

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: December 4, 2013

TO: Honorable Members of the Economic Development Committee

FROM: Gerry F. Miller
Chief Legislative Analyst

ALTERNATIVE MODERNIZATION OPTIONS FOR THE LOS ANGELES CONVENTION CENTER

SUMMARY

This report provides additional information as requested by the Economic Development Committee (Committee) at its meeting of September 24, 2013, concerning alternative development options for the Los Angeles Convention Center (LACC) (CF 13-0762).

The Ad Hoc Committee on Downtown Stadium and Convention Center Renovation, at its meeting of March 27, 2013, initiated a discussion of development options for the LACC in the event that the New Hall and Event Center (NH-EC) project approved by Council on September 28, 2012, does not proceed.

In response to Motion (Perry-Parks, CF 11-0023-S13), the Chief Legislative Analyst (CLA) commissioned a study by Convention, Sports and Leisure (CSL) to compare the LACC facilities to similar facilities around the nation and identify future planning needs to ensure that the LACC would be competitive in the future. The CLA, at Council instruction, also commissioned the Urban Land Institute (ULI) to form a Technical Panel to evaluate LACC renovation options. At its meeting of September 24, 2013, the Committee received a report on the outcome of these two reports and requested that the CLA follow up with additional detail.

This report consolidates key concepts and recommendations in the two studies and recommends proceeding with both short-term and long-term strategies to improve the LACC. Recommendations in this report lead to actions to improve and modernize the facility, as well as ensure expansion of exhibition space and meeting room.

Recent discussions with convention meeting planners have made clear that the City must be ready to implement an alternative development strategy immediately should the NH-EC program falter. Without actionable plans to improve the LACC in place, the City will likely lose a significant amount of existing business and will be unable to gain new bookings in future years.

A process is proposed to initiate designs for an expanded, renovated, and modernized LACC. A design competition could result in the development of conceptual designs and selection of a

project architect in a timeframe relative to possible expiration of the NH-EC Implementation Agreement.

It should be reiterated that the City remains committed to the NH-EC project. Staff have taken every effort necessary to advance designs for the New Hall and the Cultural Affairs Commission has given final approval to the New Hall Design. But recent news reports concerning the NFL and NFL owners' interests in locating teams to London and Toronto suggest that the City must be prepared with other options to immediately effectuate LACC improvements that do not rely on the development of a stadium on the site.

This report refers to the NH-EC project as Plan A. The alternative development scenario is referred to as Plan B.

RECOMMENDATIONS

That the Council:

1. Instruct the Bureau of Engineering, Los Angeles Convention Center, and Los Angeles Tourism and Convention Board (LATCB), with assistance of the Chief Legislative Analyst and City Administrative Officer (CAO), to prepare a Task Order Solicitation (TOS) for the development of conceptual plans for the renovation, expansion, and modernization of the Los Angeles Convention Center (LACC) campus, including exhibition space, meeting rooms, outdoor space, hotel opportunities, and other amenities, and report back in 90 days; and
2. Instruct the CAO to work with the Bureau of Engineering to determine the amount of funding needed for the TOS, identify a source of funds for the TOS, and report back in 90 days;
3. Instruct the CLA, with the LACC, Bureau of Engineering, and CAO to report back in 60 days on short-term LACC capital improvements and a plan to prioritize and implement those improvements; and
4. Instruct the Department of City Planning to report on the environmental and entitlement review process required for an alternative development scenario, including reference to entitlements approved for the New Hall and Event Center project.

BACKGROUND

The City entered into an Implementation Agreement (IA) with Anschutz Entertainment Group (AEG) on October 18, 2012, to move forward with the development of a new exhibition hall, meeting rooms, and ballroom for the LACC (New Hall) to replace the existing West Hall. The West Hall would then be torn down to develop an Event Center, also known as Farmers Field, that would host an NFL team and other major events.

At the March 27, 2013, meeting of the Ad Hoc Committee on the Downtown Stadium and Convention Center Renovation(now consolidated into the Economic Development Committee),

the CLA reported that its consultant, CSL, had been commissioned to survey competitive convention centers around the nation and report on the services and amenities that the LACC needs to become a competitive facility. Such information is necessary to determine options for the City in the event that the New Hall and Event Center project does not move forward.

New Hall and Event Center Project

The City has dedicated significant staff resources to meet the requirements of the IA which are focused on development of final design of the New Hall. LACC and Bureau of Engineering staff have participated in extensive meetings to ensure that the New Hall would meet the City's requirements. Those efforts led to the presentation of final designs to the Cultural Affairs Commission for approval. At its meeting of November 7, 2013, the Commission voted unanimously to provide approval of the final design. This allows the project to move to the preparation of construction drawings.

The City remains committed to the NH-EC project and staff have made every effort to advance the goals of the project, the IA, and the New Hall design. Such efforts remain the first priority for staff.

This report refers to the NH-EC project as Plan A.

Alternative Development Scenarios

The NH-EC project will expire October 18, 2014, if AEG is unable to obtain a National Football League (NFL) team to play in the Event Center. Motion (Perry-Parks, CF 11-0023-S13) instructed staff to explore options to ensure modernization of the LACC should the agreement expire.

As previously noted, the City must consider other options to ensure that, in the event Anschutz Entertainment Group (AEG) is unable to secure an NFL franchise, plans are in place to improve the LACC and continue development of uses, services, and programs for the community.

The Council requested that the CLA develop options related to the enhancement of the LACC, including seeking the assistance of the Urban Land Institute (ULI). To that end, the CLA retained the ULI to convene a Technical Assistant Panel (TAP) to evaluate options for the LACC should the contract with AEG expire. The resulting report, released in August 2013, identified a number of critical improvements and concepts that should be incorporated into alternative development plans, referred to as Plan B, for the LACC.

In addition, the CLA retained Convention, Sports, and Leisure (CSL) to provide background data concerning the current needs of convention centers and a review of the LACC in comparison to those needs. The resultant report identified a number of improvements that would improve the LACC.

Below is a summary of the criteria identified by the ULI and CSL for a Plan B improvement plan for the LACC:

ULI

- "Jewel" Status
- 300,000 square feet of new exhibit space
- Join South Hall and West Hall
- Additional meeting rooms
- Outdoor space
- 60,000 square foot ballroom
- Central circulation element linking all parts of the Center
- Upgrade, renovate West Hall
- Cover LA Live Way with Parking

CSL

- Link space between South Hall and West Hall with Exhibition floor area
- Add 30,000 square feet in meeting room space
- Add 60,000 square foot ballroom
- Introduce natural light where appropriate
- Enhance electronic signage for internal wayfinding and event information
- Incorporate production facility for clients
- Enhance campus integration with retail, food service, and other elements
- Improve Gilbert Lindsay Plaza as conceived in Farmers Field project
- Create informal gathering places
- Add cultural and linguistic capabilities to meet International demand

Impact of Upgrade Delay on Convention Bookings

The LATCB has reported that meeting planners are indicating significant concerns about the status of the LACC and its ability to meet their needs. Conventions are typically booked several years in advance. Also, it is important to note that many clients attract vendors and exhibitors with precision equipment that can be sensitive to construction activities. As such, the LATCB must have a credible construction plan and schedule available to assist in the booking process.

Many clients have been booked into the LACC over the next four years with the expectation that their event would either occur during construction or follow completion of construction. But with the failure to begin construction last year and uncertainty as to when construction will actually begin, many clients are concerned about what will happen during their event and how to plan for it. The City and LATCB are unable to address concerns that these clients raise as there is no certainty with regard to the start of construction.

This status is a concern for future bookings as well. The LATCB is unable to provide prospective clients with certainty regarding construction impacts during their event.

Many meeting planners are also looking for improved facilities at the LACC. Maintenance and capital improvements have been placed on hold at the LACC during negotiation of the NH-EC development. This has resulted in a four-year backlog of actions necessary to keep the LACC at standard levels. In addition, there have been no upgrades to the facility since completion of the South Hall and Concourse Hall in the early 1990s. So while the core layout and functionality of

the facility remain strong, it has become worn and dated. Periodic improvements at competing facilities, such as San Francisco, San Diego, and Anaheim have placed the LACC well behind in terms of offering a modern convention destination.

Strategy for Plan B

The key benefit of the New Hall and Event Center project is that funding for the New Hall would be derived from new revenues resulting from construction of Farmers Field. Without those new funding sources, the City would be required to identify funds to pay for Plan B improvements. But it will be necessary to develop a detailed project concept with preliminary designs before a full funding plan can be crafted.

Since it will take approximately one year to develop a detailed project concept, with initial designs, it may be appropriate to identify and implement short-term improvements to the facility while long-term improvements are designed. This will ensure that LACC clients benefit immediately from a better facility.

As previously mentioned, the City has deferred maintenance and improvements over the last four years while the NH-EC project was under consideration. Significant expenditures on maintenance and upgrades was not appropriate as construction of the New Hall was intended to address those needs. Failure to implement the NH-EC project, however, means that the LACC must immediately receive support to address the backlog in maintenance and infrastructure upgrades.

The following strategy prioritizes improvements that can be implemented immediately, while work begins to implement the biggest, costliest improvements. The effect is to gradually accomplish the ultimate goal of developing a modern convention facility that can accommodate the exhibition and meeting needs of 98% of national and international convention events.

Short-term

Certain improvements to the LACC could be accomplished with modest funding, initiated quickly, and address key issues identified in the CSL and ULI reports. These would include improvements such as the creation of informal gathering places, improvements to digital connectivity and service delivery, and aesthetic improvements.

For example, designs for the New Hall in Plan A have progressed to the 100% stage. Within these designs are improvements to the South Hall that could be implemented in a Plan B scenario.

An important criteria for short-term improvements is that these projects would not negatively impact or constrain the long-term, significant improvements that are necessary, such as creation of a ballroom. It is essential that no funding is spent on improvements that would only be torn out in a year or two when large-scale improvements are implemented.

Below are several items identified as short-term improvements that would have a beneficial impact on convention business:

Items from New Hall Design

1. Tiered seating in South Hall Lobby to promote informal gathering and social networking. Both CSL and ULI recognized that the changing nature of the convention business, with a growing reliance on digital communications, requires the creation of informal gathering places for event participants to meet. The New Hall design incorporates such a space in the South Hall.
2. Food Court expansion and enhancements. Such enhancements would support expanded convention business by providing more seating and a reconfigured kitchen and service area.
3. Enhanced electronic signage. This would provide better information for convention participants and reduce the need for custom signage boards.
4. Outdoor connection/stairs from Food Court to Gilbert Lindsay Plaza. This would implement one of the key concepts in the ULI report, which emphasized the value of the outdoor experience in Los Angeles as a marketing benefit. An exterior walkway and stairwell/tiered seating area would connect the interior food court with the outdoor opportunities in Gilbert Lindsay Plaza.

Other Items

5. Gilbert Lindsay Plaza improvements. Prior to the Farmers Field project, the City received State Prop 1C grant funds to improve Gilbert Lindsay Plaza, with a budget of approximately \$2.8M. These funds must be expended by 2017. The Plan A project identified additional improvements, increasing the budget to approximately \$10M.
6. Technology. Enhancements to ensure maximum service for wi-fi connectivity, video conferencing, simultaneous translation, and other technology upgrades to serve convention clients and visitors. In addition, CSL recommends development of a production facility to support convention client activities. Additional details are needed to fully scope out such a concept and it may be possible for the City's Information Technology Agency to partner on this concept.
7. Facade and Other Aesthetic Upgrades. The West Hall has not been significantly renovated to modern design standards. Modest upgrades, such as carpet replacement and painting, have been curtailed until the final outcome of the New Hall and Event Center Project has been determined. Some of the upgrades necessary could be addressed as short-term capital improvements, such as new carpet and paint. Others, such as facade replacement, would require more substantial funding and would need to be integrated into the long-term solution noted below.
8. Maintenance and Infrastructure Backlog. Existing LACC clients have indicated that they require greater electrical reliability in the LACC, as well as improved

information technology infrastructure. The LACC should identify maintenance and infrastructure improvements that require immediate attention.

Long-term

The ULI study recommended that the City work to achieve “Jewel Status” for the LACC. The panel recognized that site constraints would not allow the City to expand in a way that would attract all conventions. Thus, the recommendation is to maximize use of the existing space and ensure that the design and services create an exceptional experience for LACC visitors and exhibitors.

Based on input from the ULI Technical Panel and the CSL report, key design criteria for the Plan B alternative development scenario should include:

1. **New Exhibition Space**
CSL recommends adding 300,000 square feet of new exhibit space to the LACC. Such space could connect the South Hall and the West Hall, providing the contiguity desired by the largest exhibitors.
2. **New Meeting Room Space**
Additional meeting room space is recommended by both ULI and CSL. The LATCB recommends an additional 75,000 square feet to meet convention business needs. CSL recommends that meeting rooms of diverse sizes be provided.
3. **Ballroom**
Both ULI and CSL recommend that an expansion of the LACC include a large ballroom approximately 60,000 square feet in size. The New Hall design includes a 45,000 square foot ballroom, which would be the largest in the Los Angeles area. A ballroom can be designed in a way that meets multiple needs, including additional exhibition and meeting room space.
4. **Facade and Other Aesthetic Upgrades**
As noted previously, short-term improvements to the facade and aesthetics of the LACC could be implemented quickly. Others, such as resurfacing the exterior of the LACC, should be incorporated into the architectural review and renovation of the facility.
5. **Maximize Outdoor Exhibit and Event Space**
The Los Angeles climate provides an ideal opportunity to create outdoor exhibit and event space that is not possible in other regions of the country. Any design should maximize the opportunity for outdoor functions, exhibits, and similar activities. Special attention should be given to viewsheds.
6. **Identify public-private development opportunities that fit with the LACC campus and generate adequate revenue to support development of the major improvements.** These could include one or more hotels or retail uses. Revenues generated through the development of private uses on the property, including ground lease payments and possessory interest tax, could be used to help support bond payments. The conceptual

plan should provide a blank pad where a privately owned and operated hotel, or other commercial use, could be located.

Implementation for Plan B

Short-term improvements should be reviewed and approved in the context of the annual City budget process. The LACC should prepare and submit to the Council and Mayor a comprehensive Capital Improvement Plan for consideration in the 2014-2015 budget.

Long-term improvements will require architectural services. The Bureau of Engineering (BOE) recommends an expedited process using its existing list of On-Call architects. A Task Order Solicitation would be prepared and released seeking services, then three or four firms would be selected from the list to prepare conceptual designs. Selected firms would be provided funds, estimated at \$100,000 per firm, and asked to participate in a conceptual design competition. These firms would be required to include on their team a design firm and construction manager with significant convention center experience. Firms would be required to submit an architectural model, site plan, exterior elevations, a cost estimate, design and construction schedule, and a phasing plan. The competition would result in the submission of designs from which the City would choose a final architect. A timeline for this process is provided below.

- | | | |
|----|--|-------------------|
| 1. | Develop Task Order Solicitation (TOS) for Board of Public Works and Council consideration and approval | February 28, 2014 |
| 2. | Issue TOS to BOE's On-call Architectural List | March 17, 2014 |
| 3. | Hold presubmittal meeting to answer any questions and tour the Convention Center site | March 27, 2014 |
| 4. | Issue addendum in response to Pre-Submittal meeting and Job Walk, if necessary | April 10, 2014 |
| 4. | Receive TOS responses | April 28, 2014 |
| 5. | Evaluate proposals, interview (if necessary), and short-list selected firms | May 19, 2014 |
| 6. | Seek Board of Public Works Approval to award the TOS (as TOS exceeds \$100,000) | July 2, 2014 |
| 7. | Notice to Proceed to Selected firms | July 9, 2014 |
| 8. | Selected Firms Complete Conceptual Design work | October 8, 2014 |
| 9. | Interviews and Presentation of Work Products | October 15, 2014 |

10. Presentation of Final Selected Firm to Board of Public Works and Council

October 24, 2014

At an appropriate point during this design phase, the BOE would be required to complete environmental analysis. Preliminary information from the Department of City Planning indicates that a limited environmental process would be required. The Environmental Impact Report (EIR) for the New Hall and Event Center project included an alternative development scenario whereby the LACC would be expanded and a large hotel constructed on this site. As a result, it is anticipated that the City can rely on and update that EIR to support this development process.

As previously discussed, the Implementation Agreement with AEG expires October 18, 2014. The City should have a reasonable expectation as to whether an NFL team will be moving to Los Angeles by the time it would award a Notice to Proceed on the development of a Concept Design for the Plan B alternative development scenario.



John Wickham
Analyst