



CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

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Date: January 31, 2025

To: Honorable Members of the Economic Development and Jobs Committee

From: Matthew W. Szabo, City Administrative Officer 
Sharon M. Tso, Chief Legislative Analyst 

Subject: **Status of the Los Angeles Convention Center Expansion**

SUMMARY

On July 2, 2024, Council approved recommendations of the joint Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) report dated June 14, 2024 (June 2024 Report) that, among other actions, instructed the CLA and CAO, with assistance of other departments as appropriate, to approve and execute the 2024 Proposed Term Sheet and negotiate and enter into an Early Works Agreement (EWA) with AEG Plenary Conventions Los Angeles, LLC (APCLA) for pre-development work necessary to complete a modernization and expansion of the Los Angeles Convention Center (LACC). APCLA provisionally procured PCL Construction, Inc. and Webcor Construction LP (PWJV), a design-build joint venture, to work as the general contractor for the Expansion and Modernization Project (Project). Subsequently, the EWA was executed between the parties.

The EWA was implemented to deliver the definitive documents, financial plans, and a schedule that would allow the City to expand and modernize the LACC. This effort included 100 percent Design Development (DD) plan sets; a steel mill order set; a cost estimate and finance plan based on anticipated project revenues; a project schedule; and site investigations, surveys, and reports, among other items. Additionally, the EWA provided for the development of a Project Agreement (PA) to implement the Project, including the confirmed Project cost, schedule, terms associated with project management and risk allocation, and financing. The City and APCLA team had been working to present the Project to Council, including a final, fully negotiated PA, for consideration in January 2025. Pending approval of the PA, the City would proceed with finalizing all commercial elements of the Project including the issuance of debt to finance the Project in June of 2025. This would allow construction to commence in 2025 with a target completion date of no later than May 2028.

The target completion date of May 2028 was established to accommodate the LACC's use as a key sports venue for the 2028 Olympic and Paralympic Games (2028 Games). While the selection of the LACC as a sports venue for the 2028 Games was not dependent on its expansion, as the potential sporting events would only make use of its existing square footage, the City determined that avoiding a construction overlap with the 2028 Games was critical to both the success of the Project and the 2028 Games. As a result, the City directed APCLA to develop a schedule that would provide a fully functional LACC, with no overlap of construction or improvement activity related to a potential Project, by June 1, 2028. If the LACC were not fully functional by the time

required for the 2028 Games, the City would likely incur additional costs to prepare the unfinished Project site for the 2028 Games and risk losing the site as a 2028 Games venue.

Progress To-Date

APCLA, PWJV, City staff, and advisors have worked strenuously in a collaborative and exhaustive endeavor to provide the most robust, cost-effective, risk-mitigated, and timely Project arrangement possible. The parties have engaged in numerous meetings on a nearly daily basis for seven months to develop technical, financial, and design terms that would deliver a world-class convention center facility for the City under an extremely tight timeframe to achieve completion before the 2028 Games. This rigorous undertaking could not have been possible without the diligent efforts of numerous departments and staff, including members of the Bureau of Engineering, the City Tourism Department, the City Attorney, the Department of City Planning, Police, Fire, Building and Safety, the Office of the Mayor, Council Office staff, the CLA, and the CAO, as well as the the City's consultant team and staff at APCLA, the PWJV, and the architectural team at Populus.

The LACC program has several critical work streams: Technical, Financial, Signage, and Legal. The Technical Work Stream focused on architectural design, permitting, site investigations, schedule, and other related matters. The Financial Work Stream focused on identifying revenues to pay for the project, as well as analysis of the costs for project delivery. The Signage Work Stream was focused on developing the most cost-effective and feasible signage program to provide an additional revenue stream to fund the Project. Finally, the Legal Work Stream focused on the definitive documents needed to implement the project, including the PA and related technical documents.

Much of the progress made on these work streams is centered around architectural designs at the 50 percent DD level. This work product is owned by the City and will be a valuable resource to advance design to the 100 percent DD level. Further, preconstruction activities included site investigation studies that evaluated geotechnical, utility, and hazardous materials conditions at the Project site, providing a sound basis on which to advance the Project.

Current Status

The City and APCLA made significant progress toward the goal of completing the Project by May 2028, however the complexity of the Project made achieving key milestone dates very difficult. Specifically, negotiations among the parties and the drafting of the PA have exceeded the aggressive timeframe within the Project schedule set aside for this purpose. The PA establishes all commercial principles including schedule, price, risk allocation, insurance requirements, and other terms to which APCLA and the City will commit to. In addition, the PA addresses all aspects of construction, including liquidated damages for late completion, incentives for early completion, the definition of Relief Events, the utilization of approved schedule delays (Float), the requirements for achieving Substantial Completion, and other mechanisms (including deferral of a portion of APCLA's development fee) to maximize the likelihood of a timely and on-budget Project. The development of the PA also informs the development of the firm fixed price as both are dependent on one another.

The draft PA must be negotiated with APCLA, PWJV, and all subcontractors so as to ensure the firm fixed price includes those elements in the price they provide. Subsequently, the price submitted will be incorporated into the final PA. Negotiating the key terms of the PA has involved extensive communication between the City and APCLA, frequently requiring counterproposals to

refine the language. Reaching mutual agreement on some of these terms has taken a considerable amount of time, impacting the original timeline for PA completion.

Concurrent with drafting the PA, the parties were developing the Technical Requirements (TRs) for the project, which are a significant appendix to the PA. The TRs provide all technical details concerning the project and are the basis for a committed price for the project. The TRs were completed in November 2024, but subsequent technical issues arose that required adjustments and reconsideration that could affect pricing.

Finally, the terms of the PA and the details of the TRs impact pricing of the project. As the PA and TRs have not been completed, development of the firm fixed price could not be finalized, although analysis indicates that the Project cost would likely exceed the \$1.4 billion total as reported in the June 2024 Report. As the PA and firm fixed price could not be completed by January 2025, the Project Schedule was no longer viable.

Wildfire Emergency

On January 7, 2025, the City and surrounding areas began to experience windstorms leading to catastrophic wildfires. Recovery efforts from these devastating fires will require the full attention of City staff across multiple departments, who will provide assistance relative to crisis and displacement support; permitting and construction of new structures, including the broad range of City infrastructure and public buildings that serve area residents; and other essential activities.

Project Pause

Extensive documentation through negotiation and technical analysis between APCLA and the City remains to be completed before final terms can be presented to Council for consideration. The work remaining, considering on-going recovery efforts related to the wildfire emergency, cannot be completed in the time available to ensure completion of the LACC Expansion Project before the 2028 Games. Consequently, a pause in the project is warranted to reevaluate options and opportunities for expanding the LACC.

Expansion Options

Expansion and modernization of the LACC remains a City economic development priority. At this point, it is necessary to pause the existing negotiations to evaluate options for moving forward. The CLA and CAO, with the input of City departments, APCLA, and consultant support, will evaluate the status of the technical, financial, and other issues related to the LACC Expansion project given the current conditions and return with a subsequent report for Council consideration in 30 days that includes options to address the necessary expansion and modernization needs of the LACC. Options should include consideration of the valuable design and site investigation materials developed over the last six months.

RECOMMENDATION

That the City Council instruct the Chief Legislative Analyst and City Administrative Officer, with support from other departments as necessary, to report in 30 days with options to address expansion and modernization of the Los Angeles Convention Center, including short-term and long-term solutions.