

CITY OF LOS ANGELES

CALIFORNIA

LOS ANGELES CONVENTION CENTER COMMISSION

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May 29, 2013

Trade, Commerce, and Tourism Committee
The Honorable Tom LaBonge, Chair
Councilmember Bill Rosendahl, Vice Chair
Councilmember Joe Buscaino, Member
Office of the City Clerk
Room 395, City Hall
Los Angeles, California 90012

Dear Chairman LaBonge and members of the Committee:

SUBJECT: **DRAFT ACTION PLAN**

I have spent part of my first couple of weeks as Interim Executive Director of the Los Angeles Convention Center (LACC) putting together a proposed work program for the upcoming Fiscal Year.

I think the Council has done an excellent job of defining an expanded vision for the LACC and using it as a platform to develop and implement an economic development strategy to promote tourism, sports, entertainment, and leisure activities citywide.

Attached is my very preliminary draft "Action Plan." Based on your experience with this Committee, I would appreciate the opportunity to meet with you to talk through these ideas and get your input.

My goal is to have a final Action Plan we can take to the new Mayor and full City Council for the upcoming Fiscal Year.

I look forward to the opportunity to meet with you.

Sincerely,

Robert R. "Bud" Ovrom
Interim Executive Director

RRO:cv
Exec Ref 13-320

Attachment

LACC ACTION PLAN

I. BACKGROUND

In September 2012, the City Council approved a report from the Chief Administrative Officer (CAO) proposing a new governance model for the Los Angeles Convention Center (LACC) and an economic development strategy to use the LACC as a platform, or focal point, to promote a comprehensive citywide tourism strategy.

The purpose of this report is to provide a preliminary/draft first year Action Plan for accomplishing that goal. The intention is to work with the Mayor, City Council, City Administrative Officer (CAO), Chief Legislative Analyst (CLA), and other stakeholders in order to have an Action Plan in place by the start of the new Fiscal Year in July, 2013.

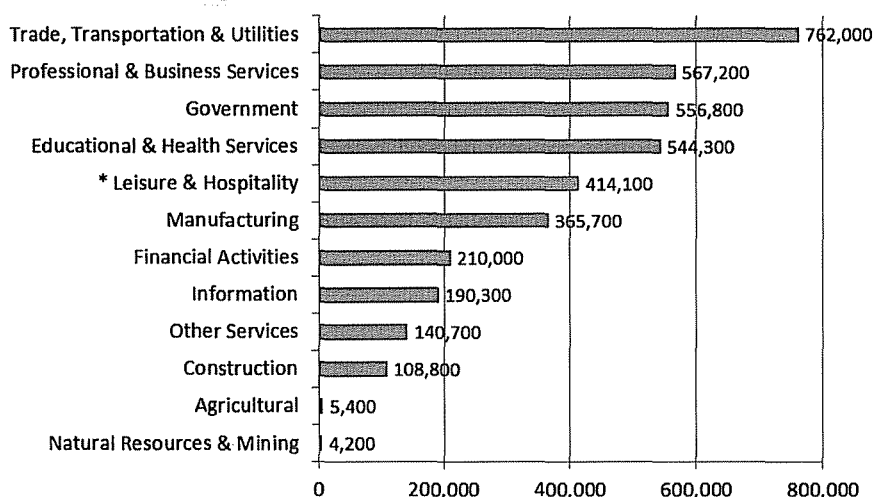
Most of these action items contained in the report are already underway, or have been percolating for some time. However, each element has been proceeding on its own path. The difference now is that the new vision of the LACC, with a reconstituted Commission and a more empowered Executive Director, is a concerted effort to “connect the dots” and view all of these efforts in the context of a more articulated and coherent tourism strategy.

II. INTRODUCTION

Although the overall economy is slowly but steadily recovering, the City of Los Angeles still faces a major crisis with unemployment. As of April, Los Angeles had an unemployment rate of 9.9%, while the State unemployment rate had dropped to 9%, and the national level was at 7.5%. In order for the Los Angeles unemployment rate to drop to the State’s level of 9%, just over 17,000 currently unemployed Angelenos would need to land a job. To get down to the national level of 7.5%, almost 46,000 L.A. residents would need to secure employment. A daunting challenge!

The Leisure and Hospitality sector is well positioned to play a significant role in increasing local employment. Leisure and Hospitality is already one of the largest sectors in our local economy – employing over 400,000 people (see table below).

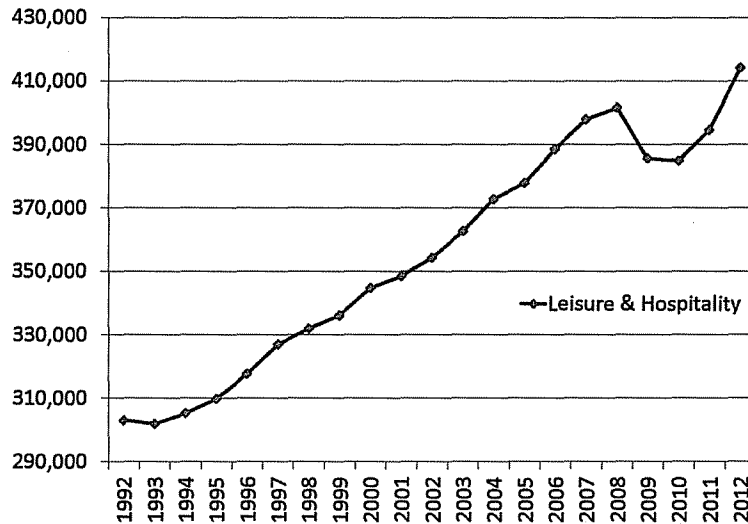
L.A. County Estimated Employment by Industry



LACC ACTION PLAN

Based on past performance, we can project that as the national and international economies continue to improve, tourism and leisure activities will likely grow at a faster rate than other sectors.

Leisure & Hospitality Employment



In addition to the beneficial impact the Leisure and Hospitality sector has on employment, it has perhaps an even greater impact on the local economy and to the City of Los Angeles' budget.

According to the Los Angeles Tourism and Conventions Board, in 2012, visitation produced \$30.5 billion in economic impact to the Los Angeles County:

- Visitor direct spending was a total of \$16.5 billion on tourism:

| | |
|----------------|---------------|
| Lodging | \$4.4 billion |
| Food/Beverage | \$4.3 billion |
| Transportation | \$3.2 billion |
| Entertainment | \$1.7 billion |
| Shopping | \$1.8 billion |
| Other | \$1.1 billion |

- The \$16.5 billion direct spending associated with tourism led to an additional secondary economic impact of \$14 billion, for a total of \$30.5 billion.

Taxes and assessments generated by this economic activity contributed over \$2 billion in revenue:

| | |
|-------------------------|-----------------|
| State tax revenue | \$1.1 billion |
| Local sales tax revenue | \$186.3 million |
| Other Local tax revenue | \$436.9 million |
| Transient Occupancy Tax | \$421.9 million |
| Tourism Market District | \$17.1 million |

III. SUMMARY OF ACTION ITEMS

In order to assure that the City of L.A. takes maximum advantage of the economic upswing in the Leisure and Hospitality sector, the new LACC is proposing to take the following actions:

1. Work with CAO to and finalize selection process for private contractor and, subject to City Council and Mayoral approval, begin the transition.
2. Work with City Attorney to finalize an ordinance to reconstitute the LACC Commission, with a broader mission to provide guidance for the development and implementation of a citywide tourism strategy.
3. Work with Bureau of Engineering (BOE) and Bureau of Contract Administration (Con Ad) to finalize a conceptual plan for New Hall.
4. Provide support to Mayor, City Council, and AEG to secure an NFL Team for the proposed Farmer's Field/Event Center.
5. Work with Mayor, City Council, and the new Department of Economic Development to promote the development of 5,000 more hotel rooms in the City (4,000 of which will be in the Sports and Entertainment District) by 2020.
6. Advocate and support USC assuming management control of the Memorial Coliseum and Sports Arena in Exposition Park.
7. Pursue a professional soccer team and stadium in the City.
8. Work with Universal Studios to support the development and marketing of its Master Plan and the new Harry Potter Theme Park.
9. Work with the Cultural Affairs Department to develop a strategy for better incorporating cultural tourism into the City's overall marketing efforts.
10. Work with the Port of Los Angeles (POLA) to promote and support the Cruise Terminal, Ports of Call and other San Pedro waterfront attractions.
11. Work with Los Angeles World Airport (LAWA) to enhance the travelers experience in and around Los Angeles International Airport (LAX).
12. Work with the Department of Recreation and Parks to better incorporate the City's public assets, such as the Griffith Observatory and the many golf, tennis, and park opportunities into the City's overall tourism marketing strategy.
13. Work with the new owners of the L.A. Dodgers to better include that iconic venue, and its additional potential, into the City's overall marketing strategy.
14. Develop metrics to measure success of this new model and a transparent format for reporting the information to the Mayor, City Council, stakeholders, and general public.

IV. DESCRIPTION OF PROPOSED ACTION ITEMS

1. Implement Privatization of LACC

The new model adopted by the Mayor and City Council in 2012 (CF# 09-0600-5159) called for the professional day-to-day administration of the Convention Center to be done by a private sector operator under contract with the City. Such an approach is consistent with top performing convention centers across the nation and is considered essential to maximize the City of L.A.'s competitive success:

| CONVENTION CENTER | CITY | EXHIBITION SQUARE FOOTAGE | OPERATING MODEL |
|--------------------------------------|--------------------|------------------------------|-------------------------------|
| Moscone Center | San Francisco | 822,114 | 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 | Non-Profit Corporation |
| McCormick Place | Chicago | 2,670,000 | Private |
| Orange County Convention Center | Orlando | 2,100,000 | Municipal |
| Las Vegas Convention Center | Las Vegas | 2,000,000 | Public/Private Partnership |
| Georgia World Congress Center | Atlanta | 1,400,000 | State |
| Ernest M. Morial Convention Center | New Orleans | 1,100,000 | Non-Profit Corporation |
| George R. Brown Convention Center | Houston | 853,500 | Non-Profit Corporation |

A Request for Proposal (RFP) has been published and selection of a contractor is scheduled for June, 2013.

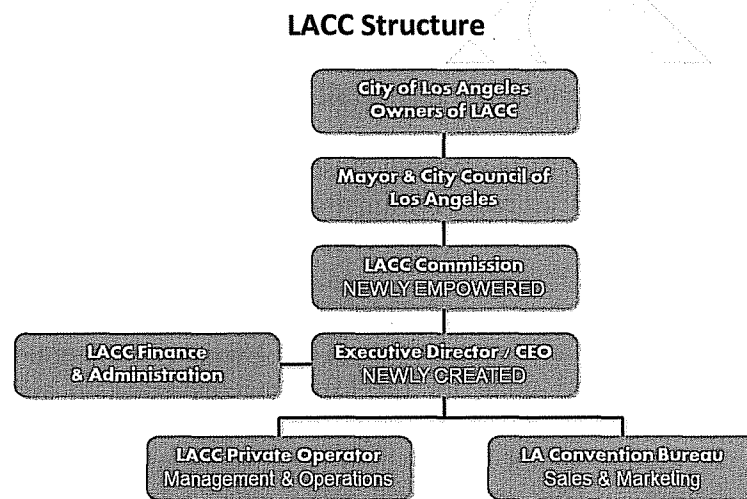
The Convention Center's "peak seasons" are Fall and Spring. Hence, it is very critical to get this decision made as soon as possible, so that implementation can be undertaken during the comparatively slow months of summer. If this window of opportunity is missed, it could result in having to wait until late November - January to undertake the transition. An additional six months of uncertainty would undercut client confidence and severely strain the remaining LACC's staff's ability to successfully manage the events which have, or would be, scheduled.

The seamless transition to the new model is LACC's top priority. It is absolutely essential to assure no disruption in service for our customers and secure employment of all current full and half time employees elsewhere in the City or with the new private operator.

2. Restructure Commission & Management to Reflect the New Orientation

The new model adopted by the Mayor and the City Council also called for a reconstituted Commission and a newly created Executive Director. That ordinance is pending with the City Attorney and LACC staff will work with the City Attorney and City Clerk to bring it to the City Council as soon as possible.

The contracts with both the Los Angeles Tourism and Convention Board (LATCB) and the new private operator will be managed by the LACC. The seamless "hand in glove" working relationship between the new LACC, the LATCB and the new private operator is another essential priority in order for this new model to achieve its maximum benefit to the City.



It is hard to overstate the significance of the fundamental change to Mayor and City Council have made to the City's approach to the important Leisure and Hospitality sector of our economy.

Not only is the City adopting a private sector model for the day-to-day management and operation of the physical Convention Center itself, it is also fundamentally changing the relationship to, and thinking behind, its \$_____ contract with the LATCB. In the past, the LATCB contract reported to the City's Chief Administrative Officer. Although the working relationship had to be with the Convention Center, the contractual accountability was to the CAO.

Moreover, the LACC and the LATCB had different missions. The LATCB receives its funding from a share of the City Transit Occupancy Tax (TOT) paid by guests at hotels in the City. The LACC receives its funding by rent it charges to users of the Convention Center. The LACC operating budget does not directly benefit from the TOT and the LATCB does not benefit from the rent charged at the Convention Center. The LATCB is always seeking to attract out of town conventions and events which will cause people to stay in hotels. The LACC always seeks to attract uses which will pay the highest rent - - boat shows, car shows, home improvement shows, etc. - - almost always with day visitors, who have no reason to stay at a hotel.

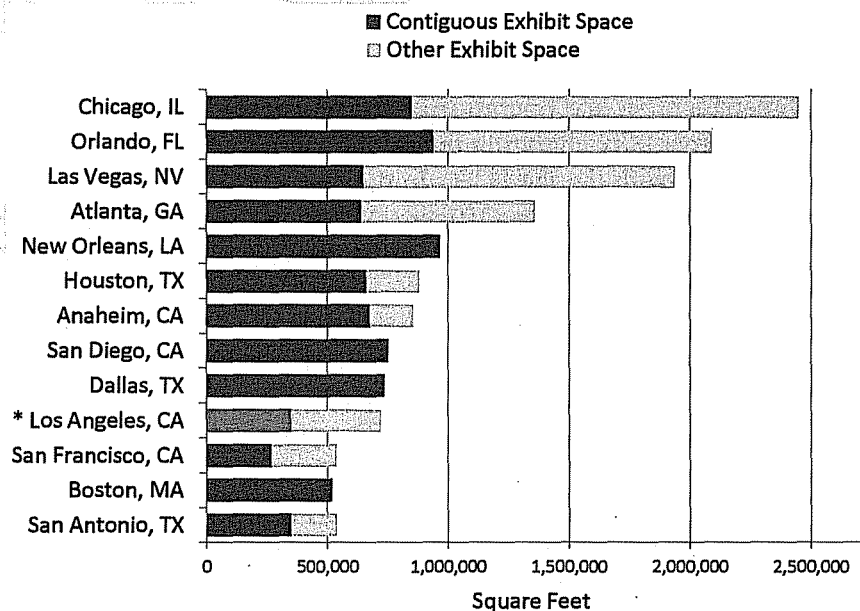
Most major cities use their convention center as “loss leaders” - - they provide very discounted rent to a major convention, in order to get the “out-of-towners” who would stay in the hotels, eat in the restaurants, shop in the stores, etc. In L.A., the Convention Center was simply expected to “operate in the black” by having its rent cover its operating expenses.

The Mayor and City Council have now totally changed that model. The newly constituted Commission and the newly created Executive Director have been charged with developing a model which directly benefits the City’s overall economy with a shift away from local shows and a much greater emphasis on large scale citywide conventions, sports, entertainment, cultured tourism and other activities which will generate more jobs for Angelenos and more revenue for the City’s General Fund.

3. LACC Expansion – New Hall

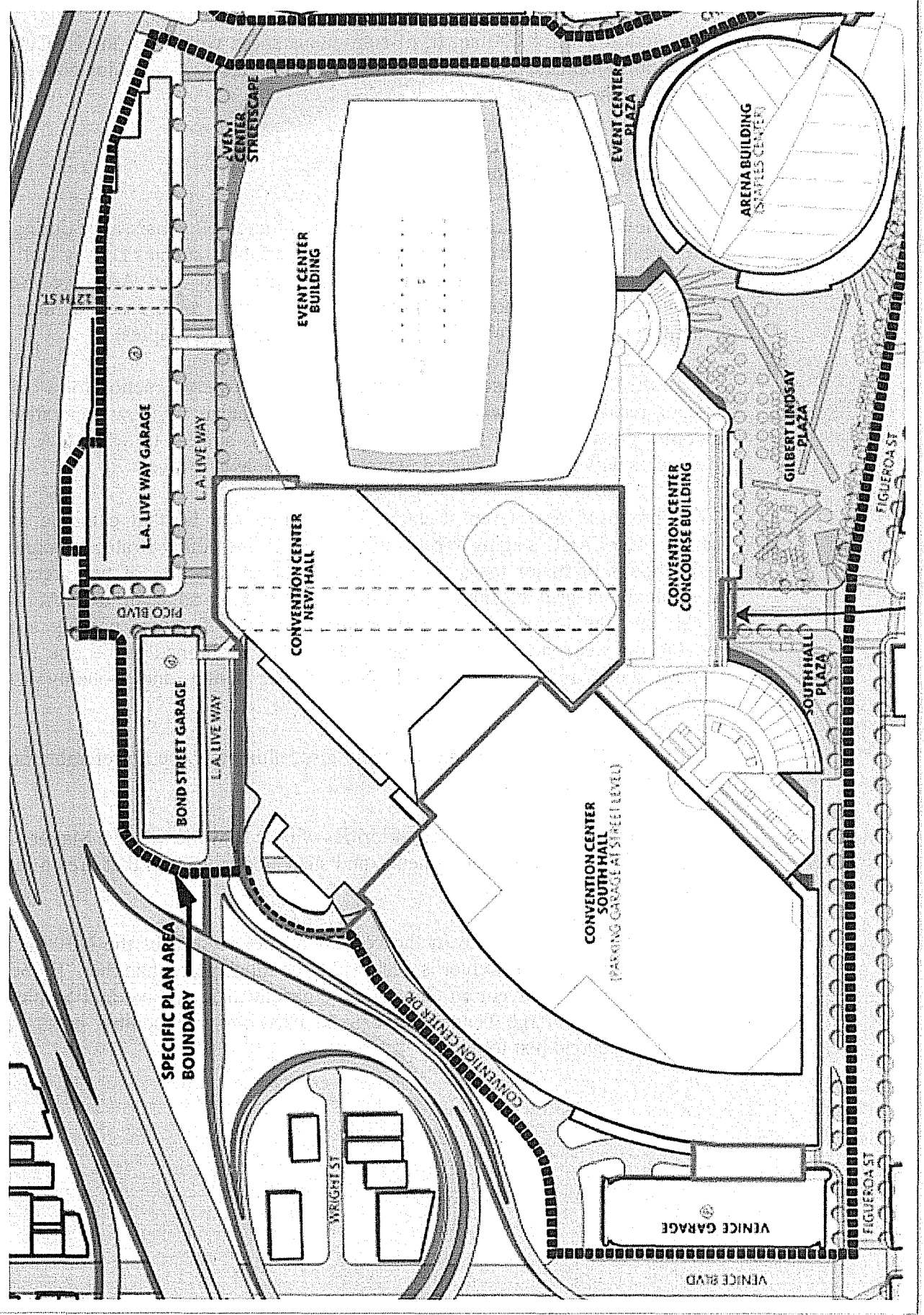
LACC staff is working closely with the Bureau of Engineering (BOE) and the Bureau of Contract Administration (Con Ad) on the proposed expansion of the Convention Center via the construction of the 250,000 sq. ft. “New Hall.”

Lack of space, particularly contiguous space, is an often stated reason for L.A. not being more competitive in the National Convention Market. According to a recent report done for the Los Angeles Tourism and Convention Board, “The existing LACC offers approximately 720,000 square feet of exhibit space, including Kentia Hall (which is substandard in terms of column grid and ceiling height). This space total ranks in the lower half of centers reviewed. At approximately 347,000 square feet, the contiguous space ranks below the majority of comparable and competitive centers.”



LACC ACTION PLAN

Los Angeles Convention Center Site Plan



LACC ACTION PLAN

The additional 250,000 sq. ft. of contiguous space would put the LACC in a much more dominant position in California and make L.A. a major convention contender at the national level.

4. Event Center / NFL Stadium

Downtown Los Angeles has gone through an incredible renaissance during the last ten years. Many factors contributed to that success – such as Disney Hall, the Cathedral, residential construction, the subways and the Adaptive Reuse Ordinance. However, no other single factor has been more essential than the phenomenal success of L.A. Live (and its relationship with Staples).

With the Great Recession came a virtual halt to new construction for a couple of years, resulting in downtown hitting a certain plateau. A new generation of economic growth has started, but a new stimulus, similar to what L.A. Live provided, is now needed to push downtown to a whole new level.

The proposed new Event Center/NFL stadium can be that catalytic game changer. The LACC's aging West Hall provides an incredibly strategic location – within blocks of major mass transit lines, at the intersection of two freeways, accessible by a grid of major arterial surface streets, adjacent to L.A. Live, Staples, and the Convention Center, with thousands of vacant parking spaces available on weekends and evenings. It is truly positioned to be one of the premiere sports and entertainment districts in the nation, and probably in the world.

A football stadium in downtown could also, ultimately, be a preferable home field for the UCLA Bruins.

One of the new LACC's highest priorities will be to work with the Mayor, City Council, AEG, other City departments, and stakeholders to turn that dream into a reality.

Although often referred to in the context of, "the return of the NFL to Los Angeles," the new Event Center is designed to be much more than that. By being integrated into the Convention Center and adjacent to L.A. Live and Staples, it provides a unique large venue that can be used for innumerable events and activities far beyond just football.

Farmer's Field Stadium



Per its agreement with the City, AEG has until October, 2014 to secure an NFL team for Los Angeles. Although a full and faithful commitment to that contract must, and will, be the City's clear obligation, the City also has a responsibility to the people of L.A. to have a "fall back" plan, should AEG not be able to fulfill its commitment. The L.A. Convention Center is currently an underperforming asset and the City needs to better maximize its full potential, with or without an NFL stadium.

Accordingly, the City Council has directed the CLA, CAO and LACC to develop an alternate plan. Work on that plan is currently on-going.

In the meantime, the new LACC will provide any and all needed support to AEG, the City Council, and the Mayor to achieve the primary goal of bringing a stadium/NFL team to the site of LACC's current West Hall. No one should mistake the work on "Plan B" as any diminution of the City's commitment to AEG and the West Hall site. Indeed, not only should the City fully honor its contractual obligation to AEG, it is the recommendation of this report that the City should also use its considerable political and economic influence to oppose any other possible NFL location anywhere in L.A. County, other than at the Convention Center site.

5. Work with Mayor, City Council, and the new Economic Development Department to promote the development of 5,000 more hotel rooms (4,000 in the Sports and Entertainment District) by 2020.

Clearly, the most often cited reason for the City of Los Angeles not being able to attract more national conventions is the lack of hotel rooms within working distance of the Convention Center. See chart below for a comparison of other major Convention Centers and the number of hotel rooms in walking distance:

Hotel Inventory

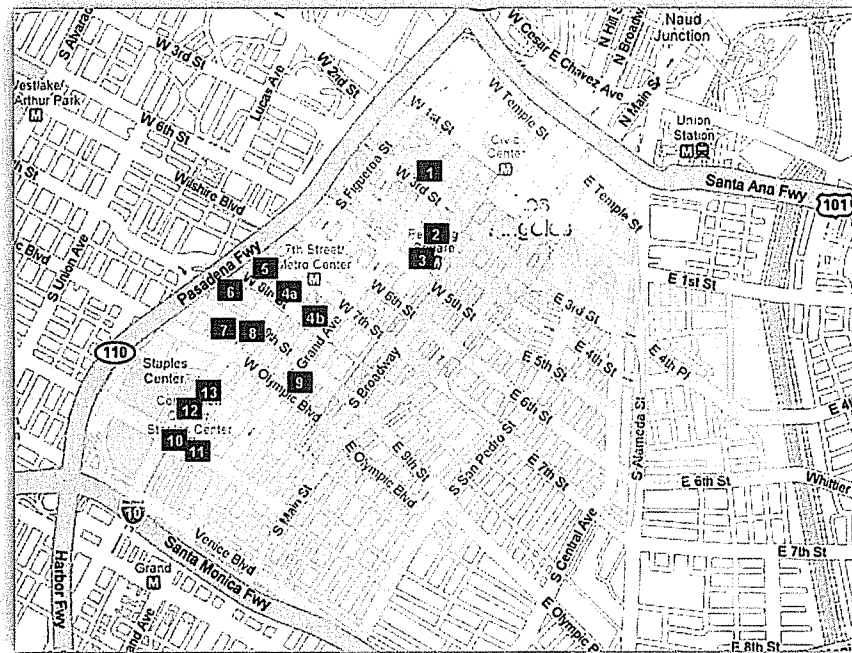
| FACILITY | HOTEL ROOMS WITHIN ½ MILE |
|--|--------------------------------------|
| Las Vegas Convention Center | 16,700 |
| Moscone Center (San Francisco) | 12,000 |
| Orange County Convention Center (Orlando) | 11,000 |
| Ernest M. Morial Convention Center (New Orleans) | 8,600 |
| Georgia World Congress Center (Atlanta) | 8,300 |
| San Diego Convention Center | 8,200 |
| Anaheim Convention Center | 7,000 |
| George R. Brown Convention Center (Houston) | 3,300 |
| Los Angeles Convention Center | 1,900 |
| McCormick Place (Chicago) | 1,100 |

Overall, the Los Angeles County hotels are performing well on a year-over-year basis:

| Markets | Occupancy | | ADR | | RevPAR | |
|--------------------------------|------------------|---------------|-----------------|---------------|----------------|----------------|
| LA County | 75.4% | (+5.1) | \$130.12 | (+5.6) | \$98.11 | (+11.0) |
| Top 25 Markets | 68.6% | (+3.1) | \$129.25 | (+4.5) | \$88.67 | (+7.8) |
| U.S. (National Average) | 61.4% | (+2.5) | \$106.10 | (+4.2) | \$65.17 | (6.8) |

The expansion of the LACC to 1,000,000 sq. ft. of contiguous space, plus the potential of the Event Center/NFL stadium, a refurbished Coliseum, the prospect of a professional soccer team/stadium, and a new emphasis on cultural tourism certainly opens the door to a new generation of hotel construction. As the map below shows, there are ample sites available for new hotel construction, with particular emphasis being placed on at least one additional convention hotel with over 1,000 rooms.

Map of Potential Hotel Sites



A larger task than identifying and securing suitable sites is the always daunting challenge of securing financing. The CLA is in the process of developing a comprehensive financial assistance program.

In addition to the 4,000 rooms needed in the Sports and Entertainment District of downtown, the LACC will also pursue the construction of at least 1,000 rooms elsewhere in the City, such as Westfield's West Valley Village Project, in Century City, Hollywood, the USC Village Project in South L.A., at the strategic Metro sites in North Hollywood and Universal City and perhaps as part of the new Ports of Call redevelopment in San Pedro, just to name a few.

6. Pursue a professional soccer team and stadium within the City of Los Angeles.

Los Angeles is already fortunate to have such outstanding professional sports teams as the Lakers, Dodgers, Clippers and Kings. After an absence of over 20 years, the possibility of the return of a professional football team seems almost within reach.

An additional beneficial element to the City of Los Angeles market would be a professional soccer team. The new LACC will take a leadership role in working with the Mayor and City Council to identify a team, a potential site and a viable business plan prior to the end of calendar year 2013.

7. Advocate and support USC assuming management control of the Memorial Coliseum and Sports Arena in Exposition Park.

Perhaps the most tarnished jewel in all of Los Angeles is the sad state of affairs at the Memorial Coliseum, brought on by decades of mismanagement and neglect.

Fortunately, there is a light at the end of the tunnel with the prospect of USC taking over management control of the legendary stadium and returning it to its former glory. If USC was willing to spend over \$200M to build a basketball and volleyball arena (the Galen Center), what would the Trojan Alumni be willing to spend to build a suitable home field for its beloved football team?!

As bad as the Coliseum is, the Sport Arena has deteriorated to a point of probably being beyond repair.

The new LACC will be an advocate and support USC in its efforts to take over management control of the Coliseum and the Sports Arena and thereafter include the myriad of new opportunities at these two strategically located venues in the City's overall tourism marketing strategy. A decision on the final element, parking, is anticipated by the summer of 2013.



Los Angeles Memorial Coliseum & Sports Arena

8. Work with Universal Studios to support the development and marketing of its Master Plan and the new Harry Potter Theme Park.

Universal Studios is uniquely divided between being in the City of Los Angeles and unincorporated County of Los Angeles. In fact, the City limits pass right through the middle of the new studios being built for KNBC and Telemundo. The new \$1 billion Harry Potter Theme Park is in unincorporated territory, but a new hotel will be built on land to be annexed into the City of Los Angeles.

Although it probably makes sense to eventually annex all of Universal City into the City limits of Los Angeles, it makes absolutely no difference to the visiting tourists from China or Iowa where the governmental boundaries are located. Whether going to Universal Studios, shopping in Beverly Hills, or surfing in Santa Monica, visitors seek the overall Southern California experience.

The new vision for the LACC will gladly embrace Universal Studios and the proposed new Harry Potter Theme Park, to be opened in _____ and incorporate it into the City comprehensive tourism strategy.

{Place Holder – Harry Potter Park at Universal Studios Hollywood}

9. Work with the Cultural Affairs Department to develop a strategy for better incorporating cultural tourism into the City's overall marketing strategy.

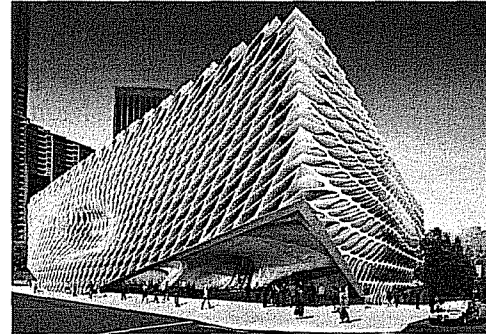
For decades, the City of Los Angeles long suffered the undeserved reputation as a cultural backwater compared to New York, San Francisco, and Chicago. That markedly changed with such major new venues such as Disney Hall (opened in 2003) and the Getty Museum (opened in 1997).

Two dramatic new venues, the Broad Museum (to open in 2014) and the American Motion Pictures Academy (AMPAS) Museum (to open in 2017), plus the massive renovation of the Los Angeles County Museum of Art (LACMA) will further add to the City's vast collection of cultural assets, including, but not limited to:

Dorothy Chandler Pavilion
Mark Taper Forum
Ahmanson Theater
MOCA
Gene Autry Museum
Greek Theater
Simon Wiesenthal Center

Geffen Theater
Hollywood Bowl
Natural History Museum
Space & Science Museum
Los Angeles Museum of the Holocaust
Grammy Museum

The new LACC will work with the Department of Cultural Affairs and other stakeholders to incorporate a significant emphasis on cultural tourism into the City's overall marketing strategy.

AMPAS Museum**Broad Museum****LACMA**

☐ Requiring demolition

Former May Co. building
Future Academy of Motion
Picture Arts and Sciences
museum.

**Resnick
Pavilion**

☐ **Ahmanson
building**

☐ **Hammer
building**

**Pavilion for
Japanese Art**

Fairfax Ave.

Wilshire Boulevard

**Broad Contemporary
Art Museum**

☐ **Art of the
Americas building**

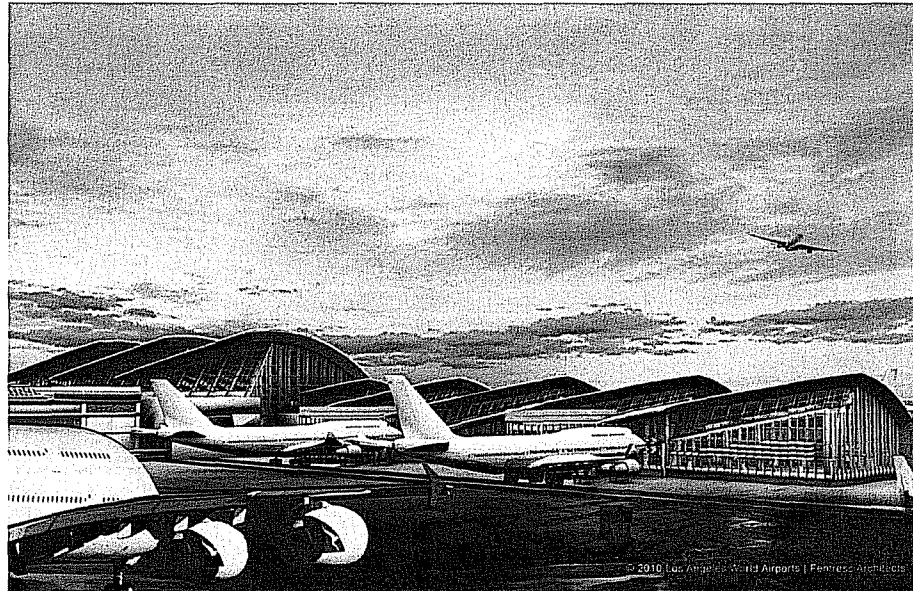
☐ **Bing Center**

10. Work with the Port of Los Angeles (POLA) to support and promote the Cruise Terminal, Ports of Call and other San Pedro waterfront attractions.

The Port has in its long term plans the construction of a new Cruise Terminal. However, our primary cruise market is along the western coast of Mexico and that area has been devastated by the violence, significantly undermining the cruise market.

We still have some cruises operating out of San Pedro, but it is hard to predict when it might become a more substantial component of our overall tourism economy. Mexico is the top international provider of visitors to Los Angeles and the new LACC will place a particular emphasis on even further enhancing mutually beneficial tourism between our two countries.

In the meantime, the new vision for LACC will work with POLA and be supportive of all of the incredible work that is being done with Ports of Call, the USS Iowa and all the other major improvements along the waterfront.

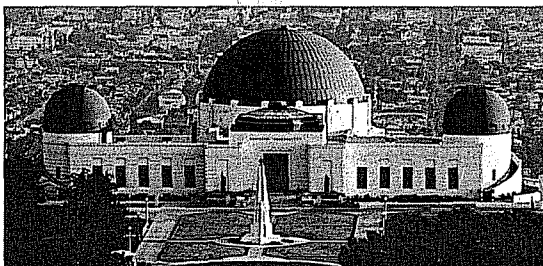
Tom Bradley International Terminal

12. Work with the City's Department of Recreation and Parks to better incorporate the City's vast inventory of public assets into the City's overall marketing strategy.

Most tourists probably came to Southern California thinking about Hollywood, the beaches, Universal Studios, and maybe one or two other major commercial attractions.

In addition to that vast array of attractions, Los Angeles also has an impressive inventory of leisure activities, such as to Griffith Observatory, the L.A. Zoo, 258 parks, 13 municipal golf courses, 67 public tennis courts, hiking trails, horse riding, etc. Many tourists and business travelers might want to get in a round of golf or play a tennis match, but don't know where to go.

The new LACC will work with the Recreation and Parks Department to insure that knowledge of and access to these recreational resources is a significant part of the City's overall marketing strategy.

**Griffith Observatory****L.A. Zoo**

13. Work with the new owners of the Los Angeles Dodgers to better include that iconic venue and its additional potential into the City's overall marketing strategy.

You have to love the L.A. Dodgers new marketing message:

A Whole New Day
A Whole New Team
A Whole New Blue

The City's beloved baseball team has gone through some rough years. The Guggenheim Group spent over \$100 million upgrading the venerated stadium prior to the opening of the 2013 season. More improvements are on the way as the team returns to the glory of past years.

There are only 101 home games, with the potential of another 23 days leading to a World Series Championship. With a 56,000-seat stadium and 300 acres of land, Dodger Stadium has the potential to be an even bigger factor in the City's local economy.

The LACC will support and work with the L.A. Dodgers, as needed, to help them achieve their long term goals and to incorporate those endeavors into the City's overall marketing strategy.



Dodgers Stadium

14. Performance Metrics and Transparency

The new vision set forth for the L.A. Convention Center by the Mayor and City Council is a major paradigm shift. No longer will it be adequate to simply “run” the physical building itself. Now, the goal is to play a major leadership role

in growing the overall tourism, sports, and entertainment sector of our economy on a citywide basis.

Because we will be pioneering new ground, we will need to develop appropriate new performance metrics to be able to quantifiably to determine how successful we are being at meeting our goals.

Once the new metrics are developed, the LACC will provide quarterly reports to the Mayor, City Council and public, starting the first quarter of the upcoming new Fiscal Year.

V. CONCLUSION

On the one hand, the proposed action listed above to help frame the City's first comprehensive citywide economic development strategy for the Hospitality and Tourism sector might seem very ambitious. However, as noted in the Introduction to this report, many of these items are already underway or have been percolating for some time. Typical to L.A., each element has been proceeding on its own path. The difference now is that the new vision of the LACC, with a reconstituted Commission and a more empowered Executive Director, is a concerted effort to "connect the dots" and view all of these efforts in the context of a more articulated and coherent tourism strategy.

(More to Follow)