

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

C.F. No. 15-0989

Date: February 1, 2016

To: Honorable Members of the Ad Hoc Committee on the 2024 Summer Olympics

From: Miguel A. Santana, City Administrative Officer *Miguel A. Santana*
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Subject: UPDATE ON PROPOSED BID FOR THE 2024 SUMMER OLYMPIC AND PARALYMPIC GAMES

SUMMARY

Since the last meeting of the Ad Hoc Committee on the 2024 Summer Olympics, the Los Angeles 2024 Exploratory Committee ("LA24") has continued to develop its bid materials in collaboration with the City in advance of the International Olympic Committee's ("IOC") February 17, 2016, Stage 1 deliverable deadline. In parallel, our Offices have remained actively involved in the identification of potential financial risks to the City as a result of its candidacy and continue to work closely with the City Attorney, Mayor, and LA24 to develop mitigation strategies where possible. As a result of the collective efforts of all parties involved, we continue to make significant progress in addressing many of the risks identified to date, including but not limited to the site of the Olympic Village.

The collaborative nature of these efforts is reinforced by a Memorandum of Understanding ("MOU") with LA24, negotiated per Council's direction and unanimously approved on January 15, 2016. In addition to formalizing the City's role in the Candidature Process and reinforcing Council's guiding principles, the executed MOU also provides the City with the option to retain an independent expert to analyze LA24's proposed operating budget for the 2024 Summer Olympic and Paralympic Games ("Games"). Our Offices intend to exercise this option and provide Council with a report summarizing our findings in advance of the Stage 2 submission deadline of October 7, 2016.

Given the nature of the Candidature Process, this report is intended to provide Council with an update on progress to date on key issues and directives and supplement a presentation by LA24 to the Ad Hoc Committee, tentatively scheduled for February 5, 2016.

CANDIDATURE PROCESS STATUS

On September 16, 2015, the IOC marked the beginning of the competition to host the 2024 Games with the release of a number of documents detailing a three-stage Candidature Process and related requirements. These documents included the Host City Contract Principles, Host City Contract Operational Requirements, Candidature Process Olympic

Games 2024, and Candidature Questionnaire Olympic Games 2024. The City of Los Angeles is currently competing against the Candidate Cities of Paris, Rome, and Budapest to develop and present a winning bid to stage the Games.

The first stage of the Candidature Process requires Candidate Cities to develop their Games vision, concept, and legacy plans. This includes the integration of Games-related plans into the long-term development plans of each respective Candidate City and region. The IOC also anticipates that each Candidate City will continue to build support for the Games both nationally and from across the local stakeholder spectrum and general public. This stage requires the submission of Candidature File – Part 1 on or before February 17, 2016. LA24 is currently finalizing all related Stage 1 bid materials for submission to the IOC.

Stage 2 of the Candidature Process, entitled “Governance, Legal and Venue Funding,” is designed to ensure Candidate Cities have the necessary legal and financial mechanisms in place to stage the Olympic Games. As part of this process, LA24 will need to secure a number of Stage 2 guarantees, including the City’s commitment to signing the Host City Contract without reserve or amendment. In accordance with Council’s direction, we expect that at least some of these guarantees will be subject to the express authorization of the City Council and the Mayor. If the City Council and Mayor choose to authorize this commitment, the Candidature File – Part 2 is due to the IOC on or before October 7, 2016.

During Stage 3, entitled “Games Delivery, Experience and Venue Legacy,” Candidate Cities develop operational plans around delivering the proposed Games concept. They will also develop legacy plans and Games experiences for all stakeholders with a focus on the athlete experience. Detailed financial projections will be developed to reflect the anticipated delivery costs and projected revenues of the proposed Games concept. As with each previous stage, a number of guarantees are required to be obtained from relevant authorities and organizations, including the City of Los Angeles. The Candidature File – Part 3 is due to the IOC on or before February 3, 2017.

The IOC Evaluation Commission will then analyze the completed Candidature File and visit each Candidate City, summarizing its findings in an Evaluation Commission Report in July of 2017. The IOC will select the Host City for the 2024 Games in Lima, Peru, in September of 2017.

STATUS OF THE MEMORANDUM OF UNDERSTANDING

Per Council instruction, the City Attorney, with support from the CAO and CLA, developed an agreement with LA24 setting forth the general terms and parameters of the City’s role in relation to the Candidature Process. On January 15, 2016, a Memorandum of Understanding (“MOU”) with LA24 formalizing the City’s role in the Candidature Process was presented to Council for consideration and was subsequently unanimously approved. Since then, the MOU has been fully executed and added to C.F. No. 15-0989. Among the provisions of the MOU is the City’s option to retain an independent expert to analyze LA24’s proposed Games operating budget. Our Offices intend to exercise this option and provide Council with a report summarizing our findings in advance of the Stage 2 submission deadline of October 7, 2016.

OLYMPIC VILLAGE UPDATE

As part of the Candidature Process, the IOC invites Candidate Cities to present solutions for an Olympic Village that meet a comprehensive set of requirements designed to accommodate the needs of approximately 16,500 athletes and supporting personnel. This includes the provision of residential space and services, dining halls, training facilities and meeting rooms, media facilities, proximity to proposed venues, coordinated transportation services, security, and medical facilities among other requirements. LA24's original bid package proposed an Olympic Village concept to be situated on the site of the Los Angeles Transportation Center, also known as Piggyback Yard. Noting many of the issues identified in the joint CAO/CLA report (C.F. No. 15-0989), LA24 and its technical advisor, with suggestions from Council and City staff, initiated a process to identify and conduct due diligence on a range of potential alternative sites.

From a technical standpoint, LA24 evaluated alternative sites across a number of criteria including but not limited to the minimum size of the proposed parcel(s), the development potential for each location, geographic distance from proposed competition venues, and any anticipated environmental, entitlement, and/or resident displacement issues. Most importantly, each site was evaluated by LA24 and its technical advisor with a focus on the athlete and how facilities could be developed to facilitate an Olympic experience conducive to training and competing on a global stage.

On January 25, 2016, LA24 announced the result of the evaluation process with the selection of UCLA, with its modern residences and world-class facilities, as the site of the proposed Olympic Village. Current and former Olympians have since come forward to support the site's selection and favorably compared its accommodations, including its newly built or recently renovated residences, to Olympic Village experiences in London and Beijing. This solution addresses significant concerns raised by Council concerning potential costs and project delivery risks associated with the Piggyback Yard site.

The selection of UCLA as the site of the proposed Olympic Village underscores a shared commitment to deliver a fiscally responsible Games while ensuring athletes and their Olympic experiences remain the focus of the City's candidacy. The use of existing facilities effectively mitigates construction, financing, and delivery risks associated with other site options. It also closely aligns with the IOC's Agenda 2020 recommendation which stresses the maximum use of existing facilities where possible.

In addition to housing the 16,500 athletes and supporting personnel, thousands of media representatives covering the Games will need to be accommodated. In this regard, LA24 has selected USC to serve as the Media Village based on its world-class facilities and proximity to proposed venues.

GUARANTEES

Each stage of the Candidature Process requires a number of guarantees from relevant authorities and organizations. The first deliverable to the IOC, due on February 17, 2016, as part of Stage 1, requires LA24 to submit seven guarantee letters. Four of the guarantees required by Stage 1 do not require that the City be a signatory and include commitments from a range of organizations outside of the City including the federal government, other venue cities, the national tourism board, and national Paralympic organizations. These guarantees call for varying levels of support for the City's candidature, respect for the Olympic movement, and confirmation of the City's hotel accommodation quality and capacity.

Three of the seven guarantee letters relate to the City and will require the City to be a signatory. These guarantees are:

- **G 1.2:** Guarantee from the region, Host City, and other venue cities affirming their support for the Olympic Charter and committing to take the necessary measures in order that they may fulfill their obligations under the Host City Contract and other relevant agreements
- **G 1.3:** Confirmation from the national, regional, and city authorities that all levels of government support the candidature, there are no legal obstacles to hosting the Games, the proposed plan aligns with existing development plans, and that all levels of government will cooperate to ensure the delivery of all Games and legacy related services
- **G 1.6:** Guarantee from the city authorities and the Candidature Committee confirming the Host City's and future OCOG's unconditional participation in The Olympic Partner (TOP) Program and other IOC marketing programs

The City Attorney's Office has determined that the three City-related guarantees do not require Council action and can be signed by the Council President and the Mayor. These Stage 1 guarantees become legally binding upon the Council approving the Host City Contract and the City being selected as the Host City. We do anticipate, however, that formal Council approval will be required for guarantees scheduled for submission during Stage 2 of the Candidature Process.

OTHER ISSUES

Our Offices continue to be engaged in discussions around a number of additional issues raised in our August 27, 2015, report. These issues include:

- *Insurance and Risk Management:* In accordance with the City's interest in protecting its existing and future General Fund base and LA24's commitment to staging a fiscally responsible Games, LA24 has engaged a specialist firm to advise on the development of a Games-specific insurance package. LA24 has presented its preliminary thinking about the wide range of insurance and risk management products and strategies that

may be potential components of an insurance policy to the CAO, CLA, and the City Attorney's Office. These include, but are not limited to, products designed to ensure the timely delivery of quality facilities, protect against cost overruns, and guarantee revenues. As LA24's Games and venue plans are finalized, we expect this risk management approach to yield an insurance package that may address many of the issues raised in previous reports, and we will continue to work with LA24 on this issue. We also expect that this package would be procured and financed by LA24 with no public funding commitment.

- **Security:** LA24 has engaged a nationally recognized expert to advise on all security-related matters, including issues related to federal support and the attainment of a National Special Security Event (NSSE) designation for the Games. We continue to track this issue and will report back to Council as additional information becomes available.
- **Event Venues:** On January 25, 2016, LA24 announced its selection of UCLA and its residences and facilities as the athletes' Olympic Village and USC and its residences and facilities as the site of the Media Village. LA24 and its technical advisor continue to work towards finalizing the remaining components of their venue plan.
- **State Guarantee & Risk Sharing:** LA24 continues to work towards securing a financial guarantee from the State of California, consistent with the State's prior practice of supporting California bid cities. The deadline for introducing a bill during the current legislative session is February 19, 2016. We will update the Council on this and other risk-sharing developments as they become available. Council may choose to adopt a Resolution to sponsor or support legislation encouraging the State to support and participate in efforts to seek the successful award of the 2024 Games.

NEXT STEPS

We anticipate next steps to include:

- Release RFP to retain independent expert to review LA24's proposed Games budget
- Participate in budget formulation workshops
- Report to the Ad Hoc Committee on the 2024 Summer Olympic and Paralympic Games on status of candidature-related activities, potential risks, and proposed mitigation strategies

FISCAL IMPACT STATEMENT

There is no General Fund impact as a result of recommended actions.

RECOMMENDATIONS

That the City Council:

1. Endorse LA24's selection of the state-of-the-art residences and facilities at UCLA as the site of the Olympic Village and the world class residences and facilities at USC as the site of the Media Village.
2. Instruct the City Administrative Officer, Chief Legislative Analyst, and City Attorney to continue to work with LA24 to identify potential risks related to the proposed Games concept and develop mitigation strategies where possible and report back as information becomes available.
3. Instruct the Chief Legislative Analyst to prepare a Resolution to support legislation in the 2015-2016 State Legislative Program concerning State support and participation in the successful award of the 2024 Games.
4. Authorize the CAO and CLA to initiate the procurement process to retain an independent expert to analyze LA24's proposed operating budget for the 2024 Games.

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