

Attachment F
City Negotiation Principles
for Event Center Project

Prepared by the Chief Legislative Analyst

City Negotiation Principles for Event Center Project

Principle	Outcome
<p>1. The City's existing General Fund base will be fully protected.</p> <p>1a. The City's existing and <u>future</u> General Fund base will be fully protected.</p>	<ul style="list-style-type: none"> - 73% of the funding for New Hall bonds would come from private sources; - 23% of the funding for New Hall bonds would come from net new City revenues - Guarantees would provide funding to cover any shortfall in funding. - Identified revenues and the guarantee fully cover required bond payments for the entire term of the bonds
<p>2. There shall be no public money for the NFL Event Center.</p> <p>2a. There shall be no public money for the NFL Event Center, or the downtown event center, and public money and will not be used to subsidize or incent the stadium and event center, or otherwise make infrastructure improvements that the City would not ordinarily make.</p>	<p>No existing public funding is provided to the event center.</p>
<p>3. There must be substantial private funding to support any bonds issued to construct Pico Hall.</p>	<p>73% of funding for New Hall would be provided from private sources, including a fair market lease payment for use of the property and a special tax supported by Project area signage</p>
<p>4. Any tax revenues used to support bonds issued to construct Pico Hall shall be from demonstrated net new tax revenues generated by the development and shall not come from existing General Fund revenues.</p>	<p>23% of the bonds would be financed by net new revenues generated by the Project, including possessory interest tax which is currently not collected on the site and parking tax for new events created by the Event Center</p>
<p>5. The amount of demonstrated net new tax revenues to the City used to support bonds issued to construct Pico Hall shall be no more than 50% of the net new General Fund tax revenues accruing to the City from the development.</p>	<p>Approximately 49% of net new revenues generated by the Project would be allocated to fund the New Hall bonds</p>

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<p>6. AEG shall fully guarantee, in a form satisfactory to the City, the debt service on the bonds used to construct the New Hall in the event that the revenues generated through numbers 3 and 5 above are insufficient to fully support the bonds.</p> <p>6a. AEG shall fully guarantee, in a form of a guarantee or letter of credit, or otherwise that the developer will satisfy its obligations to fund any shortfall to the extent that the revenues generated through numbers 3 and 5 above are insufficient to fully support the bonds.</p>	<p>The guarantee structure provides security for the various phases of the Project to cover any revenue shortfall and ensure complete funding coverage for all bonds.</p> <p>The guarantee includes several elements, including a Letter of Credit, a special tax, a completion guarantee, assignment of all agreements related to Event Center operations; and property improvements.</p>
<p>7. The City shall retain fee ownership of the property on which the NFL stadium will be built. The property will be ground leased for a period not to exceed 55 years and the City shall receive fair compensation for the value of the ground lease.</p>	<p>The City retains fee ownership of the property, the least would not exceed 55 years, and the ground lease payment will be a fair market value payment with an annual escalation.</p>
<p>8. AEG will work cooperatively with LACC and LA INC with regard to Convention Center bookings to mitigate, to the fullest extent possible, any disruption of service at the LACC. The New Hall will be substantially completed prior to the demolition of the West Hall. The West Hall shall not be taken out of service prior to the opening of the New Hall without the City's prior consent and such consent will be given only if scheduled events can be otherwise accommodated.</p>	<p>LACC, LA Inc., and AEG would create a Macro-Booking Committee to ensure long-term coordination of events and programs throughout the campus, including the Convention Center, Staples, Farmers Field, and LA Live.</p> <p>Timing of the closure of West Hall would be upon completion of the New Hall or as approved by the City.</p>
<p>9. AEG shall complete an Environmental Impact Report (EIR) which shall fully analyze the impacts of the proposed development.</p> <p>AEG shall complete an Environmental Impact Report (EIR) which shall fully analyze the impacts of the proposed development, and AEG shall not seek or receive legislative protection from litigation regarding the adequacy of the EIR.</p>	<p>AEG shall complete EIR that fully analyzes the impacts of the proposed Project.</p>
<p>10. AEG will implement a public benefits program.</p>	<p>AEG has agreed to develop and implement a public benefits package</p>

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<p>11. AEG will provide assurances to the satisfaction of the City that teams that are contracted to play in the NFL stadium are committed to the stadium for a period sufficient to ensure that the City's investment in Pico Hall is protected.</p>	<p>AEG has agreed that no documents will be executed to implement this Project until an NFL team lease has been executed.</p>
<p>12. The NFL stadium must include a roof and be designed in such a fashion as to provide viable additional event and exhibit space for the LACC, so that the total available event space at the LACC shall exceed one million square feet. AEG and the City will negotiate the terms through which the City shall have access to the stadium for event and exhibit space.</p>	<p>The proposed Event Center shall have a roof. The Macro-Booking Committee shall coordinate City use of the Event Center for convention events. The Event Center pricing policy for convention events will be consistent with City policy.</p>
<p>New Principle: Due to the City's ownership of the property on which the stadium is built, the City should receive a fair portion of the naming rights.</p>	<p>Independent analysis indicates that such an action would render the Project not financially feasible.</p> <p>The extremely low IRR of 6.7% earned by AEG indicates that it is not possible to allocate any additional Event Center revenue to the City.</p>

