt for the Convention Center which is typical for convention centers throughout the country. Although taxable debt is more expensive, rates are low enough to consider whether the benefits of issuing taxable outweigh the incremental difference in comparison to the traditional approach of issuing tax-exempt debt. Because the Convention Center is financed with tax-exempt bonds its management and use is governed by a number of rules under the Federal Tax Code and IRS. This has been one of the many factors limiting Convention Center's flexibility to be competitive and to generate revenue. There is no analysis to support that taxable debt is the preferable approach, however, it is recommended that this Office explore options.



Depending on whether or not the City decides to move forward with a financing option that would defer debt service payments, the City would have to identify an additional or available revenue source to cover debt service. The City could explore the potential for public private partnerships as an alternate development project. The financing could be structured similar to the New Hall/Event Center Project, in that the Plan B option would be based on net new revenues that are consistent and easy to track, although it is not clear that a public private partnership would generate the same level of revenues as were anticipated for the Event Center project.

One of the recommendations provided in the ULI report issued in August 2013 included increasing Transient Occupancy Tax (TOT). Based on current year estimates, the incremental increase in TOT by an additional one percent could be sufficient to cover the annual debt service depending on the cost of the project and the type of debt issued. However relying on TOT as a revenue source is risky. Although TOT has been increasing since its low point in 2009-10, it fluctuates depending on the fiscal health of the economy. Further, dedicating the increase of TOT to Convention Center debt service requires a two-thirds support in voter turnout.

Our intent is to provide the Council with several debt financing options to consider. Additional analysis is necessary before this Office would be prepared to make a recommendation on the type of financing as well as any alternatives for additional revenues. All of the financing options will require that the City obtain an appraisal of the Convention Center to assess the value of the facility in securing a lease financing. The last appraisal on the facility was prepared for the 2004 refinancing.

RECOMMENDATIONS

1. INSTRUCT the City Administrative Officer to obtain an appraisal of the Convention Center facility;
2. INSTRUCT the City Administrative Officer to work with the City Attorney and outside counsel to report back on any legal issues that could have a potential impact as it relates to Plan B and should be considered as part of potential financing options; and,
3. INSTRUCT the City Administrative Officer and Chief Legislative Analyst with the assistance of the City Attorney to explore alternate development projects or a public private partnership that could generate new revenues to pay for additional debt service costs for renovation of the Convention Center.

BACKGROUND

The original Convention Center was completed in 1971 at its current location. By 1980, there was an increased demand for facility usage, which resulted in the need for additional space. As a result, a significant expansion of the convention facility was completed in 1993, which added a new exhibition hall, two levels of meeting room space, the concourse facility, and parking spaces. In 1999, the Staples Center was constructed by demolishing the North Hall, which eliminated 100,000 square feet of exhibit space.

Debt was first issued in 1968 to build the Convention Center. The original facility was financed by increasing TOT from four to five percent. In 1985, the Council approved the expansion of the facility and authorized an increase in TOT from 10 to 11 percent to finance expansion costs. The TOT was subsequently increased by an additional 1.5 percent to offset increased construction costs. The current TOT rate is 14 percent. Of this amount, a total of 3.5 percent of taxable hotel sales is allocated to offset debt service costs used to fund the construction of the previous Convention Center Expansion. These increases to the TOT rate occurred prior to the passage of Proposition 218 in 1996, which required voter approval of such tax increases going forward.

The City currently has the following outstanding tax-exempt debt on the facility as of 12/02/2013 all of which refunded prior debt:

Series 2003A	\$ 68,815,000
Series 2008	<u>253,060,000</u>
	\$321,875,000

FINANCING APPROACHES

This Office analyzed several scenarios for financing the Convention Center renovation, should the Stadium project not move forward. Given that the City is considering a Plan B alternative in concept only, there are many unknown facts at this time. Therefore the financing approaches discussed below assume the following:

- \$200 to \$300 million for project costs
- Bond issuance in spring of 2015
- Payoff of 30 years
- Tax-exempt debt except for the "Taxable Alternative"

Scenario 1 - Base Case Approach

The Base Case, or the most conservative model, includes a fixed rate with debt service payments beginning in 2016 prior to current debt maturing in 2023. The annual debt service payment under this approach could be up to \$15 million in addition to the \$48 million from the current Convention Center debt. The City would need to identify an additional or available revenue source to pay for the difference. Although this creates a budgetary challenge, in the long term it is among one of

the financing options in which the City would be paying less:

Scenario 2 - Variable Rate Demand Obligation

Similar to the Base Case approach, debt service payments for a variable rate demand obligation bond (VRDO) would begin in 2016. A VRDO is defined as a debt obligation with a long-term maturity and an interest rate that is reset periodically by the remarketing agent or the underwriter, based on changing market conditions. In comparison to Scenario 1, the variable rate would be expected to be a less expensive approach to the Base Case, and allows for lower annual debt service payments. In exchange there is more risk involved when issuing variable rate debt.

Scenario 3 – Taxable Rate

The Convention Center is financed with tax-exempt bonds; therefore it is governed by a number of rules under the Federal Tax Code. Exceptions to tax laws allow for private use subject to a maximum capacity of \$15 million (in private payments or value). The City has used virtually all of its private use capacity in accommodating the Staples Center for parking, contracts for LACC services, and other shared uses.

As the City has transitioned from public to private management and has negotiated the proposed New Hall Event Center project, a reoccurring challenge has been the tax-exempt restrictions on the Convention Center facility. The restrictions of private use vary and have impacted the operations of the facility in different ways. Specifically, this includes revenue generating initiatives such as signage, multi-year contracts with licensees for usage of space, and revenue sharing with facility vendors. There has been no analysis performed confirming that the potential for generating direct revenue outweighs the incremental difference between tax-exempt and taxable debt. In fact, most convention centers around the country are built using tax-exempt bonds. Further the common mission and goal of any top tier convention center is to bring convention business to the City for the purposes of attracting out of town visitors that will generate spending and hotel occupancy, which in turn benefits the General Fund. However, given the potential to increase direct operating revenue it would be worthwhile to explore the taxable option if the difference in revenue is significant enough to offset debt service costs.

Scenarios 4 and 5 - Deferral of Debt Service Payments

The City also has options to defer debt service payments until the existing LACC debt matures in 2023. Although this would provide the City with the most budgetary flexibility, it is also more expensive in the long term. According to the attached, under Scenario 4 (which assumes deferred payments set at a fixed interest rate) the City would pay about 1.5 times more than in Scenario 1.

Scenario 5 also defers debt service payments but is expected to be less expensive, since it assumes a variable interest rate through an interim commercial paper program. Commercial paper (CP) is a short-term obligation with maturities ranging from one to 270 days. It is often used as interim financing until a project is completed to take advantage of lower interest rates. A CP program is beneficial because: 1) it enables projects to be financed as needed rather than waiting

for a critical mass of projects to be financed with long-term debt, 2) it limits the negative arbitrage during the construction period for projects, 3) enables the City to defer debt service costs by "rolling over" commercial paper until long-term financing is needed, and 4) short-term tax-exempt rates are, on average, the lowest cost of funds. If adopted, this would be the City's third CP Program. The City also has MICLA and Wastewater System CP programs. Under the LACC CP program, the City would take advantage of lower variable interest rates until the debt is rolled into a long-term financing with a fixed rate.

REVENUE SOURCES

Alternate Development Project

If Plan B debt service payments were to begin prior to the current debt maturing, available or additional revenue will need to be identified to pay for the difference. One option is an alternate development project at the Convention Center site, structured similar to the New Hall Event Center project.

The most likely alternate development project would be a hotel, especially given the limited available number of hotel rooms within close proximity of the Convention Center. According to the ULI report, despite the 3,000 hotel rooms that are in various stages of the development phase within the Downtown area, Los Angeles will continue to have a significant gap in comparison to other competing California cities.

The financing plan for a hotel development project would be similar to the Event Center Project. The cost to build the New Hall was to be financed by leveraging net new tax revenues generated by the Event Center development and includes no funding from existing General Fund revenues. The debt for the Event Center Project is proposed to be financed in part through Lease Revenue Bonds (LRB), making a portion of the LACC improvements an obligation of the General Fund. The sources of revenue for the LRB are limited to revenues that are easy to measure and fairly consistent, including ground lease payments, possessory interest tax, parking taxes and construction sales tax. A portion of the debt for the New Hall/Event Center project is also to be financed using Mello-Roos Bonds, a Mello-Roos tax obligation on AEG, and would represent no claim to the City's General Fund.

The City should explore alternate development projects or potential opportunities for public private partnership that could generate new revenues to pay for additional debt service costs for renovation of the Convention Center. There are many factors that are unknown at this time and would require further analysis if an alternate development project were to become a viable option, including:

- How the ground lease payment amount changes given the change in use of the property.
- How the possessory, parking and construction sales tax revenue projections are impacted;

- What will replace the Mello Roos tax as an alternate revenue source; and,
- Whether Transient Occupancy Taxes generated from the hotel could be an additional revenue source. TOT is easy to measure and fairly consistent and meets the guidelines that the Council had adopted for the New Hall/Event Center project financing structure.

Increase Transient Occupancy Taxes

One of the recommendations provided by the ULI was to explore an increase in TOT to up to 17 percent or on a graduated scale that increases or decreases depending on the proximity of hotels to the sports and entertainment district. Currently the City charges hotel occupants 14 percent in TOT. In addition, a 1.5 percent assessment fee is charged to hotel occupants of hotels with 50 or more rooms in the Los Angeles Tourism Marketing District. The fee is based on Gross Room Rental Revenue. When considering the incremental increase in TOT, the 1.5 percent assessment fee should be taken into account.

Based on current year estimates, a one percent increase in TOT could generate approximately \$13.4 million assuming no change in room rates and occupancy. This could be sufficient to cover debt service under Scenarios 1 and 2, however no further analysis was prepared to support this statement. Further, TOT is not a reliable revenue source as it is sensitive to the fiscal health of the economy. As stated earlier, if the Council were to move forward with the initiative to dedicate the increase in TOT towards the additional debt service cost for the Convention Center, it requires a two-thirds support in voter turnout.

Other Potential Sources

The ULI report also discusses the development of air rights, the sale or transfer of development rights, and the sale of naming rights to the convention center or other district facilities. These suggestions would likely have a private use impact and would require review by Tax Counsel. It is recommended that City Attorney and outside counsel advise on all potential legal matters relevant to a Plan B proposal.

Financial Policy Consideration

The City's Debt Management Policies state that Non-Voter Approved Debt, such as debt service for LACC and MICLA, cannot exceed 6 percent of General Fund revenues. The current ratio of non-voter approved debt service to General Fund revenues is 4.86 percent. This gives the City up to approximately \$290 million of project funds in 2013-14 based on current estimates. Attachment 2 is the latest debt chart as of December 2013 and shows increased project funds capacity over the next five years, based on current assumptions such as market conditions, existing debt within a fiscal year and 2 percent revenue growth. The 6 percent debt limit may be exceeded if there is a guaranteed new revenue stream for the debt payments and the additional debt will not cause the ratio to exceed 7.5 percent or if there is not a guaranteed revenue stream but the 6 percent ceiling will only be exceeded for one year.

CONCLUSION

The five financing scenarios were presented for Council to consider as potential options. At this point in time it would be premature to recommend a financing plan. It would be most preferable for the New Hall/Event Center Project to be the viable option, however, as stated earlier, the City must be prepared for a Plan B alternative so that improvements could still be made to the Convention Center.

DEBT IMPACT STATEMENT

In accordance with the City's Financial Policies, Debt Management Section, the maximum debt service payable in any given year may not exceed six percent of General Fund revenues for non-voter approved debt. For every 0.1 percent, approximately \$26 million in project funding may be issued. Currently, the City has capacity to issue an additional \$290 million, however this is an estimate and could change due to market conditions and future debt projects. The recommendations contained herein, are in compliance with the City's Debt Policies.

FINANCIAL IMPACT STATEMENT

The recommendations contained herein are in compliance with the City's Financial Policies and have no impact on the General Fund.

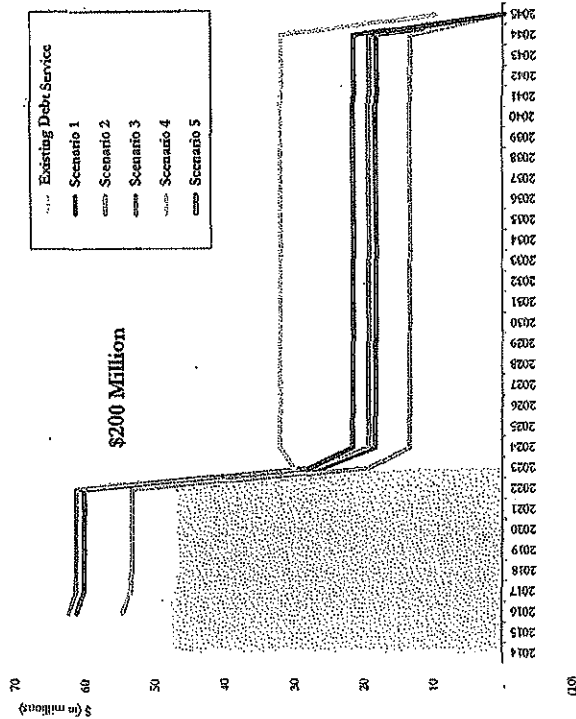
ATTACHMENT 1
FIVE POSSIBLE FINANCING SCENARIOS

LOS ANGELES CONVENTION AND EXHIBITION CENTER AUTHORITY
 New South Hall Financing Plan B - Summary of Financing Alternatives

Key Assumptions
 General
 Bond issuance in spring of 2015 (except scenario 5); Payoff in 30 years; For fixed rate scenarios - market conditions of Nov 2013 plus 100 bps; Standard reserve fund, assumed to earn 1.25%
 Scenario 1 New debt 'wraps' around existing, no cap interest
 Scenario 2 Same as 1, but with variable rate (assumed at 3% - 20-yr SIFIMA avg of 2.2% + 0.8% on-going costs)
 Scenario 3 Same as 1, but with taxable interest rates
 Scenario 4 New debt 'wraps' around existing but by virtue of Capital Appreciation Bonds
 Scenario 5 Intermittent financing with CP in 2015; Interest and costs rolling up; Bond takeout in 2022

FY	\$200 Million New Money Financing - Net Debt Service					
	Existing DS 03.1 + 08.3	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
2014	48,155,025					
2015	48,285,744					
2016	48,212,738					
2017	47,156,863	13,148,494	6,280,461	14,297,261	14,297,261	
2018	47,090,931	13,148,494	6,280,461	14,297,261	14,297,261	
2019	47,098,681	13,148,494	6,280,461	14,297,261	14,297,261	
2020	47,010,510	13,148,494	6,280,461	14,297,261	14,297,261	
2021	46,940,644	13,148,494	6,280,461	14,297,261	14,297,261	
2022	46,955,797	13,148,494	6,280,461	14,297,261	14,297,261	
2023	12,881,850	18,188,494	13,320,461	19,292,261	17,165,873	15,006,408
2024	-	18,186,094	13,319,261	19,292,261	32,014,484	21,526,408
2025	-	18,190,694	13,321,761	19,291,666	32,009,484	21,525,008
2026	-	18,185,794	13,317,661	19,290,857	32,009,484	21,524,408
2027	-	18,183,794	13,321,961	19,288,262	32,009,484	21,525,658
2028	-	18,189,194	13,319,211	19,288,911	32,009,484	21,525,658
2029	-	18,189,494	13,319,411	19,290,381	32,009,484	21,525,558
2030	-	18,190,494	13,322,261	19,292,456	32,009,484	21,526,358
2031	-	18,185,694	13,322,461	19,287,509	32,009,484	21,526,258
2032	-	18,188,894	13,319,861	19,291,751	32,009,484	21,528,158
2033	-	18,187,994	13,319,311	19,287,983	32,009,484	21,525,858
2034	-	18,186,494	13,320,311	19,290,455	32,014,484	21,526,058
2035	-	18,187,594	13,318,161	19,289,818	32,009,484	21,528,458
2036	-	18,189,194	13,321,111	19,287,824	32,009,484	21,528,858
2037	-	18,189,194	13,321,911	19,291,904	32,009,484	21,525,458
2038	-	18,186,251	13,317,411	19,291,667	32,009,484	21,525,858
2039	-	18,185,738	13,318,461	19,289,213	32,009,484	21,527,058
2040	-	18,189,901	13,319,611	19,291,473	32,009,484	21,526,058
2041	-	18,185,676	13,320,561	19,292,104	32,009,484	21,524,858
2042	-	18,187,551	13,321,011	19,287,393	32,009,484	21,525,158
2043	-	18,187,863	13,320,661	19,292,269	32,009,484	21,528,458
2044	-	(232,781)	(171,889)	(246,059)	9,568,218	(275,817)
2045	-	-	-	-	-	-
Totals:	439,848,791	486,899,266	329,795,837	519,230,064	698,943,259	466,785,005
Total PV:	244,831,019	157,094,793	262,033,701	291,611,365	198,208,206	

- Present value to 2/13/2015 at 5%



LOS ANGELES CONVENTION AND EXHIBITION CENTER AUTHORITY

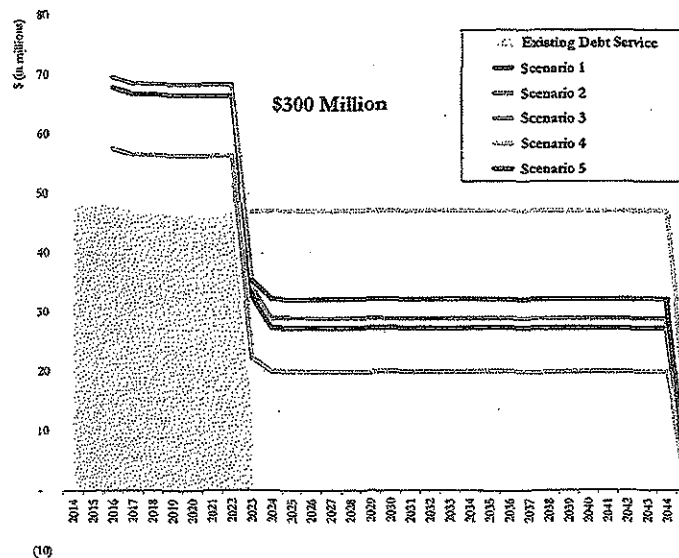
New South Hall Financing Plan B - Summary of Financing Alternatives

Key Assumptions

General	Bond issuance in spring of 2015 (except scenario 5); Payoff in 30 years; For fixed rate scenarios - market conditions of Nov 2013 plus 100 bps; Standard reserve fund, assumed to earn 1.25%
Scenario 1	New debt 'wraps' around existing; no cap interest;
Scenario 2	Same as 1, but with variable rate (assumed at 3% - 20-yr SIFMA avg of 2.25% + 0.8% on-going costs)
Scenario 3	Same as 1, but with taxable interest rates
Scenario 4	New debt 'wraps' around existing but by virtue of Capital Appreciation Bonds
Scenario 5	Interim financing with CP in 2015; Interest and costs rolling up; Bond takeout in 2022

FY	Existing DS 03A + 08A	\$300 Million New Money Financing - Net Debt Service					
		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	
2014	48,355,025						
2015	48,285,744						
2016	48,212,738						
2017	47,136,863	19,709,432	9,414,275	21,431,632			
2018	47,080,931	19,709,432	9,414,275	21,431,632			
2019	47,008,681	19,709,432	9,414,275	21,431,632			
2020	47,010,519	19,709,432	9,414,275	21,431,632			
2021	46,940,644	19,709,432	9,414,275	21,431,632			
2022	46,955,797	19,709,432	9,414,275	21,431,632			
2023	12,881,850	19,709,432	9,414,275	21,431,632	33,991,054	22,453,237	
2024	-	27,264,432	19,964,275	28,916,632	47,064,507	32,208,237	
2025	-	27,261,132	19,967,775	28,914,148	47,064,507	32,208,037	
2026	-	27,265,832	19,966,675	28,914,157	47,064,507	32,207,237	
2027	-	27,261,432	19,965,825	28,915,997	47,064,507	32,210,237	
2028	-	27,261,732	19,964,925	28,917,532	47,064,507	32,206,487	
2029	-	27,264,632	19,968,675	28,916,152	47,064,507	32,210,487	
2030	-	27,263,032	19,966,625	28,918,962	47,064,507	32,209,487	
2031	-	27,265,132	19,968,625	28,914,587	47,059,507	32,209,987	
2032	-	27,263,532	19,969,225	28,915,554	47,059,507	32,209,287	
2033	-	27,261,132	19,968,125	28,917,150	47,064,507	32,209,687	
2034	-	27,265,532	19,965,025	28,917,150	47,064,507	32,208,187	
2035	-	27,263,732	19,964,625	28,918,686	47,064,507	32,206,787	
2036	-	27,263,332	19,966,475	28,915,727	47,064,507	32,207,187	
2037	-	27,261,332	19,965,125	28,918,402	47,059,507	32,205,787	
2038	-	27,264,732	19,965,275	28,917,357	47,064,507	32,208,987	
2039	-	27,263,582	19,966,475	28,915,345	47,059,507	32,207,587	
2040	-	27,263,425	19,968,275	28,917,682	47,064,507	32,207,687	
2041	-	27,265,282	19,965,225	28,914,257	47,059,507	32,209,787	
2042	-	27,264,863	19,967,025	28,916,401	47,059,507	32,209,087	
2043	-	27,260,800	19,968,075	28,918,041	47,064,507	32,210,787	
2044	-	27,262,363	19,967,925	28,916,047	47,059,507	32,209,487	
2045	-		(347,045)	(255,875)	(368,178)	13,425,044	(408,731)
Totals:	439,868,791	729,859,400	494,358,600	778,330,843	1,035,735,739	698,425,039	
Total PV*:		366,999,120	235,481,483	392,788,710	434,520,283	296,568,094	

* Present-valued to 2/15/2015 at 5%



ATTACHMENT 2

**NON-VOTER APPROVED DEBT CHART
DECEMBER 2013**

NON-VOTER APPROVED DEBT

December 2013

Debt Service to General Fund Revenues (2% Projected Growth Beginning in Fiscal Year 2018)

For every 0.1%, approximately \$26 million in project funding may be issued (at 5.5% over 15 years).

