

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: March 26, 2013

13-03-0220

TO: Honorable Members of the Ad Hoc Committee on
Downtown Stadium and Convention Center Renovation

FROM: Gerry F. Miller
Chief Legislative Analyst

STATUS OF THE EVENT CENTER PROJECT AND OPTIONS RELATED TO CONVENTION CENTER RENOVATION

SUMMARY

Motion (Perry-Parks, CF#11-0023-S13) requests the Chief Legislative Analyst (CLA) to report on the status of the New Hall and Event Center project and options related to ensuring the renovation and improvement of the Los Angeles Convention Center (LACC). The existing Implementation Agreement (IA) for the New Hall and Event Center project provides a two-year period for Anschutz Entertainment Group (AEG) to secure a National Football League (NFL) franchise to play at the Event Center before any construction can begin. The IA expires October 18, 2014.

In the interim, it may be prudent to consider other options to ensure that, in the event 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.

RECOMMENDATIONS

That the Council:

1. Instruct the Chief Legislative Analyst and City Administrative Officer to work with the Urban Land Institute to form a Technical Advisory Panel for purposes of evaluating the various options the City may have for re-use of the LACC West Hall site in connection with the improvement and expansion of the LACC; and
2. Instruct the City Administrative Officer and Chief Legislative Analyst to report on various potential financing mechanisms to include those discussed above and any others as appropriate.

BACKGROUND

In September 2012, the Council approved various agreements with Anschutz Entertainment Group (AEG) relative to the improvement and expansion of the Los Angeles Convention Center (LACC) and the construction of an Event Center to accommodate the National Football League (NFL) on the West Hall site of the LACC. The Council was proceeding based on a schedule set

by the NFL which contemplated identifying a team or teams in March of 2013 that would relocate to Los Angeles. The September 2012 approval date was necessary to ensure that all challenges to the environmental clearances could be resolved prior to a team commitment.

Shortly before the issue came to Council, it was announced that AEG would be sold. At the time, assurances were made that the sale process would be resolved in time for the NFL to make its decision relative to a Los Angeles franchise. However, it was recently announced that AEG has been taken off the market. AEG and the NFL have each expressed their commitment to work together to bring a team to Los Angeles.

City Goals

At this time, the schedule for securing a team commitment is unclear and all of the agreements with AEG expire in approximately 18 months. Given the this uncertainty and the NFL's repeated statements that they intend to continue evaluating alternative sites for a stadium, it is imperative for the City to explore alternatives to accomplish the City's primary goal, which remains the expansion and redesign of the LACC.

As has been stressed repeatedly by the Council, the point of the Farmers Field transaction was not simply to attract an NFL franchise. The goal was to leverage private investment to redesign and expand the LACC. The Council required that no public funding be used for Farmers Field, that significant private funding be invested in the LACC improvements, that any public investment in the LACC was to be minimized, and that investment was to be limited to easily measurable net new revenues to the City. The General Fund base was to be fully protected.

The transaction approved by the Council met all of these requirements, but it requires AEG to obtain an NFL team before the project can move forward. AEG has until October 2014 to do so. If AEG is successful in securing an NFL franchise, the project should go forward as planned.

Alternative Options to Meet City Goals

The above notwithstanding, there may be other avenues through which the City's goals can be met. As has been stated previously, the West Hall is outdated and would require significant investment simply to bring it up to improved competitive standing. Significant additional investment would be required to make the LACC a world class convention destination through expansion of the exhibition space, an increase in meeting room space, and redesign to eliminate inefficiencies.

There are a variety of public financing mechanisms that could be used for the LACC improvements and there may be beneficial public/private partnerships to accomplish the City's goals as well. All potential options should be evaluated at this point so that the City can have a transparent and comprehensive discussion of the financial, land use and policy implications of the various options, as well as the development of a program that meets the needs of national convention business.

Using the model of leveraging the value of the West Hall site, the City could still sell or lease some or all of the West Hall site to a developer to provide facilities and amenities which would

complement the LACC as well as benefit the larger downtown, Pico Union and Figueroa corridor communities. By way of example only, the City continues to need substantial additional hotel rooms in order to be competitive in the convention market. Additionally, while the LA Live Development has greatly improved the neighborhood around the LACC and provides a wide variety of dining and entertainment options, there are very few retail outlets in the area. With the continued growth of downtown as a residential community, the lack of and high-quality, diverse retail opportunities in the area, and the unique needs and interests of the convention and entertainment visitors to the district, a development that combines a large, premium hotel with a full service retail mall may enhance the City's competitiveness for conventions as well as provide amenities for the large community. The City could use the proceeds from any sale or lease of all or portions of the West Hall site to help finance the improvements to the LACC as planned.

Please note that the above example is not intended to express any preference for the types of facilities that may be constructed on the West Hall site. It is only provided as an illustration of what may be possible and desirable in the event that the NFL transaction does not proceed. To assist in evaluating options, the CLA has asked its consultant, Convention, Sports and Leisure to survey competitive convention centers and report on the services and amenities that the LACC lacks. In addition, we recommend engaging the local Urban Land Institute (ULI) to form an advisory panel to evaluate the City's options. The cost would be approximately \$20,000 and this office will contract with the ULI using existing funds.

Although ideally the City can employ the same public/private partnership structure to finance a large portion of the LACC improvements and provide services and amenities that would make the LACC more competitive, the City should also explore public financing options. These options may include, but not limited to the following:

- Financing the improvements with City lease-revenue bonds
- Financing the improvements with a Mello-Roos structure which would involve special taxes on properties which would benefit from the LACC improvements
- Finance the improvements with a voter-approved special tax on hotels which would benefit from the LACC improvements
- Finance the improvements with a voluntary annual assessment on hotels which would benefit from the LACC improvements