



ANTONIO R. VILLARAIGOSA
MAYOR

December 11, 2012

The Honorable Members of the Los Angeles City Council
c/o City Clerk
Room 395, City Hall

Re: Enhanced Governance Structure of the Los Angeles Convention Center (C.F. 12-0692)

Honorable Members:

Given the significance of our City's fiscal realities and the need to address the on-going structural deficit, we must re-evaluate how best to leverage our assets to increase revenue to the General Fund. Unfortunately, we will not be able to simply tax or cut our way out of these unprecedented problems. While several plans and options have been presented, I strongly believe one of the biggest areas of growth potential is within the tourism industry. For that reason, I am writing in support of the City Administrative Officer's (CAO) plan to enhance the structure of the Convention Center – through a new governance structure and management - as it will dramatically aid in supporting the tourism industry. Below, I have outlined some of the major benefits and opportunities this new structure could create for the City:

1. Tourism is a jobs driver.

Tourism is one of our City's top job producing industries, directly supporting 372,000 jobs. According to the Los Angeles Tourism and Convention Board, 1 in every 10 jobs in Los Angeles is related to the tourism industry. Additionally, tourism and hospitality is Los Angeles' fastest growing industry – almost 8,000 tourism and hospitality jobs were added in 2011. Every 340 overnight visitors to Los Angeles creates 1 new job. Furthermore, the tourism industry is a catalyst for new business development and economic growth. In 2011, visitors to Los Angeles spent more than \$15 billion. Put simply: when we bring people to our City, we create jobs, grow new and existing businesses and increase revenue.

2. Tourism is a General Fund catalyst – funding essential city services.

The \$15 billion visitors to Los Angeles spent in 2011 not only spurs job growth, it also funds the essential services that make Los Angeles an international destination to live and visit by generating sales tax and transient occupancy tax (TOT) for our General Fund. If Los Angeles had kept pace with New York's tourism sector growth in past 5 years, we would have approximately 70,000 more jobs today and \$35 million more in City tax revenue annually. If we had kept pace with San Francisco's growth, we would have approximately 18,000 more jobs today and \$16 million more in City tax revenue annually.

3. Los Angeles must enhance its efforts to be competitive in the tourism industry.

While we have taken key actions like investing \$4.1 billion to upgrade LAX – including \$1.6 billion at Tom Bradley International Terminal – and approved the development of Farmers Field, which includes a \$350 million investment toward modernizing the Convention Center, it is not enough to keep pace with our competitors.

While Los Angeles is the nation's third most visited metropolitan area after Orlando and New York, we can and should do more to grow our tourism sector as doing so creates jobs and generates new tax dollars.

Given our proximity to both the Pacific Rim and Central/South America, we should also be attracting the lion share of international visitors. International visitors spend more money when they visit and stay for a longer amount of time. The average overseas visitor from Brazil spent an average of \$1156 and the average visitor from China spent \$1326 in 2011. While we had a record amount of visitors this past year, other cities have seen a far larger increase of international visitors. Between 2010 and 2011, cities like San Jose and Dallas have seen over a 20% increase in international visitors, while Houston has seen over a 30% increase. Given our natural assets like great weather, beaches, iconic cultural institutions and the entertainment industry, Los Angeles has seen an increase of 9% - a number we can improve upon if we are proactive in our approach.

We must make changes that will continue to grow the industry, including doing what we can to attract more citywide conventions and hotel projects, particularly in Downtown. Citywide conventions bring people who may not otherwise come to the City. They stay in our hotels, eat in our restaurants and potentially will come back at a later date with their family – all of which translates to more jobs, and sales tax and TOT revenue for the City. According to the Destination Marketing Association, each citywide room night generates an economic impact of \$894 to the City (compared to the \$43 per attendee for a local show).

4. A streamlined structure & new operator puts Los Angeles on the national stage for attracting conventions.

Other cities (Chicago, San Francisco, Orlando, San Diego) have already recognized these benefits and have made changes to treat their Convention Centers as "economic engines" and not as typical government departments and agencies by bringing in new operators and streamlining their structures to be more competitive. As a result, they have seen a significant increase in citywide conventions and, ultimately, jobs and revenue for their cities.

By hiring an alternative management team to operate their convention centers, these cities have freed themselves from what can be a cumbersome government bureaucracy and – in this new fiscal reality – created an environment where they can be more nimble in responding to changes in the market. A new management team would also have the benefit of a network of hundreds of other nationally situated professionals, giving them access to best practices and creative solutions to the unique challenges faced by convention centers.

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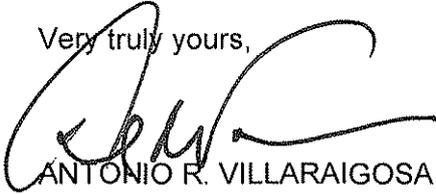
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A change to new management provides an opportunity to streamline operations while lowering costs to our customers, and it will also serve to align the City's mission, business model and practices with a payment mechanism that drives performance contractually to the City's convention and tourism objectives.

I greatly value and respect all of our city employees at the convention center, and I believe we can make this transition to a new operator in a way that also maximizes our employees' potential if they choose to remain on the team, or their skills and know-how will be major assets to other departments in the City.

This is an opportunity for our City to grow revenues proactively, and I urge you to support the CAO's report to enhance the structure of the Convention Center and promote tourism. While the CAO projects that an alternative management structure for the 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, the real long term benefits will come with increased sales tax and TOT revenues for the General Fund and ultimately a better way of promoting our great City.

Very truly yours,



ANTONIO R. VILLARAIGOSA
Mayor

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