

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Council District: 4

To: The Council

From: Miguel A. Santana, City Administrative Officer
Chair, Boundary Adjustment Board *MAS*

Reference: Recommendations from the Boundary Adjustment Board

Subject: **NBC/UNIVERSAL EVOLUTION PLAN PROPOSED MUNICIPAL BOUNDARY CHANGES**

SUMMARY

The Boundary Adjustment Board (Board) was created in 2000 by Ordinance (Los Angeles Charter Section 22.178, Ordinance No. 173,480) to make recommendations to the Council relative to proposed adjustments to the City boundary. The City Administrative Officer (CAO) chairs the Board. According to the Charter, each proposed adjustment shall be submitted to the Chair for a report and recommendation to Council. Upon submittal of a proposed adjustment, the Chair shall convene a meeting of the Board to assist in preparation of the report and recommendation. The other Board members include the Chief Legislative Analyst and the Director of Planning. In addition, the Council President appoints as a member any Councilmember whose district would be affected by the proposed boundary adjustment. It is the intent of the Board to advise the Council regarding the fiscal and economic impacts of a proposed boundary change to the City rather than commenting on the merits of the project.

This report provides information from the Board to the Council regarding the proposed municipal boundary changes involving the annexation of property from and detachment of project elements to Los Angeles County relative to the NBC/Universal Evolution Plan development project (Project).

Evolution Plan

NBC/Universal proposes to develop more than two million square feet of facilities at its Universal City site, including a new theme park attraction called "The Wizarding World of Harry Potter," two new 500-room hotels, studio facilities, office space and additional retail shopping areas. As a result of a request to annex, detach and develop various project elements, the CAO convened the Board to review the proposed municipal boundary changes and advise the Council regarding the fiscal impacts to the City. Since the area is adjacent to Council District 4, the Council President appointed Councilman LaBonge to be the fourth member of the Board. If the Project municipal boundary changes are approved, the result will be a net reduction of approximately 27 acres in the area of the Project site that is located in the City. Of the nearly 1.8 million net new square feet of studio, office, retail and entertainment facilities and two 500-hotel rooms proposed to be

developed, approximately 340,000 is proposed to be developed in the City portion of the project site, with the remaining development to occur in the unincorporated area of Los Angeles County.

Fiscal Impact Report

The Board initially met in November 2012 regarding the NBC/Universal project. At this meeting, the Board directed the CAO to oversee the preparation of a Fiscal Impact Report (FIR) for the project with funds for the study provided by NBC/Universal. The CAO issued a Request for Bids (RFB) to the list of economists approved for use by the Office of Economic Analysis and received three proposals. After following an established RFB review process, the review panel selected the Blue Sky Consulting Group (Blue Sky) to perform the study.

Blue Sky submitted the FIR on January 31, 2014. At the March 6, 2014 Boundary Adjustment Board meeting, the Board considered a presentation by Blue Sky and asked questions based on the presentation and the FIR. The following are highlights of the discussion and FIR:

- Once completed, the Alternative 10 project will likely result in a positive net fiscal impact for the City of approximately \$9.7 million per year.
- Prior to completion, the Project will result in a short-term decrease of revenues of approximately \$543,000 immediately following the proposed municipal boundary changes (estimated to take effect around December 2014), but prior to the opening of the Harry Potter attraction.
- Following the opening of the Harry Potter attraction, but prior to the completion of the remaining elements of the Project, the estimated net fiscal impact of the Project is approximately \$2.4 million per year.
- The majority of the positive net revenue effects of the Project stem from the development of a 500-room hotel in the City portion of the Project site, so revenue to the City would be maximized by the completion of the proposed hotel.

The largest impact resulting from City costs during the Project would come prior to the Harry Potter attraction opening and can be attributed to the Los Angeles Police Department (LAPD) and the Fire Department. According to the LAPD Case Study conducted by Blue Sky, total officer hours would increase by approximately 2,100 and the total additional officers needed would be the equivalent of 1.3 full time positions (see page 38 of Attachment A). The Blue Sky Fire Department Case Study shows that the estimated increase in service call hours is 280, with most additional costs resulting from the increase in hotel rooms rather than the opening of the Harry Potter attraction (see page 39 of Attachment A). When the Project is fully built out, service costs are estimated at approximately \$1.2 million, while ongoing revenues are estimated at approximately \$10.9 million, making the net fiscal impact of the fully built out project approximately \$9.7 million (see page 20 of Attachment A).

As a consequence of the municipal boundary changes and development of the Project, Blue Sky reports that the City would experience higher costs than revenues until the Harry Potter Attraction is opened. After the attraction opening, however, revenues to the City would exceed costs incurred due to staffing and other expenses. In addition, Blue Sky states that the project would have a positive economic effect on the region by generating construction and service-sector jobs.

Actions from the Boundary Adjustment Board

Based on the presentation and report by Blue Sky, the Board adopted the FIR at the March 6, 2014 Board meeting. The Board specifically found that, pursuant to the terms of the Development Agreement between the City and Universal Studios LLC, the Project is in the City's best interest and recommended that the boundary adjustments be made. The Board further requested that this finding be memorialized in the resolution brought by Councilman LaBonge that is included in this report as Attachment B.

Council and LAFCO Annexation Review

NBC/Universal recently submitted an application to the Local Agency Formation Commission (LAFCO). The LAFCO staff is in the process of reviewing the application and will initiate tax exchange negotiations between the City and County. The LAFCO Commission will hold a hearing to consider the annexation application, consider testimony from affected agencies and departments and allow public comments about the project. The LAFCO Commission may deny or approve the proposal. If it is approved, a Protest Hearing will be held to determine whether or not there is sufficient concern to terminate the annexation proceedings. The proposal may be terminated or approved as a result of the Protest Hearing. If the proposal is approved after the Protest Hearing, a Certificate of Completion will be recorded and filed with the State Board of Equalization to finalize the annexation.

RECOMMENDATION

That the Council receive and file the Blue Sky Consulting Group's report entitled "Analysis of the Fiscal Impact on the City of Los Angeles of the Proposed Municipal Boundary Changes and Expansion at NBC/Universal" (Attachment A) and approve the Resolution relative to the NBC/Universal Evolution Plan Project (Attachment B).

FISCAL IMPACT STATEMENT

There is an impact to the General Fund of approximately \$543,000 until the Wizarding World of Harry Potter Attraction is opened, and while that date is not yet known, the attraction is now under construction and is anticipated to open in the near future. If the Council and the Local Agency Formation Commission (LAFCO) approve the proposed municipal boundary adjustments related to the NBC/Universal Evolution Plan Project and the Project is developed, the opening of the attraction and, later, a 500-room hotel will mitigate any negative fiscal impacts to the City as a result of the proposed adjustments. The recommendation complies with City Financial Policies in that City costs incurred for the project will be paid for by taxes and other revenues.

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Attachments