

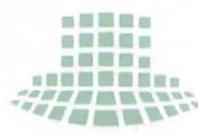
Date: 8/27/13

Submitted in EDC Committee

Council File No: 13-0991

Item No.: 2

~~Subject~~ Communication from the Los Angeles Convention Center.



Los Angeles Convention Center

**Testimony of Bud Ovrom**  
to the  
**Economic Development Committee**  
August 27, 2013

Good afternoon Mr. Chairman and Committee members,

I am Bud Ovrom, Executive Director of your Los Angeles Convention Center.

I am here today to speak in **support** of the excellent report from the CLA's Office regarding a proposed program of economic incentives to promote the construction of hotels in Los Angeles.

Although my comments will primarily focus on the urgent need for more hotel rooms around the Convention Center, let me first also voice my support for the construction and upgrading of hotels citywide. Hotels play a significant role in our economy and in our City budget. Many of our major revenues are "shared" with other governmental entities. For example, the State and County get a large majority of every dollar paid by Angelenos in property and sales taxes. But, the Transit Occupancy Tax is 100% controlled by the City.

Combined with the property, utility and sales taxes, hotels yield some of the highest revenue per square foot of any development in the City. Moreover, the visitors who pay these Transit Occupancy Taxes soon leave and don't put as great a demand on our police, fire, paramedics, parks, libraries and other City services as businesses and residents, who are always here. The bottom line is that hotels are economically good to have in our City.

In the area around the Convention Center, hotels are absolutely essential. The Los Angeles Convention Center has long been viewed as not being a big enough economic engine for the City. Under direction of the Mayor and City Council, we are now embarked on a major effort to make the Los Angeles Convention Center one of the top 5 centers in the nation.

However, we are not going to be able to achieve that goal without the construction of more hotels within walking distance of the Convention Center. The facts speak for themselves. I have provided below a chart of the hotel inventory within a 1/2 mile walking radius of the major convention cities in the United States:

## Hotel Inventory

FACILITY	HOTEL ROOMS WITHIN ½ MILE
Las Vegas Convention Center	16,700
Moscone Center (San Francisco)	12,000
Orange County Convention Center (Orlando)	11,000
Ernest M. Morial Convention Center (New Orleans)	8,600
Georgia World Congress Center (Atlanta)	8,300
San Diego Convention Center	8,200
Anaheim Convention Center	7,000
George R. Brown Convention Center (Houston)	3,300
<b>Los Angeles Convention Center</b>	<b>1,900</b>
Jacob K. Javits Convention Center (New York)	1,700
McCormick Place (Chicago)	1,100

We will never be able to compete with Las Vegas (16,700 rooms) or Orlando (11,000 rooms), but we certainly need to be able to compete with San Diego (8,200 rooms) and Anaheim (7,000 rooms). However, currently with only 1,900 rooms, we are not even in the same ballgame. Even with the 900 room Wilshire Grand Hotel and the 392 room Marriott Courtyard/Residence Inn currently under construction, the LA Tourism and Convention Board (LATCB) estimates that an additional 4,000 rooms are needed in order to be able to capture the larger and more lucrative national conventions.

Moreover, without some form of intervention, normal organic growth is not going to result in enough new hotel rooms being constructed. We are caught in a vicious cycle: the Convention Center is not going to prosper and expand unless there are more convenient hotels; and more hotels are not going to be built without a larger and more successful Convention Center. The cost of land and construction for high rise hotels in downtown Los Angeles are simply too high for the private sector alone to be able to produce the rate of hotel growth we need to break out of that vicious cycle. Some form of economic intervention by the City is warranted and essential. Without a Redevelopment Agency, the tools the City has available to it are very limited.

Timing is essential. As shown on the attached map, very strategic sites within the ½ mile radius are still available. However, in the current economy, rental apartment projects can afford to pay more for sites than hotel projects. If we don't act soon, the best sites for hotels will soon be gone.

The CLA is to be commended for coming up with an approach that can provide the stimulus we need and **not** have a negative impact on the General Fund. All the funds being discussed are funds which would be generated by the new hotels themselves. No existing City resources are being tapped. If these new hotels are not built, the new revenue will not be generated. If the new revenue is not reinvested in the hotels, they will not be built. The program proposed by the CLA is a win-win formula: the money is only available to the hotels if the hotels

themselves generate the money: not a single penny of existing General Fund money is used to stimulate the construction of any new hotels.

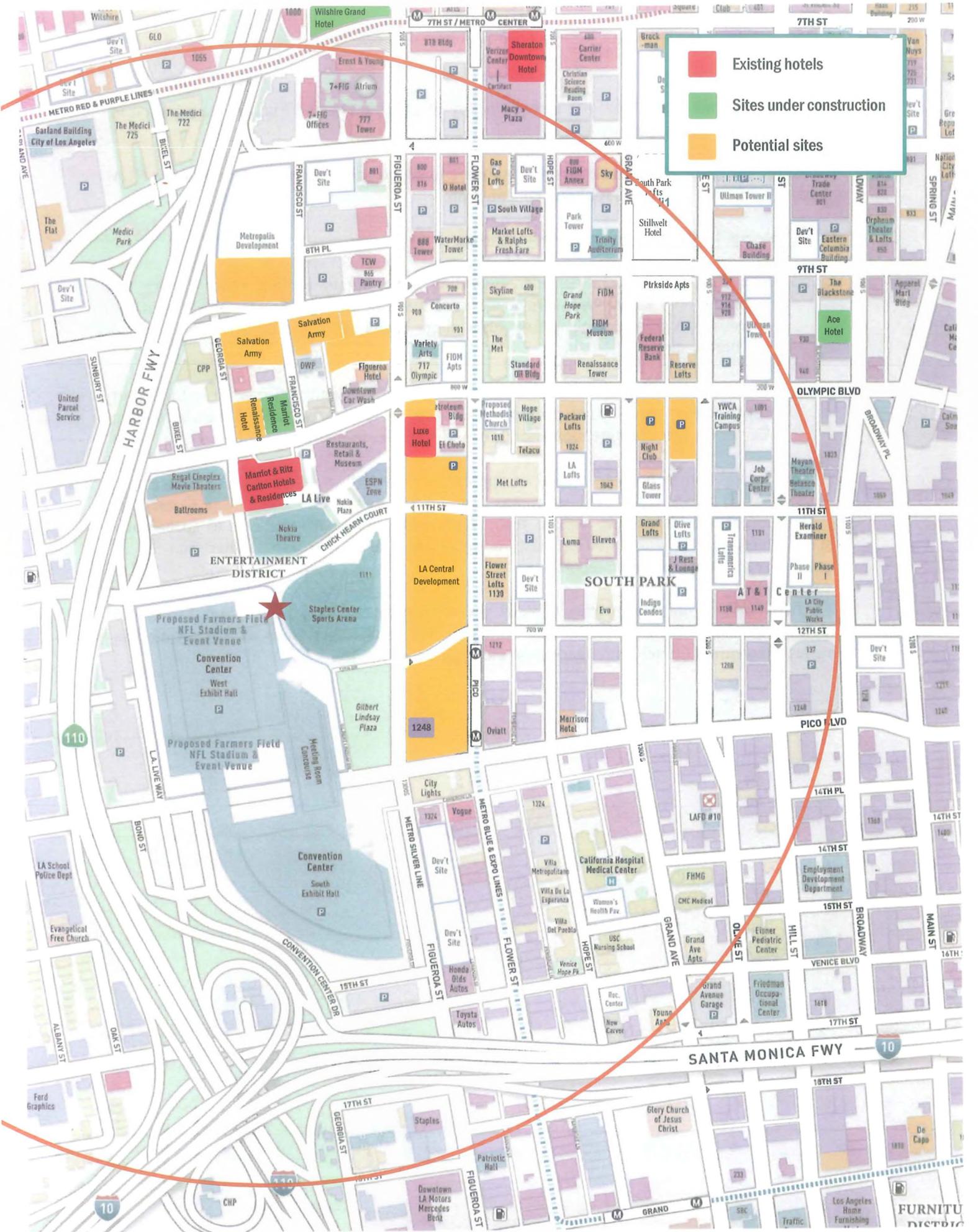
I urge the Economic Development Committee to support the recommendation of the CLA regarding economic incentives for hotel construction.

In closing, I would suggest a few adjustments:

1. The Committee might consider sunseting the program in five years. With the economy only slowly recovering, we need this stimulus now! The prospect of the incentive program ending in five years might encourage some borderline projects to get started sooner.
2. The 10 minute walking distance from the Convention Center referred to in the report could be too vague – some people walk slowly! A ½ mile radius from the Convention Center or, specific street boundaries, would be easier to interpret.
3. In addition to needing a total of approximately 4,000 more rooms, the Convention Center needs 1,000 of those rooms to be in a headquarter's hotel. The Committee might consider asking staff to report back with additional incentives to specifically target hotels with 1,000 or more rooms (such as a 25 year term, rather than the 20 years called for in the report).

Thank you for this opportunity to voice my support for this proposal. I look forward to returning to your Committee in the near future to talk about other steps to make your Los Angeles Convention Center a stronger economic engine for the City.

- Existing hotels
- Sites under construction
- Potential sites



ENTERTAINMENT DISTRICT

SOUTH PARK

SANTA MONICA FWY

110

10

10

10

FURNITURE DISTRICT