REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: September 19, 2025

To: The Mayor
The Council

From: Matthew W. Szabo, City Administrative Officer

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

RECOMMENDATION

To move forward with an Expansion and Modernization of the Los Angeles Convention Center, and in addition to the recommendations of City Administrative Officer (CAO) reports dated August 22, 2025 and August 29, 2025, the Council should:

ACCEPT the September 18, 2025 Revised Committed Proposal received from AEG Plenary Conventions Los Angeles, LLC.

SUMMARY

This is a second addendum to the reports released by the City Administrative Officer (CAO) on August 22, 2025 and August 29, 2025 titled *Final Direction of the Los Angeles Convention Center Expansion and Modernization Project* and *Addendum Report to Final Direction on the Los Angeles Convention Center Expansion and Modernization Project,* respectively (C.F. 15-1207-S1). This Second Addendum Report (Report) provides an update on the total costs for the Los Angeles Convention Center Expansion and Modernization Project (Project) based on a Revised Committed Proposal received on September 18, 2025 (9/18 Revision). Updated information for the Project relates to the following areas:

- Revised pricing submitted by AEG Plenary Conventions Los Angeles, LLC (APCLA) inclusive of allowance reductions for scope related to the Los Angeles Department of Water and Power (LADWP) and a management fee reduction.
- Revised City-Retained Cost that coincides with the reduced Committed Proposal amount.
- Revised Signage revenues, updated to reflect on-site signage for the Freeway Facing signs. The Figueroa Facing signs will advertise on and off-site signage. This update is consistent with revenue assumptions presented at the Budget and Finance Committee meeting of September 23, 2025.
- Revised borrowing costs based on updated interest rate assumptions consistent with current market conditions as of September 18, 2025.

Overall Capital Costs
Based on APCLA's 9/18 Revision, the Project is estimated to cost a total of $2,622 million. 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 *(in millions)*	
Project Phase	**September 18, 2025**
Total Preconstruction Cost	$82
Design and Construction Cost*	1,952
APCLA Development Fee	35
City-Retained Cost	553
Total Financed Capital Cost	**$2,622**
* With the 9/18 Revision, the total contract that would be awarded to APCLA is approximately $1,990 million which represents construction costs of $1,952 million, the Development Fee of $35 million, and design cost reimbursements of $2.73 million.	

APCLA's reduction in the design and construction cost totals $83 million. This amount consists of a $78 million reduction in the allowance amount for the Network Station scope of work and a $5 million reduction in the management fee for the PCL Webcor Joint Venture (PWJV). The Network Station allowance reduction is a result of ongoing collaboration between LADWP, APCLA, PWJV, and the City Project Team over the last week in which the power needs of the Project were re-examined. Ultimately, APCLA and LADWP have agreed on the power needs for the Project and on the timeframe for when certain Megawatts will be needed. Specifically, a determination has been made that the Project's power needs can be served by 3 circuits running through the Network Station rather than 4 which had been the cause for the previous cost estimate increase. The $5 million management fee reduction for the PWJV was provided in support of the City's efforts to lower the net General Fund impact of the Project.

The reduction in the design and construction contract has also resulted in a reduction to the City-Retained Cost. Since a portion of the City-Retained Cost are attributed to contingencies that are percentages of the total construction costs, the construction cost reduction has resulted in a $13 million reduction to the City-Retained Cost.

Altogether, the cost reductions detailed above represent a $96 million improvement to the Total Capital Cost from the August 29, 2025 Report.

Net General Fund Impact
In addition to the Total Capital Cost reduction stemming from the 9/18 Revision, this Report is revising Signage revenues from the August 29, 2025 Report based on two assumption changes: 1) AB 770 in its current form even if enacted will not allow the City to proceed with its desired Digital Signage Program, and 2) to facilitate the most revenue on the Freeway Facing signs, given the AB 770 development, the City must assume only on-site advertising. The Figueroa Facing signs will advertise on and off-site signage. This update is consistent with revenue assumptions

presented at the Budget and Finance Committee meeting of September 23, 2025. The revised annual average revenue based on this scenario is $38 million.

The estimated average annual General Fund impact based on the lower costs and slightly higher revenue from the August 29, 2025 Report is provided in the table below.

Estimated Average Annual General Fund Impact over a 30 Year Operating Period (February 2029 - June 2058) *(in millions of nominal dollars)*	
	September 2025
(A) Total LACC Cost	$(231)
(B) Total LACC Operating Revenues	120
(C) Total LACC Direct General Fund Impact	(111)
(D) Indirect Incremental Tax Contribution Impact	22
(E) Net General Fund Impact	**$(89)**

- 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.

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. From fiscal years 2030-31 to 2036-37, the City would need to budget over $190 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. This chart does not include any impacts from future capital improvement projects related to the convention center, the redevelopment of Gilbert Lindsay Plaza, or lifecycle costs on the existing LACC facility.

The August 22, 2025 and August 29, 2025 Reports assumed borrowing rates of 4.84 percent (tax-exempt, 30-year bonds) and 4.86 percent (taxable, 9-year bonds). These interest rates were based on market conditions as of August 15, 2025. Rates have moved lower by approximately 20 basis points (0.20 percent) over the past month. In mid-August 2025, the market was projecting that the Federal Reserve would lower the overnight federal funds in 2025 by 50 basis points (0.50 percent). On September 17, 2025, the Federal Reserve lowered the overnight rate by 25 basis points (0.25 percent), and the market is now projecting 50 basis points (0.50 percent) of additional cuts at the remaining Federal Reserve meetings in calendar year 2025. The Federal Reserve's dual mandate is to promote maximum employment and stable prices by keeping inflation low and stable over time. Recent jobs reports have revealed that hiring had dramatically slowed, and policymakers have shifted their focus from managing inflation to supporting employment. Moving forward, rates are expected to remain volatile given the softness in the labor market and continued inflation including the unknown impact of tariffs.

Net General Fund Impact by Fiscal Years over a 30 Year Operating Period (February 2029 - June 2058)
(in thousands of nominal dollars)

Fiscal Year	Total Revenues	Total Operating Cost	Total Net Debt Service	Total Incremental Tax Contribution	General Fund Impact
2029	37,167	(40,040)	(40,734)	628	(42,979)
2030	67,348	(41,681)	(145,457)	6,922	(112,869)
2031	78,126	(42,899)	(192,695)	9,469	(147,999)
2032	82,660	(44,063)	(192,690)	13,216	(140,876)
2033	87,766	(45,378)	(192,688)	12,967	(137,332)
2034	93,063	(46,474)	(192,689)	13,844	(132,257)
2035	95,283	(47,622)	(192,687)	15,612	(129,413)
2036	98,001	(48,812)	(192,687)	16,786	(126,711)
2037	100,758	(50,033)	(192,684)	17,626	(124,332)
2038	103,552	(51,432)	(192,689)	18,134	(122,436)
2039	105,385	(52,562)	(192,689)	18,712	(121,154)
2040	108,330	(53,877)	(192,684)	18,757	(119,474)
2041	112,018	(55,239)	(192,686)	20,277	(115,630)
2042	115,189	(56,620)	(192,684)	22,761	(111,355)
2043	118,450	(58,206)	(192,684)	21,930	(110,509)
2044	121,748	(59,488)	(192,688)	22,385	(108,042)
2045	125,136	(60,975)	(192,690)	23,031	(105,498)
2046	128,191	(62,478)	(192,689)	23,421	(103,556)
2047	131,811	(64,040)	(192,690)	26,646	(98,273)
2048	135,539	(65,834)	(192,684)	24,458	(98,521)
2049	138,072	(67,284)	(192,690)	26,573	(95,329)
2050	142,307	(68,976)	(192,689)	27,373	(91,986)
2051	145,809	(70,676)	(192,685)	28,348	(89,204)
2052	149,956	(72,443)	(192,688)	30,824	(84,350)
2053	154,228	(74,472)	(192,688)	29,836	(83,096)
2054	158,532	(76,113)	(192,685)	30,686	(79,580)
2055	162,952	(78,016)	(192,686)	31,662	(76,087)
2056	166,961	(79,938)	(128,389)	31,934	(9,432)
2057	171,702	(81,936)	-	37,759	127,525
2058	176,483	(84,229)	-	32,692	124,946
Total	**3,612,523**	**(1,801,835)**	**(5,131,768)**	**655,270**	**(2,665,810)**
Average	120,417	(60,061)	(171,059)	21,842	(88,860)

FISCAL IMPACT STATEMENT

As presented in this Report, the total costs of the Project is estimated to be $2,622 million. Based on this cost, the average annual net General Fund impact over the 30 year operating period is estimated to be $89 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 $89 million. From fiscal years 2030-31 to 2036-37, the City would need to budget over $190 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, 2056 (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 $2.77 billion in lease revenue bonds. Over the 31 year amortization period, total estimated debt service is $5.55 billion of which $421.37 million will be paid from capitalized interest (bond proceeds) and the remaining $5.16 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 $179.13 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 4.03 percent.

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