

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

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Date: December 4, 2023

To: Honorable Members of the City Council

From: Sharon M. Tso, Chief Legislative Analyst

Matthew W. Szabo, City Administrative Officer

Subject: **STATUS OF THE LOS ANGELES CONVENTION CENTER EXPANSION PROJECT**

SUMMARY

On December 12, 2018, the City Council approved Chief Legislative Analyst (CLA) recommendations to, among other actions, authorize the Mayor to execute an Exclusive Negotiating Agreement (ENA) between the City of Los Angeles and Anschutz Entertainment Group (AEG) providing terms to evaluate a Public-Private-Partnership (P3) to expand the Los Angeles Convention Center (LACC Expansion Project or Project), as well as a complementary private proposal by AEG to expand the existing JW Marriott Hotel at LA Live (JW Marriott Expansion). AEG and Plenary Group (Plenary) have since formed a partnership, AEG Plenary Conventions Los Angeles, LLC (APCLA), which was named as a Contracting Party to the ENA by Council's action of July 2, 2019. The ENA was extended through January 9, 2022, including the potential for two optional mutual extensions of one hundred and eighty days each. At this time, though, no further extension has been executed and the ENA is no longer active.

Subsequent to execution of the ENA, the City and APCLA engaged in negotiations to expand and modernize the LACC, and provide private operations and maintenance (O&M) and lifecycle replacement services on the LACC campus. Under the current schematic design, the construction scope of the Expansion Project would provide:

- Up to 190,000 square feet of additional exhibit hall space contiguous to the existing South and West Halls;
- Up to 55,000 square feet of additional meeting room space; and
- Up to 95,000 square feet of multi-purpose space.

The Expansion Project would also include a redesign of the adjacent Gilbert Lindsay Plaza to provide improved public amenities at the site, a reconfiguration of LACC parking arrangements, and a new digital signage program installed across the LACC campus.

A requirement of the LACC Expansion Project ENA with APCLA is the concurrent expansion of the JW Marriott hotel. AEG's proposal from 2016 included plans for the JW Marriott Expansion, which would add a new tower with 850 rooms on the corner of Georgia Street and Chick Hearn Court. Concurrent development of the expanded JW Marriott Hotel supports the City's previously stated goal of achieving 8,000 hotel rooms within walking distance of the LACC.

In order to evaluate the feasibility of the LACC Expansion Project as a P3 under the ENA, the City undertook studies to determine Potential Project Funding Availability and a Total Target Budget for the construction and financing of the expanded facilities, as well as operations and maintenance (O&M) and lifecycle costs of the existing and expanded facilities over a 30-year period. A CLA report, dated February 26, 2020 (February 2020 Report), provided Council with the results of these studies and recommendations to move forward with an Early Works Agreement (EWA) with APCLA as the Developer. Recommendations in that report would have advanced design of the Expansion Project and negotiations with APCLA on the final terms for the Expansion Project.

Under the terms being developed for that P3 agreement, the City would commit to making both short-term "progress payments" and then long-term "availability payments" to APCLA, based on the City funding all of the costs of an LACC Expansion Project, including:

- The Expansion Project's design and construction costs, which are financed through private equity, private debt, and City-issued debt; and
- All costs needed to pay for private O&M and lifecycle replacement services across the LACC campus.

Unlike a "landlord" ground lease agreement where a Developer would be responsible for the majority of development and business risks (as was the case for AEG's Staples Center), under this P3 approach the City would retain the financial risks of achieving the long-term projected revenues from an LACC Expansion Project, together with exposure to a range of other Project-specific design, construction, and O&M-related risks and uncertainties.

Immediately following release of the February 2020 Report, however, the onset of the COVID-19 pandemic in 2020 and its severe negative impact on the convention and tourism industry halted advancement of the Expansion Project. A variety of factors have subsequently slowed and in some cases halted the City's efforts, including the limited availability of City staffing and City resources in the context of competing priorities, the significant increases to Expansion Project costs through construction cost escalation and rising interest rates, and the transition of several elected offices including the Mayor.

A more detailed accounting of the City's efforts is provided as an appendix to this report (Attachment A), which shows that despite factors that delayed progress and the uncertain backdrop surrounding the Expansion Project, there have been various high-level discussions and indicative (non-binding) financial models, updated cost

budgets, and deal negotiations between APCLA and the City since February 2020. Critically, though, there has been no serious design work, site investigation work, or estimating/scheduling work conducted by APCLA or the City since 2020. As a result, any interim financial models or suggestions of Expansion Project costs or development schedules at this point represent “best guess” estimates. The most recent iteration of a P3 financial plan for the Expansion Project from APCLA was received by the City in February 2023, which suggested over \$1 billion of new cuts to APCLA’s previously understood budgets for O&M and private financing, resulting in a total funding gap similar to the February 2020 Report estimate. However, because the financial plan did not benefit from meaningful or recent cost estimating, or design or planning work to validate cost reductions, the City does not have a basis to believe this level of cost reduction can be achieved without ultimately impacting project scope or the City taking on significantly more risk. Instead, the City has prepared a more conservative, high-level November 2023 P3 Scenario, consistent with the initial APCLA estimates from the February 2020 Report but updated to account for the significant market changes in construction costs and interest rates witnessed since the onset of COVID-19 throughout the economy.

Were the City to pursue an Expansion Project under any delivery method, the overall cost would constitute a major General Fund obligation for a period of 30 years. The City will need to decide on the prioritization of projects and needs for which General Funds could be allocated, and the relative impact of a Project-specific obligation.

Additionally, the LACC is expected to be available for use during the 2028 Olympic and Paralympic Games. Use of the LACC as a venue for the Games requires Project completion by mid-2027, or deferral until after the conclusion of the 2028 Games in August 2028.

Considering the time elapsed since the initiation of the Expansion Project, the large increases to Expansion Project costs and associated General Fund impacts, the market impacts to the convention industry resulting from the COVID-19 pandemic, expiration of the ENA, the significant costs associated with providing updated analyses of Expansion Project costs, and the LACC’s role in the upcoming 2028 Olympic and Paralympic Games, City staff requires further direction from the City Council and Mayor on how to proceed. In this report, the CLA and the City Administrative Officer (CAO) seek Council direction on how to address expansion and improvements to the LACC and have presented three LACC expansion options and a limited improvements option for Council’s consideration. The four options are as follows:

LACC Expansion or Limited Improvements Options

1. Continue negotiations with APCLA, and work toward finalizing an agreement regarding development of a Convention Center Expansion Project under a P3 arrangement that would initiate construction as soon as possible, with the CLA and CAO to report back on next steps, including the identification of the funding needed to advance the Expansion Project. Total Project costs under the 2023 P3 Scenario are currently estimated to be approximately \$6.5 billion over a 30-year operating term. In order to complete preconstruction including final designs and

all P3 negotiations, the City would need to authorize approximately \$65 million in costs. Should the City elect to proceed with this option, it is recommended that the Council direct the CLA and CAO to develop metrics with minimum required thresholds intended to ensure the Project's scope, risk profile, shared development costs, price, commitment to expand the JW Marriott hotel, and resulting General Fund impact, remain acceptable to the City, with the option to terminate the P3 development process in the event these parameters are not met.

2. End negotiations with APCLA and continue development of a Convention Center Expansion Project with a City delivery model that would initiate construction as soon as possible, with the CLA and CAO to report back on next steps, including the identification of the funding needed to advance the Expansion Project. Total Project costs under the 2023 Non-P3 Scenario are estimated to be approximately \$4.8 billion over a 30-year operating term. In order to complete preconstruction including final designs and all procurements and negotiations, the City would need to authorize approximately \$65 million in costs.

3. End negotiations with APCLA and continue development of a Convention Center Expansion Project with a City delivery model that would initiate construction immediately following the conclusion of the 2028 Olympic and Paralympic Games. The CLA and CAO would report on the steps needed to implement this option, including identification of the funding needed to advance the Expansion Project on a deferred schedule. This option would provide the City with more time to complete detailed design development and site investigation work, and to prepare relevant commercial agreements prior to the start of construction after August 2028.

4. End negotiations with APCLA, end development of a Convention Center Expansion Project, and instruct the City Tourism Department (CTD) to begin development of a Limited Improvements Project. The Limited Improvements Project would identify a list of capital improvements and immediate needs at the LACC to ensure its continued functional operation in the short-to-medium term. There would be no expansion of any convention space. CTD would submit a budget request for the LACC's improvements and maintenance needs as part of the City's annual budget process for funding consideration.

Additional detail on each of these options is provided later in this report, including indicative costs, revenue, and General Fund impacts for the first two options. However, as noted above, all estimates on schedule and costs for the Expansion Project – either from the City's team, the City's consultants, or from APCLA - should be viewed with caution as there has been no meaningful work on Expansion Project development since 2020, and the Expansion Project's detailed scope and risk profile are not yet defined. If Council decides to continue with an LACC Expansion Project, all cost estimates, revenue forecasts, and delivery schedules need a comprehensive refresh.

Before Council's consideration of the expansion options, the CLA and CAO have identified three fundamental questions that are addressed in this report and merit discussion. Specifically:

1. What economic value can the City expect to derive from a multi-billion investment in the LACC?
2. Will the projected revenues from an expanded and modernized LACC be enough to pay for the expansion?
3. What are the pros and cons to the City of each delivery approach for an expansion project, under both a P3 deal negotiated with APCLA or a non-P3 deal with a different structure?

The responses to these questions should help the Council settle on one of the four options detailed herein.

RECOMMENDATIONS

That the City Council:

1. Select a delivery method for LACC expansion and:
 - A. Instruct the Chief Legislative Analyst and City Administrative Officer, with assistance of other departments as appropriate, to continue negotiations with AEG Plenary Conventions Los Angeles, LLC (APCLA), work toward finalizing development of a Convention Center Expansion Project under a P3 arrangement, and report within 60 days with a comprehensive plan for Project delivery (Option 1). The plan must ensure project completion in time for the 2028 Olympic and Paralympic Games, and must include metrics with minimum thresholds to be developed and monitored solely by the City, designed to ensure:
 - (1) delivery of the City's full required construction and operating scope without reduction,
 - (2) commitment to expand the JW Marriott hotel,
 - (3) affordability within City-defined general fund impact limits,
 - (4) the transfer of significant construction and operating risks to APCLA along with clear long-term quality commitments to the City, in line with P3 market norms,
 - (5) appropriate development cost sharing that ensures none of APCLA's development costs are underwritten by the City, with the exception of only detailed design fees and site investigation costs, and
 - (6) the incorporation of strategies to ensure the various construction, operations, and financing elements of the project will be market-tested or competitively priced to improve the overall cost to the City.

Should these parameters not be met, the Chief Legislative Analyst and City Administrative Officer will report to the City Council with a recommendation to terminate the P3 development process; or

- B. Instruct the Chief Legislative Analyst and City Administrative Officer, with assistance of other departments as appropriate, to end negotiations with APCLA, continue development of a Convention Center Expansion Project with a City delivery model, and report within 60 days with a comprehensive plan for Project delivery (**Option 2**); or
- C. Instruct the Chief Legislative Analyst and City Administrative Officer, with assistance of other departments as appropriate, to end negotiations with APCLA, and continue development of a Convention Center Expansion Project with a City delivery model that would begin construction immediately after the conclusion of the 2028 Olympic and Paralympic Games (**Option 3**); or
- D. Instruct CTD to report in the Mayor's annual budget on recommended components of a Limited Improvements Project that would address immediate facility needs at the Convention Center (**Option 4**); and

Dependent upon the delivery method the Council, subject to the approval of the Mayor:

2. AUTHORIZE the City Administrative Officer, the Chief Legislative Analyst, the City Attorney, and the Bureau of Engineering to procure, negotiate, and execute contracts or amendments for financial advisory, legal, construction management and review, and other consulting services as necessary for an additional \$1 million up to an aggregate amount of \$7.275 million for advancing Option 1, 2, or 3, paid from the MICLA Commercial Paper Program (Los Angeles Convention Center); and

3. AUTHORIZE the Chief Legislative Analyst with the assistance of the City Administrative Officer, to pay AEG Plenary Conventions Los Angeles, LLC (APCLA) an amount not to exceed \$4 million for actual costs incurred in connection with the preparation of the schematic design should Council not proceed with Option 1, pursuant to Section 2.3(b) of the Exclusive Negotiating Agreement from the MICLA Commercial Paper Program (Los Angeles Convention Center).

FISCAL IMPACT STATEMENT

There is no General Fund impact in the current year as a result of the recommendations proposed in this report, as costs will be paid from the MICLA Commercial Paper Program (Los Angeles Convention Center). An appropriation of \$2 million is included in the 2023-24 Adopted Budget, Capital Finance Administration Fund, LACC Commercial Paper Account, for costs associated with administering this commercial paper program, including interest costs. The future repayment of these costs financed through MICLA will require an appropriation from the General Fund or some other funding source.

Nonetheless, approval of Options 1, 2, or 3 would require varying degrees of expenditures from the MICLA Commercial Paper Program (Los Angeles Convention Center):

- a. Immediate Impact: Up to \$1 million in additional funding to support the immediate cost, scheduling, and other analyses required to determine next steps for an Expansion Project delivery plan in support of a comprehensive report to Council within 60 days.
- b. Short-term Impact: The City estimates a total of approximately \$65 million in costs is needed by the Expansion Project before construction start. This would include \$50 million in design fees, investigation costs, and other preconstruction work, \$15 million in additional consulting resources required to support the City, and approximately \$0.5 million for BOE staffing support.
- c. If Council elects to move forward with Option 1, 2, or 3, the City will prepare an updated estimate of Project construction costs and schedule to be presented for Council consideration in the next report.

Further, approval of Options 2, 3, or 4 would require up to \$4 million from the MICLA Commercial Paper Program (Los Angeles Convention Center) to pay APCLA for the ENA termination payment.

DEBT IMPACT STATEMENT

The issuance of Municipal Improvement Corporation of Los Angeles (MICLA) debt is a General Fund obligation. The issuance of MICLA for up to \$5 million would cause the City to borrow \$5 million at an approximate 5.5 percent interest rate over 20 years. The total estimated debt service related to the recommendations in this report is \$8.4 million, including interest of approximately \$3.4 million. During the life of the bonds, the estimated average annual debt service is \$418,397 for 20 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 6.0 percent. The revised 2023-24 Adopted Budget non voter-approved debt ratio is 2.67 percent. The issuance of debt for these purposes will not cause the City to exceed the six percent non-voter approved debt limit.

DISCUSSION

The LACC's original West Hall was opened to the public in 1971, and has been in continual use for more than 50 years. The LACC was expanded in 1993, adding the South Hall along Pico Boulevard, the Concourse Hall, and other improvements. No major renovation or expansion has been performed since. The LACC's initial construction and expansion projects were financed through traditional governmental financing tools and constructed with City oversight.

Over the decades, the City has made capital improvements to LACC, including upgrades to its information technology infrastructure, installing solar panels, and

installing electric vehicle charging stations. However, unlike the surrounding South Park neighborhood, which has grown since 1993 into a vibrant sports and entertainment district that now includes hotels, an arena, music venues, theaters, restaurants, and other entertainment options, the LACC including Gilbert Lindsay Plaza, has remained largely unchanged.

Currently, the LACC has 720,000 square feet of non-contiguous exhibit hall space and 147,000 square feet of non-contiguous meeting room space. Despite the robustness of the total footprint and size of the LACC, its limitations on contiguous exhibit space currently places Los Angeles out of the top 20 convention destinations in the U.S. This placement ranks Los Angeles as a “tier two” destination for conventions according to the Los Angeles Tourism and Convention Bureau (LATCB). As such, rather than competing for the largest conventions with cities closer in size and tourism appeal, including New York City, San Francisco, Miami, and San Diego, the City is categorized alongside Austin, Baltimore, Charlotte, Kansas City, and other smaller cities.

The LATCB represents the City in attracting convention business to the LACC. In the December 2019 LATCB report titled “Citywide Conventions Sales Lost Business Five Year Report,” the LATCB reports that, over the five-year period from 2015-2019, the current condition of the LACC has resulted in the loss of 171 conventions that would have otherwise used the LACC with an estimated loss of \$2.8 billion in economic impact within the City. Additionally, uncertainty surrounding the LACC Expansion Project has caused potential convention customers to eschew the LACC for their shows, resulting in additional, ongoing lost economic impact.

In February 2023, LATCB released a situational assessment of Convention Center business (Attachment B), which highlights the importance of the LACC to the City economy. LATCB notes that in 2019, conventions and tradeshow in Los Angeles supported 49,000 jobs, generated \$8.0 billion in total business sales and \$300 million in state and local taxes, and attracted 2.5 million event attendees. These benefits extend beyond the immediate Convention Center vicinity, as attendees often visit the other vibrant neighborhoods of the City and support local businesses. LATCB's report found that when the LACC hosts citywide conventions that generate 1,500 hotel room nights or more, hotel revenue per available guest room increases by 5% for hotels across all regions of the City, excluding downtown; due to their proximity to the Convention Center, downtown Los Angeles hotels achieve a 27% increase.

LATCB has indicated that a modernized and expanded LACC as authorized by Council would attract larger and more lucrative convention customers to the City, whereas the current configuration results in the loss of shows that would otherwise select the LACC as a choice destination. The unresolved expansion status has already resulted in the loss of the American Society for Cancer Research's 2025 convention, which would have been held at the LACC, and will result in the loss of an estimated \$36.9 million in total business sales and \$1.7 million in local tax revenues according to LATCB.

The LACC exists for the purpose of hosting conventions, trade shows, and other events that will bring visitors to Los Angeles and spur economic activity. As such, following LATCB's assessment, the City should modernize and expand LACC in order to attract

larger and more lucrative convention events to Los Angeles. Nonetheless, the age and configuration of the existing LACC campus and the need to create contiguous space by spanning Pico Boulevard require that the LACC Expansion Project will be a substantial, multi-billion dollar investment. Thus, before embarking on such a major investment, or deciding on any particular delivery model for an LACC Expansion Project, the City must first answer some initial fundamental questions to determine whether the Expansion Project is a worthwhile endeavor.

What economic value can the City expect to derive from a multi-billion investment in the LACC?

A LACC expansion project is estimated to add significant incremental jobs, labor income, Gross Domestic Product, and economic output throughout the City. Rather than relying on LATCB's assessment of convention center business to respond to this critical question, in late 2023, the CAO retained Ernst and Young (EY) to estimate the economic and tax contributions to the City from the Expansion Project based on the scope captured in the schematic design.

EY's Economic Impact Analysis (EIA) (Attachment C) compares the economic activity generated by an expansion of the facility under three scenarios, which coincide with Options 1, 2, and 4 presented in this report:

Option 1: A P3 delivery path using a single Design-Build-Finance-Operate-Maintain (DBFOM) P3 agreement as contemplated by APCLA.

Option 2: A Non-P3 delivery path using a Construction Manager at Risk (CM-AR) construction procurement, together with a long-term private Operations and Management Agreement.

Option 4: A Status Quo Scenario where the City does not make any meaningful capital improvements to the LACC and continues operating in its current state, including the amount of square footage.

EY's analysis estimates the direct, indirect, and induced economic contributions to the City under each scenario to determine the fiscal impact to the City's General Fund as well as the overall economic output resulting from an expansion. As shown in Table 1, EY concludes that an expanded and modernized LACC under either delivery path would generate over \$1.2 billion in City tax revenue for the General Fund over the 30 years subsequent to the completion of the Expansion Project. This amount is approximately \$600 million more than the Status Quo Scenario. Furthermore, for the first 30 years of post-expansion operations, when compared to the Status Quo, the LACC expansion would add an additional 2,600 incremental jobs, generating approximately \$6 billion in additional labor income, \$9 billion in added Gross Domestic Product to the City of Los Angeles, and more than \$15 billion in economic output in nominal dollars.

Table 1
Cumulative City of Los Angeles Tax Revenue Due to Operations and Visitors to Los Angeles
(30-year forecast) with LACC Expansion (in millions of nominal dollars)

	Status Quo	Expansion P3	Expansion Non-P3	Difference: P3-SQ	Difference P3 -Non-P3
Economic Contributions:					
Average Annual Employment	4,116	6,754	6,728	2,638	26
Total labor income	\$8,960	\$14,963	\$14,867	\$6,003	\$96
Total value added (GDP)	\$12,604	\$21,550	\$21,423	\$8,946	\$127
Total economic output	\$21,403	\$36,290	\$36,062	\$14,887	\$228
Tax Contributions:					
Sales taxes	\$190.7	\$304.3	\$304.1	\$113.6	\$0.2
Business activities tax	\$23.3	\$38.2	\$38.0	\$14.9	\$0.2
Hotel occupancy tax *	\$357.8	\$759.5	\$759.4	\$401.7	\$0.1
Parking tax	\$58.6	\$80.3	\$80.3	\$21.8	\$0.0
Licenses and permits	\$2.8	\$4.8	\$4.7	\$1.9	\$0.1
Other City taxes**	\$23.7	\$39.9	\$38.7	\$16.2	\$1.1
Total City of Los Angeles Taxes	\$656.8	\$1,226.9	\$1,225.1	+\$570.1	\$1.8

* Hotel occupancy tax is shown net of General Fund payments made due to incentive agreements.

** Other taxes include property taxes contributed by businesses and workers, transient occupancy, documentary transfer, and utility users' taxes.

– Note: Numbers may not appear to sum due to rounding

Source: EY EIA

Driving the estimated additional economic output from expansion is the premise that the Expansion Project will allow for more LATCB booked events and more attendee days annually compared to the Status Quo. According to the EIA, expansion will bring more attendee days annually compared to the Status Quo once expansion is complete and events have ramped up to a new steady state. Also, expansion would allow LATCB to book more events that attract non-local visitors, averaging approximately 12,000 hotel room nights per event. These visitors are expected to increase spending in the City by \$166 million annually. After the proposed expansion, additional operational spending by the LACC and visitor spending outside the venue would support approximately 6,900 jobs in the City in FY2033, which is 2,100 more than the Status Quo Scenario.

While there is no certainty that the estimated economic impact cited in the EIA will materialize, the analysis presented clearly demonstrates that an expanded LACC is expected to generate greater value to the City than a Status Quo Scenario. This is the case regardless of the delivery method.

Will the projected revenues from an expanded and modernized LACC be enough to pay for the expansion?

The projected revenues and economic activity generated by the convention center will not offset the cost to expand and modernize the LACC regardless of the delivery model. Having established the case that an expansion project is expected to generate substantial value to the City in the form of its economic impact, the City has prepared a financial analysis to estimate what the cost of the Expansion Project would be and what revenues would be available to offset those costs.

Construction cost estimates were first presented in the February 2020 Report based on a non-binding market tested construction estimate developed by PCL Construction, Inc. and Webcor Construction LP (PWJV), a design-build joint venture provisionally procured by APCLA to work as the general contractor for the Expansion Project. Operating, maintenance, and lifecycle costs were estimated by APCLA in 2019 on a high-level basis by a simple extrapolation from existing LACC operating budgets and using benchmarks from other similar projects. Projected revenues from parking, signage, and LACC operations were also first identified in the February 2020 Report, based on estimates from a team of specialist consulting firms retained by the City.

As noted at the top of this report, since 2020, there has been no serious estimating work conducted by either APCLA or the City. The underlying construction costs and operating costs have been escalated using various market indices to account for the ongoing delays to the Expansion Project. The projected cost estimates used in this report also take account of estimated future interest rates, both on any private financing and on any City-issued debt, noting that the City carries the full exposure to these market rate movements up until the closing of any financing for the LACC Expansion Project.

Against this backdrop, Table 2 below provides a summary of the indicative funding positions for the Expansion Project scenarios. The “February 2020” P3 column represents the estimated costs, revenues, and resulting General Fund impacts of the Expansion Project assessed at the time of the February 2020 Report. Since that time, the Expansion Project has experienced significant anticipated cost increases resulting from rising interest rates and cost escalation.

In order to provide Council with a sense of the equivalent Expansion Project affordability today, the February 2020 cost estimates for a P3 deal have been updated by applying current interest rates and market cost escalation factors, as reflected in the “November 2023” P3 column. As an important comparison to the P3 arrangement due to the increased P3 cost estimates and the suggested impact on City funding requirements arising from the P3 development discussions since 2020, the City has independently re-assessed the estimated costs under a City-only Expansion Project delivery model (a “Non-P3” or “Non-P3 Scenario”). The projections provided below are estimates based on high-level analysis and assumptions produced for the purposes of assessing Expansion Project affordability and will be refined further in the event the City elects to proceed. However, it is reasonable for the City to assume that the overall cost premium for an “availability payment” DBFOM P3 contract, particularly a highly complex one

negotiated on a sole-source basis, will remain materially more expensive for the City compared to the Non-P3 Scenario.

Table 2: Indicative Funding Position for LACC Expansion Project							
	LACC Funding Plan Scenarios ¹						
	February 2020		2020 → 2023 - Market interest rates nearly doubled - Construction costs increased by one-third, with ongoing high cost escalation in LA - City refreshed LACC revenue forecasts in 2021 and 2023	November 2023		November 2023	
Delivery Model	P3			P3		Non-P3	
Operating Term	30 years			30 years		30 years	
Construction Cost	(\$1.1B)			(\$1.5B)		(\$1.4B)	
	Total	Average Annual ²		Total	Average Annual ²	Total	Average Annual ²
(A) LACC Net Operating Revenues ³	\$2.2B	\$73M	\$2.8B	\$92M	\$2.8B	\$92M	
(B) LACC Expansion Project Cost ⁴	(\$4.1B)	(\$137M)	(\$6.5B)	(\$215M)	(\$4.8B)	(\$159M)	
(C) LACC General Fund Impact = (A) + (B)	(\$1.9B)	(\$63M)	(\$3.7B)	(\$122M)	(\$2.0B)	(\$67M)	
(D) Incremental General Fund Tax Contributions ⁵	\$0.5B	\$17M	\$0.6B	\$19M	\$0.6B	\$19M	
(E) Net General Fund Impact = (C) + (D)	(\$1.4B)	(\$46M)	(\$3.1B)	(\$103M)	(\$1.4B)	(\$48M)	

[1] Totals may not sum due to rounding

[2] Average Annual amounts are calculated in nominal terms as an average over a term of 30 years from the start of operations

[3] "LACC Net Operating Revenues" includes projected total revenues generated by the LACC over the relevant Operating Term, from signage, parking, and events/operating income at LACC

[4] "LACC Expansion Project Cost" includes projected costs of design, construction, financing, operations, maintenance, and lifecycle of the Expanded & Modernized LACC over the relevant Operating Term

[5] "Incremental General Fund Tax Contributions" includes projected General Fund tax contributions from the Expanded & Modernized LACC, minus projected tax contributions in a "Status Quo" Scenario

P3 Project Costs

Under the P3 Scenario, Expansion Project costs would consist of "availability payments" to APCLA for capital and operating portions of the Expansion Project, together with debt service for any City-issued debt utilized to pay for "progress payments" during the construction phase.

The total capital repayment costs in the P3 Scenario, consisting of returns to private equity and private debt investors, and MICLA debt service, are assumed to be \$4.2 billion over 30 years, or an average of \$139 million annually. The total operating costs in the P3 Scenario are assumed to be \$2.3 billion over 30 years, or an average of \$76 million annually. Together, these provide total estimated Expansion Project costs in the P3 Scenario in the region of \$6.5 billion over 30 years, or an average of \$215 million

annually. All of these averages are in nominal dollars and include expected inflation and expected interest rates.

Non-P3 Project Costs

Under the Non-P3 Scenario, Expansion Project costs would consist of City debt service to pay for the City-financed design and construction costs of the Expansion Project, together with LACC operating expenses to pay for the operations, maintenance, and lifecycle costs of the LACC under a long-term private Operations and Management Agreement. Under the Non-P3 Scenario it is assumed taxable City debt would be utilized to finance all of the Expansion Project's design and construction costs, and that the operations of the LACC would be privately managed through a management agreement with a private operator, similar to today.

The total capital costs in the Non-P3 Scenario, consisting of City debt service, are assumed to be \$2.9 billion over 30 years, or an average of \$97 million annually. The total operating costs in the Non-P3 Scenario are assumed to be \$1.9 billion over 30 years, or an average of \$62 million annually. The total Expansion Project costs in the Non-P3 Scenario are assumed to be \$4.8 billion over 30 years, or an average of \$159 million annually. All of these averages are in nominal dollars and include expected inflation and expected interest rates.

Estimates are indicative today, but Project costs are expected to be materially lower for the City in the Non-P3 Scenario, for the same scope of construction work, primarily due to the lower cost of a public financing compared to the high cost of private equity and private debt, and the layers of increased fees, profit margins, reserves, contingencies, and cost premiums and mark-ups that are inherent throughout the full cost structure of a P3 delivery model. The "pros and cons of each delivery approach" section below provides further context for Council on this issue.

Project Revenues

In both the P3 and Non-P3 expansion scenarios, the forecasted revenues generated by LACC operations, including rent, parking, food and beverage sales, digital signage, and naming rights would be used to fund the Expansion Project. Revenue projections are assumed to be roughly equivalent in both the P3 and Non-P3 scenarios, as the type of delivery method is not expected to affect customer sentiment or have any meaningful impact on the revenues generated by the LACC. The total projected revenues are assumed to be \$2.8 billion over 30 years, or an average of approximately \$92 million annually, in nominal dollars. It should be noted that a new digital signage program consistent with the surrounding area is an important source of new revenue to support the Expansion Project, and will need careful planning and management by the City to maximize this new revenue opportunity. In order to make the P3 more cost efficient, the City would remain at risk for achieving all long-term forecast LACC Net Operating Revenues.

Project Funding Position

In both the P3 and Non-P3 expansion scenarios, it is expected that the total net revenues of the Expansion Project would be sufficient to fund the projected operating, maintenance, and lifecycle costs of the expanded facility, as well as some additional

amount to offset a portion of the capital repayment. However, as reflected in Table 2, an expanded facility is not expected to generate sufficient revenues to cover the total Expansion Project costs. As a result, additional General Fund dollars would be required for the unfunded portions. In the P3 Scenario, the projected General Fund impact is assumed to be \$3.7 billion over 30 years, or an average of \$122 million annually. In the Non-P3 Scenario, the projected General Fund impact is assumed to be \$2 billion over 30 years, or an average of \$67 million annually.

Incremental General Fund Tax Contributions

As discussed earlier, EY's EIA projects that an expanded LACC will allow for more events and attendees, which will drive increased visitation and spending in the City. 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. In both the P3 and Non-P3 scenarios, the projected incremental General Fund tax revenue resulting from an expanded LACC is approximately \$600 million over 30 years, or an average of \$19 million annually, in nominal dollars.

Net General Fund Impacts

Incorporating the assumed incremental General Fund tax contributions into the Expansion Project's funding analysis provides a more comprehensive sense of the net General Fund impact of the Expansion Project, as the additional General Fund revenues would offset a portion of the General Fund costs. In the P3 Scenario, the net General Fund impact is estimated to be \$3.1 billion over 30 years, or an average of \$103 million annually. In the Non-P3 Scenario, the net General Fund impact is estimated to be \$1.4 billion over 30 years, or an average of \$48 million annually, in nominal dollars. While the Non-P3 Scenario is projected to be materially less expensive than the P3 Scenario, either delivery method would require a significant General Fund commitment over the life of the Expansion Project.

What are the pros and cons of each delivery approach for an expansion project relative to construction cost, cost to operate and maintain, and delivery schedule?

If the Council decides to proceed with an LACC Expansion Project, one of the most important decisions will be the delivery method. To support this decision, a discussion of the pros and cons of each of the P3 and Non-P3 scenarios is provided below.

Design-Build-Finance-Operate-Maintain P3 Option with APCLA

Under the P3 Scenario, the City would negotiate and execute a single DBFOM Agreement with APCLA, creating a 30+ year contractual relationship between the City and APCLA. The cost exposure for the City over the life of this P3 arrangement is expected to be in the region of \$6.5 billion in nominal dollars.

The benefits of this arrangement could be that APCLA would provide a "project management" service for the City on the Expansion Project, creating a single-point of contact for the City at the Expanded and Modernized LACC. It is also possible that a P3 deal might be able to support a quicker overall delivery schedule.

However, there are challenges inherent within the P3 path ahead. As noted earlier, the P3 deal contemplated for LACC is not a “hands off” ground lease where the City can step back from the Expansion Project and transfer all cost and revenue risks to a private developer. City staff have learned since 2019, that the P3 agreement being contemplated with APCLA would require extensive City involvement and oversight, as well the retention of risks associated with construction costs, operations and maintenance costs, and revenues.

Firstly, the City would directly fund every dollar of cost on the Expansion Project:

- For the design and construction phase, APCLA would transfer all construction scope and risk into a fixed price construction contract negotiated sole-source with a Design-Build Contractor and ultimately paid for by the City. A portion of the resulting construction costs would be financed at commercial rates by private equity and private debt arranged by APCLA, and a portion would be financed directly by the City through Municipal Improvement Corporation of Los Angeles (MICLA) debt. The repayment of all APCLA financing would be directly covered by the City through committed “availability payments” in the P3 agreement, and the repayment of MICLA debt would be met directly by the City outside of the P3 deal. On any early termination of the Expansion Project, the City would need to repay all or a substantial portion of APCLA’s private financing. Purely in terms of interest costs, the cost of APCLA’s financing would represent a premium over the cost of MICLA debt – but the involvement of private financing would also drive other additional Expansion Project cost premiums, such as higher transaction costs and fees, higher construction contract costs, higher insurance costs, the need for reserve accounts, and other additional profits and contingencies throughout the Expansion Project supply chain, each of which increases the City’s payments over a 30 year operating period.
- For the operating phase, APCLA would manage all operations, maintenance, and lifecycle costs, repaid by the City through “availability payments” funded by LACC Net Operating Revenues and General Fund contributions. APCLA has agreed with the City in principle that there will be no additional profit or mark-up on the operating expenses, but there has been no detailed estimating work or detailed operating plan prepared to date. APCLA and the City have also discussed various concepts for the City to retain cost and performance risk on the existing assets in South Hall and West Hall (i.e., City-retained risk on perhaps 2/3 of the Expansion Project by square footage). Ultimately all of the costs and performance commitments during the operating phase would need to be negotiated on a sole-source basis with APCLA.

Secondly, the City would retain a significant level of risk and uncertainty over all future Expansion Project costs and revenues:

- The general principle of a P3 deal of this nature is that, while the costs of the Expansion Project may be higher than a publicly managed project, there is the prospect that the P3 cost premiums could be accompanied by comprehensive risk transfer and performance guarantees provided at a fixed, predictable price.

While many P3 projects have been successfully delivered over the years, several examples of DBFOM “availability payment” P3s across the US and Canada, including in Los Angeles, have experienced large cost overruns and complex claims and disputes that have resulted in schedule delays.

- On the LACC Expansion Project, there are multiple reasons for the City to be concerned that the prospects for meaningful risk transfer or for any valuable performance guarantees are unlikely. The Expansion Project’s design entails construction of a new expansion facility over Pico Boulevard, connecting existing legacy buildings at South Hall and West Hall, each with intricate shared capital components that do not lend themselves to straightforward risk transfer. Consistent with this concern, the latest draft P3 agreement, which was only partially completed, already included dozens of “Relief Events” which would trigger financial claims and delay exposure for the City. The resumption of P3 negotiations would likely increase the number of Relief Events requiring resolution. As noted above, during the operating phase, it will not be possible to transfer the cost and performance risk for the existing aged assets across the LACC campus, entailing the need for an intricate contractual regime in the P3 agreement which would attempt to “share risk” between APCLA and the City for the new expansion assets and the older existing assets.
- Additionally, the dynamic nature of the convention industry necessitates a level of flexibility from convention center owners and operators - customer and market demands can change over time, and as a result, there will be future needs at the LACC that differ from those identified today. Future upgrades may be required to improve or modify the existing facilities, to accommodate changes in the new digital signage program, or to change other elements related to the campus in order to meet evolving industry expectations. A P3 requires rigidity due to the complex integration of a fixed construction price, a fixed private financing plan, and a fixed long-term O&M and lifecycle program, and future changes within the operating term, when overlaid on top of an existing long-term P3 deal, may be more complicated and costly compared to a Non-P3.
- Finally, the more rigid and expensive performance regime of a P3 is not expected to affect LACC customer sentiment, meaning that the revenues generated by the LACC are not expected to be any higher under a P3 compared to a Non-P3. And in order to make the P3 more cost efficient, the City would remain at risk for achieving all long-term forecast LACC Net Operating Revenues, including rent, parking, food and beverage sales, digital signage, and naming rights. APCLA’s fixed “availability payments” from the City under the P3 deal will not include significant exposure to revenue risk.

Thirdly, the P3 development path will involve the City in an intense and focused “hands on” approach to staffing and resourcing from multiple City departments. The P3 is a multi-billion dollar Project fully-funded by the City, and the City would retain a wide variety of risks across the Expansion Project. Therefore, the P3 could never allow the City to responsibly step back and transfer the development process over to APCLA:

- The City must lead the drafting and negotiation of an extensive 30+ year DBFOM Project Agreement, including detailed technical requirements and performance specifications, payment and performance deduction regimes, revenue share and incentive mechanics, design and construction terms, operations and maintenance terms, and other details. Hundreds of long-term decisions affecting the City's interests must be made about Project scope, risk and quality requirements, and then included and negotiated as detailed contractual requirements within the Project Agreement.
- The City must review and oversee all aspects of the detailed Expansion Project design and all site investigations and technical studies, to ensure that the design meets the City's requirements and to ensure that construction risks are being effectively managed and mitigated in the City's interest. This will be an intensive, iterative, and ongoing approach for the City, where technical learnings through the design process then inform the detailed preparation of the City's technical requirements under the Project Agreement.
- The City must oversee all aspects of APCLA's proposed pricing and financing plan to try and ensure the Project costs are fair and reasonable. The path should involve an open-book sub-trade competition and negotiation of a large Design-Build price for the construction scope, and the development of a detailed operating plan and O&M cost structure for the O&M/Lifecycle scope, and City oversight over a private debt competition and the structuring of APCLA's private equity contributions. The overall financial model and cost structure for the P3 project will be complex, multi-layered and may be difficult for the City to negotiate.
- Under either the P3 or Non-P3 scenarios, the Expansion Project also contemplates additional long-term deals with AEG for Parking Management and aspects of the digital signage and naming rights program. These deals would need to be planned, drafted, and negotiated between the City and AEG. Separately, the City's digital signage program will need the City to structure, plan, and lead a full suite of signage and sponsorship-related procurements (securing the large digital displays, procuring a Media Sales Manager, securing a naming rights buyer). Under the P3 path, the City's expectation is that these workstreams will need to run concurrently with the main preparation of the Project Agreement and the other P3 activities running above.

It is notable that no other U.S. convention center expansion has been delivered as a DBFOM P3 agreement of this nature. It is also imperative that Council be aware that the P3 development process ahead will be complex and unfamiliar to City staff. This P3 agreement would be amongst the largest contracts of its type ever negotiated globally for a similar municipal facility.

Non-P3 Option

At the end of 2021, in order to compare the affordability of the potential P3 deal to a similar project delivered under a City-only approach, the City team developed a high-level Non-P3 Scenario, with inputs from the Bureau of Engineering (BOE) and

CTD. The cost exposure for the City over the life of this Non-P3 arrangement is expected to be in the region of \$4.8 billion, in nominal dollars.

For the Non-P3, the City team is currently assuming the following scenario:

- For the procurement of construction services, a “Construction Manager At-Risk” (CM-AR) delivery method may be appropriate for the specific nature of the LACC Expansion Project. Under a CM-AR approach, BOE would (1) work with the design team to directly finalize designs for the Expansion Project and (2) procure a Construction Manager early in the preconstruction schedule to incorporate construction expertise as the design is progressed from its current state to completion. The Construction Manager would provide a Guaranteed Maximum Price (GMP) for construction work at a mature stage of design development, to decrease contractor contingencies and mitigate the risk of potential future change orders in the construction phase. The City would retain complete control over the design and site investigation efforts, and could drive the process to ensure that it best suits the long-term interests of the City.
- The cost to the City of financing construction of a Non-P3 Expansion Project is also expected to be materially cheaper than a P3, as the City can avoid the additional fees and transaction costs inherent within a P3 and use its MICLA debt program at a reduced interest rate compared to the combination of P3 private equity and private debt.
- For the operations at the Expanded and Modernized LACC, the City would continue with a form of LACC management agreement that is generally comparable to the existing LACC Management and Operation Agreement (Contract No. C-123199), in which AEG as the private LACC operator is paid a fixed management fee with additional discretionary incentive fees that can be earned by achieving performance objectives. A private operator would retain an important strategic role in the overall Expansion Project, contributing to the review and oversight of Expansion Project design – and participating in parking, signage and naming rights deals to support the funding plan.

The benefits to the City of the Non-P3 path would include cheaper and more efficient costs, increased control, increased long-term flexibility, and a more familiar procurement path ahead. However, the Non-P3 Scenario would still represent a multi-billion dollar megaproject to be led by the City – which, in common with any other large public works project, includes multiple risks and uncertainties on cost and schedule which requires thoughtful resourcing and management.

Path ahead to 2028 Olympic and Paralympic Games

The Opening Ceremony for the 2028 Olympic and Paralympic Games is set for July 14, 2028, with the 2028 Games running through July 30, 2028, followed by the 2028 Paralympic Games from August 15, 2028 to August 27, 2028. CTD has advised that the Expanded and Modernized LACC needs to be open 12 months before the target opening day, suggesting that a completion date by mid-2027 is required for the

Expansion Project. An upgrade to the LACC was not expected as part of the City's bid to host the 2028 Games.

The critical path to completion of an LACC Expansion Project would run through (1) the date of a Council approval to proceed with the Expansion Project, (2) the date of completing the detailed design development and approval process, which (up to a point) could run concurrently with any contract negotiations and procurements, and then (3) the period of time for completing the construction works – which may be accelerated if the City were willing to shut the LACC for defined periods of time.

There is significant uncertainty that the Expansion Project can be delivered in advance of the 2028 Games under either delivery model. At this stage, there are no up-to-date schedules available for the Expansion Project – see “Costs and Next Steps for Expansion Project Delivery” below – and future Council approvals and City funding processes would fundamentally impact the timeline. The desired completion date might be achievable in either the P3 Scenario or the Non-P3 Scenario, provided that the Council and City staff can create a culture of focused effort, full-time/experienced resources, and an accelerated path forward. It is also possible that the P3 deal might offer the prospects of a quicker schedule, assuming that sole-source procurement options remain available, but this benefit is uncertain and could be offset by the complexity and City unfamiliarity with the negotiation process ahead. In either the P3 or the Non-P3, there will be a range of City-retained risks which may materialize and delay the Expansion Project during construction.

Considering the schedule risks and potential impact on facilities dedicated for use during the 2028 Games, Council may wish to schedule development of an Expansion Project with an aim toward starting construction immediately following the conclusion of the 2028 Olympic and Paralympic Games.

Costs and Next Steps for Expansion Project Delivery

Both the P3 and Non-P3 scenarios require a follow-up report to Council to include an up-to-date Expansion Project governance and delivery strategy, to validate the existing preconstruction and construction schedules, to refresh the Expansion Project cost estimates and the associated potential impacts on the General Fund, and to identify the consulting and staffing resources necessary for the City to advance the Expansion Project. The following identifies the steps required to achieve this, including an assessment of the costs to complete this work.

In order to advance the P3 Scenario, the City will need to draft and negotiate an agreement with APCLA that assigns responsibility and risk exposure for critical future Expansion Project deliverables including detailed design development, site investigation work, and other essential preconstruction services for Council consideration.

Advancing the Non-P3 Scenario will require the Bureau of Engineering to confirm a recommended delivery method for a City-funded construction contract; to plan the City's costs and strategy for detailed design development, site investigation work and other

preconstruction services; and to prepare various other deliverables required for Council approval in order to commence a Non-P3 Expansion Project.

Council's actions on December 12, 2018 authorized up to \$5 million in funding from the MICLA Commercial Paper Program (Los Angeles Convention Center) to retain various consultants to support the City team in negotiations. This authorization has been further increased to \$6.275 million through subsequent Council actions. Should Council wish to pursue an LACC Expansion Project, whether as a P3 or Non-P3, it is recommended that a not-to-exceed amount of \$1 million in additional funding be approved to support the work described above and provide a comprehensive report to Council within 60 days.

Under both the P3 and the Non-P3 scenarios the City will need to fund Expansion Project planning costs for detailed design development, site investigations, and other preconstruction work. At this stage, the City estimates the total costs needed by the Expansion Project before construction start to be in the range of approximately \$50 million – payable as design fees, site investigation costs, and other preconstruction work. In the P3 Scenario, given the context of a very large sole-source deal through some form of new Exclusive Negotiating Agreement, APCLA could be expected to share risk on a meaningful portion of these costs.

Separate from design and preconstruction costs, additional consulting resources estimated in the range of \$15 million for either a P3 or Non-P3 deal, will also be required to support the City in negotiating and finalizing the full range of commercial contracts necessary to deliver the Expansion Project. In addition, approximately \$0.5 million would be necessary for BOE staffing support. Positions and staff costs for other departments have not been determined at this time. If Council elects to move forward with either of the P3 or Non-P3 scenarios, these amounts will be developed and presented for Council consideration in the next report.

It should be noted that, under either a P3 or Non-P3, the City may spend up to \$65 million in City funds for work product that, were the City to forgo a future Project or pursue a Project on a fundamentally changed design, would have no feasible use. However, under a Non-P3 Scenario, significant portions of the funds would go toward the hiring and training of City staff in departments such as BOE, where their acquired skills could be applied toward future development projects.

As noted above, there is no basis to confirm that any contemplated Expansion Project could be completed in advance of the 2028 Games. Council may wish to defer the start of Project construction until after the conclusion of the 2028 Games in August 2028, and perform preconstruction services in the preceding years.

Attachments

Attachment A: Chronology of City Negotiation Efforts for the LACC Expansion Project

Attachment B: February 2023 LATCB Situational Assessment of LACC Business

Attachment C: Ernst and Young's Economic Impact Analysis (EIA)

ATTACHMENT A

Chronology of City Efforts to Expand the LACC

Convention and Event Center Proposal

The City Council has approved actions to expand and modernize the LACC on several occasions since 2010. The Convention and Event Center project included the replacement of the West Hall at the LACC with an event center that intended to host a National Football League (NFL) team, with replacement exhibit and meeting hall space to modernize and expand the LACC designed by Populous. Initiation of construction of this project was dependent upon AEG securing a commitment from an NFL team to play in the Event Center. The Implementation Agreement for the Convention and Event Center project provided AEG two years to initiate the project, which Council then extended an additional year to April 17, 2015.

Shortly following the extension of the Convention and Events Center Implementation Agreement, the City and AEG approved an agreement recognizing that the City would engage in a parallel effort to design a stand-alone expansion project for the LACC, known as the "Plan B" process (C-121261) in January 2015.

Plan B Project

When it was determined that the Event Center would not proceed by the April 17, 2015 date, the City actively initiated Plan B and on July 2, 2015 (C.F. 14-1383) Council approved recommendations to initiate a design competition for the LACC. On December 7, 2015, Council authorized a \$470 million budget for such a project (2015 Report). The City subsequently selected Populous through a competitive design competition to design the LACC expansion as a City-directed project and entered into a contract for design services.

The parameters for the proposed Expansion Project at the time included:

- Up to 190,000 square feet of additional exhibit hall space contiguous to the existing South and West Halls;
- Up to 55,000 square feet of additional meeting room space; and
- Up to 95,000 square feet of multi-purpose space.

The proposed Expansion Project would have also resulted in the renovation of Gilbert Lindsay Plaza as a pedestrian-friendly open space that would support LACC events as well as the general public.

Following initiation of the contract with Populous for design services, the CAO proposed that the Expansion Project be delivered through a P3 model. This initiated the "Dual Process," resulting in analysis of both a City-delivery method and a P3-delivery method.

AEG 2016 Proposal

AEG, as operator of the LACC, approached the City in November 2016 with a proposal to modernize and expand the LACC, as well as expand the JW Marriott hotel (AEG 2016 Proposal). City staff, including the CLA, CAO, CTD, Planning Department, and City Attorney, met with AEG to review the AEG 2016 Proposal and identified an Expansion Project that would result in the expansion of the LACC.

JW Marriott Expansion

The AEG 2016 Proposal included plans for the JW Marriott Expansion, which would add a new tower with 850 rooms on the corner of Georgia Street and Chick Hearn Court. The JW Marriott Expansion would happen concurrently with the expansion of the LACC. The hotel is proposed to be a full service facility and will include additional ballroom and meeting space. The concurrent development of the expanded JW Marriott Hotel supports the City's previously stated goal of achieving 8,000 hotel rooms within walking distance of the LACC.

AEG reported at the time that they had a gap in financing for the JW Marriott Expansion and requested a hotel development incentive to support completion of the project. A review conducted by the City's independent consultant, Keyser Marston Associates, determined that the project had a finance gap of \$119.4 million, and that the project would generate \$195.5 million net present value (NPV) in net new revenues to the City. Consistent with City policy, the Developer would be eligible to receive up to \$97.7 million NPV in financial assistance (which is 50 percent of net new revenues NPV generated by the project). The City was estimated to also receive \$97.7 million NPV in new General Fund revenues. Execution of a hotel development incentive agreement with AEG would occur concurrently with Financial Close of the LACC Expansion Project. This analysis would need to be updated due to the time that has elapsed since the original analysis was conducted.

ENA for P3 Delivery

On December 12, 2018, the City Council authorized the Mayor to execute an ENA between the City and AEG providing terms for assessment of the AEG proposal and development of agreements necessary for the expansion of the LACC should the AEG proposal result in a viable Expansion Project. The ENA was entered into by the parties on January 15, 2019. Subsequently, AEG formed a partnership with Plenary, a specialist in P3 development deals, to help advance the Project. The resulting development team of AEG and Plenary is known as APCLA. APCLA was named as a Contracting Party to the ENA by Council's action of July 2, 2019.

In November 2020, Council authorized an extension of the ENA, but the ENA has now expired. Pursuant to the ENA, the City is required to reimburse APCLA up to \$4 million for actual costs incurred in connection with the preparation of the schematic design in the event that both parties do not enter into a mutually agreed-upon Implementation Agreement for the LACC Expansion Project.

Over the course of 2019 and 2020, under the terms of the ENA, the City and APCLA engaged in negotiations on a P3 agreement, whereby the City would commit to making both short-term "progress payments" and then long-term "availability payments" to APCLA covering all of the costs of an LACC Expansion Project, including the Project's design and construction costs, together with the costs of borrowing and repaying private equity, private debt and City-issued MICLA debt, and all costs needed to pay for private operations and maintenance (O&M) and lifecycle replacement services across the LACC campus. Unlike a "landlord" ground lease agreement where a Developer would be responsible for the majority of development and business risks (as was the case for AEG's Staples Center), under this P3 approach, the City would retain the financial risks

of achieving the long-term projected revenues from an LACC Expansion Project, together with exposure to a range of Project-specific design, construction and O&M-related risks and uncertainties.

2020 Report on the P3 Proposal

In order to evaluate the feasibility of the LACC Expansion Project, the City undertook studies to determine Potential Project Funding Availability and a Total Target Budget for the construction and financing of the expanded facilities, as well as O&M and lifecycle costs of the existing and expanded facilities over a 30-year period. A CLA report, dated February 26, 2020 (February 2020 Report), provided Council with this information and recommendations to move forward with an Early Works Agreement (EWA) with APCLA as the Developer. Recommendations in that report would have advanced design of the Expansion Project and negotiations on the final terms for the Project.

For reference, a City delivery model was analyzed as an alternative to a P3 model in the February 2020 Report, and was determined at the time to be financially comparable to the P3 model. P3 delivery, however, was expected to result in faster delivery of the Expansion Project.

In March 2020, the onset of the Coronavirus (COVID-19) pandemic and subsequent worldwide shutdowns put an indefinite hiatus on the development of the LACC Expansion Project between the City and APCLA. The February 2020 Report was not heard in Committee or Council.

COVID-Era Discussions

August 2021 P3 Scenario

In August 2021, APCLA provided an updated financial model and proposed development plan to the City. This incorporated:

- escalated construction costs with other modifications;
- higher interest rates for Project debt assumptions (in light of expected interest rate increases);
- revised and escalated operations, maintenance, and lifecycle costs; and,
- significantly increased overall costs and projected funding gap.

Additionally, APCLA provided a conceptual proposal for an “accelerated” alternative to the EWA. This proposal would generally entail APCLA delivering a Firm Fixed Price earlier in the design process, which would effectively accelerate the timeline to financial close and increase the overall design and construction timeline after financial close. By delaying the upfront design work, both APCLA and the City would be exposed to less at-risk design and preconstruction costs relative to the February 2020 Report. However, this “accelerated” proposal raised various concerns for the City, as the deferral of design development work would result in more expensive and less efficient construction pricing due to a longer construction schedule, and could potentially increase the City’s exposure to future claims and change orders. Additionally, the timeline was viewed as too aggressive for critical commercial and legal negotiations on the P3 arrangement.

The City provided a response listing concerns regarding annual Project affordability and the “accelerated” development plan.

November 2021 P3 Scenario

In November 2021, APCLA provided a second proposal responding to the City’s concerns. Most notably, APCLA proposed to:

- Retain the August 2021 cost escalation factors and
- increase the length of the operating term from 30 years to 37.25 years

While this would reduce the size of annual P3 Availability Payments in early years, this approach would also significantly increase the Expansion Project’s total financing costs, it would obligate the General Fund for a longer period, and it would stretch financing beyond a term that the City would typically consider. Under the City’s approved Debt Management Policies (C.F. 20-0161), the final maturity for MICLA bonds, which the City would likely utilize for financing in a comparable Non-P3 Project, is limited to a maximum of 30 years for exceptional projects or those with a direct revenue component. An operating term greater than 30 years also raised concerns over the useful life of West Hall (built in 1971) and South Hall (built in 1993). The extended length of the operating term also significantly increased overall costs and the projected funding gap.

February 2023 Revised Scenarios

In February 2023, APCLA provided a new scenario to the City. The submittal suggested:

- New cuts of over \$1 billion to APCLA’s previously stated O&M and private financing costs
- Additional construction cost escalation to account for the delay
- Extension of the previous construction schedule by an additional 4 months
- Indicative updated interest rates

Consistent with other efforts and concepts issued under the ENA to date, the February 2023 APCLA submittal was indicative in nature and non-binding, and submitted for the City’s conceptual review. All future P3 financing costs, and all future Construction and O&M scope, budget and contractual risk profiles, would need to be properly priced, developed and negotiated before the close of any P3. The risk for exceeding said budgets would ultimately fall on the City, with the strong possibility that the proposed cost cuts in the February 2023 submittal could reduce the scope or quality of the P3 Project, or could expose the City to increased additional long-term risks.

The February 2023 APCLA Proposal also suggested a new EWA (2023 EWA). The City’s cost under the 2023 EWA was projected at \$40 million by APCLA, along with the concept that the City could underwrite this cost (i.e., guarantee any repayment of costs if the Project did not achieve Financial Close) and pay a commercial return to APCLA if the City were to ask APCLA to finance those costs.

However, the 2023 EWA would not guarantee the fulfillment of an Expansion Project. It is possible that the City could underwrite the \$40 million cost of the 2023 EWA and subsequently decide to not move forward with any future Expansion Project, generating an expensive work product with no feasible use.

ATTACHMENT B

February 2023 LATCB Situational – Assessment of LACC Business



Los Angeles Tourism & Convention Board

**Situational Assessment – Los Angeles Convention Center Expansion
Prepared by Los Angeles Tourism & Convention Board – February 6, 2023**

BACKGROUND

Since 1977, Los Angeles Tourism & Convention Board (LA Tourism) has served as the official, non-profit tourism promotion organization for the City of Los Angeles. As part of its responsibilities under City Contract C-136003, LA Tourism is charged with conducting direct sales activities “to promote the City for the purpose of attracting, servicing and retaining conventions, (and) tradeshow...to the City” and “measur(ing) the economic impact from citywide conventions.” LA Tourism’s contract is overseen by the City’s Tourism Department, with annual performance objectives stipulated in “Appendix E” of that agreement. New performance goals are established for each fiscal year during the contract term, which currently runs through June 30, 2030.

ECONOMIC IMPACTS OF CONVENTIONS & TRADESHOWS IN LOS ANGELES

An independent analysis conducted by Oxford Economics, one of the foremost economic research and advisory firms with extensive experience in the tourism industry, found that in 2019, conventions and tradeshow in Los Angeles supported 49,000 jobs, generated \$8.0 billion in total business sales and \$300 million in state and local taxes, and attracted 2.5 million event attendees. These benefits impact communities across Los Angeles in several primary ways.

- Convention participants routinely spend time exploring the city’s diverse neighborhoods, particularly prior to and following the event they’re attending. This generates incremental revenues – not just for large, well-known attractions – but for hundreds of small and minority-owned businesses, many of which are also part of the supply chain for conventions in Los Angeles.
- The 49,000 Angelenos whose livelihoods depend on large conventions live throughout the region and, in turn, their personal consumer spending directly benefits businesses in their local communities.
- Whenever a citywide convention takes place, it creates “compression” for Los Angeles hotels. Since host hotels for the event are often sold out, non-convention guests must choose alternative accommodations in multiple regions of the city. In addition, compression means that the increased demand associated with citywide conventions enables area hotels to achieve a higher average daily room rate during the event dates which, in turn, drives incremental Transient Occupancy Tax collections to the city’s General Fund.

A compression study by STR – the industry leader in hotel performance reporting – found that, when the Los Angeles Convention Center hosts citywide conventions that generate 1,500 hotel room nights or more, hotel revenue per available guest room increases by 5% for hotels across all regions of the city, excluding downtown. Due to their proximity to the Convention Center, downtown Los Angeles hotels achieve a 27% increase.

PANDEMIC RECOVERY FOR PROFESSIONAL MEETINGS & EVENTS

As the tourism industry began to recover from the significant impacts of the COVID-19 pandemic, there was initial uncertainty regarding how quickly professional meetings and events would return, particularly given the proliferation of virtual meeting platforms and the overall costs associated with in-person conventions. Contrary to these concerns, however, this sector is rapidly recovering:

- One of the primary Appendix E metrics used to assess LA Tourism’s performance is the number of hotel room nights booked for meetings and conventions to be held in future years (future lead room nights). Prior to the pandemic, LA Tourism booked 428,374 future lead room nights for fiscal year 2018/2019. As stipulated in Appendix E, LA Tourism’s performance target for fiscal year 2022/2023 is to book 408,500 future lead room nights, which equates to 95.4% of fiscal year 2018/2019. Fiscal year-to-date through December 31, 2022, LA Tourism has secured 220,292 future lead room nights, which is 7.8% ahead of target.

- Independent industry experts are similarly projecting strong recovery in this sector. Oxford Economics has forecasted that convention demand for Los Angeles will reach 97% of 2019 levels in 2023, fully recovering to 108% in 2024, and continuing to grow steadily in subsequent years. Similarly, Knowland projects that the U.S. meeting and event industry will recover to 106.3% of 2019 levels in 2023 and 115.7% in 2024.

COMPETITIVE LANDSCAPE

Despite this resurgence in demand, however, Los Angeles is currently at a significant competitive disadvantage, since the Los Angeles Convention Center can only accommodate conventions that require less than 350,000 square feet of contiguous meeting space. As a result, Los Angeles is unable to pursue larger events and is not ranked among the top 20 convention destinations in the U.S. In 2022, 89% of the top 250 conventions met in those 20 markets, while Los Angeles tied for 22nd place in 2022 convention bookings. With a population of 3.8 million, the City of Los Angeles is currently ranked alongside “tier two” destinations including Austin (964K residents), Baltimore (577K residents), Charlotte (880K residents), and Kansas City (508K residents). This is a direct function of the amount of contiguous space available at the Los Angeles Convention Center.

Over the last five years, virtually all of Los Angeles’ direct competitors have already completed major convention center expansions, with others slated for completion in the next 12 to 24 months.

Convention Center	Contiguous Square Feet	Completion Year
Anaheim Convention Center & Arena	670,133	2017
Moscone Convention Center (San Francisco)	502,000	2019
Las Vegas Convention Center	1,000,000	2021
Miami Convention Center	500,000	2021
Javits Center (New York City)	500,000	2021
Colorado Convention Center (Denver)	580,000	2024
San Diego Convention Center	700,000	TBD

With ongoing uncertainty regarding the proposed expansion of the Los Angeles Convention Center, numerous event planners are unwilling to select the destination for new business – either because they require more contiguous space to execute their programs and/or because the intended expansion completion date has been delayed multiple times. In both instances, these key customers have stated that they will only consider Los Angeles again once the modernization project receives final approval and a firm construction timeline is set.

HOTEL SUPPLY IN DOWNTOWN LOS ANGELES

Along with an increase in contiguous space at the Los Angeles Convention Center, a lack of adequate hotel inventory is another factor that has historically had a negative impact on the city’s ability to host larger citywide conventions. With significant investment by hotel developers, however – both in recent years and moving forward – the number of hotel rooms within walking distance of the Convention Center continues to grow.

It is important to note, however, that future hotel projects – particularly those in or near downtown Los Angeles – are largely contingent on the Convention Center expansion, since developers will need to include the additional room night demand it will generate in their proformas to secure the necessary project funding. The following chart details the current hotel development “pipeline” for downtown properties within walking distance (less than one mile) of the Convention Center, all of which are either in the planning/final planning stage or already under construction:

Name	Anticipated Opening	Number of Rooms	Miles to LACC
AC Hotel by Marriott Los Angeles Downtown	Mar 2023	347	0.2
Moxy Los Angeles Downtown	Mar 2023	347	0.2
La Quinta Inns & Suites Los Angeles Downtown	Mar 2023	48	0.2
Hyatt Place Los Angeles Downtown	Jun 2023	258	0.5
Homewood Suites by Hilton Los Angeles Convention Center	Oct 2025	105	0.3
Hampton Inn by Hilton Los Angeles Convention Center	Oct 2025	195	0.3
The Albany Hotel	Jun 2027	730	0.3
JW Marriott Los Angeles L.A. LIVE Expansion	TBD	861	0.1

FINANCIAL IMPACT OF “AT RISK” CITYWIDE CONVENTIONS

Since citywide conventions book well in advance, with a typical lead time of 5-10 years, the city is already experiencing lost business from groups that had committed to hosting their events at the Los Angeles Convention Center from 2024 through 2027 but are unable to proceed because the expansion will not be completed in time. These customers have no choice but to relocate to other destinations with sufficient contiguous meeting space to accommodate their needs.

The first such cancellation has already taken place, with the American Society for Cancer Research (AACR) moving their 2025 annual convention, resulting in a loss of \$36.9 million in total business sales and \$1.7 million in local tax revenues. This group is additionally scheduled to host their event in Los Angeles in 2027, and they have stated that they need to know no later than June 30, 2023 whether the expansion will be completed in time, or they will have no choice but to relocate to another destination and will remove Los Angeles from their list of potential meeting locations moving forward.

Based on the projected size of “at risk” groups through 2027, Oxford Economics conducted an independent analysis in 2022, and concluded that Los Angeles stood to lose \$190 million in business sales and \$8.5 million in local tax revenues should these events have to move to other destinations. With ongoing uncertainty regarding the Convention Center modernization, however, Adobe MAX is now also considered “at risk” – increasing the potential loss to \$241 million in business sales and \$10.9 million in local tax revenues.

The following chart lists those events that are already planned to take place at the Los Angeles Convention Center through 2027, including the potential loss in business sales for each group:

Start Date	Customer	Projected Hotel Room Nights	Projected Attendees	Projected Hotel Room Revenue	Projected Total Business Sales	Projected Total Local Tax Revenues
10/7/24	Adobe MAX	21,780	10,000	\$4,552,020	\$18,525,811	\$833,661
10/16/24	IDWeek	22,110	10,500	\$4,620,990	\$18,806,505	\$846,293
4/25/25	ASCRS/ASOA Annual	26,435	12,000	\$5,683,525	\$23,130,810	\$1,040,886
6/19/25	ASM Microbe	22,320	30,000	\$4,798,800	\$19,530,156	\$878,857
10/27/25	Adobe MAX	21,780	10,000	\$4,682,700	\$19,057,652	\$857,594
3/4/26	IHRSA	7,254	13,000	\$1,595,880	\$6,494,912	\$292,271
3/17/26	Optical Fiber Communications	15,935	15,000	\$3,505,700	\$14,267,498	\$642,037
10/5/26	Adobe MAX	27,560	15,160	\$6,063,200	\$24,676,011	\$1,110,421
4/10/27	AACR	40,261	20,000	\$9,058,725	\$36,867,199	\$1,659,024
4/22/27	ACP Internal Medicine	16,977	9,000	\$3,819,825	\$15,545,924	\$699,567
10/6/27	Adobe MAX	27,560	15,160	\$6,201,000	\$25,236,830	\$1,135,657
11/5/27	AASLD	21,030	9,500	\$4,731,750	\$19,257,276	\$866,577
	TOTALS	271,002	169,320	\$59,314,115	\$241,396,585	\$10,862,846

FINANCIAL IMPACT OF CONVENTION CENTER EXPANSION

Oxford Economics projects that the expansion of the Los Angeles Convention Center will generate an incremental \$233.3 million in annual business sales. This forecast is based on several decades of historical booking data, as well as an analysis of those citywide conventions that have already stated that they would include Los Angeles in their event rotation once sufficient contiguous meeting space is available.

ATTACHMENT C

Economic and fiscal impacts of a proposed expansion of the Los Angeles Convention Center

by Ernst and Young, November 2023

Economic and fiscal impacts of a proposed expansion of the Los Angeles Convention Center

Prepared for the City of Los Angeles

November 28, 2023



Glossary of Terms

Economic impact indicators

- ▶ **Employment:** Full-time and part-time one-year employment. Employment is presented as “one-year” jobs to capture jobs that span multiple years. For example, one construction worker who works two years at the construction site would be counted as two one-year jobs in our analysis.
- ▶ **Labor income:** Salaries, wages, employer payroll taxes, and benefits related to employment, including proprietor income.
- ▶ **Value added:** Labor income plus indirect business taxes, consumption of fixed capital (depreciation), and mixed income. Mixed income includes income earned from interest, dividends, and corporate profits.
- ▶ **Gross economic output:** Sum of value-added and intermediate input (supplier) purchases. Purchases of goods and services that are not sold for final consumption such as energy and materials are considered intermediate inputs.
- ▶ **City taxes:** sales, business activities, hotel occupancy, parking, licenses and permits, and other City General Fund taxes.

Types of contributions

- ▶ **Direct contribution:** Direct contributions includes the total full-time and part-time employees and labor income generated from the Convention Center expansion and subsequent operation. Economic output is measured as revenue from operations. Direct contributions also include the impact of out-of-town visitors to the City of Los Angeles due to Convention Center events.
- ▶ **Indirect contribution:** The indirect economic contributions are attributable to purchases from City suppliers. The indirect contributions also capture the additional input purchases from local suppliers by businesses supplying the Convention Center, thereby creating subsequent rounds of indirect effects.
- ▶ **Induced contribution:** The induced contributions include the spending by employees of the Convention Center and the employees of suppliers at City businesses including grocery stores, restaurants, and service providers.

Scenario definitions

- ▶ **Expansion P3:** P3 refers to a Public-Private Partnership delivery path using a mix of public and private debt and private equity. During the development period, the total spend is approximately \$125 million more than the NonP3 scenario, with most of the difference coming from design fees, additional indirect costs, and contingency. After the development period, the fixed costs of operations in the P3 scenario are higher than the NonP3 expansion scenario.
- ▶ **Expansion NonP3:** NonP3 refers to “Construction Manager at Risk” and development is financed entirely by the City of Los Angeles through city-issued long-term debt. Compared to P3 delivery, NonP3 costs less initially but the total development period is estimated to take six additional months due to a longer pre-construction period. Once operational, operating costs are projected to be approximately \$5 million less per year compared to P3 delivery.
- ▶ **Status Quo:** The scenario where the City does not make any meaningful capital improvements to the Convention Center and continues operating in its current state. The LACC square footage also remains unchanged. It is assumed that in this scenario the LACC will lose business over time as events are scheduled at more modern venues.

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Executive Summary

EY was commissioned by the City of Los Angeles (City) to estimate the economic and tax contributions of the proposed expansion and modernization of the Los Angeles Convention Center (LACC). The City is considering a significant project that would expand contiguous convention center space and modernize the facility. These investments would allow for more events to be held at the LACC and would increase the number of attendees and non-local visitors to the City. The project would be delivered either through a public-private partnership (P3) using a mix of public and private debt and private equity, or through City issued long-term debt only (NonP3). The analysis compares the two expansion scenarios with a “status quo” scenario where the LACC square footage remains unchanged and continues to operate in its current state.

This analysis considers the contributions related to the construction of the LACC expansion and the operations during a “typical” operating year once activity at the Convention Center has fully ramped up post-expansion. In this report, FY2033 has been selected as a “typical operating year” post-expansion. Given the current state of the Convention Center, it is likely that if no meaningful renovations or modernizations take place, fewer events will be hosted each year. The long-term impacts of not renovating the Convention Center are summarized in a 30-year operating analysis, comparing the status quo to the expansion scenario, focusing on the tax revenues collected in each scenario.

Economic contributions described in this report include:

- ▶ Employment: Full-time and part-time one-year employment
- ▶ Labor income: Salaries, wages, and benefits related to employment
- ▶ Value added (GDP): Labor income plus indirect business taxes, consumption of fixed capital (depreciation), and mixed income
- ▶ Gross economic output: Sum of value-added and intermediate input (supplier) purchases
- ▶ City taxes: Sales, business activities, hotel occupancy, parking, licenses and permits, and other City taxes

Temporary economic contributions with an expansion of the LACC (FY2024-FY2027/8)

Construction expenditures for expanding and modernizing the Convention Center will create temporary economic benefits for the City of Los Angeles. Using NonP3 delivery and planned expenditures of \$1.375 billion, an estimated 7,445 temporary one-year jobs during the development period (4 years) would be supported, compared to 8,303 total one-year jobs supported by \$1.5 billion expenditures in the P3 scenario. Spending during the expansion period will see City General Fund tax contributions of \$18.7 million (P3 delivery) or \$16.5 million (NonP3 delivery) from sales, business activity, and other City taxes. See Table ES-1 below.

Table ES-1. Temporary economic contributions for the City of Los Angeles due to construction expenditures for expansion of the Convention Center; Totals during development periods
Millions of nominal dollars

	P3 Expansion			NonP3 Expansion			Total Difference P3 – NonP3
	Direct	Indirect & Induced	Total – P3	Direct	Indirect & Induced	Total – NonP3	
Employment	6,699	1,604	8,303	6,032	1,413	7,445	+ 858
Average annual # of jobs*	1,914	458	2,372	1,508	353	1,861	+ 511
Labor income	\$ 550	\$ 131	\$ 681	\$ 488	\$ 115	\$ 603	+\$ 78
Value added (GDP)	\$ 633	\$ 222	\$ 855	\$ 559	\$ 196	\$ 755	+\$ 100
Economic output	\$ 1,325	\$ 379	\$ 1,703	\$ 1,179	\$ 336	\$ 1,515	+\$ 188
City General Fund tax revenue	\$ 16.6	\$ 2.0	\$ 18.7	\$ 14.7	\$ 1.8	\$ 16.5	+\$ 2.2

*Average number of jobs calculated using 3.5-year development and construction period for P3 and 4 years for NonP3.

Source: EY analysis using illustrative construction budgets originally developed in 2019 by the City's potential development partner under the P3 scenario, an AEG and Plenary joint venture (working with PCL/Webcor as potential P3 design-build contractor), adjusted for inflation to 2023 since the original construction budgets were developed in 2019.

Economic contributions during a typical operating year post-expansion for LACC (FY2033)

Expansion of the LACC will allow for more events and nearly 500,000 more attendee days annually compared to the status quo once expansion is complete and events have ramped up to a new steady state. Visitor spending in the City is expected to increase by \$165 million annually. After the proposed expansion, additional operational spending by the LACC and visitor spending outside the venue would support approximately 6,900 jobs in the City in FY2033, which is 2,100-2,200 more than the status quo scenario. Table ES-2 below summarizes the number of events, total economic and fiscal impacts before expansion and during a typical operating year post-expansion.

Modernizing and expanding the Convention Center will increase annual City General Fund tax revenue by \$9 million (in 2023 dollars) once steady state has been reached in FY2033. The increase in City General Fund tax revenue is driven largely by increased revenue from sales tax and hotel occupancy tax, but also includes increased tax revenue from business activity (gross receipts), parking, and other City taxes.

Table ES-2. Summary of events, economic impacts, and City tax revenue pre-expansion and FY2033 (steady-state)
Millions of 2023 dollars, actual number of events and jobs

	2024 Pre- expansion	2033 Status quo (SQ)	2033 Expansion (P3)	2033 Expansion (NonP3)	2033 Difference: P3 - SQ	2033 Difference: NonP3-SQ
LACC total events	229	265	348	348	+83	+83
Number of attendee days	2.39m	2.71m	3.2m	3.2m	+500,000	+500,000
Visitor Spending (annual)	\$373m	\$390m	\$555m	\$555m	+\$165m	+\$165m
<i>Annual operations (OPEX+ Visitor Spend)</i>						
Total jobs supported	4,592	4,745	6,919	6,892	+2,174	+2,147
Total labor income	\$204m	\$213m	\$309m	\$306m	+\$96m	+\$93m
Total value added (GDP)	\$290m	\$298m	\$444m	\$441m	+\$146m	+\$143m
Total economic output	\$490m	\$507m	\$749m	\$744m	+\$242m	+\$237m
Total General Fund taxes	\$14.1m	\$15.1m	\$24.3m	\$24.2m	+\$9.2m	+\$9.1m

Source: EY analysis using data provided by CSL and IMPLAN 2021 Economic Model of the City of Los Angeles, California, revenue data and forecasts from the City of Los Angeles Controller's office, the US Census Bureau, the US Bureau of Economic Analysis

Cumulative 30-year economic and tax contributions from the LACC expansion

Extending the analysis to the first 30 years of operation post-expansion, the LACC expansion would add an average 2,600 incremental jobs, supporting approximately \$6.0 billion in additional labor income, nearly \$9.0 billion in GDP and more than \$14.9 billion in economic output for the City of Los Angeles. These numbers are summarized by scenario in Table ES-3.

Over a 30-year horizon, the additional City General Fund tax revenue would total \$570 million in the expansion scenarios. Incremental City General Fund tax revenue due to the expansion starts at over \$5 million in 2028 and grows to over \$27 million in 2057, as shown in Figure ES-1 on the next page. Most of the increase comes from additional hotel occupancy taxes and sales taxes collected, which account for around \$402 million and \$114 million of the 30-year increment, respectively. Table ES-3 on the next page shows the total estimated taxes by type as well as the difference between the expansion scenarios and status quo.

Table ES-3. Cumulative City of Los Angeles General Fund tax revenue due to operations and visitors to Los Angeles
(30-year forecast) with LACC expansion
Millions of nominal dollars

	Status Quo (SQ)	Expansion P3	Expansion NonP3	Difference: P3-SQ	Difference: P3-NonP3
Economic contributions:					
Average annual employment	4,116	6,754	6,728	2,638	26
Total labor income	\$ 8,960	\$ 14,963	\$ 14,867	\$ 6,003	\$ 96
Total value added (GDP)	\$ 12,604	\$ 21,550	\$ 21,423	\$ 8,946	\$ 127
Total economic output	\$ 21,403	\$ 36,290	\$ 36,062	\$ 14,887	\$ 228
General Fund tax contributions:					
Sales taxes	\$ 190.7	\$ 304.3	\$ 304.1	\$ 113.6	\$ 0.2
Business activities tax	\$ 23.3	\$ 38.2	\$ 38.0	\$ 14.9	\$ 0.2
Hotel occupancy tax*	\$ 357.8	\$ 759.5	\$ 759.4	\$ 401.7	\$ 0.1
Parking tax	\$ 58.6	\$ 80.3	\$ 80.3	\$ 21.8	\$ 0.0
Licenses and permits	\$ 2.8	\$ 4.8	\$ 4.7	\$ 1.9	\$ 0.1
Other City taxes**	\$ 23.7	\$ 39.9	\$ 38.7	\$ 16.2	\$ 1.2
Total City of Los Angeles taxes	\$ 656.8	\$ 1,226.9	\$ 1,225.1	+\$ 570.1	+\$ 1.8

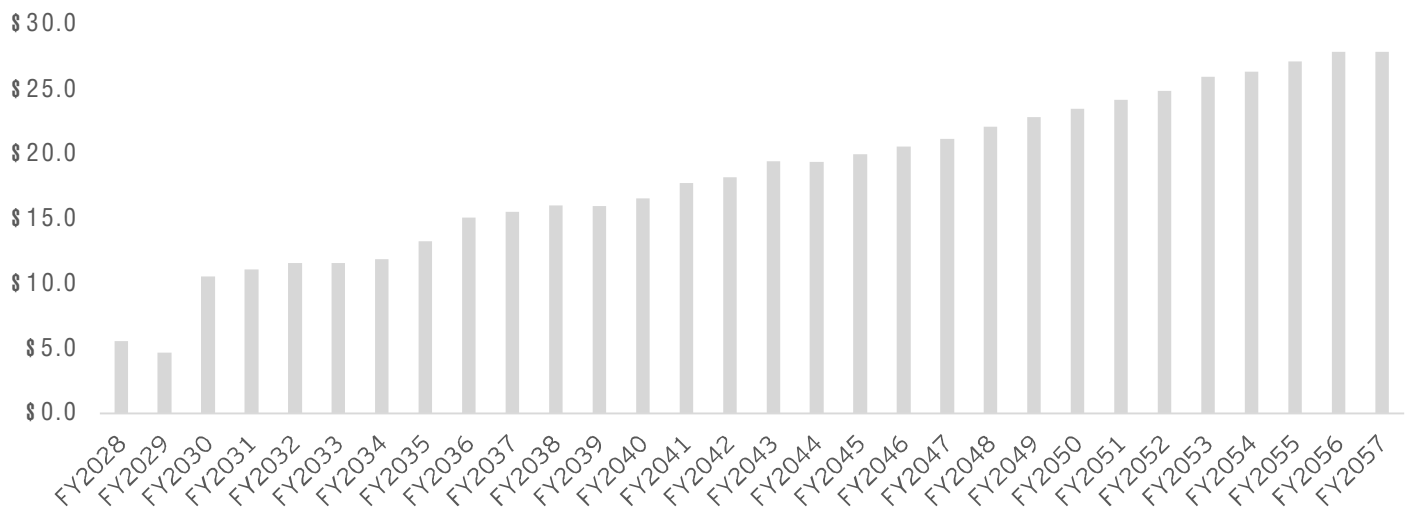
*Hotel occupancy tax is shown net of General Fund payments made due to incentive agreements. See appendix.

Notes: Numbers may not appear to sum due to rounding.

**Other taxes include property taxes contributed by businesses and workers, transient occupancy, documentary transfer, and utility users' taxes.

Source: EY analysis using EY economic impact model results and data from CSL, LACC, LATCB, the US Census Bureau, the US Bureau of Economic Analysis, and publicly available revenue data and forecasts from the City of Los Angeles Controller's office

Figure ES-1. Incremental City of Los Angeles direct General Fund tax revenue due to operations and visitors to Los Angeles
under NonP3 delivery with the LACC expansion, FY2028-2057
Millions of nominal dollars



Source: EY analysis using EY economic impact model results and data from CSL, LACC, LATCB, the US Census Bureau, the US Bureau of Economic Analysis, and publicly available revenue data and forecasts from the City of Los Angeles Controller's office

1.0 Study approach

This study estimates the economic and tax contributions of a proposed expansion of the Los Angeles Convention Center. The analysis is confined to benefits within the City of Los Angeles and does not include economic or tax benefits to the surrounding area. It compares the economic activity generated by an expansion of the facility to the status quo in which no expansion or modernization is undertaken of the facility. Projections of events, event type, local and non-local attendee days and hotel room nights were provided by CSL. Projections were reviewed by staff at the City Tourism Department and the Los Angeles Tourism and Convention Board. Economic benefits will accrue throughout the County of Los Angeles, but only city-level economic contributions are quantified in this report.

Three scenarios were modeled in the analysis that include maintaining the status quo and expansion of the Convention Center. If the City pursues an expansion/modernization of the LACC, two options are being considered for delivery of the project: (1) a public-private partnership (P3) and (2) a NonP3 structure. Scenarios include:

1. A status quo scenario that involves no expansion and only deferred maintenance of the LACC. This scenario is intended to provide a baseline of economic activity and tax revenues that can be expected from the LACC in the future with no expansion or modernization undertaken of the facility.
2. An expansion and modernization scenario with NonP3 delivery that involves one-time capital investments to expand and modernize the Convention Center and increase contiguous exhibit space. This scenario follows a timeline that assumes an 18-month approval/design/procurement/pre-construction process followed by a 28-month construction period. A 5-year ramp up period for Convention Center events will follow construction before reaching a “steady-state” year in fiscal year 2033. This scenario also assumes continued investment above basic repairs for maintaining and improving the condition of the Convention Center through its life.
3. An expansion and modernization scenario with P3 delivery that involves one-time capital investments to modernize the Convention Center and increase contiguous space. This scenario follows a timeline that assumes a 12-month approval/design/procurement/pre-construction process followed by a 28-month construction period.¹ A 5-year ramp up period for Convention Center events will follow before reaching a “steady-state” year in fiscal year 2033. This scenario also assumes continued investment above basic repairs for maintaining and improving the condition of the Convention Center through its life.

The table below shows the timeline used in the analysis for the expansion P3 and expansion NonP3 scenarios.

Milestone	Status Quo	Expansion – NonP3	Expansion – P3
Council approval	n/a	Sept. 2023	Sept. 2023
Approval/design/procurement/ pre-construction	n/a	Sept. 2023 – April 2025	Sept. 2023 – Aug. 2024
Construction period	n/a	May 2025 – Aug. 2027	Sept. 2024 – Jan. 2027
Total development period	n/a	46 months	40 months

Economic contributions described in this report include employment (full-time and part-time employees), labor income (total payroll costs including proprietor income), value added (GDP), gross economic output (equivalent to revenue), and City taxes. The analysis includes three types of economic contributions in the City of Los Angeles:

1. Direct contribution: Direct contributions include the total full-time and part-time employees and labor income generated from the Convention Center expansion and subsequent operation. Economic output is measured as revenue from operations. Direct contributions also include the impact of out-of-town visitors to the City of Los Angeles due to Convention Center events.

¹ Based on August 2021 development schedule. APCLA is now proposing a 32-month construction schedule.

2. Indirect contribution: The indirect economic contributions are attributable to purchases from City suppliers. The indirect contributions also capture the additional input purchases from local suppliers by businesses supplying the Convention Center, hereby creating subsequent rounds of indirect effects.
3. Induced contribution: The induced contributions include the spending by employees of the Convention Center and the employees of suppliers at City businesses including grocery stores, restaurants, and service providers.

Fiscal impacts in this report are confined to local General Fund taxes collected by the City of Los Angeles. City General Fund tax revenues will be generated during the construction period and ongoing operations. Temporary direct taxes generated by construction include City sales taxes, the City's gross receipts tax (i.e., business activities tax), and licenses and permits. Most of the General Fund tax contributions of the LACC during operations are associated with spending by visitors on hotels, parking, and food and recreation outside the Convention Center. Additionally, there are direct taxes associated with the LACC operational spending and indirect and induced taxes associated with increased labor income in the City.

2.0 Temporary benefits due to the LACC expansion

The proposed project would add approximately 350,000 square feet to the Convention Center including additional exhibit hall space, meeting rooms and a new multi-purpose ballroom space. The proposed expansion would also modernize the existing space, which has not been updated since 1993. This chapter details the economic and fiscal impacts during the development and construction period. The total construction costs vary by which delivery option is chosen. As shown in the tables below, using P3 delivery has a higher construction cost which generates more economic and fiscal impacts.

Capital expenditures for expansion scenarios

The development and construction budget can be summarized into three categories. Examples of direct costs include construction trade costs, design contingency, and fees. Examples of indirect costs include design, general conditions, and insurance. City soft costs include preconstruction services, owner contingency, legal fees, and digital displays.

Table 1 shows the development and construction budgets used in the economic impact analysis under the P3 and NonP3 expansion scenarios. If the City pursues P3 delivery, it is anticipated that nearly \$ 1.5 billion would be spent to expand and modernize the facility. If the City does not use a P3 delivery, it is expected that \$ 1.375 billion would be spent. There are a few differences between the P3 and NonP3 budgets. The P3 scenario features higher costs for certain categories such as insurance, general conditions, and design fees. The two scenarios also count certain costs in different categories; for example, design fees are direct costs in the P3 scenario, and they are City soft costs in the NonP3 scenario.

Table 1. Planned expenditures for expansion and modernization of the Los Angeles Convention Center under P3 and NonP3 delivery structures
Millions of nominal dollars

	Expansion P3	Expansion NonP3
Direct costs	\$ 1,000	\$ 950
Indirect costs	\$ 300	\$ 150
Total construction contract costs	\$ 1,300	\$ 1,100
City soft costs	\$ 200	\$ 275
Total project planned development expenditures	\$ 1,500	\$ 1,375

Source: EY analysis using illustrative construction budgets originally developed in 2019 by the City's potential development partner under the P3 scenario, an AEG and Plenary joint venture (working with PCL/Webcor as potential P3 design-build contractor), adjusted for inflation.

Construction expenditures for expanding and modernizing the Convention Center will create temporary economic benefits for the City. The expected impact on jobs, income, value added, output and City taxes in the City of Los Angeles are shown in the tables below for the expansion scenarios. Table 2 compares the economic impacts during the construction period of the P3 vs NonP3 scenarios. Due to the additional spend on construction contract costs in the P3 scenario, an additional 858 temporary jobs are supported during the construction period.

Table 2. Temporary economic contributions for the City of Los Angeles due to construction expenditures for expansion of the Convention Center; Totals during development periods
Millions of nominal dollars

	P3 Expansion			NonP3 Expansion			
	Direct	Indirect & Induced	Total – P3	Direct	Indirect & Induced	Total – NonP3	Total Difference P3 – NonP3
Employment	6,699	1,604	8,303	6,032	1,413	7,445	+858
Average annual # of jobs*	1,914	458	2,372	1,508	353	1,861	+511
Labor income	\$ 550	\$ 131	\$ 681	\$ 488	\$ 115	\$ 603	+\$ 78
Value added (GDP)	\$ 633	\$ 222	\$ 855	\$ 559	\$ 196	\$ 755	+\$ 100
Economic output	\$ 1,325	\$ 379	\$ 1,703	\$ 1,179	\$ 336	\$ 1,515	+\$ 188

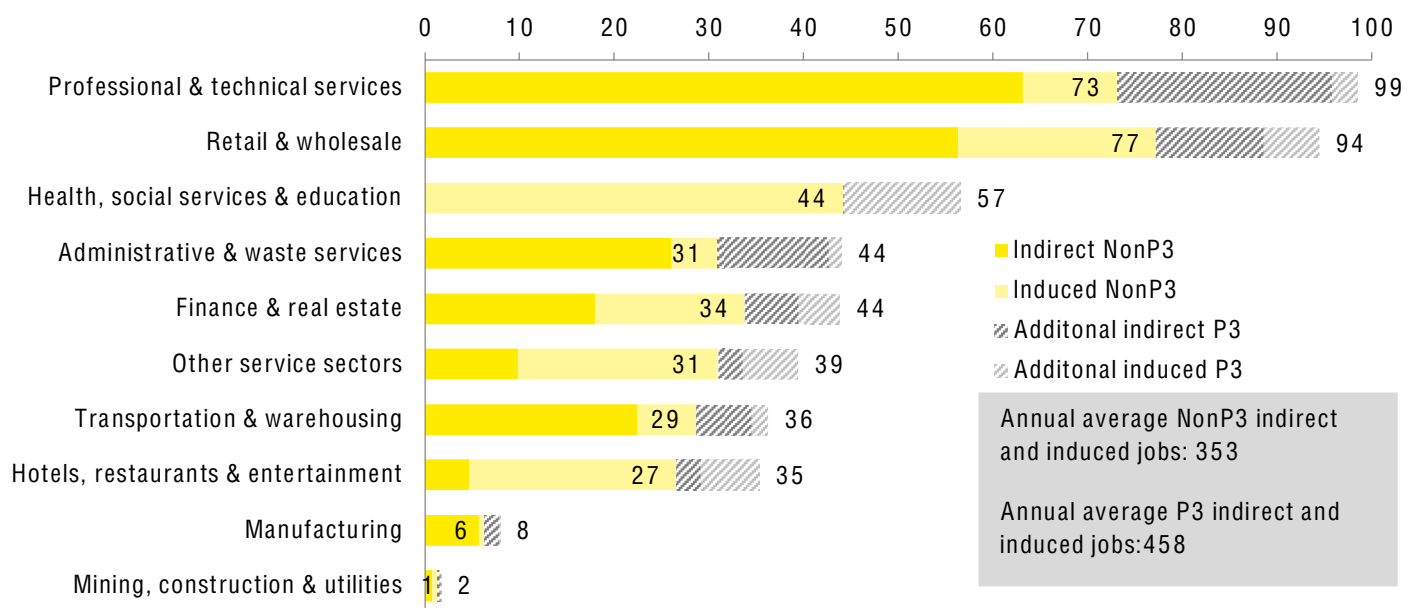
*Average number of jobs calculated using 3.5-year development and construction period for P3 and 4 years for NonP3.

Source: EY analysis using data provided on planned construction expenditures and IMPLAN 2021 Economic Model of the City of Los Angeles, California

Figure 1 shows the average annual number of indirect and induced jobs supported in the City of Los Angeles during the development period. Indirect jobs are jobs supported by supplier spending. Most of the indirect jobs supported are in the professional and technical services and retail and wholesale industries. Professional and technical services include architectural, engineering, accounting, legal, and management consulting services. Within the retail and wholesale industry, most jobs fall within the building material supply store sub-category.

Induced jobs are jobs supported by spending of construction employees. The largest category of induced jobs supported is in the health, social services and education sectors. This industry includes physician offices and hospitals, individual and family services, as well as childcare services and other community care facilities.

Figure 1. Average annual indirect and induced jobs by industry due to construction expenditures for expansion of the Convention Center using NonP3 and P3 delivery
City of Los Angeles



Average number of jobs calculated using a 4-year development and construction period for NonP3 and 3.5 years for P3.

Source: EY analysis using data provided by CSL and IMPLAN 2021 Economic Model of the City of Los Angeles, California

The construction activity will generate one-time tax revenue for the City. See the Appendix for a description of the methodology used to estimate City General Fund taxes. Direct taxes generated by the project include City sales taxes, the City's gross receipts tax (i.e., business activities tax), and licenses and permits. During the development periods (FY2024-2027/8) it is expected that the City would receive \$ 16.5 million in General Fund tax revenue under the Non-P3 scenario and \$ 18.7 million under the P3 scenario.

Table 3. Total City General Fund tax contributions during expansion and modernization of the Convention Center
under Expansion scenarios
Millions of nominal dollars

	Direct	Indirect & Induced	Total P3	Direct	Indirect & Induced	Total NonP3	Difference P3 – NonP3
Sales taxes	\$ 8.1	\$ 0.3	\$ 8.4	\$ 7.2	\$ 0.3	\$ 7.5	+\$ 0.9
Business activities tax	\$ 2.9	\$ 0.3	\$ 3.2	\$ 2.5	\$ 0.3	\$ 2.8	+\$ 0.4
Licenses and permits	\$ 0.6	\$ 0.1	\$ 0.7	\$ 0.5	\$ 0.1	\$ 0.6	+\$ 0.1
Other*	\$ 5.1	\$ 1.2	\$ 6.3	\$ 4.5	\$ 1.1	\$ 5.5	+\$ 0.7
Total City General Fund tax revenue	\$ 16.6	\$ 2.0	\$ 18.7	\$ 14.7	\$ 1.8	\$ 16.5	+\$ 2.2

*Notes: *Other taxes include property taxes contributed by businesses and workers, transient occupancy, documentary transfer, and utility users' taxes*

Source: EY analysis using EY economic impact model results and data from CSL, LACC, LATCB, the US Census Bureau, the US Bureau of Economic Analysis, and revenue data and forecasts from the City of Los Angeles Controller's office

3.0 LACC events and economic impact of visitors due to expansion

LACC events with expansion compared to status quo

Expansion and modernization of the LACC is expected to increase the number of events and visitors to the City. The economic impact analysis of the future state of the Convention Center post-expansion relies on a forecast of Convention Center events and visitors to Los Angeles. CSL provided a forecast of the number and type of Convention Center events, the number of attendees, the number of non-local attendees (i.e., attendees traveling from outside the region), and the number of hotel room nights under the “status quo” and “expansion” scenarios.

A summary of the events is shown below for the status quo and expansion scenarios. Under the P3 scenario, CSL's forecasts project 8 additional events in FY2027 compared to NonP3 due to the shortened construction period. There are fewer events and attendees in FY2029 due to Los Angeles hosting the Olympics. The total number of events in the status quo scenario is expected to increase to 265 events in FY2033 compared to 348 events in the expansion scenario. Most of the increase comes from an additional 44 meetings in FY2033 in the expansion scenario, although the LATCB-booked events are the primary driver of visitors to the City. In FY2033, it is anticipated that an expansion would generate 15 more LATCB-Booked events compared to the status quo.

Table 4. Forecast of Convention Center events under Status Quo and Expansion scenarios

FY Year	Activity (expansion)	Assemblies	Consumer / Public	Trade shows	Meetings	Filming	LATCB Booked	Total events
Expansion								
2023	---	23	41	11	31	33	21	160
2024	Design	44	37	17	65	45	21	229
2025	Construction	40	30	13	65	40	17	205
2026	Construction	40	30	13	65	40	16	204
2027	Construction	40	30	13	65	40	15	203
2027	<i>Construction P3*</i>	40	30	13	65	40	23	211
2028	Year 1	60	41	19	76	47	32	275
2029	Year 2	45	30	15	70	35	26	221
2030	Year 3	65	42	20	100	52	39	318
2031	Year 4	65	43	22	110	55	38	333
2032	Year 5	67	43	23	120	59	36	348
2033	Year 6	67	43	23	120	59	36	348
Status Quo								
2023		23	41	11	31	33	21	160
2024		44	37	17	65	45	21	229
2025		46	38	17	68	45	24	238
2026		48	39	17	70	45	23	242
2027		50	40	17	72	45	23	247
2028		52	41	18	76	47	24	258
2029		54	41	18	76	47	18	254
2030		56	42	18	76	47	21	260
2031		58	43	19	76	47	21	264
2032		58	44	19	76	47	21	265
2033		58	44	19	76	47	21	265
Difference (P3 – SQ)								
	2033	9	-1	4	44	12	15	83

Source: CSL forecasts

*Note: “Construction P3” row captures additional events in 2027 compared to NonP3 scenario since P3 scenario has a shorter development period.

Attendance at LACC events under expansion

Table 5 shows the number of attendee days in the status quo scenario compared to attendee days in the expansion scenario. During FY2033, nearly 500,000 additional annual attendees would be expected under the expansion scenario. Consumer/public and LATCB-Booked events attract the largest number of attendees per event. The additional LATCB-Booked events in the expansion scenario make an outsized difference in total attendance, accounting for 90% of the additional attendees in FY2033. LATCB-Booked events also have by far the largest impact on the number of non-local visitors, averaging approximately 12,000 hotel room nights per event. As a result, the additional 15 LATCB-Booked events in FY2033 account for most of the additional hotel room nights.

Table 5. Convention Center attendee days under Expansion and Status Quo scenarios
FY2024 – FY2033

FY Year	Activity (expansion)	Assemblies	Consumer/ Public	Trade shows	Meetings	Filming	LATCB Booked	Total attendees
Expansion								
2024	Design	271,822	1,374,797	63,783	42,313	862	639,679	2,393,254
2025	Construction	247,111	1,114,700	48,775	42,313	766	525,785	1,979,449
2026	Construction	247,111	1,114,700	48,775	42,313	766	491,461	1,945,125
2027	Construction	247,111	1,114,700	48,775	42,313	766	474,298	1,927,963
2027	Construction P3*	247,111	1,114,700	48,775	42,313	766	705,207	2,158,871
2028	Year 1	360,000	1,523,423	85,500	60,800	1,175	910,667	2,941,566
2029	Year 2	270,000	1,523,423	67,500	56,000	875	733,116	2,650,914
2030	Year 3	390,000	1,536,844	90,000	80,000	1,300	1,111,129	3,209,273
2031	Year 4	390,000	1,587,177	99,000	88,000	1,375	1,082,491	3,248,043
2032	Year 5	402,000	1,563,687	103,500	96,000	1,475	1,030,944	3,197,606
2033	Year 6	402,000	1,563,687	103,500	96,000	1,475	1,036,672	3,203,334
Status Quo								
2024		271,822	1,374,797	63,783	42,313	862	639,679	2,393,254
2025		284,177	1,411,953	63,783	44,266	862	737,971	2,543,011
2026		296,533	1,449,110	63,783	45,567	862	730,170	2,586,024
2027		308,888	1,486,267	63,783	46,869	862	705,207	2,611,875
2028		321,244	1,523,423	67,535	49,473	900	687,296	2,649,871
2029		333,599	1,523,423	67,535	49,473	900	525,495	2,500,426
2030		345,955	1,560,580	67,535	49,473	900	588,497	2,612,940
2031		358,310	1,597,737	71,286	49,473	900	609,975	2,687,682
2032		358,310	1,634,893	71,286	49,473	900	607,112	2,721,975
2033		358,310	1,634,893	71,286	49,473	900	591,361	2,706,223
Difference (Expansion – SQ)								
	2033	43,690	-71,206	32,214	46,527	575	445,311	+497,111

Source: CSL forecasts

*Note: "Construction P3" row captures additional events in 2027 compared to NonP3 scenario since P3 scenario has a shorter development period.

Given the increased number of events under the expansion scenario, nearly 500,000 additional annual attendee days would be expected during FY2033, nearly doubling the number of hotel room nights when compared to FY2033 under the status quo scenario. These results are shown in Table 6 below. Additional hotel room nights are an important driver of the economic impact of expansion, contributing to visitor expenditures and hotel-related taxes discussed in later sections. Additional LATCB-Booked events are particularly important drivers, accounting for over 12,000 hotel nights per additional event after expansion.

Table 6. Total attendees, non-local attendees, and hotel room nights under Expansion and Status Quo scenarios
FY2024-FY2033

FY Year	Activity (expansion scenarios only)	Total attendee days	Non-local attendee days	Hotel room nights
Expansion				
2024	Design	2,393,254	552,964	288,045
2025	Construction	1,979,449	479,553	254,333
2026	Construction	1,945,125	457,585	239,646
2027	Construction	1,927,963	446,602	232,303
2027	<i>Construction P3*</i>	<i>2,158,871</i>	<i>577,241</i>	<i>319,460</i>
2028	Year 1	2,941,566	787,903	432,711
2029	Year 2	2,650,914	662,855	352,896
2030	Year 3	3,209,273	921,672	520,181
2031	Year 4	3,248,043	912,111	509,898
2032	Year 5	3,197,606	879,442	488,337
2033	Year 6	3,203,334	883,107	490,788
Status quo				
2024		2,393,254	552,964	288,045
2025		2,543,011	615,387	327,722
2026		2,586,024	615,183	325,538
2027		2,611,875	604,854	316,583
2028		2,649,871	584,293	301,040
2029		2,500,426	492,684	239,627
2030		2,612,940	532,929	264,502
2031		2,687,682	550,705	273,903
2032		2,721,975	552,789	273,431
2033		2,706,223	543,811	267,429
Difference (Expansion – SQ)				
	2033	497,111	339,296	223,359

Source: CSL forecasts

*Note: “Construction P3” row captures additional events in 2027 compared to NonP3 scenario since P3 scenario has a shorter development period.

Incremental visitor expenditures due to LACC expansion

Estimated daily expenditures outside the Convention Center by day and overnight visitors within the City of Los Angeles are shown in Table 7. Food and beverage within the Convention Center and parking are captured in the operating model in the next chapter. As shown in the table below, per person expenditures by day visitors are estimated at \$ 78 and overnight expenditures per person per day at \$ 552. The additional events and attendee days in the expansion scenario produce \$ 165 million of estimated incremental spend above the status quo scenario in FY2033.

Table 7. Convention attendee expenditures in the City of Los Angeles outside Convention Center (FY2033)
2023 dollars

Spending category	Per person day visitor expenditures	Number of day visitors	Per person overnight visitor expenditures	Number of overnight visitors	Total expenditures (millions)	Total status quo expenditures (million)	Incremental expenditures above status quo (millions)
Lodging	\$ 0	2,320,226	\$ 286	490,788*	\$ 140	\$ 76	+\$ 64
Transportation	\$ 20	2,320,226	\$ 62	883,107	\$ 101	\$ 77	+\$ 24
Food & Beverage**	\$ 28	2,320,226	\$ 102	883,107	\$ 155	\$ 116	+\$ 39
Retail	\$ 5	2,320,226	\$ 20	883,107	\$ 29	\$ 22	+\$ 7
Recreation	\$ 25	2,320,226	\$ 82	883,107	\$ 130	\$ 99	+\$ 31
Total	\$ 78		\$ 552		\$ 555m	\$ 390m	+\$ 165m

Source: EY analysis using IMPLAN 2021 Economic Model of the City of Los Angeles, California and inputs computed from Tourism Economics Los Angeles Visitor Economy 2022 report and EY analysis of data on contracted rooms from LATCB, the LATCB 2023 board report, CBRE Los Angeles Hotel Horizons report for Q1 2023

*Number of hotel room nights, **Food and beverage is outside the Convention Center.

Economic contributions due to increased events and visitors from LACC expansion

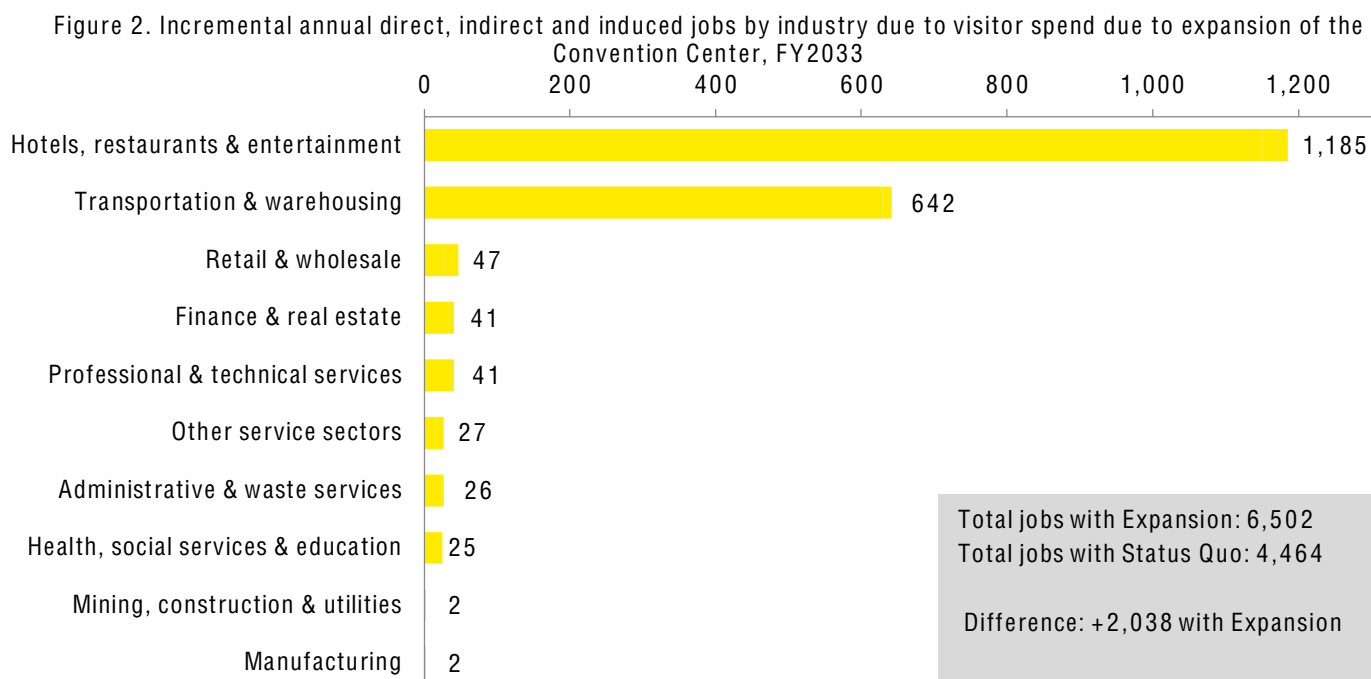
Additional visitors to the City drive most of the economic and fiscal benefits of the LACC expansion. An estimated additional 2,038 annual jobs will be supported in the City of Los Angeles due to additional visitors to the City if the expansion and modernization of the Convention Center is realized. This increase is due to the additional events hosted at the Convention Center. Table 8 below summarizes the direct, indirect, and induced impacts during the status quo scenario and the expansion scenario.

Table 8. Annual economic contributions (direct, indirect, and induced) of visitor expenditures under each scenario, FY2033
Millions of 2023 dollars

Scenario	Impact type	Employment	Labor income	Value added (GDP)	Economic output
Status Quo	Direct	3,946	\$ 152	\$ 204	\$ 343
	Indirect & Induced	518	\$ 42	\$ 69	\$ 119
	Total	4,464	\$ 194	\$ 273	\$ 462
Expansion (P3 or NonP3)	Direct	5,753	\$ 218	\$ 301	\$ 502
	Indirect & Induced	749	\$ 60	\$ 100	\$ 171
	Total	6,502	\$ 278	\$ 401	\$ 673
Total impacts Expansion-SQ	Total	+2,038	+\$ 84	+\$ 128	+\$ 211

Source: EY analysis using IMPLAN 2021 Economic Model of the City of Los Angeles, California and inputs computed from Tourism Economics Los Angeles Visitor Economy 2022 report and EY analysis of data provided by CSL and data on contracted rooms from LATCB, the LATCB 2023 board report, CBRE Los Angeles Hotel Horizons report for Q1 2023

Figure 2 below shows the incremental annual number of total jobs by industry supported in the City of Los Angeles during FY2033 due to visitor spending under the expansion scenario. The incremental jobs summarized below include direct, indirect, and induced jobs. Indirect jobs are jobs necessary to support the vendors where visitors are spending money, such as suppliers who support hotel operations. The largest industry supported by visitor spend is the hotels, restaurants, and entertainment industry. Events that bring overnight visitors to the City are the highest economic impact events.



Source: EY analysis using IMPLAN 2021 Economic Model of the City of Los Angeles, California and inputs computed from the Tourism Economics Los Angeles Visitor Economy 2022 report; EY analysis of data provided by CSL and data on contracted rooms from LATCB, the LATCB 2023 board report, and CBRE Los Angeles Hotel Horizons report for Q1 2023.

4.0 Operational economic impacts of the Convention Center expansion

Planned expenditures on operating the LACC

Expanding and modernizing the Convention Center would increase both annual fixed and variable costs at the LACC. Given the increased building size and additional annual events, the main drivers of cost increases come from additional facilities' maintenance and the various variable costs linked to projected usage and revenues at the LACC. The operation and maintenance costs for the LACC under the three scenarios in FY2033 are shown below in Table 9. It is expected that operations and maintenance of the facility would cost at least \$85 million, which is \$34 million more per year than the status quo due to the increased space and events.

Table 9. Operations and maintenance expenditures of the LACC under 3 scenarios, FY2033
Millions of 2023 dollars

	Status Quo	Expansion P3	Expansion NonP3	Difference P3-SQ	Difference NonP3-SQ	Difference P3-NonP3
Fixed expenses	\$ 24	\$ 52	\$ 47	+\$ 28	+\$ 23	+\$ 5
Variable expenses (Events)	\$ 26	\$ 38	\$ 38	+\$ 11	+\$ 11	+\$ 0
Total operating expenses	\$ 51	\$ 90	\$ 85	+\$ 39	+\$ 34	+\$ 5

Source: EY analysis using prior estimates of fixed costs from APCLA with July 2021 estimates inflated to 2023, and variable costs forecasts from CSL, SignValue (signage), and Walker (parking)

Table 10 summarizes the estimated economic and fiscal impacts from operating the LACC in FY2033. Due to the increased level of spend under the P3 scenario, the economic and fiscal benefits are slightly higher than the NonP3 estimates. In total, the P3 expansion scenario would support an estimated 136 incremental jobs, \$12 million in labor income, \$18 million in GDP, and \$31 million in economic output above the status quo scenario. The NonP3 scenario would support an estimated 109 incremental jobs, \$10 million in labor income, \$15 million in GDP, and \$26 million in economic output above the status quo scenario.

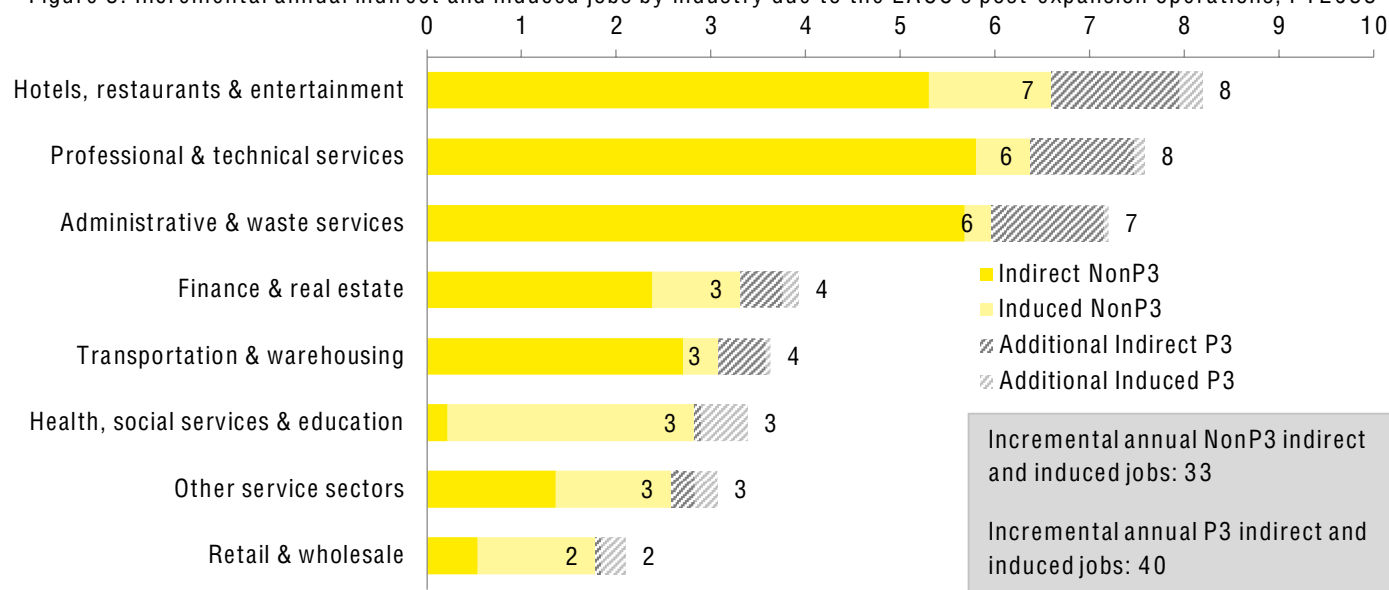
Table 10. Total annual economic contributions (direct, indirect, and induced) of the LACC operations under each scenario, FY2033
Millions of 2023 dollars

Scenario	Impact type	Employment	Labor income	Value added (GDP)	Economic output
Status Quo	Direct	220	\$ 14	\$ 18	\$ 32
	Indirect & Induced	61	\$ 5	\$ 7	\$ 13
	Total	281	\$ 19	\$ 25	\$ 45
P3	Direct	316	\$ 23	\$ 31	\$ 55
	Indirect & Induced	101	\$ 8	\$ 12	\$ 21
	Total	417	\$ 31	\$ 43	\$ 76
NonP3	Direct	296	\$ 21	\$ 29	\$ 52
	Indirect & Induced	94	\$ 7	\$ 11	\$ 19
	Total	390	\$ 28	\$ 40	\$ 71
Total P3-SQ	Total	+136	+\$ 12	+\$ 18	+\$ 31
Total NonP3-SQ	Total	+109	+\$ 9	+\$ 15	+\$ 26
Total P3-NonP3	Total	+27	+\$ 3	+\$ 3	+\$ 5

Source: EY analysis using IMPLAN 2021 Economic Model of the City of Los Angeles, EY analysis of data provided by CSL

Figure 3 shows the annual number of indirect and induced jobs supported in the City of Los Angeles during FY2033 due to the LACC's operations. Indirect jobs are jobs supported by supplier spending. Most of the indirect jobs supported are in the administrative and waste services industry, which includes temporary employment staffing services and other employment agencies. Professional and technical services and the hotel, restaurant and entertainment industries are also supported by supplier spending. Jobs within these industries include legal and accounting services, catering and food service contractors. Induced jobs are jobs supported by spending of the LACC's employees and the employees of its suppliers. The largest category of induced jobs supported is in the health, social services and education industry. This industry includes physician offices and hospitals, individual and family services, as well as childcare services and other community care facilities.

Figure 3. Incremental annual indirect and induced jobs by industry due to the LACC's post-expansion operations, FY2033



Notes: Numbers may not appear to sum due to rounding.

Source: EY analysis using data provided by CSL and IMPLAN 2021 Economic Model of the City of Los Angeles, California

Annual operational and visitor economic contributions combined

Table 11 shows the total economic contributions for the status quo scenario and both expansion scenarios during FY2033. Both the P3 and NonP3 delivery would support roughly 2,100 additional jobs due to expanded LACC operations and visitor expenditures in the City. The estimates shown below include direct, indirect, and induced impacts. For employment, this includes LACC direct jobs as well as subcontractor and vendor jobs supported.

Table 11. Total annual economic contributions (direct, indirect, and induced) of the LACC's operations and visitor expenditures under each scenario, FY2033
Millions of 2023 dollars

		Status Quo	Expansion P3	Expansion NonP3	Difference P3-SQ	Difference NonP3-SQ	Difference P3-NonP3
LACC Operations	Employment	281	417	390	+136	+109	+27
	Labor income	\$ 19	\$ 31	\$ 28	\$ 12	\$ 9	\$ 3
	Value added (GDP)	\$ 25	\$ 43	\$ 40	\$ 18	\$ 15	\$ 3
	Economic output	\$ 45	\$ 76	\$ 71	\$ 31	\$ 26	\$ 5
Visitor Spend	Employment	4,464	6,502	6,502	+2,038	+2,038	0
	Labor income	\$ 194	\$ 278	\$ 278	\$ 84	\$ 84	\$ 0
	Value added (GDP)	\$ 273	\$ 401	\$ 401	\$ 128	\$ 128	\$ 0
	Economic output	\$ 462	\$ 673	\$ 673	\$ 211	\$ 211	\$ 0
Total (LACC + Visitors)	Employment	4,745	6,919	6,892	+2,174	+2,147	+27
	Labor income	\$ 213	\$ 309	\$ 306	\$ 96	\$ 93	\$ 3
	Value added (GDP)	\$ 298	\$ 444	\$ 441	\$ 146	\$ 143	\$ 3
	Economic output	\$ 507	\$ 749	\$ 744	\$ 242	\$ 237	\$ 5

Source: EY analysis using IMPLAN 2021 Economic Model of the City of Los Angeles, California and inputs computed from Tourism Economics Los Angeles Visitor Economy 2022 report and EY analysis of data provided by CSL and data on contracted rooms from LATCB, the LATCB 2023 board report, CBRE Los Angeles Hotel Horizons report for Q1 2023

5.0 Incremental General Fund City tax revenue due to LACC expansion, FY2033

The table below shows forecasted City General Fund tax revenue under the three scenarios in year 10 of the project (FY2033) and is representative of the new steady state under the expansion scenarios. As shown in the table, the expansion scenario is expected to generate over \$ 24 million in City General Fund tax revenue, which is \$ 9.2 million more in additional annual General Fund tax revenue for the City compared to the status quo. Most of the tax contributions of the LACC are associated with spending by visitors on hotels, parking, and food and recreation outside the Convention Center. Additionally, there are direct taxes associated with the LACC operational spending and indirect and induced taxes associated with increased labor income in the City. Of the \$ 9.2 million incremental tax revenue, \$ 8.7 million is due to visitor spend.

Table 12. Annual City General Fund tax revenue due to operations and visitors to Los Angeles, FY2033 with the LACC expansion
Millions of 2023 dollars

	Status Quo	Expansion P3	Expansion NonP3	Difference: P3/NonP3-SQ**
Direct (LACC)				
Sales taxes	\$ 4.4	\$ 6.1	\$ 6.1	\$ 1.7
Business activities tax	\$ 0.4	\$ 0.6	\$ 0.6	\$ 0.2
Hotel occupancy tax*	\$ 8.0	\$ 14.6	\$ 14.6	\$ 6.7
Parking tax	\$ 1.4	\$ 1.6	\$ 1.6	\$ 0.2
Licenses and permits	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Other city taxes	\$ 0.2	\$ 0.3	\$ 0.2	\$ 0.1
Total direct taxes	\$ 14.4	\$ 23.2	\$ 23.2	+\$ 8.8
Indirect & induced				
Sales taxes	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.1
Business activities tax	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.1
Hotel occupancy tax	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Parking tax	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Licenses and permits	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.0
Other city taxes	\$ 0.4	\$ 0.6	\$ 0.5	\$ 0.2
Total indirect and induced taxes	\$ 0.7	\$ 1.0	\$ 1.0	+\$ 0.3
Total taxes				
Sales taxes	\$ 4.5	\$ 6.2	\$ 6.2	\$ 1.7
Business activities tax	\$ 0.5	\$ 0.8	\$ 0.8	\$ 0.2
Hotel occupancy tax	\$ 8.0	\$ 14.7	\$ 14.7	\$ 6.7
Parking tax	\$ 1.4	\$ 1.6	\$ 1.6	\$ 0.2
Licenses and permits	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.0
Other city taxes	\$ 0.5	\$ 0.8	\$ 0.8	\$ 0.3
Total General Fund taxes	\$ 15.1	\$ 24.3	\$ 24.2	+\$ 9.2

Notes: Numbers may not appear to sum due to rounding.

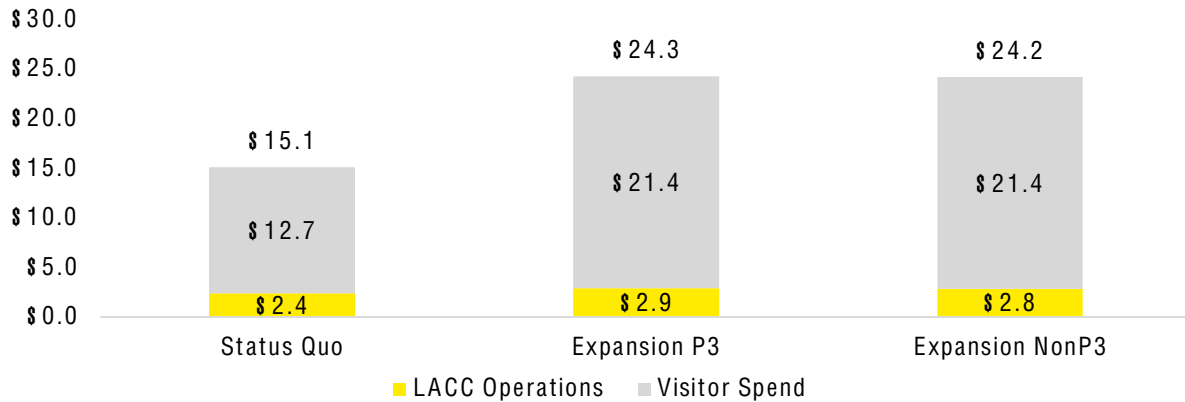
*Hotel occupancy tax is shown net of general fund payments made due to incentive agreements, though the occupancy tax revenue itself is still collected in full. See appendix.

** The difference between the P3 and NonP3 scenario tax revenue is minimal (less than \$ 50k).

Source: EY analysis using EY economic impact model results and data from CSL, LACC, LATCB, the US Census Bureau, the US Bureau of Economic Analysis, and revenue data and forecasts from the City of Los Angeles Controller's office.

Figure 4 shows the breakout of annual City tax revenue by source. The majority of tax revenue generated comes from visitors to the City, with approximately 90% of tax revenue coming from visitor spend and the remaining 10% coming from the LACC operations.

Figure 4. Annual General Fund City tax revenue by source, FY2033 with the LACC expansion
Millions of 2023 dollars



Source: EY analysis using EY economic impact model results and data from CSL, LACC, LATCB, the US Census Bureau, the US Bureau of Economic Analysis, and revenue data and forecasts from the City of Los Angeles Controller's office

Table 13 shows the direct General Fund City taxes generated by the LACC during operations for the first six years after the expansion period in nominal (inflated) dollars. In year 6 (FY2033), it is expected that an additional \$11.5 million in direct taxes will be generated in the expansion scenario, with most of the incremental taxes coming from additional sales tax and hotel occupancy taxes.

Table 13. Direct General Fund City taxes generated by the LACC during operations post-expansion period
Millions of Nominal dollars (Inflated compared to Table 12)

	Year 1 FY2028	Year 2 FY2029	Year 3 FY2030	Year 4 FY2031	Year 5 FY2032	Year 6 FY2033
Status Quo						
Sales taxes	\$5.2	\$4.7	\$5.1	\$5.4	\$5.6	\$5.7
Business activities tax	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
Hotel occupancy tax*	\$9.3	\$7.5	\$9.0	\$9.6	\$9.8	\$10.5
Parking tax	\$1.5	\$1.5	\$1.6	\$1.7	\$1.7	\$1.8
Licenses and permits	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other city taxes	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
Total taxes Status Quo	\$16.7	\$14.4	\$16.5	\$17.4	\$17.9	\$18.8
Expansion – NonP3						
Sales taxes	\$6.3	\$5.6	\$7.5	\$7.6	\$7.6	\$7.8
Business activities tax	\$0.6	\$0.6	\$0.7	\$0.7	\$0.8	\$0.8
Hotel occupancy tax*	\$13.4	\$11.0	\$16.6	\$17.8	\$18.8	\$19.3
Parking tax	\$1.7	\$1.6	\$1.9	\$2.0	\$2.0	\$2.1
Licenses and permits	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other city taxes	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
Total taxes Expansion NonP3	\$22.3	\$19.1	\$27.0	\$28.5	\$29.5	\$30.3
Increment with P3	+\$0.0	+\$0.0	+\$0.0	+\$0.0	+\$0.0	+\$0.0
Difference: Expansion NonP3 – Status Quo	+\$5.6	+\$4.7	+\$10.5	+\$11.1	+\$11.6	+\$11.5

Notes: *Hotel occupancy tax is shown net of general fund payments made due to incentive agreements, though the occupancy tax revenue itself is still collected in full. See appendix.

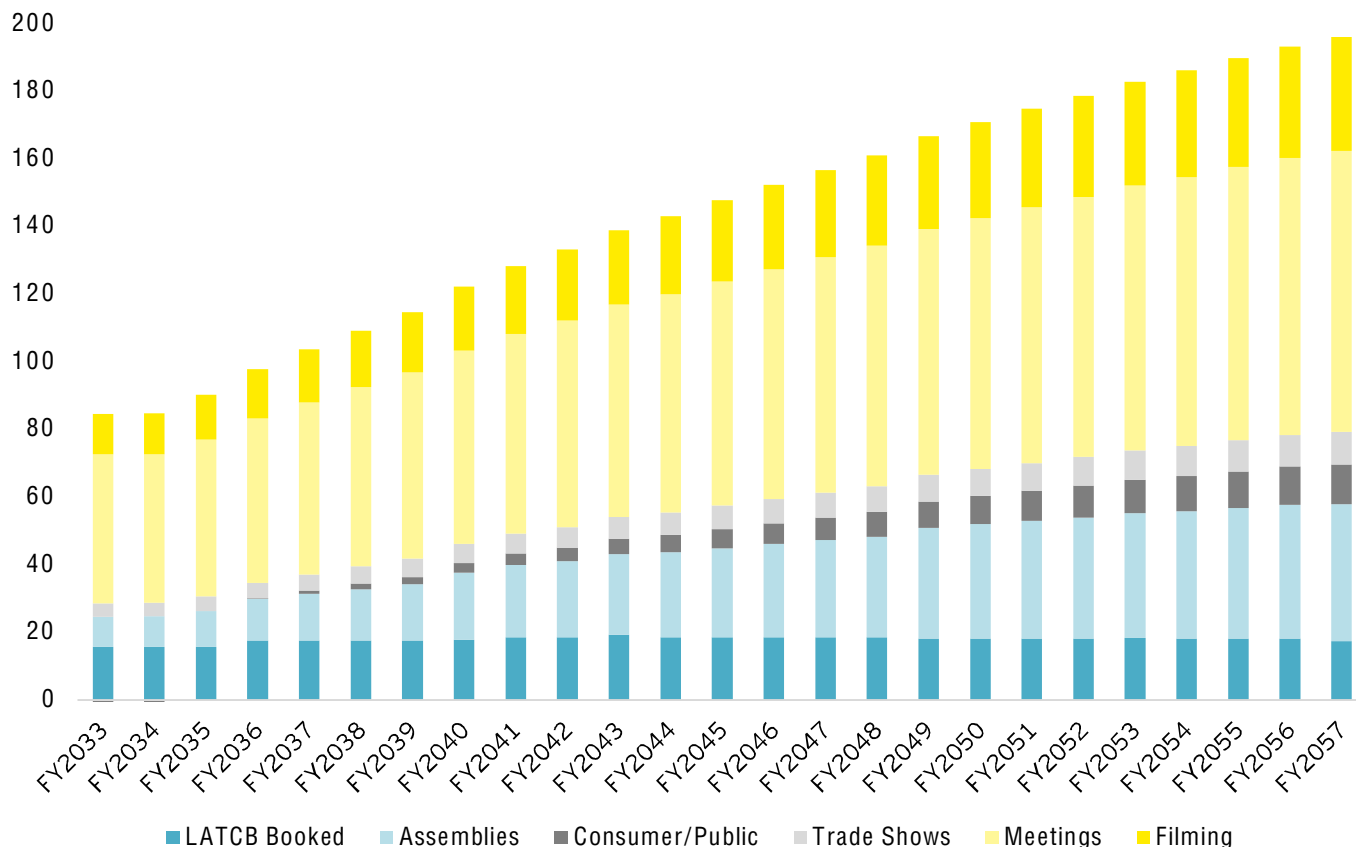
Inflation forecast from the Congressional Budget Office's June 2023 Long-Term Budget Outlook.

Source: EY analysis using EY economic impact model results and data from CSL, LACC, LATCB, the US Census Bureau, the US Bureau of Economic Analysis, and revenue data and forecasts from the City of Los Angeles Controller's office

6.0 Fiscal impacts of Convention Center expansion, 30-year forecast

Given the current state of the Convention Center, it is likely that if no meaningful renovations or modernizations take place, events will gravitate towards newer facilities, decreasing the number of annual events held at the LACC. Figure 5 shows the incremental events in the expansion scenario over the status quo scenario. Each year, the number of events hosted by the LACC decreases if no expansion or renovation is completed. By FY2057, the expansion scenario would host an estimated 196 additional events when compared to the status quo scenario. The LACC expansion would also affect the mix of events hosted by the LACC (see Table 4). By FY2057, 34% of all events hosted in the unrenovated LACC would be meetings, compared to 24% in the expanded LACC. The number of LATCB booked events would drop from 32 events in FY2057 in the expanded LACC compared to just 15 in the status quo scenario.

Figure 5. Incremental events under expansion scenario compared to status quo, FY2033-FY2057



Source: CSL forecast

If fewer events are hosted each year, there is a cascading effect of fewer visitors, less visitor spending, and less taxes collected in the City of Los Angeles. In the expansion scenario, it is assumed that the Convention Center would host more events annually than the pre-expansion average, utilizing the newly added square footage and hotel option. Table 14 summarizes the cumulative impacts over a 30-year operating period of each scenario, from FY2028 to FY2057. The expansion scenario also assumes a higher ongoing maintenance budget to maintain the Convention Center in a better state than previously maintained. The number of jobs is shown as an average annual, meaning that over a 30-year period, 6,754 total jobs would be supported on average each year in the P3 scenario. Table 15 summarizes the total local General Fund taxes collected by type over the first 30 years of operations.

Table 14. Cumulative City of Los Angeles economic impacts due to operations and visitors to Los Angeles under each scenario, FY2028-2057
Millions of nominal dollars

Scenario	Impact type	Average annual employment	Labor income	Value added (GDP)	Economic output
Status Quo	Direct	3,610	\$ 6,990	\$ 9,359	\$ 15,855
	Indirect & Induced	506	\$ 1,970	\$ 3,245	\$ 5,548
	Total	4,116	\$ 8,960	\$ 12,604	\$ 21,403
Expansion P3	Direct	5,924	\$ 11,655	\$ 16,101	\$ 26,990
	Indirect & Induced	830	\$ 3,308	\$ 5,449	\$ 9,300
	Total	6,754	\$ 14,963	\$ 21,550	\$ 36,290
Expansion NonP3	Direct	5,904	\$ 11,584	\$ 16,013	\$ 26,827
	Indirect & Induced	824	\$ 3,283	\$ 5,410	\$ 9,235
	Total	6,728	\$ 14,867	\$ 21,423	\$ 36,062
Total P3-SQ	Total	+2,638	+\$ 6,003	+\$ 8,946	+\$ 14,887
Total NonP3-SQ	Total	+2,612	+\$ 5,907	+\$ 8,819	+\$ 14,659
Total P3-NonP3	Total	+26	+\$ 96	+\$ 127	+\$ 228

Source: EY analysis using IMPLAN 2021 Economic Model of the City of Los Angeles, California

Table 15. Cumulative City of Los Angeles General Fund tax revenue due to operations and visitors to Los Angeles, FY2028-2057 with LACC expansion
Millions of nominal dollars

	Status Quo	Expansion P3	Expansion NonP3	Difference: NonP3-SQ	Difference: P3-NonP3
Direct (LACC)					
Sales taxes	\$ 186.0	\$ 296.4	\$ 296.2	\$ 110.4	\$ 0.2
Business activities tax	\$ 18.1	\$ 29.4	\$ 29.3	\$ 11.3	\$ 0.2
Hotel occupancy tax*	\$ 356.3	\$ 757.1	\$ 757.1	\$ 400.8	\$ 0.1
Parking tax	\$ 57.9	\$ 79.2	\$ 79.1	\$ 21.3	\$ 0.0
Licenses and permits	\$ 0.7	\$ 1.2	\$ 1.1	\$ 0.5	\$ 0.1
Other city taxes	\$ 7.7	\$ 13.0	\$ 12.1	\$ 5.3	\$ 0.9
Total direct taxes	\$ 626.7	\$ 1,176.3	\$ 1,174.9	+\$ 549.6	+\$ 1.4
Indirect & induced					
Sales taxes	\$ 4.7	\$ 7.9	\$ 7.9	\$ 3.2	\$ 0.1
Business activities tax	\$ 5.2	\$ 8.8	\$ 8.7	\$ 3.5	\$ 0.1
Hotel occupancy tax	\$ 1.4	\$ 2.4	\$ 2.4	\$ 1.0	\$ 0.0
Parking tax	\$ 0.7	\$ 1.2	\$ 1.2	\$ 0.5	\$ 0.0
Licenses and permits	\$ 2.1	\$ 3.6	\$ 3.5	\$ 1.4	\$ 0.0
Other city taxes	\$ 16.0	\$ 26.9	\$ 26.7	\$ 10.9	\$ 0.2
Total indirect and induced taxes	\$ 30.2	\$ 50.6	\$ 50.3	+\$ 20.5	+\$ 0.4
Total taxes					
Sales taxes	\$ 190.7	\$ 304.3	\$ 304.1	\$ 113.6	\$ 0.2
Business activities tax	\$ 23.3	\$ 38.2	\$ 38.0	\$ 14.9	\$ 0.2
Hotel occupancy tax	\$ 357.8	\$ 759.5	\$ 759.4	\$ 401.7	\$ 0.1
Parking tax	\$ 58.6	\$ 80.3	\$ 80.3	\$ 21.8	\$ 0.0
Licenses and permits	\$ 2.8	\$ 4.8	\$ 4.7	\$ 1.9	\$ 0.1
Other city taxes	\$ 23.7	\$ 39.9	\$ 38.7	\$ 16.2	\$ 1.1
Total General Fund taxes	\$ 656.8	\$ 1,226.9	\$ 1,225.1	+\$ 570.1	+\$ 1.8

Notes: Numbers may not appear to sum due to rounding. *Hotel occupancy tax is shown net of general fund payments made due to incentive agreements, though the occupancy tax revenue itself is still collected in full. See appendix.

Source: EY analysis using EY economic impact model results and data from CSL, LACC, LATCB, the US Census Bureau, the US Bureau of Economic Analysis, and revenue data and forecasts from the City of Los Angeles Controller's office

Appendix

Economic impacts for operations and visitor spending shown as totals in Table 11 are further broken down by direct and indirect and induced portions in Table A-1.

Table A1. Economic contributions of the LACC operations and visitor spending under each scenario
Number of worker years; Millions of 2023 dollars

	Expansion P3			Expansion NonP3			Status Quo		
	Direct	Indirect & Induced	Total – P3	Direct	Indirect & Induced	Total – NonP3	Direct	Indirect & Induced	Total – Status Quo
Employment	6,069	849	6,919	6,050	842	6,892	4,166	580	4,745
Labor income	\$ 240	\$ 69	\$ 309	\$ 239	\$ 68	\$ 306	\$ 166	\$ 47	\$ 213
Value added (GDP)	\$ 332	\$ 112	\$ 444	\$ 330	\$ 111	\$ 441	\$ 222	\$ 76	\$ 298
Economic output	\$ 557	\$ 192	\$ 749	\$ 554	\$ 190	\$ 744	\$ 376	\$ 131	\$ 507

Source: EY analysis using data provided by CSL and IMPLAN 2021 Economic Model of the City of Los Angeles, California

Table A2 shows the visitor spend estimates in FY2033 in the status quo scenario. Per visitor spend is the same during both the expansion and status quo scenarios, but the number of visitors and hotel room nights differs between the scenarios.

Table A2. Conference attendee expenditures in the City of Los Angeles outside Convention Center, status quo scenario (FY2033)
2023 dollars

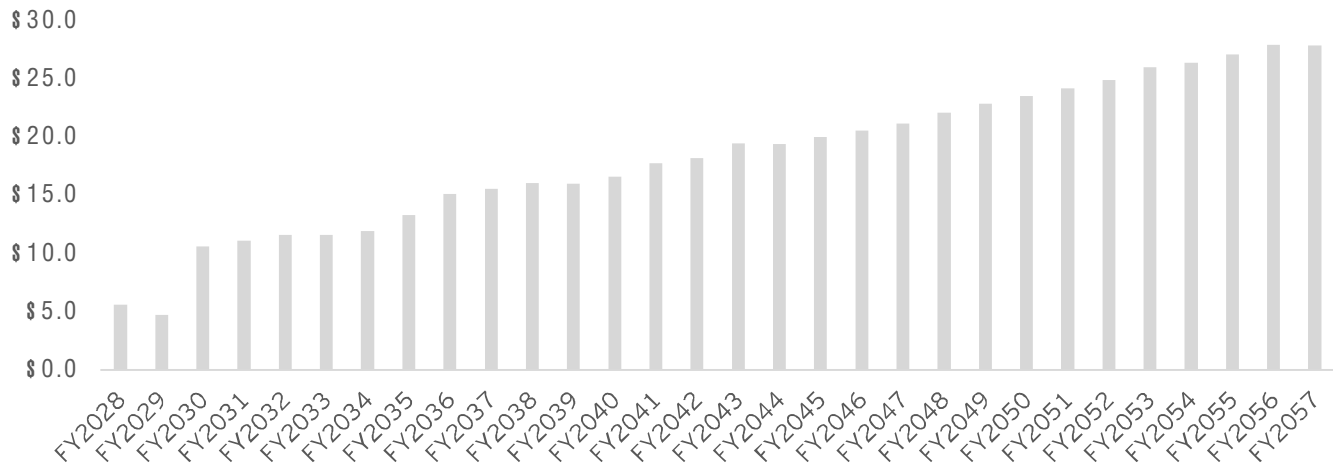
Spending category	Per person expenditures day visitor	Number of day visitors	Per person overnight visitor expenditures	Number of overnight visitors	Total expenditures (millions)	Incremental expenditures below expansion scenario (millions)
Lodging	\$ 0	2,162,413	\$ 286	267,429*	\$ 76	-\$ 64
Transportation	\$ 20	2,162,413	\$ 62	543,811	\$ 77	-\$ 24
Food & Beverage**	\$ 28	2,162,413	\$ 102	543,811	\$ 116	-\$ 39
Retail	\$ 5	2,162,413	\$ 20	543,811	\$ 22	-\$ 7
Recreation	\$ 25	2,162,413	\$ 82	543,811	\$ 99	-\$ 31
Total	\$ 78		\$ 552		\$ 390m	-\$ 165m

Source: EY analysis using IMPLAN 2021 Economic Model of the City of Los Angeles, California and inputs computed from Tourism Economics Los Angeles Visitor Economy 2022 report and EY analysis of data on contracted rooms from LATCB, the LATCB 2023 board report, CBRE Los Angeles Hotel Horizons report for Q1 2023

*Number of hotel room nights, **Food and beverage is outside the Convention Center.

Figure A1 shows the incremental direct General Fund taxes collected with the LACC expansion. The estimated incremental direct taxes sum to approximately \$ 6 million in FY2028 but grow to over \$ 28 million by FY2057.

Figure A1. Incremental City of Los Angeles direct General Fund tax revenue due to operations and visitors to Los Angeles, FY2028-2057 with the LACC expansion
Millions of nominal dollars



Source: EY analysis using EY economic impact model results and data from CSL, LACC, LATCB, the US Census Bureau, the US Bureau of Economic Analysis, and revenue data and forecasts from the City of Los Angeles Controller's office

Estimating tax contributions during development and construction phase

The direct General Fund tax contributions of the LACC expansion during the development and construction phase were estimated for the P3 and NonP3 delivery scenarios as follows:

(1) Direct tax from non-labor expenditures during construction:

- For each element of the development and construction budget, the proportion spent on goods and services was estimated.
- The proportion of these expenditures subject to sales and business tax was estimated, assigning the appropriate business gross receipts tax based on the nature of the vendor (e.g., a contractor, a seller of retail goods, a seller of wholesale goods, etc.).
- The tax rates and bases were used to estimate the portion of direct tax attributable to direct expenditure during construction.

(2) Direct tax contributions associated with construction worker earnings during the construction period:

- The total labor income during construction was estimated using the direct labor income impact from the economic impact model results.
- For each City tax category (sales, business activity, hotel occupancy, parking, and other taxes, as well as licenses and permits), the FY2022 City General Fund revenue from these taxes was identified from the City Controller's Revenue Forecast 2023-2024 Web Summary.² The ratio of City tax revenue from these sources to total 2021 City of Los Angeles personal income was calculated.³ This estimates the relationship between income and City tax revenue.

² <https://controller.lacity.gov/reports/revenueforecast24>, accessed 8/10/2023

³ Per capita income estimated using per capita income for Los Angeles County from the US Bureau of Economic Analysis multiplied by the Census Bureau estimate of City of Los Angeles population (average of 2022 and 2020 estimates).

- The ratio of tax revenue to personal income was multiplied by labor income during construction to estimate the tax revenue for each tax.

(3) Tax revenue from Indirect and induced activity during construction:

- The indirect and induced labor income impact during the construction period was estimated from the economic impact analysis using the IMPLAN model of the City of Los Angeles.
- Indirect and induced General Fund City taxes were estimated using the historic relationships between income and City taxes. The ratio of labor income to City tax revenue for each tax was estimated using the ratio of City tax revenue to total personal income from city financial reports. Additional income earned in the City can lead to additional tax revenue as workers purchase goods and services and acquire or improve property, adding to the tax base for each tax.

Estimating tax impacts during operation of the Convention Center

The tax rates used to estimate City of Los Angeles tax revenue are as follows:

Table A2. City of Los Angeles General Fund tax rates used in analysis	
Tax	Rate
Sales tax	1.0%
Business Activity Tax	0.101% - 0.425%
Hotel occupancy (Transient Occupancy Tax)	13.0%
Parking Occupancy Tax	10.0%
<i>Note: Business Activity Tax rate varies by vendor business type.</i>	
<i>Source: EY analysis of expenditure categories using illustrative budgets developed in 2019 by AEG and Plenary joint venture, working with PCL/Webcor and City of Los Angeles</i>	

(1) Direct General Fund tax revenue associated with the LACC operating expenditures:

- For each element of the LACC operating budget under the P3 and NonP3 scenarios, the proportion spent on goods and services was estimated.
- The proportion of these expenditures subject to sales and business tax was estimated, assigning the appropriate business gross receipts tax based on the nature of the vendor (e.g., a contractor, a seller of retail goods, a seller of wholesale goods, etc.).
- The tax rates and bases were used to estimate the portion of direct tax attributable to direct expenditure during operations.

(2) Direct General Fund tax contributions associated with labor income from operations:

- The total labor income during operations was identified in the LACC operating budget estimate provided by the City of Los Angeles, which is based estimates on APCLA data.
- For each City tax category, the ratio of City tax revenue from these sources to total 2021 City of Los Angeles personal income was calculated using the method described above for construction tax impacts.
- The ratio of tax revenue to personal income was multiplied by annual labor income during operations to estimate the tax revenue for each tax.

(3) Direct General Fund tax contributions associated with visitor expenditures:

- The expenditures by day and overnight visitors to the LACC events was identified in the economic impact analysis.
- The proportion of these expenditures subject to sales and business tax was estimated, assigning the appropriate business gross receipts tax based on the nature of the vendor (e.g., a contractor, a seller of retail goods, a seller of wholesale goods, etc.).
- The tax rates and bases were used to estimate the portion of direct tax attributable to direct expenditures by attendees of the LACC events.

(4) General Fund tax revenue due to indirect and induced activity during operations:

- The indirect and induced labor income impact from operations and visitor spending was identified from the economic impact analysis.
- The ratio of labor income to City tax revenue for each tax was estimated using the ratio of City tax revenue to total personal income described above.

(5) Direct General Fund parking tax revenue:

- The parking tax revenue estimated by CSL for each year of operation was multiplied by the parking tax rate and the sales tax rate to estimate the direct contribution due to parking expenditures at the Convention Center under the status quo and expansion scenarios.

Estimating transient occupancy tax net of incentive agreements

The General Fund Transient Occupancy Tax revenues were estimated as follows (see Table A4):

- Total hotel room nights were provided by CSL forecasts.
- The in-LA portion of hotel rooms was estimated to be 90%. LATCB provided data on contracted room blocks for LACC events from 2018 through October 2023, in which 94% of pickup room nights were in the downtown core. The figure 90% was used for this analysis to account for attendees of hotels outside the dataset covering hotels with contracted room agreements.
- The proportion of rooms with an incentive agreement in place was estimated to be 25% in 2019 using analysis of data on contracted and pick-up rooms from 2018 to May 2023 provided by LATCB. The number of pickup hotel rooms in hotels with incentive agreements in 2018 and 2019 was divided by historical hotel room-nights for the same years. These years were used to provide a representative “normal” hotel market before the travel disruptions introduced by the COVID-19 epidemic to represent future post-expansion years. The hotels with active and planned Hotel Development Incentive Agreements (HDIA) are shown in Table A3.

Table A3. Hotels with Hotel Development Incentive Agreements as of June 2023

Project Name	Hotel Name	CofO* Issuance Date	City Financial Assistance Term (Years)	Term Remaining (Years)
Convention Center Hotel	JW Marriott/Ritz Carlton	1/8/2010	25	11.6
Olympic North Hotels	Courtyard/Residence Inn	2/23/2015	25	16.7
The Grand (Grand Ave)	Conrad	6/27/2022	25	24.0
Wilshire Grand	Intercontinental	6/15/2017	25	19.0
Metropolis	Hotel Indigo	3/9/2017	25	18.7
Lightstone	Moxy	3/24/2023	25	24.8
AECOM	TBD	CofO* Not Yet Issued	25	25.0
Cambria	TBD	CofO* Not Yet Issued	25	25.0

* CofO = Certificate of Occupancy

- For each year of analysis, the proportion of rooms with an incentive agreement was adjusted based on a model of when each incentive agreement would end. To do this, total incentive payment made to each incentive hotel was estimated using projected average daily rate (ADR) growth from CBRE Hotels and projected room volume growth using annual LACC visitor volumes from CSL. The resulting model then estimated when each hotel incentive would end for each scenario based on the agreement end date and the estimated incentive revenue cap.
- The ADR for hotels with and without incentive agreements was estimated to be \$ 304 and \$ 280, respectively, using 2022 data from the LATCB dataset, which showed higher ADR for hotels with incentive agreements, and a review of the March 2023 Los Angeles County Tourism and Convention Board Report, which showed higher ADR for Downtown Core hotels (near the Convention Center) in 2019 than Downtown Non-core hotels.
- The TOT associated with incentive hotels was estimated by multiplying hotel room nights by the percentage in Los Angeles, the percentage with incentive agreements, and the ADR.
- The general fund payment associated with incentive agreement hotels was subtracted from total TOT revenue to calculate net revenue to simplify presentation of the net effect on the city's fiscal position, though TOT remains paid in full.⁴

Table A4. Transient occupancy tax net of incentive agreements, FY2033
Millions of 2033 dollars

	Status quo	Expansion P3	Expansion NonP3
Non-Local Attendee Days	543,811	883,107	883,107
Hotel room nights	267,429	490,788	490,788
% in LA	90%	90%	90%
% with incentive agreement	9%	9%	9%
In LA room nights	240,686	441,709	441,709
With incentive agreements	21,910	40,210	40,210
No incentive agreement	218,776	401,499	401,499
Outside LA room nights	26,743	49,079	49,079
ADR with incentive agreements (2033 dollars)	\$ 401	\$ 401	\$ 401
ADR without incentive agreements (2033 dollars)	\$ 370	\$ 370	\$ 370
Hotel sales volume	\$ 89.7	\$ 164.6	\$ 164.6
General Fund TOT rate	13%	13%	13%
Gross TOT revenue	\$ 12.6	\$ 23.0	\$ 23.0
Hotel incentive payment from General Fund	-\$ 1.2	-\$ 2.3	-\$ 2.3
Net revenue	\$ 11.3	\$ 20.8	\$ 20.8

Source: EY analysis of data from US General Services Administration Per Diem Rates for Los Angeles and EY analysis of data on contracted rooms from LATCB, the LATCB 2023 board report, CBRE Los Angeles Hotel Horizons report for Q1 2023

⁴ The total incentive amount over the life of the agreement is capped at 50% of the estimated total cumulative net new taxes to the city generated by the hotel over a 25-year period. In each year of the agreement, General Fund dollars equivalent to 100% of TOT taxes paid by the hotel may be remitted by the City until the cap is reached or the agreement end date, whichever occurs first. Source: EY review of HDIA agreements and discussions with City Administrative Officer staff.