

CLA MEMORANDUM

DATE: August 29, 2025

TO: Councilmember Bob Blumenfield

FROM: Sharon M. Tso 
Chief Legislative Analyst

Assignment No. 25-08-0743

Convention Center Expansion Project Update - August 2025

Per your letter of August 6, 2025, my Office has prepared a review of the Convention Center Expansion Project (Project), including a summary of changes to the proposed scope, construction timeline, cost and delivery model since 2020. At your request, this will be posted to the Council File and provided to all members of the Council.

2020 Project Proposal

In 2020, the Project was anticipated to cost \$1.1 billion total, with an annual funding gap of \$9 million over the course of 30 years, not including City-held costs. This gap, however, was inclusive of a \$50 million retired debt obligation being carried over as revenue to support the Project. As a Public Private Partnership delivery model (a DBFOM), the risk of Project delivery was entirely with the developer.

The scope of the Project matched the request of Council for 190,000 square feet of additional contiguous exhibit hall space; 55,000 square feet of additional meeting room space; and at least 95,000 of multi-purpose space. The Project would have also resulted in the renovation of Gilbert Lindsay Plaza, as well as the expected expansion of the on-site JW Marriott hotel to include an additional 850 meeting rooms, which was cited as a sole source finding for the Project.

Initial Early Works Agreement Estimate

In June 2024, Council instructed City departments to re-engage the Developer to evaluate the project as a Design-Build project, further developing the program and architectural designs developed under the 2020 Project Proposal. At the time, Project costs were estimated at an overall cost of \$1.4 billion total, and Project completion was anticipated in February 2028, prior to the 2028 Olympic Games. This proposal also removed the Developer's commitment to expand the JW Marriott, a sole source finding for the Project. This amount did not include City-held costs.

In January 2025, the Developer provided cost estimates for the project, including an anticipated overall cost of \$2.2 billion total, which included \$82 million in preconstruction costs, \$1.674 billion in construction costs, and \$35 million in development fees. Additionally, this estimated overall cost was the first to include allowances for 'City-held costs' because key project components were not fully designed. These are costs under the risk of the City, at a cost of \$421 million.

At the time of Council consideration, however, it was determined that the project could not begin in time to allow for completion in advance of the 2028 Olympic and Paralympic Games (2028 Games).

As a result, Council instructed City departments to instead evaluate a phased approach that would result in a project that would be nearly finished in advance of the 2028 Games, with complete cessation of work during the 2028 Games and then final completion soon after completion of the 2028 Games.

2025 Project Proposal

Per the CAO Report dated August 22, 2025 (Report), the 2025 Project Proposal is anticipated to cost \$2.489 billion total, which includes \$82 million in preconstruction costs, \$1.845 billion in construction costs, \$35 million in development fees, and an estimated \$527 million in 'City-held costs'. Our review identified an additional \$9 million in preconstruction costs incurred by the Bureau of Engineering and City consultants under the Exclusive Negotiating Agreement; therefore, a comprehensive amount of preconstruction costs is \$91 million.

On an annual basis, the Project is 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.

Overall, this leaves an anticipated annual financing gap of \$61 million if estimates for revenue and City-held costs are realized as estimated, meaning that the General Fund would be required to fill this gap. All project revenues, indirect tax revenues, and induced tax revenues anticipated to be generated by the Expansion are included as revenues to support the Project, yet the Project would still result in a net negative impact of \$61 million on the General Fund. Please note that the CAO is in the process of providing an addendum to the Report that will include updated cost and allowance figures.

The scope of the Project has been reduced from the 2020 Project Proposal. Value engineering concepts have dropped the overall price by \$107 million, but result in the loss of at least 15,000 square feet in meeting space and the removal of Gilbert Lindsay Plaza from the Project scope. Additionally, the expected expansion of the on-site JW Marriott hotel to include an additional 850 meeting rooms, which was cited as a sole source finding, was removed from the scope when Council authorized staff to proceed in June 2024.

The construction timeline for the Project has been altered to a phased delivery approach. The first phase of the Project will achieve 'Olympic Readiness,' which includes all exterior construction among other items, for handover to LA28 by March 31, 2028. After the conclusion of the 2028 Games, the Developer would complete the second phase of construction and hand over the Convention Center on the "Substantial Completion" deadline of February 9, 2029.

The financing structure for this project consists of two separate bond issuances, which the CAO indicates is necessary to identify City assets to back the bonds for the Project. Special consideration should be given to the City assets identified for the second issuance.

Risks to 2025 Project Proposal Schedule and Cost

Serious risk exists with the construction timeline. There is minimal float in the schedule to account for time delays during construction, and the Department of Water and Power (DWP) has not confirmed that they can meet the review timelines suggested by APCLA. Missing the Olympic Readiness deadline could result in serious financial ramifications for the City, including losing the

Olympic and Paralympic events currently planned to be held at the Convention Center and adjacent facilities in 2028.

The Report notes that certain DWP-related items in the Pico Passage are estimated at a total of \$54.9 million. However, developments 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. Information is forthcoming, but additional costs are expected to exceed \$100 million, which would have a direct effect on General Fund obligations to the Project.

Furthermore, there exists risk as to the achievement of the full signage scope, which accounts for a total of \$61 million in average annual funding toward the Project. AB 770, currently before the State Senate Appropriations Committee, would allow the City to place freeway-facing digital displays at the Convention Center, featuring off-site advertising. This would allow for maximized revenue on site. A permit from CALTRANS would not be required. The Bill also contains a penalty structure and other conditions, which may create financial risk for the City if the Federal Highway Administration finds the signage in default of federal requirements. The permission intended with AB 770 would not resolve Federal requirements of the Highway Beautification Act. A revision to the signage scope to remove the freeway-facing digital displays and/or allow for only on-site advertising could reduce annual Project revenues by up to \$36 million, resulting in an annual financing gap of \$97 million.

Finally, unknown existing site conditions, required schedule acceleration, and future tariffs provide additional risks to the Project's construction timeline and cost.

A detailed comparison of the three project stages described above is attached.

Our Office has serious concerns about proceeding with the Project as presented. The cost required to accelerate construction for the 2028 Games is estimated to have an acute negative impact on the General Fund through 2056. Crucial issues remain unresolved, and tangible risk remains due to the shortened construction timeline, minimized delay contingency, lack of resolution on major aspects of the revenue program, and the risk to City assets by the uncommon bond financing structure. Council should consider the cost, revenue uncertainty, liabilities, and the City's overall fiscal status when analyzing this significant decision. 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, 8/29/2025

LACC PROJECT COMPARISON
2020 to 2025
8/29/2025

Information presented below is based on the August 22, 2025, report by the City Administrative Officer, as well as other sources. As of the release of this chart, new information is being evaluated by the City team and the Developer that will likely revise the cost and revenue numbers presented herein. A revised comparison chart may be released as information becomes available.

	2019/2020 Plan	Plan at EWA Initiation (Spring 2024)	Final Negotiated Plan (August 2025)
Delivery Method	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

Total Project Cost	\$1.1 billion	\$2.2 billion	\$2.489 billion
Preconstruction Cost	\$15 million	\$85 million ¹	\$82 million ¹
Construction Costs	\$1.1 billion	\$1.694 billion	\$1.845 billion
City Held Costs	N/A ²	\$421 million ²	\$527 million ²
APCLA Development Fee	N/A	\$35 million	\$35 million
Total Annual Cost	\$(111 million)	\$(158 million)	\$(226 million)
Annual Construction Cost	\$(67 million)	\$(96 million)	\$(166 million)
Annual O&M Cost	\$(44 million)	\$(62 million)	\$(60 million)
Total Nominal Cost	Not determined	\$4.8 billion	\$5.4 billion
Allowances (included in Construction Cost)	None	Kitchen \$37M Gil Lindsay Plaza \$45M	Kitchen \$41.2M Signage \$148.4M DWP: Bond St \$28.2M DWP: Other \$26.7M
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 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
Overall GF Cost (Annual)	(\$111 million)	\$(158 million)	\$(226 million)
Projected Revenues	\$102 million	\$ 115 million	\$ 165 million
Expired LACC MICLA	\$50 million	\$0	\$0
Stabilized LACC revenue	\$55 million	\$96 million	\$143 million
CTD Budget	\$(3) million	\$0	\$0
Incremental Tax ³	\$0	\$19.1 million	\$22 million
Net Difference (Annual)	(\$9 million)	\$(42.9 million)	\$(61 million)

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

Revenues	\$55 million	\$137.2 million	\$143 million
– Net Event Revenue	\$33.6 million	\$49.4 million	\$52 million
– Net Parking	\$12.4 million	\$22.2 million	\$24 million
– Net Signage ⁴	\$17.1 million	\$59.9 million	\$61 million
– Other Adjustments ⁵	(\$7.8 million)		\$6 million
Induced Tax Contribution		\$19.1 million	\$22 million
Signage Revenue Detail	N/A	N/A	\$26 million + <u>\$36 million</u> \$61 million (rounded)
– Non-freeway-facing			
– Freeway-facing			
– Potential Total Revenue			

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

Expansion Program

Added Exhibit Hall square footage	190,000 sf	190,000 sf	190,000 sf
New Meeting Room square footage	55,000 sf	55,000 sf	38,500-39,000 sf
Multi-Purpose Hall square footage	95,000 sf	95,000 sf	95,000 sf

	2019/2020 Plan	Plan at EWA Initiation (Spring 2024)	Final Negotiated Plan (August 2025)
Gilbert Lindsay Plaza Renovation	Full renovation	Full renovation	Removed from project as part of the VE exercise

Olympics Readiness	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
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Sole Source Findings	<ul style="list-style-type: none"> – Complete entirely before the 2028 Olympic Games – 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 – JW Marriott expansion, which was contemplated to finish concurrently as an essential facet of the overall Project (expansion cut after this Plan) 	<ul style="list-style-type: none"> – Complete entirely before the 2028 Olympic Games – 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 	<ul style="list-style-type: none"> – Achieve Phase 1 Olympic Readiness scope before the games – 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
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Emerging Issues	
Weakened Economy	<ul style="list-style-type: none"> – Reduced tourism – Tariffs (\$50 million contingency) – Inflation
AB 770, Signage	<ul style="list-style-type: none"> – 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 – Does not address federal component of concern – Does not provide certainty that signage is allowed – May increase City fiscal liability for any federal penalty imposed on the State

	<ul style="list-style-type: none"> – FHA has already found CalTrans out of compliance – FHA enforcement could result in State loss of federal transportation funding, estimated at \$580 million, with undetermined impact to the City
City Fiscal Status	<ul style="list-style-type: none"> – Interest rate changes will increase cost – City under negative credit watch, which has already affected costs on City projects – Business tax repeal measure could eliminate \$800M in General Fund revenues – 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
Removal of AEG from APCLA	<ul style="list-style-type: none"> – 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 – AEG's inclusion in the deal was necessary for their release of rights, which they have still included in their exit agreement – The loss of AEG is concerning given that AEG has been a long-term partner with the City

Continued Uncertainty	
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.
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.

City-Held Risk	
Risk relating to interaction between this construction 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"> - meeting contract deadlines - ensuring Olympic Readiness - Unexpected delays delivering DWP facilities - Unknown site conditions or utilities - delays in permit issuance
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. Additional costs would fall to the City.
Value Engineering	
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 \$124.15 million.	<u>\$107 million cost reduction</u> <ul style="list-style-type: none"> - 'Removal' of Gilbert Lindsay Plaza renovation - 16-16,500sf less Meeting Room space - Simplification of MPS ceiling design - LACC Free Parking - LADOT 3" Conduit - Site Security (PWJV) - Building Information Modeling - Card Readers - Existing facility airwall upgrade - Unrealized VE on wood paneling - Elimination of SS panels at HALO - 50% reduction in MPS Floor Box Grid - Const. Offices into South Hall - 50% reduction in Solatubes - Reduced Security Conduit needs - Kitchens and Concessions allowance - Reduction in perforated metal lane dividers - Other recommended VE items

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. Construction of the 4th circuit has not been included in the project schedule. Opening of the Expansion would be delayed until the 4th circuit is completed. It is currently estimated that this work would be completed in 2029 given Council and Mayor agreement. DWP has identified three key criteria that impact the ability to meet the March 2029 final completion date:
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. The Mayor and Council would need to engage with labor partners to support the additional efforts needed to meet this deadline; and
 3. DWP would require peak hour and holiday waivers.
- B. Relocation of Underground electrical structures. As a result of the expansion project converting Pico to a tunnel, DWP requires that certain electrical structures located in Pico must be relocated to allow for access and maintenance. This work is not included in the Expansion project scope of work and is not included in the budget, schedule, or project plan in any way. DWP has not yet estimated the cost. Work would be required at some point following completion of the LACC expansion. The City would be obligated to pay for this work.
- 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.

Costs to Design and Negotiate the Project Agreement			
Negotiating Period	APCLA	BOE	City Consultants
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 +	\$1,845,000,000
Development Fee +	\$35,000,000
<u>City Held costs =</u>	<u>\$527,000,000</u>
the Debt Service number	\$2,498,580,018

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	\$504,000,000	\$1,125,000,000
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	\$2,500,000,000	

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>