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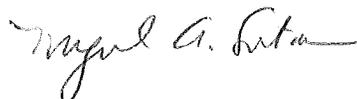
OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 11, 2012

CAO File No. 0110-00800-0000
Council File No. C.F. 09-0600-S159,
12-0692
Council District: 9

To: The Mayor
The City Council

From: Miguel A. Santana, City Administrative Officer



Reference: C. F. 12-0692, 09-0600-S159

Subject: **SUPPLEMENTAL REPORT ON THE LOS ANGELES CONVENTION CENTER PROPOSAL FOR AN ENHANCED GOVERNANCE STRUCTURE AND AUTHORITY TO RELEASE A REQUEST FOR PROPOSAL FOR OPERATING MANAGEMENT SERVICES**

SUMMARY

This report is in follow up to the committee discussions held with the Trade, Commerce and Tourism and Budget and Finance Committees on August 27, 2012 and September 10, 2012 respectively. The three primary recommendations discussed in the original report's proposal are (1) enhance the existing Los Angeles Convention Center (LACC) Commission, (2) contract with a private firm for the management and operating services of the facility, and (3) revise the operational policies including the Booking and Discount policies. To maximize LACC's potential as a catalyst for conventions, tourism and generating revenue for the City, all three recommendations should be adopted. By implementing the three recommendations in this report, the CAO believes, based on data from other convention centers and our consultants, that the goal of increasing citywide convention attendees to between 400,000 and 425,000 can be achieved by 2020. According to Beacon Economics' analysis, reaching this goal would then increase revenue to the General Fund by approximately \$7 million to \$12 million a year.

Developing A Long Term Strategic Plan

Currently, the City lags behind large cities in securing lucrative convention business. These proposals will help make LACC more competitive. However, changes to LACC's management, governance and operating policies are not the panacea for making the LACC a top tier facility. An ancillary but significant factor is the lack of convention quality hotels within walking distance. The City has approximately 1,500 hotel rooms within half a mile walking distance of the LACC, whereas regional competitors such as Anaheim, San Diego and San Francisco have 5,000 to 7,000 hotel rooms within the same radius. In an effort to address this challenge, the City must develop a long-term strategic plan to attract the development of more hotels. During the last several years, hotel development and growth has been handled on a case-by-case basis with no

strategic plan that accounts for the City's long-term needs. Recommendation Six of the August 2012 report would result in a report back to Council with recommendations to increase hotel capacity in furtherance of the City's goal of increasing convention business.

Beacon Economics' Analysis

Beacon Economics (Beacon), a leading economic analysis firm in California, was contracted to assist the CAO to estimate the economic impact of a higher attendance goal at the LACC assuming the City implements the three-pronged strategy. The CAO stated attendee goals of 400,000 to 425,000 annual visitors by the year 2020. From this assumption, Beacon estimated the economic impact of higher attendance, as well as the fiscal impact to the City's transient occupancy tax (TOT) and sales and use tax revenues.

Beacon notes that "where these visitors come from will play a crucial role in determining the overall economic impact for the City, given that out-of-town event attendees will contribute more to the City's economy than will local attendees. This stems from the fact that much of what local attendees would spend on lodging, food and beverages, retail, and recreation in the course of attending a LACC event would be substituted with other local spending if the event were not to occur. In contrast, the City would forgo a substantial amount of new spending in these areas from non-local attendees if the same event were not to occur."

Revenue Estimates - TOT, Sales, Use Tax and Secondary Economic Impact Revenue

Beacon presented all results in 2012 dollars. Applying the City's TOT rate of 14%, Beacon calculated TOT revenues the City can expect under various scenarios. Beacon states "In our low estimate, we find that the City can expect an additional \$3.1 million in TOT revenue from an additional 150,000 LACC attendees over the baseline scenario, which corresponds to an additional 127,500 hotel room nights. In our high estimate, we find that the City can expect an additional \$3.5 million in TOT revenue from an additional 175,000 LACC attendees, which corresponds to 148,750 additional room nights." Beacon also calculated the amount of sales and use tax. Beacon states "With respect to the CAO goal of 400,000 annual LACC attendees, the City can expect to receive an additional \$256,064 to \$293,540 in sales and use tax revenue over the baseline scenario, and for the CAO goal of 425,000 annual LACC attendees, the City can expect to receive an additional \$309,032 to \$342,464 in sales and use tax revenue over the baseline scenario."

When secondary economic impact revenue is included with the above, Beacon's analysis demonstrates that additional citywide convention attendees would generate be between \$7 million to \$12 million in the first year the attendee goals are met. See Attachment 1 for the Beacon Economics report.

PROPOSAL OVERVIEW

LACC Management Services

Top tier convention centers drive millions of dollars in local economic benefits. It is a center of business and an economic engine and not just a City department. As such, the industry is experiencing a trend towards privatizing management and operation services. Cities are partnering with private entities with resources and flexibility that public management structures may not have. These include:

- Ability to rotate large events through LACC from other existing facilities they manage;
- Lower supply chain costs due to fewer constraints on negotiating financial terms and general procurement activities;
- Consistent management philosophy during political changes in leadership;
- Extensive experience managing construction projects, expansion projects and interfacing logistically with developers that impact convention center properties;
- Performance incentives for staff;
- Ongoing best-practices training opportunities to staff; and,
- Contractual obligations and incentives tied to public policy directives.

Within the last two years, Chicago and Detroit, two top tier convention cities, completed the privatization of management and operation services. These municipalities have successfully transitioned to a private operator while retaining a large number of existing personnel. As a result, their competitive positions have strengthened and have allowed them to improve sales, customer service and operations. For example, just two years after privatizing, two conventions extended their contracts in Chicago resulting in an additional \$1.0 billion in direct expenditures and thousands of jobs.

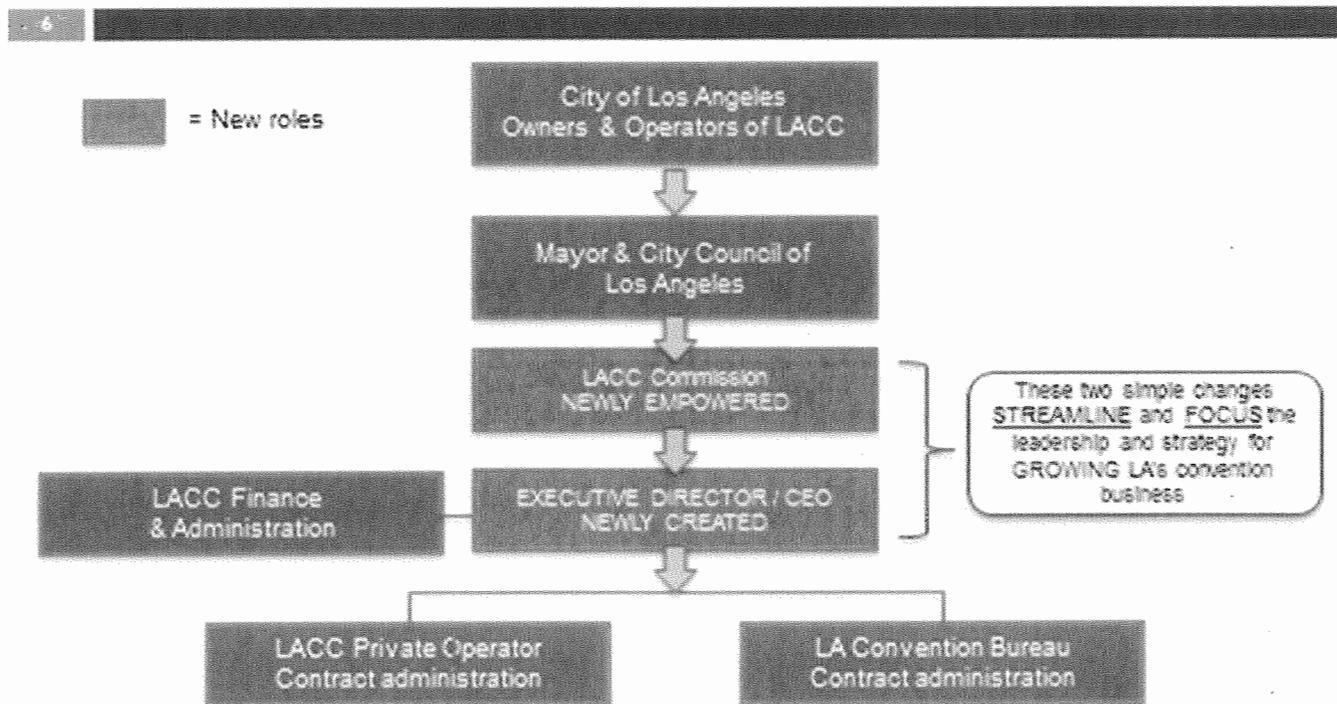
Enhanced LACC Commission

The August 2012 report proposes enhancing the oversight of the LACC Commission from advisory to authoritative. The proposed structure streamlines the decision-making process on issues related to driving convention business to the City. Currently, the LACC reports directly to the Mayor and Council, and its booking partner the LATCB reports directly to the CAO through a contractual relationship. Through a streamlined process, both LACC operations and LATCB sales and marketing would report to one entity, the LACC Commission on all matters related to selling, marketing, booking and operating the LACC. This guarantees that everyone is working in unison and towards one mission. The August report had originally proposed a Board of 9 to 12 voluntary members; however, the CAO is revising its recommendation to 7 to 9 members. An Executive Director (ED) would be appointed and would report to the Board members on all matters related to the LACC. The ED would have a staff limited to four to five individuals, including exempt employees that would fulfill duties related to building maintenance, revenue and auditing, contract administration, and communications.

The Commission would also advise on matters related to developing a long term strategic plan for tourism and hotel growth in the City. Aside from booking citywide conventions, the LATCB's greater focus is to provide marketing services to the City. The services provided by the LATCB would complement the long-term strategic goals the Commission would establish for supporting economic growth and hotel development in the City.

Since the release of the August 2012 report, this Office has made presentations and met with the LATCB and Hotel Association of Los Angeles Boards of Directors. Some of the concerns expressed by various stakeholders within the local hotel industry have included appointing an ED from the convention and tourism industry, ensuring that the LATCB's and Commission's goals do not conflict and that no TOT revenues currently appropriated to the LATCB are used to pay for costs related to the proposed structure. Currently, the LATCB receives an amount equivalent to one percent (1%) of the TOT. The CAO agrees that the appointed ED should be an individual that is familiar with the convention, tourism and hotel industry. Further, there is no recommendation to reduce the LATCB's TOT appropriation to pay for the costs of the proposed structure. The LACC is a General Fund asset and would remain a General Fund department as it is now. Any revenues derived from operating the LACC would be used to offset costs related to the proposed structure.

Future LA Convention Center Structure



Booking Policy

In the August 2012 report, the CAO recommended reducing the Booking Policy window from 24 to 12 months to create more flexibility to meet shorter-term requests for citywide conventions. The most successful convention facilities work in unison with their local Destination Marketing Organization, which is the LATCB for the City, and tend to use the booking policy as a guide. The recommendation for both LACC management and the LATCB to report to one entity should also help mitigate inherent tensions in the booking of citywide conventions and tradeshow.

Further, at the request of the Budget and Finance Committee, the CAO met with the owners of the Auto Show on several occasions and have come to agreement on the revised Booking Policy, which allows the Auto Show to book beyond the 12 month booking window but does not authorize the licensing of an agreement more than one year out. Attachment 2 shows the new proposed Los Angeles Convention Center Booking Policy. This will replace the one in the August 12 report and we recommend that this new one be adopted. The Los Angeles Auto Show not only attracts international visitors and spotlights the City with media coverage but also brings residents of Los Angeles to Downtown as one of the area's largest trade shows.

Next Steps

Before the Council is a recommendation to release the attached Request for Proposal (RFP) for management operations, adopt the Enhanced Commission Structure in concept and to adopt the revised booking policies. If approved, the CAO will release the RFP immediately and return to Council by March 2013, with the recommended applicant for private management services.

The Council must also instruct the Office of the City Attorney to draft the necessary ordinance amendments that support the Commission structure in concept. The ordinance changes would describe the mission of the Commission, identify an appointment process for the Board and ED, and define the composition of the LACC Board.

Next Steps for Active Council Participation

- **December 12, 2012 – Council will be considering:**
 - Release of Request for Proposal for private management services
 - Approve the concept of an enhanced governance structure
 - Revise operating policies
- **March 2013 – Council will be considering:**
 - Recommendation for private operator
 - Ordinance changes necessary to implement the governance structure
- **April through September 2013**
 - City to transition between public to private management

Conclusion

The CAO recommendation is that all three recommendations should be adopted as one proposal. Since the release of the August 2012 report, several organizations have come forward to express support of the above proposals. The Los Angeles Coalition for the Economy and Jobs supports improving the governing and operating structures of the LACC; the LACC Commission endorsed the proposal to enhance the existing LACC Commission from advisory to authoritative; the Los Angeles Tourism and Convention Board supports the proposal to privatize LACC operations; and, the Los Angeles Times Editorial Board wrote in support of the proposals.

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor

1. Adopt recommendations 1 – 3 and recommendations 5 – 10 in the August 12 report.
2. Adopted the new proposed Los Angeles Convention Center Booking Policy that would grant an exemption to the policy and would allow the Los Angeles Auto Show to book and hold dates on the Master Calendar more than one year in advance, as shown in Attachment 2 of this report.

FISCAL IMPACT STATEMENT

Although this report has no impact, an alternative management structure for the Los Angeles Convention Center could generate General Fund savings of \$2.1 million to \$6.3 million for the first year and up to \$3.8 million to \$8.5 million by the fifth year. However, the actual General Fund savings cannot be determined at this time and largely depend on responses to the Request for Proposal. Changes recommended to the enhanced commission structure are anticipated to have a financial impact equivalent to the cost of the Executive Director salary, which would be competitive to similar positions in the convention industry. Increasing the number of citywide conventions will increase the amount of Transit Occupancy Tax and Sales Tax received by the City by approximately \$7 million and \$12 million. There is no additional negative impact on the General Fund.

DEBT IMPACT STATEMENT

This report has no debt impact on the General Fund.

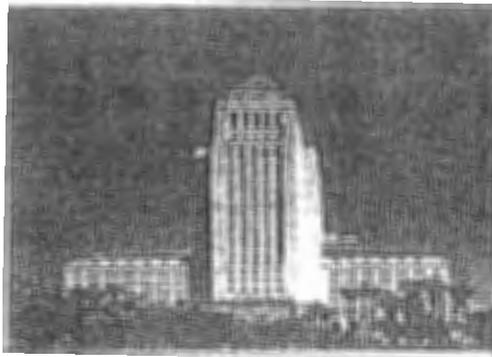
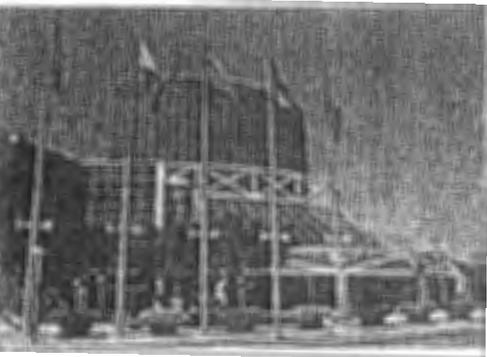
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Attachments

ATTACHMENT 1
BEACON ECONOMICS REPORT

Los Angeles Convention Center

2020 Economic Impact



BEACONECONOMICS

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Introduction

Beacon Economics, LLC has been contracted to provide a report to estimate the economic impact of higher attendance levels at the Los Angeles Convention Center (LACC) in the City of Los Angeles (the City). This City's strategy to transform the LACC into a top tier convention center was first discussed in 2010 as part of the City Administrative Officer's (CAO) Three Year Plan to Fiscal Sustainability. To achieve higher attendance levels the City has a three-pronged approach in their strategy to transform Los Angeles into a top tier convention destination:

- Enhance the existing LACC Commission
- Hire a private operator to manage LACC
- Optimize LACC policies and procedures

According to the City, enhancing the existing LACC Commission will help in developing and driving the City's strategic plan for tourism and hotel growth. The privatization of the LACC will instill a consistent and industry-professional partner with client experience on par with top tier convention centers. And finally, optimizing LACC policies and procedures will allow for more nimble decision-making, promote facility operations from a private business standpoint, and adopt policies that will drive conventions.

In this report, we assume the City is able to implement their strategy successfully such that the higher attendance goals are realized in 2020. From this assumption we will provide an estimate of the economic impact of higher attendance, as well as the fiscal impact to the City's transient occupancy tax (TOT) and sales and use tax revenues.

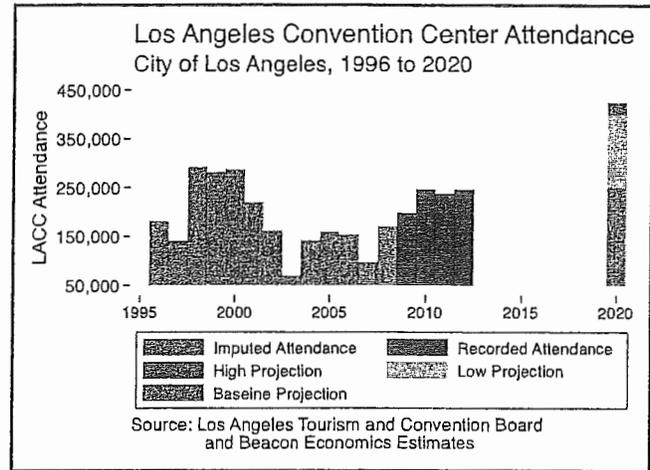
In their plan the CAO has stated attendee goals of 400,000 to 425,000 annual visitors by the year 2020. These attendance figures represent a 68% to 79% increase over the highest recorded annual attendance to date (with the exception of the 2011 NBA All Star Game year). Where these visitors come from will play a crucial role in determining the overall economic impact for the City, given that out-of-town event attendees will contribute more to the City's economy than will local attendees. This stems from the fact that much of what local attendees would spend on lodging, food and beverages, retail, and recreation in the course of attending an LACC event would be substituted with other local spending if the event were not to occur. In contrast, the City would forgo a substantial amount of new spending in these areas from non-local attendees if the same event were not to occur.

Methodology

We will consider three attendance scenarios in our analysis. The first is a "baseline" scenario assuming 250,000 LACC attendees in 2020. Currently, the highest annual LACC attendance for the years 2009-2012 is 238,000 in 2011, so the baseline scenario represents the best the Convention Center has been able to do with the current management structure. The second scenario assumes 400,000 LACC attendees in 2020 and is on the low end of the CAO goals. The third scenario assumes 425,000 LACC attendees and represents the upper end of the CAO 2020 attendee goals.

To estimate the economic impact of higher event attendance levels at the LACC, we have conducted an empirical study of the linkage between convention attendance and hotel room nights and hotel room revenues connected with the LACC. To make our projections, we consider data on historical attendance, number of events, hotel room night stays, hotel room revenues, and average daily room rates.

Calculating event attendance and corresponding room nights per event involves some assumptions due to data limitations. Using the average ratio between attendance and room nights for the years 2009-2012, we are able to impute past attendance using historical data on number of events per year as well as hotel room nights for the years 1995-2008. This ratio works out to roughly 0.85 rooms per attendee. The fact that this ratio is less than one room per attendee is because many event attendees are local and do not require lodging. With this information, we can then estimate the number of room nights associated with the CAO projections and subsequent TOT revenues that can be expected following the higher levels of attendance at LACC events.



The second stage of the empirical analysis will look at the secondary impacts of higher event counts and attendance. This analysis will attempt to identify the specific amount of additional spending in the local economy that will be generated as a result of higher attendance and more hotel room nights. This portion of the analysis will utilize the IMPLAN modeling system to calculate the direct, indirect, and induced effects that can be expected as a result of the proposed change.

Using data on event attendee direct spending, we are able to produce a high and low estimate based on the variation between spending patterns at different events. The difference in attendee spending will vary depending on the proportion of attendees that are local versus non-local. Non-local event attendees will introduce more new spending into the local economy than will locals, since non-locals must pay for all lodging, food, and transportation costs, while much of the money locals will spend in relation to the event is simply a substitute for money that would have already been spent locally. Our high and low estimates, combined with the three attendance scenarios, will produce a range of outcomes within which we can expect the actual economic impact to fall.

Results

To simplify the analysis, all results are presented in 2012 dollars. According to PKF, the average daily room rate for the downtown Los Angeles area is \$170.62. From this figure, we can estimate the amount of hotel revenue that can be expected for the three attendance scenarios. Applying the City TOT rate of 14%, we can then calculate the TOT revenues the City can expect under each scenario. In our baseline scenario, we find that the City can expect to receive \$5.1 million in TOT revenues from 250,000 annual LACC attendees, which corresponds to 212,500 hotel room nights. In our low estimate, we find that the City can expect an additional \$3.1 million in TOT revenue from an additional 150,000 LACC attendees over the baseline scenario, which corresponds to an additional 127,500 hotel room nights. In our high estimate, we find that the City can expect an additional \$3.5 million in TOT revenue from an additional 175,000 LACC attendees, which corresponds to 148,750 additional room nights.

City of Los Angeles Projected TOT City Revenues

Attendance	Room Nights	TOT
250,000	212,500	\$5,075,945
400,000	340,000	\$8,121,512
425,000	361,250	\$8,629,107

Source: Beacon Economics Estimates

Using our data on high and low spending in conjunction with our three attendance scenarios, we are able to estimate the amount of sales and use tax the City can expect. In the baseline scenario, we project that the City would receive \$441,475 in sales and use tax revenue on the low end and \$489,235 on the high end. With respect to the CAO goal of 400,000 annual LACC attendees, the City can expect to receive an additional \$256,064 to \$293,540 in sales and use tax revenue over the baseline scenario, and for the CAO goal of 425,000 annual LACC attendees, the City can expect to receive an additional \$309,032 to \$342,464 in sales and use tax revenue over the baseline scenario.

City of Los Angeles Projected Sales and Use Tax Revenue

Attendee and Spending Scenario	City Sales Tax Revenue	
250,000 Attendees	Low Spending	\$441,475
	High Spending	\$489,235
400,000 Attendees	Low Spending	\$706,359
	High Spending	\$782,775
425,000 Attendees	Low Spending	\$750,507
	High Spending	\$831,699

Source: Beacon Economics Estimates

The direct spending by event attendees will have both indirect and induced effects on the local economy. The detailed results for the total impact are presented in the table below. For the CAO goal of 400,000 annual LACC attendees, the City can expect to see the number of full-time equivalent jobs to increase by anywhere from 949 to 1,378 over the baseline scenario, depending on the level of overall spending by event attendees. We project labor income to increase by \$35.8 million to \$53.5 million, and total economic output to increase by \$92.5 million to \$144.8 million over the baseline scenario. With respect to the upper end of the CAO attendee goals (425,000), the City can expect to see an increase in full time equivalent jobs by anywhere from 1,018 to 1,608 over the baseline scenario. The City can also expect labor income to increase by \$41.8 million to \$62.4 million, and total economic output to increase by \$107.9 million to \$168.9 million over the baseline scenario.

Convention Center Economic Impact Results

Attendee and Spending Scenario		Employment	Labor Income	Output
250,000 Attendees	Low Spending	1,582	\$59,608,155	\$154,198,913
	High Spending	2,297	\$89,083,774	\$241,299,294
400,000 Attendees	Low Spending	2,531	\$95,373,032	\$246,718,217
	High Spending	3,675	\$142,534,048	\$386,078,881
425,000 Attendees	Low Spending	2,690	\$101,333,846	\$262,138,100
	High Spending	3,905	\$151,442,425	\$410,208,812

Source: IMPLAN, Calculations by Beacon Economics

While we have provided the specific estimates for TOT and sales and use tax revenues as a result of event attendees, we must also estimate the tax revenues that secondary economic impacts will generate as a result of the privatization of the LACC. The estimates of TOT and sales and use tax revenues shown above are only the tax revenues realized from direct spending by attendees. Downstream effects from event attendee spending will yield additional tax revenues. The table below details the total tax revenue the City can expect from all sources, primary and secondary, as a result of event attendee spending. Note that these totals include the TOT and sales and use tax estimates from above. With respect to the lower end of the CAO attendee goals, the City can expect an additional \$6.6 million to \$10.5 million in tax revenue over the baseline scenario, and with respect to the higher end of the CAO attendance goals, the City can expect an additional \$7.7 million to \$12.3 million in tax revenue.

City of Los Angeles Project Total Tax Revenue

Attendee and Spending Scenario		Total Revenue
250,000 Attendees	Low Spending	\$10,938,935
	High Spending	\$17,487,631
400,000 Attendees	Low Spending	\$17,510,343
	High Spending	\$27,969,241
425,000 Attendees	Low Spending	\$18,604,739
	High Spending	\$29,717,319

Source: IMPLAN, Calculations by Beacon Economics

Conclusion

By and large, the economy of the City of Los Angeles will see a substantial benefit as a result of higher attendance at the convention center if the new management structure is able to meet the CAO attendance goals in 2020. With respect to the range of scenarios we have examined, the City can expect an additional \$3.1 million to \$3.5 million

in TOT revenues and \$256,064 to \$342,464 in sales and use tax revenues. These results reflect the tax revenues the City will receive above and beyond the baseline scenario of 350,000 attendees, which is the highest level of annual attendance under the current management structure.

The local economy will also benefit greatly from the secondary impacts generated by the increase in spending from tens of thousands more event attendees each year. We estimate that the number of full-time equivalent jobs in the City will increase by anywhere from 949 to 1,608 over the baseline scenario, depending on the increase in the number of LACC attendees and the consequent increase in overall attendee spending. At the same time, we estimate that labor income will increase by \$35.8 to \$62.4 million, while total economic output will increase by \$92.5 million to \$168.9 million. These secondary economic impacts will generate additional tax revenue for the City, which will bring the total tax revenue generated from LACC events anywhere from \$7.7 million to \$12.3 million above current levels.

One final consideration is that the City of Los Angeles is already a world-class tourism destination, and thus it is entirely possible that our estimates of the benefits of higher annual LACC attendance are very conservative. The data used in our analysis may not capture an increase in spending on tourism activities, and the resulting increase in TOT and sales and use tax revenues, that would result if non-local attendees choose to add vacation spending to their LACC event budgets.

Appendix

IMPLAN Methodology

The IMPLAN modeling system combines the benchmark input-output accounts of the U.S. Bureau of Economic Analysis with other data to construct quantitative models of trade flow between businesses, and between businesses and final consumers. From this data, we can examine the effects of a change in one or several economic activities to predict the outcome on a specific state, regional, or local economy (impact analysis). The IMPLAN input-output accounts capture all monetary market transactions for consumption in a given time period. The IMPLAN input-output accounts are based on industry survey data collected periodically by the U.S. Bureau of Economic Analysis and follow a balanced account format recommended by the United Nations.

IMPLAN's Regional Economic Accounts and the Social Accounting Matrices will be used to construct regional-level multipliers that describe the response of the relevant regional economy to a change in demand or production as a result of the proposed statutory initiative. Each industry that produces goods or services generates demand for other goods and services, and this demand is multiplied through a particular economy until it dissipates through "leakage" to economies outside the specified area. IMPLAN models discern and calculate leakage from local, regional, and state economic areas based on workforce configuration, the inputs required by specific types of businesses, and the availability of inputs in the economic area. Consequently, economic impacts that accrue to other regions or states as a consequence of a change in demand are not counted as impacts within the economic area.

The model accounts for substitution and displacement effects by deflating industry-specific multipliers to levels well below those recommended by the U.S. Bureau of Economic Analysis. In addition, when estimating the impact of household spending, multipliers are applied only to personal disposable income to obtain a more realistic estimate of the multiplier effects generated by increased demand. Importantly, IMPLAN's Regional Economic Accounts exclude

imports to an economic area, so the calculation of economic impacts identifies only those impacts specific to the economic impact area, as determined by the purchasing patterns of the industries where changes in output are occurring. IMPLAN calculates this distinction by applying the area's economic characteristics described in terms of actual trade flows within the area. The current version of IMPLAN not only identifies what proportion of inputs are purchased locally, but also determines where inputs are sourced from that are not obtained within the local economic area. This enables a user to estimate the impact of a spending increase in one economy on other nearby economies and to determine how increased economic activity in those areas in turn impact the original study area.

Impact studies operate under the basic assumption that any increase in spending has three effects: First, there is a direct effect on that industry itself, resulting from the additional output of goods or services. Second, there is a chain of indirect effects on all the industries whose outputs are used by the industry under observation. These are the impacts generated by a business's supply chain. Third, there are induced effects that arise when employment increases and household spending patterns are expanded. These impacts follow from the additional income that is earned in the course of producing this output, both by employees in the target industry and in those supplying it.

It is clear that there are several components to the overall economic impact. First, there is an effect on value added—the net increase in the overall value of the local economy. Value added is the total increase in an industry's output less the cost of any intermediate inputs, and it is commonly used to measure an industry's contribution to local gross product. Value added consists primarily of labor income, but also includes indirect business taxes and other property income. The secondary and tertiary effects of the industry on the rest of the local economy are not very large. Second, there is an impact on local employment, with the single-largest share of jobs created in the industry itself, and the others spread throughout the study area's economy. Third, there is the increase in output, where the difference between value added and output is that the former concentrates on various earnings, while the latter includes the costs of intermediate inputs. National income accounting avoids double counting by excluding the costs of intermediate inputs.

It is also important to note that capital investments made on different types of projects can lead to different multipliers. Why? A sector can have a large multiplier if it induces economic activity in industries whose employees have a high propensity to spend from take-home pay. Also, if the sector does not import many materials from abroad or from out of state, then its multiplier effect on the local economy will be high. In essence, some of the spending in the local economy may "leak out" into other states and countries. If raw materials are imported, then a change in a local sector's level of production will result in a commensurate change in economic activity abroad. The same is true if a California business buys inputs from firms in different states.

Our analysis using input-output accounts is based on three important assumptions. First, there are constant returns to scale. This means that a 10% cut in spending will be ten times as severe—across every sector in the economy—as a one percent cut. Second, there are no supply constraints. This means that any marginal increase in output can be produced without having to worry about bottlenecks in labor markets, commodity markets, or necessary imports. This assumption is quite realistic in a free-market economy like California's where there is some unemployment. It is even more reasonable in times of high unemployment, such as the present economic environment, because there are many underutilized resources that can be activated without detracting from other industries or businesses. Third, the flow of commodities between industries is fixed. This means that it is not possible to substitute in the short-run the many different inputs that go into the target industry.

About Beacon Economics

Beacon Economics is an independent economic research and consulting firm with offices in Los Angeles and the San Francisco Bay Area. We deliver economic analysis and data sites that help our clients make informed, strategic decisions about investment, growth, revenue, policy, and other critical economic and financial issues. Our nationally recognized forecasters were among the first to predict the collapse of the housing market and foretell the onset and depth of the economic downturn that followed. Our core areas of expertise include economic and revenue forecasting, market and industry analysis, economic impact studies, economic policy analysis, and international trade analysis.

Services

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- Public Speaking
- Expert Testimony

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ATTACHMENT 2

REVISED PROPOSED LOS ANGELES CONVENTION CENTER BOOKING POLICY

PROPOSED LACC BOOKING POLICY

The Los Angeles Tourism and Convention Board (LATCB) shall have sales responsibility for booking conventions and meetings into the Los Angeles Convention Center facilities (LACC). Conventions are defined as any events which are not normally open to the general public and which generate primary attendance from outside the Los Angeles area. The LATCB shall have authority to book these events one year or more in advance of the move-in date.

The LACC General Manager, or a representative thereof, shall have sales responsibility for public shows, meetings, special events, banquets, entertainment events, consumer shows and other activities which draw attendees primarily from the Los Angeles areas and region and that appeal to the general public. These events may be booked up to one year in advance of the move-in date. The Los Angeles Auto Show will be granted an exemption to this policy and will be allowed to book and hold dates on the Master Calendar more than one year in advance.

The LACC or a representative thereof shall be responsible for managing the day-to-day duties of the Master Calendar. However ultimate responsibility for control of the Master Calendar will reside with the Executive Director of the City's Los Angeles convention and tourism governing body. Nothing herein is to be construed in such a manner as to prevent the LATCB from booking dates for all or a portion of the Convention Center less than one year in advance.

Updated: November 7, 2012

City of Los Angeles
Convention Center
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Auditorium

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