

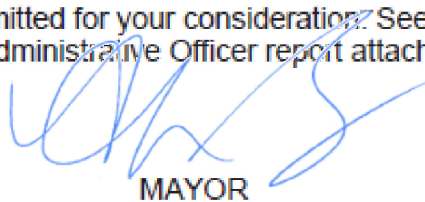
0220-05291-0870

**TRANSMITTAL**

TO The Council	DATE 10/14/20	COUNCIL FILE NO. 18-0532
FROM The Mayor	COUNCIL DISTRICT All	

**Amendment No. 3 to Contract No. C-123199 with AEG Management LACC, LLC for the management and operation of the Los Angeles Convention Center**

Transmitted for your consideration. See the  
City Administrative Officer report attached.



MAYOR

(Ana Guerrero for)

RHL:DMP:09210043t

**Report From**  
**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**  
**Analysis of Proposed Contract**  
(\$25,000 or Greater and Longer than Three Months)


To: The Mayor	Date: 10-06-20	C.D. No. All	CAO File No.: 0220-05291-0870
Contracting Department/Bureau: Convention and Tourism Development		Contact: Tigran Avetisyan (213) 765-4244	
Reference: Transmittal from the Mayor's Office dated August 4, 2020			
Purpose of Contract: For the management and operation of the Los Angeles Convention Center			
Type of Contract: ( ) New contract (X) Amendment, Contract No. C-123199		Contract Term Dates: 10/29/20 through 10/28/21	
Contract/Amendment Amount: Annual base Management fee of \$175,000 + Incentive Fees up to \$175,000 (CPI adjusted)			
Proposed amount \$ 394,402 + Prior award(s) \$ 2,441,971 = Total \$ 2,836,373			
Source of funds: Convention Center Revenue Fund No. 725			
Name of Contractor: AEG Management LACC, LLC			
Address: 800 W. Olympic Blvd., Suite 305, Los Angeles, CA 90015			
	Yes	No	N/A
1. Council has approved the purpose	X		
2. Appropriated funds are available	X		
3. Charter Section 1022 findings completed			X
4. Proposals have been requested			X
5. Risk Management review completed	X		
6. Standard Provisions for City Contracts included	X		
7. Workforce that resides in the City: 49.6%			
8. Business Inclusion Program			X
9. Equal Benefits & First Source Hiring Ordinances	X		
10. Contractor Responsibility Ordinance	X		
11. Disclosure Ordinances	X		
12. Bidder Certification CEC Form 50	X		
13. Prohibited Contributors (Bidders) CEC Form 55	X		
14. California Iran Contracting Act of 2010	X		

**RECOMMENDATION**

That the Council, subject to the approval of the Mayor, authorize the Executive Director of the Department of Convention and Tourism Development, or designee, to execute Amendment No. 3 to Contract No. C-123199 with AEG Management LACC, LLC for the management and operation of the Los Angeles Convention Center, extending the term of the amended agreement for one year, from October 29, 2020 through October 28, 2021.

**SUMMARY**

The Department of Convention and Tourism Development (CTD) requests authority to execute Amendment No. 3 to Contract No. C-123199 (the Agreement) between the City of Los Angeles and AEG Management LACC, LLC (AEG Management) for the management and operation of the Los Angeles Convention Center (LACC). The proposed amendment will extend the term of the Agreement for one year, from October 29, 2020 through October 28, 2021. All other terms and conditions of the Agreement remain unchanged.

Derik Pearson		 City Administrative Officer
DMP	Analyst 0220-05291-0870	

## **BACKGROUND**

The City released a Request for Proposals (RFP) for the management and operation of the Los Angeles Convention Center (LACC) on April 25, 2013. The City Council subsequently approved the recommendation of AEG Management as the successful bidder on June 26, 2013 (C.F. 12-0692). The resulting Agreement between the City of Los Angeles and AEG Management was executed on October 29, 2013 with a term of five years, expiring on October 28, 2018.

On June 20, 2018, prior to expiration of the Agreement, the City Council approved a motion instructing City staff to explore and evaluate a proposal from the Anschutz Entertainment Group (AEG) to expand and modernize the LACC. The project is contemplated as a public-private partnership (P3) structured as a design-build-finance-operate-maintain (DBFOM) that would encompass long-term operations and maintenance of the LACC facility (C.F. 18-0532). This motion concurrently authorized CTD to extend the term of the Agreement for one year, with two additional one-year extensions subject to Council approval, while the City considered the future development plan of the LACC. Amendment No. 1 to the Agreement was executed on September 25, 2018, extending the term of the Agreement one year to October 28, 2019.

On December 12, 2018, the City Council approved a series of recommendations to enter into an Exclusive Negotiating Agreement (ENA) with AEG to proceed with negotiating a development plan for the LACC expansion project (C.F. 15-1207-S1). AEG subsequently formed AEG Plenary Conventions Los Angeles, LLC (APCLA), a joint venture with Plenary Group, an infrastructure development and investment business that specializes in DBFOM P3 projects. On October 28, 2019, the City and AEG Management executed Amendment No. 2 to the Agreement to extend the term of the Agreement to October 28, 2020, while the City and APCLA continued to explore a P3 LACC expansion project. The exploration of this project remains ongoing under the terms of the ENA. Amendment No. 3 would utilize the third one-year extension under the authority established through the previous motion, extending the term of the Agreement to October 28, 2021 while the City continues to consider the future development and operations of the LACC.

### **Mayor's Cost Containment Measures**

This Agreement qualifies for an exemption to the suspension of contracting under the Mayor's "Fiscal Year 2020-21 Cost Containment Measures" memorandum dated June 24, 2020, as AEG Management's services under this Agreement will generate revenue and are funded entirely by special funds with no anticipated General Fund impact. AEG Management will continue to manage and operate the LACC, resulting in the generation of various LACC revenues such as space rent, parking, food and beverage, and other revenue streams.

For the services provided in relation to the management of the LACC, AEG Management's annual compensation includes a Base Management Fee of \$175,000, an Earned Incentive fee of up to \$87,500, and a Discretionary Incentive Fee of up to \$87,500. All fees are subject to an annual Consumer Price Index based adjustment capped at 2%, and are paid from revenues derived from the operation of the LACC and disbursed from the Convention Center Revenue Fund No. 725.

### Status of LACC Operations

With the ongoing moratorium on large gatherings and events due to the pandemic, the LACC has not hosted any regular events since April 2020. AEG Management has imposed cost saving measures and pursued alternative uses for the LACC facility to mitigate financial impacts in light of these operational challenges, such as:

1. Leasing a portion of the available parking inventory to Enterprise Rent-A-Car;
2. Collaborating with Levy, the LACC's food and beverage provider, to provide thousands of meals per week through their partnerships with the City's Senior Meal Emergency Response Program and with the County's Project Roomkey;
3. Actively pursuing and booking filming events to utilize available space;
4. Renegotiation various vendor contracts; and
5. Implementing workforce reductions as well as temporary salary reductions.

Pursuant to the Agreement, the LACC Reserve Account, which has been funded with prior-years' operating surpluses, will be relied upon as needed to offset revenue shortfalls this fiscal year.

The City Attorney has reviewed and approved this amendment as to form.

### **FISCAL IMPACT STATEMENT**

There is no General Fund impact as a result of this amendment. The management fees paid to AEG Management LACC, LLC will be paid from revenues derived from the operation of Los Angeles Convention Center and paid from the Convention Center Revenue Fund No. 725.

### **FINANCIAL POLICIES STATEMENT**

The action recommended in this report complies with the City's Financial Policies in that ongoing expenditures will be funded by ongoing revenues.

*RHL:DMP:09210043*

Attachments



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

DATE: July 22, 2020

TO: The Honorable Eric Garcetti, Mayor  
Office of the Mayor

Attention: Heleen Ramirez, Legislative Coordinator

FROM: Doane Liu, Executive Director  
Department of Convention and Tourism Development

SUBJECT: **AUTHORIZATION TO EXECUTE AN AMENDMENT TO CONTRACT  
NUMBER C-123199 WITH AEG MANAGEMENT LACC, LLC FOR  
MANAGEMENT AND OPERATION OF THE LOS ANGELES  
CONVENTION CENTER**

**SUMMARY**

The Los Angeles Department of Convention and Tourism Development (CTD) requests authority to execute Amendment 3 (attached) to Management and Operation Agreement No. C-123199 (Agreement and Amendments 1 and 2 are attached) with AEG Management LACC, LLC (AEG) for management and operation of the Los Angeles Convention Center (LACC). On June 20, 2018, the City Council authorized CTD (Council File No. 18-0532) to extend the Agreement for one year, and Amendment 1 was executed on September 25, 2018. The Council instruction also included two additional one-year term extensions, and Amendment 2 was executed on October 28, 2019. One additional one-year term extension remains, which is subject to Council approval and AEG approval.

**RECOMMENDATIONS**

1. That the Mayor and City Council authorize the Executive Director of the CTD to execute Amendment 3 to the Agreement with AEG for management and operation of the LACC, extending the term for one year. There are no more renewal options remaining.
2. That the Mayor exempts Amendment 3 from the contractual services freeze outlined in the "Fiscal Year 2020-21 Cost Containment Measures" memorandum dated June 24, 2020. This Agreement is revenue generating and is not anticipated to have a negative impact on the City's General Fund. CTD will work with AEG throughout FY 2021 and reevaluate the revenue projections periodically, as much remains unpredictable due to COVID-19.

**BACKGROUND**

The City of Los Angeles (City) released a Request for Proposals (RFP) for management and operation of the LACC on April 25, 2013, and on June 26, 2013, the City Council

approved the recommendation of AEG as the successful bidder to manage and operate the LACC (Council File No. 12-0692). The Agreement was executed on October 29, 2013, with a term of five years. On June 20, 2018, the City Council authorized CTD to extend the Agreement for one additional year. Amendment 1 was executed on September 25, 2018, extending the Agreement for one year, and Amendment 2 was executed on October 28, 2019 extending the Agreement for an additional year. The motion also includes one additional one-year term extension which is subject to Council approval (Council File No. 18-0532) and AEG approval.

AEG is in compliance with City contracting requirements, and Amendment 3 has been reviewed and approved as to form by the City Attorney.

## **FISCAL IMPACT STATEMENT**

The source of funds for this agreement is the Convention Center Revenue Fund (Fund 725), and is not anticipated to have a negative impact on the City's General Fund. CTD will work with AEG throughout FY 2021 and reevaluate the revenue projections periodically, as much remains unpredictable due to COVID-19.

DL:ta  
Exec. Ref: 20-167

Attachment: Draft Amendment 3  
Amendment 2  
Amendment 1  
Agreement No. C-123199  
Contract Compliance Documents

cc: William Chun, Deputy Mayor of Economic Development  
Kimberly Miera, Deputy City Attorney  
Derik Pearson, Office of the City Administrative Officer

**MANAGEMENT AND OPERATION AGREEMENT  
BETWEEN THE  
CITY OF LOS ANGELES  
AND AEG MANAGEMENT LACC, LLC**

**AMENDMENT NUMBER 3 TO AGREEMENT NO. C-123199**

This AMENDMENT is hereby entered into, commencing upon its execution (the “Amendment No. 3”), by and between the City of Los Angeles (“City”), a municipal corporation, acting by and through its Department of Convention and Tourism Development, (formerly known as the Los Angeles Convention Center Department) and hereinafter referred to as “CTD”, and AEG Management LACC, LLC, a Delaware limited liability company, hereinafter referred to as “AEG”, and is hereby incorporated into and made a part of the Management and Operation Agreement No. C-123199 (hereinafter “Agreement”).

**RECITALS**

- A. The City and AEG entered into the Agreement, under which AEG agreed to provide certain management and operation services for the Los Angeles Convention Center facility;
- B. The CTD and AEG wish to extend the Term, referenced in Section 3.2 of the Agreement on the same terms and conditions set forth in the Agreement, except as otherwise provided for in this Amendment;
- C. The CITY requires the continued, uninterrupted management and operation of the Los Angeles Convention Center;
- D. CTD has been satisfied with the management and operation of the Los Angeles Convention Center rendered by AEG during the term of the Agreement; and,
- E. On June 20, 2018, the City Council authorized CTD to extend the Agreement for one additional year, including two, additional one-year term extensions that are subject to Council approval (Council File No. 18-0532) and AEG approval. CTD and AEG executed Amendment No 1 on Sept. 25, 2018 extending the Term of the Agreement for one year, then Amendment No 2 on Oct. 28, 2019 extending the Term of the Agreement for another year, and wish to exercise the third one-year extension.

NOW THEREFORE, in consideration of the premises, covenants, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby amend the Agreement as follows:

1. Section 3.2, entitled “Term” is hereby amended to read in full as follows:

The term of this Agreement, and AEG’s Services under this Agreement, shall commence on the Effective Date and end at Midnight on the 8<sup>th</sup> anniversary of such Effective Date, unless earlier terminated pursuant to the provisions of

this Agreement (“Term”).

In addition to all other rights of the City to terminate this Agreement as set forth herein, the City may, in its discretion, on or after the 3<sup>rd</sup> anniversary of the Effective Date, terminate without cause this Agreement. If the City determines it will terminate the Agreement pursuant to its right to terminate on or after the 3<sup>rd</sup> anniversary of the Effective Date, the City will give AEG ninety (90) days advance written notice of such termination.

2. Section 10.12, entitled “Mayoral Executive Directives” is hereby added:

AEG shall take all reasonable measures to observe and participate in initiatives and recommendations as put forth by the Mayor's Executive Directives.

All other terms and conditions contained in the Agreement No. C-123199 remain in full force and effect.

**\*\* END OF AGREEMENT \*\***

IN WITNESS WHEREOF, City has caused this Amendment to be executed on its behalf by the Executive Director of the CTD and AEG has caused the same to be executed by its duly authorized officers on the date indicated.

Approved as to Form  
Michael N. Feuer  
City Attorney

City of Los Angeles Department of  
Convention and Tourism Development

By \_\_\_\_\_  
Kimberly Miera  
Deputy City Attorney

By \_\_\_\_\_  
Doane Liu  
Executive Director

Date \_\_\_\_\_

Date \_\_\_\_\_

ATTEST:  
Holly L. Wolcott, City Clerk

AEG Management LACC, LLC  
Robert E. Newman  
Vice President

Date \_\_\_\_\_

Date \_\_\_\_\_

By \_\_\_\_\_

By \_\_\_\_\_