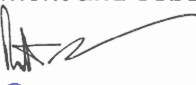



**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL CORRESPONDENCE

C.F. No. 15-1207-S1  
0220-05291-1632

Date: March 28, 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: **Options for Beginning Construction on the Los Angeles Convention Center Expansion and Modernization Project in 2025**

**SUMMARY**

On January 31, 2025, the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA) issued a report to City Council (January 2025 Report) expressing concern over the status of Los Angeles Convention Center (LACC) expansion and modernization project (Project) as the development of a Project Agreement (PA) had fallen behind schedule due to the complexity of the Project and the City's attention to the wildfire response and recovery efforts. The Project in the current design includes an expansion scope that would add up to 190,000 square feet of contiguous hall space; up to 55,000 square feet of meeting room space; and up to 95,000 square feet of multi-purpose space to the LACC. The Project also includes modernization elements, a redesign of the adjacent Gilbert Lindsay Plaza to provide improved public amenities at the site, and a new signage program installed throughout the exterior of the LACC campus.

Without a PA, the entire schedule for the Project fell behind to a point where completing the project before the 2028 Olympic and Paralympic Games (2028 Games) became even more uncertain. The PA establishes all commercial principles of the Project including construction schedule and price, risk allocation, insurance requirements, and other terms to which the City and its development partner AEG Plenary Conventions Los Angeles, LLC (APCLA) will commit to. These commitments include all aspects of construction, including Liquidated Damages for late completion, incentives for early completion, 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.

On February 4, 2025 the Economic Development and Jobs Committee (Committee) approved recommendations within the January 2025 Report that, among other actions, instructed the CAO and CLA to evaluate and present options on how best to proceed with the Project under the current partnership with APCLA. The Committee also

expressed a desire to hear more options outside of this arrangement and options beyond the 2028 Games.

Pursuant to the Committee's instructions on the APCLA options, our offices have examined two options developed by APCLA. The first option, referred herein as the Expedited Delivery Option, aims to have the Project fully completed before the 2028 Games. The second option, or Phased Delivery Option, would achieve partial completion before the 2028 Games and the balance of the Project after the conclusion of the 2028 Games. Based on our review and as explained in this report, the Phased Delivery Option is the only viable path for beginning construction ahead of the 2028 Games.

Our offices evaluated additional options to determine whether construction could begin prior to the 2028 Games and options to initiate construction immediately after the 2028 Games. No other pre-2028 Games option was deemed viable. Options to begin construction after the 2028 Games are viable but require further consideration with respect to procurement, delivery method, and project scope which can be addressed at a later date, and therefore are not presented here. A summary of the other options evaluated is provided in Attachment A. The APCLA options are:

**Expedited Delivery Option:** Through the Expedited Delivery Option, APCLA would attempt to complete the full expansion and modernization scope ahead of the 2028 Games. Under this option a finalized PA, including the TRs, must be completed by April 18, 2025, and construction would commence no later than July 16, 2025 with a target completion date of May 31, 2028. This option would require the execution of all required agreements between the City and APCLA (Commercial Close) by July 15, 2025 which also means full City approval of the Project by July 1, 2025. Based on our review of the required actions needed and the timing of these actions under this option, the CAO and CLA agree that the Expedited Delivery Option is no longer feasible.

**Phased Delivery Option:** In the Phased Delivery Option, construction would commence by September 17, 2025, or two months after the Expedited Delivery option. Given the shorter time period between construction start and the 2028 Games, the entirety of the expansion and modernization scope would not be achievable before the 2028 Games. Therefore, the City and APCLA would agree to phase the completion of the Project with certain scope deliverables and milestones achieved before the 2028 Games and the balance of the scope completed after the 2028 Games. This option requires full City approval of the Project by September 2, 2025 and Commercial Close by September 16, 2025.

There are significant risks associated with this option, however. The project would not receive a Temporary Certificate of Occupancy (TCO) prior to ceasing construction for the 2028 Games; the complexity of the project may still prevent timely completion of the PA, putting the entire project in jeopardy; and technical

requirements related to electrification and fire/life safety for the project must be resolved to ensure that the facility is operational for the 2028 Games.

This report seeks Council direction with regard to the Project. Recommendations in support of a specific option are not provided, but Council actions are identified should a direction be selected. The actions in this report provide Council with two paths on the Project. The first set of actions support continued analysis and negotiations to initiate the Project under the Phased Delivery Option. If Council would like to continue consideration of the Project under this scenario, Council should adopt actions 1-6 which would instruct City staff to negotiate and execute an amendment to the Early Works Agreement (EWA) with APCLA for additional pre-development work necessary for the Project, and to procure, negotiate, and execute contracts and contract amendments for financial advisory, legal, construction management, and other consulting services as necessary. In addition, two resolution authorities are recommended for the Bureau of Engineering (BOE) to provide ongoing high-level technical staffing support for the Project. This path requires an additional \$27.7M to compensate APCLA, technical teams, and consultants to continue a wide range of legal, financial, architectural, and technical workstreams needed to complete the PA and initiate construction immediately upon Council approval of the final PA. Upon completion of the PA and these other workstreams, our offices will return to Council with final definitive documents for consideration and approval.

As to the other options requested by the Committee, there are many approaches that the City may proceed with, none of which however would continue the partnership with APCLA nor result in a completed project before the 2028 Games (Attachment A). Should the Council select to explore options other than the Phased Delivery Option, the Council should instruct the CAO and the CLA to terminate the EWA with APCLA, as well as all contracts for financial advisory, legal, construction management, and other consulting services on the Project held by the City Administrative Officer, Bureau of Engineering, and City Attorney. This action would end any effort on the part of the City to begin construction of the Project before the 2028 Games. Only after the Project as currently envisioned has been terminated, should the City consider any options for the future of the LACC. This reassessment may take place before or after the 2028 Games. There is no need for Council to take any additional action on this path at this time.

### **Project Evaluation Parameters**

In prior reports and discussions, our offices had established three parameters to assist the City make a final determination on whether to proceed with the Project. These parameters are as follows:

- 1) A construction cost cap of \$1.4 billion for costs managed by APCLA, not including City retained costs;
- 2) Completing the Project before the 2028 Games; and
- 3) Entering into a PA with favorable terms to the City.

The CAO and CLA have reviewed the Project and the Phased Delivery Option in the context of these criteria and determined that cost and schedule parameters are not likely to be met. Furthermore, the third will be a challenge and require a significant time commitment to negotiate a PA that is acceptable to the City.

With respect to the first parameter on cost, a construction cost cap of \$1.4 billion had been set for costs managed by APCLA, not including City retained costs. As a result of greater Project scope definition and other necessary changes, the total construction costs of the Project are estimated to be \$1.8 billion under the options presented, which exceeds the \$1.4 billion cap. Further, the City retained costs are estimated at \$421 million for each option for a total Project costs of \$2.2 billion. All of these costs are non-binding and subject to change based on amendments to the TRs, the Project design, and schedule. In particular, some of the costs associated with specific scope items in the Project are only allowances, meaning they are placeholders for anticipated costs. While allowances are helpful in providing an estimate on costs, if actual costs differ from the allowances, the Project may experience increases via change orders to capture all unaccounted costs. The first year of a General Fund obligation for debt service on the Project would occur after the 2028 Games in 2028-29.

This cap amount was based on preliminary schematic-level design data. Since that time, as a result of the work completed under the EWA, the project design has advanced and reached its 50 percent design development milestone from its prior schematic-level. The City and APLCA have also conducted site investigations, scoping and budgeting workshops, risk assessments, discussions with Authorities Having Jurisdiction (AHJs), and development of detailed City Technical Requirements (TRs). These technical efforts have resulted in numerous clarifications and augmentations to the previously understood Project scope, such as the inclusion of a full new kitchen and concessions program necessary to support an expanded LACC campus operations, new electrification requirements, additional steel and structural support to strengthen the expansion over Pico Boulevard, upgrades to fire alarm systems in the existing buildings, and new allowances for utility costs.

The second parameter was completing the Project before the 2028 Games. Of the options evaluated only the Phased Delivery Option is able to begin construction prior to the 2028 Games, though completion of the Project will not happen until after the 2028 Games. Thus, this schedule parameter will not be met. Should the City proceed with construction in 2025 through the Phased Delivery Option, it must do so with the understanding that the Project cannot interfere with the 2028 Games. . Specifically, work on the Project cannot prevent use of the LACC as a 2028 Games venue, nor be disruptive of the 2028 Games in any way.

Finally, the third parameter was entering into a PA with favorable terms to the City. At this point, the PA has yet to be completed. Thus, the final measurement against this parameter cannot be made at this time. Completion of a PA through the Phased Delivery Option could be feasible but challenges remain with respect to negotiating terms related to areas such as the number and type of compensated Relief Events, the

set amount for Liquidated Damages, the number of days of float controlled by the City, and dispute resolution procedures. The City team must continue to press for the terms that best fit the City's needs and also balance the need to complete the PA soon. However, pressure to complete the PA should not compromise the City's negotiating position. Should the City approve proceeding with the Phased Delivery Option, the completion of the PA will resume as it is the critical element required to help the Project progress to the next phase.

## **RECOMMENDATION**

Should the City decide to pursue an option that begins construction of the Los Angeles Convention Center Expansion and Modernization Project in 2025, the following recommendations are necessary.

That the Council, subject to approval of the Mayor:

1. Instruct the City Administrative Officer and Chief Legislative Analyst, Bureau of Engineering with assistance of other departments as appropriate, to re-engage in negotiations with AEG Plenary Conventions Los Angeles, LLC under the framework of the Phased Delivery Option which in which construction of the Los Angeles Convention Center Expansion and Modernization Project would commence in 2025 with certain scope deliverables and milestones achieved before the 2028 Games and the balance of the scope completed after the 2028 Games;
2. Instruct the City Administrative Officer and Chief Legislative Analyst, Bureau of Engineering with assistance of other departments as appropriate, to negotiate and execute an amendment to the Early Works Agreement with AEG Plenary Conventions Los Angeles, LLC (C-146596) to increase the capped amount by \$19,986,296 from the existing not to exceed amount of \$36,863,722 to a cumulative not to exceed amount of \$56,850,018 for additional pre-development work necessary for the expansion and modernization of the Los Angeles Convention Center, including signage feasibility and design, kitchen scope, additional site investigatory work, and other pre-development work, paid from the Municipal Improvement Corporation of Los Angeles (MICLA) Commercial Paper Program (Los Angeles Convention Center); subject to the City Attorney's approval as to form;
3. Authorize the City Administrative Officer, Chief Legislative Analyst, City Attorney, Bureau of Engineering, and the Department of City Planning, subject to CAO review and approval, to procure, negotiate, and execute contracts and contract amendments for financial advisory, legal, construction management, and other consulting services as necessary for up to \$7.75 million, paid from the Municipal Improvement Corporation of Los Angeles (MICLA) Commercial Paper Program (Los Angeles Convention Center);

5. Authorize by resolution, subject to allocation by the Board of Civil Service Commissioners and pay grade determination by the Office of the City Administrative Officer, Employee Relations Division, the following positions, to be employed in the Bureau of Engineering, as technical and support staff for the Los Angeles Convention Center Expansion and Modernization Project, for the period of April 1, 2025 through June 30, 2025, to be funded from the Municipal Improvement Corporation of Los Angeles (MICLA) Commercial Paper Program (Los Angeles Convention Center):

No.	Class Code	Class Title
1	9489-0	Principal Civil Engineer
1	7957-B	Structural Engineer Associate/PM I

6. Authorize the City Administrative Officer to make technical corrections as necessary to those transactions included in this report to implement Mayor and Council intentions.

Should the Council decide not to proceed with the Phased Delivery Option, the Council should

7. Instruct the City Administrative Officer and Chief Legislative Analyst to terminate all work on the Los Angeles Convention Center Expansion and Modernization Project with AEG Plenary Conventions Los Angeles, LLC, including the Early Works Agreement as well as contracts for financial advisory, legal, construction management, and other consulting services held by the City Administrative Officer, Bureau of Engineering, and City Attorney.

Council may choose to reassess the needs of the City with respect to the Los Angeles Convention Center at a future date. However, no other immediate actions are required at this time for any future reassessment.

## DISCUSSION

The Project in the current design includes an expansion scope that would add up to 190,000 square feet of additional contiguous hall space; up to 55,000 square feet of additional meeting room space; and, up to 95,000 square feet of multi-purpose space to the LACC. This design would provide for 750,000 square feet of contiguous hall space, and over 1.2 million square feet of total usable space, across the LACC campus, helping Los Angeles become competitive for large convention events on par with San Diego, San Francisco, and Anaheim. The Project would connect the South Hall and West Hall together above Pico Blvd (Pico Expansion), necessitating the closure of the street for 18 months of the construction period. The Project also includes modernization elements, a redesign of the adjacent Gilbert Lindsay Plaza to provide improved public amenities at the site, and a new signage program installed throughout the exterior of the LACC campus.

APCLA has proposed two options that would initiate construction of the Project this year: 1) an Expedited Delivery Option anticipated to complete the Project by May 31, 2028 with an estimated cost of \$2.2 billion; and 2) a Phased Delivery Option which is anticipated to result in a nearly completed Project by May 30, 2028, with a pause in construction during the 2028 Games and resumption of construction following the 2028 Games, having an estimated cost of \$2.2 billion. The debt service impact to the General Fund on the Project under either option would commence in 2028-29.

APCLA has put forth a non-committed project schedule and non-binding price for each option, which means the price and schedule provided by APCLA are subject to change. Such changes may result from not having yet priced the TR Addendums or the City's comments to the 50 percent Design Drawings. Additional TR changes could increase costs.

### **Expedited Delivery Option**

The Expedited Delivery Option, as proposed by APCLA, seeks to complete the entire Project by May 31, 2028, right before the exclusive use period required for the 2028 Games. The Project is not planned to be used for the 2028 Games, but under this option, the facility would be ready for use immediately after the 2028 Games, meaning the economic impact anticipated from the Project would commence in 2028, allowing the expanded and modernized LACC to begin generating the necessary revenues to help to pay for the cost of the Project. To meet this completion date, this option would leverage the current APCLA/PWJV/Design Team, as well as the existing permits that may become invalid if the Project is delayed for over 12 months. Furthermore, the Project would remain under current California Building Code requirements ensuring no changes to the design would be required to meet future code changes.

Though the Expedited Delivery Option provides the benefits noted, this option also possesses the highest level of risk to the City given the limited time in the Project schedule and various other challenges. Based on our review of the required actions needed and the timing of these actions under this option, the CAO and CLA agree that the Expedited Delivery Option is no longer feasible for the following reasons:

- **Insufficient time to finalize the PA.** To meet the tight timeline for implementing the Expedited Delivery Option, a finalized PA, including the TRs, must be completed by April 18, 2025. Achieving this PA target completion date is not possible. Even if the City agrees to compromise on certain terms related to Relief Events, Liquidated Damages, and retained costs for specific scope items—such as allowances not tied to the committed price, which could be less advantageous to the City, the April 18, 2025 deadline presents an impossible challenge for the City to meet.
- **Uncertainty of the committed price due to incomplete PA.** The current non-binding estimate provided by APCLA for the Expedited Delivery Option is a total construction cost of \$1.8 billion. Including the City retained costs increases the total Project costs under this option to \$2.2 billion. These current estimates

require further refinement which can only happen upon conclusion of current pricing effort which requires finalization of the PA. The refined price from APCLA would equate to their committed price proposal for the Project which is intended to lock in prices ahead of Commercial Close to avoid additional cost escalation. However, there is no guarantee that scope changes, unknown site conditions, or other unforeseen costs would not result in the total Project costs increasing. Additionally, without a final PA, the total construction cost provided will remain uncommitted.

- **Uncertainty on the schedule.** Based on the schedule provided by APCLA, construction would be completed over a 34.5 month period. There is no cushion in the schedule to allow for delays in the project. As a result, any effort to make up time resulting from delays will involve solutions such as weekend or evening shifts. The City could incur additional costs for these revised work efforts. If solutions are not adequate to address the delays, then the Project would need to cease construction to make way for the 2028 Games and resume upon their completion. The 34.5-month schedule allows only limited potential schedule relief in the event of a Relief Event. A Relief Event is defined as an agreed-upon occurrence that materially and adversely impacts APCLA's ability to fulfill its obligations under the PA, subject to the limitations and requirements outlined for such events. This excludes events caused by negligence, willful misconduct, or breaches of law or contract by any APCLA-related entity. Examples of Relief Events include force majeure, qualifying changes in law, and adverse weather delays. With the 2028 Games requiring the facility to be under control by June 1, 2028, any delays beyond the control of the City or APCLA could disrupt the timeline and impact the use of the facility as a venue for the 2028 Games.

### **Phased Delivery Option**

APCLA has recognized the risks associated with the Expedited Delivery Option and has presented the Phased Delivery Option as an alternative. As proposed by APCLA, the Phased Delivery Option seeks to complete the exterior and interior of the Project before the 2028 Games. Similar to the Expedited Delivery Option, this option would leverage the team in place at APCLA and PWJV, build on the preconstruction activities of the EWA, and remain under current California Building Code requirements. The City would also receive a committed price for the completion of the entire Project even if the entirety of the scope would not be finished until after the 2028 Games.

The Phased Delivery Option carries several of the same benefits as the Expedited Delivery Option, with the goal of mitigating some of the time-related risks. To mitigate the risk of interfering and impacting the 2028 Games, the Phased Delivery Option would push off the final elements of the Project to after the 2028 Games. This extension of time to complete the entire Project would allow for the further development of design and permitting during the extended early works phase, which can provide more certainty on the allowances (including digital signage, kitchen facility and the network station). There would also be additional time to complete the PA in June 2025, obtain final



approval by the Council and Mayor, and achieve Commercial Close. Nonetheless, there are unique risks to the Phased Delivery Option that require further consideration.

With the Phased Delivery Option, the City and APCLA must first agree on the deliverables and milestones that will define each phase of the Project. This understanding will need to be documented in the PA. Moreover, the Phased Delivery Option must be properly vetted with various City entities including the Department of Building and Safety, Los Angeles Fire Department, Bureau of Contract Administration (BCA), and BOE to ensure compliance with all relevant laws, ordinances, and regulations. These reviews will be critical to mitigate any impacts of having an unfinished Project available to host the 2028 Games.

One specific area of concern that must be addressed before selecting the Phased Delivery Option is the timing of when Temporary Certificate of Occupancy (TCO) is secured. As currently contemplated, the Phased Delivery Option would not receive a TCO until after the 2028 Games. Related to the timing of the TCO, some building systems may not be tested, commissioned, nor inspected prior to stopping work for the 2028 Games. Given the impact of construction on the occupancy of several halls, meeting rooms and other areas of the LACC, ensuring that the LACC can continue to operate during construction and during the 2028 Games is critical. Any impacts to emergency exit paths and other fire life safety systems including HVAC, must be fully addressed to the satisfaction of any Authorities Having Jurisdiction (AHJs). Absent these assurances, the Phased Delivery Option also runs the risk of cost overruns, construction delays, and interference with the 2028 Games.

Finally, the Council must understand that a decision to proceed with the Phased Delivery Option now does not result in an actual Project being completed or even started. As previously stated, completion of the PA is the next critical step. Despite the best efforts of the City and APCLA, there is the possibility that agreement on the PA may not be achieved. If this is the case, the City will have spent additional funds on the Project through the EWA, although not necessarily the additional \$27.7 million recommended for the Phased Delivery Option in this report.

#### **Schedule for Pre-2028 Games Options**

APCLA has shared with the City a proposed, non-committed schedule for these options. Currently, the PA drafting and development has not fully matured and will require a substantial time commitment from all parties involved to bring it to completion. The proposed schedule under the Expedited Delivery Option requires a final PA, including the TRs, by April 18, 2025 so that APCLA can use the information (i.e. Relief Events, Liquidated Damages, Payment and Performance Security Levels, and 2028 Games Contingency Plan) in the PA to develop the committed price as well as set a final project schedule. As discussed above, meeting the April 18, 2025 deadline is not feasible for the City. As such, our offices have not presented a recommendation in support of the Expedited Delivery Option.

The proposed schedule for the Phased Delivery Option requires a completed PA, including the TRs, by June 20, 2025. While there is more time to finalize the PA in this option, having to add in unique terms to a phased approach means there is still very limited time to fully negotiate the terms. The discussion below outlines the risks and challenges associated with developing a PA suitable for the City under such a compressed timetable.

If the Council advances a plan to begin construction before the 2028 Games under the Phased Delivery Option, the following actions will proceed:

- City staff will re-engage APCLA, technical teams, design teams, and legal teams to complete all technical documents, architectural designs, and legal documents needed to determine the committed price.
- City staff will complete a report for the Council and Mayor to consider that includes final details concerning the Project, a completed PA, the committed project cost, financing plan with bond authorization, and all other terms related to advance the Project.
- Council consideration would follow release of the report, which would determine when the project would achieve Commercial Close and Construction Start.
- Upon Commercial Close, the City will begin to make progress payments to APCLA.
- Construction Start would begin immediately upon Commercial Close.
- At some point prior to the 2028 Games, construction would cease and the property would be prepared for use for the 2028 Games.
- Upon conclusion of the 2028 Games and release of the facility back to the City, the project would restart and proceed to completion.
- The first debt service payment would commence in 2028-29.

The table below shows the contemplated Project schedule:

<b>Milestone Date</b>	<b>Phased Delivery</b>
City Completes PA and TRs for Pricing	June 20, 2025
City Staff Report Release Date for approval of Project and authorization to issue debt.	July 22, 2025
City Approval of Committed Proposal and PA	September 2, 2025
Commercial Close	September 16, 2025
Construction Start	September 17, 2025
APCLA proposed readiness for the 2028 Games*	Construction pause May 30, 2028
2028 Games Exclusive Use	June 1, 2028 - September 30, 2028
Project Completion	March 19, 2029
*The schedule does not include any additional days for construction delays. Determination of responses that result from delays would need to be determined in the PA, which remains in negotiation.	

### **Additional Considerations**

If the Council decides to proceed with the Phased Delivery Option, there are additional matters that will require resolution either as part of the EWA or the PA. These include activities related to the Los Angeles Department of Water and Power (DWP) and the completion of a “Contingency Plan” (Plan).

The City’s decision to commence construction before the 2028 Games will require the completion of significant activities by DWP). DWP has indicated concern with completing their responsible scope of work for this Project on time based on the level of design required and long lead times for ordering equipment. This work is necessary in order to ensure power to the LACC and includes design and construction of several scopes of work including a DWP Network station, DWP power conduits, a customer switchgear and addressing conflicts at four existing DWP service vaults located within the LACC campus. An allowance for the completion of this work is included in the total cost but schedule impacts can result in higher costs.

Another matter that will need resolution is the completion of a Plan that defines APCLA’s obligations if construction were to be delayed to the extent that it would impact the Exclusive Use Period for the 2028 Games. The Plan should set out commitments from APCLA to de-mobilize and ready the LACC for use during the 2028 Games which includes the removal of construction equipment and materials, repainting, cleaning requirements, and other items. The Plan should also provide three different hypothetical examples of the potential status of the construction schedule as at January 28, 2028 – with specific activities that APCLA would take to achieve the requirements of the Plan, and a list of remaining work to be completed after the conclusion of the 2028 Games. The costs of the Plan will need to be priced and included in the PA.

### **Financial Considerations for an Expansion Project**

The June 2024 Report authorized the issuance of up to \$54.4 million in MICLA commercial paper notes to interim finance the Project's pre-construction budget consisting of activities under the EWA (\$42.9 million), consultant and legal services (\$9.5 million), and BOE staffing (\$2 million). To date, \$42 million of pre-construction costs have been incurred consisting of EWA costs (\$33 million), consultant and legal fees (\$7.5 million), and BOE staffing (\$1.5 million). The recommendations in this report will instruct the CAO and CLA to increase the ceiling of the EWA with APCLA by approximately \$20 million, and increase, amend, and execute city consultant contracts for up to \$7.75 million. In addition, the remaining \$12.4 million in available EWA funding authorized in the June 2024 Report will be spent.

Relative to staffing, two resolution authorities are necessary for Bureau of Engineering (BOE) staff to continue pre-development work that will be funded with MICLA commercial paper notes. Additional resources in BOE, BCA, City Planning, the Fire Department, and the Department of Transportation may also be necessary in 2025-26 that will need to be addressed through the budget development process for 2025-26.

### **Indicative Costs of LACC Expansion Project**

At the time of the June 2024 Report, APCLA estimated the total project cost, including preconstruction costs, at approximately \$1.4 billion. This estimate was based on a preliminary schematic-level design data, and excluded all City-retained costs (i.e. city staffing, project management support, and contingencies) during both the preconstruction and construction phases.

The Project design has advanced and reached its 50 percent design development milestone from its prior schematic-level. The City and APLCA have also conducted site investigations, scoping and budgeting workshops, risk assessments, discussions with AHJs, and development of detailed City TRs. These technical efforts have resulted in numerous clarifications and augmentations to the previously understood Project scope, such as the inclusion of a full new kitchen and concessions program necessary to support an expanded LACC campus operations, new electrification requirements, additional steel and structural support to strengthen the Pico Expansion, upgrades to fire alarm systems in the existing buildings, and new allowances for utility costs. Notably, in order to construct a digital signage program to realize anticipated signage revenues, an allowance for the digital signage program was added based on a feasibility study conducted with APCLA. As previously noted, allowances are useful in providing a cost placeholder for an anticipated cost, however, when actual costs differ from the allowances, change orders are necessary to adjust the contract sum.

In the last six months, the City has also developed a budget estimate for City-retained costs during the construction period, which are known or expected expenses that fall outside of the APCLA-led cost estimate. At this point, all of the City-retained costs are either allowances or contingency amounts. The \$421 million reflects a high level of City-retained risks in the Project and includes contingencies for claims and change orders, allowances for Furniture, Fixtures and Equipment, construction and project

management support, utility-related fees, a Public Art allowance, and various other items. Direct and indirect costs for City staff including the BOE, BCA, the Fire Department, and the Planning Department are also included.

In February 2025, APCLA submitted to the City updated project cost estimates and two high-level project scenarios which are shown in the table below as the Expedited Delivery and the Phased Delivery Options. Based on the pre-construction activities completed to date, the total indicative costs of the Project, under the two scenarios described in this report, are as follows:

<b>Indicative costs of LACC Expansion Project</b> <i>(in millions)</i>		
	<b>Pre-2028 Games</b>	
	<b>Expedited Delivery</b>	<b>Phased Delivery</b>
Construction Start Date	July 2025	September 2025
Total Preconstruction Cost	\$81	\$85
Total Construction Cost	1,677	1,694
APCLA Proposed Development Fee*	35	35
Total City-Retained Cost	421	421
<b>Total</b>	<b>\$2,214</b>	<b>\$2,235</b>
* The APCLA Proposed Development fee amount is subject to negotiation as a term within the PA.		

While the Phased Delivery Option is \$21 million more than an Expedited Delivery Option, our offices have determined that the Expedited Delivery Option is no longer feasible. Further, these amounts are subject to change as pricing is currently uncommitted and negotiations continue.

#### Financing Costs and General Fund Impact

The issuance of debt is an appropriate method of financing major capital projects as it spreads the costs over the life of the asset. If the Project is approved, the City would issue fixed rate lease revenue bonds to finance the project costs over 30 years. Typically, the City avoids capitalized interest as it increases the overall debt issued, however in accordance with the City's Debt Policy, capitalized interest is permitted if the leased asset is the financed asset or the project financing is expected to be repaid with project revenues. The Project meets both these requirements and the financing assumes capitalized interest during the three-year construction period. This results in the General Fund budgeting for debt service beginning in 2028-29. Based on the current interest rate of 4.23 percent as of March 3, 2025, the total projected net debt service over the life of the bonds is approximately \$4.09 billion. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. We cannot fully predict what interest rates will be in the future.

The Phased Delivery Option is \$21 million more than an Expedited Delivery Option. However the increased costs are not material over the 30 year term of the bonds. As such, those scenarios are both represented in the General Fund impact table below.

<b>Indicative Average Annual General Fund Impact for LACC Expansion Project</b> <i>(in millions)^1</i>	
(A) Total LACC Cost^2	\$(200)
(B) Total LACC Operating Revenues^3	137
(C) Total LACC Direct General Fund Impact	(63)
(D) Indirect Incremental Tax Contribution Impact	18
<b>(E) Net General Fund Impact</b>	<b>\$(45)</b>
1. Amounts are calculated in nominal dollars. 2. Total LACC Cost includes projected costs of design, construction, financing, operating costs for an Expanded & Modernized LACC. Anticipated Lifecycle costs for the Project are not included. 3. "LACC Operating Revenues" includes projected total revenues generated by the LACC from the start of operations post expansion from a full signage program, parking, and events/operating income. Signage and other agreements are subject to Caltrans approval and a City Ordinance Change. Additional actions must be taken to realize this revenue.	

All of the numbers reflected in the table above are estimates based on certain assumptions with respect to Project costs, debt service, LACC operating revenues, and incremental tax benefits resulting from the Project. These are all subject to change based on the final Project price, market conditions at the time of debt issuance, future LACC event bookings, and a variety of other economic factors.

Based on the assumptions used, debt service for the Project is anticipated to be offset with projected LACC Operating Revenues (Operating Revenues) and Incremental General Fund Tax Contributions (Tax Contributions). Operating Revenues consist of revenue from parking, new digital signage, and LACC operations and are based on estimates developed by a consulting team of subject matter experts retained by the City. The City must receive State of California Department of Transportation (Caltrans) approval, secure updates to State law, or redesign some signs to realize revenues generated from freeway facing signage. In addition, an amendment of the City's Signage Ordinance is required for the Figueroa Facing signage. For all signs, executing additional agreements are required to realize the signage revenue. Tax Contributions are assumed as a result of an expanded convention center that allows for more events and attendees, which will drive increased visitation and spending in the City, per an economic impact analysis that was completed in November 2023 (C.F. 15-1207-S1) and updated in December 2024. The increased spending would result in additional tax revenues to the City's General Fund, most notably from increased Sales Tax and Transient Occupancy Tax.

As depicted in the table above, the projected revenues do not fully offset the projected costs associated with the LACC which results in a negative impact on the General Fund over a 30 year period. This would have a direct impact on the City's Budget Outlook which currently shows a structural imbalance through Fiscal Year 2027-28. Budget outlook projections beyond 2027-28 have not been performed. This Project would

further exacerbate the structural imbalance and require future prioritization (or reduction) of other City services and capital projects to simultaneously pay for this Project and eliminate the structural imbalance of the City's General Fund Budget.

#### Life Cycle Costs

In November 2024, the City's consultant prepared a lifecycle cost study for the LACC. This study provided a 30-year life cycle assessment of the likely major cyclical repair and replacement costs of the proposed Project. In discussions with the City's consultations, the City could expect lifecycle costs over a 30-period to total approximately \$654 million (in nominal dollars) resulting in an average annual lifecycle cost of approximately \$22 million (in nominal dollars) for the expansion and modernization portions of the LACC facility (excludes West and South Halls). The Project does not include lifecycle costs, however it is important to take into consideration lifecycle costs to ensure that ongoing operational decisions are informed by a clear understanding of long-term financial commitments. For the City, these considerations would be incorporated through the City capital planning and annual budget development process.

#### **FISCAL IMPACT STATEMENT**

The costs resulting from the recommendations proposed in this report will need to be addressed in 2025-26. There is no General Fund impact in 2024-25. Costs associated with amendment of the EWA and amendment and extension of the City's consultant agreements will be paid from the Municipal Improvement Corporation of Los Angeles (MICLA) Commercial Paper Program (Los Angeles Convention Center). The General Fund impact in 2025-26 is anticipated to be included within the Capital Finance Administration Fund, Los Angeles Convention Center (LACC) Commercial Paper Account, for costs associated with administering this commercial paper program, including interest costs. The future repayment of these costs will be financed through MICLA and will require annual appropriations from the General Fund or some other funding source to repay the debt service. The first year of General Fund impact as a result of debt service is anticipated to be in 2028-29.

Should the Council advance a pre-2028 Games Project, a total of \$27.75 million is necessary to continue preconstruction activities, including a \$20 million increase to the EWA with APCLA and \$7.75 million in additional City consultant costs.

Should the Council authorize a Project, full City costs and the General Fund impact will depend on delivery option selected and the timing and sizing of the debt issued to finance the Project. A subsequent report on the debt issuance for the Project will be prepared and released at a later date concurrent with the submission of a final PA to Council and the Mayor. Based on current assumptions, the indicative average annual General Fund Impact for the Project is \$45 million.

## **DEBT IMPACT STATEMENT**

The issuance of MICLA debt is a General Fund obligation. The issuance of MICLA for the EWA related to the Project would cause the City to borrow an additional amount of up to \$22.75 million at an approximate 4.23 percent interest rate over 30 years. The total estimated debt service related to the recommendations in this report is \$49.5 million including interest of approximately \$21.7 million. During the life of the bonds, the estimated annual debt service is \$1.6 million for 30 years. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. We cannot fully predict what interest rates will be in the future. In accordance with the City's Debt Management Policy, the City has an established debt ceiling to guide in evaluating the affordability for future debt. The debt ceiling for non-voted direct debt as a percentage of General Fund revenues is six percent. Issuing debt for this project will impact this debt ratio. The 2024-25 Adopted Budget non voter-approved debt ratio is 2.63 percent. The issuance of debt for these purposes will likely not cause the City to exceed the six percent non-voter approved debt limit.

Per the proposal, the total Project construction cost is contemplated to be up to \$2.24 billion. However, the final sizing of the debt issuance to cover this cost will depend on the delivery option selected and the construction schedule for the Project. A subsequent report on the debt issuance for the Project will be prepared and released at a later date, and concurrent with the submission of a final PA.

## **FINANCIAL POLICIES STATEMENT**

The recommendations in this report are consistent with the City's Financial Policies as they will not result in appropriation changes during the current fiscal year. Furthermore, since the recommendations support initiating a multi-year project, consideration has been given to adding new items to the budget with future year expenditure requirements, within the context of the City's ability to continue to pay these future year expenses.



**Attachment A**  
**Analysis of Convention Center Expansion Project Options**  
**March 2025 Update**

The Economic Development and Jobs Committee instructed the CAO and CLA to evaluate short-term and long-term options to expand and modernize the Los Angeles Convention Center (LACC). While the main report focuses on the only potentially viable short-term option, staff evaluated multiple options. The following is a short survey of the other options evaluated.

Project	Responsive to Schedule?	Responsive to Cost?	Responsive to Terms?	Viability
<b>1. No Project</b>	N/A	N/A	N/A	<b>Viable</b>
<b>2. Expedited</b>	No	No	No	<b>Not Viable</b>
<b>3a. Phased (APCLA)</b>	No	No	TBD	<b>Viable</b>
<b>3b. Phased (City-led)</b>	No	Unknown	N/A	<b>Not Viable</b>
<b>4a. Post-Games (APCLA)</b>	No	Unknown	Unknown	<b>Unknown</b>
<b>4b. Post-Games (City-led)</b>	No	Unknown	N/A	<b>Viable</b>

**1. No Project**

In a No Project option, the Convention Center would receive no significant enhancements. Regular capital improvements and construction projects through the annual budgeting process would continue, but the Convention Center square footage and amenities would remain unchanged.

**Analysis:** Viable, though fails to address Council's intention to expand and modernize the LACC.

**2. Expedited Delivery (Sole-Source w/ APCLA)**

In the Expedited Delivery Option, the Project would be fully completed before the 2028 Games. Due to the time constraints, only a sole-source Project with APCLA was considered. However, analysis showed that the time constraints with a sole-source Project proved too restrictive to complete a Project Agreement (PA) with reasonable terms for the City.

**Analysis:** Not Viable due to time constraints related to PA negotiation and construction start.

**3. Phased Delivery**

In the Phased Delivery Option, a portion of the Project would be completed with certain scope deliverables and milestones prior the 2028 Games, and provide no disruption to the 2028 Games, with the balance of the scope completed after the 2028 Games.

**3a. Phased (Sole-Source w/ APCLA)**

A Phased Delivery Option was considered in which APCLA would continue to provide development services on a sole-source basis.

**Analysis:** Viable, though fails to meet Council's cost parameters.

3b. Phased (City-led Delivery)

A Phased Delivery Option was considered in which the City could complete a competitive bid process to procure a contractor to complete the Project as a phased delivery. However, the time constraints with this approach were found to be incompatible with the processes of procurement and construction delivery.

**Analysis:** Not Viable due to time constraints in City procurement process.

4. Post-Games Delivery

In a Post-Games Delivery Option, the Project would begin construction after the conclusion of the 2028 Games.

4a. Post-Games Delivery (Sole-Source w/ APCLA)

APCLA did not provide a Post-Games Delivery Option to review. Additionally, the City will need to determine a sole-source basis for Post-Games delivery option with APCLA.

**Analysis:** Unknown viability

4b. Post-Games Delivery (City-led Delivery)

A Post-Games Delivery Option was considered in which the City could complete a competitive bid process to procure a contractor to provide construction services after the 2028 Games.

**Analysis:** Viable, though fails to meet Council's schedule parameters to provide a Project prior to the 2028 Games.