The Los Angeles Convention Center Expansion Project

Joint Report by
The City Administrative Officer &
The Chief Legislative Analyst
June 2024
OVERVIEW

1. Background
2. Recommended Approach
3. Cost & Fiscal Impact
4. Next Steps
Background | **Scope of Expansion & Modernization**

- **+190,000 sq. ft.** Contiguous Exhibit Hall Space
- **+55,000 sq. ft.** Meeting Room Space
- **+95,000 sq. ft.** Multi-purpose Space

Redesigned **Gil Lindsay Plaza**

Modernization of **South & West Halls**

**Added Signage** to the LACC Campus
**Background | Economic Value**

**New Jobs**
- **7,445** Total New Jobs During Expansion

**More Visitors**
- **+ 500,000** LACC Attendee Days across 10 Yrs.

**Additional General Fund Tax Revenue**
- **+$570M** Over 30 yrs

**Annual New Jobs After Expansion**
- **2,147**

** Visitor Spending Each Year**
- **+$165M**

Source: Ernst and Young Economic Impact Analysis, November 28, 2023
Graphics created using Noun Project by Adrien Croquet and SANDIA
<table>
<thead>
<tr>
<th>City Project</th>
<th>Public-Private Partnership</th>
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<tbody>
<tr>
<td><strong>City Project (Taxable non-P3)</strong></td>
<td><strong>Public-Private Partnership (Taxable P3)</strong></td>
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<tr>
<td>City-issued debt for design &amp; construction</td>
<td>30-year agreement</td>
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<tr>
<td>Private operations &amp; maintenance agreement</td>
<td>Design-Build-Finance-Operate-Maintain (DBFOM) contract</td>
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<tr>
<td>City-managed construction</td>
<td>Privately-managed construction</td>
</tr>
<tr>
<td><strong>$4.8B</strong> Total Cost</td>
<td><strong>$6.5B</strong> Total Cost</td>
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<tr>
<td><strong>$159M</strong> Avg. Annual Cost</td>
<td><strong>$215M</strong> Avg. Annual Cost</td>
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### Background | Project Delivery

#### City Project
(Taxable non-P3)

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- City bears all risks
- Low to no chance of completing the project by the Olympics

#### Public–Private Partnership
(Taxable P3)

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- Financially infeasible
- Lacks flexibility to adjust based on the City’s financial conditions
Recommended Approach
Recommended Approach | Design-Build

**Only Construction**
Limited contract with APCLA; payment contingent upon completion before the 2028 Olympics

**City Financing**
Tax-exempt debt (i.e. City-issued bonds)

**Operation & Maintenance**
Discussions deferred to a later date (no guarantee of a contract)

**Development Fee**
To be negotiated; Project Agreement to be finalized after Early Works completed
Recommended Approach | Design-Build

City Project (Taxable non-P3)

Public-Private Partnership (Taxable P3)

Design-Build (Tax-Exempt P3)

Build
Finance
Maintain
Operate

City

APCLA

City

TBD
Recommended Approach | Timeline

June 2024
Council authorizes Term Sheet & Early Works Agreement (EWA)

EWA in Effect

Project Agreement in Effect
February 2024-early 2028

January 2025
Negotiating Project Agreement

December 2024
Council authorizes Project Agreement

January 2026

January 2027

January 2028

By March 27, 2028
APCLA completes construction
Recommended Approach | Early Works

Refine designs
Site investigation
Final pricing
Determination of timeline feasibility
Cost & Fiscal Impact
## Cost & Fiscal Impact | Financing

<table>
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<tr>
<th>P3 ¹</th>
<th>City Project ²</th>
<th>Design-Build ²</th>
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<tr>
<td>City-issued <strong>taxable</strong> debt, private debt + equity</td>
<td>City-issued <strong>taxable</strong> debt</td>
<td>City-issued <strong>tax-exempt</strong> debt ³</td>
</tr>
<tr>
<td><strong>All-in Interest rate / WACC</strong> 7.4%</td>
<td><strong>All-in Interest rate</strong> 6.3%</td>
<td><strong>All-in Interest rate</strong> 4.4%</td>
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[¹] WACC is the “Weighted Average Cost of Capital”. P3 rates and P3 debt/equity structures are indicative estimates based on assumed benchmark rates on May 3, 2024 and subject to change.

[²] Assumes issuance of MICLA debt at interest rates as of May 3, 2024 plus a spread of 50 basis points. Actual interest rates may differ at the time of issuance.

[³] Some taxable debt may be issued as necessary to meet the Internal Revenue Service’s “private business” test regulations.
## Fiscal Impact

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<tr>
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<th>Total</th>
<th>Average Annual</th>
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<tr>
<td><strong>Total Project Cost</strong></td>
<td>($4.7B)</td>
<td>($158M)</td>
</tr>
<tr>
<td><strong>Construction Cost</strong></td>
<td>($2.9B)</td>
<td>($96M)</td>
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<tr>
<td><strong>O&amp;M Cost</strong></td>
<td>($1.8B)</td>
<td>($62M)</td>
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<tr>
<td><strong>New Revenues(^1)</strong></td>
<td><strong>$3.5B</strong></td>
<td><strong>$115M</strong></td>
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<td><em>over 30 years, as a result of the expansion</em></td>
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### Net General Fund Impact

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<td><strong>($1.2B)</strong></td>
<td></td>
<td><strong>($43M)</strong></td>
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Note: Totals may not sum due to rounding.

\(^1\) Comprised of projected “LACC Net Operating Revenues” ($96M) as a result of signage, parking, and events income to be realized and “Incremental General Fund Tax Contributions” ($19M).
Next Steps
Next Steps | **Key Report Recommendations**

Approve the 2024 *Proposed Term Sheet*

Negotiate & enter into an *Early Works Agreement* for **up to $36.9M**

Authorize **up to $2M** for *BOE staff costs*

Authorize **up to $5.98M** in *reimbursement of APCLA work completed under the ENA*

Authorize departments to procure, negotiate, and execute contracts/amendments for **necessary advisory and consulting services** for **up to $9.5M**