

# BOARD OF LOS ANGELES DEPARTMENT OF CONVENTION AND TOURISM DEVELOPMENT COMMISSIONERS

Commissioners: Jon F. Vein, President; Ray Bidenost, Vice President; Jeremy Bernard; Stella T. Maloyan; Otto Padron

Members of the public who wish to speak during the meeting must submit a "Request to Speak" form to the Board Secretary <u>prior</u> to the commencement of the public comments for each agenda item of interest. Comments by the public on matters not identified on the agenda, but within the subject matter jurisdiction of the Commission, will be heard only during the item designated as "Public Comment." Public speaking will be limited to two minutes per speaker, unless the presiding officer grants some other amount of time before the commencement of the public comment.

Regular Meeting
Wednesday, January 18, 2017
9:00 a.m.
Los Angeles Convention Center
1201 S. Figueroa Street, L.A., CA 90015
Executive Board Room

- 1. CALL TO ORDER / ROLL CALL
- 2. PUBLIC COMMENT

#### 3. ACTION ITEMS:

- a. Approval of the regular meeting minutes from November 16, 2016
- b. Approval of the 2017 CTD Commission Meeting Calendar

#### 4. PRESENTATIONS:

- a. Neighborhood Council representatives on any Neighborhood Council Resolution or Community Impact Statement filed with the City Clerk which relate to any agenda item listed or being considered on this agenda for Board of Los Angeles Department of Convention and Tourism Development
- b. AEG Monthly Update October/November Keith Hilsgen, AEG
- c. LATCB Monthly Update October/November Darren Green, LATCB
  - i. 2016 Visitors to LA/Tourism Insights- Wendy Kheel, LATCB

#### 5. DISCUSSION ITEMS:

a. Expansion & Futurization Update - Ray Chan, Deputy Mayor, Paloma Perez, CD9

#### **ADJOURNMENT**

#### AGENDA FORECAST / SPECIAL TOPICS:

February 1, 2016

- Expansion & Futurization Update CTD
- CIP Update CTD
- AEG Monthly Update December/Year End AEG
- LATCB Monthly Update December/Year End LATCB

Materials related to an item on this agenda submitted to the Board of Los Angeles Convention and Tourism development after distribution of the agenda packet are available for public inspection in the Executive Office of the Los Angeles Convention Center, 1201 S. Figueroa Street, Los Angeles, CA 90015, during normal business hours.

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# BOARD OF LOS ANGELES CONVENTION AND TOURISM DEVELOPMENT COMMISSION

# Regular Meeting Minutes November 16, 2016

The Board of Los Angeles Convention and Tourism Development Commission (Board) convened a regular meeting on Wednesday, November 16, 2016 at 9:00 a.m. at the Los Angeles Convention Center (LACC), located at 1201 S. Figueroa Street, Los Angeles, CA, 90015, in the Executive Board Room.

#### PRESENT:

President Jon F. Vein Vice President Ray Bidenost Commissioner Jeremy Bernard Commissioner Stella T. Maloyan Commissioner Otto Padron

#### ABSENT:

NONE

#### PRESENTERS:

Deputy Mayor Ray Chan Keith Hilsgen, AEG Brad Gessner, AEG Diana Mangioglu, CTD Bud Ovrom, CTD

#### Item 1. Call to Order / Roll Call

President Vein called the meeting to order at 9:07 a.m. Commissioner Padron arrived at 9:15 a.m. Commissioner Bernard arrived at 9:17 a.m.

Item 2. Public Comment

None

#### TAKEN OUT OF ORDER

Item 4a. Neighborhood Council

None

#### Item 4b. AEG Monthly Update – September

Mr. Brad Gessner presented the AEG September update stating that there were four citywide events in September. Mr. Keith Hilsgen presented the financial update, noting that September is typically a slow month and the loss of the L.A. Masters event affected projected budget revenues. He also reported that food and beverage profit was up due to the citywide events, while electricity consumption was down due to the repair of the chillers.

Board of Los Angeles Convention and Tourism Development November 16, 2016 Page 2 of 7

#### TAKEN OUT OF ORDER

#### Item 5b. Mayor's Office of Economic Development Update

Deputy Mayor Ray Chan presented an overview of L.A.'s Economic indicators, the initiatives, missions, visions, and actions of the MOED departments, and the Mayor's Export Program. DM Chan stated the mission of MOED is to grow the economy and create jobs. Mr. Bud Ovrom distributed a document reporting Los Angeles County leisure and hospitality job data.

#### TAKEN OUT OF ORDER

#### Item 5a. Expansion & Futurization Update

Deputy Mayor Ray Chan provided an update on the expansion of the Los Angeles Convention Center noting that two paths have been discussed: the Conventional Financing Path, which would likely include a MICLA financed capital improvement project, which is supported by CD 9 and includes a component for a 1000 room hotel; and a P3 Path, which is supported by the Mayor and includes hotel rooms and other uses. DM Chan noted that discussions with AEG are ongoing as AEG is prepared to consider investing in the area to help formulate, implement, and execute a plan which could achieve shared goals between the City and AEG. DM Chan reported that the Economic Development Committee approved a motion instructing City staff to evaluate AEG's proposal and to report back in 45 days. DM Chan stated that he expects a decision to be made by the City during the first quarter of 2017.

• President Vein requested regular updates starting in December. DM Chan agreed to provide an update at the first meeting in January, or sooner, if there are new developments.

#### Item 3a. Approval of the regular meeting minutes from November 2, 2016

Motion to approve: Vice President Bidenost

Second: Commissioner Maloyan

President Vein and Commissioner Bernard abstained.

Motion approved.

#### Item 3b. FY 2017-18 Proposed Budget - Board Report #16-013 -1 & -2

Ms. Diana Mangioglu stated that at the November 2, 2016 Commission meeting she presented the CTD and AEG 2017-18 Budget for consideration by the Commission, and that the deadline to submit the departmental budget request to the Mayor's Office is Friday, November 18, 2016. Ms. Mangioglu reported that since the last meeting, there have been

Board of Los Angeles Convention and Tourism Development November 16, 2016 Page 3 of 7

some changes to the proposed CTD budget, including the addition of one capital improvement project and an adjustment to the Salaries General Account of \$10,000, which was offset by reducing funding levels from the Salaries As-Needed and the Contractual Service accounts. Ms. Mangioglu confirmed that the budget total (\$1.59 million) remains the same as it was proposed during the November 2 Commission meeting. Further, the departmental budget request is in compliance with the Mayor's request to present a budget with zero increases from the 2016-17 Budget. Ms. Mangioglu noted that she and Mr. Hilsgen would provide an overview of the budget presented at the November 2 meeting. Ms. Mangioglu also noted that since the November 2 meeting, the CTD has issued two reports for the Commission's consideration. The first report summarized the recommended 2017-18 Budget proposal as prepared by the CTD and AEG. The second provided an overview and staff analysis of the proposal to reduce the food and beverage budget for Levy by \$500,000.

Mr. Hilsgen presented an overview of the AEG-LACC Operating Budget. Mr. Hilsgen provided the revenue year to year data and the net revenue, less expenses itemized by category. Mr. Hilsgen noted that over \$10 million is projected for the LACC Reserve by the end of the 2017-18 Fiscal Year.

President Vein asked what the goal was.

Mr. Gessner replied that the Management Agreement requires that AEG maintain a reserve amount of ten percent of its budget, for the 2017-18 Fiscal Year, however existing LACC Reserve levels are actually 3 times that amount.

President Vein mentioned that the amount projected for the Reserve for the 2017-18 Fiscal Year was lower in comparison to previous years and questioned whether it was due to the economy.

Mr. Hilsgen responded that the lower Reserve amount was due to increased costs (salaries, contractors, bonuses, etc), and lower projected revenues specifically due to less citywide events.

Mr. Gessner added that it was both, because of economics and finances.

This completed the AEG-LACC Budget portion of the presentation.

Ms. Mangioglu presented the CTD and AEG proposed budget including an overview of the \$500,000 proposed reduction to the Levy budget proposed by Vice President Bidenost. The proposal would eliminate seven (7) full time positions. A power point presentation was presented detailing the proposed reductions and provided an overview of the anticipated service impacts. Ms. Mangioglu referenced Board Report 16-013-2, which was distributed the evening of November 15, 2016.

Ms. Mangioglu provided that the proposed reduction is anticipated to impact food and beverage revenues, which would have a net impact to AEG's budget by approximately \$500,000. Ms. Mangioglu stated that eliminating seven positions would be equivalent to a 27 percent reduction in full time Levy staff.

Board of Los Angeles Convention and Tourism Development November 16, 2016 Page 4 of 7

Vice President Bidenost asked if part time staff was accounted for in the 27% assumption.

Mr. Michael Charvat, Levy Interim GM, responded that it was just full time staff.

Ms. Mangioglu continued reporting that the proposed reduction would also result in less control and oversite of loss prevention, loss in food sales, and other associated financial losses which are detailed in the report.

President Vein noted that the anticipated financial losses are hypothetical. For instance, the loss in food cost. If people with no training are negotiating sales, the loss may not be as high in comparison to an individual with experience; therefore, the projected loss may be understated. He then asked what is the value of the position of the purchasing manager versus the anticipated loss of inventory or loss of savings.

Mr. Charvat responded that the salary is \$43,000 and that without that position, there will be a loss of a lot of productivity. Purchasing is a huge department, handling \$2.1 million in food inventory, with high volumes for certain events. He would suggest that the warehouse supervisor be the last position to cut. He also noted that the reductions could increase the risk of food safety.

Vice President Bidenost stated that all staff needs to look out for food safety and asked if the Purchasing Director reported to the Director.

Mr. Charvat responded yes.

Vice President Bidenost asked if two Purchasing Managers positions were really necessary.

Mr. Charvat responded that the two Purchasing Managers help manage the large events, such as Auto Show which generates\$1.3 million in food and beverage revenues. The two Purchasing Managers also assist with scheduling. He stated that food safety is non-negotiable and all it takes is one food-borne illness to discredit the reputation of the LACC.

Vice President Bidenost stated that the estimated loss in food inventory is high.

Mr. Charvat respectfully disagreed, stating that based on his experience, providing warehouse keys to non-supervising employees could lead to incidents of theft.

Mr. Gessner added that some anticipated losses may be overstated, some may be understated. The point is AEG feels strongly that these reductions will be a wash, not an increase in revenue.

Mr. Ovrom added that when you cut workforce you'll have an adverse impact.

Ms. Stella Maloyan asked if the proposed eliminated jobs were union jobs.

Mr. Charvat replied no.

Board of Los Angeles Convention and Tourism Development November 16, 2016 Page 5 of 7

Ms. Maloyan stated that this type of cut is so severe, and impacts client services and therefore confused that staff would propose reductions that could negatively impact production.

President Vein provided clarification stating that CTD staff had been requested to analyze a \$500,000 proposed reduction, including its economic impact and the effect on the facility's risk management.

Mr. Otto Padron stated that the immediate economic impact of the proposed reduction may increase the reserve but that food and beverage has struggled in event surveys, and that food service is a concern. He noted that he agreed with Ms. Maloyan, that the cut is severe and therefore could impact whether a client would walk away with a good impression of food and beverage. He stated that if the budget is reduced, he doesn't see the long term bottom line benefit.

Vice President Bidenost stated that at the last Commission meeting the budget was not passed due to his concerns with the F&B budget and that he had questions that staff could not answer. Subsequently, he met with AEG and CTD staff to discuss the budget in detail. He reported that by touring the facility, he found discrepancies in repair costs that although budgeted for over \$250K, in reality are approximately \$70K. Upon reviewing the details of the budget, he found that it is management heavy. He stated that just because there is money, Levy does not need to spend it all. The initial proposed budget cuts that were sent to him from Ms. Mangioglu was not what he anticipated, and that he would not recommend them. He recommended cutting seven Levy positions, which Ms. Mangioglu said she would discuss with Levy and AEG and provide a response to Mr. Bidenost, however there was no further communication from her, until the board report was sent out. Vice President Bidenost stated that he is disappointed in Mr. Ovrom that this happened. He told Mr. Tom Fields and Ms. Mangioglu, that he hoped they were not offended by any emails Mr. Bidenost sent, and that he knows Mr. Fields and Ms. Mangioglu get their marching orders from Mr. Ovrom. He stated that this was handled inappropriately and if he had received a response yesterday, this may have been a different outcome. Again Vice President Bidenost noted his disappointment in Mr. Ovrom and the process in which this was handled. He stated that he is not a \$300,000 employee, that he is a volunteer.

President Vein asked Vice President Bidenost what the disconnect was between what was presented and his expectations. Vice President Bidenost proposed seven specific cuts and the report analyzes the impact of those cuts.

Vice President Bidenost replied that the report was one sided.

Mr. Padron stated that this is why the commission votes.

President Vein responded that there are two dimensions: the direct numbers resulting from the cuts and the indirect impact. President Vein provided that the Levy/AEG/CTD staff analyzed the downstream of unintended consequences of the proposed reduction.

Vice President Bidenost responded that the LACC food and beverage operation has no mortgage, pays no rent, or utilities, yet does not generate enough revenue. He continued

Board of Los Angeles Convention and Tourism Development November 16, 2016 Page 6 of 7

saying he is in the food industry. While his business has different considerations, if his expenses were like Levy's, he would be out of business.

Mr. Ovrom stated that he stands by the staff report, that AEG is a performance based contract and CTD is pleased with AEG's performance.

President Vein suggested a vote be taken.

Vice President Bidenost noted that there would be no consensus and requested the vote be held over.

Ms. Mangioglu reminded the Commission that the budget is due to the Mayor's office on November 18.

Vice President Bidenost stated that the budget could be late, so they could work out a consensus.

President Vein stated that he had no additional questions and that with no additional information, he would not change his mind.

Mr. Padron asked if he missed something, if there was additional information.

Ms. Mangioglu replied that all information had been provided and there is no additional analysis pending.

Both Mr. Padron and Ms. Maloyan stated that they had no additional questions and needed no additional information to make a decision.

Mr. Billy Chun from the Office of the Mayor stated that besides LAWA, LACC is the most traveled City asset in Los Angeles, with considerable international exposure. With the private management company on board, AEG operates it like a first class facility with a focus on the customer service aspect, which is a big pillar for the Mayor's office, in terms of hosting events, drawing visitors and tourists to Los Angles, etc. He also noted that AEG-LACC has made great improvements and they were concerned that the proposed food and beverage reductions could impact customer service. He also stated that from their stand point, they don't see a concern and support the staff recommended budget (with no reductions).

DM Chan added that they were not present to affect the Commission's decision, that it would be good if all Commissioners were on board; if not, they accept the results and the vote does not need to be unanimous.

Deputy City Attorney Kimberly Miera noted that the Commission could vote on staff recommended budget, report number 16-013-1 or the budget with reductions to Levy budget, report number 16-013-2.

President Vein noted that the Commission would vote on 16-013-1 and if it did not pass, they would then vote on 16-013-2.

Board of Los Angeles Convention and Tourism Development November 16, 2016 Page 7 of 7

President Vein called for a motion to approved FY 2017-18 Budget – Board Report #16-013-1.

Motion to approve: Commissioner Bernard

Second: Commissioner Maloyan

A roll call vote was taken.

President Jon Vein – YES Vice President Ray Bidenost – NO Commissioner Jeremy Bernard – YES Commissioner Stella Maloyan – YES Commissioner Otto Padron - YES

#### NOTE - THERE IS NO RECORDING OF THIS MEETING

#### **ADJOURNMENT**

The meeting was adjourned at 10:25 a.m.

#### **BOARD OF LOS ANGELES CONVENTION & TOURISM DEVELOPMENT**

#### 2017 BOARD MEETING CALENDAR

1st & 3rd Wednesdays at 9:00 A.M.

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**Canceled Meetings** 

# Los Angeles Convention Center AEG Monthly Status Report November 2016

Keith Hilsgen





# **EMPLOYEE OF THE MONTH – NOVEMBER 2016**



Ashley Russo
Director of Catering Sales

# LACC NOVEMBER 2016 EVENTS

<u>DATE</u>	<u>EVENT</u>	<u>ATTENDANCE</u>
Nov. 1 - 5	NAT'L Assoc. for Education of Young Children	8,837
Nov. 4 - 6	L.A. Christmas Cash & Carry	3,000
Nov. 18 - 27	L.A. Auto Show 2016	1,000,000
Nov. 28 – Dec. 10	LA County Department of Human Resources	2,400

TOTAL: 1,014,237

## LACC NOVEMBER 2016 FILMING AND PHOTO EVENTS

<u>Date</u>	<u>Name</u>	<u>Location</u>	<u>Amount</u>
Nov. 5	Transformers 5	South Garage	\$30,070

TOTAL FILMING: \$30,070

(November 2015 - \$10,200)

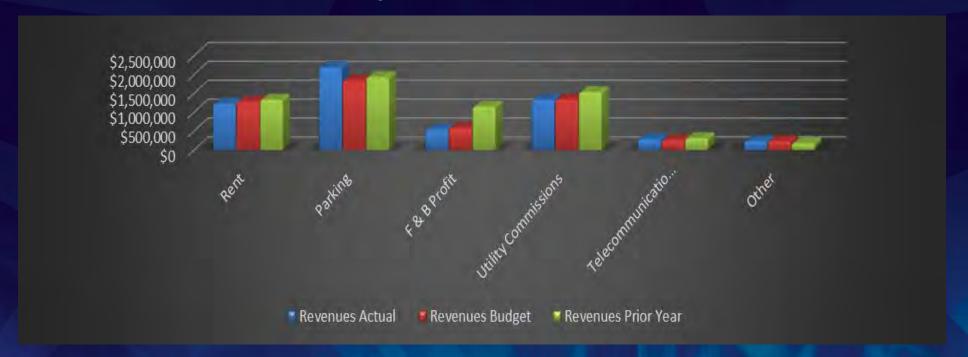
## **LACC November 2016 FINANCIALS**

#### **OPERATING PROFIT:**

- \$3.3 million (before approved A & I and Capital Projects)
- \$375K above budget and \$771K below prior year

#### **REVENUES:**

- \$5.8 Million
- \$273K above budget and \$626K below prior year and



## **LACC November 2016 FINANCIALS**

#### **EXPENSES:**

- \$2.48 million (before approved A & I and Capital Projects)
- \$102K below budget and \$145K above prior year

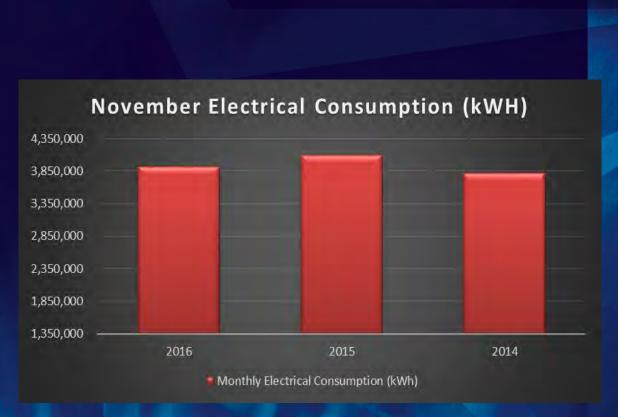


- ALTERATION AND IMPROVEMENTS & CAPITAL PURCHASES:
  - \$37K in A& I and \$341K in Capital consisting of:
    - Painting project Exterior stairwells
    - Portable Concession (Coffee) stand
    - Carpet replacement 400 level and South Hall G Registration

## **November Sustainability - Electricity**



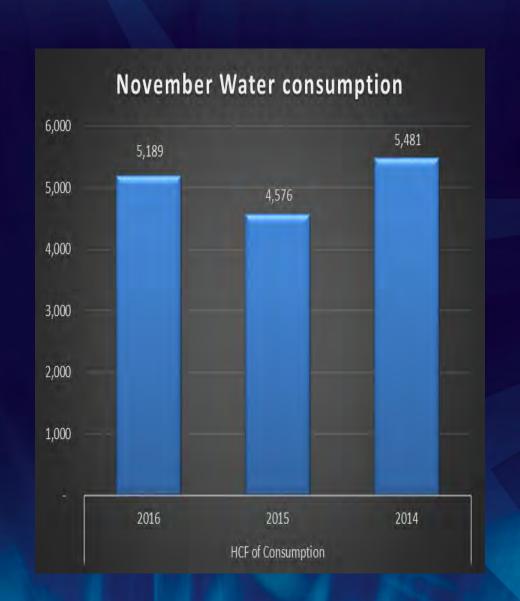
4% decrease in cost and consumption compared to 2016



## November Sustainability - Water



1 HCF = 748 gallons of water

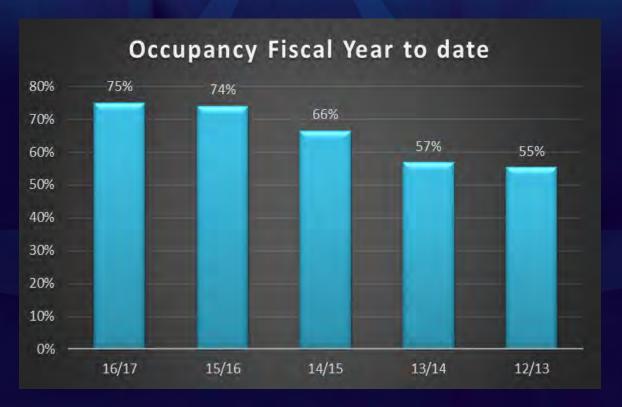


## **November OCCUPANCY**



94% percent occupancy in November exhibit halls and Ballrooms



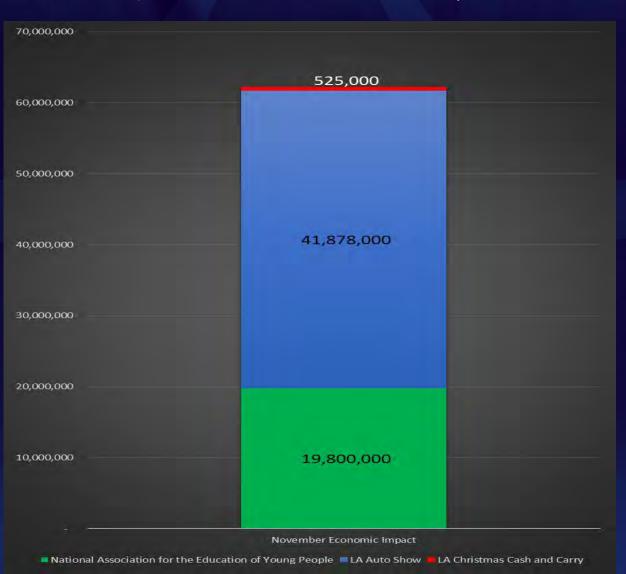


PricewaterhouseCoopers report on Convention Center occupancy states:

It has been recognized industry-wide that the "practical" maximum exhibit hall occupancy rate is approximately 70 percent and the "efficient" range is considered to be approximately 50 to 60 percent. Occupancy levels less than 50 percent generally suggest the existence of marketable opportunities or open dates, while an occupancy rate above 60 percent increases the potential for lost business or "turnaways."

## **Economic Impact - November**

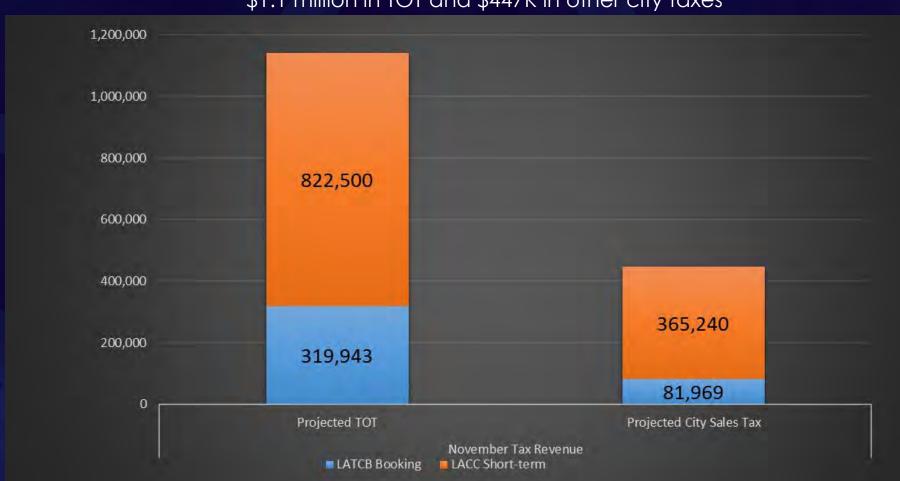




## City Tax Revenue- November

# \$1.5 million in tax revenue generated









# Citywide Convention Sales YTD FY 16/17 Production

Lead Production	Leads Actual
FY 16/17 Goal	220
FY 16/17 YTD	102
FY 15/16 STLY	111

Booked Room Nights Produced	RNs Actual
FY 16/17 Goal	390,000
FY 16/17 YTD	268,243
FY 15/16 STLY	285,558

# **Sales Pipeline- Future Years**

- YTD 16/17 110 Prospects, representing 2,137,500 room nights
- STLY 15/16 154 Prospects, representing 2,042,479 room nights



# 10 Bookings in December 2016 155,647 Total Room Nights







August 2017 11,515 TRNs October 2017 3,624 TRNs October 2018 10,290 TRNs







KELLERWILLIAMS. R E A L T Y

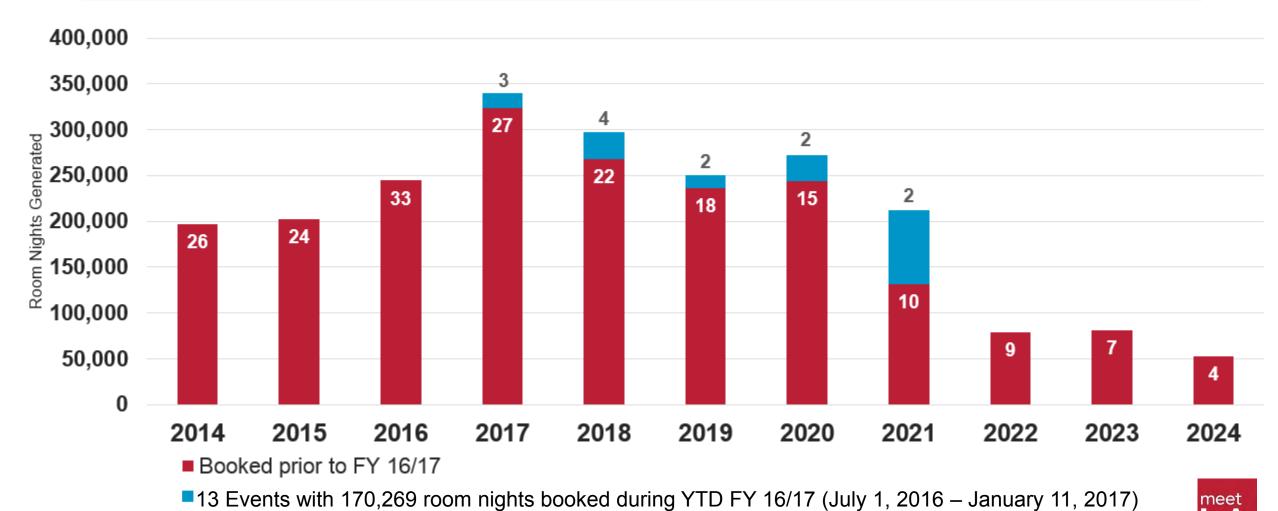
September 2020 20,550 TRNs September 2021 & 2029 41,968 TRNs

August 2026, 2028 & 2030 51,780 TRNs

February 2027 15,920 TRNs



# Citywide Convention Sales Booked Room Nights 2014 to 2024 Calendar Year Arrival Date





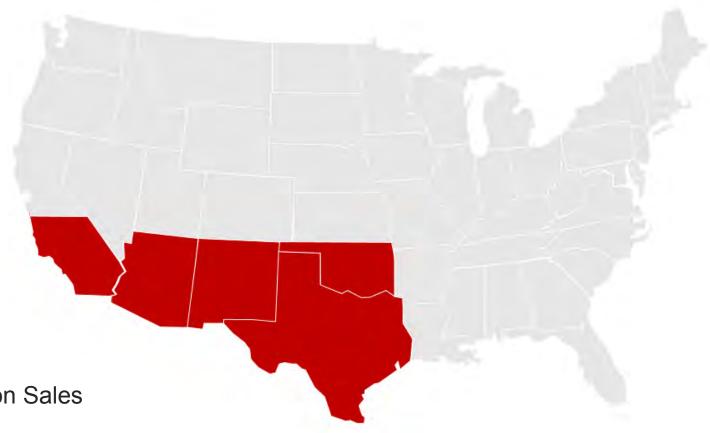
# Sales Staff Update



Welcome to the Team

# **Larisa Faust**

Sales Director, Western Convention Sales





# Citywide Convention Tradeshows

IAEE Expo! Expo!
 Anaheim December 6-8

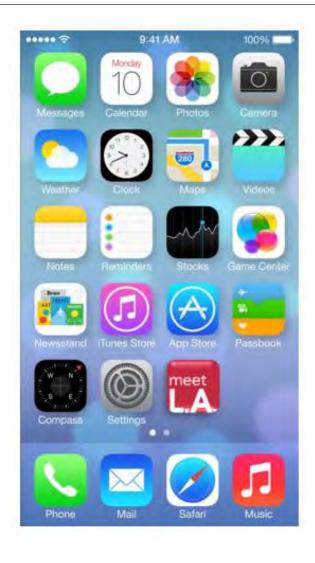


PCMA Convening Leaders
 Austin January 8-11





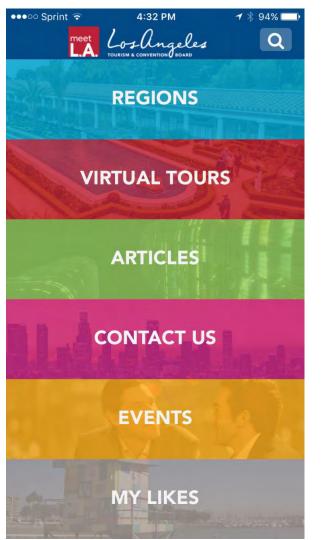
# meetL.A. App



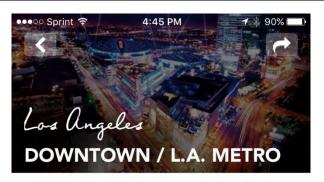
- Launched at PCMA Conference January 8-11
- Free Download on iTunes and Google Play Store
- Targeted for Definite and Potential Business Opportunities
- Sales Tool for both LATCB Staff & Member Hotels/ Venues



# meetL.A. App







The pulsating heart of the city's core, Downtown L.A.'s renaissance has created a walkable, dynamic urban center featuring scores of new and refreshed hotels. Downtown L.A. is ...

Read More >



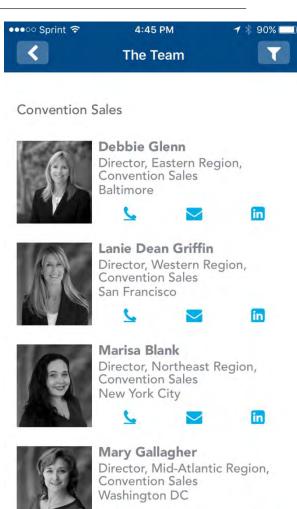
Neighborhood Videos



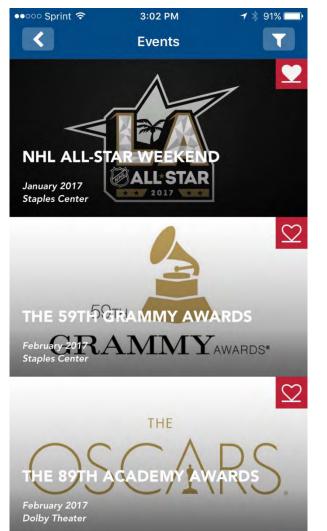
**Hotel Videos** 

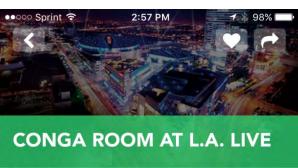


Top Venues



# meetL.A. App





#### **MEETING SPECS**

- Meeting Rooms 1
- Meeting Room Area 15000 Sq Ft
- Largest Meeting Room 5000 Sq Ft

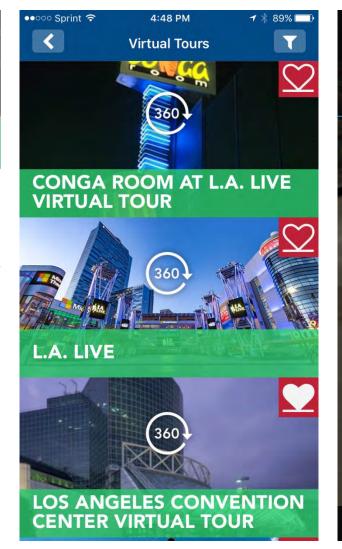
#### **OVERVIEW**

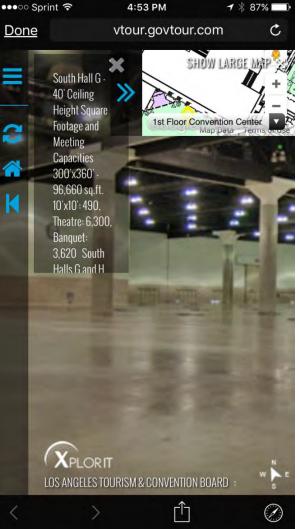
This Latin nightclub, restaurant and live entertainment venue is recognized as the preeminent destination for music, dancing, dining and atmosphere for almost 1,000 ...

Read More >







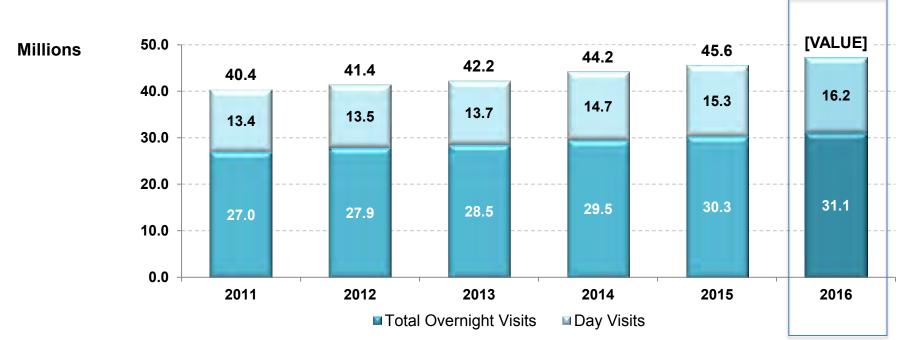




## 2016 Total Visitation

### **Preliminary Estimate**

- Visitation to L.A. in 2016 increased by 1.7 million visitors to 47.3 million, 3.8% YOY
  - Day visitors increased by 900,000 to 16.2 million, 5.7% YOY
  - Overnight visitors increased 800,000 to 31.1 million, 2.8% YOY
- Hotel room night demand in L.A. County increased by 675,000 room nights to 29.2 million, 2.4% YOY
  - ADR increased by 8.6% to \$171.95 compared to \$158.35 in 2015

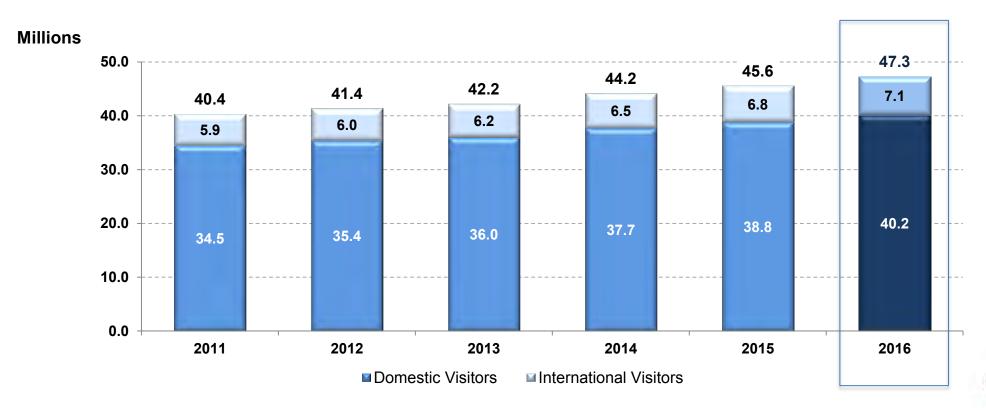


Los Angeles

Source: STR; Tourism Economics January 2017

## 2016 Domestic & International Visitors

- Domestic visitation, including overnight and day visitors, increased by 1.4 million to 40.2 million, 3.8% YOY
- International visitation increased by 300,000 to 7.1 million, 3.5% YOY





# 2016 Top International Feeder Markets

- The top five International markets for L.A., in rank order, are Mexico, China, Canada, Australia and the U.K.
- The 181,000 increase from China comprised 75% of the total increase of 239,000 in International visitors.

Overseas Markets	2016	2015	+/- Visitors	% Change over 2015
China (excluding Hong Kong)	1,005,000	824,000	181,000	21.9%
Australia	425,000	430,000	-5,000	-1.3%
UK	362,000	354,000	8,000	2.3%
Japan	340,000	315,000	25,000	8.1%
South Korea	296,000	295,000	1,000	0.2%
France	289,000	283,000	6,000	2.2%
Germany	253,000	244,000	9,000	3.9%
India	116,000	105,000	11,000	10.2%
Brazil	101,000	127,000	-26,000	-20.6%
Total Overseas	4,611,000	4,370,000	241,000	5.5%
Mexico Total Visitors	1,757,000	1,737,000	20,000	1.1%
Canada	708,000	728,000	-20,000	-2.8%
Total International	7,075,000	6,836,000	239,000	3.5%



# Looking ahead into 2017......

- Lapping room nights generated by the Porter Ranch gas leak
  - Approximately 333,800 room nights from January May of 2016
  - Largest impact was in the San Fernando Valley
  - ➤ Hotel submarkets of Santa Clarita, Hollywood, Downtown L.A., and Westside L.A. also accommodated demand generated by the gas leak
- New Hotel Supply: while room demand is expected to increase, new hotel supply may have a negative effect on occupancy rates. 2,242 new hotels rooms will open in the City of L.A. of which 1,726 are in Downtown L.A.

City	Hotel Name	# of Rooms	Anticipated Opening	Scale
Downtown L.A.	InterContinental Los Angeles Downtown	900	Jun-17	Luxury
Downtown L.A.	Hotel Indigo	350	Mar-17	Upscale
Downtown L.A.	Freehand Hotel and Hostel	226	Mar-17	Independent
Downtown L.A.	NoMad Hotel	250	Nov-17	Independent
Beverly Hills	Waldorf Astoria Beverly Hills	170	Jun-17	Luxury
Santa Monica	Courtyard by Marriott Santa Monica	134	Jan-17	Upscale
Santa Monica	Hampton Inn & Suites Santa Monica	143	Apr-17	Upper Midscale
Hollywood	Hampton Inn & Suites Los Angeles Hollywood	112	May-17	Upper Midscale
Hollywood	Dream Hollywood	179	Feb-17	Independent
Hollywood	The Argyle Hotel (Kimpton)	225	Apr-17	Upper Upscale
West Hollywood	The James West Hollywood	286	Mar-17	Upscale
West Hollywood	Kimpton West Hollywood	105	Apr-17	Upper Upscale
Glendale	Hyatt Place Glendale	179	May-17	Upscale







# MAYOR GARCETTI AND LOS ANGELES TOURISM & CONVENTION BOARD ANNOUNCE RECORD 47.3 MILLION VISITORS IN 2016

L.A. Becomes First U.S. City Destination to Surpass 1 Million Chinese Visitors

LOS ANGELES (Jan. 11, 2017) - Los Angeles Mayor Eric Garcetti and Los Angeles Tourism & Convention Board (L.A. Tourism) President & CEO Ernest Wooden Jr. today announced Los Angeles welcomed 47.3 million visitors in 2016, surpassing mid-year forecasts and breaking visitation records for the sixth consecutive year. The new record is 1.7 million visitors higher than 2015's total, an increase of 3.8% from the previous year.

New tourism records were set for overall domestic and international visitation. Total domestic visitation reached 40.2 million, a 3.8% increase over 2015, and 7.1 million international visitors made Los Angeles their ultimate destination, a 3.5% increase over the previous year.

In 2016, Los Angeles also became the first ever U.S. city destination to welcome more than 1 million visitors from China, the destination's number two international market behind Mexico. China alone accounted for 75% of the destination's overall international growth, derived from the market's year-over-year growth of nearly 22% - the seventh consecutive year of at least 20% visitation growth for China. L.A. Tourism will continue to invest in the market with plans to expand its footprint: Chengdu will become L.A. Tourism's fourth China office when it opens by the end of June 2017, joining Beijing, Shanghai and Guangzhou.

India was L.A.'s second-fastest growing international market, an increase of 10.2%. L.A. Tourism established official representation in this market in 2016 as well as the Gulf/Middle East, an important connection point for visiting Indian travelers.

"Tourism is booming in Los Angeles, and it's helping to drive our whole city's economy forward," said Mayor Garcetti. "My goal is to welcome 50 million tourists to our city by 2020, and new attractions like the Lucas Museum of Narrative Art will have even more people from around the world lining up to come to L.A."

"Global desire for the Los Angeles experience is at an all-time high, a fact largely attributable to our city's celebration of diversity and creativity, from which thriving culinary, cultural and lifestyle scenes have emerged," said Ernest Wooden Jr., president & CEO of the Los Angeles Tourism & Convention Board. "Fantastic new hotels are opening their doors with frequency, chefs are exploring innovative creative territories, noteworthy cultural institutions are choosing to call L.A. home and people want to be a part of the L.A. lifestyle. We are thankful for all of these individuals and entities which make Los Angeles the place that record-setting numbers of people want to visit."

L.A. County's average occupancy rate for 2016 reached 81.3%, surpassing 80% for the first time in County history. A record 29.2 million hotel room nights were sold countywide with ADR reaching a new high of \$171.95, an increase of 8.6% over 2015. L.A. County is the only U.S. market to reach double-digit RevPar growth at nearly 11%.

Tourism is among the largest and healthiest contributors to the Los Angeles economy, supporting an average of more than 500,000 jobs in the Leisure & Hospitality sector last year.

For more information, visit the official visitor information website of Los Angeles at <u>discoverLosAngeles.com</u>, join the more than one million people who follow L.A. Tourism's Facebook page at <u>facebook.com/LosAngelesFan</u>, or follow @discoverLA on Twitter, Instagram and Pinterest.

## About Los Angeles Tourism & Convention Board

Los Angeles Tourism & Convention Board is a private, non-profit business association whose primary mission is to market and promote Los Angeles as the premier site for leisure travel, meetings and conventions as the City's official tourism marketing organization.

One of the world's most dynamic and diverse destinations, Los Angeles is comprised of more than 30 diverse neighborhoods and considered the cultural hub of the Pacific Rim. Home to near-perfect weather, 75 miles of jaw-dropping shoreline, more museums than any other U.S. city and an award-winning culinary scene, Los Angeles presents endless possibilities that keep its more than 47 million annual visitors entertained.

###

## **MEDIA CONTACTS:**

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Vice President, Global Communications
Los Angeles Tourism & Convention Board
Jfoley@LATourism.org

Shant Apelian Manager, Corporate Communications Los Angeles Tourism & Convention Board sapelian@LATourism.org HOLLY L. WOLCOTT CITY CLERK

SHANNON D. HOPPES **EXECUTIVE OFFICER** 

When making inquiries relative to this matter, please refer to the

Council File No.: 15-1207-S1

## City of Los Angeles CALIFORNIA



#### OFFICE OF THE CITY CLERK

#### **Council and Public Services Division**

200 N. SPRING STREET, ROOM 395 LOS ANGELES, CA 90012 GENERAL INFORMATION - (213) 978-1133 FAX: (213) 978-1040

> BRIAN E. WALTERS **DIVISION CHIEF**

CLERK, LACITY, ORG

# OFFICIAL ACTION OF THE LOS ANGELES CITY COUNCIL

November 23, 2016

15-1207-S1 Council File No.:

November 22, 2016 **Council Meeting Date:** 

26 Agenda Item No.:

Agenda Description: ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to a

proposed public-private partnership with Anschutz Entertainment Group to

expand the Los Angeles Convention Center.

**ECONOMIC DEVELOPMENT COMMITTEE REPORT - ADOPTED** Council Action:

YES **BOB BLUMENFIELD** Council Vote:

> YES MIKE BONIN YES JOE BUSCAINO YES GILBERT A. CEDILLO YES MITCHELL ENGLANDER

YES MARQUEECE HARRIS-DAWSON

YES JOSE HUIZAR ABSENT PAUL KORETZ ABSENT PAUL KREKORIAN ABSENT NURY MARTINEZ YES MITCH O'FARRELL YES CURREN D. PRICE YES DAVID RYU

YES HERB WESSON

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### MOTION

Since 2013, the City has been exploring opportunities to expand and modernize the exhibit space and services offered at the Los Angeles Convention Center. The national convention business is highly competitive, especially in California where San Francisco, Anaheim, and San Diego provide facilities that directly compete with Los Angeles for business. Each of these cities in the process of expanding their facilities, while Los Angeles continues to explore its options.

In 2015, the City ran a design competition to seek an architect to design a Convention Center expansion through a traditional civic construction process method. At the same time, the City chose to explore opportunities to develop an expansion of the Convention Center through a public-private partnership. Evaluation of those dual development options is on-going.

Recently, the Anschutz Entertainment Group (AEG) provided correspondence to the City offering to develop a Convention Center project that would expand the exhibition facility and full-service hotel capacity needs of the City, while providing private development opportunities complementary to the STAPLES Center and LALive.

The City has a long-standing partnership with AEG, beginning with the successful development of the STAPLES Center. Subsequent work with LALive has resulted in a milestone development that has accelerated the development of Downtown Los Angeles as an international destination. In addition, AEG has certain rights to use portions of the Convention Center that could be incorporated into a larger solution for the Convention Center campus to generate a significant, catalytic project.

I THEREFORE MOVE that the City Council INSTRUCT the Chief Legislative Analyst (CLA) with assistance of the City Administrative Officer (CAO), the Convention and Tourism Department (CTD), Bureau of Engineering, and the City Attorney to evaluate the Los Angeles Convention Center expansion project proposed by Anschutz Entertainment Group (AEG) and provide a report with any findings or recommendations on the proposal.

Presented by:

CURREN PRICE

Councilmember, 9th District

Seconded by

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**Ted Fikre**Vice Chairman
Chief Legal and Development Officer

October 28, 2016

The Honorable Eric Garcetti Office of the Mayor City of Los Angeles 200 N. Spring Street, Room 303 Los Angeles, CA 90012

The Honorable Herb Wesson President, City Council City of Los Angeles 200 N. Main Street, Room 430 Los Angeles, CA 90012

The Honorable Curren Price Councilmember, District 9 Chair, Economic Development Committee City of Los Angeles 200 N. Main Street, Room 420 Los Angeles, CA 90012

RE: Los Angeles Convention Center

Dear Mayor Garcetti and Councilmembers Wesson and Price:

For over two decades AEG and the City have worked collaboratively and successfully to achieve the common goal of a revitalized and vibrant downtown. Over that period, AEG has invested approximately \$3.5 billion dollars in the LA Live campus, which in turn has served as a catalyst for the investment of billions of dollars more elsewhere throughout South Park and the balance of the downtown area. We are writing this letter to suggest a course of action which we believe can build upon and continue this successful partnership for many years to come.

Earlier this year, AEG terminated the pursuit of its plans to expand the JW Marriott at LA Live because of concerns that certain actions that some City officials were considering would infringe upon and adversely impact AEG's rights under various existing agreements and covenants it has with the City. While those concerns remain and we stand by the positions articulated in a letter to the City Attorney in June, based on expressions by the City since then of its desire to identify an optimal expansion and development program for the Convention Center, we believe that it is in the best interests of both the City and AEG to pursue discussions concerning a potential plan that would enable the City to accomplish its key objectives while respecting AEG's rights and interests.

Because of our substantial investment in the area, our track record of successful development and operation of STAPLES Center, LA Live and the Convention Center, and our on-going rights relating to the complex and extensive interconnections and interdependencies between STAPLES Center and the balance of the Convention Center campus, AEG is prepared to consider continuing to invest in this area and is uniquely positioned to help formulate, implement and execute upon a plan which could achieve what we believe are a number of important shared goals of the City and AEG.

These goals start with the much needed expansion and modernization of the Convention Center, as well as the creation of additional hotel rooms in the immediate vicinity. We envision a plan that would accomplish both of these paramount goals in a timely manner, with the increase in hotel space being achieved by restarting the JW Marriott expansion project. While we believe additional hotel construction on the Convention Center site should be considered at an opportune time taking into account market conditions, the nature and scope of such project must respect AEG's rights and interests, including the position of the JW Marriott as the primary headquarters hotel for the Convention Center.

Further, we perecieve significant opportunity to enhance the Convention Center and surrounding areas through the pursuit of an ambitious long-term development plan for the Convention Center designed to generate additional investment, add jobs, increase tourism, and create a more vibrant year-round campus that supplements existing uses through the introduction of new and emerging sectors of the economy. The potential integration of all facets of the Convention Center with surrounding hotel, entertainment, event, hospitality, dining and office spaces presents a unique opportunity to create a one-of-a-kind destination that does not exist anywere else in the world. Such a destination would serve not only convention-goers and other out-of-town visitors, but the entire community of people who live and work in the area.

This long range vision and implementation plan, which we believe has the potential to lead to new investment comparable in magnitude to that undertaken by AEG over the past decade, should be informed by relevant private sector development experience and should be based on well-conceived site planning and project phasing.

AEG is prepared to devote significant resources and investment in pursuit of these objectives if we can reach agreement with the City on transactional arrangements that are fair, respect the exising rights and interests of the parties, and are adequately structured to facilitate the commitment of the necessary capital on a financially sound basis. In light of economic and market uncertainty ahead, we believe it is in our mutual best interests to pursue this dialogue earnestly and with some urgency, as we fear that protracted delay in implementing solutions will likely jeopardize the prospect of any real progress toward our shared goals in the foreseeable future. We believe that existing entitlements and the previously negotiated transactional framework for the Event Center and Convention Center Expansion and Modernization Project would enable us to proceed in a prompt fashion if we are able to reach agreement with the City on framework of a deal in the near future.

October 28, 2016 Page 3 of 3

We look forward to the opportunity to reengage with the City of Los Angeles in the hopes of jointly pursuing an exciting new chapter in the immensley successfully partnership we have forged together over the past 19 years.

Very truly yours,

Ted Fikre

Cc: City Administrative Officer

Chief Legislative Analyst

City Attorney

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Ted Fikre
Vice Chairman
Chief Legal and Development Officer

June 14, 2016

Honorable Mike Feuer City Attorney City of Los Angeles City Hall East 200 N. Main Street, 8<sup>th</sup> Floor Los Angeles, CA 90012

## Dear City Attorney Feuer:

Thank you for taking the time to meet with us and for the attention you paid to our concerns. As we discussed, the City appears to be moving forward with a process that could dramatically impact AEG's rights and run afoul of the agreements between AEG and the City. Given the importance of the issues at stake, we thought it would be useful for us to follow up with this letter and provide the attached details.

While the City has acknowledged that AEG has a variety of rights and interests that could be implicated by certain of the proposed plans for the Convention Center, we fear that some City officials may not fully appreciate the nature, complexity and importance of the issues involved, as those individuals continue to advocate for plans that would violate our legal rights.

As you know from your tenure on the City Council, AEG and the City agreed to a 55-year development deal in 1997. The essence of that agreement was that AEG would invest capital to build STAPLES Center, the Convention Headquarters Hotel (which ultimately became the JW Marriott/Ritz-Carlton hotels) and L.A. LIVE, thereby redeveloping a severely blighted area and revitalizing the City's Convention Center and the downtown area. AEG delivered on its promise and the City has received the benefits it bargained for.

In the continued spirit of cooperation and partnership, last year AEG proposed a 755-room expansion of the JW Marriott in response to the City's expressed desire for additional development of large room blocks within walking distance of the Convention Center. We had hoped that this expansion project, together with various other hotel development projects in the current development pipeline, could help achieve the City's stated objective of reaching a total supply of 8,000 hotel rooms in the vicinity of the Convention Center.

After reaching an agreement with City staff on the terms of support for which this proposed Convention Headquarters Hotel expansion would qualify under the City's standard policies and practices for hotel development incentives, AEG was recently informed that in order for the City to proceed with its support of the project, AEG must agree to surrender critical rights at the Convention Center (which are unrelated to the proposed JW Marriott/Ritz-Carlton expansion) in order to make way for the construction of a second 1,000-room headquarters hotel on areas of the Convention Center immediately adjacent to STAPLES Center. As a point of reference, we are attaching a brief description of the various contractual and property rights that would likely be impacted by that proposed on-site hotel project as we understand it. We believe the proposal for a second convention headquarters hotel is a fundamental violation of the deal entered into by AEG and the City, and would deprive AEG of the benefit of the agreement it negotiated with the City, and which it expects to enjoy for the next 37 years.

This effort to now require AEG to surrender rights that the City previously granted is particularly troubling given that it was the City who required that AEG build the Convention Headquarters Hotel as an express condition to its rights, and AEG did so. At tremendous risk, after multiple failed attempts to secure a third-party hotel developer willing to take on the burden of building the project, and in the midst of the financial crisis and severe recession, AEG undertook the billion dollar development of the JW Marriott/Ritz-Carlton L.A. LIVE project to satisfy the City's long-standing desire for a Convention Headquarters Hotel, which AEG understood the City felt was essential for the Convention Center to prosper.

AEG remains a strong advocate for the need to significantly improve and expand the Convention Center in order to retain and attract larger group events and make Los Angeles a premier convention destination. However, we are concerned that rather than pursuing a cost-effective expansion focused on addressing the clear need for additional contiguous exhibition space, some at the City have embarked on a plan, including an on-site convention headquarters hotel, that will likely cost well over a billion dollars to construct, with the vast majority of funding for such project coming in the form of public debt and subsidies, and which is in fundamental violation of AEG's agreement with the City.

The development of a second headquarters hotel was not a part of the deal when the City insisted that AEG build a Convention Headquarters Hotel. We believe that the effort of the City to now usurp the status of the JW Marriott/Ritz-Carlton L.A. LIVE as the Convention Headquarters Hotel violates the Disposition and Development Agreement and related agreements. Further, the proposed new hotel on the Convention Center property would most certainly necessitate an enormous level of public financial assistance likely well beyond the current City policy and related practices. Such a project would likely also stifle the robust private hotel development initiatives that are currently underway in the vicinity of the Convention Center. With a footprint that will require approximately 3 to 4 acres of real estate, the proposed on-site hotel will also greatly constrain future Convention Center expansion opportunities on limited contiguous Convention Center property.

Since 1997, AEG has lived up to its promises—proving time and again that it is a committed and trusted partner with the City, having invested billions of dollars in capital to build STAPLES Center, the JW Marriott/Ritz-Carlton hotels, and the rest of the L.A. LIVE campus. AEG's successful operation of these projects has generated thousands of events and attracted over 200 million visitors since they opened, leading the rejuvenation of downtown Los Angeles and providing massive economic stimulus to the region.

The proposed on-site hotel would violate AEG's contract rights, property rights and entitlements, all of which date back to 1997, and would unfairly interfere with AEG's right to enjoy the benefit of its bargain. We respectfully request that you and your client give due consideration to our concerns and refrain from proceeding with any proposed plans that would violate AEG's legal rights, causing the potential for severe operational and economic consequences to AEG.

Very truly yours,

Ted Fikre

Attachment

## **AEG CONTRACTUAL AND PROPERTY RIGHTS**

# The Disposition and Development Agreement ("DDA") and The Overall Deal

- In entering into the DDA in 1997 and each of the later iterations of the DDA and related agreements, the fundamental City goals were to require construction of a Convention Center "Headquarters Hotel" and to revitalize the area around the Convention Center and throughout the Central Business District. The fundamental AEG goals were the development of the STAPLES Center, the Convention Hotel and the L.A. LIVE campus. These fundamental and complementary goals are restated throughout the applicable agreements from 1997 to the present.
- By name, definition and purpose, the hotel that is called for by the DDA was and is THE
  "Headquarters Hotel" for the Convention Center. The 1,001 room JW Marriott and Ritz-Carlton
  hotels at L.A. LIVE (which opened in 2010), together, comprise the Convention Center
  Headquarters Hotel.
- This fundamental understanding is evident throughout the DDA, and was clearly understood by those who were involved in the negotiation and documentation of the DDA and related agreements.
- As demonstrated through the range of contractual provisions below, the DDA and related
  agreements and entitlements are not discrete stand-alone pleces independent of one another.
  Rather there is an interrelationship of agreements and provisions that together led to the
  construction of the Convention "Headquarters Hotel" along with STAPLES Center and L.A. LIVE.
- The DDA and related agreements all include an implied covenant of good faith and fair dealing
  which requires that neither party do anything to unfairly interfere with the other's right to
  receive the benefits of the contract. Construction of an on-site hotel or mixed-use development
  on Convention Center property would unfairly interfere with AEG's rights, thereby depriving
  AEG of the benefit of its bargain with the City.

## Parking Rights

- Pursuant to the Parking Lease dated November 10, 2005 (the "WH/CS Garage Lease") between
  AEG and the City, AEG has a long-term lease to 2053 for use of parking spaces in both the West
  Hall Garage (currently 689 stalls (the "WHG Stalls")) and the Cherry Street Garage (currently 494
  stalls (the "CSG Stalls")) for all STAPLES Center events, as well as all other events occurring
  within the Los Angeles Sports and Entertainment District ("LASED") (Recital E, Sec. 3.2(a)).
- The "Premises" under the WH/CS Garage Lease is defined to include not only all of the
  aforementioned parking stalls, but the structures in which such stalls are located, and all
  vehicular and pedestrian ingress and egress with respect to such stalls (Recital E).
- All of the stalls are intended, and expressly permitted, to be used for Arena code parking requirements and/or LASED code parking requirements (Sec. 3.2(c)).
- The WHG Stalls and CSG Stalls, which are proximately located to STAPLES Center, are utilized to meet the parking needs of some of the arena's most important customers, including STAPLES Center's premium seat holders who account for the single biggest revenue source supporting

- AEG's investment in the arena. The displacement of this parking could severely impair STAPLES Center's ability to successfully market and service its premium seating products.
- Subject to the City's reasonable consent, AEG has the right to use additional stalls within Cherry Street Garage (Sec. 3.2(a)).
- AEG has the right to reconfigure or restripe the CSG Stalls and WHG stalls (at its expense), and if
  the re-striping results in additional parking spaces, such additional spaces shall be included
  within AEG's leasehold interest (Sec. 5).
- WH/CS Garage Lease grants AEG rights to install commercial signage in both parking facilities subject to revenue sharing with the City (Sec. 3.2(a)(v)).
- AEG has the right to operate the parking facilities for both its own benefit and for the benefit of the City (Sec. 3.2(a)(i)).
- AEG has the unilateral right to develop a parking structure (contemplated to include approximately 600 parking stalls) on Bond Street lot owned by the City to be used primarily by AEG (Sec. 30).
- The City has the limited right to provide AEG with alternate parking facilities reasonably acceptable to AEG solely if the City "seeks to expand the Convention Center, and all or any portion of the Premises is unavailable to Tenant <u>due to such expansion</u>." This right does not allow the City to permanently demolish the West Hall in order to accommodate a hotel or mixed-use real estate development (Sec. 11).
- Construction of an on-site hotel or mixed-use development displacing the WHG stalls or the CSG Stalls would materially impair AEG's parking rights. AEG's remedies in the event of any breach by the City under the WH/CS Garage Lease are cumulative, and include all measures of equitable or injunctive relief including specific performance (Sec. 16).

#### **Use and Access Easements**

- Pursuant to the Reciprocal Easement and Environmental Restriction Agreement dated March 26, 1998, as amended (the "REA"), between AEG and the City, AEG has broad pedestrian, roadway, and utility easements throughout all portions of the Convention Center campus, including throughout West Hall, Gilbert Lindsay Plaza and all surrounding pedestrian and vehicular access routes (Articles 1 & 2).
- The easements are not limited to any specifically defined area, but are instead defined to include all of "the exterior roadways, exterior walkways, exterior bridges, tunnels, exterior courtyards and other exterior pedestrian access ways..." throughout LACC property (Art. 1, Ex. A).
- Key easement areas include (a) the roadway and ramp to STAPLES Center's loading docks
  providing access to, among others, service vehicles, players, and artists performing at the arena,
   (b) areas providing access to West Hall valet and VIP parking in West Hall Garage, and (c) Gilbert
  Lindsey Plaza which sits in front of one of STAPLES Center's three main entrances.
- The City has no express right under the REA to relocate the Gilbert Lindsay Plaza Surface
   Easement. The City may only modify or relocate any of the other easements granted to AEG
   with AEG's prior written approval, not to be unreasonably withheld (Sec. 1.7).

- The REA cannot be amended without AEG's written consent (Sec. 16.3).
- Construction of an on-site hotel or mixed-use development on Convention Center property
  subject to above easements would materially impair AEG's use and access of those easements.
  Except only for a limitation on consequential or punitive damages, AEG's remedies in the event
  of any breach by the City under the REA are cumulative, and include all measures of equitable or
  injunctive relief including specific performance (Sec. 13.3).

## Signage Rights

- The REA grants AEG rights to place certain signage on the "green wall" and on the marquee constructed in the vicinity of the Venice Garage property (Sec. 4.2).
- The REA also includes various signage rights and protections for the benefit of AEG. Among
  other things, the applicable provisions preclude the City from selling/displaying exterior
  commercial signage other than customary temporary LACC event banners (Article 4).
- AEG's affirmative signage rights on the green wall and the 10 freeway marquee extend for the full duration of the Arena Ground Lease (through 2053).
- The restrictions on competing signage at the Convention Center expire in September 2024;
   however until the termination of the Arena Ground Lease, the City has no right to change the name of the Convention Center or any ancillary facilities from the "Los Angeles Convention Center" to any name which includes or makes reference to any commercial name or product.
- Construction of an on-site hotel or mixed-use development on Convention Center property could materially impair AEG's signage rights.

## Leased Property

- The existing parcel leased to AEG pursuant to the Arena Ground Lease dated March 26, 1998 (the "Arena Ground Lease") by and between AEG and the City would likely require adjustment in order to accommodate the proposed hotel development on the LACC site currently being contemplated by the City. For reference, see the attached site plan, which was a part of the original DDA and remains an accurate depiction of the Convention Center Property and its relationship to the Arena Site.
- Any adjustment of the demised premises under the Arena Ground Lease would require AEG's written consent, as well as the written consent of any "Leasehold Mortgagee(s)" (Sec. 42.10).
- Maximizing the buildable footprint for a hotel and other uses around the West Hall site would most likely necessitate (a) shifting a portion of existing STAPLES Center site out of the demised premises, (b) replacing STAPLES Center loading ramp with a reconfigured ramp that will free up part of the area around the West Hall, and/or (c) relocating existing chiller plant and recently installed Bloom Energy cells. Maintaining continuous access to the STAPLES Center loading ramp will be extremely challenging.
- Construction of an on-site hotel or mixed-use development on Convention Center property could materially impair AEG's Arena Ground Lease.

CALE: 1" = 500" CONVENTION CENTER
PROPERTY
IN THE CITY OF LOS ANGELES, STATE OF CALIFORNIA SHEET I OF 1 SHEET AREA CLYMPIC PROPERTIES ARENA SITE 500 1000 GRAPHIC SCALE 1° = 500°