

# LOS ANGELES CONVENTION CENTER Becoming a Top Tier Convention Destination

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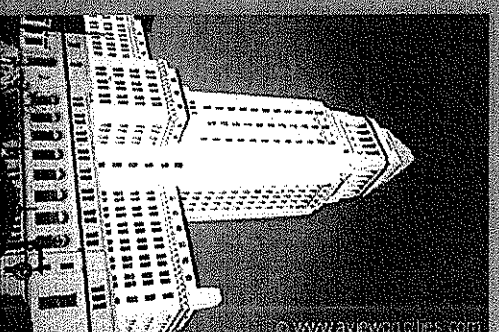




# Three-Year Plan to Fiscal Sustainability

Last Council Action, April 18, 2012 (C.F. 11-0600-S157)

- Responsible Management and Fiscal Practices
- Focus on Core Services
- Alternative Service Delivery Models
- Maintaining a Sustainable Workforce
- Raising New Revenues





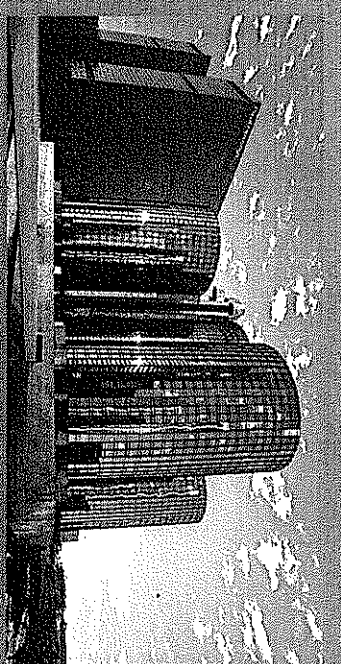
# Becoming a Top Tier Convention Destination

- No significant investment in the LACC in over 20 years – yet in that time competitors have invested in improved facilities and enhanced market strategies, structures, and policies
- Establish a common mission: Bring convention business to the City to attract out of town visitors that will generate spending and hotel occupancy for the benefit of the General Fund
- A top tier destination requires commitment to the following:
  - Significant hotel rooms in close proximity to convention facilities
  - A focused, dynamic, accountable and integrated sales and marketing approach
  - Convention Center operating policies driven by a “heads on beds” strategy
  - Strategic approach to drive *citywide* economic impact over facility bottom line
  - Professional convention management and governance leadership
- Establish a long term strategic plan for the LACC through renewed collaboration with critical partners to make Los Angeles a convention destination





# Becoming a Top Tier Convention Destination Hotel Inventory



Lack of hotel room inventory within a half mile of the facility in comparison to its regional peers.

FACILITY	HOTEL ROOMS WITHIN 1/2 MILE
Moscone Center (San Francisco)	12,000
San Diego Convention Center	8,200
Anaheim Convention Center	7,000
Los Angeles Convention Center	1,900

**Recommendation:** Provide a report back on proposals for increasing hotel capacity in furtherance of the City's goal to increase Citywide Convention attendees by 50 percent.



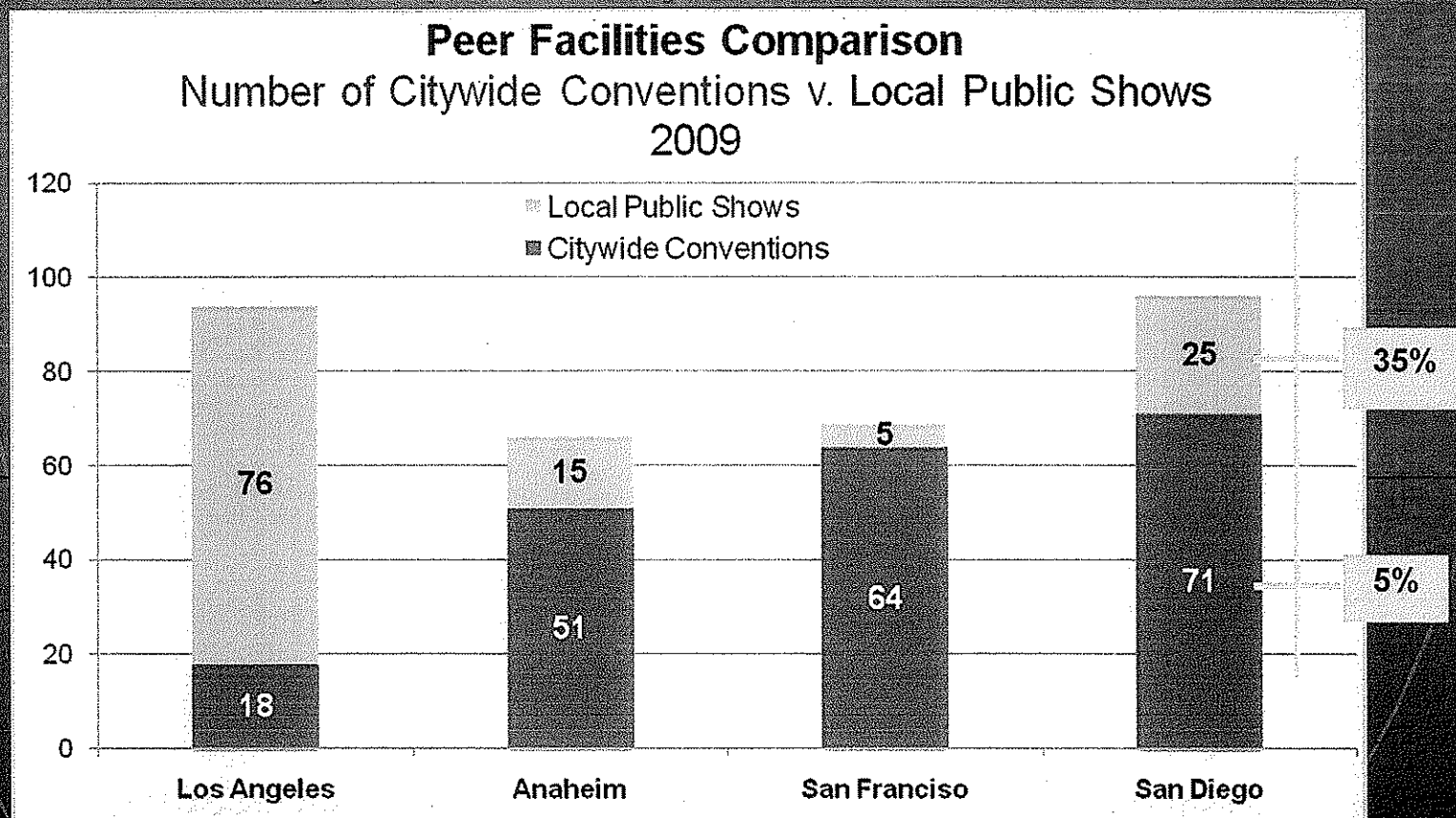


## Becoming a Top Tier Convention Destination

### Citywide Conventions versus Local Shows

#### ■ NUMBER OF EVENTS among Regional Peer Competitors

- LACC has a substantially different market mix of Citywide Conventions
- 5% of LACC events versus 35% of peer facility average events
- The graph below does not represent “other events” such as meetings, seminars, etc., which may comprise of many events



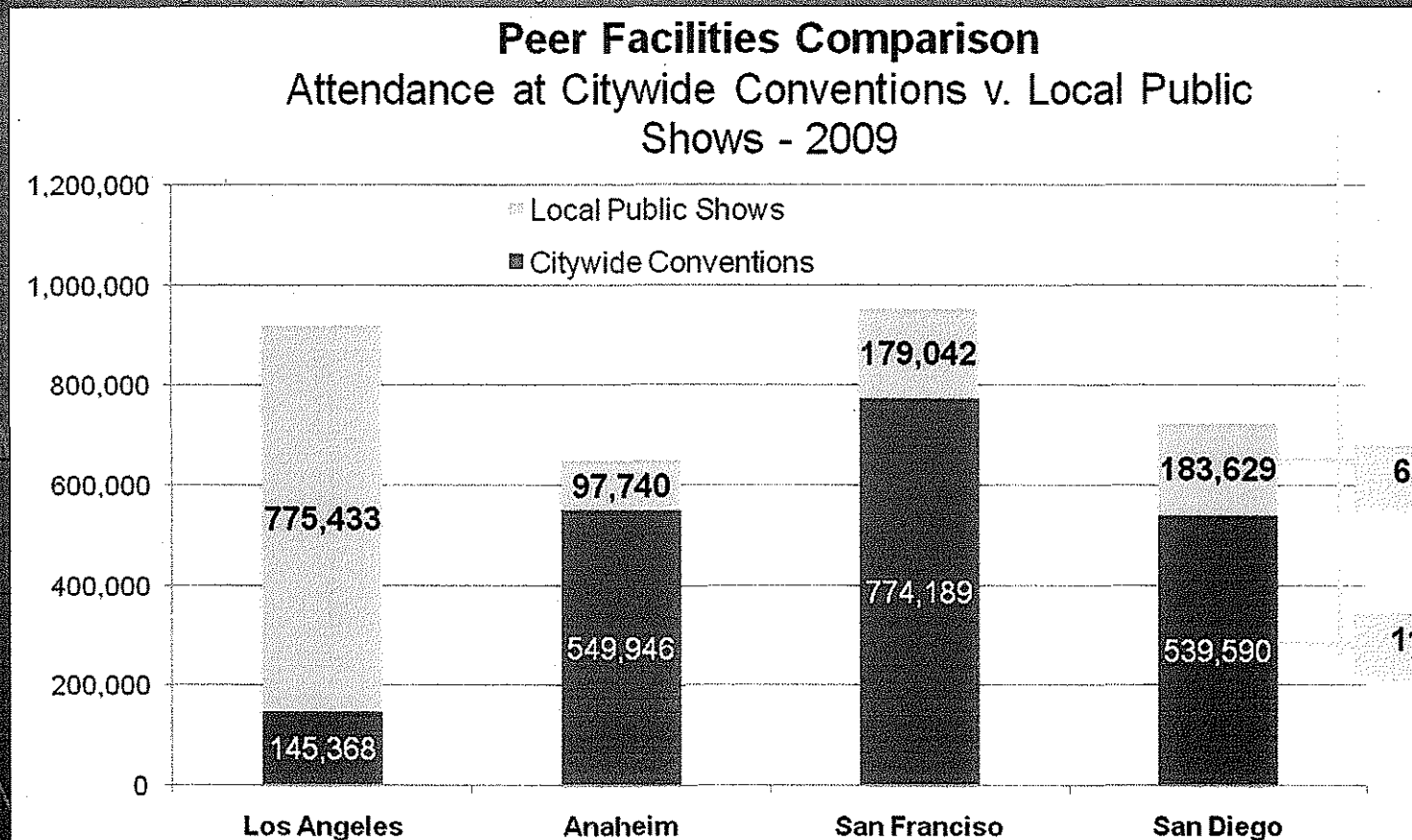


## Becoming a Top Tier Convention Destination

### Citywide Conventions versus Local Shows

#### ■ ATTENDANCE among Regional Peer Competitors

- LACC has substantially less attendees tied to Citywide events
- 11% of LACC attendees versus 67% of peer facility average attendees for Citywide events
- The graph below does not represent “other events” such as meetings, seminars, etc., which may comprise of many events

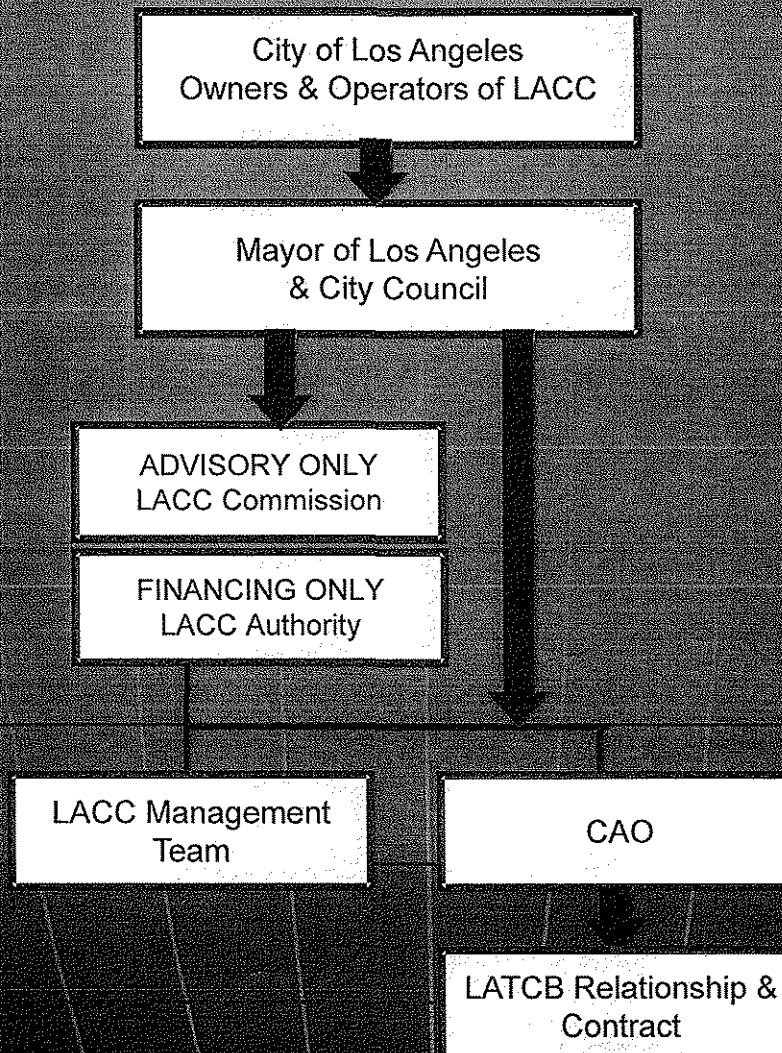




# Becoming a Top Tier Convention Destination

## Creating a Streamlined and Accountable Governance Structure

### Current Los Angeles Structure





## Becoming a Top Tier Convention Destination

### Current Competitive Position

Major cities who have executed successful

Convention and Meetings industry strategies include:

#### National Competitors

Chicago

New Orleans

Atlanta

Orlando

Washington DC

New York City

#### Regional Competitors

San Diego

Anaheim

Denver

San Francisco

Las Vegas

Phoenix

However, LACC has been competing for local consumer shows with the following cities:

#### Current Competitors

Pasadena

Long Beach

Santa Monica

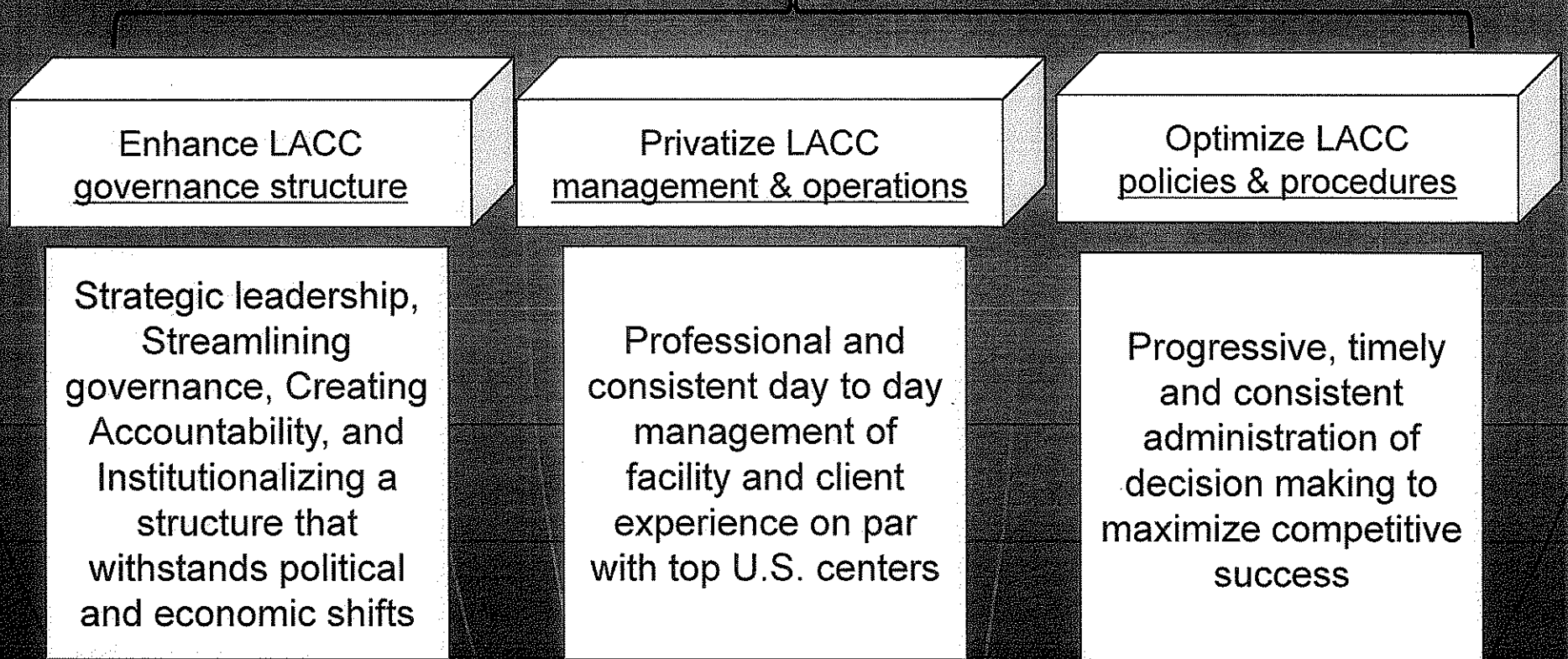
Portland



# Becoming a Top Tier Convention Destination

## Proposed Solutions

Three primary areas to be addressed in transformation of Los Angeles into a top tier convention destination





# 1. Enhanced Governance Structure

**A coordinated and accountable structure focused on one objective: Generating citywide conventions**

## Benefits of Board Structure

- Clearinghouse of strategic issues related to convention industry.
- Maximizes flexibility yet still subject to government control.
- Drives long-term strategic plan for tourism

## CEO Role

- Day-to-day decision maker driving Mayor & Council's vision and business model
- Collaborates with all convention stakeholders to drive maximum benefit to Los Angeles

City of Los Angeles  
Owners and Operators of LACC

Mayor of Los Angeles &  
Los Angeles City Council

New Board

Chief Executive Officer

## Makeup of Board

- Representatives from labor, film, legal, hospitality, hotels, private development
- 9 to 13 board members
- New mission & purpose

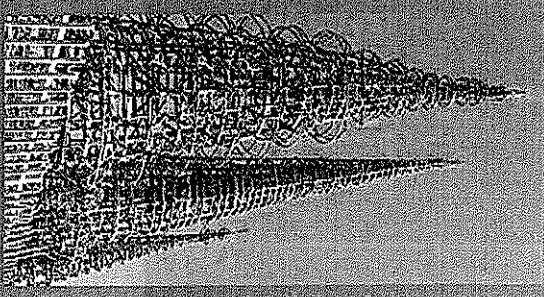
LACC Finance & Admin

LACC Management Team  
Contractual relationship

LATCB Sales & Marketing  
Contractual relationship



## 2. Transitioning to a Third Party Management Model Typical Operating Models



Municipal Management Structure	Similar to the City's current model.	27%
Independent Public Authority	Typical for convention centers overseen by multiple jurisdictions.	35%
Third Party Private Management Company	Based on a management fee agreement; and Contractor will operate and maintain the LACC.	31%

More conventions are transitioning to a private management model.

Most recent transitions include the McCormick Place in Chicago and Cobo Hall in Detroit.

\*The remaining 7% is miscellaneous and includes facilities managed by either the local convention and visitor's bureau or a non-profit corporation.





## 2. Transitioning to a Third Party Management Model



## Operating Models for Regional Competitors

CONVENTION CENTER	CITY	EXHIBIT SQUARE FOOTAGE	OPERATING MODEL
Moscone Center	San Francisco	822,144	Private
Anaheim Convention Center	Anaheim	813,000	Municipal
Los Angeles Convention Center	Los Angeles	719,575	Municipal
San Diego Convention Center	San Diego	615,701	Independent Authority

Net operating loss per sellable square foot of space nearly three times greater than the average of three regional competitors; and

LACC's mix of bookings includes a significantly lower percentage of citywide events and related attendance in comparison to local trade and consumer shows.

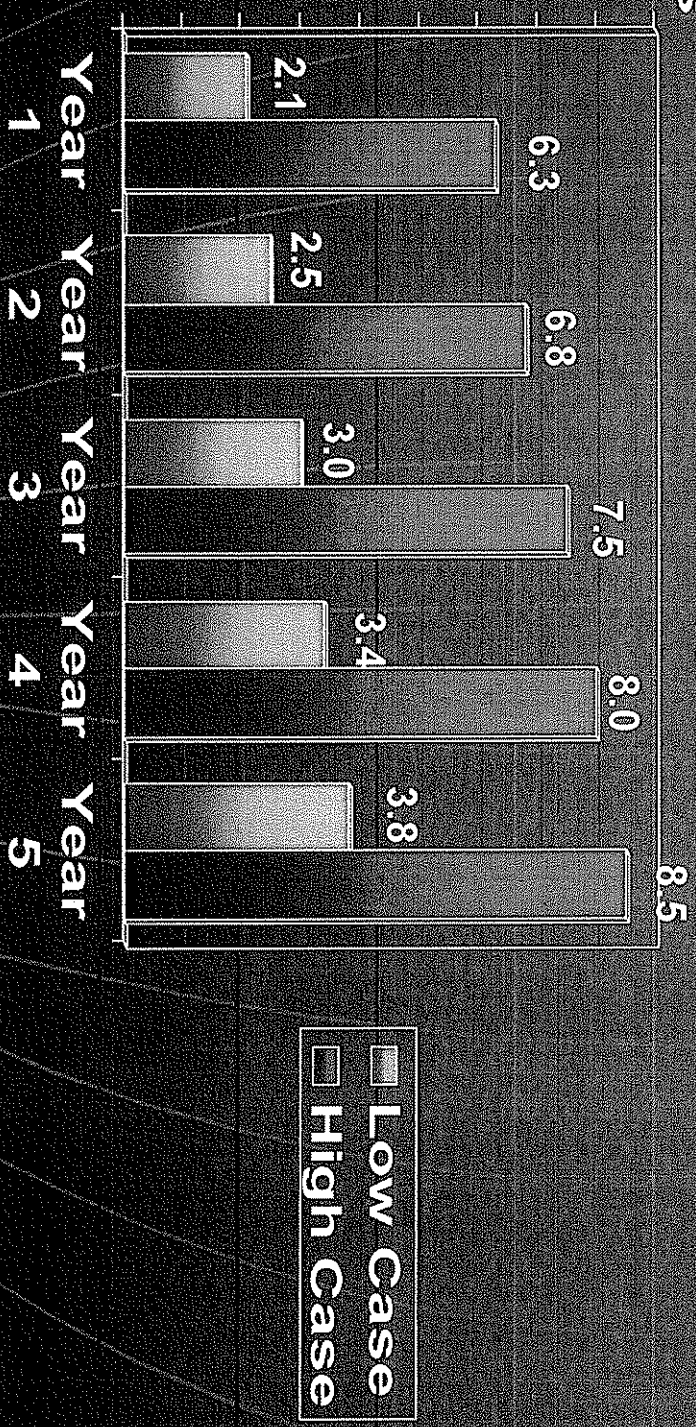




## 2. Transitioning to a Third Party Management Model Potential General Fund Savings

- Findings based on an informal market study of information collected from other convention centers, peer operating data, and other industry research
- The table below presents five years of estimated General Fund savings based on performance estimates for Low and High cases for Private Sector Management Alternatives
- Fiscal Impact – Total potential General Fund savings of \$14.8 million to \$37.1 million

**Millions**





# Current LACC Employees

Current employment level consists of 111 employees

Current LACC employees will have the option to:

- Remain as City employees by shifting to comparable positions
- Or join the private contractor for a guaranteed period of time



### 3. Optimize LACC Policies

#### Booking Policy

- Reduce the booking window from 24 to 12 months and eliminate grandfathered exceptions for Auto and Gift Show
- Essential to support the sales teams in booking additional City-wide business conventions and driving new TOT revenues



#### Discount Policy

- Formalize Discount Policy in the Administrative Code to represent current operating practices
- No cap on discounts
- Discount amount shall not exceed TOT revenue



## Becoming a Top Tier Convention Destination

# Why Now?

### **ECONOMIC TIMING** is right

- Increasing demand in Convention and Meetings market
- Downtown LA and LA Live area are vibrant and strong foundations for economic development
- Sets stage for new marketing strategy as market recovers

### **BUSINESS TIMING** is right

- Positions the LACC with expert convention management leadership to address expansion and negotiations
- Change will signal to the convention industry and local hospitality market that LACC intends to be a major competitor

### **GOVERNANCE** TIMING is right

- Stakeholders likely to embrace new collaborative and accountable effort
- Will provide strategic direction and vision to jump start the City's transformation to reduce General Fund burden



## Becoming a Top Tier Convention Destination

# Conclusion and Objectives

Make LACC a national and regional competitor in the marketplace

- ▣ Increase Citywide Convention attendees by 50%
- ▣ Drive increased Transient Occupancy Tax revenues
- ▣ Create a positive impact on the General Fund

By this time next year Los Angeles will have a private operator and a new Board in place

- ▣ Within 5 years LACC to be a regional and national competitor



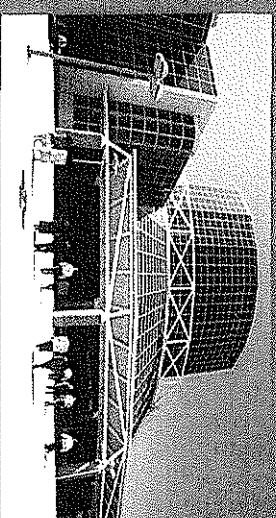
## Becoming a Top Tier Convention Destination

# Proposed Timeline

Date	Action Item
September 2012	(1) Mayor and City Council adopt CAO report recommending alternative Management operations; (2) RFP released
November 2012	RFP responses due
January 2013	(1) Finalize evaluation of RFP responses; (2) Issue report recommending private management company and governance structure changes; (3) Mayor and City Council adopt recommendation of new private management company, (4) Mayor and City Council adopt recommendation of alternative management operations;
January thru July 2013	Transition period of new private management company at LACC
February 2013	Mayor appoints and Council approves appointment of new CEO of the Board
April 2013	New board established, members appointed by the Mayor and approved by Council
July 2013	Private management company transition 100% complete



# Recommendations



- Expand the scope and duties of the LACC Commission
- Establish a Chief Executive Officer Position
- Revise operating policies to be consistent with industry standards
- Increase Citywide Convention attendees by 50% by 2025
- Adopt a long-term strategic plan for expanding hotel capacity
- Authorize release for Request for Proposal