


REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Council District: 9

To: The Mayor
The City Council

From: Matthew W. Szabo, City Administrative Officer 

Subject: **ADDENDUM REPORT TO FINAL DIRECTION ON THE LOS ANGELES
CONVENTION CENTER EXPANSION AND MODERNIZATION PROJECT**

SUMMARY

This is an addendum to the report released by the City Administrative Officer (CAO) on August 22, 2025 titled *Final Direction of the Los Angeles Convention Center Expansion and Modernization Project (August 22nd Report)* (C.F. 15-1207-S1). This Addendum Report provides an update on the total costs for the Los Angeles Convention Center Expansion and Modernization Project (Project) based on cost information received after the release of the August 22nd Report related to scopes of work to be completed and/or coordinated by the Department of Water and Power (DWP). Specifically, on August 28, 2025, AEG Plenary Conventions Los Angeles, LLC (APCLA) submitted a revised proposal (8/28 Revision) to their Committed Proposal of August 16, 2025 (8/16 Proposal) incorporating increased costs associated with the DWP scopes of work and other adjustments.

Furthermore, the Addendum Report revisits the revenue estimates from the digital signage program proposed given the growing concerns that Assembly Bill 770 (AB 770) may not be signed by the Governor as currently drafted. Based on this revised assumption, a downside revenue estimate has been developed. Should the Council and Mayor wish to proceed with the Project, this Addendum Report provides two amended recommendations (Recommendations 2 and 3) to the August 22nd Report to account for the updated total cost. All other recommendations in the August 22nd Report are unchanged. Additionally, new Fiscal Impact and Debt Impact Statements are provided.

As further detailed in this Addendum Report, the revised total cost for the Project is \$2,718 million which represents an increase of \$229 million from the \$2,489 million cost presented in the August 22nd Report. This revised Project cost includes increases to the construction cost and City-Retained costs which have grown from \$1,845 million to \$2,035 million, and \$527 million to \$566 million, respectively. The increase to the total Project cost will require an increase in the bond authorization needed to finance the Project through the use of Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds. A new recommendation pertaining to the financing

of the Project is included in a separate report which is an addendum to the CAO report titled *Request Authorization for the Issuance and Sale in a Principal Amount of up to \$990 Million of Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds 2025-A (Los Angeles Convention Center) and MICLA Lease Revenue Bonds Series 2025-B (Los Angeles Convention Center) (Federally Taxable)* (CF 15-1207-S3). As detailed in that separate report, approval of the Project will cause the City, through MICLA, to borrow an estimated total of \$2.95 billion in lease revenue bonds. This is an increase of \$255.42 million from the previously requested amount.

With respect to estimated revenues from the proposed digital signage program, this Addendum Report presents a downside revenue scenario and revised net General Fund impacts from lower receipts stemming 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 which will reduce projected revenues, resulting in net revenue of \$27 million annually over a 30-year period, in nominal dollars. Together with a higher overall Project cost, the average annual net General Fund impact is estimated to be \$111 million, in nominal dollars.

Additional details on the changes to the revenues, costs, debt service, and net General Fund impact are presented in the updated tables from the August 22nd Report. These tables include the following:

- Total Capital Costs of LACC Expansion Project (*in millions*)
- Change in Design and Construction Costs (*in millions*)
- City-Retained Costs (*in millions*)
- Projected LACC Revenues and Operating Expenses (*average annual in millions of nominal dollars*)
- Estimated Average Annual General Fund Impact over a 30 Year Operating Period (February 2029 - June 2058) (*in millions of nominal dollars*)
- Estimated Net General Fund Impact by Fiscal Years over a 30 Year Operating Period (February 2029 - June 2058) (*in thousands of nominal dollar*)

RECOMMENDATIONS

To move forward with an Expansion and Modernization of the Los Angeles Convention Center, and subject to approval of the Mayor, Council should:

2. Approve total Project Costs of up to \$2.72 billion, inclusive of up to \$82.4 million for preconstruction costs, up to \$2,035 billion for design and construction, a Developer Fee of up to \$35 million, and up to \$566 million for City-Retained Costs.
3. Accept the August 16, 2025 Committed Proposals received from AEG Plenary Conventions Los Angeles, LLC (APCLA) including the Firm Fixed Price (FFP) and Baseline Project Schedule (Schedule), as revised by APCLA's submission on August 28, 2025, including the Olympic Readiness Deadline of March 31, 2028, and instruct, request, and authorize the necessary City departments to take any and all actions in furtherance of the Los Angeles Convention Center Expansion and Modernization Project, including without limitation the

negotiation and execution of any document necessary to implement the partial release/modification of Anschutz Entertainment Group Rights referenced below in this report.

DISCUSSION

In the August 22nd Report, this Office sought direction from the Council and Mayor on whether to proceed with or terminate the Project. As we presented in the August 22nd Report, the total cost of the Project was \$2,849 billion, based on APCLA's 8/16 Proposal. This amount was inclusive of pre-construction (\$82 million) and construction cost (\$1,845 million), developer fee (\$35 million), and City retained costs (\$527 million).

Included in the construction costs were allowances for scopes of work to be completed and/or coordinated by DWP that had yet to be fully developed or designed pertaining to the electric power and other utility needs of the expanded Los Angeles Convention Center (LACC). This work included the construction of a new Network Station with an allowance of \$28.2 million and other Utility Company Costs with an allowance of \$26.7 million. As stated in the August 22nd Report, the DWP scope of work was continuing to evolve and new requirements had been identified related to the DWP power conduits required for the expansion and for Substantial Completion. At the time the August 22nd Report was released, the cost impacts of this changing scope were unknown and as such not included in the total cost of the Project.

Shortly after the release of the August 22nd Report, additional cost information from DWP was received relative to their scope of work. This cost was above the allowance amounts included in the 8/16 Proposal. As such, this additional cost required APCLA to revise their 8/16 Proposal.

Overall Capital Costs

Based on APCLA's 8/16 Proposal and 8/28 Revision, the Project is estimated to cost a total of \$2,718 million which is an increase of \$483 million from the \$2,235 million in Project costs presented in the March 2025 Report. The Project cost includes preconstruction period costs, construction costs, a development fee payable to APCLA, and City-Retained costs.

Total Capital Costs of LACC Expansion Project <i>(in millions)</i>				
Project Phase	March 2025	August 22nd Report	Addendum Report	Difference (Addendum Report - March 2025)
Total Preconstruction Cost	\$85	\$82	\$82	(\$3)
Design and Construction Cost*	1,694	1,845	2,035	341
APCLA Development Fee	35	35	35	-
City-Retained Cost	421	527	566	145
Total Financed Capital Cost	\$2,235	\$2,489	\$2,718	483
* Within the 8/16 Proposal as revised by the 8/28 Revision, the total contract that would be awarded to APCLA is approximately \$2,073 million which represents construction costs (\$2,035 million), the Development Fee of \$35 million, and design cost reimbursements of \$2.73 million.				

Preconstruction Costs

Preconstruction costs are costs incurred or anticipated by the City in the advancement of the Project since its inception in 2019 through Commercial Close on September 29, 2025. The 8/28 Revision does not impact the previously reported amount.

Construction Costs

APCLA's 8/16 Proposal included construction cost as \$1,845 million. The 8/28 Revision includes adjustments as shown below with a revised total construction cost of \$2,035 million.

Change in Design and Construction Costs (in millions)					
Item	Mar. 2025	Aug. 22nd Report	Addendum Report	Difference (Addendum Report-March 2025)	Description
Baseline Project Cost	\$1,422	1,427	1,425	3	Uncommitted project costs submitted by APCLA on Feb. 10, 2025. Increase due to pricing transfer from preconstruction expenses.
Owner Allowance Items	220	245	425	205	Specific areas within the FFP that are unable to be priced, generally because the design for the scope is not developed commensurate to the overall Project. Items are described in greater detail in the Owner Allowance section of this report.
Value Engineering	52	(54)	(54)	(106)	Removal of Gil Lindsay Plaza Redevelopment from the Project scope and additional VE items.
Scope Addition	-	36	36	36	Increased costs due to updates to audio visual system, secure network wayfinding system, and other systems.
TRs not included in March 2025 Report	-	19	30	30	TRs not included in the pricing presented in the March 2025 Report, which was indicative. Includes HVAC system work, smoke control, and miscellaneous systems improvements.
Inflation	-	26	26	26	Inflationary costs on materials.

Staffing, Job Expense, Insurances	-	11	11	11	Additional insurances, taxes LACC office and staff relocation as well as additional project staffing and job office expenses.
Olympics Readiness Impacts	-	17	25	25	Impact of pause for hosting the 2028 Games as well as remobilization.
Subcontractor Cost Increases	-	112	105	105	Scope clarifications with mechanical, electrical, plumbing, and fire subcontractors. Subcontractor allowances for unforeseen scope impacts. Subcontractor substitution and other pricing changes.
Additional PWJV Fees	-	6	6	6	Additional PWJV Fee, Decrease cost of Sub-contractor Default Insurance, Increased DB contingency.
	\$1,694	\$1,845	\$2,035	\$341	

Owner Allowance Items

The revised construction costs include a total of \$425 million for four separate Owner Allowance items required under the PA; Kitchen and Food Service, Digital Signage, DWP Network Station, and Utility Company Costs. Changes to the allowance costs for the DWP Network Station and Utility Company Costs are driving the increases to the total Project cost.

- Kitchen and Food Services Allowance (\$41.2 million) - No change from 8/16 Proposal.
- Digital Signage Allowance (\$148.4 million) - No change from 8/16 Proposal. Should the digital signage program be reduced as further discussed in this Addendum Report, a reduction in this allowance would be warranted. The amount of this reduction will depend on the design, construction, and power needs of the reduced signage program which have not been developed.
- DWP Network Station Allowance (\$165.8 million) - The increase from the 8/16 Proposal is due to costs associated with conduit and cabling work related to the Project.
- Utility Company Costs Allowance (\$69.9 million) - The increase from the 8/16 Proposal is due to the relocation of utility vaults along Pico Blvd.

With respect to the Network Station and Utility Company scope of work, DWP has reached the determination that they can support the Olympic Readiness schedules and interim services, as outlined in the memo sent to the Mayor's Office on August 15, 2025 and referenced in the August 22nd Report. However, DWP has qualified their ability to support the completion and energization

of the Project through the 4 circuits required by the completion dates in 2029 without significant impacts to ongoing major initiatives. Thus, DWP has identified the following three conditions in order for them to complete their cabling work by March 2029. These conditions are:

- DWP delays multiple major City and Los Angeles Metro initiatives and pursues external resources.
- DWP Management and the Mayor's Office secure approval from Labor for outside contracting needs.
- The Project receives peak hour and holiday moratorium exemptions.

It is important that the Council and Mayor understand these conditions as these add to the complexity and existing challenges of the Project which may have implications for other important City projects.

APCLA Development Fee

The PA requires the City to pay a Development Fee of up to \$35 million to APCLA with a reduction of a portion of the fee if the Project schedule is delayed from the Olympics Readiness Deadline and/or Substantial Completion. The 8/28 Revision does not impact the previously reported Development Fee PA term.

City-Retained Costs

The revised total estimated City-Retained Cost for the term of the Project is \$566 million. This increase from the August 22nd Report is driven by the increase to the construction costs. A portion of the City-Retained Cost are attributed to contingencies that are percentages of the construction costs. Thus, as the construction costs, so do the contingencies within the City-Retained Cost. A summary of the costs is provided below:

City-Retained Costs (in millions)					
Item	Mar.2025	Aug. 22nd Report	Addendum Report	Difference (Addendum Report-March 2025)	Description
Unforeseen Contingencies, Claims and Scope Change, Utilities and Transferred Scope from VE exercise	\$266.0	\$369.0	\$397.0	\$131.0	Funding available to address claims and scope issues during construction. Increase due to higher Project costs. New contingencies for risk of tariffs, existing systems upgrades, DWP and utilities risk, and schedule acceleration as well as transfer of kitchen improvements removed as a VE item and will be completed by the LACC Operator.

Project and Construction Management and Legal Fees	58.2	66.2	70.6	12.4	Includes Project, Construction Management and Legal support to provide support to the City. Increase due to a longer term of construction.
Furniture, Fixtures, Equipment, Signage, and Other Costs.	34.4	36.3	36.3	1.9	Includes new non-fixed equipment to support the LACC, office space, and other administrative costs. Increase due to escalation as a result of delayed final completion date.
Public Art	17.0	18.5	20.4	3.4	One Percent of construction costs are required per the City's Public Art Program. Increase due to construction costs.
GLP Construction Escalation	6.6	-	-	(6.6)	Removed as a VE item.
City Staff and Administrative Costs	38.7	36.7	41.0	2.3	Estimated direct, indirect, and expense costs for 35 positions within various City departments to provide Project support. Reduction due to revised indirect costs calculation
Total:	420.9	526.7	565.3	144.4	

Anticipated Project Revenues and Operational Expenditures

Other than the Signage revenue, no other adjustments have been made to the anticipated Project Revenues or Operational Expenditures.

Signage

As part of the analysis within the August 22nd Report, a full signage program consisting of six new digital signs throughout the LACC campus including two Freeway Facing signs was assumed. Using this scenario, the digital signage program was estimated to generate an average of \$61 million annually over a 30-year period, in nominal dollars assuming an annual three percent escalation rate from February 2029 to June 2058. The majority of the revenue (68 percent) was derived from the Freeway Facing signs which the August 22nd Report described as carrying major risks. Specifically, the City's ability to construct digital displays at the desired size and to display both on-site and off-site advertising which is critical to achieve the assumed revenue, required the passage of AB 770.

As of the drafting of this Addendum Report, there are concerns that the Governor will not sign AB 770 as it is currently drafted. As such, given the downside risks to revenues should the Project

proceed and not be able to benefit from the full digital signage program, this Addendum Report revises the signage revenue as shown in the table below based on a size, separation, and dimensional requirements the City can use without any additional legislative changes. This reduction in the signage program would be accompanied by a reduction in the construction costs set aside in the Digital Signage Allowance (\$148.4 million). The amount of this reduction will depend on the design, construction, and power needs of the reduced signage program which have not been developed.

Projected LACC Revenues and Operating Expenses (average annual in millions of nominal dollars)				
	February 2025	Aug. 22nd Report	Addendum Report	Difference (Addendum Report-Feb. 2025)
Events	\$49	\$52	\$52	\$3
Parking	22	24	24	2
Other Operational Revenues	6	6	6	-
Signage	60	61	27	(33)
Projected Operating Revenues	\$137	\$143	\$109	\$(28)
Incremental Tax Contributions	18	22	22	4
Projected Total Revenues	\$155	\$165	\$131	\$(24)
Operational Expenses	\$64	\$60	\$60	\$(4)
- Estimates for signage revenue have been refined since the August 22 report.				

Financing for the Project

If the Project is approved at the revised cost of \$2,718 million, the City would, through the Municipal Improvement Corporation of Los Angeles, issue fixed rate lease revenue bonds in November 2025 and October 2026. However, the total amount to be issued will also need to increase from \$2.69 billion to \$2.95 billion. The first bond issuance will provide approximately \$860.45 million to pay for project costs through October 2026. A future bond issuance in November 2026 will finance the remaining project cost balance (\$1.86 billion). The CAO will return to Council with the necessary bond documents for the second bond issuance in a future report.

Total estimated debt service is \$5.90 billion of which \$448.65 million will be paid from capitalized interest (bond proceeds) and the remaining \$5.46 billion (net debt service) will be a General Fund obligation. The estimated average annual debt service is \$190.43 million. Final bond maturity is expected to be in 2055-56. Beginning in Fiscal Year 2028-29, the City will need to annually budget from its General Fund to make lease payments.

Net General Fund Impact

Estimated Average Annual General Fund Impact over a 30 Year Operating Period (February 2029 - June 2058) <i>(in millions of nominal dollars)</i>				
	February 2025	Aug. 22nd Report	Addendum Report	Difference (Addendum Report-Feb. 2025)
(A) Total LACC Cost	\$(200)	\$(226)	\$(242)	\$(42)
(B) Total LACC Operating Revenues	137	143	110	(27)
(C) Total LACC Direct General Fund Impact	(63)	(83)	\$(132)	(69)
(D) Indirect Incremental Tax Contribution Impact	18	22	22	4
(E) Net General Fund Impact	\$(45)	\$(61)	\$(111)	\$(65)
<ul style="list-style-type: none"> - Totals may not sum due to rounding. - Total LACC Cost includes projected costs of design, construction, financing, and operating costs for an expanded and modernized LACC. Anticipated lifecycle costs for the Project are not included. Final bond maturity is expected to be May 1, 2056. - LACC Operating Revenues includes projected total revenues generated by the LACC from the start of operations post expansion from a full signage program, events, parking, and other operational revenues. Signage revenues could be negatively impacted by federal, state, and local laws. Additional actions must be taken to realize this revenue. 				

The numbers represented in the table above are estimates based on certain assumptions with respect to Project costs, debt service, LACC operating revenues, and incremental tax benefits resulting from the Project. These are subject to change based on the Project's risk factors, schedule delays, market conditions, and other unanticipated events. Based on the assumptions used, the total cost of the Project, including financing, is anticipated to be partially offset with projected LACC Operating Revenues (Operating Revenues) and Incremental Tax Contributions.

The chart below depicts the impact on the General Fund by fiscal years during the 30-year operating period which is from February 2029 to June 2058. The 30-year operating period starts upon Substantial Completion. The City's obligation to make lease payments are from April 2029 to April 2056. The impact on the General Fund slowly decreases over time and only flips to a positive impact in fiscal year 2055-56 when the final lease payment is made. This chart does not include any impacts from future capital improvement projects related to the convention center, the redevelopment of GLP, or lifecycle costs on the existing LACC facility.

Net General Fund Impact by Fiscal Years over a 30 Year Operating Period (February 2029 -June 2058) <i>(in thousands of nominal dollars)</i>					
Fiscal Year	Total Revenues	Total Operating Cost	Total Net Debt Service	Total Incremental Tax Contribution	Net General Fund Impact
2029	\$ 42,952	\$ (40,040)	\$ (41,561)	\$ 628	\$ (38,021)
2030	82,475	(41,681)	(153,620)	6,922	(105,904)
2031	93,709	(42,899)	(204,843)	9,469	(144,563)
2032	98,714	(44,063)	(204,840)	13,216	(136,973)
2033	104,304	(45,378)	(204,842)	12,967	(132,949)
2034	110,099	(46,474)	(204,844)	13,844	(127,375)
2035	112,834	(47,622)	(204,842)	15,612	(124,017)
2036	116,081	(48,812)	(204,843)	16,786	(120,788)
2037	119,383	(50,033)	(204,845)	17,626	(117,869)
2038	122,738	(51,432)	(204,845)	18,134	(115,406)
2039	125,150	(52,562)	(204,844)	18,712	(113,544)
2040	128,692	(53,877)	(204,841)	18,757	(111,269)
2041	132,994	(55,239)	(204,843)	20,277	(106,811)
2042	136,797	(56,620)	(204,848)	22,761	(101,910)
2043	140,710	(58,206)	(204,839)	21,930	(100,405)
2044	144,679	(59,488)	(204,842)	22,385	(97,265)
2045	148,758	(60,975)	(204,843)	23,031	(94,028)
2046	152,526	(62,478)	(204,845)	23,421	(91,376)
2047	156,880	(64,040)	(204,840)	26,646	(85,354)
2048	161,364	(65,834)	(204,844)	24,458	(84,856)
2049	164,675	(67,284)	(204,844)	26,573	(80,880)
2050	169,712	(68,976)	(204,842)	27,373	(76,734)
2051	174,041	(70,676)	(204,844)	28,348	(73,131)
2052	179,039	(72,443)	(204,839)	30,824	(67,419)
2053	184,187	(74,472)	(204,843)	29,836	(65,291)
2054	189,395	(76,113)	(204,841)	30,686	(60,874)
2055	194,746	(78,016)	(204,837)	31,662	(56,445)
2056	199,713	(79,938)	(139,151)	31,934	12,558
2057	205,441	(81,936)	-	37,759	161,264
2058	211,239	(84,229)	-	32,692	159,703
Total	\$ 4,304,026	\$ (1,801,835)	\$ (5,455,395)	\$ 655,270	\$ (2,297,934)

FISCAL IMPACT STATEMENT

As presented in this Addendum Report, the total costs of the Project is estimated to be \$2,718 million. Based on this cost, the average annual net General Fund impact over the 30 year operating period is estimated to be \$111 million, in nominal dollars. This net General Fund impact represents the gap between the Operating Revenues and tax contributions achieved against the operating expenditures and debt service payments required on an annual basis. The net General Fund impact will be greater if the Operating Revenues and tax contributions do not materialize as planned.

On an annual basis, the actual amount that the General Fund will need to support the operating expenditures and debt service payments on the Project will be greater than \$111 million. From fiscal years 2030-31 to 2036-37, the City would need to budget over \$200 million annually from revenues not directly or indirectly derived from the LACC operations. The impact on the General Fund slowly decreases over time and only flips to a positive impact in fiscal year 2055-56 when the final lease payment is made. There is no additional General Fund impact in 2025-26 and 2026-27 as sufficient funding for lease payments (debt service) due in these years will be paid from bond proceeds within the Capitalized Interest Fund. Lease payments beginning on April 15, 2029 (2028-29) through April 15, 2055 (2054-55) will require future annual General Fund budget appropriations in the Capital Finance Administration Fund (Fund 100, Department 53).

There is no additional General Fund impact as a result of terminating the Project at this point.

DEBT IMPACT STATEMENT

This Report is being considered concurrent to an accompanying report that would authorize the issuance and sale of Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds to finance this Project. The Project, if approved, will cause the City, through MICLA, to borrow an estimated total of \$2.95 billion in lease revenue bonds. Over the 31 year amortization period, total estimated debt service is \$5.90 billion of which \$448.65 million will be paid from capitalized interest (bond proceeds) and the remaining \$5.46 billion (net debt service) will be payable from lease payments to be made by the City to MICLA, which is an obligation of the General Fund. The estimated average annual debt service is \$190.45 million. Final bond maturity is expected to be in 2055-56. The lease payments will require future budget appropriations in the Capital Finance Administration Fund (Fund 100, Department 53). Actual interest rates may differ as rates are dependent on market conditions at the time of issuance.

FINANCIAL POLICIES STATEMENT

The recommendations in this Report comply with the City's Financial Policies in as much as they recognize that initiating multi-year projects or adding new items to the budget with future year expenditure requirements, necessitates the City to consider its ability to continue to pay these future year expenses. The issuance of the Bonds will not cause the City's debt obligation payments to exceed six percent of General Revenues for non-voter approved debt as established in the City's Financial Policies. After the issuances of the Bonds, the projected non-voter approved debt ratio is the highest in 2030-31 at 4.16 percent.