



BOARD OF LOS ANGELES DEPARTMENT OF CONVENTION AND TOURISM DEVELOPMENT COMMISSIONERS

Commissioners: Jon F. Vein, President; Otto Padron, Vice President;
Ana Cubas; Stella T. Maloyan; David Stone

Members of the public who wish to speak during the meeting must submit a "Request to Speak" form to the Board Secretary prior to the commencement of the public comments for each agenda item of interest. Comments by the public on matters not identified on the agenda, but within the subject matter jurisdiction of the Commission, will be heard only during the item designated as "Public Comment." Public speaking will be limited to two minutes per speaker, unless the presiding officer grants some other amount of time before the commencement of the public comment.

Special Meeting
Wednesday, August 22 2018
9:00 a.m.
Los Angeles Convention Center
1201 S. Figueroa Street, L.A., CA 90015
Executive Board Room

1. CALL TO ORDER / ROLL CALL

2. COMMENTS FROM THE PUBLIC

- a) General Public Comments
- b) Neighborhood Council representatives on any Neighborhood Council Resolution or Community Impact Statement filed with the City Clerk which relate to any agenda item listed or being considered on this agenda for Board of Los Angeles Department of Convention and Tourism Development Commissioners

3. APPROVE MINUTES:

- a) Approval of the special meeting minutes from July 18, 2018

4. REPORTS:

- a) Executive Director Report
- b) Monthly Update – June – AEG Facilities
- c) Monthly Update – June – LATCB

5. DISCUSSION:

NONE

6. ACTION ITEMS:

- a) Pricing Report – Board Report # 18-002

7. ADJOURNMENT

Materials related to an item on this agenda submitted to the Board of Los Angeles Convention and Tourism development after distribution of the agenda packet are available for public inspection in the Executive Office of the Los Angeles Convention Center, 1201 S. Figueroa Street, Los Angeles, CA 90015, during normal business hours.

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

**BOARD OF LOS ANGELES CONVENTION
AND TOURISM DEVELOPMENT COMMISSION**

Regular Meeting Minutes

July 18, 2018

The Board of Los Angeles Convention and Tourism Development Commission (Board) convened a regular meeting on Wednesday, July 18, 2018 at 9:00 a.m. at the Los Angeles Convention Center (LACC), located at 1201 S. Figueroa Street, Los Angeles, CA 90015, in the Executive Board Room.

PRESENT:

President, Jon F. Vein
Commissioner Ana Cubas
Commissioner Stella T. Maloyan

ABSENT:

Vice President, Otto Padron
Commissioner David Stone

PRESENTERS:

Keith Hilsgen, AEG
Doane Liu, CTD
Tom Fields, CTD
Diana Mangioglu, CTD
Darren Green, LATCB
Laine Haynes-Smith , LATCB

Item 1. Call to Order / Roll Call

President Vein called the meeting to order at 9:03 a.m.

Item 2. Public Comment

None

Item 2b. Neighborhood Council

None

Item 3a. FY 18-19 Election of Officers

Motion to elect Jon Vein as President and Otto Padron as Vice President.

Ayes: President Vein, Commissioners Cubas and Maloyan

Nays: None

Absent: Vice President Padron and Commissioner Stone

UNANIMOUSLY APPROVED

Item 4a. Approval of the special meeting minutes from June 6, 2018

UNANIMOUSLY APPROVED.

Item 5a. Executive Director Report

Mr. Doane Liu provided an overview of his activities since the last Board meeting which included: meetings with LADOT regarding the downtown shuttle; CLA regarding the hotel incentive agreements; City departments regarding the expansion CEQA documents; local hotel general managers; Sandstone developers regarding a 800 key hotel project at Pico/110; BOE regarding modernization requirements; various City departments and the Ethiopian Counsel regarding the Prime Minister's visit. Mr. Liu also reported that he attended the AEG press conference celebrating LA Live's 10th anniversary and an AEG outreach event on expansion. Mr. Liu noted that he also met with Reed Peterson, GSMA regarding the opportunity for collaboration between technical and entertainment industries.

Item 5b. AEG Monthly Update – May

Mr. Keith Hilsgen reported that LACC had hosted 12 events that included 1 citywide and over 127 thousand attendees and an additional 2 filmings in the month of May. Mr. Hilsgen presented the financial data for May reporting \$3.8M gross revenue, which was above budget, due to an increase in parking due to the DragCon event. Mr. Hilsgen also reported 42% occupancy, and \$14M economic impact, \$6.77M of which was short term business. The short term economic impact was driven by the DragCon event.

Item 5c. LATCB Monthly Update – May

Mr. Darren Green reported that year to date LATCB processed 222 leads, resulting in 440,812 room nights with a year-end goal of 220 leads and projected 390,000 room nights. Mr. Green provided an overview of recent bookings, noting that large bookings are banking on the expansion and that 2019 was off pace due to large citywide cancellations. Mr. Green also presented the booking goals and strategies for the expansion project, as well as a review of citywide convention at risk due to the estimated 2 ½ years of construction.

Ms. Laine Haynes-Smith provided an overview of Destination & Client Services, highlighting the expanded visual experience and human presence for clients. Ms. Haynes-Smith also presented the targeted deliverables and objectives for FY18/19.

Item 5d. CIP Update

Mr. Tom Fields provided a summary of the ongoing CIP items as well as a list of completed items. Mr. Fields also noted the \$10M was budgeted in FY 18/19 for CIP projects and that the West Hall roof and chiller plant modernization is upcoming.

Item 5e. AEG, Facilities Contract Extension Update – Board Report #18-003

Ms. Diana Mangioglu provide an update on the contract extension noting that the contract is for 1-year plus two 1-year extensions and that the management agreement may be rolled into a P3 agreement.

Item 6a. LACC Expansion Report

Mr. Doane Liu reviewed key dates of the expansion project, with the opening no later than February 2022, in time for the Super Bowl in Los Angeles. Mr. Liu reported that the design phase should last one year, with construction starting as the end of 2019, plus a two year construction phase. Mr. Liu also noted the next steps are the Exclusive Negotiating Agreement, which is expected to be presented to City Council upon their return from the summer recess, and the P3/DBFOM documents. Mr. Liu stated that the JW Marriott's goal was to begin construction three months prior to the start of the Center.

ADJOURNMENT

The meeting was adjourned at 10:02 a.m.

Los Angeles Convention Center
Monthly Update

JUNE 2018

BRAD GESSNER



LEADER OF THE 2ND QUARTER



JUAN LOPEZ
FACILITIES SUPERVISOR

LACC JUNE 2018 EVENTS

<u>DATE</u>	<u>EVENT</u>	<u>ATTENDANCE</u>
May 31 – June 1	MKTG Confidential Event	3,200
June 1	UEI College Graduation	1,500
June 12 - 14	E3 2018	150,000
June 22 - 23	BET Experience – BETX 2018	32,733
June 25 - 27	Million Dollar Round Table	55,000
June 30 – July 1	The Model Experience Fashion Show	1,300

*Citywide

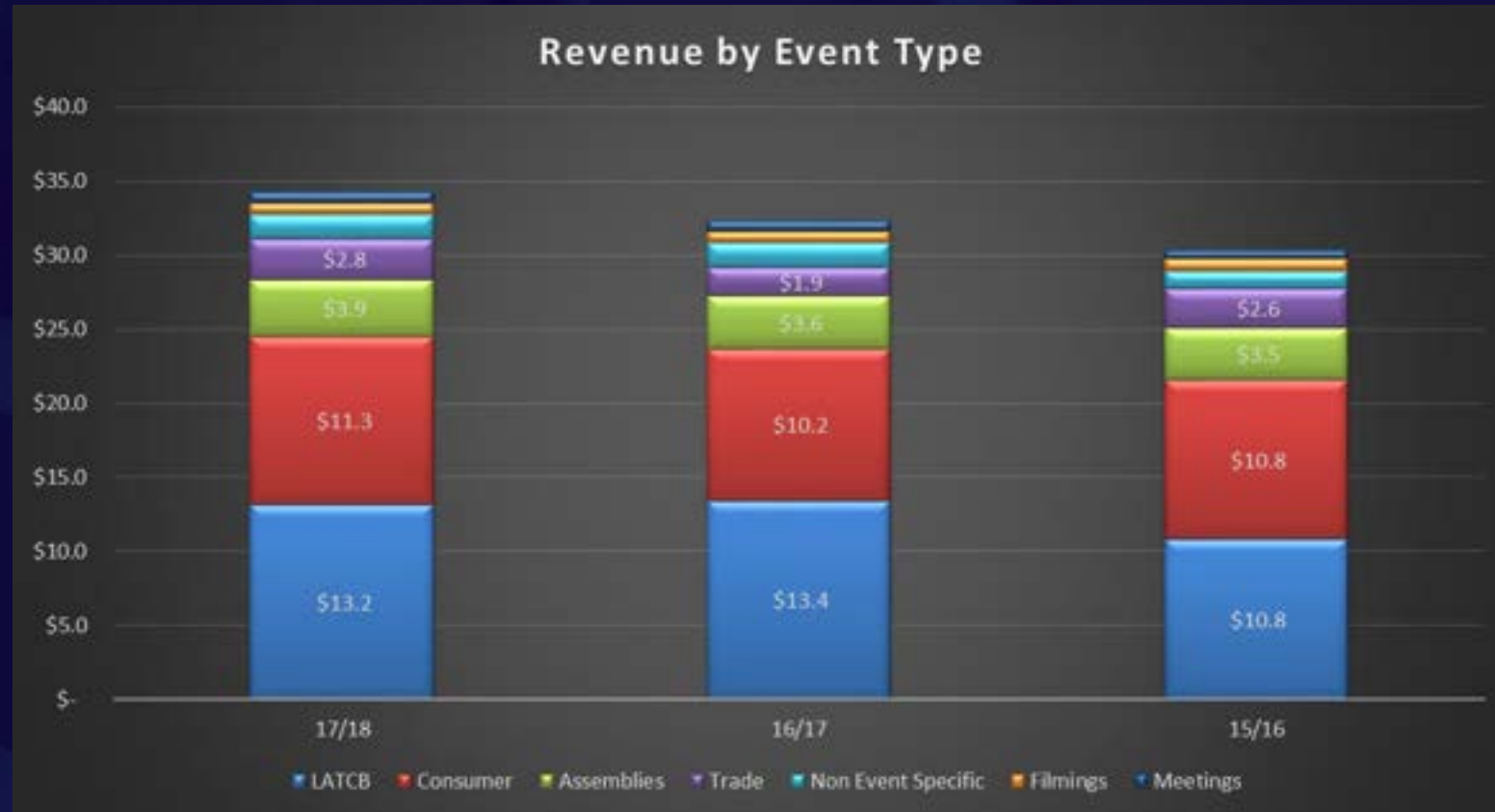
TOTAL: 108,733

LACC JUNE 2018 FILMING AND PHOTO EVENTS

<u>DATE</u>	<u>Name</u>	<u>Location</u>	<u>Amount</u>
June 20 - 21	Good Trouble	Venice Garage	\$3,750
June 28	Bless this Mess	Venice Garage Roof	\$3,900

TOTAL FILMING: \$7,650
(June 2017: \$5,000)

Fiscal Year-end Financials



Fiscal Year-end Financials

Expenses of \$24.1 million (excluding City reimbursements)



Amounts in millions

Fiscal Year-end Financials



Amounts in millions

CIP and Alteration and Improvement projects completed

(funded by operating surplus or MICLA)

300 & 400 meeting room lighting

Exhibit Hall LED Lighting

Carpet replacement 500 meeting rooms

Carper replacement – Kentia

ADA paving of parking garage

Galaxy Café Upholstery upgrade

Dock Leveling project

F & B product security

South Hall restroom renovation

Additional Magnotometers

Coffee brewing equipment replacement/upgrade

Catering Tables

Compactor replacement (2)

West Admin LED Lighting

Security Bollards

Carpet replacement Petree Hall & 300's

ADA Accessible Walkway

West Hall Roof Repairs

South Hall Floor Remediation

F & B equipment replacement

Furniture for Galaxy Cafe

Scrubber/Sweeper

Rooftop Garden

Boom lift

Cooling Tower VFD motor replacement

Marquee upgrade to programmable signs (3)

CIP and Alteration and Improvement projects in progress

(funded by operating surplus or MICLA)

Security surveillance system

LED Lighting South Hall Parking

Blast Chiller for concessions

Replacement of concessions equipment

Replacement of Food transfer equipment

VFD installation to air handler units

replacement

Dishwasher installation

Compass Café furniture

Air Conditioning upgrades

Fire Alarm system and devices

Water heater replacement

LED Lighting 500 meeting rooms

LED Lighting Venice Garage

Restroom faucet renovation

Concessions oven expansion

Access control installation to F & B

VFD Installation to cooling towers

Fire life safety devices

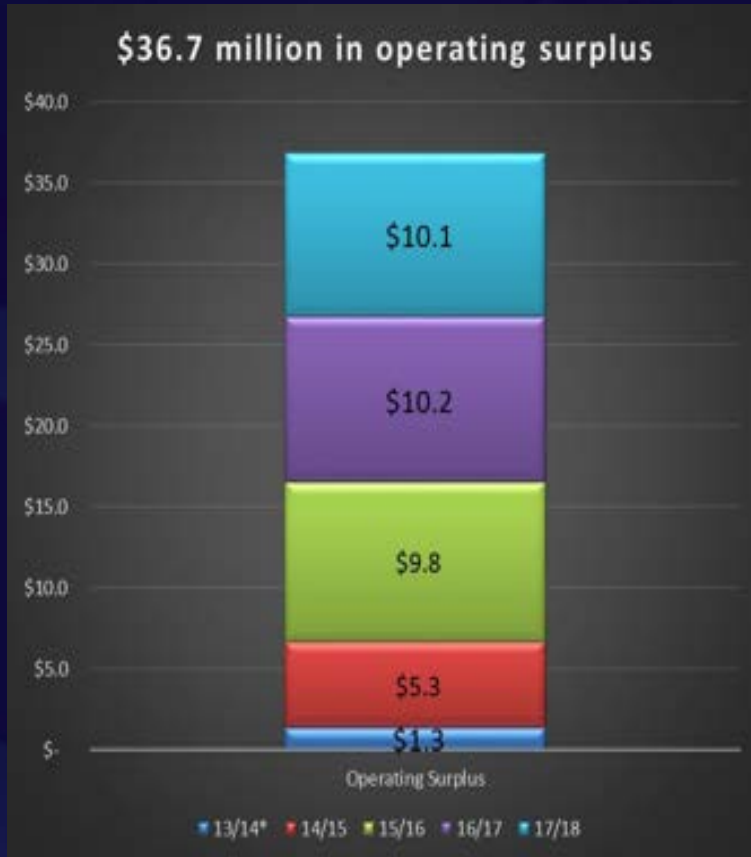
Elevator Escalator modernization

Meeting Room Divider walls

Reg 4 repairs

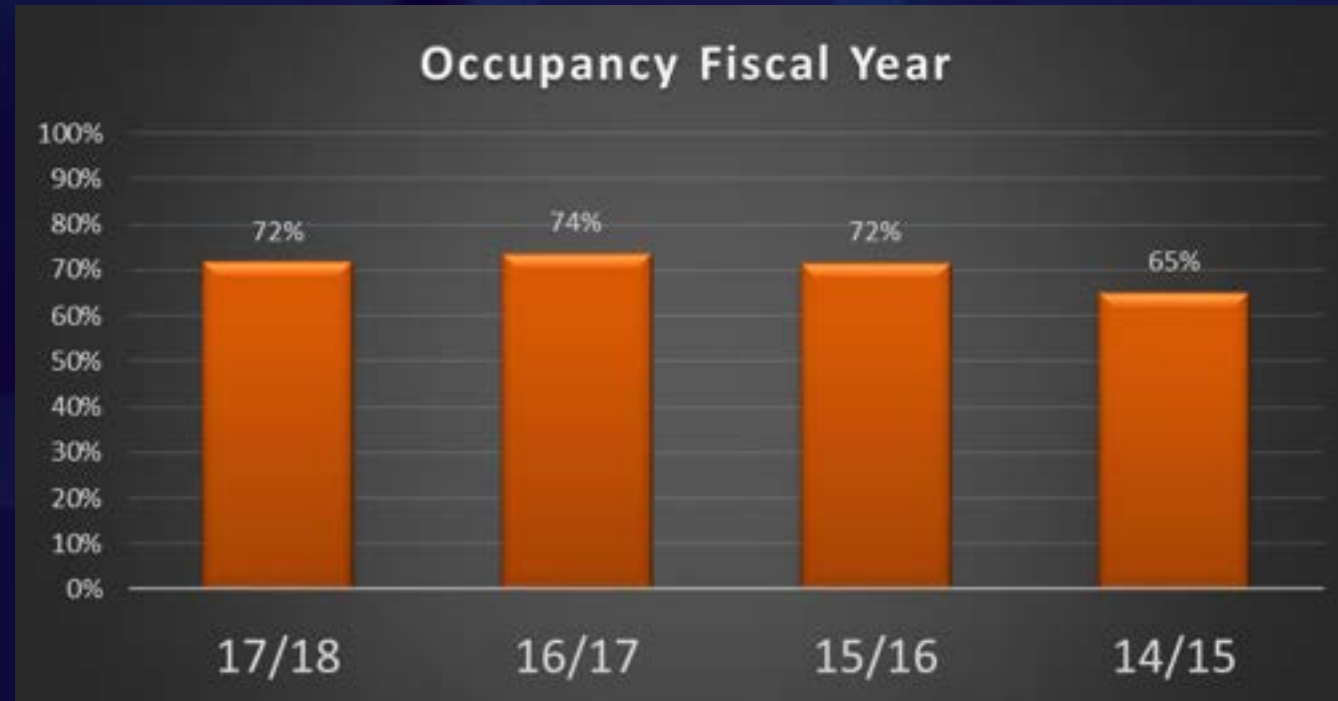
Changeover equipment

Results since privatization



Amounts in millions
*13/14 Operating surplus represents December 8 – June 30

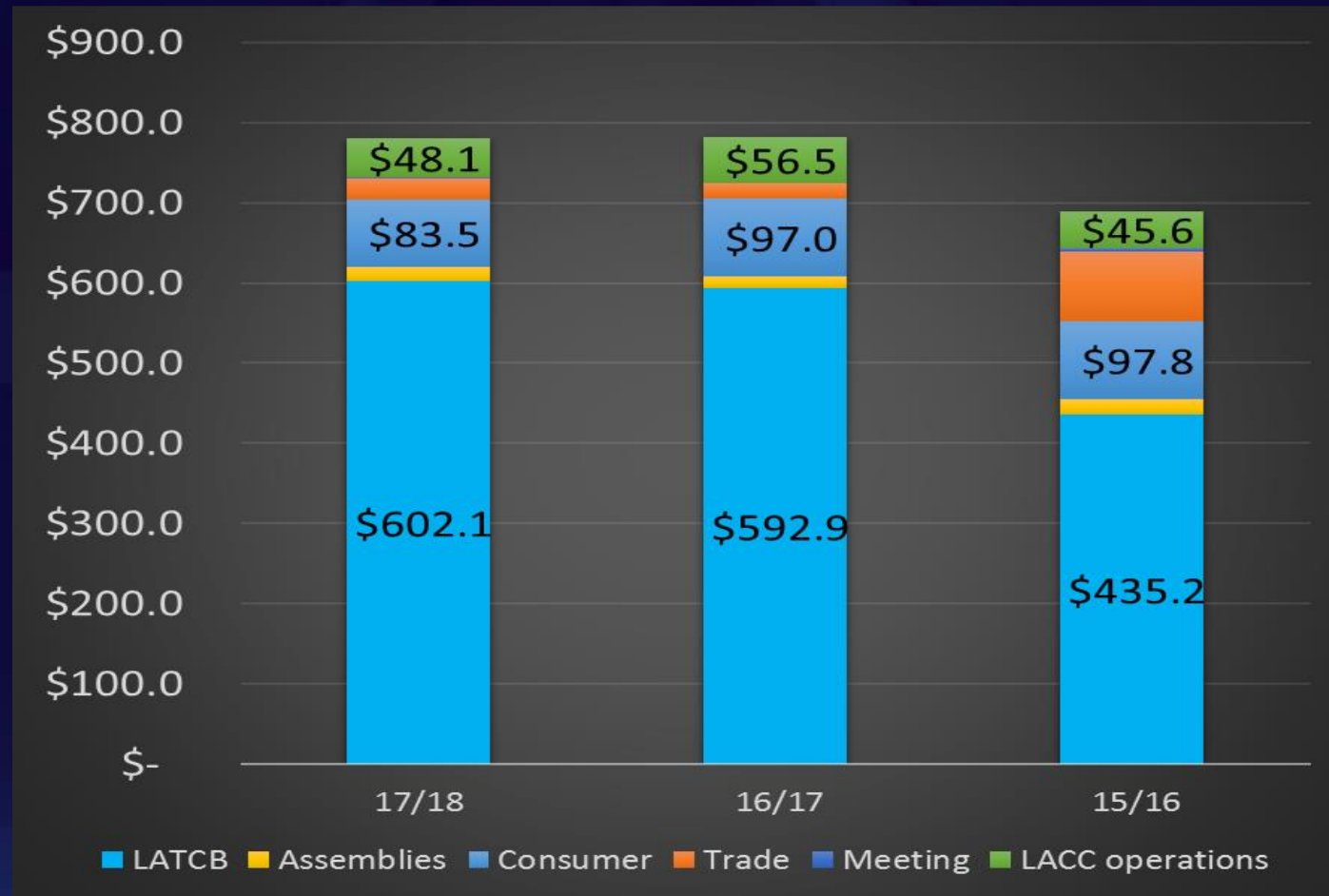
Occupancy



PricewaterhouseCoopers report on Convention Center occupancy states:

It has been recognized industry-wide that the “practical” maximum exhibit hall occupancy rate is approximately 70 percent and the “efficient” range is considered to be approximately 50 to 60 percent. Occupancy levels less than 50 percent generally suggest the existence of marketable opportunities or open dates, while an occupancy rate above 60 percent increases the potential for lost business or “turn-aways.”

Economic Impact



Amounts in millions

MEET

*Los Angeles*TM

CTD Board of Commissioners Meeting

August 22, 2018



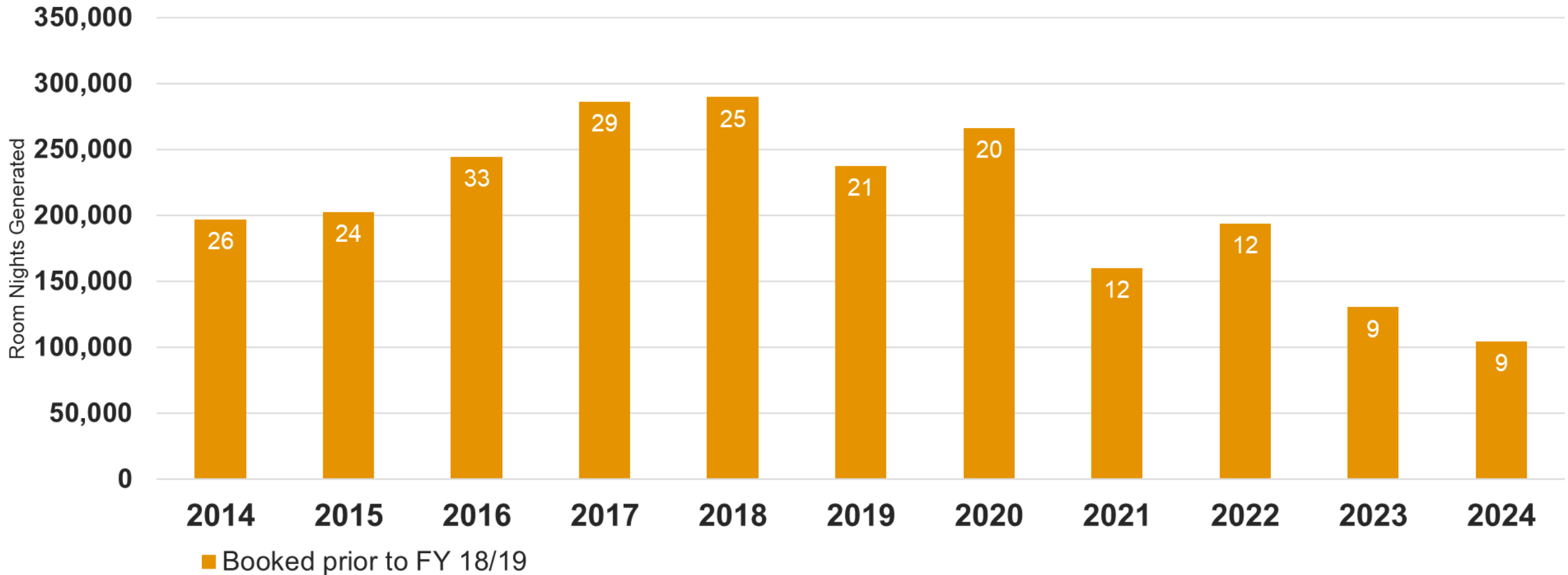
CITYWIDE CONVENTION SALES YTD FY 18/19 PRODUCTION RESULTS

Lead Production	Leads Actual
FY 18/19 Goal	220
FY 18/19 YTD	20
FY 17/18 STLY	16

Booked Room Nights Produced	RNs Actual
FY 18/19 Goal	390,000
FY 17/18 YTD	40,261
FY 17/18 STLY	14,084

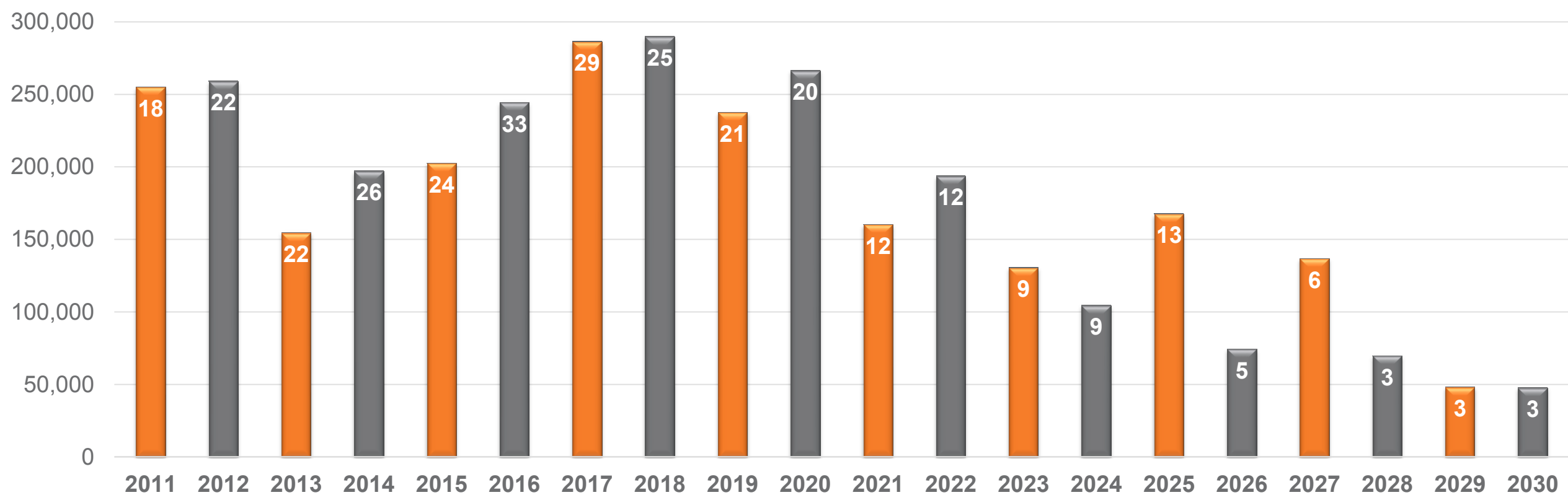
Dated August 9, 2018

CITYWIDE CONVENTION BOOKED ROOM NIGHTS 2014-2024 CALENDAR YEAR ARRIVAL DATE



Dated August 9, 2018

CITYWIDE CONVENTION SALES BOOKED ROOM NIGHTS: 2011 TO 2030 CALENDAR YEAR ARRIVAL DATE

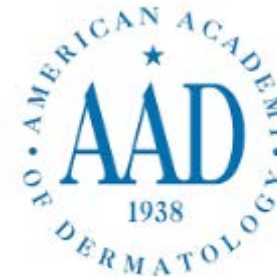


Dated August 9, 2018

PROSPECT SITE INSPECTIONS



United Fresh Produce Association
2020 Convention
May 2020
6,590 Room Nights



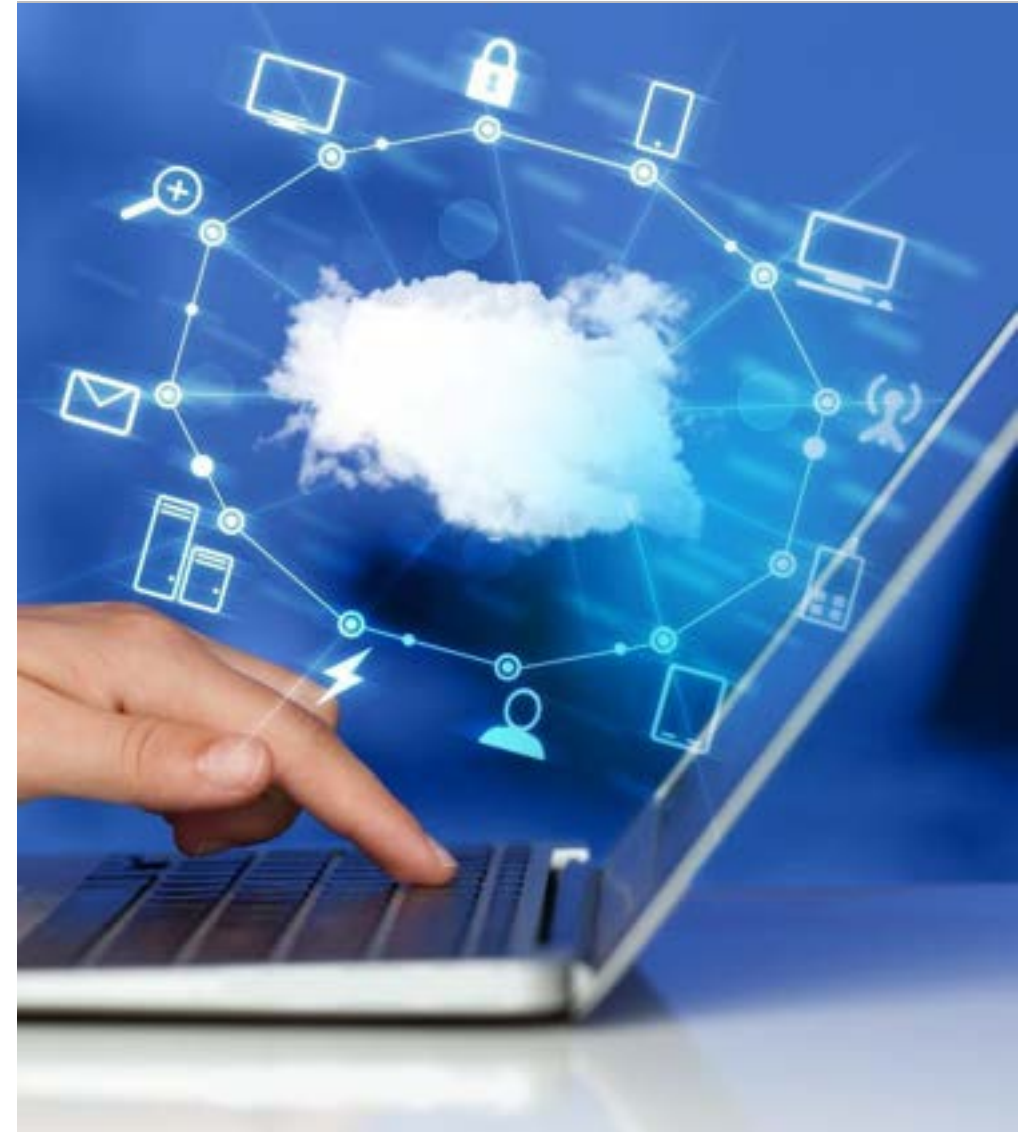
American Academy of Dermatology
2030 Annual Meeting
March 2030
36,880 Room Nights

M E E T

Los Angeles

SALES OPERATIONS

1. Sales Data Analytical Resources
2. Market Analytical Support
3. Prospecting Tools
4. Presentation Design
5. Los Angeles Convention Center Expansion Data Project



MEET

Los Angeles

SIMPLEVIEW CRM

Simpleview, LA Tourism's **C**ustomer **R**elationship **M**anagement C.R.M. Tool

Web based destination management system for both LA Tourism's sales and membership teams.

- Sales Lead Distribution
- Industry Partner Management
- Consumer Marketing
- Forecasting Business Analysis and Reporting



Simpleview is the most widely used tool in destination marketing

HOTEL SCORECARD

Launched in 2017

Member Portal Accessible

Performance Criteria:

- Lead Response Time
- Established Lead Catcher
- LATCB Major Event Participation
- Website Data & Listing Updated
- Additional Regional Reporting Coming Soon

Member Portal Usage



This data uses the date range selected in the scorecard filter. Percentile ranking is a comparison of your account's Member Portal login rate with other members.

Median Lead Response Time in Days



This data uses the date range selected in the scorecard filter. This data counts leads posted to the member portal during the date range selected, and counts all leads regardless of whether or not a response was submitted.

Event Engagement

LATCB Major Event Participation

Upcoming LATCB Event Invitations

Event	Date	Location	Status
Ready Los Angeles - A Crisis Preparedness Summit	February 26, 2018	Los Angeles Convention Center	Invited
2018 Annual TMD Hotel Meeting	March 8, 2018	Sheraton Grand Los Angeles	Invited

Publication and Website Data

- Visitor Guide Listing
Visitor Guide Listing (Category: Accommodations) - last updated August 2, 2016
- Meeting/Travel Planner Guide Listing
Meeting/Travel Planner Guide Listing (Category: Accommodations) - last updated August 10, 2012
- Member Web Listing
Web Listing (Category: Hotels) - last updated December 7, 2017

[Click here to Review/Update Listings](#)

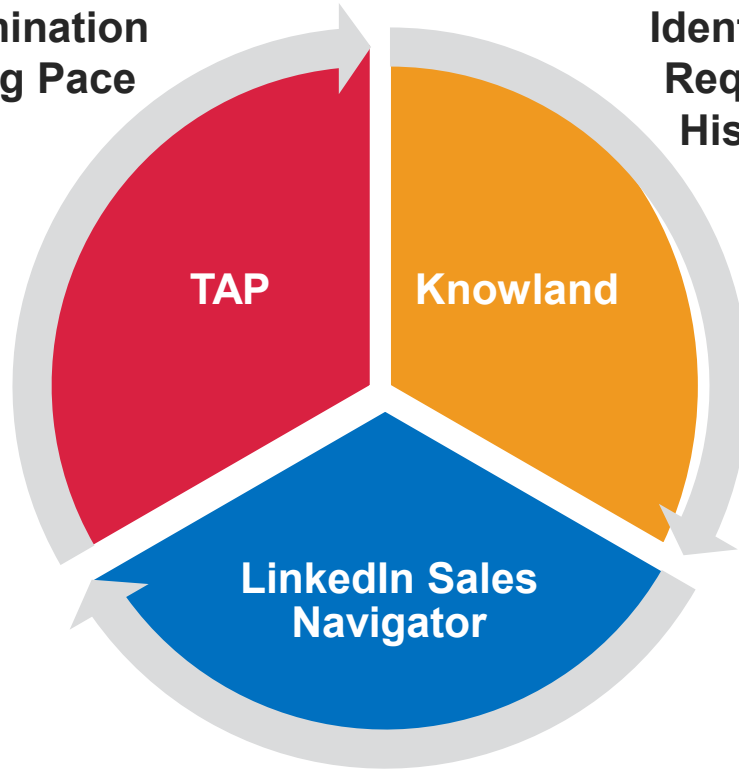
- Member Web Images
[Click here to Review/Update Images](#)

MEET

Los Angeles

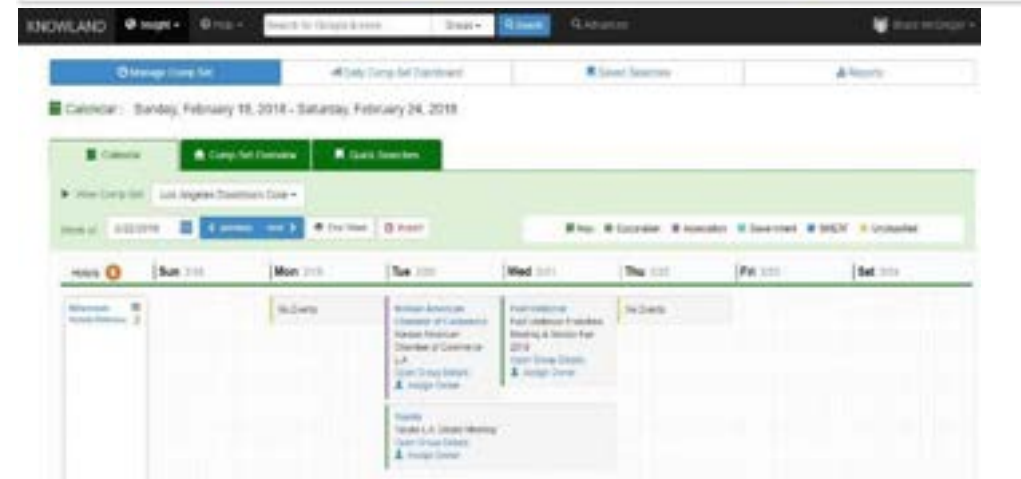
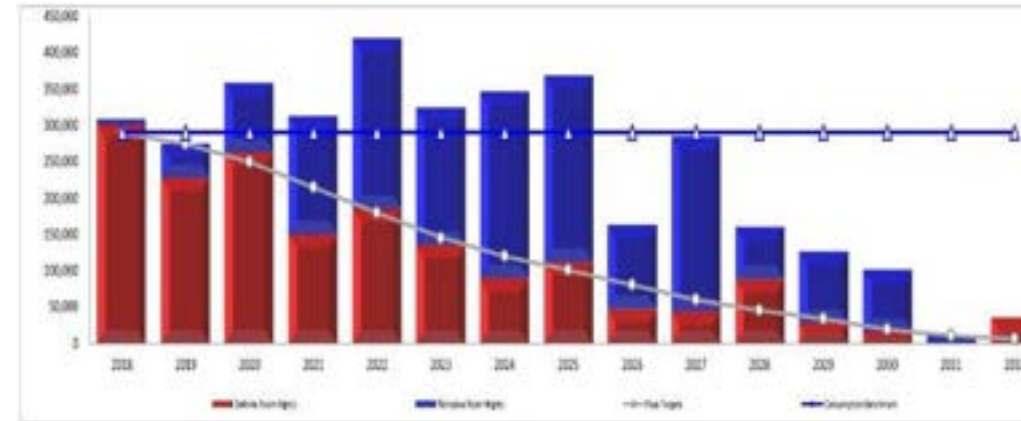
PROSPECTING TOOLS

Need Date Determination based on Booking Pace



Identify Meeting Space Requirements, Venue History and Planner Contacts

Soft Introduction
Leverage Mutual Connections



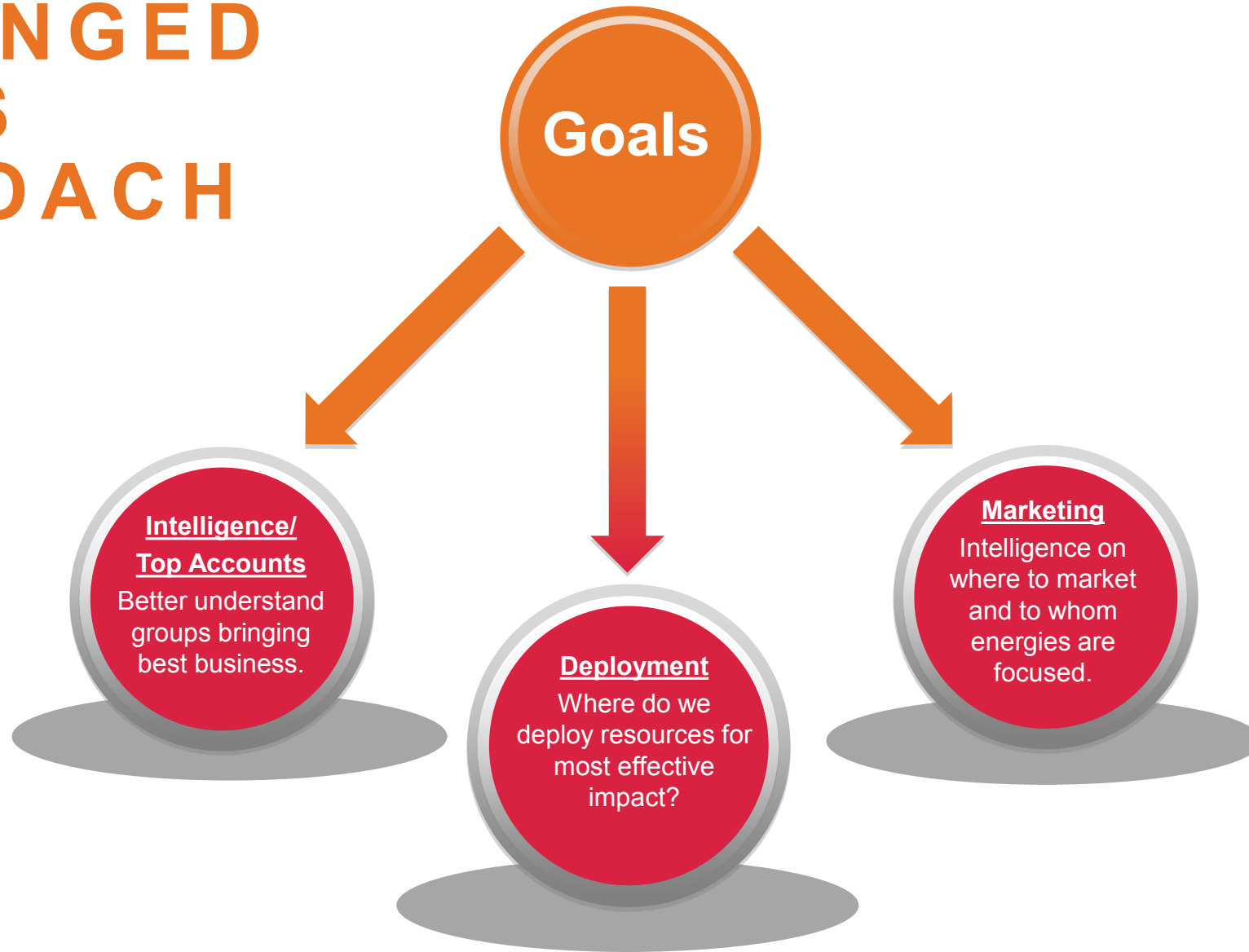
PROSPECTING TOOLS

In 2018, L.A. Tourism invested in strengthening its CRM database by partnering with **Meetings Database Institute (MDI)**. With MDI's over 20 years of experience in the meetings and events industry, the goal of this partnership is for L.A. Tourism to receive a deeper understanding of its current list of accounts.

- It is a three-prong strategy to identify top accounts, determine how to best deploy resources and gain intelligence where to focus marketing dollars.
- Utilizing data cleansing and analytical techniques, valuable insights can be uncovered about customers in a timely manner.
- MDI's further expertise is defining selling criteria based on existing data to cluster customers into four different categories: current customer rebook, develop aggressively, maintain and marketing only/ purge.
- Overall conclusions by MDI and L.A. Tourism Sales Leadership will be leveraged to validate/ modify sales strategies and team deployment.



3 PRONGED SALES APPROACH



MEET

Los Angeles

“RFR” ACCOUNT SCORING

RFR provides you with a greater understanding of your customers based on logic, reasoning and empirical evidence of customer behavior across a 3-dimensional value set.

- **R = Recency** – When did they last buy from you.
- **F = Frequency** – How often do they buy from you.
- **R = Roomnight Value** – How many room nights did they bring to your destination – Lifetime Value.

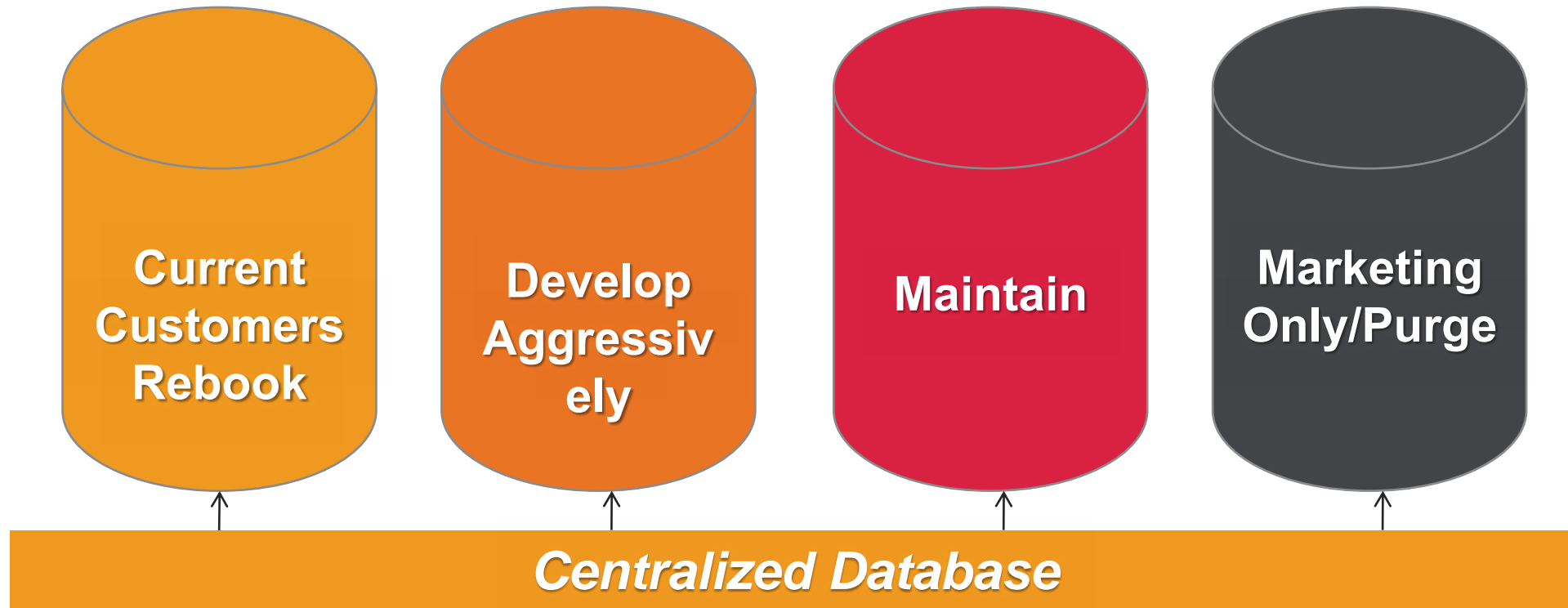
- Each category is rated between 5 (highest) to 1 (lowest).
- Based on these *combined* variables, we can determine which accounts warrant your time and energy to pursue.

M E E T

Los Angeles

ACCOUNT BUCKETS

Data segmented in Four (4) distinct buckets:



MEET

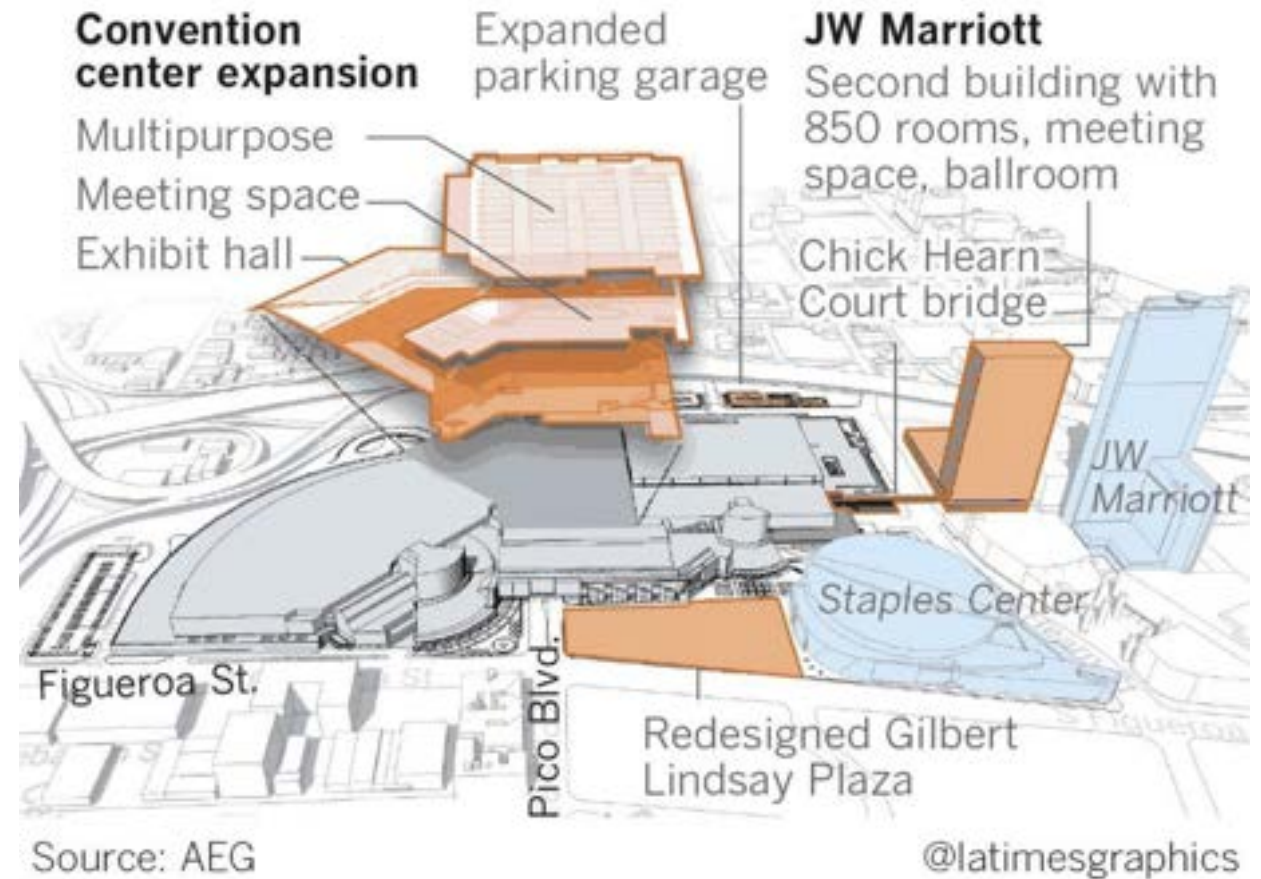
Los Angeles

LACC EXPANSION DATA PROJECT

Support Citywide Convention Sales team's "Go to Market Plan" with a risk assessment of cancellations during the finalized construction period and aid in prospecting larger conventions post-construction.

- Deliver monthly custom reports detailing potential bookings impacted by construction period.
- Ensure alignment with LACC, CTD and hotel partners maintaining open lines of communication, sharing business intelligence during each stage of the expansion.
- Work with LATCB marketing developing communication collateral that informs and updates customers prior to and throughout modernization phase.

L.A. Convention Center expansion



M E E T

Los Angeles

MARKET
OUTLOOK
FORUM
August
29th

DISCOVER *Los Angeles*[™]

MARKET OUTLOOK FORUM 2018

JOIN THE LOS ANGELES TOURISM & CONVENTION BOARD

FOR OUR 6TH ANNUAL MARKET OUTLOOK FORUM –

AN EXCLUSIVE, MEMBERS-ONLY EVENT




THANK YOU

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: August 20, 2018

TO: Board of Los Angeles Convention and Tourism Development
Commissioners

FROM:  Doane Liu, Executive Director
Department of Convention and Tourism Development

SUBJECT: PRICING ADJUSTMENTS AND FLEXIBLE PRICING
RECOMMENDATIONS FOR THE LOS ANGELES CONVENTION
CENTER – BOARD REPORT NUMBER 18-002

SUMMARY

On August 29, 2017 the Convention and Tourism Development (“CTD”) Department commissioned Conventions Sport & Leisure International LLC (“CSL”) to provide consulting services to research, analyze, advise, and propose recommended changes to rental rates, discounting practices, and booking and licensing processes for operating the Los Angeles Convention Center (“LACC”), and to provide comparative analysis for competing convention centers. The resulting report (“CSL Study”) is included herein as Attachment A. The report proposes to make adjustments to rate amounts, and other pricing matters that were addressed in the CSL Study. The report also proposes to address inconsistencies found in the Administrative Code (“Ad Code”), specifically with regards to the LACC facility and its policies. The Ad Code provisions are outdated, and require amendments to reflect the current facility spaces and operating practices.

As part of its analysis, CSL interviewed staff from the CTD Department; the private operator of the LACC, Anschutz Entertainment Group (“AEG”); and the City’s destination marketing organization, the Los Angeles Tourism and Convention Board (“LATCB”). CSL also provided comparative analysis for the following convention centers:

1. Anaheim Convention Center
2. Georgia World Congress Center (Atlanta)
3. McCormick Place (Chicago)
4. Moscone Convention Center (San Francisco)
5. New Orleans Convention Center
6. Orange County Convention Center (Orlando)
7. Oregon Convention Center (Portland)
8. San Diego Convention Center
9. Vancouver Convention Centre
10. Washington State Convention Center (Seattle)

Given that the City may be undergoing negotiations on the expansion of the LACC facility, the CTD Department will be recommending changes for the CTD Board to consider now, and will revisit whether to make additional pricing and policy changes after the completion of the proposed expansion of the LACC facility.

It should be noted that the method for approving rates vary center to center and are dependent upon its governance structure. For example, San Diego, New Orleans, and Chicago are operated by an independent authority; therefore, policy matters such as rental rate changes require the approval of its independent authority. In comparison, San Francisco, Anaheim and Los Angeles are city-controlled centers, and therefore require its city's respective council or legislative body to approve rate changes. Upon consideration and approval of the CTD Board of Commissioners ("CTD Board"), this matter will be forwarded to the Los Angeles City Council's ("Council") Economic Development Committee, followed by the full Council and Mayor for final approval.

The recommendations included herein require the approval of the CTD Board, and will then be forwarded to Council for further consideration.

DISCUSSION

The following summarizes proposed changes for rental rate adjustments and related operating policies.

RENTAL RATE ADJUSTMENTS

The following summarizes CSL's findings with regards to rental rate adjustments for specific rooms and exhibit hall space at the LACC.

Specific Room Rates (Meeting Rooms and Special Event Halls): Meeting room rates at the LACC are lower in comparison to the average rate charged by ten other convention centers. CSL found that LACC on average charges \$0.18 per square foot whereas the average center charges \$0.31 per square foot. In order to remain competitive, it is recommended that LACC adjust its rates pursuant to a steady schedule of increases, with the first increase of 11 percent (proposed rates have been rounded) going into effect by 2019. The 11 percent increase would amount to an increase of \$0.02 per square foot, or an increase from \$0.18 per square foot to \$0.20 per square foot. Assuming the City is moving forward with the expansion and modernization, the schedule of increases also proposes an additional 10 percent increase in 2021 and a 36 percent increase in 2022, the year that the proposed LACC expansion is anticipated for completion.

Schedule of Increases

2019	11% Increase	Currently recommended
2021	10% Increase	To be considered in 2 years
2022	36% Increase	To be considered upon completion of expansion

The CTD is recommending that the CTD Board approve Attachment B, which proposes to amend Section 8.149.5, Rates-Use of Specific Rooms, of the Ad Code to reflect the recommended increase in meeting room rates. The proposed amendments also update the list of "specific rooms" to reflect existing meeting rooms and special event halls at the LACC. The current Ad Code does not include all meeting rooms, meeting room numbers are not referenced accurately, and there is no reference to the special event halls.

Although the report discusses meeting room rates on a per square foot method, which is easier for comparative purposes, the proposed rates in Attachment B are based on a flat fee method, which is the current fee method utilized for "specific rooms". Recommendations for future increases will be reconsidered as the expansion and modernization project progresses.

Exhibit Hall Rates: Unlike meeting room rates, exhibit hall rates at the LACC are generally consistent and competitive with other facilities' rates, however CSL is recommending that rates increase from \$0.32 to \$0.36 per square foot by 2022. As the LACC is still not seen as a leading convention destination, per the CSL study, increasing rates for exhibit halls prior to undergoing a facility expansion could have a negative impact on bookings, therefore a rate increase is not recommended at this time.

Flat Fee Method for Exhibit Halls: Although no rate increases are proposed for exhibit halls, it is recommended that the LACC shift its fee structuring from a per net square foot method to a flat fee method, which is consistent with meeting room and special event hall rates. The Ad Code currently refers to an industry standard of charging for exhibit space on a per net square foot method, which requires the need to define the gross square feet used or occupied by the client less the actual square feet devoted to aisles as required by applicable fire regulations. However more and more convention centers are shifting to a flat fee method, which according to the CSL study is more simplified and efficient. The cost per square foot for exhibit halls would remain \$0.32 per net square foot, however rather than charging clients for the actual square footage used, the client will be charged a flat fee amount.

Attachment C proposes amendments to Section 8.149.2 (Daily Rates to be Charged for Use of the Various Halls for Trade Shows) of the Ad Code, which addresses the proposal recommendation for shifting to a flat fee method for exhibit halls.

OPERATING POLICIES FOR RATE ADJUSTMENTS

Currently, the City's Discount Policy, a marketing tool used to compete for specific clients, targets conventions and tradeshow events that have a significant citywide impact ("citywides"), as the City has always made citywides a priority for the LACC. The convention center market is competitive, and clients have a variety of booking options, which has made the Discount Policy necessary for securing a booking. Ad Code Section 8.149.1, Procedure for Reduction of Rates to be Charged to Certain Licensees, Subsection B, authorizes the CTD Executive Director to approve such discounts, and does not require additional approval by the CTD Board. The CTD is recommending no changes to the current Discount Policy at this time, and will be reconsidering this matter upon completion of the anticipated expansion and modernization project.

The LACC also books many non-citywide events, which are necessary for generating additional revenue for the LACC. In 2010 the City adopted the Flexible Demand Based Space Rental Pricing ("Flex Pricing"), which authorized the LACC to discount rent for those bookings that did not fall under the criteria of the Discount Policy. However, the Flex Pricing program had a sunset clause that resulted in the repeal of the policy in 2013. At the time, the City allowed the sunset clause to take effect because the LACC was undergoing the transition from public to private management and did not want to extend the program until at least a year after the transition occurred. This allowed the CTD to better assess whether changes were necessary to the former Flex Pricing program given AEG's performance as the private operator.

According to the CSL Study, ". . . In most markets, center management has flexibility in setting rental rates for both conventions/tradeshows and consumer/local events. LACC management currently does not have this authority, limiting the ability to make sound business decisions as to pricing based on ancillary building revenue, historic booking levels, potential for recurring events and other factors." Consistent with the CSL Study, it is recommended that the LACC implement a policy similar to the expired Flex Pricing, which enabled the LACC to adjust the daily rate by an amount up to 35 percent either above or below the standard daily rate. The adjustment however would only be permitted upon the occurrence of one or more of the following conditions:

- The cancellation of a previously licensed event or a reduction in the space or period of time previously licensed for an event;
- Center vacancy in excess of historical occupancy average;
- Projected ancillary revenue (parking, food and beverage, equipment rentals, etc.) anticipated to be generated by an event which is calculated to offset or exceed the amount of the rate reduction;

- Unusually high or competing demands for Center space;
- Multi-year licenses;
- Events that present an exceptional opportunity to generate extraordinary revenue or economic impact;
- Significant room night generation; or,
- Noteworthy civic purpose.

The proposed policy outlined above is similar in concept to the 2010 Flex Pricing program, with a few differences. The proposed policy includes additional conditions; further, the flex cap is limited to 35 percent rather than 50 percent.

A general requirement would be that in no circumstance of offering a discount would there be a net loss of revenue to the LACC, which would include all directly charged expenses and an estimate of indirect staff time.

Furthermore, the private operator would be responsible for retaining records as to actual metrics for the criteria noted above. The CTD would be responsible for conducting an annual, end of the year review of all pricing variations implemented during the previous fiscal year.

Attachment D proposes amendments to Section 8.149.1, Subsection A of the Ad Code, which incorporates proposed language that would enable the discounting of non-citywide events based on the conditions outlined above. If approved, the discounting of non-citywide events would no longer require the approval of the CTD Board, and would be authorized by the Executive Director. This would provide the private operator more flexibility and additional tools to better securing bookings. Given the anticipated expansion and modernization for the LACC, the CTD believes this program is especially necessary for managing the booking calendar for the next several years. The proposed provision is not meant to result in automatic discounts for existing clients. Rather, whether to utilize the discount and the amount of the discount will be considered on a case by case basis and should only be provided if absolutely necessary.

Attachment D also includes amendments that update provisions in Section 8.149.1, which originally referred to only a few exhibit halls. The proposed amendment updates the language so that all exhibit halls are referenced.

OTHER ADMINISTRATIVE CODE AMENDMENTS

Periodic Rate Surveys: Ad Code Section 8.149.2 states that the CTD Department shall annually conduct a survey of rental rates at convention centers nationwide and shall present recommendations to the Mayor and Council for appropriate rental rate adjustments. This will be the first survey of rental rates that the CTD has conducted through the assistance of CSL since the department was created in 2013. The process for completing a thorough survey is lengthy, including the process for amending the

Ad Code, which overall could take at least several months before it is approved and goes into effect from start to finish. Undergoing this process annually is not practical, efficient, nor necessary. Rather, the CTD recommends that the Ad Code be amended to require that the CTD Department conduct such survey every five years or when practical to do so, and that if it is determined that a change in rates are necessary, that the CTD Department propose recommendations through the appropriate legislative process.

Attachment C proposes an amended Section 8.149.2, which would change the requirement for conducting a survey from every year to every five years or when practical to do so. The proposed recommendation would not prevent the CTD Department from conducting reviews more frequent than every five years.

Move-In Move-Out Days: Attachment E proposes amending Section 8.149.3 (Trade Show Move-in and Move-out Days) of the Ad Code. As pricing overall has shifted from a per net square foot to a flat fee method, the proposed language is more appropriate. Attachment E also amends the Ad Code to make it consistent with the current operating practice. The proposed language limits the number of free move-in and/or move-out days which is dependent upon the total number of convention days, whereas the current language would allow for more free move-in and/or move-out days than original intended.

FUTURE TOPICS

The CSL Study covered a variety of other topics that will be revisited after the expansion and modernization project has been completed. As the LACC begins to enter a phase of potential modernization and expansion, it is vulnerable to cancellations and may have a difficult time securing bookings during and leading up to the construction period. Therefore the LACC needs as much flexibility as possible to maintain its existing schedule of clients and to be able to book new clients. It is assumed that once the expansion and renovation of the LACC has been completed, the facility will become more competitive and sought after; therefore, it would be more appropriate to defer making any changes to the following issues areas.

Future topics for consideration include:

- Rate adjustments to exhibit halls;
- Improvements to the existing Discount Policy, which is a marketing tool utilized to secure and book citywide events;
- Implementing a deposit schedule that would include a graduated structure for payment of rent, which better financially secures the LACC and protects it from potential cancellations; and,

- Revisiting the existing Booking Policy, which is currently based on a 12-month booking window, which enables LATCB to book citywides beyond the 12-month window, and requires the private operator to book consumer and local shows within the 12-month booking window.

CONCLUSION

The recommendations included in this report implement several of the proposed changes presented in the CSL study, while also making necessary amendments to address inconsistencies due to provisions that are outdated or no longer accurate. Furthermore, the CSL study addressed other internal policy matters such as the cancellation policy, deposit requirements, reducing the timing between booking and licensing an event, etc. The CTD intends to revisit several of the topics addressed in the study, including exhibit hall rates, upon the completion of the anticipated expansion and construction of the LACC facility.

BACKGROUND

The CTD Department issued a Request for Proposals ("RFP") through the City's Business and Virtual Network (BAVN) on April 6, 2017. A total of 76 BAVN users received the RFP, and CSL was selected as the contractor for the project.

Government Decisions

The LACC Management Agreement between AEG and CTD defines specific responsibilities for both contractual parties. In addition to serving as the contract administrator, the CTD Department is responsible for making government decisions, such as determining pricing or rates for the LACC. This duty cannot be delegated to AEG as the private operator, however once the new rates are approved and in effect, AEG may implement them.

RECOMMENDATIONS

That the Board of Los Angeles Convention and Tourism Development Commissioners:

1. Approves and forwards a recommendation to the Los Angeles City Council that would increase meeting room rates at the Los Angeles Convention Center as specified in Attachment B;
2. Approves and forwards a recommendation to the Los Angeles City Council that would request that the City Attorney amend Los Angeles Administrative Code Section 8.149.5, "Rates-Use of Specific Rooms" to reflect all rooms, including meeting rooms and special event halls and its proposed rates as referenced in Recommendation No. 1 of this report;

3. Approves and forwards a recommendation to the Los Angeles City Council that would enable the Los Angeles Convention Center to charge exhibit hall rates on a flat fee method rather than a per net square foot method as defined in Attachment C;
4. Approves and forwards a recommendation that requests the City Attorney to amend Los Angeles Administrative Code Section 8.149.2, currently titled "Daily Rates to be Charged for Use of the Various Halls for Trade Shows" and drafts the appropriate language that would enable the Los Angeles Convention Center to charge for exhibit halls based on a flat fee method rather than a per net square foot method and that would incorporate the updated list of exhibit halls as referenced in Recommendation No. 3 of this report;
5. Approves and forwards a recommendation to the Los Angeles City Council that would enable the Convention and Tourism Development Department to conduct a survey of rental rates at convention centers nationwide at least every five years or when practical to do so as defined in Attachment C;
6. Approves and forwards a recommendation to the Los Angeles City Council that would request that the City Attorney amend Los Angeles Administrative Code Section 8.149.2, currently titled "Daily Rates to be charged for Use of the Various Halls for Trade Shows" to replace the current language with language that would require the Convention and Tourism Development Department to conduct a survey of rental rates at convention centers nationwide at least every five years or when practical to do so as referenced in Recommendation No. 5 of this report;
7. Approves and forwards a recommendation to the Los Angeles City Council that approves a pricing policy that enables the LACC to adjust the daily rate by an amount up to 35 percent either above or below the standard daily rate for non-citywide events as defined by the Department of Convention and Tourism Development, with a general requirement that in no circumstance of offering a discount, would there be a net loss of revenue to the LACC, which would include all directly charged expenses and an estimate of indirect staff time, and the adjustment however only be permitted upon the occurrence of one or more of the following conditions in accordance with Attachment D:
 - The cancellation of a previously licensed event or a reduction in the space or period of time previously licensed for an event;
 - Center vacancy in excess of historical occupancy average;
 - Projected ancillary revenue (parking, food and beverage, equipment rentals, etc.) anticipated to be generated by an event which is calculated to offset or exceed the amount of the rate reduction;
 - Unusually high or competing demands for Center space;

- Multi-year licenses;
 - Events that present an exceptional opportunity to generate extraordinary revenue or economic impact;
 - Significant room night generation; or,
 - Noteworthy civic purpose;
8. Approves and forwards a recommendation to the Los Angeles City Council that requests the City Attorney to amend Los Angeles Administrative Code Section 8.149.1, currently titled "Procedure for Reduction of Rates to be Charged to Licensees" to implement a flexible pricing policy as referenced in Recommendation No. 7 of this report;
 9. Approves and forwards a recommendation to the Los Angeles City Council that approves amending Section 8.149.3, "Trade Show Move-in and Move-out Days" of the Administrative Code as detailed in Attachment E; and,
 10. Approves and forwards a recommendation to the Los Angeles City Council that requests the City Attorney to amend Section 8.149.3 "Trade Show Move-in and Move-out Days" of the Administrative Code, as referenced in Recommendation No. 9 of this report so that the proposed language is more consistent to operating under a flat fee method, and limits the number of free move-in and/or move-out days as originally intended.

ATTACHMENT A

ANALYSIS OF PRICING, DISCOUNTING AND LICENSING PRACTICES AND POLICIES FOR THE LOS ANGELES CONVENTION CENTER

May 7, 2018





May 7, 2018

Mr. Doane Liu
Executive Director
LA Department of Convention and Tourism Development
1201 South Figueroa Street
Los Angeles, CA 90015

Dear Mr. Liu:

We have completed the study process and preparation of the Analysis of Pricing, Discounting and Licensing Practices for the Los Angeles Convention Center. The results of this Analysis are based on significant information provided by various representatives within each of the reviewed comparable destinations. The case study research focused on published rental rates, discounting practices, bid funds used to attract events, leasing process, deposit requirements and cancellation policies.

The participation of your staff and other stakeholders has been integral to the success of the study process. We greatly appreciate the Department's professionalism in all respects during the preparation of this Analysis.

Very truly yours,

CSL International

CSL International

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
1.0 CURRENT LACC PRACTICES	1
2.0 COMPARABLE CONVENTION CENTER ANALYSIS	9
3.0 LACC PRICING AND DISCOUNTING RECOMMENDATIONS	20
4.0 COMPARABLE CONVENTION CENTER CASE STUDIES	25



EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

CSL was retained by the City of Los Angeles Department of Convention and Tourism Development (CTD) to research, analyze and make recommendations regarding space rental rates, discounting practices, and the licensing process at the Los Angeles Convention Center (LACC).

We have reviewed existing pricing, discounting and licensing practices related to the LACC, and have conducted extensive benchmarking research with respect to the following centers:

- Anaheim Convention Center
- Georgia World Congress Center (Atlanta)
- McCormick Place (Chicago)
- Moscone Convention Center (San Francisco)
- New Orleans Convention Center
- Orange County Convention Center (Orlando)
- Oregon Convention Center (Portland)
- San Diego Convention Center
- Vancouver Convention Centre
- Washington State Convention Center (Seattle)

Research focused on published rental rates, discounting practices, bid funds used to attract events, licensing process, deposit requirements and cancellation policies.

Based on this research, a review of current conditions and recommendations for future policy modifications were developed, as summarized below.

Current Conditions

- The Los Angeles Tourism and Convention Board (LATCB) is responsible for booking larger city-wide events seeking dates 12 months and out, while the private operator of the LACC, AEG Management LACC, LLC (AEG), books shorter term business seeking dates within 12 months. This is a fairly typical arrangement within the industry.
- The City of Los Angeles has approved a Discount Policy, which includes a formula for assessing the discount. Discounts offered by the LATCB adhere to the approved Discount Policy.
- The authority to offer rental discounts for desired city-wide events rests with LATCB, which is somewhat unusual in the industry. In most markets, center management generally retains control over discounting, and in some cases, a CVB is provided authority to discount to a specified level.

EXECUTIVE SUMMARY

- Discount percentages for LACC conventions and tradeshow averaged 86 percent for events held in fiscal year 2017 with similar discount percentages in 2015 and 2016. These discounting levels are not common in the industry, with average discounting percentages typically ranging between 10 percent and 50 percent. At the same time, convention and tradeshow events booked by the LATCB generated the largest share of net revenue among event categories.
- If LACC city-wide discounting percentages were reduced to 70 percent, the LACC would have generated an additional \$1.45 million in fiscal year 2017 assuming the same base of events. At 50 percent rental rate discount levels, the net LACC revenue increases to \$3.22 million, reaching net new revenue of approximately \$5.0 million at a 30 percent discount level. *It is very important to note that these revenue totals assume no loss of event activity with the lower discounting levels.* Consideration should be given to conducting event planner survey research to assess the potential impacts of various changes to the LACC rental rate discounting levels.

- The licensing process for LACC city-wide events is generally reflective of industry standards. The typical period between licensing an event and the event start in the markets reviewed is between two and four years. For the LACC, events hosted between July of 2015 and June of 2017 were licensed approximately 1.4 years prior to the event.

Recommendations

- We have developed a set of recommendations for LACC pricing, focusing on the city-wide convention market. These recommendations are based on existing LACC facility and hotel conditions, as well as assumed future facility and destination improvements.

Recommended LACC Pricing Schedule – city-wide Conventions

Year	Exhibit Space		Ballroom Space		Meeting Space	
	Rate	% Increase	Rate	% Increase	Rate	% Increase
2018	\$0.32	0%	\$0.00	N/A	\$0.18	11%
2019	\$0.32	0%	\$0.00	N/A	\$0.20	0%
2020	\$0.32	0%	\$0.00	N/A	\$0.22	10%
2021	\$0.32	0%	\$0.00	N/A	\$0.22	10%
2022	\$0.36	13%	\$0.35	0%	\$0.30	36%
2023	\$0.36	0%	\$0.35	0%	\$0.30	0%
2024	\$0.40	11%	\$0.38	9%	\$0.33	10%
2025	\$0.40	0%	\$0.39	0%	\$0.33	0%
2026	\$0.44	10%	\$0.41	6%	\$0.36	9%
2027	\$0.44	0%	\$0.41	0%	\$0.36	0%
2028	\$0.48	9%	\$0.44	7%	\$0.39	8%
2029	\$0.48	0%	\$0.44	0%	\$0.39	0%
2030	\$0.52	8%	\$0.47	7%	\$0.42	8%
2031	\$0.52	0%	\$0.47	0%	\$0.42	0%
2032	\$0.55	6%	\$0.50	6%	\$0.45	7%

LACC Redevelopment, HQ Hotel Open

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

- Recently, more centers are charging on a flat fee per hall basis. This eliminates the need to define the net versus gross space, and also addresses conditions whereby the net space used in a hall is relatively low as a percentage of total space. For the LACC, consideration should be given to a more simplified flat fee basis for exhibit space charges.
- For short term bookings, we recommend that LACC Management be given authority to discount rent up to 50 percent, consistent with the expired flexible pricing ordinance (see City of Los Angeles Administrative Code, section 8.149.2). A general requirement should be set that in no circumstance would offering a discount for a short term piece of business result in a net loss of revenue to the LACC, including all directly charged expenses and an estimate of indirect staff time.
- Work to lengthen the timing between licensing and event start from 1.4 years (average for fiscal year 2017) to approximately 2.0 years.
- Limit the unilateral ability of LATCB for discounting LACC rent for city-wide events to 50 percent of published rates. A 50 percent level is generally consistent with the high-end level of discounting at most comparable venues reviewed, and significantly higher than for centers in San Francisco and San Diego.
- When additional discounting may be needed to attract an event, LATCB and LACC management should jointly review the lead and agree on a discounting percentage. The packet process would then proceed for approval by the CTD. LACC management should include any available data on rent paid by the event in previous cities.
- If there are situations where no agreement is reached on a supportable discount percentage, the packet would reflect all perspectives on the discount percentage, with a request to CTD for a final decision.
- A successful discounting process should serve to limit waived rent to the minimum needed, without sacrificing a desired city-wide event due solely to rental costs.
- The process for setting LACC rental rates should continue to conform with traditional industry practices under which the owner of the convention center maintains control. For the LACC, which is owned by the City of Los Angeles, this would involve continued rate-setting control by the City Council as proposed by CTD.



EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

- Regarding cancellation penalties, consideration could be given to some form of a graduated structure under which the payment of lost rent (at rack rate) be reduced by 50 percent for events cancelling more than two years out. In addition, consideration should be given to including estimates of net food and beverage revenue in the cancellation penalty.
- Regarding deposit policies, consideration should be given to the requirement of a 25 percent payment at signing of the license agreement, followed by a series of payments as follows: 25 percent of rental fee at six months prior to the event, and the remaining 50 percent at 90 days prior to the event.



1.0 | CURRENT LACC PRACTICES

1.0 CURRENT LACC PRACTICES

1.1 Current city-wide Booking Organizational Relationships and Process

The current Los Angeles Convention Center (LACC) discounting process involves participation from the Department of Convention and Tourism Development (CTD), Los Angeles Tourism & Convention Board (LATCB) and AEG Management LACC, LLC (AEG). LATCB is responsible for booking larger city-wide conventions and tradeshow that are typically held 12-months and out. AEG books events that are held within the current 12-month period. City-wide events are defined as those using the LACC that generate a minimum of 3,000 total room nights, 1,500 peak room nights, and occupy at least three hotels.

From a city-wide event process standpoint, LATCB will identify a potential event opportunity and prepare a financial package that includes pricing, space, dates and other relevant information. The bid is submitted and the lead is entered into the customer relation management (CRM) system and listed as tentative. If the bid is successful, LATCB and the client sign a non-binding Letter of Intent (LOI), and the formal pricing/discounting approval process ("packet process") is initiated.

This is one of the main components of the contracting/licensing process, which typically begins one to three years prior to the event, and takes four to six months to complete. The packet generally includes data such as:

- Name of group
- Last three cities in which the event was held, with room nights
- Space to be used
- Attendance
- Economic impact
- Dates
- Transient occupancy tax (TOT) estimates
- Proposed discount

The packet is then sent to AEG staff to check for accuracy as to dates and various discount calculations, as well as for legal review. The document then goes to CTD for review and approval. The full packet process can take approximately 30 days to complete. Once complete, a License Agreement is issued to the client, and the event is considered "pending". The event is considered "licensed" by the Convention Center when the signed License and deposit are received by the LACC. LATCB considers the event "definite" when the License Agreement is executed or when 50 percent or more of peak hotel rooms are contracted.

1.0 CURRENT LACC PRACTICES

1.1 Current city-wide Booking Organizational Relationships and Process (continued)

The Los Angeles Administrative Code is the source for approved rental rates and the Discount Policy that enables the discounting of city-wide events at the LACC. Current discounting policy for city-wide events booked into the LACC stipulates that rental costs can be waived to an extent equal to the expected transient occupancy tax revenue generated by the event.

This often leads to the ability to discount 100 percent of rental charges, however, actual discounts for city-wide events are over 80 percent on average. Further discounting percentage discussion is presented later in this section.

Decisions as to the amount of discount offered are made primarily by LATCB with little input from AEG or CTD staff. Our case study assessments presented later in this report indicate that this is not a typical practice, and that convention center management personnel in other markets are typically heavily involved in determining discounting levels.

License Agreements for the LACC typically specify a \$1,000 deposit at agreement execution, with a specific amount sometimes due approximately 90 days prior to the event. No deposit is typically required at the LOI stage. Note that in cases where a material amount of rent is being paid, (\$20,000 for example), a larger deposit may be required.

For cancellation fees, the typical LACC License Agreement states that the event planner is responsible for 100 percent of exhibit hall rent, *not adjusted for discounting*, if cancellation occurs after the Agreement is executed. Deductions would be made to this obligation if a replacement event could be booked. Cancellation provisions for meeting space typically allow for no payment obligation if cancellation takes place outside of 180 days from the event.



CURRENT LACC PRACTICES

1.0 CURRENT LACC PRACTICES

1.2 Discounting Impacts on LACC Revenue

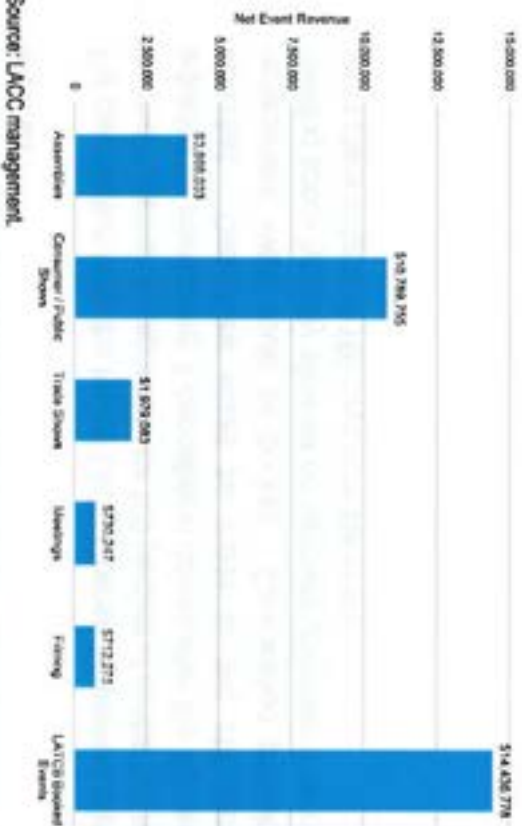
The purpose of this section is to assess the financial implications of current LACC discounting practices. This assessment provides important base data to be used in forming recommendations for future practices.

As part of this assessment, we have reviewed data as to LACC rental discount percentages, net LACC event revenue and event margin by category of LACC event. Net LACC event revenue (presented in the adjacent exhibit) reflects all revenue including food & beverage, utility services, parking, telecommunications and other sources. Cost of goods sold and vendor revenue are excluded from this net revenue total.

Assemblies, consumer/public shows, trade shows, meetings and filming events are not eligible for discounts. Discounting percentages for LATCB booked events (which typically generate significant room nights) reached 86 percent in FY2017.

We also note that data are maintained by LACC management as to event margin (not reflected in the adjacent exhibit).

Exhibit 1 Summary of LACC Event Revenue



Source: LACC management.

This margin reflects net LACC event revenue accounting for allocated event costs that can be charged back to the client. For example, events in the meetings category generated \$730,000 in revenue during fiscal year 2017, with \$37,000 in event expenses (labor, equipment rental, etc. that are charged to the client). This results in a 95 percent margin. Margins for all event types are generally consistent in the 90 percent to 95 percent range. Note that these margins do not include expenses that are not chargeable to the client such as non-event salaries and benefits, routine building maintenance and electrical consumption.

1.0 CURRENT LACC PRACTICES

1.2 Discounting Impacts on LACC Revenue (continued)

The analysis of net revenue, event margin and discounting percentages suggests that several relevant factors should be considered when evaluating changes to future discounting practices, as presented below.

- LATCB booked events generate significant net revenue for the LACC, even with the very significant discount percentages (86 percent for events held in fiscal year 2017 with similar discount percentages in 2015 and 2016).
- Consumer/public shows also generate significant revenue. However, given the limited room night generation from these events, consumer and public shows are not currently eligible for rental rate discounts.
- The various other event types including assemblies, trade shows, meetings and filmings generate comparatively less revenue, while maintaining a low rental discount profile.

These data raise an important consideration: the LATCB booked events provide significant room night generation and community-wide economic impact; however, very deep discounts to rental rates is a tool used to attract these events.

Significantly limiting the level of LACC rental rate discounting will likely have some effect on future bookings, given the competitive nature of the industry, potentially resulting in lost room nights and LACC revenue.

At the same time, data presented later in this report will show that the level of discounting for the LACC is significantly above industry average among comparable markets. A fundamental challenge for LACC, LATCB and CTD staff will be striking the level of discounting that maximizes LACC revenue while preventing material loss of high-value LATCB-booked events.

Recommendations presented later in this report provide guidance as to supportable targets for future LACC rental rate discounting. To help guide this discounting assessment, it is useful to consider the magnitude of any future policy change in terms of net new LACC revenue.

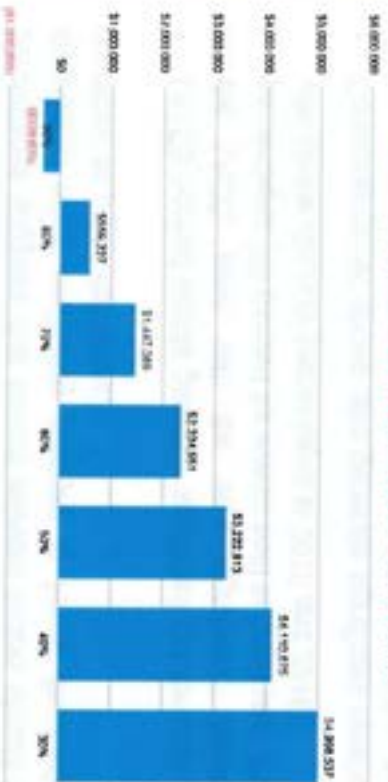
We have therefore considered the potential net revenue implications of various levels of national convention event discounting, as presented in the chart on the following page.

1.0 CURRENT LACC PRACTICES

1.2 Discounting Impacts on LACC Revenue (continued)

The chart below presents the level of revenue that could have been generated for the LACC from events held in fiscal year 2017 assuming various alternative levels of rental rate discounting.

Exhibit 2 Summary of Potential LACC Event Revenue at Various Discount Percentages (based on FY17 actual LATCB-booked events)



Source: LACC management.

As noted in the adjacent exhibit, the net new LACC event revenue would be negative if the discount percentage increased from 86 percent to 90 percent. If discounting percentages were reduced to 70 percent, the LACC would have generated an additional \$1.45 million in fiscal year 2017, assuming the same base of events. At 50 percent rental rate discount levels, the net LACC revenue increases to \$3.22 million, reaching net new revenue of approximately \$5.0 million at a 30 percent discount level.

These data help frame the order of magnitude revenue potential associated with material changes to discounting levels. *It is very important to note that these revenue totals assume no loss of event activity with the lower discounting levels.* Consideration should be given to conducting event planner survey research to assess the potential impacts of various changes to the LACC rental rate discounting levels.

CURRENT LACC PRACTICES

1.0 CURRENT LACC PRACTICES

1.3 The Basis for the LACC Discounting Policy and Current Destination Realities

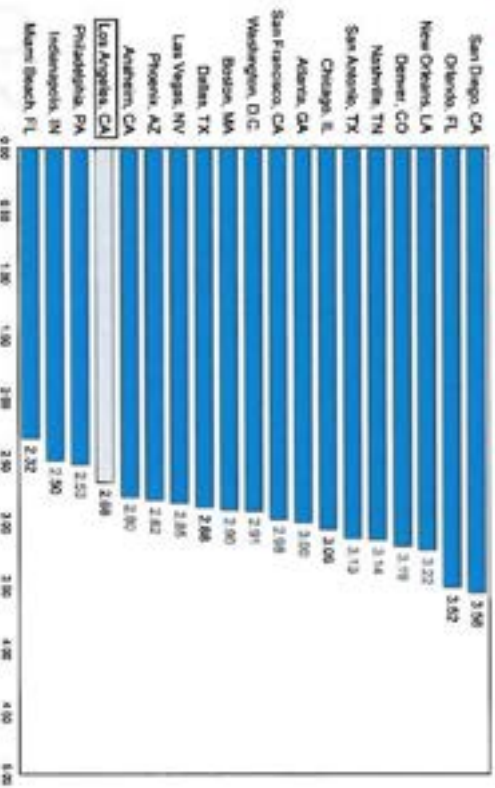
We know that the practice of significant discounting was established in the early 2000's and was designed to mitigate a sub-standard convention package with very limited or no hotel/hospitality development surrounding the LACC.

Today, the environment around the LACC has improved, and plans for significant enhancement to the Convention Center district are being developed. Past conceptual design initiatives envision significant improvements to the contiguous exhibit space, the development of large multi-useballroom spaces (indoor and outdoor), added meeting space, improved outdoor public/event plazas and greater connectivity to LA Live. Numerous projects are in the planning stages that would add significant hotel inventory proximate to the LACC. This includes a new three brand, 1,130 room hotel project located at Figueroa Street and Pico Boulevard.

However, the planning process for these types of initiatives have encompassed many years without achieving a final, implementable development plan. This can impact event planners' perceptions as to the viability of future convention industry initiatives in the market.

Today, the City is still not seen as a leading convention destination. CSL research over the past several years has included destination ratings among large samples of national event planners, as summarized in the exhibit below. The analysis process records event planners' ratings of various national destinations in terms of their overall desirability as a convention destination on a one-to-five scale, with five representing a highly desirable destination.

Exhibit 3 Summary of Convention Destination Rankings



Source: CSL Survey Organization Survey, 2015



CURRENT LACC PRACTICES

1.0 CURRENT LACC PRACTICES

1.3 The Basis for the LACC Discounting Policy and Current Destination Realities (continued)

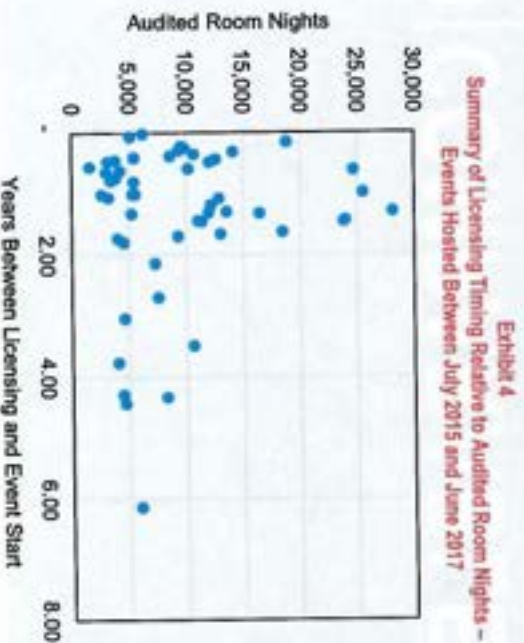
As noted in the previous exhibit, 2015 survey data with over 100 national event planners indicate that Los Angeles has not been viewed favorably as a convention destination relative to most other national markets considered.

As planned improvements to the Los Angeles convention product actually take place (LACC, hotel, restaurant, entertainment), we expect this ranking to increase. In fact, it is very possible that Los Angeles' desirability has increased over the past two years since this research was conducted. However, at the same time, the majority of the markets considered in this analysis are also planning and/or introducing significant convention industry improvements.

1.0 CURRENT LACC PRACTICES

1.4 City-wide Event Pricing, Discounting and the Process Timing

Based on data provided by the LATCB and AEG, we have reviewed the time between licensing a city-wide event and the actual beginning of the event, while also considering the ultimate audited room nights. This assessment is summarized in the following exhibit. The scatter diagram analysis considers 52 events hosted between July of 2015 and June of 2017, plotting the audited room nights on the vertical axis and the years between licensing and event start on the horizontal axis.



As noted, the majority of events considered are licensed within two years of the event. Specifically, 44 percent are licensed within one year of the event, and 39 percent are licensed between one and two years of the event. The average advanced time between licensing and event start is approximately 1.4 years.

As discussed in section 2.3, this lead time is somewhat less than comparable market practice. We also note that there appears to be little correlation between the size of the event in terms of room nights and the timing of the licensing process.



2.0 | COMPARABLE CONVENTION CENTER ANALYSIS



COMP FACILITY ANALYSIS

2.0 COMPARABLE CONVENTION CENTER ANALYSIS

2.1 Comparable Convention Center Average Space Rental Rates

Market	Exhibit Rate Per NSF			Ballroom Rate Per GSF			Meeting Rate Per GSF		
	Low	High	Avg	Low	High	Avg	Low	High	Avg
Anaheim, CA	\$0.40	\$0.40	\$0.40	\$0.46	\$0.47	\$0.46	\$0.35	\$0.39	\$0.38
Atlanta, GA	\$0.24	\$0.26	\$0.25	\$0.35	\$0.35	\$0.35	\$0.20	\$0.31	\$0.27
Chicago, IL	\$0.45	\$0.45	\$0.45	\$0.13	\$0.27	\$0.16	\$0.05	\$0.12	\$0.07
New Orleans, LA	\$0.38	\$0.38	\$0.38	\$0.32	\$0.33	\$0.33	\$0.17	\$0.55	\$0.30
Orlando, FL	\$0.29	\$0.30	\$0.30	\$0.27	\$0.31	\$0.29	\$0.25	\$0.48	\$0.32
Portland, OR	\$0.34	\$0.34	\$0.34	\$0.27	\$0.28	\$0.27	\$0.22	\$0.65	\$0.32
San Diego, CA	\$0.33	\$0.36	\$0.34	\$0.23	\$0.27	\$0.24	\$0.16	\$0.58	\$0.29
San Francisco, CA	\$0.44	\$0.44	\$0.44	\$0.45	\$0.48	\$0.47	\$0.44	\$0.44	\$0.44
Seattle, WA	\$0.31	\$0.32	\$0.31	\$0.15	\$0.15	\$0.15	\$0.15	\$0.19	\$0.15
Vancouver, BC	\$0.37	\$0.37	\$0.37	\$0.37	\$0.37	\$0.37	\$0.52	\$0.52	\$0.52
Average (excluding LACC)	\$0.35	\$0.36	\$0.36	\$0.30	\$0.33	\$0.31	\$0.25	\$0.42	\$0.31
Los Angeles, CA	\$0.32	\$0.32	\$0.32	N/A	N/A	N/A	\$0.11	\$0.36	\$0.18

Notes:
 Net Square Feet (NSF) refers to booth space at an event.
 Gross Square Feet (GSF) includes booth space plus space for aisles, food service, exiting and other non-booth areas.
 For the purposes of this analysis, we include the full rental rates assuming 100 percent of each hall is rented. We note that some markets (including Los Angeles and Anaheim) publish a separate minimum hall rate in order to prevent an event from booking a small share of a hall and paying a correspondingly low rental rate.

The above exhibit presents a summary of exhibit, meeting and ballroom space rental rates for the markets reviewed. Each venue bases their rates on a distinct structure – some charge on a per-square-foot basis, others on a flat fee per hall basis. Some offer a package of days for a fixed fee, while many offer a per-day rate. Some offer discounted or free move-in/move-out dates based on the number of event days purchased. Pricing for move-in/out days is not included in the exhibit above.

For centers operated by an independent authority, the authority leadership will have final say over rental rate changes. This is the case in San Diego, New Orleans, Atlanta, Chicago, Orlando, Portland and Seattle. For city-controlled centers such as those in San Francisco and Anaheim (as well as Los Angeles), city council approves rate changes. We have presented the rental rate data on a consistent per-square-foot per event day basis. This required numerous assumptions, and footnotes for each venue are presented on the following pages. The exhibit space rental rates for the LACC appear to be generally consistent with the facility set average, while the meeting space pricing is well below average. These data are used to develop recommendations presented later in this section.

2.0 COMPARABLE CONVENTION CENTER ANALYSIS

2.1 Comparable Convention Center Average Exhibit Space Rental Rates - Footnotes

Anahelm: Exhibit halls are priced in terms of minimum daily rental rate per NSF per hall. Rates vary based on the type of event and whether or not the event includes exhibits. One complimentary move-in and/or move-out day is provided for each paid exhibit event date contracted, and additional required move-in and/or move-out days are charged 50 percent of the minimum daily rate.

Atlanta: Exhibit space is typically priced at a packaged flat nominal dollar rate that includes five show days and five move-in/out days. For purposes of this analysis, rates are calculated under the assumption of a four-day event.

Chicago: Exhibit space is priced based on the type and length of event. For events that require more than 10 days, space is sold on a NSF basis versus daily hall minimum, whichever is greater. For events that require less than 10 days of hall use, they are typically charged at a flat nominal dollar daily rate. Move-in/out days are typically discounted between 50 and 75 percent of the show day rate.

Los Angeles: Exhibit space for conventions and consumer shows is priced at a net square foot rate per day. Exhibit space use for assembly and meeting events is charged on a flat rate basis. Customers are provided one free move in/out day for every paid event day, up to five complimentary days for convention and consumer show business.

New Orleans: Exhibit space is typically priced at a per-net square foot amount for a package of days that generally includes three show and four move in/out days (four show and five move in/out days on occasion). The multi-purpose exhibit hall is rented at a flat rate, regardless of type of usage.

Orlando: Exhibit space is priced at a daily flat nominal dollar rate. Exhibit hall move-in and move-out days are priced at 50 percent of the event day rate. However, planners receive one free day for every three paid show days.

Portland: Exhibit space is priced at a net square foot rate per day or a minimum daily rate, whichever is greater. Customers are provided one free move in/out day for every paid event day, up to two complimentary days for convention business.

San Diego: Rack rental rates are stated in terms of a nominal daily rate per room. Management policy precludes entirely complimentary use of exhibit space; however, complimentary meeting and ballroom space is allotted based on the amount of exhibit space rented. Move-in/move-out days are complimentary for exhibit halls up to the number of fully paid show days. Additional days are charged at one half of the hall's standard license fee.

2.0 COMPARABLE CONVENTION CENTER ANALYSIS

2.1 Comparable Convention Center Average Exhibit Space Rental Rates – Footnotes (continued)

San Francisco: Exhibit space within the main exhibit halls is rented on a daily per NSF utilized basis. Ballrooms are priced at a flat daily rate. A separate multi-use exhibit hall is rented at a flat rate per day for the entire facility. Move in/out days are provided free of charge on a one to one ratio with paid event days. Additional in/out days are charged at half of the rack rates.

Seattle: Exhibit space rent is predicated on a per NSF formula and then calculated to a per room charge. The Center does not calculate the rent on a show by show/NSF basis. For every paid show day in exhibit or ballroom space, planners receive one complimentary move-in/move-out day.

Vancouver: Exhibit space is priced at a per-day net square foot rate. Move-in/out days are charged at 50 percent of the rack rates. In some cases, they are able to offer complimentary move-in/out days up to the total number of event days.

Summary Comments: As noted above, exhibit space rental is charged in a variety of ways, typically either a flat rate for an entire hall, or on a net square footage basis. Center management typically determines the actual NSF, defined as total display area less aisle space and food services areas. Historically, the net square foot charge was designed to bill a client based on the revenue producing space at an event. Increasingly, events have created more complicated exhibit hall layouts, making it more difficult to frame space use on a net versus gross basis. Several buildings have therefore started charging on a flat fee per hall, or in effect, a gross square foot basis.

We also note that several convention centers now include “flex” space, or space that is generally carpeted and can serve as exhibit, food function, general session or other uses. In Anaheim, pricing for the new ACC North is consistent with other space – a per NSF charge versus a minimum flat fee. Moscone West space is rented separately at a flat rate of \$44,000 per day regardless of use (versus the per NSF basis for North and South Halls) and users must rent the entire facility. Similarly, the 60,300 square foot Great Hall in New Orleans is rented at a flat rate of \$19,000 per day, regardless of type of use (versus the per net square foot package pricing structure in place for exhibit space).

2.0 COMPARABLE CONVENTION CENTER ANALYSIS

2.2 Comparable Convention Center Discounting Summary

Virtually every market will offer some form of discount to attract desired high-impact events. We have reviewed the discounting practices for high-impact conventions and tradeshow (typically city-wide events) at selected comparable and competitive markets, as summarized on the following page.

The assessment addresses three considerations: (1) the agencies that have discounting authority, (2) the factors considered when determining a supportable discount, and (3) the typical discount percentage for high-impact events.

As noted in the exhibit, there are several approaches to discounting authority.

1. Center management controls all discounting decisions (Chicago, New Orleans, Orlando, Portland, etc.).
2. CVB is given authority to discount up to a specified amount (15 percent in San Diego).

3. Tourism Improvement District funds are used to provide an offset to convention center rental discounts (Anaheim, San Francisco and San Diego).

The practice of providing a convention and visitors bureau exclusive discounting authority is unique to Los Angeles. Factors typically considered when offering discounts include the following:

- Room night generation
- Economic impact
- Tax generation
- Ancillary center revenue
- Likelihood of booking another, more desirable event
- Seasonality factors

The factors considered for LACC discounting are not dissimilar from those listed above.

The typical discount percentages range between 10 percent and 50 percent. In rare cases (an event generating over \$1.0 million in food and beverage revenue as referenced in Atlanta, for example), rental discounts can reach 100 percent.

COMP FACILITY ANALYSIS

2.0 COMPARABLE CONVENTION CENTER ANALYSIS

2.2 Comparable Convention Center Discounting Summary

Market	Discounting Authority	Requirements for Discounts	Typical Discounts
Atlanta, GA	The CCB has the authority to offer incentives for qualifying events from the Tourism Improvement District Fund. Separately, Center management can offer discounts as appropriate with no limitations to the amount of discount.	Discounted based on the size of year, attendees, number of room nights and the incremental revenues generated by both the Center and hotels.	Typical discounts range between 15 and 20 percent.
Atlanta, GA	The Greater Center Authority has had discount approved with height and address provided by a separate order up or out from the Tourism Department, Business Incentives Department, Economic Data Staff and the Chief Commercial Officer.	Discounts are typically determined by the proposed total square footage of the event and the additional economic impact.	Typical hotel discounts for 10-14 day events range between 20 percent and 25 percent, although discounts as high as 100 percent can be offered for events with very significant hotel and catering revenue generation.
Chicago, IL	Discounting policies at the Center have changed in recent years. In the past, the sales manager would present the need to the Director of Sales to address the amount of discount. If the amount was unusually high, they would first bring the offer to the general manager for final approval. Any discounting is now approved by the Chairman/Center Authority Chief Financial Officer.	Discounted on a case-by-case basis using the consideration the number of attendees, number of hotel room nights and the size of year.	Typical discounts range between 20 and 25 percent. However, management is willing to discount up to 100 percent for certain events and size of year.
Los Angeles, CA	The CCB has the authority to discount per the Discounting Policy authorized by the City Administrator/Chief, which was approved by the City Council and signed by the Mayor.	Primary resources used to determine the discount include FTEF revenue and hotel room tax.	Average hotel discounts for eligible conventions have ranged from 80 percent to 85 percent over the past three fiscal years.
New Orleans, LA	Discounts are authorized by the Center Executive Team (CEO of Administration, VP of Operations and VP of Sales and Marketing).	Discounted on a case-by-case basis considering ancillary services, including parking, food, equipment, supplies, security, insurance, medical, laundry, case business operations, center of hotels, catering, food/beverage cost, required permits, security, bar generation and other fees to the market.	Standard discount is approximately 40 percent.
Orlando, FL	Discounts are approved by the Center Sales Manager, working with Center Management.	Discounted on a case-by-case basis using the consideration event dates, total room nights, FTEF and ancillary revenues.	10 to 20 percent during peak periods and up to 50 percent during non-peak periods for events that will occur within two years. Food and beverage revenues may be used for additional discounts.
Portland, OR	For any consideration business that includes a component there is an automatic discount from room rates. Center Sales Managers and the Director of Sales have the authority to negotiate any additional discounts.	Discounted on a case-by-case basis based on an evaluation of the overall value of the business.	Typical discounts is 20 percent. However, management is ultimately willing to discount up to 100 percent of net for high impact events.
San Diego, CA	The Center and CCB sales managers have the ability to discount the room night rates by as much as 15 percent. The CCB Finance/CEO has the authority to discount an additional 10 percent, for a total of a 25 percent discount. The Center sales staff have additional discounting authority to make it their secure very important events or other events beneficial to the market.	Discounted on a case-by-case basis considering economic impact, ancillary revenues provided, marketing opportunities and total event profits.	Typical discounts range between 10 to 20 percent.
San Francisco, CA	At their last discussion, the CCB has the authority to offer discounts of up to 20 percent off of total room rates. Now the discount is paid from Tourism Improvement District Funds and doesn't impact Center revenue.	Discounts are not offered and are typically only offered to large events with significant hotel and catering revenue (i.e., \$200,000+), new national hotels and corporations "new" business.	10 to 20 percent. However, discounts are infrequently offered and typically amount to less than \$200,000 per year.
Seattle, WA	Discounts are authorized by the Center Director of Sales.	Discounted on a case-by-case basis using the consideration any use of or off of total room nights, the number of attendees, hotel revenue, FTEF spend, high level demand to the community, laborer benefits by considering discounting for FTEF spend to \$200,000.	10 percent for peak, averaging approximately 40 percent. Management would discounting over 100 percent other than for high revenue events.
Westminster, NC	Discounts are approved by the Center Director of Sales, working with the Sales Managers.	Although 1,000 rooms per year and at least 2 summer hotels is required to receive any discounts.	Standard discount offered is 20% off of the total rate.

2.0 COMPARABLE CONVENTION CENTER ANALYSIS

2.3 Comparable Convention Center Booking Window Policies

An important component of the operating relationship between the a convention center and destination marketing organization (or CVB) relates to the booking window. A booking window defines the period of time during which center management controls the calendar for booking events. For example, with a 12 month booking window, center management can unilaterally book events within a 12 month period, with the destination marketing organization controlling the calendar 12 months and out. This is the current policy in place for the LACC.

We have also reviewed booking window polices in several other markets, as summarized below.

- Seattle - The Washington State Convention Center manages the calendar 14 months and in. Anything outside of that, the CVB has primary control of the booking calendar.
- Anaheim - The Anaheim Convention Center controls the booking calendar 12 months and in. Beyond that timeframe, the Anaheim Convention and Visitors Bureau manages the booking calendar.

- San Diego - The San Diego Convention Center Corporation's short-term sales team controls the books inside of 18 months. The San Diego Tourism Authority manages and controls the booking calendar outside of 18 months.

In talking with center and destination marketing officials in markets throughout the country, the coordination between entities is significantly more important than the specific timing of the booking window policy. With many high-room night corporate and other events booking within a 12 month period, it is critical that center management is responsive to CVB efforts to book such events, even to the extent of trying to move lower impact events that may be on the calendar for the desired dates. Similarly, it is critical that the CVB work to accommodate events that may generate very significant center revenue, including such events that may seek dates outside the defined booking window.



COMP FACILITY ANALYSIS

2.0 COMPARABLE CONVENTION CENTER ANALYSIS

2.4 Comparable Convention Center City-Wide Event Booking and Licensing Policy Summary

We have reviewed various aspects of the booking and licensing process for selected destinations, focusing on the typical period between licensing and event start, the standard deposit schedule, and aspects of the cancellation policy. A summary of our review is presented below, with market by market data presented after the following page.

Licensing to Event Period

In many cases, center management will prefer to lock in an event as far out as possible. In very high demand markets such as San Francisco, this is less of a priority given the potential to secure replacement events, potentially of higher impact.

The typical period between licensing an event and the event start is between two and four years. For the LACC, events hosted between July of 2015 and June of 2017 were licensed approximately 1.4 years prior to the event.

Deposit Schedule

Deposit schedules vary significantly within the markets reviewed. In some cases, a small deposit (\$1,000) is required at signing of a LOI. It is difficult for an association to commit significant funds beyond two to three years, particularly when these funds may not have been budgeted.

The primary deposit schedule typically begins at signing of a license agreement, with deposits at this point in time ranging from 10 percent to 25 percent of the total rental charge. A secondary period of deposits typically begins one year prior to the event, with varying deposits required between 12 months and 30 days prior to the event.

License Agreements for the LACC typically specify a \$1,000 deposit at agreement execution, with specific amounts sometimes due approximately 90 days prior to the event. No deposit is typically required at the LOI stage. Note that in cases where a material amount of rent is being paid, (\$20,000 for example), a larger deposit may be required.

2.0 COMPARABLE CONVENTION CENTER ANALYSIS

2.4 Comparable Convention Center City-Wide Event Booking and Licensing Policy Summary (continued)

Cancellation Policy

There is a great deal of diversity in the specific nature of the various cancellation policies reviewed, however all revolve around some type of sliding scale whereby the costs to the event planner for cancellation increase as the date of the event draws closer. Several components that should be noted are summarized below.

- Events cancelling within 12 months of the event start are typically responsible for full rental payment.
- In some cases, the full rent provision is active two years in advance of the event (New Orleans, San Diego).
- Some agreements call for a scaled up cancellation fee, whereby 50 percent of rental is due upon cancellation more than two years out, with 100 percent payment due within two years (Orlando).

- In some cases, provisions are in place that allow for reduced cancellation fees if the center is able to book a replacement event.

We note that in all cases, the cancellation fee may be negotiated. For example if an event rebooks the center for a future year, the cancellation fee may be waived or substantially reduced.

For the LACC, the License Agreement states that the event planner is responsible for 100 percent of exhibit hall rent, *not adjusted for discounting*, if cancellation occurs after the Agreement is signed. Deductions would be made to this obligation if a replacement event could be booked. Cancellation provisions for Level 2 meeting space allow for no payment obligation if cancellation takes place outside 180 days from the event.



COMP FACILITY ANALYSIS

2.0 COMPARABLE CONVENTION CENTER ANALYSIS

2.4 Comparable Convention Center City-Wide Event Booking and Licensing Policy Summary (continued)

Market	Typical Period Between Licensing and Event Start	Deposit Schedule	Cancellation Policy
Austin, TX	2 years from event.	\$1,000 at booking, 20% 1 year prior and 20% 30 days out. Events taking place within 12 months must pay 20% at signing and 20% 30 days out. Events booking within 30 days must pay 100% at signing.	Candidates are charged a portion of total event cost or a sliding scale based on the length of time before the event date to show interest. Events occurring more than 4 years out must pay 20% of the reservation/total charges, while those occurring within 12 months must pay full cost.
Albany, GA	2 years from event.	20% deposit due with signed contract. Remaining 70% due prior to event month.	Responsible for payment of all negotiated event expenses including discounted rent, F&B and other services if candidate occurs any time after the contract is signed.
Chicago, IL	2 years from event. Certain events require a hotel/reservation hold contract to be signed prior to booking.	50% deposit due with signed contract. 50% due 60 months from event. 50% due 30 days from event.	Responsible for payment of space contracted at standard rate, with 1 cancellation account at any point after business is signed. However, approximately 20% to 50% of cancellations are negotiated to a lower payment dependent on how far out the event is from cancellation.
Los Angeles, CA	1.4 years from the event based on a number of 12 events booked between July of 2013 and June of 2017.	Varying but the requirement of signing of License Agreement, remainder of paid due 30 days prior to event.	Full cost review of published rates 3 years in advance after signing of License Agreement. Any actual cost review received from negotiated event can be deducted from this obligation.
New Orleans, LA	Events booked further than two years out are signed a LCO. Events booked within three years must sign a Facility Use Agreement.	A \$1,000 deposit is required with the License Agreement. 10% of rent is due upon the completion of a Facility Use Agreement. 50% due one year in advance and remainder is due 30 days before the event.	Candidates assuming more than two years in advance of the event must pay 50% of the negotiated rental rate. An event occurring less than two years out must pay 100% of the full rental value. Candidate payments are due at the time of reservation.
Orlando, FL	2 to 3 years from event.	For events booked within 2 years of event, 20% deposit is due upon signing the lease and the remaining 70 percent is due prior to the month date. For events booked outside of two years, an initial \$1,000 is due at signing with 20 percent due 18 months out and the remaining due 60 days prior to the event.	For cancellations outside of two years, candidate is responsible for 70% of contracted space within two years, candidate is responsible for 100% of contracted space that the Center is unable to rent.
Portland, OR	2 to 4 years from event. Extended hold contract is due prior to signing license agreement.	20% deposit due with signed contract. 70% due 30 to 60 days prior to event.	Responsible for payment of all contracted event space at rack rate.
San Diego, CA	License Agreements are signed 2 years in advance for long-term bookings and immediately for events taking place within the year.	20% due two years from event. 20% due six months from event. 50% due 60 days to event. 20% due 30 days after business agreement is signed. 70% due 30 days in advance of event.	Candidates within 1 year pay 50% of rent and any F&B. Candidates taking place within 2 years must pay the full rent and F&B. If the center is able to obtain replacement business, the original deposit is applied to an other event to the amount of the replacement business fee, applied for amount of negotiated charges.
San Francisco, CA	2 years from event.	20% due 30 days after business agreement is signed. 70% due 30 days in advance of event.	Chairs occurring outside of 70 months are responsible for 20% of gross total. Cancellations within 18 months require payment of full cost. If the Center is able to obtain replacement business, the deposit is applied to an other event to the amount of the replacement business fee.
Seattle, WA	3 to 5 years from event. Once the CMCY LCO (Letter of Intent) is signed by the client, the Center issues a license agreement with the intent of getting it signed within 60 to 90 days.	\$1,000 deposit due with signed contract. 50% due ten months from event. 50% due 30 days from event.	For grossing out cannot their event within 4 years of their date, the full value of their rent is due. Outside of 4 years, there is a sliding scale that may be negotiated.
Winnipeg, BC	2 to 4 years from event.	10% deposit due with signed contract. 20% due six weeks from event. 20% due six months from event. 20% due 30 days from event.	Responsible for payment of all rent at rack rate if cancellations occur within 18 months of event. Responsible for payment of all rent at rack rate plus prepared F&B and concession services received if cancellations occur within 6 months of event. Any cancellations outside of 18 months are negotiated on a case-by-case basis.

2.0 COMPARABLE CONVENTION CENTER ANALYSIS

2.5 Comparable Convention Center Bid Funds

Some form of bid fund is available in most markets to help attract high-impact conventions and tradeshow. In general, these funds are used to pay for various costs of producing an event including shuttling costs, opening reception costs, contributions to association foundations, speaker fees and (on occasion) payment of a portion of center rent. The following page presents specific bid fund data for each of the markets reviewed.

The bid funds are typically controlled by a convention and visitor bureau entity, as is the case for LATCB. Funding is typically generated from one of two sources, (1) as part of the organization's overall budget (Washington D.C., Los Angeles, Atlanta, Seattle), or (2) from a portion of a specific hospitality industry tax (Portland, Vancouver, San Francisco, Anaheim, San Diego, Phoenix and Orlando).

In cases where a separate hospitality tax source is used, there can be a separate management entity, typically hotel representatives, that provide guidance and/or approval for use of funds in discounting.

We also note that in cases where a center adopts a position of no discounting, it is often the case that bid fund dollars are used to make a portion of the rental payment on behalf of the event planner.

The amount of bid funds available for attracting events varies significantly by market. Portland operates with the highest bid fund at \$1.5 million in annual support. California markets of Anaheim and San Diego operate with bid funds at \$1.0 million and \$60,000, respectively. The \$500,000 currently allocated by the LATCB budget for discounting purposes ranks near the mid point of markets reviewed. We note that the LATCB bid fund is used for various incentives only after very significant rental discounts are applied as allowed under current policy.

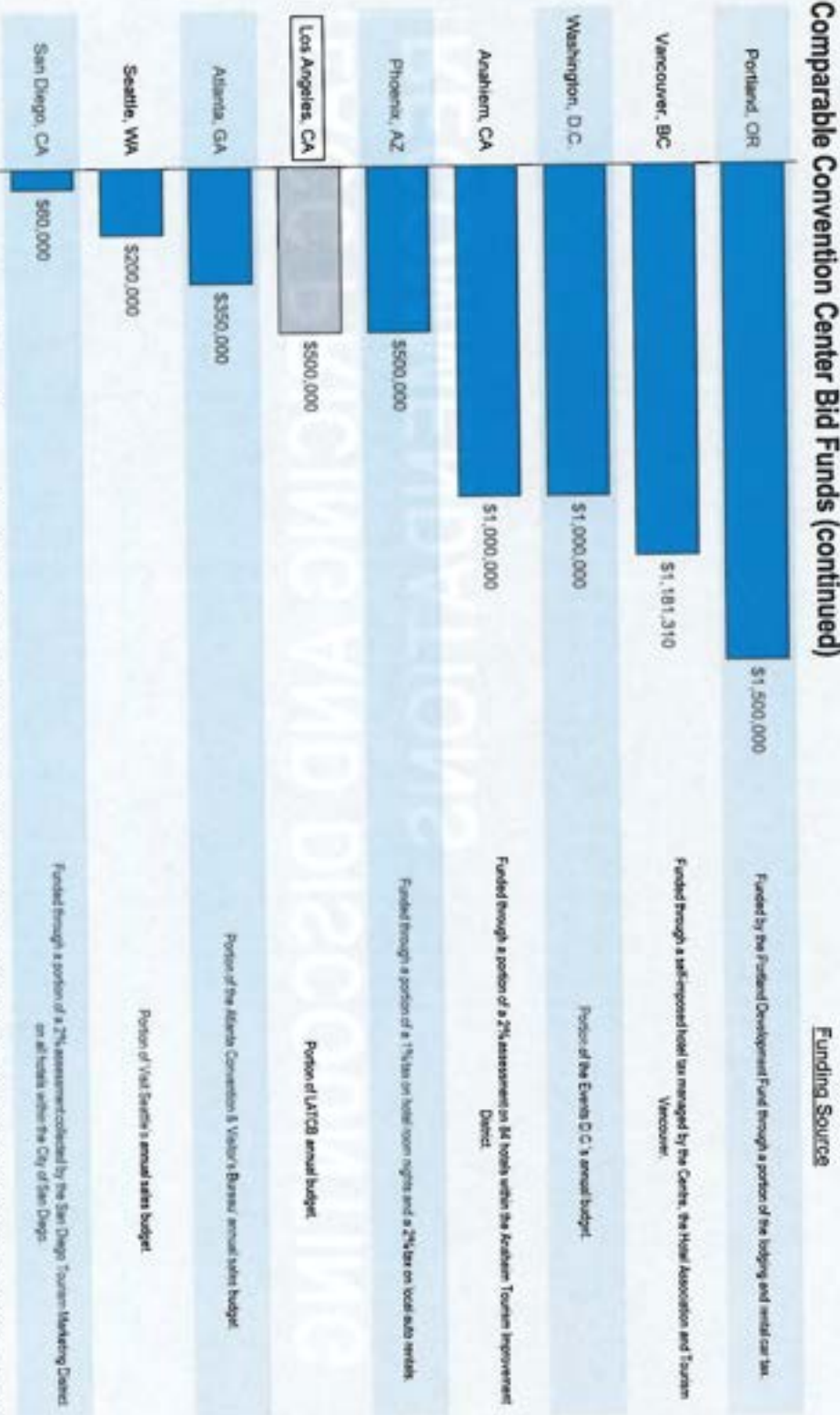
It is also important to note that the actual outlay of funds in any given year can be significantly greater or less than the average annual funding levels. Actual outlays depend on the events to be held in the particular year, and the corresponding event discounting agreements.



COMP FACILITY ANALYSIS

2.0 COMPARABLE CONVENTION CENTER ANALYSIS

2.5 Comparable Convention Center Bid Funds (continued)



Note: San Francisco Travel Association receives a portion of San Francisco Tourism Improvement District collectors to support rent buy downs and other incentives used to attract conventions and tradeshow events to Moscone Center. Orange County has a self-imposed 6% Tourist Development Tax on all hotels within the County, of which hotel properties attached to the Center receive approximately 1% that is put into a marketing fund to spend on attracting high impact events, among other initiatives.

The background of the slide is a blue-tinted photograph. On the left side, there is a large stadium with a prominent white steel truss roof structure. On the right side, a tall, modern skyscraper with a grid-like facade is visible against a clear sky. The overall scene is an urban landscape.

3.0 | LACC PRICING AND DISCOUNTING RECOMMENDATIONS

RECOMMENDATIONS

3.0 LACC PRICING AND DISCOUNTING RECOMMENDATIONS

Based on the analysis presented herein, including the case study data presented in the following section, we have prepared the following recommendations.

3.1 LACC Pricing – city-wide Convention

We have developed a set of recommendations for LACC pricing, focusing on the city-wide convention market. These recommendations are based on existing LACC facility and hotel conditions, as well as assumed future facility and destination improvements.

Exhibit 5 Recommended LACC Pricing Schedule – city-wide Conventions

Year	Exhibit Space		Ballroom Space		Meeting Space	
	Rate	% Increase	Rate	% Increase	Rate	% Increase
2018	\$0.32	0%	\$0.00	N/A	\$0.18	11%
2019	\$0.32	0%	\$0.00	N/A	\$0.20	0%
2020	\$0.32	0%	\$0.00	N/A	\$0.20	0%
2021	\$0.32	0%	\$0.00	N/A	\$0.22	10%
2022	\$0.36	13%	\$0.35	N/A	\$0.30	36%
2023	\$0.36	0%	\$0.35	0%	\$0.30	0%
2024	\$0.40	11%	\$0.38	9%	\$0.33	20%
2025	\$0.40	0%	\$0.38	0%	\$0.33	0%
2026	\$0.44	10%	\$0.41	8%	\$0.36	9%
2027	\$0.44	0%	\$0.41	0%	\$0.36	0%
2028	\$0.48	9%	\$0.44	7%	\$0.39	8%
2029	\$0.48	0%	\$0.44	0%	\$0.39	0%
2030	\$0.52	8%	\$0.47	7%	\$0.42	8%
2031	\$0.52	0%	\$0.47	0%	\$0.42	0%
2032	\$0.55	6%	\$0.50	6%	\$0.45	7%

LACC Redevelopment, HQ Hotel Opens

Given the existing facility and hotel conditions, we do not recommend significant near term increases in LACC exhibit space pricing. Assuming the redevelopment of the LACC and the completion of a new headquarter hotel development in 2022, a steady schedule of increases is recommended, with increases every other year between 6 percent and 13 percent.

The method of charging exhibit space rent relies on a per-net-square foot of exhibit space basis. Net square feet refers to booth space, and does not include aisle or other non-revenue generating space. This has been a common method in the industry, whereby event planners pay rent based on the space they charge their exhibitors.

Recently, more centers are charging on a flat fee per hall basis. This eliminates the need to define the net versus gross space, and also addresses conditions whereby the net space used in the hall is relatively low as a percentage of total space. For the LACC, consideration should be given to a more simplified flat fee basis for exhibit space charges.

3.0 LACC PRICING AND DISCOUNTING RECOMMENDATIONS

The LACC does not currently have a dedicated ballroom. Recommended pricing schedules for ballroom space begin after the LACC and hotel development take place, increasing every other year at rates between six percent and nine percent.

Meeting space pricing levels are currently significantly below comparable facility averages, and recommended price increases would take place starting in 2019, with a significant increase in 2022. Recommended increases every other year after 2022 range between seven percent and ten percent.

Implementation of this pricing schedule will have to be modified based on the actual LACC redevelopment schedule, headquarter hotel timing and future economic conditions.

The process for setting LACC rental rates should continue to conform with traditional industry practices under which the owner of the convention center maintains control. For the LACC, which is owned by the City of Los Angeles, this would involve continued rate-setting control by City Council as proposed by the CTD.

3.2 LACC Pricing – Short Term Bookings

Short term bookings often consist of consumer shows, meetings, banquets and other events that typically have a more local/metropolitan area attendee base.

LACC pricing for consumer events is set consistent with convention pricing. This parity is not uncommon among comparable facilities, while some venues set separate rates for consumer shows. In most markets, center management has flexibility in setting rental rates for both conventions/tradeshows and consumer/focal events. LACC management currently does not have this authority, limiting the ability to make sound business decisions as to pricing based on ancillary building revenue, historic booking levels, potential for recurring events and other factors.

In a May 2009 memo, the City Administrative Officer presented the Budget and Finance Committee with a proposal to allow for "...the flexibility to adjust this rate upward or downward by thirty percent to reflect market conditions and demands. The proposed policy would apply only to licensees booked by the Convention Center and not those booked by LA Inc."

3.0 LACC PRICING AND DISCOUNTING RECOMMENDATIONS

We recommend that approval for this request be granted, with the discount cap set at 50 percent, consistent with the expired flexible pricing ordinance (see City of Los Angeles Administrative Code, section 8.149.2). At the same time, controls for this flexible approach should involve defining criteria for management to use in offering a rental rate that differs from published rates.

A general requirement should be set that in no circumstance would offering a discount for a short term piece of business result in a net loss of revenue to the LACC, including all directly charged expenses and an estimate of indirect staff time. Specific criteria should include, but not be limited to:

- Ancillary building revenue
- Room night generation
- Economic Impact
- Historical LACC booking levels during requested event dates
- Potential for recurring LACC use
- Potential positive media exposure

In implementing a flexible pricing policy, LACC management should retain records as to actual metrics for all criteria noted above. CTD staff should conduct an annual, end-of-year review of all pricing variations implemented during the previous fiscal year.

To the extent pricing variations have been negotiated in ways inconsistent with the intent of the policy, CTD should provide guidance to LACC management for adjustments in implementing pricing policy for the subsequent fiscal year.

If there are material and recurring inconsistencies in policy implementation, CTD could consider rescinding price flexibility authority.

3.0 LACC PRICING AND DISCOUNTING RECOMMENDATIONS

3.3 LACC Discounting Process and Levels

An overview of the LACC discounting process was presented previously in section 1.1. Based on our case study review and experience with overall industry practices, we make the following recommendations.

- Work to lengthen the timing between licensing and event start from 1.4 years (average for fiscal year 2017) to approximately 2.0 years.
- Limit the unilateral ability of LATCB for discounting LACC rent for city-wide events to 50 percent of published rates. A 50 percent level is generally consistent with the high-end level of discounting at most comparable venues reviewed, and significantly higher than for centers in San Francisco and San Diego.
- When additional discounting may be needed to attract an event, LATCB and LACC management should jointly review the lead and agree on a discounting percentage. The packet process would then proceed for approval by the CTD. LACC management should include any available data on rent paid by the event in previous cities.

- If there are situations where no agreement is reached on a supportable discount percentage, the packet would reflect all perspectives on the discount percentage, with a request to CTD for a final decision.
- A successful discounting process should serve to limit waived rent to the minimum needed, without sacrificing a desired city-wide event due solely to rental costs.

3.4 LACC Cancellation and Deposit Policies

The current cancellation policies for the LACC as represented in the License Agreement reviewed for this project are not inconsistent with general industry practices.

However, given the substantial discounting that takes place, an event that is contractually obligated to pay \$20,000 in rent may have a cancellation charge of \$105,000 given the requirement that the cancellation penalty is based on published, not discounted, rates. This disparity may make it difficult to effectively implement this policy.

3.0 LACC PRICING AND DISCOUNTING RECOMMENDATIONS

Consideration could be given to some form of a graduated structure under which the payment of lost rent (at rack rate) be reduced by 50 percent for events cancelling more than two years out. In addition, consideration should be given to including estimates of net food and beverage revenue in the cancellation penalty.

The practice of not requiring a deposit at the signing of the LOI is not inconsistent with many markets, and given the minimal amounts typically charged, should be continued.

This is current policy in Vancouver and Atlanta, and San Diego is considering such a policy, particularly in cases where they have offered significant rent discounts for events with high food and beverage revenue (which later cancelled).

The required deposit policy included in the LACC license agreement for city-wide events diverges from typical practices in that relatively little in advanced rent is required more than 180 days prior to the event.

Consideration should be given to the requirement of a 25 percent payment at signing of the license agreement, followed by a series of payments as follows: 25 percent of rental fee at six months prior to the event, and the remaining 50 percent at 90 days prior to the event.



4.0 | COMPARABLE CONVENTION CENTER CASE STUDIES

ANAHEIM CONVENTION CENTER

Anaheim, California



RENTAL RATES

The Anaheim Convention Center is owned and operated by the City of Anaheim. Rental rates for event spaces within the Center must be approved by the City Council and are based on recommendations by facility management. This process generally takes place every year. A new set of rental rates was established in July 2017 and consisted of an approximate five percent increase in exhibit space rental rates and 11 percent increase in ballroom rates. Rates for meeting space were unchanged.

Exhibit halls are priced in terms of minimum daily rental fee per NSF per hall and rates vary based on type of event and whether or not the event includes exhibits. New "flexible" space within the recently developed Anaheim Convention Center North building is priced at the same rate as the traditional exhibit space. Meeting and ballroom space is priced at flat daily rates. Trade shows and conventions with exhibits receive a credit against their total meeting room rental fees per paid event day for exhibit halls.

One complimentary move-in and/or move-out day is provided for each paid exhibit event date contracted, and additional required move-in and/or move-out days are charged 50 percent of the minimum daily rate. Meeting space receives one complimentary move in day. Additional move in or out days are charged at 50 percent of daily rental.



ANAHEIM CONVENTION CENTER Anaheim, California

DISCOUNTING PRACTICES AND POLICIES

Based on conversations with both Center and Visit Anaheim sales staff, discounts from the published rental rate schedule can be offered to event planners as necessary to attract business and are determined by the time of year, attendance, number of room nights brought to the city and the incremental revenue potential for both the Center and hotels. On average, the percentage discount for a desirable, high-impact event is estimated at between 10 and 15 percent off of the rack rental rates; however, Center management has the ability to provide unlimited discounts, which can result in complimentary rent for certain desirable events.

There are three primary methods of providing these incentives to event planners: hotel subsidies (per night room rebates that are passed along to the Center to help offset "lost" rental revenue to the Center), Visit Anaheim subsidies (derived through Anaheim Tourism Improvement District (ATID) assessments) and direct discounts from the Center.

Discounts are also provided on meeting space rental based on the amount spent on exhibit space rental. Tradeshows with exhibits currently receive a credit against their total meeting room rental fees in the amount of \$4,825 per paid event day for Halls A, B, C and E and a credit of \$7,200 per paid event day for Hall D.

Additionally, ten percent of net catered food and beverage revenue can be credited toward meeting space rental fees.

EVENT INCENTIVE/BID FUND

As a tool to attract high-impact conventions and tradeshows to the destination, the Anaheim/Orange County Visitor & Convention Bureau has access to funds generated by a two percent assessment on hotel rooms among 84 area properties within the designated District. The ATID was established in 2010 by the Anaheim City Council as a means of providing the necessary resources to enhance tourism activity and increase hotel room stays in Anaheim.

Each year, the Bureau has access to approximately \$1 million in ATID funds that can be used to incentivize convention and tradeshow business to bring their event(s) to Anaheim. This figure has remained static for the past five years and there are no immediate plans for an increase. In cases where these funds are distributed, they are used to offset the "lost" rental revenue incurred by the Center.

Decisions as to whether or not funds can be applied to a particular event and if so, how much is offered, take place on a case-by-case basis. Factors that are typically considered include the time of year, attendance, number of room nights brought to the city and the incremental revenue potential for both the Center and hotels.

ANAHEIM CONVENTION CENTER Anaheim, California



BOOKING AND LICENSING PROCESS

Booking space at the Anaheim Convention Center begins with the client signing a non-binding Letter of Agreement with Visit Anaheim that outlines the dates, space to be used and the applicable rates and terms. A deposit in the amount of \$1,000 is required upon execution of the Agreement. The Agreement also typically requires the client to execute binding contracts with at least one headquarter hotel within a specified number of days after the letter is signed.

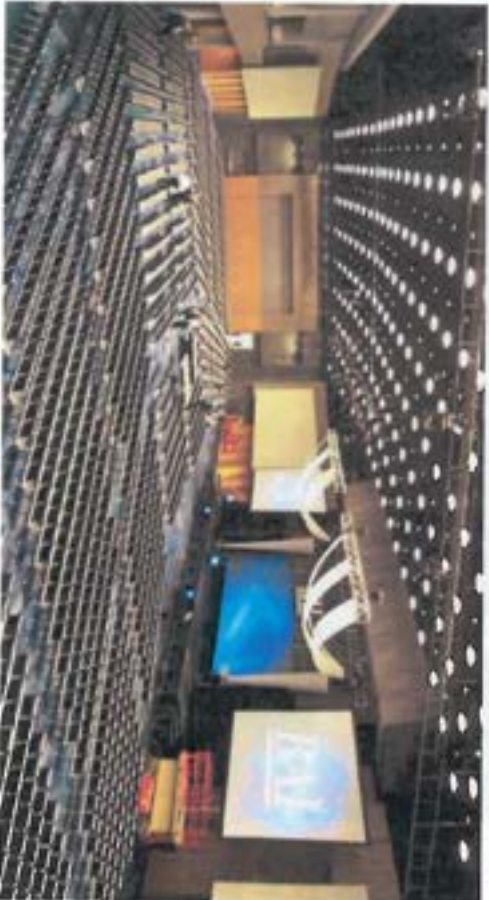
The Center issues a contract approximately two years in advance of the event, at which point the client is bound with financial requirements. A deposit in the amount of 25 percent of the total rent due is required upon execution of the contract and the full remaining balance is due 60 days prior to the event.

Cancellations are charged a portion of total rent which is due on a sliding scale, based on the length of time before the event was to take place. Events cancelling within 12 months must pay full rent. The following table outlines the penalties assessed in the event of a cancellation.

Timing	Amount Due
49-or more Months Prior to First Move-In Day	10% of the total Minimum Rent
37-48 Months Prior to First Move-In Day	15% of the total Minimum Rent
25-36 Months Prior to First Move-In Day	50% of the total Minimum Rent
13-24 Months Prior to First Move-In Day	75% of the total Minimum Rent
12 Months Prior to First Move-In Day	100% of the total Minimum Rent

GEORGIA WORLD CONGRESS CENTER

Atlanta, Georgia



RENTAL RATES

Rental rates at the Georgia World Congress Center are established and approved through a revenue team of the Georgia World Congress Center Authority. A five percent increase in rates every three years has been established.

Exhibit space is typically priced at a packaged flat nominal dollar rate that includes five show days and five move-in/out days. Move-in/out days are typically priced at 50 percent of show day rates.

DISCOUNTING PRACTICES AND POLICIES

The Georgia World Congress Center Authority has final discount approval with insight of a committee made up of staff from the revenue department, the business intelligence department, executive sales staff and the chief commercial officer who review leads and evaluate them on a case by case basis based upon the estimated economic impact of the event. In addition to economic impact, a majority of the time, discounts are based on the projected total spend of the event. Events with a large estimated food and beverage spend will receive a larger discount than events that typically do not require food and beverage, such as consumer shows. Oftentimes, events with food and beverage sales in excess of \$1 million will have their rent discounted 100 percent.

GEORGIA WORLD CONGRESS CENTER

Atlanta, Georgia



EVENT INCENTIVE/BID FUND

In addition to rental rate discounts, there are other ways in which the community contributes to providing a competitive offer to prospective high-impact events. The hotel community will typically offer room rebates, and the Atlanta Convention and Visitors Bureau may provide additional money from their bid fund, which totals approximately \$350,000 annually funded through a portion of the CVB's annual sales budget.

BOOKING AND LICENSING PROCESS

The Atlanta Convention and Visitors Bureau will first issue a Letter of Intent to a client once they have decided to host their event at the GWCC. The Center will then go to contract with the client, issuing a letter of agreement (licensing agreement), typically around the two-year mark of the event date. There is a 25 percent deposit due at the signing of the agreement. For the remaining 75 percent of expenses, the Center is flexible and does not require specific installments, but requires the amount be paid in full prior to the event date.

If at any time after the agreement is signed and the client cancels, they are required to pay the full negotiated event expenses including discounted rent, F&B and other services.

MCCORMICK PLACE Chicago, Illinois



RENTAL RATES

McCormick Place, in conjunction with the Metropolitan Pier and Exposition Authority (MPEA), the owner of the complex, establish and approve rental rates. Historically, these rates increase every five to seven years, but this practice is currently being debated, as rates at the Center have not changed since the end of the recession.

Exhibit space is priced dependent on the type and length of event. For events that lease between 10 to 14 days, space is sold on a NSF basis versus a daily hall minimum, whichever is greater. For events that are less than ten days, they are typically charged at a flat nominal dollar daily rate.

Move-in and move-out days are priced depending on the type of event. Typical tradeshows are sold on a net square foot basis, with move in/out days discounted between 50 and 75 percent of the standard rate schedule. For events with move-in/out date that exceed the number of event days, standard rates apply, but are frequently given a complimentary half-day for every two paid event days.

MCCORMICK PLACE

Chicago, Illinois

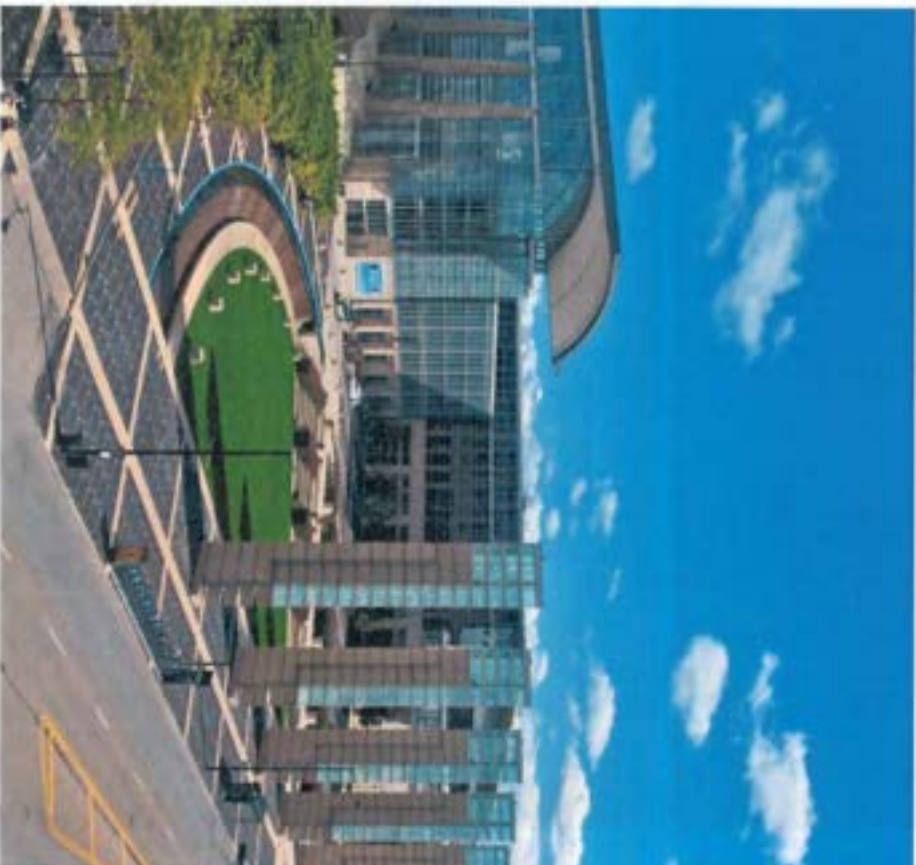


DISCOUNTING PRACTICES AND POLICIES

Discounting policies at the Center have changed in recent years. In the past, the sales manager would present the event to the DOS to determine the amount of discount, and if the amount was abnormally high, they would then bring the offer to the general manager for final approval. Any discounting is now approved by the CFO and determined on a case by case basis, taking into consideration the number of attendees, number of hotel rooms nights and the time of year. Center staff try to keep discounts between 20 and 30 percent of rack rates, however they are willing to discount up to 100 percent, especially for events during the off-season.

Historically, the Center was reimbursed through allocations from the State to replace "lost" revenue due to discounting, as well as to cover their operating budget. However, as a result of current financial issues at the State level, it is anticipated that the facility will no longer have access to these funds. MPEA management are currently in the process of determining how to become more self-sustaining. These efforts have included the development of an MPEA-owned 1,200 room Marriott Marquis headquarter hotel, and bringing various event services in-house.

MCCORMICK PLACE Chicago, Illinois



EVENT INCENTIVE/BID FUND

In addition to discounting, funds through Choose Chicago (CVB) are available in order to retain high impact events. Similar to discounting practices, bid fund allocations are evaluated on a case by case basis and approved by the CVB CEO and EVP based on the estimated event impact and time of year. The annual amount allocated to this fund comes from the CVB's budget, which has fluctuated in recent years due to economic factors.

BOOKING AND LICENSING PROCESS

The staff of the Center and the CVB work together throughout the entire booking process to create the best possible financial package for events. The CVB will present the final offer in a letter of intent to the client which outlines both the dollar amount allocations from Choose Chicago as well as any negotiated rental discounts. Once the letter is signed, the Center will typically go to license 24 months out. For events that include a more aggressive deal or a multiple year deal, the Center will require the client sign their headquarter hotel contract by a certain date to reduce the financial risk of cancellation. A ten percent deposit is due at the signing of the contract, with 40 percent due six months prior to the event and the remaining 50 percent due 30 days out.

If a contract is signed and the client cancels, the Center requires reimbursement of the space at the standard rate schedule. However, it is common for clients to push back on the reimbursement amount, and negotiations will occur that typically result in payment closer to the contracted value.

MOSCONE CENTER San Francisco, California



RENTAL RATES

Moscone Center is owned by the City and County of San Francisco, which establishes all facility rental rates. The City and County recently raised the published rental rates by approximately 16 percent in anticipation of the new/improved Moscone Center space to be completed in 2018. In the past, rental rates were typically raised every two years; however, primarily due to slower economic conditions, Moscone rental rates have not been adjusted for the past six years. There are no existing plans for how/when future rate increases will take place.

Exhibit space within the North and South Halls is rented on a daily per net square foot utilized basis. Ballrooms are priced at a flat daily rate. If used in conjunction with an event utilizing exhibit space (for exhibiting purposes), specific meeting rooms are allocated free of charge on event days. If used for other purposes, meeting rooms are priced on a per room, per day basis. Moscone West is rented separately for a flat rate per day and users must rent the entire facility.

Move in/out days are provided free of charge on a one to one ratio with paid event days. Additional days are charged at half of the rack rates.

MOSCONE CENTER

San Francisco, California

DISCOUNTING PRACTICES AND POLICIES

San Francisco Travel Association (SF Travel) is the market's CVB and is responsible for all Moscone Center bookings. Based on conversations with SF Travel, San Francisco does not want to be in the market of "buying" convention and tradeshow business. In fact, there are room night minimums in place in order to book Moscone space that are designed to maximize the facility's economic impact. For example, an event must generate 5,000 peak room nights in order to book the North and South space and 1,800 peak room nights to book the West space. To book the entire Center (North, South, and West), an event must produce a minimum of 7,000 peak room nights.

Given the overall high demand for Moscone event space, discounts are not often provided and are typically only offered to large events with significant food and beverage revenue (i.e., \$500,000+), new business leads, one off events, and shorter-term "filler" business. At their own discretion, SF Travel has the ability/authority to offer discounts of up to 25 percent off of Moscone Center rack rental rates.

Another option that can be used to help generate funds to offset Center rent is for an event planner to work closely with the hotel community to participate in a room rebate program. In such cases, event planners will work directly with the host hotels to establish the contribution (usually a fixed dollar amount per night, per room) and payments are made directly from the hotel to the event organization.

EVENT INCENTIVE/BID FUND

It is important to note that, regardless of the method(s) utilized to incentivize or assist in attracting an event to San Francisco, Moscone Center always gets paid in full. In cases where facility rental is subsidized directly by SF Travel (which happens only a few times each year), they are able to access a buy down fund that is supported by collections on behalf of the San Francisco Tourism Improvement District (SFTID).

Since 2009, an assessment of 1 percent or 1.5 percent (depending on proximity to the main San Francisco tourism infrastructure) is levied on gross hotel room revenue in downtown San Francisco. This hotel assessment is passed on to customers as a separate item on their hotel bill. Nine percent of total SFTID collections goes directly to SF Travel to support the buy down fund. The amount available varies year to year based on need and total fund collections.

MOSCONE CENTER

San Francisco, California



BOOKING AND LICENSING PROCESS

The booking process begins with a client signing a letter of intent with SF Travel. A license agreement from Moscone Center is typically issued 24 months prior to the event's start date and must be submitted 18 months prior to the first move-in date. A 25 percent deposit is due 30 days after the license agreement is issued. The remaining 75 percent of the rental fees are due 30 days in advance of the event.

If a licensee cancels more than 18 months before the first move-in day, 50 percent of the gross rental amount is due within 30 days of the notice of cancellation. If a cancellation takes place less than 18 months before the event, 100 percent of the gross rental amount is due within 30 days of the notice of cancellation. If Moscone Center is able to obtain replacement business, the client is entitled to an offset in the amount of the replacement license fee, against the amount of liquidated damages.

NEW ORLEANS MORIAL CONVENTION CTR. New Orleans, Louisiana



RENTAL RATES

Rental rates for the New Orleans Morial Convention Center are established by the Center's Executive Team, which consists of the Vice President of Administration, Vice President of Operations and Vice President of Sales and Marketing. Feedback from the New Orleans Convention and Visitors Bureau is also taken into account; however, the Executive Team has the ultimate decision-making power. Factors considered when adjusting rates include the Consumer Price Index and the rates being charged at other convention centers within their competitive set. Modifications to facility rental rates typically take place every two years and have averaged an increase of between three and five percent in recent years.

Rental rates for conventions and tradeshows are based on the net square footage of exhibit space required, and are typically structured around a package of days that most often include three event and four move-in and move-out days. For non-exhibit events, hall rentals are charged a daily rate and move-in and move-out days are priced at one-half of the daily rate. The 60,300 square foot Great Hall is rented at a flat rate per day, regardless of type of usage. Complimentary meeting rooms are allocated based on the net square footage of exhibit space used and can range from seven to as many as 130 breakout rooms.

NEW ORLEANS MORIAL CONVENTION CTR. New Orleans, Louisiana

DISCOUNTING PRACTICES AND POLICIES

The convention center has the ability to discount the published rental rates either through general rent reduction or against a minimum guarantee on food and beverage spending. Decisions as to whether or not discounts are offered are made on a case by case basis and involve a number of factors. There are 14 variables that are taken into consideration when determining pricing. These include:

• Ancillary Spending	• Number of Hotels
• Booking Window	• Occupancy
• Civic Exposure	• Peak Room Count
• Competition	• Required Rebate
• Economic Conditions	• Seasonality
• Financial History	• Tax Generation
• New Business Opportunity	• Unique Ties to New Orleans

A standard discount for a desirable, high-impact piece of business approximates 40 percent; however, it is possible for a food and beverage minimum to offset rent entirely (for example, if the projected food and beverage commission is greater than full rent). The Center is never reimbursed to replace the "lost" revenue due to discounting practices.

EVENT INCENTIVE/BID FUND

Neither the New Orleans Morial Convention Center nor the New Orleans Convention and Visitors Bureau have a dedicated source of funds used to incentivize high impact convention and tradeshow business.

BOOKING AND LICENSING PROCESS

Events agreeing to book the Center further than three years out are issued a Letter of Agreement, which requires a \$1,000 deposit. Events booking within three years must sign a Facility Use Agreement, at which point 15 percent of the agreed upon rent is due. Both of these documents are binding and have financial consequences if breached. In terms of deposits, 50 percent of the total rental fee is due one year in advance of the event and the remainder is due 30 days before the event starts.

Cancellations occurring more than two years in advance of the event must pay 50 percent of the negotiated rental rate. An event cancelling less than two years out must pay 100 percent of the full rental rates. Cancellation payments are due at the time of cancellation.

ORANGE COUNTY CONVENTION CENTER Orlando, Florida



RENTAL RATES

Rental rate pricing at the OCCCC has shifted from a net square foot rate to a flat rate over the past three years. The rates are input into the Center's CRM system and are scheduled to increase by five percent every two years; however the Executive Director can adjust the increase based on competitive factors.

Exhibit space is priced at a daily flat nominal dollar rate. Exhibit hall move-in and move-out days are priced at 50 percent of the event day rate, and all other space is charged at rack. However, planners will receive one free day for every three paid show days.

DISCOUNTING PRACTICES AND POLICIES

To justify discounts, all impacts of the event such as event dates, total room nights, food and beverage and service revenues are evaluated against other events for the same time period.

Center sales managers have the ability to discount rates up to 25 percent during peak periods and up to 50 percent during non-peak periods for events that will occur within five years. All other requests must be approved by Center management.

The total revenue "lost" by Center discounting is added to the facility's annual expenses. If the Center's expenses exceed their revenues for the year, they may receive up to \$10 million in funding from the County.

ORANGE COUNTY CONVENTION CENTER Orlando, Florida



EVENT INCENTIVE/BID FUND

Orange County has a self-imposed six percent Tourist Development Tax (TDT) on all hotels within the County that, under state law, can only be used to fund tourist-related projects. A marketing fund is established by allocating one percent of the TDT for attracting business. This fund is controlled by management of the hotels attached to the Center.

To ensure the Center is able to capture certain business, the OCCC sales manager will submit requests to the hotel-managed fund for additional rental or other financial support. The hotels will review the request and will determine what amount, if any, will be awarded based on the impact the event will have on the hotels and the Orlando destination as well as the month and year of the event. Typically, the hotels will work with the Center behind the scenes to negotiate an amount of funds to put towards rental rates to offer a more competitive package for events.

Additionally, the CVB will at times provide additional funds to offset transportation costs. These funds are most frequently used to provide further incentive to large groups that require more rooms than that available in headquarter hotels and need shuttle service to surrounding properties or for groups in the shoulder or off-season.

ORANGE COUNTY CONVENTION CENTER Orlando, Florida



BOOKING AND LICENSING PROCESS

The client and the Center execute a non-binding agreement once the proposal is signed by the client which provides them the first option and the terms to release space, or the option to sign a binding lease agreement included in the proposal. Typically, city-wide events will sign a lease two to three years prior to the event. Events that hold multiple years or that don't want the held dates to be challenged will sometimes sign a lease further out. Once the lease is signed, a deposit is required and future deposits are scheduled based on the year of the event.

For events within two years, a 25 percent deposit is due upon signing the lease and the remaining 75 percent due prior to the move-in date. For events outside of two years, an initial \$1,065 is due at signing with 25 percent due 18 months out, and the remaining due 45 days prior to the event.

If an event cancels outside of two years, they are able to release up to 25 percent of the space without any penalty, but are responsible for the remainder of the space booked if the Center is unable to resell it. Within two years, any space cancellation is put on resell by the Center. The client is responsible for 100 percent of the costs for any space that is not resold.

ORANGE COUNTY

OREGON CONVENTION CENTER Portland, Oregon



RENTAL RATES

The Metropolitan Exposition Recreation Commission (Metro) owns and operates the Oregon Convention Center (OCC). Rental rates at the Center increase every three years based on recommendations made by the Director of Sales to Metro, which makes the final approval. Rate increases typically range between seven and ten percent.

Exhibit space is priced at a net square foot rate per day or a minimum daily rate, whichever is greater. The Center provides one free move in/out day for every event day, up to two complimentary days for convention business.

DISCOUNTING PRACTICES AND POLICIES

The Center has a "Convention Rate" that is an automatic discounted rate of approximately 20 percent off of rack rates for any convention business that includes a room block. The sales managers have the authority to offer additional discounts based on an evaluation of the overall value of the business. Oftentimes, they are willing to discount rent up to 100 percent. Center staff estimate that as much as 90 percent of convention business receives free rent.

Convention business is also offered a standard \$5 room rebate, with the potential to receive up to \$10. The decision to increase the room rebate is made by the CVB in quarterly meetings. The room rebates are distributed to the show manager.

OREGON CONVENTION CENTER Portland, Oregon



EVENT INCENTIVE/BID FUND

Beyond discouraging and room rebates, additional funds are available for high-impact events through the Portland Development Fund (PDF). The PDF is funded through a portion of the Lodging and Rental Car Tax and generates approximately \$1.5 million annually. Allocation of funds from the PDF are determined by a stand-alone board of the PDF that is made up of four hoteliers, two rental car representatives, two Travel Portland staff, and six elected officials: two each from the City, County and regional government.

BOOKING AND LICENSING PROCESS

Once the planner decides to commit to the OCC for their event, Travel Portland will create a non-binding letter of intent. The next step is to sign a contract with the hotels, after which the CVB considers the event to be definite. Finally, the client will go to contract with the Center between two and four years from the event. For events that pay rent, the Center will ask for a 25 percent deposit with the remaining balance to be paid within 30 to 60 days of the event. Because in many instances rent is discounted to zero, they will then ask for a \$10,000 deposit which will be applied to their total expenses.

Any cancellations are required to pay the full rack rate rental for the space booked.

SAN DIEGO CONVENTION CENTER San Diego, California



RENTAL RATES

San Diego Convention Center rental rates are established by the San Diego Convention Center Corporation (SDCCC) and are loosely based on a set of rack rental rates that are stated in terms of a flat daily rate per room. These rates are set in four year increments for the next 20 years and include built in increases of between three and four percent after each four-year period. Corporate policy generally precludes entirely complimentary use of exhibit space; however, complimentary meeting and ballroom space is allotted based on the amount of exhibit space rented. A specific schedule of meeting and ballroom space is associated with specific exhibit space use to prevent situations where a single event will use a portion of the exhibit space while monopolizing all meeting/ballroom space.

Move-in/move-out days are complimentary for exhibit halls up to the number of fully paid show days. Additional days are charged at one half of the hall's standard license fee. For ballrooms and meeting rooms, one complimentary move-in day is provided. Additional move-in/move-out days are priced at the full license fee. Sales managers are encouraged to "buy back" unnecessary move-in and move-out days from a contracted event in order to allow for potential additional events over similar dates.

SAN DIEGO CONVENTION CENTER

San Diego, California

DISCOUNTING PRACTICES AND POLICIES

All San Diego Convention Center rental rates are a matter of negotiation and involve a collaborative process between the client, San Diego Tourism Authority (SDTA) and SDCCC. Factors considered in facility pricing negotiations typically include:

- economic impact on the hotel and visitor industry partners
- overall economic impact to the City
- revenue potential for SDCCC
- underlying operational costs required

SDCCC and SDTA sales managers have the ability to discount the rack rental rates by as much as 15 percent. The SDTA President/CEO has the authority to discount an additional 10 percent, to a total of a 25 percent discount. The SDCCC senior staff have unlimited discounting authority in order to help secure very high-impact events, desired medical events or other events beneficial to the market.

Potential booking opportunities over holiday, off-peak, or identified “need” periods are oftentimes given special consideration in terms of rental pricing, and substantial additional discounts may be offered to help secure these business opportunities.

Discounts on facility rental rates can also be offered based on guaranteed minimum spending on ancillary revenue including food and beverage and/or audio/visual services. It is common practice that for every dollar in guaranteed F&B, room rental can be discounted up to 14.4 cents. Sometimes this discount rate is increased to as much as 18 cents for desirable short-term business. This compares to 11 cent discounts for every dollar of guaranteed AV spending. The client must also agree to pay an additional license fee if the actual ancillary revenue falls below the guaranteed amount. The additional license fee is determined by multiplying the shortfall by the stated percentages.

Another frequently used tool to help generate funds to offset Center rent is to solicit the hotel community to participate in a subsidy program. This option consists of fixed dollar amounts per hotel and is considered only after all internal rental discounts of at least 25 percent have been considered. If there is a collective decision among the hotels to move forward with a subsidy, the SDCCC contract manager issues a subsidy agreement to each hotel. These agreements outline the projected financial obligation and contribution toward the subsidy program for which each hotel will be responsible. Payments are made directly to the SDCCC from each hotel to assist in offsetting Center rent. It is estimated that this happens 10 to 12 times each year. The required subsidies can be as high as \$350,000 for a very desirable event, generated from per-hotel charges which can range from \$5,000 to \$40,000. This process requires a close working relationship with each of the surrounding convention hotels.

SAN DIEGO CONVENTION CENTER

San Diego, California

EVENT INCENTIVE/BID FUND

An additional, yet rarely used, method of offering financial incentives to event planners involves the disbursement of funds collected by the San Diego Tourism Marketing District (SDTMD). The SDTMD is funded by a two percent assessment collected on all hotels within the City of San Diego. An estimated 85 percent of SDTMD collections are directed to the SDTA and are used to promote tourism and generate room nights in the destination. When deemed as a viable or necessary option to help discount SDCCC rental rates, the SDCCC can approach the SDTA and request funds on a case-by-case basis. It is estimated that this has happened just three times in the past five years, with an average disbursement of approximately \$100,000 per event.

BOOKING AND LICENSING PROCESS

Events with significant peak room night demand are allowed a longer time frame during which to book their event at the SDCC. For example, an event booking ten or more years out must generate a minimum of 7,000 peak hotel rooms, events booking seven to nine years out must generate a minimum of 5,000 peak rooms, etc. This sliding scale drops to 750 peak rooms for events booking 12 to 18 months out.

In an effort to facilitate the potential to “stack” overlapping events in the building, a room night threshold is also used to determine the square footage of SDCC exhibit hall space that an event can secure. For example, an event must generate at least 6,000 peak room nights to book the entire exhibit hall, 5,000 room nights to book three-quarters of the exhibit hall, and 3,000 peak room nights to book one-half of the exhibit hall. A minimum of two years of room night history is required prior to any event becoming definite, to ensure that the room night minimums can be met. In situations where actual room nights do not meet estimates made when the event is booked, there are no penalties that are imposed. Center management reviews room pick up on an annual basis for events that are booked in the future, and if the trend is that the group’s actualized room nights are decreasing, they will work with that client to get space back, with the hope of potentially booking another group over those dates to help make up any shortfall in room nights due to the group downsizing.

The booking process begins with an event planner signing a Group Confirmation Agreement (GCA) with the SDCCC. This document is semi-binding and, for large events, is typically issued five to ten years in advance of the event. The GCA outlines the space to be occupied, standard license fees, any applicable food and beverage or AV waivers, and the tentative hotel block. Upon receipt of a signed copy of the GCA, the SDCCC considers the event to be a definite booking, protecting the dates, rates and space until the due date of a signed License Agreement.

SAN DIEGO CONVENTION CENTER San Diego, California

The next step in the booking process involves the client signing a License Agreement with the SDCCC. Whenever possible (for longer-term bookings), facility users are required to sign a License Agreement five years prior to their move-in date. The agreement must be signed by the client and returned to the SDCCC within 30 days of receipt. The following deposit schedule applies to all events contracted 24 months and beyond.

- 25 percent of the license fee is due two years prior to the event.
- An additional 25 percent of the license fee is due six months prior to the event.
- Insurance certificate and endorsements are due 90 days prior to the event.

- The remaining 50 percent of the license fee is due 60 days prior to the event.

If an event cancels their dates and/or space within five years of the first move-in day, they must pay a liquidated damages fee in the amount of 50 percent of the negotiated rental fee plus any applicable food and beverage charges. Cancellations taking place within two years must pay the full liquidated damages fee. If the SDCCC is able to obtain replacement business, the original client is entitled to an offset equal to the amount of the Replacement License Fee, against the amount of liquidated damages. Facility management is currently considering options to strengthen the penalties faced by cancelled events.



VANCOUVER CONVENTION CENTRE Vancouver, British Columbia



RENTAL RATES

Rental rates at the Vancouver Convention Centre are established and approved by Centre leadership, and typically reflect an annual increase of two percent.

Exhibit space is priced at a net square foot rate per day. Move-in/out days are priced at rack rate for meeting and ballroom space, with exhibit space charged at 50 percent. In some cases, they are able to offer complimentary move-in/out days up to the total number of event days.

DISCOUNTING PRACTICES AND POLICIES

For city-wide convention business, events that require a minimum of 1,000 rooms on peak and at least three convention hotels, Centre staff may offer discounts approved by the Director of Sales. This "preferred pricing" is determined on a case-by-case basis depending upon the time of the year, what the needs are, whether there is a disproportionate amount of rent to actual room nights and most commonly determined by the anticipated number of out-of-town attendees. The maximum discount offered is approximately two-thirds of the rack rate.

VANCOUVER CONVENTION CENTRE Vancouver, British Columbia



EVENT INCENTIVE/BID FUND

There are three entities, the Centre, the Hotel Association and Tourism Vancouver that manage a destination fund that generates approximately \$1.2 million annually through a self-imposed hotel tax that can be used to further incentivize organizations to host events at the Centre. There is no formal process for accessing these funds. The events apply separately for a discount, and the three entities then review each event and must all agree to the amount. Similar to discouraging practices however, in order for an organization to qualify for any funds, the event must be considered city-wide.

BOOKING AND LICENSING PROCESS

Once an organization makes the decision to book the Centre, a binding contract is issued, signed between 2 and 4 years from the event. There is a ten percent deposit due at the time the contract is signed, with three additional 30 percent payments due at one year, six months and 30 days from the event.

Although cancellations at the Centre are uncommon, for organizations that cancel within 18 months of the event, they are responsible for paying all retail rent booked for the event. For organizations that cancel within six months of their event date, all basic rent is due plus the projected food and beverage and convention services revenues. Any cancellations outside of 18 months are negotiated on a case-by-case basis.

WASHINGTON STATE CONVENTION CENTER Seattle, Washington



RENTAL RATES

The Board of Directors of the Washington State Convention Center approve the facility rental rates every two to three years, which typically increase by five percent.

Exhibit space is priced at a daily flat nominal dollar rate. For every paid show day in WSCC exhibit or ballroom space, planners receive one complimentary move-in/move-out day.

DISCOUNTING PRACTICES AND POLICIES

Discounts are determined on a case by case basis using a sliding scale by the Center Director of Sales. There is a minimum threshold between \$150,000 and \$200,000 in projected food and beverage spend required in order to receive any facility rental discounts. Because the Board of Directors has established that the Center must operate at a break even or profit annually, they avoid discounting rent to 100 percent. Average discounts are approximately 40 percent.

Currently, Center staff are going through a process of revising their discounting policies to account for the Center expansion.

WASHINGTON STATE CONVENTION CENTER Seattle, Washington



EVENT INCENTIVE/BID FUND

For some events that may require additional incentives beyond discounting and rebates, Visit Seattle staff have the ability to offer additional funds to planners. These funds, which total approximately \$200,000 per year, are added to the convention sales budget of the CVB. Allocations are determined on a case-by-case basis and must be approved by executive staff at Visit Seattle. Any appropriations are applied after the event concludes in either a check to the organization or spent as an additional reduction of the total rent due.

Recent talks have begun to establish a destination fund through hotel/motel tax collections to increase the amount of money available to incentivize high impact events, however these talks are preliminary.

MEMORANDUM FOR THE DIRECTOR

WASHINGTON STATE CONVENTION CENTER Seattle, Washington



BOOKING AND LICENSING PROCESS

The first step in the licensing process is for the client to sign a letter of intent drafted by Visit Seattle staff that provides a summary of the dates of the event. The next step, typically in tandem with the letter of intent, is for the planner to sign a contract securing a headquarter hotel. Thereafter, the Center prepares a license agreement they provide to the client. There is a period of time for them to review the contract and negotiate any additional discounts, rebates, changes, etc. The agreement is typically signed two years from the event. A \$1,000 deposit is due at the signing of the contract. Ten months out from the event, 50 percent of the remaining balance is due, with the remaining 50 percent due 30 days prior to the event.

For groups that cancel their event within four years of their date, they owe the full value of their rent. Outside of four years, there is a sliding scale that may be negotiated.

ATTACHMENT B

Sec. 8.149.5. Rates-Use of Specific Rooms.

The rental rates to be charged per day of use of specific rooms are as follows:

Room	Daily Rate
301 A	\$ 260.00
301 B	\$ 270.00
301 AB	\$ 530.00
303 A or B	\$ 260.00
303 AB	\$ 520.00
304 A, B, or C	\$ 270.00
304 AB or BC	\$ 540.00
304 ABC	\$ 810.00
306 A or B	\$ 260.00
306 AB	\$ 520.00
308 A	\$ 270.00
308 B	\$ 260.00
308 AB	\$ 530.00
309	\$ 400.00
401	\$ 250.00
402 A or B	\$ 300.00
402 AB	\$ 600.00
403 A	\$ 870.00
403 B	\$ 820.00
403 AB	\$ 1,690.00
404 A or B	\$ 340.00
404 AB	\$ 670.00
405	\$ 330.00
406 A or B	\$ 340.00
406 AB	\$ 670.00
407	\$ 330.00
408 A or B	\$ 850.00
408 AB	\$ 1,700.00
409 A or B	\$ 340.00
409 AB	\$ 670.00
410	\$ 330.00
411 (Theater)	\$ 790.00
501 A or B or C	\$ 260.00
501 AB or BC	\$ 475.00
501 ABC	\$ 700.00
502 A or B	\$ 950.00
502 AB	\$ 1,850.00

503	\$	480.00
504	\$	260.00
505	\$	260.00
506	\$	260.00
507	\$	260.00
508 ABC	\$	500.00
510	\$	260.00
511 A or B or C	\$	260.00
511 AB or BC	\$	480.00
511 ABC	\$	690.00
512	\$	260.00
513	\$	260.00
514	\$	260.00
515 A or B	\$	1,140.00
515 AB	\$	2,240.00
516	\$	110.00
517	\$	110.00
518	\$	480.00
519	\$	110.00
Petree Hall C	\$	2,000.00
Petree Hall D	\$	2,500.00
Petree Hall CD	\$	4,500.00
Concourse Hall E or F	\$	3,000.00
Concourse Hall EF	\$	6,000.00
Concourse Hall 151+152	\$	4,000.00
Concourse Hall 151 or 152	\$	2,000.00
Concourse Hall 150 ABC or 153 ABC	\$	1,200.00

The foregoing rental rates to be charged for each meeting room include the use of one microphone and a quantity of chairs not to exceed the maximum number of persons permitted by applicable fire regulations to occupy such room.

ATTACHMENT C

Sec. 8.149.2 . Daily Rates to be Charged for Use of the Various Halls

The applicable standard daily rate to be charged licensees at the Los Angeles Convention Center (Center) shall be based on a Flat Fee Method, which is based on \$0.32 per net square foot of space in the various halls:

West Hall	Daily Rate
A	\$ 16,000
B	\$ 8,000
AB	\$ 24,000
South Hall	Daily Rate
G	\$ 11,200
H	\$ 8,960
J	\$ 8,960
K	\$ 11,200
GHJK	\$ 40,000
GHJ or HJK	\$ 29,120
HJ	\$ 17,920
JK or GH	\$ 20,160
Kentia Hall	Daily Rate
	\$ 14,400

The Los Angeles Department of Convention and Tourism Development shall conduct a survey of rental rates at convention centers nationwide at least every five years or when practical to do so and shall present recommendations to the Mayor and Council for appropriate rental rate adjustments.

ATTACHMENT D

Sec. 8.149.1. Procedure for Reduction of Rates to be Charged to Licensees.

(A) The Executive Director may adjust for licensees of the Los Angeles Convention and Exhibition Center the:

- (1) daily rates for Halls referenced in Section 8.149.2;
- (2) move-in/move-out rates for Halls referenced in Section 8.149.2;
- (3) miscellaneous rates charged for the use of certain equipment; and
- (4) rates charged for the use of meeting rooms and special event halls.

Under the circumstances, and considering the criteria, set forth below, the applicable daily rate may be an adjustment amount up to 35% above or below the standard daily rate (Flexible Demand Based Space Rental Pricing). The adjustment of the standard daily rate shall only be permitted upon the occurrence of one or more of the following conditions:

- (1) The cancellation of a previously licensed event or a reduction in the space or period of time previously licensed for an event;
- (2) Center vacancy in excess of historical occupancy average;
- (3) Projected ancillary revenue (parking, food and beverage, equipment rentals, etc.) anticipated to be generated by an event which is calculated to offset or exceed the amount of the rate reduction;
- (4) Unusually high or competing demands for Center space;
- (5) Multi-year licenses;
- (6) Events that present an exceptional opportunity to generate extraordinary revenue or economic impact;
- (7) Significant room night generation; or
- (8) Noteworthy civic purpose.

In no circumstance of offering a discount would there be a net loss of revenue to the LACC, which would include all directly charged expenses and an estimate of indirect staff time.

An adjustment of rates may be granted under this subsection or Subsection (B), but not both.

(B) The Executive Director of the Department of Convention and Tourism Development may reduce or waive for convention licensees the rental for exhibit halls, meeting rooms and related spaces. Any proposed reduction or waiver of rental(s) to be charged shall be subject to the following conditions:

- (1) Only convention licensees shall be eligible for such reductions or waivers of rental(s) for exhibit halls or meeting rooms.

(2) The total amount of all such reductions or waivers granted to licensees for use of the Convention Center commencing on or after July 1, 2013, may be up to one hundred percent (100%) of the total rates applied.

(3) In no event shall the total reduction or waiver granted to any licensee exceed the total rental for the exhibit halls and meeting rooms to which the license applies when calculated without such reduction or waiver. In no event shall the total reduction or waiver granted to any licensee exceed the total Transient Occupancy Tax receipts reasonably anticipated to be generated for the City as a result of the convention being held in the City.

(4) No such reduction or waiver shall be considered or granted by the Executive Director unless the tourism and convention bureau shall have first recommended such reduction or waiver to the Executive Director in writing. Such recommendation shall include a written statement of the reasons for the recommendation and the calculation thereof. No license for the use of the Convention Center containing such a reduction or waiver shall be issued until and unless the calculation of such reduction or waiver is approved. The calculation of the reduction or waiver made by the tourism and convention bureau shall be attached to the license which is issued by the Convention Center, and the license shall specify both the regular rental(s) and the reduced or waived rental(s).

(5) After each event where a reduction or waiver is granted, an audit shall be performed by an independent consulting firm to compare the actual amount of Transient Occupancy Tax generated to the discount amount. If the discount amount exceeds the Transient Occupancy Tax revenue, the licensee shall be required to pay the department an amount equivalent to the difference.

(6) The tourism and convention bureau must inform the prospective licensee in writing that said reduction or waiver and the proposed license agreement must be approved and granted by the Executive Director.

(7) A reduction or waiver of rentals may be granted under this subsection or Subsection (A) hereof, but not both.

ATTACHMENT E

Sec. 8.149.3. Convention Show Move-in and Move-out Days.

The Executive Director of the Department of Convention and Tourism Development shall determine the number of move-in and move-out days to be allowed for convention use of the Los Angeles Convention Center facilities for which no charge will be made, which days may be apportioned at the discretion of the licensee according to the requirements of the particular convention, provided that there shall not be less than one day for move-in and/or move-out and provided further that the number of such days shall not exceed the following:

Total Convention Days	Maximum Move-in and/or Move-out Days
1	1
2	2
3	3
4	4
5 or more	5

Upon the prior approval of the Executive Director of the Department of Convention and Tourism Development, a convention licensee may be permitted additional days for move-in or move-out for which a daily charge shall be made for such additional days equal to one-half of the daily rate computed as provided in Section 8.149.2