

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: May 21, 2014

TO: Honorable Members of the Economic Development Committee

FROM: Gerry F. Miller
Chief Legislative Analyst

Assignment No: 14-05-0364

SUBJECT: Convention Center Truck Marshaling

SUMMARY

In September 2012, the Los Angeles City Council approved various actions associated with development of the New Hall and Event Center (NH-EC) project which would result in the construction of a new exhibit hall for the Los Angeles Convention Center (LACC) and a stadium for a National Football League team. One of the requirements in the Implementation Agreement for the NH-EC project provided that efforts would be made to secure truck marshaling facilities to replace similar facilities lost due to construction of the new exhibit hall and stadium.

A candidate location for the replacement truck marshaling facilities, an area owned by the California Department of Transportation (Caltrans) immediately adjacent to the LACC, has been identified. Caltrans leases this area for private use. Caltrans is seeking new lease holders for this area and the LACC has indicated that it would be advantageous for the City to seek a long-term lease of these lands.

Approval of the recommendation in this report would allow City staff to negotiate a long-term lease with Caltrans and ensure that the City has replacement facilities for its truck marshaling needs.

RECOMMENDATION

That the Council instruct the Chief Legislative Analyst (CLA), with the City Administrative Officer (CAO), City Attorney, and Los Angeles Convention and Tourism Development Department, to enter into negotiations with the California Department of Transportation (Caltrans) and other parties as necessary concerning a long-term lease of properties adjacent to the Los Angeles Convention Center (LACC) for truck marshaling uses and report to Council on the outcome of those negotiations.

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FISCAL IMPACT STATEMENT

There would be no impact to the General Fund resulting from this action.

DISCUSSION

During negotiations for the NH-EC project, City staff determined that the new exhibit hall combined with demolition of the West Hall and construction of an Event Center would eliminate a significant amount of surface area around the LACC that is currently used for truck marshaling and crate storage. Large conventions, such as E3 and the Auto Show, involve a large number of trucks and crates used to ship the exhibits to be displayed at the convention. During the event, these trucks and crates need to be stored. One of the LACC's unique business advantages over other convention centers is that storage space is currently available on-site at no charge. Completion of the NH-EC project, however, would eliminate that space and compromise one of the LACC's business advantages.

To address the loss of storage space, the City and Anschutz Entertainment Group (AEG) negotiated a provision in the NH-EC Implementation Agreement (IA) that requires AEG to provide replacement truck marshaling facilities. In accordance with due diligence related to this obligation, AEG has identified properties owned by Caltrans immediately adjacent to the LACC that could be used for this purpose. This area is currently used by a recycling center and by the Shaamas Auto Group (Shaamas) for off-site auto storage. Investigation into the site determined that Caltrans intends to seek new leasees for these properties in 2014.

Preliminary review by the LACC indicate that these parcels would be a suitable location for truck marshaling, though some site improvements are needed. AEG subsequently contacted Shaamas about their continued interests in using this property and determined that they still need access to this area for their storage needs. Shaamas, however, has indicated that they would work with the City and AEG in an effort to secure a long-term lease that would provide all parties with adequate space to meet their needs.

Under the IA, AEG is required to pay for costs associated with the replacement truck marshaling space.

Alternative Development Scenario Plan B

As indicated in previous reports, the IA for the NH-EC project expires on October 18, 2014. As a back-up plan, the City is developing an alternative development scenario for the LACC, known as Plan B, that would result in a significant expansion of exhibit hall and meeting room space if the NH-EC project does not proceed. Under Plan B, replacement truck marshaling space would still be required.

Further, this property would also allow LACC's "continuity of business plan" during construction of Plan-B. It would serve as a location to stage construction trailers, equipment, and materials that might otherwise impede LACC operations by impacting remaining space required for various event operations and staging.

The City would be obligated to pay for a long-term lease with Caltrans under Plan B. Some additional new revenues would be generated by LACC when they charge for parking on the leased site, but these new revenues would not be full cost recovery.

Conclusion

LACC reports that with the addition of more hotels in the downtown area combined with projected growth in convention business that will result from either the NH-EC project (Plan A) or Plan B, the demand on LACC operations and logistics will increase. More on-site space will be required for staging freight and freight vehicles, production equipment and operations, vendor parking and supplemental attendee parking under any development scenario for LACC. A long-term lease of the Caltrans property would fulfill the LACC's needs for truck marshaling and storage.

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