

ECONOMIC DEVELOPMENT AND JOBS COMMITTEE REPORT relative to rate adjustments for the Los Angeles Convention Center (LACC).

Recommendation for Council action:

1. REQUEST the City Attorney to prepare and present the following Ordinance(s) to:
 - a. Amend Los Angeles Administrative Code (LACC) Section 8.149.1, "Rate Adjustment Procedure for Certain Licensees", to grant the Department of Convention and Tourism Development (CTD) Executive Director the temporary ability to approve rent discounts exceeding the expected Transient Occupancy Tax (TOT) for citywide events hosted at the LACC from January 1, 2021 through December 31, 2024 that present significant opportunity to generate economic impact, other sources of revenue and development of future business.
 - b. Amend LACC Section 8.149.1 to temporarily grant the CTD Executive Director the ability to waive the difference owed when rent discounts exceed the TOT revenue for citywide events hosted at the LACC from January 1, 2021 through December 31, 2024.
 - c. Amend LACC Section 8.149.1 to temporarily grant the CTD Executive Director the ability to waive the requirements for a licensee to qualify for a citywide event rate reduction or waiver with the following conditions:
 - i. Event shall be hosted at the LACC from January 1, 2021 through December 31, 2024.
 - ii. Event shall have demonstrated a recent historical precedence of having met the citywide event qualifications set by the City while being hosted either at the LACC or another convention center.
 - iii. Event shall present significant opportunity to generate economic impact, other sources of revenue and development of future business.
 - d. Amend LAAC Section 8.149.1, "Rate Adjustment Procedure for Certain Licensees", to grant the CTD Executive Director the temporary ability to approve rent discounts exceeding 35 percent for local events hosted at the LACC from January 1, 2021 through December 31, 2024 that present

significant opportunity to generate economic impact, other sources of revenue and development of future business.

- e. Amend LAAC Sections 8.149.1 and 8.149.6 to grant the CTD Executive Director the ability to establish the schedule of rates for the use of equipment at the LACC. Amend the LAAC Section 8.149 to grant the CTD Executive Director the ability to establish the schedule of rates for the use of spaces not named in LAAC Sections 8.149.2 and 8.149.5.
2. INSTRUCT the CTD to provide a progress report in Fiscal Year 2022-23 in regard to implementation of the amendments to the LAAC as described above in Recommendation No. 1 to include an evaluation of whether or not said amendments should be continued.

Fiscal Impact Statement: The CTD reports that it anticipates no negative financial impact on the General Fund. It is anticipated that the proposed changes shall preserve LACC revenues by preventing the potential loss of business during the recovery phase.

Community Impact Statement: None submitted.

Summary:

On March 23, 2021, your Committee considered a February 3, 2021 CTD report relative to rate adjustments for the LACC. According to the CTD, on July 15, 2020 and October 21, 2020, the Board of Los Angeles Convention and Tourism Development Commissioners (CTD Board) approved recommendations prepared by the CTD related to policies for events hosted at the LACC. The CTD's recommendations were prepared in light of the ongoing effects from the novel coronavirus (COVID-19) pandemic and based off information gathered from its two prime contractors, AEG Management, LACC, which manages and operates the LACC; and the Los Angeles Tourism & Convention Board (LATCB), which markets Los Angeles as a destination and books citywide business for the LACC. These recommendations are emergency in nature and will require temporary provisions to be added to the LAAC. Also, in addition to the temporary emergency provisions, the CTD Board has also recommended two permanent provisions that are technical improvements to the LAAC.

Since the implementation of restrictions on travels and mass gatherings during spring in 2020, industry conditions have not materially improved: the pandemic continues to disrupt life on a global scale and the spread of COVID-19 has not been effectively reduced to ensure public safety. Therefore, the reopening and subsequent recovery of the economy will depend more heavily on collaboration between the public and private sector, adequate implementation of safety protocol and guidelines, the continued development of therapeutics, and the rollout of the vaccine. Because the LACC's own

financial health has been jeopardized by pandemic-related impacts, it is imperative that the City of Los Angeles (City) be flexible with organizations desiring to book events at LACC once mass gatherings are permissible. Since the start of the moratorium on large meetings and events in March 2020, the LACC has cancelled or postponed over 140 events, resulting in a total economic loss of \$598 million to Los Angeles, including a projected \$14.8 million in transient occupancy tax (TOT) General Fund receipts and over \$20 million in direct revenue to the LACC. Thankfully, the LACC has successfully built up its Reserve Fund over the last several years, however, these funds will quickly be depleted and the LACC would then become a General Fund liability for any ongoing expenses. The LACC's clients themselves have sustained increasingly significant financial setbacks and will be facing increased expenses due to safety protocols and guidelines once they return. The leisure and hospitality super sector in Los Angeles County usually employs over half a million people; as of December 2020, the number of leisure and hospitality jobs in Los Angeles County was 372,100, which is a 31.9 percent decrease compared to prior year. City of Los Angeles hotels typically maintain occupancy rates close to 80 percent and above, however, they reported an average 45.4 percent occupancy during calendar year 2020, the lowest average on record. As a result, TOT General Fund receipts totaled \$132.3 million during 2020, which was a 59.1 percent decrease compared to prior year's total of \$323.4 million. After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the recommendations contained in the CTD report, as amended, and detailed in the above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

Economic Development and Jobs

PRICE: YES
KREKORIAN: YES
BLUMENFIELD: YES
RAMAN: YES
HARRIS-DAWSON: YES

ARL
3/23/21

-NOT OFFICIAL UNTIL COUNCIL ACTS-