

# CLA MEMORANDUM

DATE: September 08, 2025

TO: Councilmember Bob Blumenfield

FROM: Sharon M. Tso   
Chief Legislative Analyst

Council File 15-1207-S1  
Assignment No. 25-08-0743

## Convention Center Expansion Project Update - September 2, 2025

Per your letter of August 6, 2025, my Office provided a review of the Convention Center Expansion Project (Project) dated August 29, 2025 (8/29 CLA Memo), including a summary of changes to the proposed scope, construction timeline, cost and delivery model since 2020. The 8/29 CLA Memo was informed by a report of the CAO dated August 22, 2025 (8/22 CAO Report).

Subsequent to the release of the 8/29 CLA Memo, on August 29, 2025 the CAO released an addendum to the 8/22 CAO Report that provides refreshed financial figures due to updates to Project costs and signage revenue. This memorandum provides CLA perspective on the addendum and recent Project updates. At your request, this will be posted to the Council File and provided to all members of the Council.

### 8/22 Project Proposal

Per the 8/29 CLA Memo, the 2025 Project Proposal was anticipated to cost \$2.489 billion total, which includes \$91 million in preconstruction costs, \$1.845 billion in construction costs, \$35 million in development fees, and an estimated \$527 million in 'City-held costs'. Annually, the Project was expected to cost \$226 million in construction, financing, and operating and maintenance costs. This is offset by \$143 million in Project revenues from events (\$52 million), parking (\$24 million), signage (\$61 million), and other adjustments (\$6 million), as well as an anticipated \$22 million in General Fund revenue, for a total of \$165 million in annual revenues. This left an anticipated annual financing gap of \$61 million if estimates for revenue and City-held costs were realized as estimated.

### 8/29 Proposal Update

The 8/22 CAO Report notes that certain DWP-related items in the Pico Passage were estimated at a total of \$54.9 million. However, analysis subsequent to the release of the Report have identified costs that had not previously been captured. DWP has informed City staff and APCLA of power needs and power system requirements not anticipated in the original Project scope. This additional scope is estimated to cost a total of \$229 million.

The 8/29 CAO Report takes the position that risks to the signage scope are significant enough to warrant a downside revenue scenario as a committed estimate. The CAO states that this change stems from the possibility that AB 770 is not signed by the Governor. Under this downside scenario the City's proposed digital signage program will be limited to substantially smaller freeway-facing signs. The 8/22 CAO Report noted that the signage program was expected to provide \$61 million of

the annual anticipated revenue for the Project; this revision removes \$34 million from the revenue projection, for an annual average of \$27 million.

The 2025 Project Proposal Update anticipates costs to total \$2.718 billion, which includes \$91 million in preconstruction costs, \$2.035 billion in construction costs, \$35 million in development fees, and an estimated \$566 million in City-held costs. As a result, the anticipated annual financing gap is \$111 million. But it should be noted that the annual payments in the early years exceed \$160 million.

	<b>8/22 Proposal</b>	<b>8/29 Update</b>	<b>Increased/(Decreased)</b>
Preconstruction Cost	\$82 million	\$82 million	–
Construction Costs	\$1.845 billion	\$2.035 billion	\$190 million
City Held Costs	\$527 million	\$566 million	\$39 million
APCLA Development Fee	\$35 million	\$35 million	–
<b>Total Project Cost</b>	<b>\$2.489 billion</b>	<b>\$2.718 billion</b>	<b>\$229 million</b>

<b>Total Nominal Cost</b>	<b>\$5.4 billion</b>	<b>\$5.9 billion</b>	<b>\$500 million</b>
<b>Total Annual Debt Service Cost</b>	<b>\$(226 million)</b>	<b>\$(242 million)</b>	<b>\$16 million</b>

<b>Site-Specific Revenues</b>	<b>\$143 million</b>	<b>\$109 million</b>	<b>(\$34 million)</b>
Net Signage	\$61 million	\$27 million	(\$34 million)

<b>Annual Funding Gap</b>	<b>(\$61 million)</b>	<b>(\$111 million)</b>	<b>\$50 million</b>
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An updated comparison of the Project proposals from 2020, 2024, and the most updated proposal from 2025 is attached.

As noted in our previous Memo, our Office has serious concerns about proceeding with the Project as presented. Updates within a single week have pushed General Fund obligations to an additional \$50 million per year. While an expanded and modernized Convention Center should remain a priority for the City, Council should weigh the uncertainty regarding major aspects of construction, serious risks to vital revenue streams, and developing nature of the overall Project when deciding

whether to move forward. Additional information may be available from other City departments with regard to assessment of the project, including the Bureau of Engineering and the City Attorney.

If we may be of further assistance, please let us know.

Attachment: LACC Project Comparison, 2020 to 2025, Revised 9/5/2025

**LACC PROJECT COMPARISON - Revised**  
**2020 to 2025**  
**9/5/2025**

Information presented below is based on the August 29, 2025, addendum by the City Administrative Officer, as well as other sources.

	<b>2019/2020 Plan</b>	<b>Plan at EWA Initiation (Spring 2024)</b>	<b>Final Negotiated Plan (August 8/29/2025)</b>
<b>Delivery Method</b>	P3	Design-Build	Design-Build
Project Developer (APCLA)	– AEG and Plenary	– AEG and Plenary	– Plenary
Builder (PWJV)	– PCL and Webcorp	– PCL and Webcorp	– PCL and Webcorp
Architect	– Populus	– Populus	– Populus

<b>Total Project Cost</b>	<b>\$1.1 billion</b>	<b>\$2.2 billion</b>	<b>\$2.718 billion</b>
Preconstruction Cost	\$15 million	\$85 million <sup>1</sup>	\$82 million <sup>1</sup>
Construction Costs	\$1.1 billion	\$1.694 billion	\$2.035 billion
City Held Costs	N/A <sup>2</sup>	\$421 million <sup>2</sup>	\$566 million <sup>2</sup>
APCLA Development Fee	N/A	\$35 million	\$35 million
<b>Total Annual Cost</b>	<b>\$(111 million)</b>	<b>\$(158 million)</b>	<b>\$(242 million)</b>
Annual Construction Cost	\$(67 million)	\$(96 million)	\$(182 million)
Annual O&M Cost	\$(44 million)	\$(62 million)	\$(60 million)
<b>Total Nominal Cost</b>	<b>Not determined</b>	<b>\$4.8 billion</b>	<b>\$5.9 billion</b>
Allowances (included in Construction Cost)	None	Kitchen \$37M Gil Lindsay Plaza \$45M	Kitchen \$41.2M Signage \$148.4M DWP: Bond St \$165.8M DWP: Other \$69.9M
Removed from Scope	No change to scope	No change to scope	Gil Lindsay Plaza (\$52M)

1 - CAO figures for pre-construction costs are not inclusive of \$9.163 million in costs incurred in the ENA period. These costs may be financed in the Expansion project financing package

2 - City-held Costs were first estimated for the Plan at EWA Initiation

	2019/2020 Plan	Plan at EWA Initiation (Spring 2024)	Final Negotiated Plan (August 8/29/2025)
Incentive to APCLA for Phase One Completion on time	\$0	\$0	Up to \$30 million
Incentive to PWJV for Phase One Completion on Time	\$0	\$0	Up to \$30 million

<b>Overall GF Cost (Annual)</b>	<b>(\$111 million)</b>	<b>\$(158 million)</b>	<b>\$(242 million)</b>
Projected Revenues	\$102 million	\$ 115 million	\$ 131 million
Expired LACC MICLA	\$50 million	\$0	\$0
Stabilized LACC revenue	\$55 million	\$96 million	\$109 million
CTD Budget	\$(3) million	\$0	\$0
Incremental Tax <sup>3</sup>	\$0	\$19.1 million	\$22 million
<b>Net Difference (Annual)</b>	<b>(\$9 million)</b>	<b>\$(42.9 million)</b>	<b>\$(111 million)</b>

3 - Other GF Revenue includes Indirect and Induced revenues generated by various City General Fund taxes

Revenues	\$55 million	\$137.2 million	\$109 million
– Net Event Revenue	\$33.6 million	\$49.4 million	\$52 million
– Net Parking	\$12.4 million	\$22.2 million	\$24 million
– Net Signage <sup>4</sup>	\$17.1 million	\$59.9 million	\$27 million
– Other Adjustments <sup>5</sup>	(\$7.8 million)		\$6 million
Induced Tax Contribution	N/A	\$19.1 million	\$22 million
Signage Revenue Detail			
– Non-freeway-facing	N/A	N/A	\$26 million +
– Freeway-facing <sup>6</sup>			<u>\$1 million</u> <sup>6</sup>
– Potential Total Revenue			\$27 million (rounded)

4 - Full Signage Revenues, with Freeway-Facing Signage, requires legislative action and a path forward that addresses Federal law compliance.

5 - Other adjustments include revenues from additional sponsorships, on-site cell towers, and interest income, which are offset by CTD departmental costs.

6 - Freeway-facing signage estimated revenues have been reduced resulting in a net \$34 million decrease due to uncertainty regarding their future.

### Expansion Program

Added Exhibit Hall sq. ft.	190,000 sf	190,000 sf	190,000 sf
New Meeting Room sq. ft.	55,000 sf	55,000 sf	38,500-39,000 sf
Multi-Purpose Hall sq. ft.	95,000 sf	95,000 sf	95,000 sf
Gilbert Lindsay Plaza	Full renovation	Full renovation	Removed from project as

	2019/2020 Plan	Plan at EWA Initiation (Spring 2024)	Final Negotiated Plan (August 8/29/2025)
Renovation			part of the VE exercise
<b>Olympics Readiness</b>	Complete project before start of 2028 Games (Olympics Readiness date of 2/1/28)	Complete project before start of 2028 Games (Olympics Readiness date of 2/1/28)	Phase I completed by March 31, 2028, with pause for 2028 Games  Phase 2 completed in 2029

<b>Sole Source Findings</b>	<ul style="list-style-type: none"> <li>– Complete entirely before the 2028 Olympic Games</li> <li>– The only way to remove AEG rights (signage and property interests) in time to possibly achieve the City’s goal of finishing the entire construction project before the games is by working with AEG and its affiliate, APCLA</li> <li>– JW Marriott expansion, which was contemplated to finish concurrently as an essential facet of the overall Project (expansion cut after this Plan)</li> </ul>	<ul style="list-style-type: none"> <li>– Complete entirely before the 2028 Olympic Games</li> <li>– The only way to remove AEG rights (signage and property interests) in time to possibly achieve the City’s goal of finishing the entire construction project before the games is by working with AEG and its affiliate, APCLA</li> </ul>	<ul style="list-style-type: none"> <li>– Achieve Phase 1 Olympic Readiness scope before the games</li> <li>– The only way to remove AEG rights (signage and property interests) in time to possibly achieve the City’s goal of finishing the Phase 1 Olympic Readiness scope before the games is by working with AEG and its indirect affiliate, APCLA</li> </ul>
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<b>Emerging Issues</b>	
<b>Weakened Economy</b>	<ul style="list-style-type: none"> <li>– Reduced tourism</li> <li>– Tariffs (\$50 million contingency)</li> <li>– Inflation</li> </ul>
<b>AB 770, Signage</b>	<ul style="list-style-type: none"> <li>– This bill, as drafted, is still under consideration by the legislature and would require the Governor’s signature by, at the latest, October 12, 2025</li> <li>– Bill amendments on September 5 restore requirements for State permit approval.</li> <li>– Does not address federal component of concern</li> <li>– Does not provide certainty that signage is allowed</li> <li>– FHA has already found CalTrans out of compliance</li> <li>– FHA enforcement could result in State loss of federal transportation funding, estimated at \$580 million, with undetermined impacts to the City, including fiscal liability</li> </ul>

City Fiscal Status	<ul style="list-style-type: none"> <li>- City is under a designated Fiscal Emergency</li> <li>- Interest rate changes will increase cost</li> <li>- City under negative credit watch, which has already affected costs on City projects</li> <li>- Business tax repeal measure could eliminate \$800M in General Fund revenues</li> <li>- City debt capacity of 6 percent of General Funds should be evaluated in consideration of all City priorities and the City's overall fiscal condition</li> </ul>
Removal of AEG from APCLA	<ul style="list-style-type: none"> <li>- AEG, the operator of the LACC, will remove themselves from APCLA upon signing the Project Agreement with the City; APCLA now solely consists of Plenary, who was brought in by AEG as a partner</li> <li>- AEG's inclusion in the deal was necessary for their release of rights, which they have still included in their exit agreement</li> <li>- The loss of AEG is concerning given that AEG has been a long-term partner with the City</li> </ul>

<b>Continued Uncertainty</b>	
Fire/Life Safety	It is not possible to ascertain whether the Fire/Life Safety systems can support issuance of a Temporary Certificate of Occupancy at Olympic Readiness as such issuance requires analysis of permits for construction that have not yet been submitted for evaluation and will not be submitted until construction is ready to begin (i.e., after execution of the Project Agreement). Issues related to required temporary egress for 2028 Games events remain unresolved.
Signage	Federal issues related to freeway-facing signage would not be resolved with the passage of AB 770. The Governor has previously vetoed similar bills. For signage revenue certainty, the State must negotiate a revised agreement with the Federal Highway Administration to incorporate contemporary signage practices and technologies in a manner that would allow the proposed City signage. Note that this bill was amended on September 5 but still provides no revenue certainty.
Available Time for Contingency	The Project Agreement includes 20 days to accommodate construction delays (float). But the project has maximized the time available for work, with 6-day work weeks and additional shifts for certain trades at key times for critical path tasks in the schedule. As a result, there is very little additional time to accommodate any schedule delays that may occur beyond those days already included in the schedule.
Olympic Readiness	All heavy construction must be completed before the Exclusive Use Period for the 2028 Olympic and Paralympic Games, which begins May 28, 2028. Any delays in construction could impact the ability of the LACC to operate fully for the Games. Constraints on Contingency for time could impact Olympic Readiness. APCLA has indicated that they would meet Olympic Readiness by March 31, 2028.

<b>City-Held Risk</b>	
Risk relating to interaction between this project and the Olympic Games	Since the games will take place in between construction phases, the Olympic Games and construction progress need to be coordinated. Construction delays could negatively impact the delivery of the Olympic Games. The Project Schedule includes 20 days of "float" that allow the project to accommodate Schedule Delays. Any additional delays could impact the Olympic Games.
Authorities Having Jurisdiction	Building systems, emergency egress solutions, and accessibility plans must be in place to ensure fire and life safety for building occupants, particularly with regard to egress during the Olympic Games. Authorities Having Jurisdiction (AHJs) must have time to inspect the project and determine that the facilities are safe for use under a Temporary Certificate of Occupancy (TC). Without a TCO, the Olympic Games may not be able to use the Convention Center.
Schedule Delivery	Tight deadlines are in place for the City and APCLA to ensure completion of the project in time for the Olympic Games. Significant risks that could impact schedule are: <ul style="list-style-type: none"> <li>- meeting contract deadlines</li> <li>- ensuring Olympic Readiness</li> <li>- Unexpected delays delivering DWP facilities</li> <li>- Unknown site conditions or utilities</li> <li>- delays in permit issuance</li> </ul>
DWP timeline risk	Allocated to the City as City-held risk; DWP's compressed timeline raises concerns about the likelihood of potential delays and their impact to the critical path. Time required to install electrical circuits may delay opening to 2031/32, leaving the newly constructed facility vacant for two to three years. Additional costs would fall to the City.
<b>Value Engineering</b>	
At the instruction of Council, the Parties identified potential project revisions to achieve Value Engineering in order to reduce costs. The items listed resulted in a cost reduction of \$107 million.	<u>\$107 million cost reduction</u> <ul style="list-style-type: none"> <li>- 'Removal' of Gilbert Lindsay Plaza renovation</li> <li>- 16-16,500sf less Meeting Room space</li> <li>- Simplification of MPS ceiling design</li> <li>- LACC Free Parking</li> <li>- LADOT 3" Conduit</li> <li>- Site Security (PWJV)</li> <li>- Building Information Modeling</li> <li>- Card Readers</li> <li>- Existing facility airwall upgrade</li> <li>- Unrealized VE on wood paneling</li> <li>- Elimination of SS panels at HALO</li> <li>- 50% reduction in MPS Floor Box Grid</li> <li>- Const. Offices into South Hall</li> <li>- 50% reduction in Solatubes</li> <li>- Reduced Security Conduit needs</li> <li>- Kitchens and Concessions allowance</li> <li>- Reduction in perforated metal lane dividers</li> <li>- Other recommended VE items</li> </ul>

**Additional Considerations**

- A. 4th Circuit: DWP has reported that a 4th electrical circuit is required to support the LACC expansion project, otherwise the LACC could lose power if any of the remaining circuits fail. This could lead to extended power outages. Opening of the Expansion would be delayed until the 4th circuit is completed. Timing for completion of the circuit is under consideration. If delayed until 2031/32, the constructed building would not be occupied for up to three years. An option to expedite to March 2029 final completion could:
1. Delay other major priority projects, including Port of Los Angeles (POLA) and Metro projects. Additional information concerning the extent and impacts of these delays are required. For example, POLA may be at risk for the loss of significant grant funding and the Metro projects may include transportation improvements required for the 2028 Games. Further, DWP should report on potential impacts on the Pacific Palisades recovery efforts;
  2. Seek the Mayor and Council to engage with labor partners to support the additional efforts needed to meet this deadline; and
  3. Require peak hour and holiday construction waivers.
- B. Relocation of Underground electrical structures along Pico remains under consideration, with final design, costs, and requirements still undetermined. This in itself is a cause of concern in moving forward.
- C. AEG is provided a one-year right to negotiate with the City to sell and operate new LACC signage. Council should designate City departments who should enter into such negotiations.

<b>Costs to Design and Negotiate the Project Agreement</b>			
<b>Negotiating Period</b>	<b>APCLA</b>	<b>BOE</b>	<b>City Consultants</b>
ENA	\$5,980,000	\$1,500,000	\$7,250,000
EWA 2024	\$36,863,722	\$2,000,000	\$9,500,000
EWA 2025	\$19,986,296		\$7,750,000
EWA Populous Fee	\$750,000		
- Total	\$63,580,018	\$3,500,000	\$24,500,000
- Grand Total	\$91,580,018		

Debt Service Formula	Projected Costs
The Preconstruction Expenses +	\$91,580,018
Construction Expenses +	\$2,035,000,000
Development Fee +	\$35,000,000
<u>City Held costs =</u>	<u>\$566,000,000</u>
the Debt Service number	\$2,727,580,018

Recent City Capital Projects Funded with General Fund Revenues		
	Original MICLA Amount	CPI Adjustment
1993 Convention Center Expansion		
1990 Issuance	\$202,000,000	\$498,000,000
1993 Issuance	<u>\$504,000,000</u>	<u>\$1,125,000,000</u>
Total	\$705,000,000	\$1,623,000,000
Figueroa Plaza Acquisition	\$221,135,000	\$316,821,977
Police Administration Building	\$303,000,000	\$484,386,000
2025 LACC Expansion	\$3,000,000,000	

Project Financing Structure
<p>The MICLA bond financing structure for this project is unusual. Project bonds have, until now, been approved as a single issuance. This project would be approved in two separate issuances. Cost savings are typically achieved in a single issuance. However, the CAO indicates that it is necessary to identify City assets to back the bonds for this project and additional time is required to identify those assets. Special consideration should be given to the City assets identified for the second issuance.</p> <p>The City has never had a MICLA issuance of this size.</p> <p>To secure such a large issuance, the City may be required to use City assets such as City Hall, City Hall East, the Police Administration Building, and others to secure the necessary debt to finance the Project.</p> <p>CAO notes that the debt obligation is anticipated to consume future General Fund revenue growth.</p>