

Your **AD HOC COMMITTEE ON DOWNTOWN STADIUM AND
CONVENTION CENTER RENOVATION**

reports as follows:

AD HOC COMMITTEE ON DOWNTOWN STADIUM AND CONVENTION CENTER RENOVATION REPORT relative to a Memorandum of Understanding (MOU) between the City of Los Angeles and Anschutz Entertainment Group, Inc. (AEG), setting forth the general terms and parameters for the development of the Event Center, parking garages, and the Los Angeles Convention Center (LACC) New Hall.

Recommendations for Council action:

1. AUTHORIZE the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) to execute an MOU between the City and AEG, substantially in conformance with the document accompanying the CLA, CAO, and LACC report to the Ad Hoc Committee on Downtown Stadium and Convention Center Renovation dated July 25, 2011 (attached to the Council file), setting forth the general terms and parameters for the development of the Event Center, parking garages, and LACC New Hall.
2. INSTRUCT the CLA, with the assistance of the CAO, City Attorney, LACC, and other departments as appropriate, to prepare and present to Council the definitive agreements necessary to fully implement the terms of the MOU.
3. NOTE and FILE report to the Ad Hoc Committee on Downtown Stadium and Convention Center Renovation from the CLA, CAO, and LACC dated August 2, 2011 (attached to the Council file), relative to information prepared in response to various issues raised during Committee meetings held July 27 and July 28, 2011.

Fiscal Impact Statement: The CLA reports that this action will not impact the General Fund. The proposed MOU guides the development of definitive agreements that will establish contractual obligations for the project, which will be presented at a later date.

Community Impact Statement: None submitted.

SUMMARY

In a report to the Ad Hoc Committee on Downtown Stadium and Convention Center Renovation dated July 25, 2011, the CLA, CAO, and LACC recommend approval of a draft MOU setting forth the general terms and parameters for the development of the Event Center, parking garages, and the LACC New Hall. The proposed project consists of the construction of an event center in Downtown Los Angeles (stadium) that would host one or more National Football League (NFL) teams, concerts, and other sports and entertainment events; as well as the construction of a new hall to replace the West Hall at LACC. City staff met with representatives from AEG to review the proposed project and determine whether it has merit.

The CLA, CAO, and LACC report that the result of discussions with AEG and the studies and

analyses provided by the City's consultants conclude that the proposed project is financially viable and would improve the LACC facilities, expand the City's economic base, and draw an NFL team to Los Angeles. The proposed project is entirely unique in that it does not use any public funds to complete the Event Center and actually leverages significant private resources to construct a public improvement, the improved LACC facility.

Report authors then go on to outline the terms of the draft MOU:

- No public funds would be used to finance the Event Center
- AEO would pay a fair market value to lease the City-owned site, adjusted annually, for 55 years
- The Project would not proceed until an NFL team has signed a contract to use the Event Center and Event Center financing is in place
- A New Hall comparable in size to the LACC West Hall with improved functionality would be constructed
- Approximately \$275 million in tax-exempt bonds would provide funding for the New Hall
- 73% of bond payments would be covered by AEG payments and 27% of net new tax revenues generated by the Event Center would cover the remainder
- Series A bonds of approximately \$195 million would be backed by the Event Center lease payment, new possessory interest tax revenues, and limited parking tax revenues
- Series B bonds of approximately \$80 million would be paid from a Mello-Roos District tax
- A three-part guarantee would be provided to ensure sufficiency of funds to cover Project bonds: Period 1, first four years: \$50 million letter of credit, completion guaranty for the Event Center and New Parking Structures, first position for City on the New Parking Structures, a signed team lease, and assignment of team lease and other agreements to City; Period 2, first three years of operation: Completed Event Center, NFL team is playing, \$28 million letter of credit; Period 3, remainder of 30-year bond term: Stability in Event Center and team operations, \$5 million letter of credit plus cash or Letter of Credit to secure Mello-Roos bonds
- AEG would guarantee any shortfall in revenues to pay debt service
- Total incremental new tax revenues earned by the City General Fund over 30 years would be \$410 million, or \$146 million net present value
- Approximately 2,600 temporary and 6,320 permanent jobs would be created in the city of Los Angeles.
- AEG would construct and operate two parking facilities (4,000 total spaces) at its cost: LA Live Way Garage -- A 3,000-space garage constructed on the site of the existing City-owned Cherry Street Garage that replaces parking spaces lost from West Hall (1,600 spaces) and Cherry Street Garage (800 spaces) demolition, and Bond Street Garage - A 1,000-space garage on the site of the City-owned Bond Street parking lot
- The City would have use of the Bond Street Garage for its events when there are no events at the Farmers Field Event Center or Staples Center
- AEG would pay fair market value to lease these sites, adjusted annually, for 55 years
- City and AEG would collaborate to ensure parking availability for LACC events
- AEG would compensate the LACC for any reduced convention or trade show revenues that result from construction period disruptions
- AEG would not schedule events into the Event Center that compete with LACC events
- LACC and AEG would establish a Macro-Booking Committee to coordinate events campus-wide

- The Staples Center lease would be extended to expire at the same time as the Event Center, in consideration for AEG paying an additional special tax
- A Public Benefits package would be developed

Report authors go on to report that the draft MOU is consistent with the principles for project consideration discussed by the Ad Hoc Committee on Downtown Stadium and Convention Center Renovation at its meeting held April 18, 2011.

Following its meetings held July 27 and July 28, 2011, the Ad Hoc Committee on Downtown Stadium and Convention Center Renovation met August 3, 2011, to discuss the proposed MOU and related matters. During the public comment period, supporters of the proposed project urged the Ad Hoc Committee to approve the proposed MOU. Speakers stated that the project would create badly needed jobs and provide further impetus to the ongoing revival of Downtown Los Angeles as a destination for family entertainment. Other speakers stated that the proposal needed additional scrutiny to ensure that the City would earn its fair share of project revenue and not bear the burden of overlooked costs.

Committee members discussed the project and its benefit for LACC with staff and a project consultant. The Ad Hoc Committee recommended that Council authorize the CLA and CAO to execute the proposed MOU with AEG, and to note and file the accompanying report from the CLA, CAO, and LACC dated August 2, 2011.

Respectfully submitted,

AD HOC COMMITTEE ON DOWNTOWN STADIUM AND
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- NOT OFFICIAL UNTIL COUNCIL ACTS -

<u>MEMBER</u>	<u>VOTE</u>
PERRY:	YES
ROSENDAHL:	YES
REYES:	YES
LABONGE:	ABSENT
CARDENAS:	YES

JAW
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