

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: March 17, 2016

To: The City Council
The Mayor

From: Robert R. "Bud" Ovrom, Executive Director
Department of Convention and Tourism Development



Subject: **REPORT BACK ON REQUEST FOR INFORMATION PROCESS
RELATED TO DEVELOPING A HOTEL ON THE CONVENTION CENTER
CAMPUS, COUNCIL FILE NO. 15-0446**

DISCUSSION:

On June 30, 2015, the City Council (Council) instructed the Economic and Workforce Development Department (EWDD) in collaboration with the Convention and Tourism Development (CTD) Department to issue a Request for Information (RFI) to survey the market's interest in developing an on-site Convention Center Headquarters Hotel on the Los Angeles Convention Center (LACC) campus (Council File No. 15-0446). In response, the EWDD retained Strategic Advisory Group, later purchased by Jones Lang LaSalle Americas (JLL), Inc. (Consultant) to assist with the development and dissemination of the RFI. In collaboration with the CTD Department, the Chief Legislative Analyst (CLA), the Office of the City Administrative Officer (CAO) and the City Attorney, the EWDD developed and issued the RFI on December 4, 2015. On January 26, 2016 the City hosted a Project Open House at the LACC, in which the City presented its vision for a proposed expansion of the LACC. Over 60 participants attended, including major brand hotels as well as hotel developers, architectural, engineering, construction, and other consulting firms. On February 26, 2016, the City received a total of seven responses.

Summary of RFI Responses

The ultimate purpose of the RFI process was not to rank submittals and select the most qualified applicant, but rather to identify the level of interest and the quality of development proposals that would serve as one of the indicators of whether the City should move forward with the Request for Proposal (RFP) process. According to the City's Consultant, almost all of the responses received "posses the qualifications and experience to effectuate this project." The following is a summary of the seven lead developers and potential hotel brands listed in no particular order:

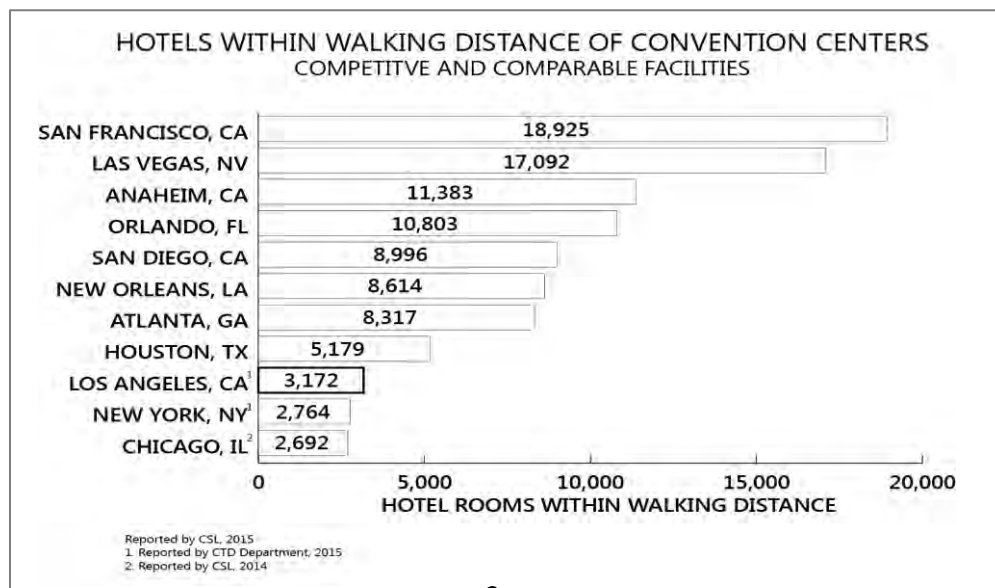
LEAD DEVELOPER	HOTEL BRAND(S)
1. The Drew Company, Inc.	Hilton, Hyatt MGM
2. Gatehouse Capital	Hilton, Hyatt, Omni, Starwood
3. JWM Ventures LLC	Dolce Hotel
4. Lowe Enterprises	Hyatt
5. MGM Resorts Intl.	MGM, Bellagio
6. Omni	Omni Hotels & Resorts
7. Portman Holdings	Hilton, Hyatt, MGM

It is very common for major hotel developers to work with multiple hotel brands. Both the developer and the hotel brand are looking for the best deal they can get!

The RFI was an open process, which means developers or other potential applicants who chose not to submit, are not prohibited from participating in the RFP process should the Council approve this next phase. Attached is a summary of the RFI responses prepared by the City's Consultant. The actual responses may be made available upon contacting the CTD Department.

The Importance of Hotel Development

The lack of hotel space available within walking distance of the LACC has always been one of the most significant challenges for the LACC. Although the second largest city in the country, in comparison to our competitors we rank low on available hotel rooms, and as a result are unable to capture prime convention business (see chart below). According to a 2014 report by Conventions, Sports and Leisure International, the number of hotel rooms within walking distance of the LACC can accommodate only 74 percent of the national convention market's hotel room requirement. In comparison, convention centers in San Diego, Anaheim and San Francisco can meet 92 to 99 percent of the market's needs. As a result, Los Angeles is unable to compete for 26 percent of national convention business. Moreover, that portion of the market represents the largest and most lucrative conventions.



The 2012-13 CTD Department Action Plan set an initial goal of 4,000 new hotel rooms by 2020 (in addition to the supply of 2,597 rooms at the time of the Action Plan). Since then several hotel development projects or projects that include a hotel component have been underway. However, also competing for development space in the Downtown and specifically South Park area are a great many large residential projects, including two major developments underway across the street from the LACC. Although these parcels would have been prime properties for a headquarters hotel the, CTD Department is happy to see growth and activity within the area.

TOTAL HOTELS ROOMS EXISTING & FUTURE

EXISTING AS OF JULY 1, 2013			UNDER CONSTRUCTION		
1	JW Marriott Los Angeles L.A. LIVE	878	13	InterContinental Los Angeles Downtown	900
2	Sheraton Los Angeles (The Bloc)	485	14	Metropolis	350
3	Figueroa Hotel*	285	15	Freehand Hotel and Hostel	226
4	Stillwell Hotel	232	16	Esplendor Trinity Hotel	183
5	Mayfair Hotel	215	17	Oceanwide Plaza	183
6	Luxe City Center Hotel	175	18	The Downtown LA Proper (Case Hotel)	148
7	Ritz Milner*	137	Subtotal		1,990
8	Ritz-Carlton, Los Angeles	123	UPCOMING		
9	O Hotel	67	19	JW Marriott Expansion	755
Subtotal		2,597	20	dtLA South Park	300
OPENED FISCAL YEAR 2013-2014			21	Home2 Suites	143
10	Residence Inn Los Angeles L.A. LIVE	219	22	W Hotel (Figueroa North)	125
11	Ace Hotel	182	Subtotal		1,323
12	Courtyard Los Angeles L.A. LIVE	174	OPPORTUNITY SITES		
Subtotal		575	23	LACC	1,000
TOTAL EXISTING		3,172	24	Pico Blvd + Figueroa St	750
			25	Olympic West	600
			26	Genting Property	600
			27	9th Street Sites	400
			28	Olympic Tower Hotel (Car Wash Site)	373
			29	Pico + Hope/Flower	350
			30	The Reef (LA Mart)	208
			31	Waterbridge (Broadway Trade Center)	200
			32	Hoxton Hotel	150
			Subtotal		4,631
			TOTAL FUTURE		7,944
GRAND TOTAL 11,116					

*Currently undergoing renovations

The existing and planned hotels in proximity to the LACC are critical to the success of its future. Indeed it will not make business sense to expand and modernize the LACC if we could not realistically get to at least a minimum of 8,000 rooms within walking distance. The LACC simply cannot be successful without the necessary number of hotel rooms.

The LACC needs approximately 8,000 rooms within walking distance to be in a position to accommodate about 90 percent of the convention market. As of September 2015, the LACC has 3,172 hotel rooms within walking distance. As the chart on page three of the report shows, there are an additional 1,990 currently under construction, and 1,323 far enough along in the entitlement process to believe they will actually get built. Existing under construction and upcoming hotel rooms total 6,485. With so much of the land surrounding the LACC being consumed by large residential projects, the safest way the LACC can control its own destiny and ready the goal of 8,000 rooms is to site a 1,000+ room hotel on the campus.

Next Steps

On March 2, 2016, the City Council instructed the CAO, BOE, CTD and CLA to proceed with a dual path approach for the LACC Expansion Project, differentiated by the type of financing. The first includes a Conventional Municipal Financing approach, in which the City issues debt to pay for the proposed project using the existing 3.5 points of Transient Occupancy Tax, which were levied specifically for paying for the construction of the LACC. The second financing approach is a Design, Build, Finance, Operate and Maintain (DBFOM) model, which involves leasing up to 25 percent of the convention center land area to at least one private developer. Both projects include a component for a 1,000 room hotel.

The CTD is recommending that the Council authorize the CTD, CLA, CAO, City Attorney, in consultation with EWDD, Planning and BOE to work in collaboration on identifying next steps for the RFP process, and for CTD to report back within thirty days. The proposed RFP would be exclusive to the Conventional Municipal Financing path.

RECOMMENDATIONS:

That the City Council and the Mayor instruct the Convention and Tourism Development Department, the Chief Legislative Analyst, the City Administrative Officer and request the City Attorney to work together in consultation with the Bureau of Engineering, the Economic and Workforce Development Department, and the Planning Department in identifying next steps for the Request for Proposal process and for Convention and Tourism Development Department to report back to Council on this matter within 30 days.

FISCAL IMPACT STATEMENT:

There is no impact to the General Fund associated with the recommendation in this report.

RRO:DM
Exec. Ref: 16-029

ATTACHMENT



The City of Los Angeles
and
**The Department of Convention &
Tourism Development**

RFI RESPONSE SUMMARY

For the
Development of a Convention Headquarters Hotel
Los Angeles Convention Center

March 15, 2016

Summary

A request for information (RFI) document was released on December 4, 2015 to allow the hotel development community the opportunity to express interest in building a large convention hotel on City-owned parcels, should the City decide to proceed with exploring such a project.

The responses to the RFI were due on February 26, 2016. Although some cities choose to make a submitted RFI response from a hotel developer mandatory in order to be considered eligible for any subsequent steps in the process, the City of Los Angeles opted for an open process. Therefore, responses to this RFI were optional, as developers could without consequence decide to simply collect the information that was made available and observe potential competitors without identifying their own team or their own initial vision for the potential project.

Despite this option, the City received seven (7) responses to its RFI. Collectively, these respondents and their chosen team members represent many of the industry's most prominent and successful names, including the potential hotel brands shown on the right. The number and quality of RFI responses indicate that strong interest exists in the private sector to explore the opportunity.

The RFI itself outlined three key areas of interest and solicited developers to identify: *Who is your team? What have they done? What do they see?* Each of these is summarized on the pages that follow.

The ultimate purpose of the RFI was not to rank submittals or to select the most qualified. Rather, the purpose was to understand if bona fide development teams with substantial experience and the proven ability to deliver would engage in a formal RFP process should the City of Los Angeles choose to further explore the opportunity.

The logo for Bellagio, featuring a large, ornate, cursive letter 'B' in a light brown color, with the word 'BELLAGIO' in a smaller, all-caps, serif font below it.The logo for Dolce Hotels and Resorts, with 'DOLCE' in a bold, red, sans-serif font and 'HOTELS AND RESORTS' in a smaller, red, sans-serif font below it.The logo for Hilton, featuring a blue circular emblem with a white 'H' inside, and the word 'Hilton' in a blue, serif font below it.The logo for Hyatt, with the word 'HYATT' in a blue, serif font and a red arc underneath.The logo for Omni Hotels & Resorts, with 'OMNI' in a serif font, a small floral icon, and 'HOTELS & RESORTS' in a serif font below it.The logo for MGM Resorts International, featuring a gold lion head icon and the text 'MGM RESORTS INTERNATIONAL' in a gold, sans-serif font.The logo for Starwood Hotels and Resorts, with 'starwood' in a lowercase, serif font and 'Hotels and Resorts' in a smaller, serif font below it.

Who is your Team?

Each lead developer was asked to identify, to the extent possible, any co-development partners and/or team members that would likely be involved with them if/when a request for proposals (RFP) process is initiated by the City. The information supplied for each of the seven lead developers is presented below in alphabetical order.

	<u>DREW</u>	<u>GATEHOUSE</u>	<u>JWM</u>	<u>LOWE</u>
Lead Developer	The Drew Company, Inc.	Gatehouse Capital	JWM Ventures LLC	Lowe Enterprises
Co-Developer(s)	–	–	–	Garfield Public-Private
Architect(s)	Callison RTKL	HKS	studio g ARCHITECTURE	WATG
Design Team	TBD	TBD	TBD	Perkins+Will
Local	TBD	TBD	TBD	TBD
Hotel Brand(s)	Hilton Hyatt MGM	Hilton Hyatt Omni Starwood	Dolce Hotel	Hyatt
Financial Partners	TBD	TBD	TBD	TBD
Construction	Suffolk Construction	Webcor Builders	Walbridge Construction	Austin Commercial
Design/Build Subs	TBD	DCI Engineers	TBD	TBD
Local Subs	TBD	TBD	TBD	TBD

	<u>MGM</u>	<u>OMNI</u>	<u>PORTMAN</u>
Lead Developer	MGM Resorts Intl.	Omni	Portman Holdings
Co-Developer(s)	TBD (if any)	–	Hensel Phelps Development
Architect(s)	Kohn Pederson Fox	HKS	John Portman & Assoc
Design Team	TBD	TBD	TBD
Local	TBD	TBD	TBD
Hotel Brand(s)	MGM Bellagio	Omni Hotels & Resorts	Hilton Hyatt MGM
Financial Partners	TBD	Omni/TBD	AIG Global Real Estate
Construction	WG Yates & Sons	TBD	Hensel Phelps Construction
Design/Build Subs	TBD	TBD	TBD
Local Subs	TBD	TBD	TBD

What have they Done?

The images below represent a sampling of those hotel products that the development teams responding to the RFI collectively either developed/developing, designed, and or constructed.



While some of the development teams may have a greater depth of experience than others, six of the seven respondents demonstrated the ability to effectively realize the development of a large-scale hospitality project. The following page presents a more inclusive listing of the hotels that the respondents developed, designed, and/or constructed.

Partial listing of hotel experience of RFI respondents:

Hotel Project	Location
1. Georgia World Congress Center Hotel	Atlanta GA
2. Hotel Indigo	Atlanta GA
3. Hyatt Regency	Atlanta GA
4. Marriott Marquis	Atlanta GA
5. Omni Hotel @ the Battery	Atlanta GA
6. Westin Peachtree Plaza	Atlanta GA
7. Sands Hotel & Casino	Atlantic City NJ
8. Hilton Convention Center Hotel	Baltimore MD
9. Waldorf=Astoria Hotel	Beverly Hills CA
10. Beau Rivage Hotel	Biloxi MS
11. Aloft & Element Hotels at Boston Convention Center	Boston MA
12. Mandarin Oriental	Boston MA
13. Seaport Hotel & World Trade Center Complex	Boston MA
14. Waterside Place Hotel & Mixed Use	Boston MA
15. Westin Boston Waterfront	Boston MA
16. Century Plaza Hotel	Century City CA
17. Westin Convention Hotel	Charlotte NC
18. Suncadia Resort	Cle Elum WA
19. Marriott Quorum	Dallas TX
20. Omni Hotel	Dallas TX
21. W Dallas Victory Hotel & Residences	Dallas TX
22. Hyatt Convention Center Hotel	Denver CO
23. MGM Grand Hotel	Detroit MI
24. Omni Hotel	Fort Worth TX
25. Omni Hotel @ the Star	Frisco TX
26. Hyatt Regency	Houston TX
27. Westin Convention Hotel	Irving TX
28. The Signature at MGM Grand	Las Vegas NV
29. James Hotel at Sunset	Los Angeles CA
30. The Fig Hotel	Los Angeles CA
31. The Hotel & Residences at LA Live	Los Angeles CA
32. W Hollywood Hotel & Residences	Los Angeles CA
33. Westin Bonaventure	Los Angeles CA
34. Omni Convention Hotel (u/c)	Louisville KY
35. Overton Hotel & Conference Center	Lubbock TX
36. JW Marriott Marquis	Miami FL
37. Omni Convention Hotel	Nashville TN
38. Marriott Marquis Times Square	New York NY
39. Resort at Squaw Creek	Olympic Valley CA
40. Hilton Omaha Convention Hotel	Omaha NE
41. Portofino Bay Hotel	Orlando FL
42. Sheraton Convention Hotel	Overland Park KS
43. Hyatt Regency (u/d)	Portland OR
44. Terranea Resort	Rancho Palos Verdes CA
45. Hyatt Regency Lake Washington (u/c)	Renton WA
46. Sheraton Grand Hotel	Sacramento CA
47. Hilton San Diego Bayfront	San Diego CA
48. Hyatt Regency Mission Bay	San Diego CA
49. Intercontinental Hotel (u/c)	San Diego CA
50. Lane Field Hotel	San Diego CA
51. Le Meridien at Coronado	San Diego CA
52. W Hotel	San Diego CA
53. Grand Hyatt SFO (u/d)	San Francisco CA
54. Hyatt Regency	San Francisco CA
55. JW Marriott	San Francisco CA
56. Pan Pacific Hotel	San Francisco CA
57. Ritz Carlton	San Francisco CA
58. Marriott Hotel	San Jose CA
59. Sheraton Puerto Rico Convention Hotel	San Juan PR
60. Renaissance Convention Hotel	Schaumburg IL
61. The Portman Ritz Carlton	Shanghai China
62. W Hotel	Silicone Valley CA
63. MGM Springfield	Springfield MA
64. Westin La Paloma	Tucson AZ
65. Marriott Convention Hotel	Washington DC
66. MGM National Harbor Hotel	Washington DC
67. Four Seasons Hotel	Westlake Village CA
68. Ritz Carlton Hotel	Xi'an China

What do they See?

As acknowledged in the RFI document, this early step in the process did not seek to gather architectural renderings or physical plans for any proposed hotel. Instead, the RFI asked the prospective development teams to contemplate the overall project, taking into account the plans for the convention center's expansion, the available hotel sites, the overall setting of downtown Los Angeles, and other factors, to begin to conceptualize in words those guiding principles and/or elements that would provide the foundation for a project approach. Those words are presented below.



In summary, almost all of the development entities who responded to the RFI possess the qualifications and experience to effectuate the project. Moreover, given the open-ended structure of the RFI process, it is probable that even more development teams would enter the process should it proceed to the RFP phase. Finally, nearly every hotel brand that would likely be available for this project has shown interest. The City of Los Angeles is fortunate to have significant interest in the potential convention hotel project, as this interest provides the City with options as it decides its own path forward.