

MINUTE ITEM
This Calendar Item No. 15
was submitted for information
only, no action thereon
being necessary.

MINUTE ITEM

15

W 503.1698

Hight

Fossum

**CITY OF LONG BEACH
(PARTY)**

Review of validation action brought by City of Long Beach, relating to expansion of the Long Beach Convention and Entertainment Center.

This item was scheduled for informational purposes to allow public input. Written and oral testimony was submitted by the City of Long Beach and Steamship Operator's Association of Southern California.

Following submission of that information the Commission adjourned to Executive Session to discuss the pending litigation. The Commission reconvened and announced that it had directed staff and the Attorney General's Office to enter negotiations with the City of Long Beach regarding the validation action and presentation of the Commission's oversight responsibilities.

CALENDAR PAGE _____
MINUTE PAGE 15

OFFICE OF THE
CITY ATTORNEY
OF
LONG BEACH

JOHN R. CALHOUN
CITY ATTORNEY

ROBERT E. SHANNON
ASSISTANT

MARK OFFICE
City Hall
333 West Ocean Boulevard
Long Beach, California 90802
(213) 590-2200

WORKERS' COMPENSATION SECTION
(213) 590-2245

May 23, 1991

Robert C. Hight
Chief Counsel
State Lands Commission
1807 - 13th Street
Sacramento, California 95814

Dear Mr. Hight:

The expansion of the Long Beach Convention and Entertainment Center ("Center") will include approximately 137,000 square feet of additional exhibit space, approximately 66,000 square feet of additional meeting room space, a ballroom containing approximately 22,000 square feet, a parking structure which when added to existing parking structures and facilities will contain approximately 4830 parking spaces, approximately 237,000 additional square feet of public circulation space and service/support areas and landscaping, furnishings, furniture and equipment.

The financing arrangement for the Center expansion, as reflected in the Third Cooperation Agreement (Exhibit "J" of the Validation Complaint), contemplates the expenditures of trust revenues, i.e., Harbor revenues, on the improvement of a trust asset, i.e., the Center. The total sum to be disbursed by the Board of Harbor Commissioners on account of the expansion is the sum of \$80 million. Of that total sum, the first \$30 million (which includes those sums previously paid for this second year of project management, plans and specifications and the preparation of an environmental impact report for the expansion) is a debt of the Redevelopment Agency secured by a pledge of transient occupancy taxes realized from the Downtown Long Beach Redevelopment Project Area in which the Center is situated. The debt is to be repaid to the Board in annual installments of \$1.5 million each over a 20 year period commencing October 1, 1993, if the expansion is completed by that date, otherwise commencing October 1, 1994.

In addition, the Board of Harbor Commissioners and the Redevelopment Agency have entered into an agreement with respect to the West Long Beach Industrial Redevelopment Project area (which includes the northerly portion of the

CALENDAR PAGE _____
MINUTE PAGE 1753

Robert C. Hight, Chief Counsel
State Lands Commission
May 23, 1991
Page 2

Harbor District) by which the Agency has agreed to reimburse the Board for \$25 million of street and highway infrastructure improvements designed to enhance traffic flows within the Port of Long Beach.

The Board's total investment in the Center expansion will be \$25 million. No interest is charged on the Agency's debt in consideration of the Agency's participation in the financing of the Center expansion. The Agency is contributing \$55 million of its revenues (transient occupancy taxes and tax increment funds) toward the Center expansion.

Under the Third Cooperation Agreement the Board has contracted for the Agency to perform certain construction activities. The Board retains ultimate supervision, management and control over the expansion project including the power and authority to approve (i) the Agency's construction budget for the project; (ii) the plans and specifications; (iii) all change orders which (w) constitute or portend a change in the design concept; (x) will result in a net increase of cost of any bid item by an amount in excess of \$50,000; (y) will cause the cost of the expansion to exceed \$80 million; (z) or will result in an extension of the completion date or any combination of the matters listed; (iv) monthly requests for reimbursement of sums expended by the Agency for the expansion. The Agency is obligated to submit to the Board monthly construction progress reports and a comparison of costs expended and sums budgeted.

The City Council of the City of Long Beach concluded that the Center expansion is necessary and appropriate to promote and accommodate the tideland trust and needs of the granted tide and submerged lands as recited on page 5 of City Council Ordinance No. C-6843 (Exhibit "H" of the Validation Complaint). Documents relating to that finding including, but not limited to, the Keyser, Marston study and the Pannell, Kerr, Forrster study and report and the EIR have been furnished to the Attorney General.

The Board of Harbor Commissioners of the City of Long Beach has concluded that the Center expansion will properly promote and accommodate tideland trust and the needs of the Port of Long Beach. Please refer to the letter

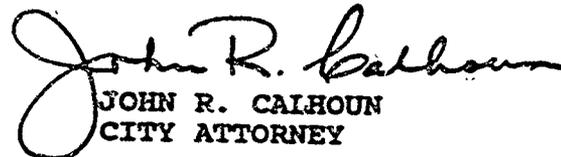
CALENDAR PAGE _____
MINUTE PAGE _____

1752

Robert C. Hight, Chief Counsel
State Lands Commission
May 23, 1991
Page 3

from C. Robert Langslet, President of the Board of Harbor Commissioners, dated May 21, 1991 which states the primary reasons for the Board's decision concerning the Center expansion, and also the Harbor Resolution No. HD-1541, adopted by the Board on February 11, 1991, and the Third Cooperation Agreement executed on behalf of the Board of Harbor Commissioners on February 20, 1991. Said documents are Exhibits "I" and "J" of the Validation Complaint.

Very truly yours,


JOHN R. CALHOUN
CITY ATTORNEY

JRC:fl

CALENDAR PAGE	_____
MINUTE PAGE	1755



The Port of Long Beach

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P.O. BOX 570 • LONG BEACH, CA 90801-0570 • TELEPHONES: (213) 437-0041 • FAX: (213) 437-3231 • TELEX: 65-6452 PORTOBEACH LGB

May 22, 1991

State Lands Commission
1807 - 13th Street
Sacramento, California 95814

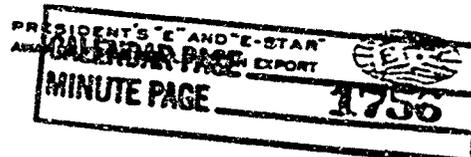
Attention: Robert Hight

Daniel E. Langren
State of California
Attorney General's Office
1713 "J" Street, Suite 211
Sacramento, California 95814

Re: Expansion of the Long Beach
Convention and Entertainment Center

Gentlemen:

As you are aware, the Board of Harbor Commissioners has agreed with the City of Long Beach and the Long Beach Redevelopment Agency to cause the expansion of the Center. At its regular meeting on April 29, 1991, the Board of Harbor Commissioners authorized the President of the Board to advise the State Lands Commission and the Attorney General in writing of the Board's support of the expansion of the Long Beach Convention and Entertainment Center. The Board of Harbor Commissioners accepted the delegation of the power and duty to cause the expansion of the Center for three primary reasons. First, the Center expansion will attract larger conventions and trade shows to Long Beach which will promote an increased awareness of the significant growth of the Port of Long Beach and its extensive import and export capabilities. Second, the Port is the landlord of two hotels, the Queen Mary and Travelodge Resort and Marina, formerly the Queensway Hilton, which are located in the Harbor District on granted and reclaimed submerged lands. The State Lands Commission has made the required findings under Public Resources Code § 6701 et seq. with respect to both projects. A third hotel, the Hyatt Regency, is also located on trust property adjacent to the Center and was approved by the State Lands Commission. All three hotels require an expanded Center in order to improve their occupancy rates and become financially more viable. Third, the Center is too small to handle existing trade shows and conventions that continue to grow. Inadequacy in size places the Center, a tidelands resource, at a competitive disadvantage.



Robert Hight
Daniel E. Lungren
May 22, 1991
Page 2

When the original expansion of the Center was completed in 1978, the Port of Long Beach handled 30,280,000 metric revenue tons of cargo and received \$27,900,000 in revenue from its operations. In 1990, the Port handled 74,762,000 metric revenue tons of cargo and received \$101,494,000 in revenue. Trade with Pacific Rim nations, Port personnel and the promotion of the Port all are credited for a large part of this growth. In 1991, however, that growth rate has decreased and is leveling off. To continue to realize manageable growth, the Port of Long Beach is focusing on new import and more export traffic. Promotion of the Port is essential to this growth. The Board of Harbor Commissioners believes in its business judgment that the proposed expansion of the Center will bring new and larger regional, national and international conventions and trade shows to Long Beach. This provides the opportunity to make these industries and member businesses aware of the exporting and importing facilities and services offered by the Port.

The hotels, which are located in the Harbor District and on the tidelands adjacent to the Center are operating at unsatisfactory occupancy levels. All three hotels are trust assets. The Center expansion will increase the occupancy in the trust hotels. In 1974, in connection with the then proposed expansion of the Center, Arthur D. Little, Inc. prepared a study for the City of Long Beach. This study was based upon two basic assumptions which recognized the synergistic relationship between the size of the Center and the number of available hotel rooms. First, the study assumed that within two to four years after completion of the Center there would be up to 3,000 hotel rooms within a reasonable distance of the Center. Second, the Center would offer 100,000 square feet of exhibit space and meeting rooms having a total capacity for approximately 3,000 persons. In addition, the Center would offer the availability of the auditorium, large lecture hall and parking for up to 2,000 cars. With the assumed Center and hotel capacities, the study concluded that the Center could be expected to attract twenty (20) trust-related events each year.

The Center, as expanded in 1978, contained approximately 88,000 square feet of exhibit space, 23,000 square feet of meeting rooms and parking spaces for 3,000 cars.

The growth in the inventory of hotel rooms, as assumed in the Arthur D. Little, Inc. study, initially did not occur. The hotel rooms were not developed as soon as anticipated. When sufficient hotel rooms did exist within a reasonable distance of the Center, the nature of the convention and trade show business

Robert Hight
Daniel E. Lungren
May 22, 1991
Page 3

had evolved. Conventions now require more exhibit and meeting room space than was previously required. In 1974, according to the Arthur D. Little, Inc. study, a mid-size 3,000 person convention required 100,000 square feet of exhibit space. A mid-size convention now requires up to 225,000 square feet of exhibit space and up to 70,000 square feet of meeting room space as was reported by Pannell, Kerr, Forster to the City in 1988.

The delayed development of hotel rooms and the evolution of the convention business has resulted in the Center being too small to attract conventions or trade shows (whether trust related or otherwise) required to fill the existing hotel space. This detrimentally affects the financial strength of the hotel trust assets. Pannell, Kerr, Forster concluded that an expanded Center with the existing inventory of hotel rooms could successfully attract the mid-sized conventions and trade shows of industries and associations which require 100,000 to 225,000 square feet of exhibit hall space and up to 70,000 square feet of meeting room space. The Long Beach Area Convention and Visitors Council estimates that the expanded Center could be expected to attract 25 trust events annually which translates into 85 to 100 event days of use per year.

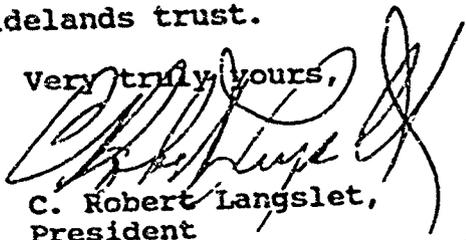
Finally, the Board was aware that the convention industry has realized substantial growth since the original expansion of the Center was completed. Within the past five years, the industry has grown at an average annual rate in excess of ten percent (10%). Within the same five year period, 12.7 million square feet of exhibit space has been added to the industry base in Canada and the United States. The Center has primarily been serving regional and state associations and industries, when the Port business relates to the larger national and international industry as well. Other facilities are competing for conventions presently located in Long Beach. Industries and associations using the present Center facility have outgrown the Center. For example, the Western Shoe Show the Gutenberg Festival, Action Sports Retailers, West Coast Golf Show, the Bicycle Dealers Showcase, National Sporting Goods, International Auto Show, each of which exhibit merchandise or machinery imported through the Port, all require more exhibit space than the Center is able to offer. The Southern California Marine Association Boat Show has reduced the duration of its event to five days. The Board is informed that there are conventions and trade shows whose delegate membership and exhibit space requirements are such that the expanded Center will be able to accommodate such trust events (see attached list for examples). Expansion of the Center will not only maintain but increase the Center's position in a highly competitive industry.

CALENDAR PAGE _____
MINUTE PAGE _____ 1750

Robert Hight
Daniel E. Lungren
May 22, 1991
Page 4

The expanded Center will provide a significant promotional tool for the development and continued growth of the Port's import and export trade, will help insure the financial viability of the hotel trust assets and will insure the financial viability of the Center in a very competitive convention and trade show environment. By Chapter 676, Statutes of 1911, Chapter 102 Statutes of 1925, Chapter 138 Statutes of 1935, the City Charter and applicable law, the City and the Board are mandated to develop the granted tidelands ". . . for the establishment, improvement and conduct of a harbor and for the construction, maintenance and operation thereon of wharves, docks, piers, slips, quays, and other utilities, structures and appliances necessary or convenient for the promotion and accommodation of commerce and navigation" With the continued development of Pacific Rim countries, international trade through the Port of Long Beach becomes more vital to the local, state and national economies. Industries such as computers, steel, electronics, automobiles, wearing apparel, sports equipment, tools and hardware, cosmetics, robotic machine tools, office products, etc., which were primarily domestic industries are now significantly connected with the Pacific Rim. The Board is keenly aware that to attract foreign trade, both export and import, promotion of Long Beach's harbor facilities is essential. Having selected the mid-sized convention and trade show market for the expanded Center, the City of Long Beach and its Board of Harbor Commissioners with the Long Beach Redevelopment Agency are attempting to accomplish the stated purpose of the Center, the promotion and accommodation of the Port of Long Beach and the tidelands trust.

Very truly yours,


C. Robert Langslet,
President
Board of Harbor Commissioners

CALENDAR PAGE _____
MINUTE PAGE _____

1759

POTENTIAL TRUST EVENT USERS REQUIRING
EXPANSION OF LONG BEACH CONVENTION & ENTERTAINMENT CENTER

<u>ORGANIZATION</u>	<u>ATTENDEES</u>	<u>ROOMS</u>	<u>GROSS SQ FT</u>
Industrial Fabrics Assn. Int'l.	6000	1500	190.000
Luggage & Leather Goods Manufacturers of America	5500	2500	130.000
National Petroleum Refiners Assn.	2600	1600	90.000
National Spa & Pool Institute	1500	4100	185.000
Optical Society of America	7000	2500	100.000
Diving Equipment Manufacturers Assn.	11000	2200	190.000
Society of Naval Architects and Marine Engineers - Offshore Technical Conf.	30000	5000	150.000
Specialty Advertising Association	5000	1200	160.000
World Aquaculture Society	1200	800	112.000

TRADE SHOWS

<u>ORGANIZATION</u>	<u>ATTENDEES</u>	<u>ROOMS</u>	<u>GROSS SQ FT</u>
WESCON, Western Electronics Show & Convention	50000	3000	160.000
International Music & Sound Expo National Association of Music Merchants	12000	2200	150.000
Ace Hardware Fall Convention & Expo	8000	4000	129.200

Prepared by: Long Beach Area Convention and Visitors Council, Inc.
5/91

CALENDAR PAGE	
MINUTE PAGE	1760



STEAMSHIP ASSOCIATION OF SOUTHERN CALIFORNIA

•Founded in 1927• •Serving the Maritime Industry for over 64 years•
•Representing Southern California Steamship Owners, Agents, Stevedores and Terminal Operators•

Calendar item 15

May 17, 1991

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STATE LANDS COMMISSION

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Peter McGivern
Marine Terminals Corp.

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Metropolitan Stevedore Company

John Sullivan
Sea-Land Services, Inc.

Michael E. Strickland
NYK Line (North America) Inc.

The Honorable Leo McCarthy
Lt. Governor and Chair
The State Lands Commission
1807 13th Street
Sacramento, CA 95814

Dear Chairman McCarthy:

Subject: Proposed expansion of the Long Beach
Convention Center

Further to our letter of April 19, 1991 on the above subject, we understand the State Lands Commission will hold hearings in El Segundo on May 23, 1991. The Lands Commission office has advised us that the proposed funding of the Long Beach Convention Center with Port of Long Beach funds will be on the agenda for this meeting. We wish to appear and present testimony on this agenda item.

The membership of the Steamship Association of southern California has numerous concerns about the port's proposed use of its funds on the convention center. Our principal concerns are as follows:

- * What benefit will the use of port funds on a non port related facility have for the port and its users?
- * Convention Centers have a history of being money losers. When the city of Long Beach was not able to profitably operate the "Queen Mary" they asked the port to bail them out. Will this happen again, and again, and again! The city has a poor track record, in spite of its best intentions.
- * The port's funds come from user fees such as wharfage, dockage, storage and demurrage fees, and as such should be used on port related facilities. Would the city use fees collected from its city owned water department to pay for port facilities?
- * The Port of Long Beach currently has the

Copy forwarded to J. RCH,
R, DES, LK, CF
Date: 5/1/91

CALENDAR PAGE
MINUTE PAGE 1762

LONG BEACH CONVENTION CENTER
MAY 17, 1991

highest port fee structure on the U.S. West Coast. By using port funds for a non port related facility this fee structure will be forced even higher.

* The City of Long Beach has been entrusted with a valuable state and national asset, a seaport that serves as a major gateway for California and U.S. commerce. This asset should be preserved, protected and maintained for all the people of California that use it and depend on it for their livelihoods.

* The port's tenants and users already pay millions of dollars in local taxes, and in addition the port pays the city for police and fire protection. The city needs to realize that enough is enough! The Port of Long Beach is facing a growing challenge from the ports in the Pacific Northwest. If the Port of Long Beach becomes saddled with extraneous demands on its resources it will not be in position to effectively compete with Portland, Seattle and Tacoma, and thus be able to preserve the jobs and benefits that Californians enjoy as a result of the port's maritime activities.

We look forward to the opportunity to comment on this matter at your May 23rd hearing.

Yours truly,


George Marshall
President

cc:- Charles Warren, Executive Director
Ed Manning, Los Angeles office of Lt. Governor
Robert-Collins, Los Angeles office Attorney General

CALENDAR PAGE	
MINUTE PAGE	1762



**Foreign
Shipowners
Association**

OF THE PACIFIC COAST (Established in 1934)

635 Sacramento Street, Suite 300, San Francisco, CA 94111
H. P. Blok, Executive Secretary

Mail Address: P.O. Box 7861, San Francisco, CA 94120
Telephone: (415) 986-7904

Handwritten notes:
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Circular 4 per
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March 26, 1991

Mr. Charles Warren
State Lands Commission
1807 13th Street
Sacramento, Ca. 95814

Dear Mr. Warren:

As you are no doubt aware, the City of Long Beach is attempting to use Port of Long Beach funds for City projects at its Convention Center, and perhaps a museum, to the extent of \$80,000,000. These funds are supposedly to be repaid to the extent of \$55,000,000, although the purported repayment seems to be mainly created with "air".

We are deeply concerned about this diversion of Port of Long Beach funds and its effect of the financial viability of the Port in the future.

It is our understanding that the State of California Lands Commission entrusted the Port of Long Beach to the City of Long Beach under the proviso that the land be used only for commerce, fisheries and recreation. The City of Long Beach Charter delegates these responsibilities to the Port of Long Beach Harbor Department.

We understand the Long Beach City Attorney is about to start the validation procedure to determine if the funding of the City Convention Center falls within the parameters of the State Tidelands Act.

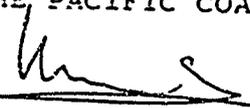
We are strongly of the opinion that this is an inappropriate use of Harbor funds and is inconsistent with the lands

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	MINUTE PAGE 1703

entrustment, as well as potentially damaging to the future financial viability of the Port of Long Beach.

Very truly yours,

FOREIGN SHIPOWNERS ASSOCIATION
OF THE PACIFIC COAST


Henri Blok
Executive Secretary

HB:mn

cc: Hon. Leo McCarthy - Chairman, State Lands Commission
Hon. Gray Davis - Member, State Lands Commission
Mr. Thomas Hayes - Member, State Lands Commission
City Attorney, Long Beach
Board of Directors, Foreign Shipowners Association
Mr. G. S. Jones - President, General Steamship Corp.
Mr. W. A. Trok - President, Maersk Pacific Ltd.
Mr. J. B. Williams - President, Showa International
Mr. J. With-Seidelin - Chairman, Interocean Steam-
ship Corporation
Mr. U. Janssen - Vice President, K Line America, Inc.
Mr. H. Harrington - Vice President & General Manager,
Star Shipping (USWC), Inc.
Mr. Leo Brien - President, Pacific Merchant Shipping
Association
Mr. George Marshall - President, Steamship Association
of Southern California
Mr. Andrew Lumley - General Manager, OOCL (USA), Inc.

CALENDAR PAGE _____

MINUTE PAGE _____

3764

CALENDAR ITEM

NO. 15

WORK ORDER: W 503.1698
CALENDAR DATE: 5/23/91
NEGOTIATOR: HIGHT
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CITY OF LONG BEACH
(PARTY)

TEXT UNAVAILABLE AT TIME OF PRINT

CALENDAR PAGE	62
MINUTE PAGE	1755