

THE WESTIN BONAVENTURE HOTEL AND SUITES
404 S Figueroa St, Los Angeles, CA 90071-1710 United States
T 213.624.1000 F 213.612.4800
thebonaventure.com

November 6, 2015

Councilmember Curren D. Price, Jr.
Chair, Economic Development Committee
Los Angeles City Hall
200 N. Spring Street, Room 420
Los Angeles, CA 90012

Dear Councilmember Price,

The Westin Bonaventure Hotel and Suites supports the renovation of the Los Angeles Convention Center with the understanding the Convention Center will add contiguous meeting space. Having this additional square footage will retain and enhance business in Los Angeles.

Thank you for your time and strong consideration to the above and to what we believe will bring the best return on investment to the City of Los Angeles.



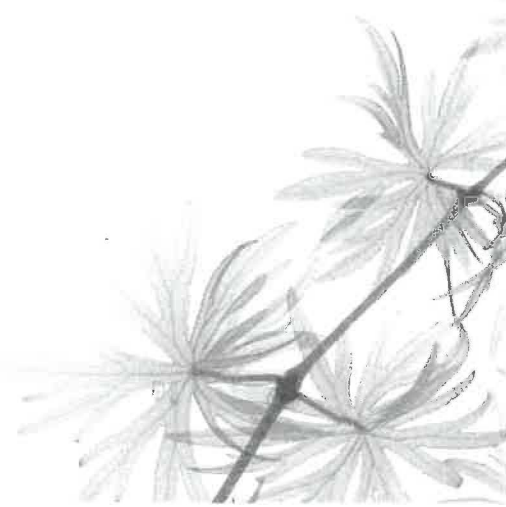
Regards,

A handwritten signature in black ink, appearing to read "M. Czarcinski", with a long horizontal flourish extending to the right.

Michael Czarcinski
Managing Director

MC:ss

c: Councilmember Curren D. Price, Jr.
Chair, Economic Development Committee
c/o Office of the City Clerk
Los Angeles City Hall
200 N. Spring Street, Room 360
Los Angeles, CA 90012



Available for Work:
L.A.: (626) 296-8086
S.D.: (858) 530-0270
FAX: (626) 296-8087

LOCAL UNION 831

TRADESHOW AND SIGN CRAFTS
I.U.P.A.T. - A.F.L. - C.I.O.

1155 Corporate Center Drive
Monterey Park, CA 91754
(626) 296-8086
www.local831.org

November 17, 2015

Honorable Curren D. Price Jr.
Chair, Economic Development Committee
c/o Office of the City Clerk
Los Angeles City Hall
200 North Spring St., Room 420
Los Angeles, CA 90012

Re: Los Angeles Convention Center Expansion and Modernization Project

Dear Chairman Price,

This letter is to express my support of the Los Angeles Convention Center Expansion and Modernization Project. As a member and Field Services Representative of the Trade Show Installers Union that has worked in the buildings for over 25 years, I would ask that the Economic Development Committee move forward with this project.

The expansion needs to happen to increase the attraction of larger trade shows, similar in size to E3 and LA Auto, through the entire year. Show organizers are looking for showcase facilities to bring larger events to. A larger contiguous space is what trade show and event planners are looking for. The expansion project will turn the Los Angeles Convention Center into one of the premier convention facilities on the west coast.

With expansion plans currently under construction in Anaheim and San Francisco, the Los Angeles Convention Center needs to begin the expansion process to keep Los Angeles as a premier convention destination.

Sincerely,



Steven Bigelow
Field Services Representative

Cc: Tom Fields, Chief Operating Officer, LA Department of Convention and Tourism Development

OMNI HOTELS & RESORTS®

November 17, 2015

Council Member Curren D. Price, Jr.
Chair, Economic Development Committee
Los Angeles City Hall
200 North Spring St., Room 420
Los Angeles, CA 90012

Copy to:
Council Member Curren D. Price, Jr.
Chair, Economic Development Committee
c/o Office of the City Clerk
Los Angeles City Hall
200 North Spring St., Room 360
Los Angeles, CA 90012

Re: Los Angeles Convention Center Expansion and Futurization Project

Dear Councilman Price,

Omni Hotels & Resorts has followed with interest the potential plan for expansion of the Los Angeles Convention Center ("LACC") and the continued redevelopment of the surrounding area. Consistent with this interest we have taken the time to meet on occasion with Bud Ovrum and Glyn Milburn to learn about the city's plans and to insure that our interest has been expressed. We have also had the opportunity to review the White Paper on the Future of the Los Angeles Convention Center and wanted to express our thoughts an interest to your office directly.

As the owner and operator of the successful Omni Hotel Los Angeles on Bunker Hill, as well as being the owner/operator of convention center hotels in Atlanta, Fort Worth and Nashville, and the operator for the City of Dallas of its convention center hotel in Dallas, Omni Hotels & Resorts is supportive of the expansion and modernization along with the desire to further solidify the area as a world class sports, convention and entertainment center with the addition of a 1,000-room hotel. Similar to the opportunity to drive more demand in Los Angeles by adding appropriate hotel rooms, I have attached a copy of a recent study done by PKF on the Nashville market. We look forward to the pending Request For Interest to be administered by the city and its consultant and plan to respond as a hotel developer.

I hope to have the opportunity to visit with you on a future trip to Los Angeles.

All the best,



Charlie Muller
Vice President of Acquisitions and Development

4001 Maple Avenue • Dallas, TX • 75219
972-730-6664 • 972-871-5669 fax
omnihotels.com





IF YOU BUILD IT, WILL THEY COME?

Convention Center and Expanded Hotel Capacity Induce Positive Changes to the Downtown Nashville Hotel Market

By Jamie Lane and Brett Edgerton

Executive Summary

The economics of hotels typically suggests that supply growth negatively affects industry performance by spreading existing demand over more suppliers. In this report, we present the opposite case: how supply growth can increase demand. This report focuses on how convention centers and hotels can attract additional demand, improving industry performance rather than detracting from it. We examine hotel market data from Nashville, where a new convention center and Omni Nashville Hotel opened in 2013. Following the expansion to supply, the market has seen substantial rate increases as well as greater levels of demand, which has resulted in higher occupancy levels.

Since the new demand has entered the Nashville market, average daily room rates have risen by double digits and the market occupancy level has gone up. This result is consistent with experiences observed in other markets that have expanded their meetings and lodging potential. Additional convention visitors who previously did not utilize Nashville as a convention location drove the demand higher. Using the economic concept of Say's Law and induced demand, we explain how the new Omni positively impacted the Nashville hotel industry. By increasing supply levels enough to support large national conventions that would have overwhelmed the previous hotel capacity, the city can now attract more convention business. Since 2013, Downtown Nashville has seen supply increase by more than 20 percent and demand expand by an even greater amount. The result is occupancy levels near 80 percent.

Additionally, by applying econometric techniques to the hotel data, we are able to quantify the specific effects in terms of demand, occupancy, and rates. Our results show that demand in the downtown Nashville market rose by approximately 700 rooms per day because of the convention hotel addition. Furthermore, the induced demand has increased rates by almost \$7 per night since Q4 2013. Overall, these results confirm the economic intuition behind large convention center hotels, exhibiting how certain supply increases can improve hotel performance in markets that benefit from the induced demand the supply creates. This

conclusion means Downtown Nashville should remain a healthy hotel market for the foreseeable future.

Can Supply Create Demand?

Large increases in supply often signal trouble for performance in real estate markets. Typically, big additions of inventory negatively affect the strength of a particular market by creating more price competition among suppliers seeking to capture existing demand. This rule mostly holds true for the hotel market in particular because supply enters markets in large, abrupt proliferations of rooms at the opening dates of new hotels. In contrast, hotel demand fluctuates over time, resulting in weaker market conditions as demand slowly catches up to surges in supply. As with many rules, however, an exception exists in certain circumstances where unique supply growth may induce demand within a market, improving market performance because of supply growth rather than in spite of it. Herein we examine a case of induced demand in one of the fastest growing hotel markets in the United States.

One unique type of supply addition that can have this positive effect on the market is convention center hotels, which induce demand to a market by attracting group demand previously not entering the market. Such an event recently occurred in Nashville where a large, state of the art convention center, the Music City Center, and a convention center hotel, and approximately 1,500 new rooms (since 2013), including 800 rooms at the Omni Nashville Hotel (Omni), were built. The purpose of this analysis is to quantify the impact the convention center and hotel additions had on the lodging market in Downtown Nashville. In this report, the effect of the Omni in specific is analyzed using econometric techniques to test if the new hotel supply, represented by the Omni, induced demand into the market. This additional demand in turn produced better market performance. Along with demand, hotel financial market performance is analyzed by three metrics: Occupancy, Average Daily Rate (ADR), and Revenue per Available Room (RevPAR). Each of these metrics improved following the opening of the convention center hotel, displaying the positive effect of induced demand from the Omni in Nashville.

The Nashville Economy is Strong!

Underlying economic conditions drive performance in many industries including lodging. The Nashville metropolitan economy has recently been remarkably vibrant, experiencing growth that

EXHIBIT 1: LONG RUN AVERAGES

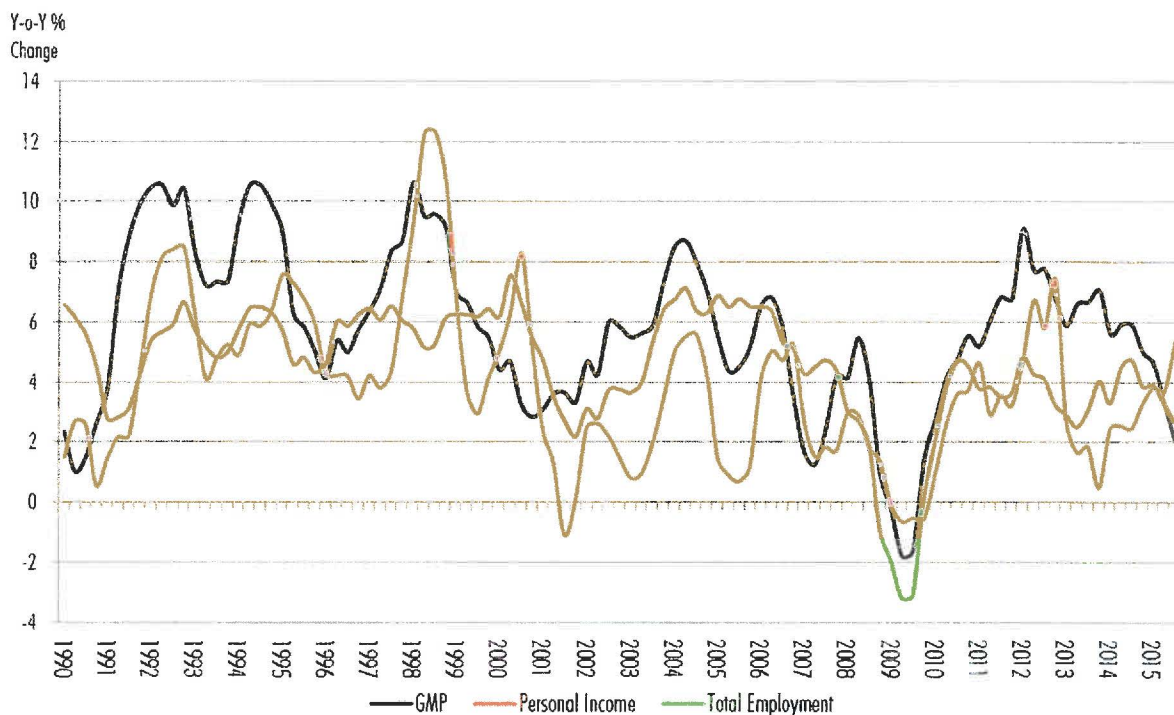
	Nashville	United States	Differential
GDP/GMP Growth	5.76%	2.64%	3.12%
Personal Income Growth	3.89%	1.06%	2.83%
Total Employment Growth	4.57%	1.93%	2.63%

Source: Moody's Analytics, PKF Hospitality Research, a CBRE Company, Q2 2015.

outpaced that of the nation in terms of income and employment (see Exhibit 1). The Nashville

metropolitan area is in a period of solid economic expansion with strength in health care, professional and scientific services, government services, and manufacturing¹. On average, Nashville's economy has grown by over 4 percent annually since 2010. Furthermore, the recent decision by Bridgestone to locate its headquarters in Nashville may signal a continuing trend for the growth of other parts manufacturers, as several automotive production plants have been constructed in the region. As shown in Exhibit 2, real personal incomes and employment, two key economic drivers of hotel demand, increased steadily during the past two decades. This economic robustness creates conditions for strong hotel performance in the market, making an attractive environment in which to expand supply.

Exhibit 2: Nashville Economic Activity



Source: Moody's Analytics, BEA, PKF Hospitality Research, a CBRE Company, Q2 2015

Growth in the Nashville Hotel Market

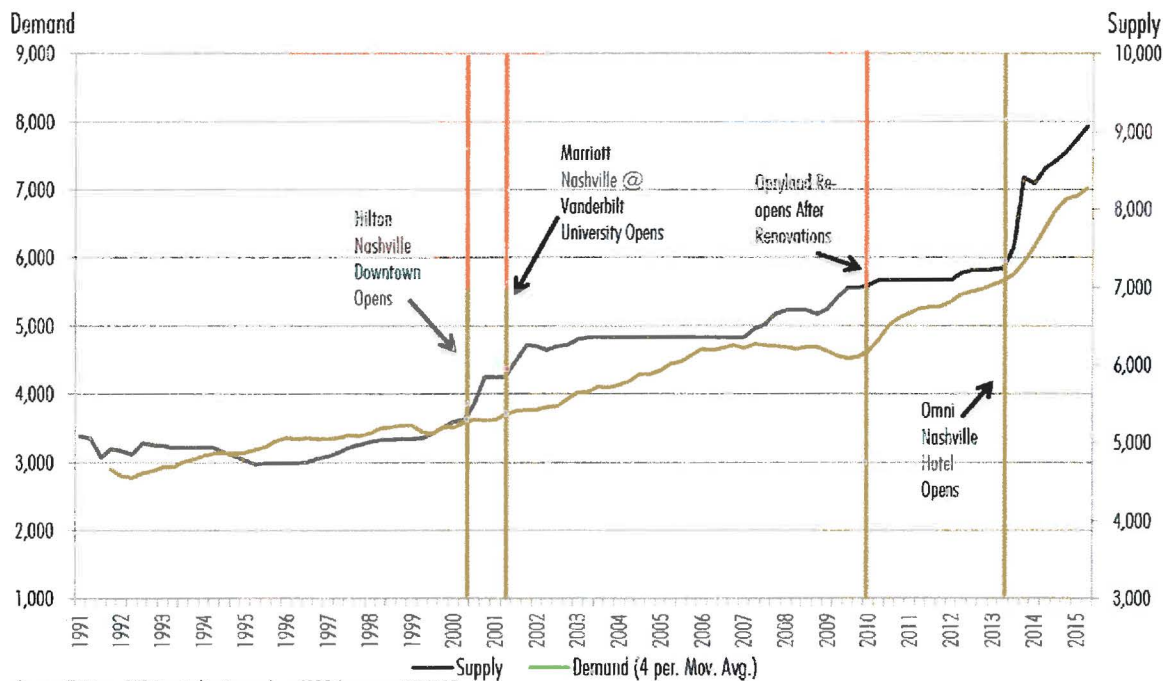
The health of the Nashville economy has helped bring about an expansion of the hotel industry in Nashville. Over the past two decades, hotel supply and demand levels have grown at a steady but moderate pace. Large additions to supply occurred in 2000 and 2001 when the Hilton Nashville Downtown and the Marriott Nashville @ Vanderbilt University opened, each adding over 300 rooms to the market. Since 2013, lodging supply in the downtown submarket

¹ Nashville Chamber of Commerce

has expanded by almost 1,500 rooms, a 20 percent gain by year-end 2014. This spike in inventory was fully absorbed as lodging demand increased by approximately 26 percent from 2012 to 2014. By comparison, national hotel supply grew by about only 1 percent over this period while national demand increased by less than 4 percent. The large differences in growth rates signify that the Nashville market is indeed undergoing considerable change. These changes beg the question: "Are structural changes occurring in the Nashville hotel market?"

An answer to this question can be traced back to September 2013, when the Omni Nashville Hotel, a convention center property, opened in downtown. The 800-room facility includes 80,000 sq. ft. of conference space, 21 meeting rooms, and two ballrooms². Additionally, the Omni is integrated with the Music City Center; a large modern convention center that opened in May 2013 offering one million sq. ft. of exhibition and meeting space. Exhibit 3 shows the sharp expansion in supply as well as the lift in demand for the Downtown Nashville submarket coinciding with the opening of the convention center and hotel. The Omni alone represents a large portion of the surge in supply since 2013.

Exhibit 3: Demand and Supply Levels in Downtown Nashville Submarket



² Omni Hotels

Economies of Scale in Downtown Nashville

The dramatic growth in demand seen in the past two years in Nashville can be explained in part by the economic concept of induced demand. For new supply in Nashville to have induced demand, the supply must offer higher levels of utility for potential hotel guests compared to what previously existed in Downtown Nashville. One way a convention center hotel provides better utility is by creating a greater scale to both the hotel market (i.e. guest room capacity) and the meetings market (i.e. the of space available for convention and conference use). Exhibit 4 presents the size of the Omni Nashville along with the other comparable hotels in the Downtown Nashville submarket. The Omni's largest meeting space represents a 39 percent rise from the biggest single meeting space in Downtown Nashville that previously existed. The 80,000 sq. ft. of meeting space contained within the hotel is equal to the next three largest total meeting spaces combined, representing a 30 percent increase in total meeting space capacity to the entire market.

EXHIBIT 4: DOWNTOWN NASHVILLE HOTELS (UPSCALE AND ABOVE)					
Hotel Name	Year Built	Rooms	Star Rating	Largest Meeting Space (sq. ft.)	Total Meeting Space (sq. ft.)
Omni Nashville Hotel	2013	800	Upper Upscale	25,000	80,000
Renaissance Nashville Hotel	1987	673	Upper Upscale	18,000	31,000
Sheraton Hotel Nashville Downtown	1975	482	Upper Upscale	10,680	25,000
Loews Vanderbilt Plaza Hotel	1984	340	Luxury	8,442	24,000
Doubletree Nashville	1979	341	Upscale	7,000	20,257
Millennium Maxwell House Nashville	1979	287	Upper Upscale	9,000	17,000
Hutton Hotel	2009	247	Independent	7,000	13,600
Hilton Nashville Downtown	2000	330	Upper Upscale	7,452	12,962
Autograph Collection Union Station Hotel	1986	125	Upper Upscale	2,550	12,000
Marriott Nashville @ Vanderbilt University	2001	307	Upper Upscale	4,700	11,000
Hilton Garden Inn Nashville Vanderbilt	2009	194	Upscale	3,960	4,272
Hermitage Hotel	1910	122	Independent	2,484	4,041
Courtyard Nashville Downtown	1998	192	Upscale	1,570	3,200
Hotel Indigo Nashville	2010	130	Upscale	1,200	2,708
Embassy Suites Nashville @ Vanderbilt University	2001	208	Upper Upscale	1,470	2,679
aloft Hotel Nashville West End	2007	139	Upscale	780	1,995
Homewood Suites Nashville Downtown	2007	113	Upscale	1,484	1,718
Courtyard Nashville Vanderbilt West End	1995	226	Upscale	1,000	1,500
Springhill Suites Nashville Metro Center	2000	78	Upscale	322	322
Ascend Collection The Capital Hotel	1961	100	Upscale	0	0

Source: STR, Inc., PKF Hospitality Research, a CBRE Company, Q2 2015.

Along with meeting space, the hotel dramatically expanded the room count in Downtown Nashville. The Omni supplies more than double the average room count of all other Downtown Nashville hotels. This new scale of rooms available can entice larger conventions to use Nashville that previously may have been constrained by room availability during peak demand periods. This greater supply serves to support conventions at the Music City Convention Center, which opened six months prior to the Omni.³ In terms of hotel room supply and meeting space, the Omni Nashville represents a dramatic growth in scale to the Downtown Nashville hotel market. The map in Exhibit 5 shows the market when the hotel and convention center opened. The relative size and prime location of the hotel compared to nearby hotels again underscores the new, larger scale the hotel creates in the market.

Exhibit 5: Map of Downtown Nashville Hotels



³ It is important to note that because the convention center and the hotel opened within six months of each other, it is not possible to differentiate between the specific demand induced by the Music City Center compared to the Omni and other new hotels that opened in Downtown.

Say's Law in Action

The economic theory of Say's Law can be roughly defined by the phrase, "supply creates its own demand." This theory provides a mechanism to explain how the larger scale of the Downtown Nashville market induces new demand into the market. In the case of Downtown Nashville, this means the extra scale of room supply and conference space caused by the Omni,

EXHIBIT 6: LARGE CONFERENCES HELD IN DOWNTOWN NASHVILLE IN 2015

CONFERENCE NAME	NUMBER OF ATTENDEES
Progressive Insurance Boat and Sportshow	10,000
National School Boards Association	10,000
National Rifle Association	48,000
American Occupational Therapy Association	8,000
Hearth Patio & Barbecue Association	10,000
Southern Women's Show	44,000

Source: Music City Center, PKF Hospitality Research, a CBRE Company, Q2 2015.

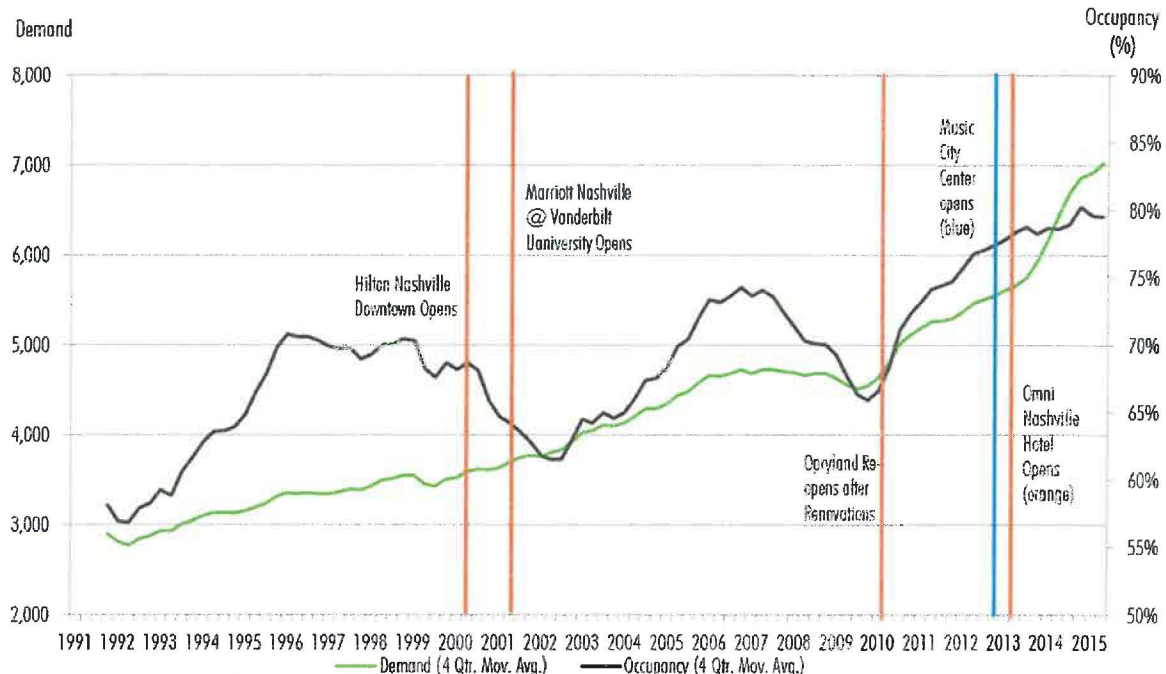
the other new properties and the Music City Center entices additional, larger conferences to locate in Nashville, leading to demand growth. This theory is supported by anecdotal reports of the conventions selecting Downtown Nashville as their convention destination. The previous convention center, the Nashville Convention Center, drew an average of 1,500 attendees for a national trade show. For Music City Center, the average group is 6,500 participants.⁴ Exhibit 6 lists a sample of large conventions that have been hosted at the new complex during the first six months of 2015 that exceed the average convention size downtown Nashville previously attracted. These groups likely would not have come to Nashville before because adequate capacity did not exist. The presence of an expanded hotel inventory and the opening of the Music City Center removed this impediment.

Omni Nashville Supply Creates Demand

The induced demand brought in by Downtown Nashville's expanded hotel supply scale has shown up in market data through mid-year 2015. Demand growth surged by almost 1,000 rooms per night while occupancy rose to approximately 80 percent, levels never seen before in Downtown Nashville. Exhibit 7 shows how past supply growth interacted with demand, affecting occupancy levels. The two hotel openings in 2000 and 2001 were followed by decreases in occupancy because demand remained relatively stable. Coming out the Great Recession, the Opryland Hotel re-opening after renovations coincided with occupancy growth though it is not clear how much of this was driven by the economic recovery that began at the same time. What is clear is that demand ratcheted up since the Omni Nashville opened and that the record high market occupancy levels continue to sustain themselves. This evidence suggests that Say's Law applies to convention hotels like the Omni Nashville, supporting the claim that an expansion of convention-oriented supply can spur new demand.

⁴ Nashville Business Journal

Exhibit 7: Downtown Nashville Demand and Occupancy



Source: STR Inc., PKF Hospitality Research, a CBRE Company, Q2 2015.

To confirm this analysis, PKF Hospitality Research applied econometric techniques to available data to test the predictions Say's Law makes regarding induced demand. Using the *Hotel Horizons*⁵ forecasting model⁵, it is possible to isolate the effect of the Omni on the Downtown Nashville market given all the other factors. This model uses econometric techniques to analyze historical relationships between economic and hotel performance data, allowing specific relationships (i.e. employment conditions and hotel demand) and events (i.e. the opening of Music City Center and hotel demand) to be tested for statistical significance. Specifically, the impact on demand and occupancy levels is examined followed by ADR and RevPAR.⁶

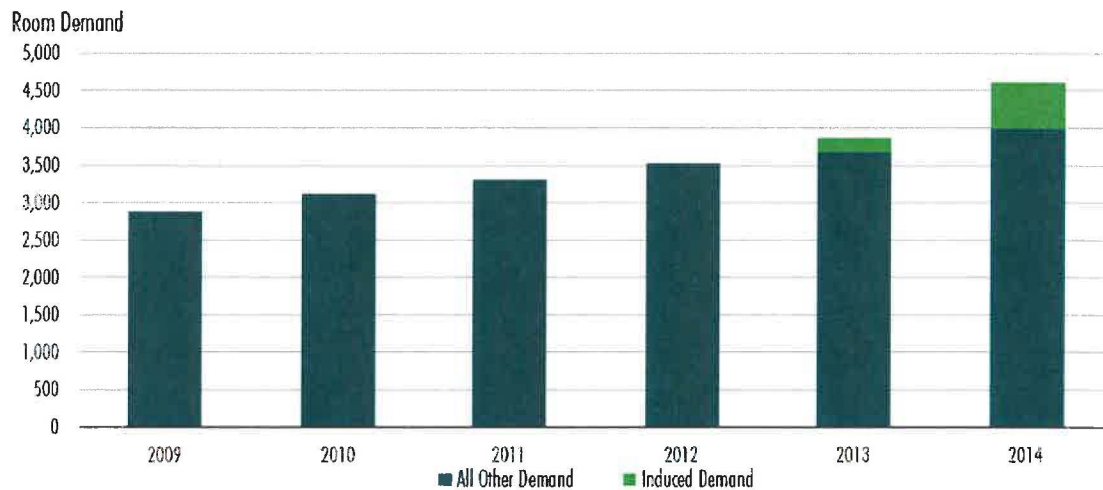
Focusing on the exact effect the Omni Nashville Hotel had on the demand for Nashville hotels, this analysis shows that the Omni induced demand for 693 more rooms per night in the first quarter of 2015. Since September 2013, Nashville averaged 690 more rooms

⁵ To conduct this analysis, PKF-HR uses the econometric expertise applied in the creation of its *Hotel Horizons*[®] forecasting model. The model analyzes the historical relationships between changes in economic variables and movements in lodging supply, demand, and average daily room rates (ADR). See <http://www.cbre.us/services/valuationadvisory/pkf-consulting/Pages/economic-data-and-business-research.aspx> for additional information regarding the *Hotel Horizons*[®] model.

⁶ Results are significant at the 5% level of confidence

accommodated each quarter because of the Omni Hotel. Exhibit 8 shows that the Omni induced demand on a year-over-year basis by stimulating additional use of the Nashville hotel market that otherwise would not have occurred. Note: not all of these induced room nights of demand were accommodated at the Omni. Other hotels in the CBD submarket captured a portion of this new business.

Exhibit 8: Demand Induced by Omni Nashville Hotel

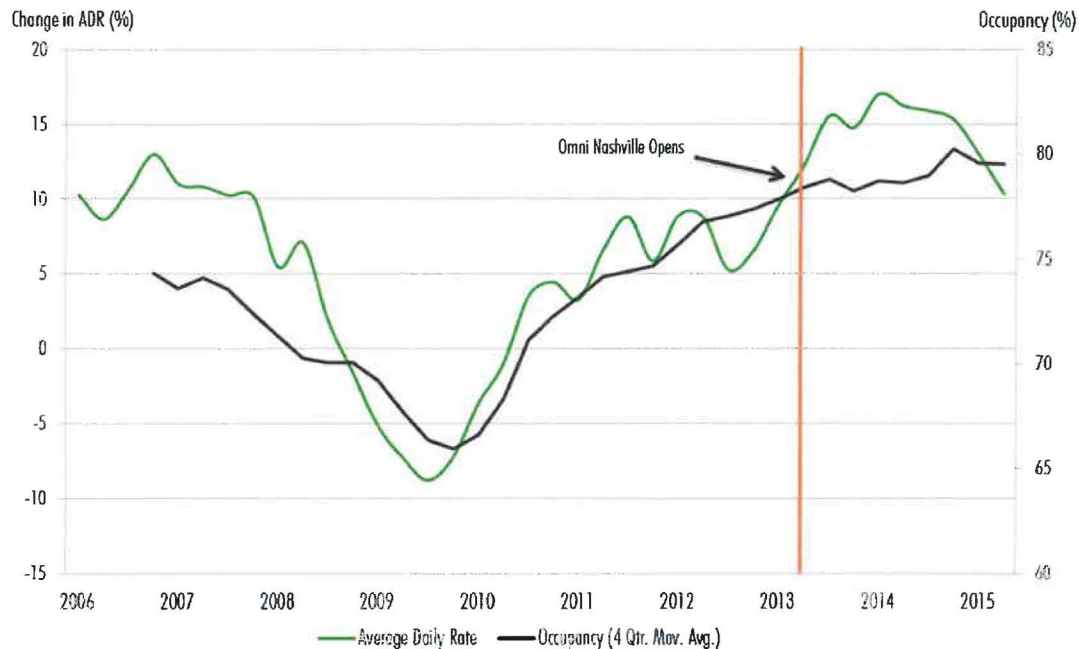


Source: STR, Inc., PKF Hospitality Research, a CBRE Company, Q2 2015.

Induced Demand Drives Rates Higher

While occupancy rates have remained high following the swell in demand, one might be concerned that rates have fallen to maintain occupancy levels. The results of this analysis show this concern to be unfounded. The Omni improved the hotel market in Nashville and, on an annualized basis, did not increase rate competition among existing hotels. Since the new hotel opened in 2013, ADRs have averaged \$192 per night and have exceeded the national rate of growth, increasing by double digits on a year-over-year basis. Exhibit 9 shows occupancy levels have also been increasing; averaging 78.6 percent since the Omni opened.

Exhibit 9: Occupancy Level and Changes in ADR in Downtown Nashville



Source: STR, Inc., Q2 2015.

While economics 101 suggests that that the large upsurge in supply would negatively influence prices, in the case of Nashville this has not occurred. Instead, the demand induced by the Omni contributed to an increase in ADRs in the market each quarter. Exhibit 10 shows the premium effect the Omni Nashville had on ADRs since opening (i.e. when controlling for all other variables, the amount of market ADR change that may be attributed to the opening of the Omni). By 2015, the impact in the market remains substantial as evidenced by \$6.95 higher ADR. These rate premiums may be the result of added travelers coming to Nashville because of the boost in conference and convention activity the Omni and Music City Center support. Increasing room rates while also increasing occupancy is a clear signal of the structural changes occurring in the Nashville hotel market since high ADR growth typically reduces occupancy by reducing demand.

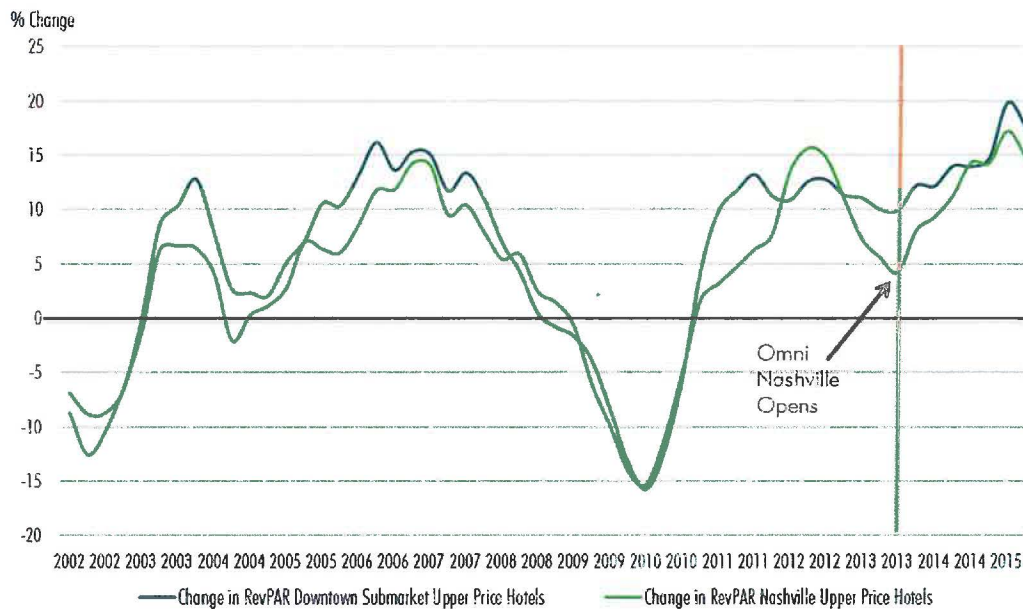
Exhibit 10: Changes in Average Daily Room Nights and Average Daily Rates⁷

YEAR	2013	2014	2014	2014	2014	2015
Induced Average Daily Room Nights:	438	621	772	827	785	693
Induced Demand as a Percent of Rooms Added	54.8%	77.7%	96.5%	103.4%	98.2%	86.6%
Impact on Average Daily Rate	\$8.18	\$7.11	\$6.53	\$6.21	\$6.54	\$6.95

Source: PKF Hospitality, a CBRE Company, Q2 2015

Higher rates in the Downtown Nashville submarket have contributed to a strong growth in RevPAR. Downtown upper price hotels' RevPAR growth rates outperformed the overall market (see Exhibit 11). Since opening, the induced demand as a percent of rooms added by the Omni has averaged 86 percent while the ADR impact of the new demand has increased rates by an average of \$6.92 per quarter. This performance premium also supports that the Omni positively affected performance by attracting additional demand to Downtown Nashville allowing those hotels most likely to accommodate convention demand to increase rates while absorbing the new supply.

Exhibit 11: Downtown Nashville RevPAR Changes



Source: STR Inc., PKF Hospitality Research, a CBRE Company, Q2 2015.

⁷ All results reported are significant at the 5% level of confidence.

Conclusion: Downtown Nashville Hotel Market is in Great Shape

The economic theory of induced demand examined in this report and supported by the data analyzed provides a robust explanation for how the recent additions to supply in the Nashville CBD, most notably the Omni Nashville Hotel, positively influenced the overall performance of the Nashville hotel market. The Omni changed the Downtown Nashville hotel market by significantly increasing guest room and conference capacity, which induced a significant volume of new travel to the City. The long-term impacts may become less substantial as other factors develop which influence the hotel business cycle in Nashville, but the nearer-term prospects are strong given the changed landscape of the market with the opening of the Omni.

Overall, the Music City Center and Nashville Omni projects attracted new, large group demand that is paying higher rates than the market previous accommodated. The expanded scale of the Nashville hotel market stimulated this growth in demand for national and international conventions, trade shows, and conferences that historically did not use Nashville as their meeting destination. As a result of the new demand since the expanded hotel capacity and convention center opened, occupancy and ADRs have risen well above the previous averages in the submarket and sustained themselves at these higher levels—all good news for hotel market participants in the Downtown Nashville market.

FOR MORE INFORMATION REGARDING PKF HOSPITALITY RESEARCH, A CBRE COMPANY, PLEASE CONTACT:

Jamie Lane

Senior Economist

PKF Hospitality Research | CBRE Hotels

+1 404 809 3950

jamie.lane@pkfc.com

Follow Jamie on Twitter: @Jamie_Lane

Brett Edgerton

Economist

PKF Hospitality Research | CBRE Hotels

+1 404 842 1150 x 245

brett.edgerton@cbre.com

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at www.cbre.com/researchgateway.

Additional U.S. research produced by CBRE Research can be found at www.cbre.us/research.

ABOUT PKF-HR | CBRE Hotels

PKF Hospitality Research is a CBRE company that prepares a variety of forecast and benchmarking reports, as well as maintains extensive databases of hotel income statements and sale prices. These reports and data provide the foundation for strategic planning by all who have an interest in hotel property financial performance. Additional information can be found [here](#).