

Date of Hearing: August 13, 2013

ASSEMBLY COMMITTEE ON ARTS, ENTERTAINMENT, SPORTS, TOURISM, AND
INTERNET MEDIA

Ian C. Calderon, Chair

SB 695 (Wright) – As Amended: June 27, 2013

SENATE VOTE: 34-0

SUBJECT: California Science Center: parking facilities

SUMMARY: This bill would prohibit the California Science Center (CSC) from delegating the power to manage and operate CSC's parking facilities to any other party, and prohibits CSC or the director of Department of General Services (DGS) from approving a sale or lease of more than 10 years of CSC's parking facilities without legislative approval, as specified. Specifically, this bill:

- 1) Prohibits CSC from delegating operation of CSC's parking facilities to any other party.
- 2) Requires CSC to set the minimum and maximum parking fees that may be charged at Exposition Park.
- 3) Prohibits CSC or the director of DGS from approving a sale or lease of more than 10 years of CSC's parking facilities, Memorial Coliseum (Coliseum), or Memorial Sports Arena (Arena), without legislative approval, as specified.
- 4) Allows leases of more than 10 years without legislative approval, if the terms of the lease require the lessee to preform substantial capital improvements, as specified.
- 5) Makes technical changes.
- 6) Adds an urgency clause.

EXISTING LAW:

- 1) Establishes the Sixth District Agricultural Association known as the CSC within the California Natural Resources Agency (Agency) as a tax-exempt organization and instrumentality of the State. (Food and Agriculture Code Section 4101.)
- 2) Requires the CSC to manage or operate its parking facilities in a manner that preserves and protects the interests of itself and the California African American Museum (CAAM), and recognizes the cultural and educational character of Exposition Park. [Food and Agriculture Code Section 4106(b).]
- 3) Specifies that all revenues received by the CSC from its parking facilities shall be deposited in the Exposition Park Improvement Fund (Fund), and that the funds may only be used, upon

appropriation by the Legislature, for improvements to Exposition Park. [Food and Agriculture Code Section 4106(c).]

FISCAL EFFECT: Unknown.

COMMENTS:

1) Author's Stated Need for Legislation - Protect State Resources:

According to the author, CSC has no statutory authority to delegate control of state parking lots to the University of Southern California (USC). The author's office states that Legislative Counsel has opined that the prohibitions against delegation of power to USC to operate CSC parking lots are declaratory of existing law, because state agencies are required to exercise power in accordance with the manner set by statute. If that statute requires the exercise of discretion, as is the case regarding CSC management of parking lots and revenues, the power is in the nature of a public trust and may not be delegated by the Agency without statutory authorization.

In addition, there are leadership and governance issues with the current CSC. Recently, the Los Angeles Memorial Coliseum Commission (Commission) became embroiled in scandal. Several financial irregularities were alleged and publicized and criminal charges were filed against eight individuals, five of whom were former managers and employees. Another matter of concern is that the Commission has not paid its rent that was due at the end of 2012, according to the author.

The author's office also notes that while, "CSC's governing board voted 7-0 to approve basic terms for a lease agreement that extends to USC most benefits of owning the Coliseum, including preferential provisions relating to USC's use of the parking lot revenues on specified dates throughout the year. Nevertheless, I continue to believe that this bill is necessary to protect the parking revenues generated by all venues at Exposition Park."

2) Background:

The CSC, the City of Los Angeles, and the County of Los Angeles have formed a Joint Powers Authority, the Commission. The CSC has leased the Coliseum and Arena to the Commission. USC operates the Coliseum and Arena pursuant to a sublease from the Commission that was entered in 2008. USC uses the Coliseum and has access to some parking for various events (primarily football games) in exchange for various payments pursuant to the sublease. According to the USC lease, for every sports event it pays to the Commission rent in the form of eight percent of ticket sales, eight percent of broadcasting revenues, and a specified portion of the costs of conducting each event. USC has the option to extend the lease in five year increments to 2054.

a) California Science Center & Exposition Park and Governance Structure:

- i) The Coliseum and the Arena are under the authority of the Commission, which was formed as a Joint Powers Authority between the City and County of Los Angeles and the state in 1945.

- The Commission consists of:
- (1) Three members nominated by the Chairman of the Board of Supervisors;
 - (2) One member appointed by the Los Angeles City Council President;
 - (3) Two members appointed by the City of Los Angeles, Board of Recreation and Parks Commission;
 - (4) Three members elected by the CSC Board of Directors; and,
 - (5) Two ex-officio members, one appointed by the Senate Committee on Rules and one appointed by the Speaker of the Assembly.
- ii) Exposition Park is a public educational, cultural and recreational center that contains several museums, parks and sports facilities with differing forms of governance, as follows:
- (1) The Coliseum and Arena, which hosted the 1936 and 1984 Olympic Games, is governed by the Commission, a Joint Powers Authority consisting of three city members, three county members, and three members of the Science Center/District Agricultural Association Board. The Commission leases the Coliseum from the state and is responsible for management and operation of the facility. Currently, USC holds its football games in the Coliseum and basketball games in the Arena.
 - (2) The CSC is governed by its own Board of Directors, who is appointed by the Governor. CSC's historical role is that of the Sixth Agricultural Association, although oversight is now provided by the Agency. CSC is a state museum that offers science-related education and recreational activities. CSC has the responsibility to look after state-owned-or-held land leases in Exposition Park.
 - (3) CAAM is also under the jurisdiction of the Agency. CAAM has seven board members: four gubernatorial appointees (two of which must live in the agricultural district), and one each, by the Senate, the Assembly and the CSC appointee.
 - (4) The Los Angeles County Museum of Natural History, which is governed by the Los Angeles County Board of Supervisors.
 - (5) The Recreation, Swim Stadium and Rose Garden complexes, operated by the Los Angeles City Department of Recreation and Parks.
 - (6) The Science Museum School, which is operated by the Los Angeles Unified School District.

b) Memorial Coliseum - Historic Landmark and Popular Venue:

The Coliseum was commissioned in 1921 as a memorial to veterans of World War I (rededicated to veterans of all wars in 1968). The official ground-breaking ceremony took place on December 21, 1921, with work being completed less than two years later, on May 1, 1923. In 1930, it was expanded to over 100,000 seats for the 1932 Olympic Games. The Coliseum also hosted the 1984 Olympic Games. In 1984, the State and U.S. government declared the Coliseum a "historical landmark."

Since 1923, the Coliseum has served as the home field of the USC football team. The University of California Los Angeles (UCLA) also played its home football games in the Coliseum from 1933-81. Over the years, the Coliseum has hosted numerous events, including concerts, political rallies, religious gatherings, high school football games, international soccer games, etc. The complex (Coliseum and Arena) has also provided a home for various professional football, basketball, hockey, and baseball teams [e.g., Rams and Raiders (NFL), Los Angeles Chargers (AFL), Dodgers (NL), Kings (NHL), Lakers (NBA)]. More recently (March 29th, 2008), professional baseball returned to the Coliseum, with the Dodgers' 50th anniversary celebration (1958-61) of their move from Brooklyn. Over 115,000 fans (a record crowd for baseball) witnessed the exhibition game between the Boston Red Sox and the L.A. Dodgers.

3) Parking and Tenant Conflict Issues at CSC are a Longstanding Source of Angst:

Concerns and friction over parking matters at the CSC have been roiling for years. As far back as 1998, when the Joint Legislative Audit Committee requested the Bureau of State Audits investigate management of CAC, parking was seen as a major issue. An April of 1999 report found that the center had failed to operate in a fiscally responsible manner and that the state inadequately protected its interests in Exposition Park. CSC disputed some allegations, but promised corrective action.

The state also contracted with UCLA to conduct a study of the governance and management of Exposition Park. The study found, in part, that "automobile parking was found to be the most serious problem and source of tension between Park tenants...." [Senate Floor Analysis of AB 260 (Wright), of the 1999-2000 Legislative Session.]

4) Operation and Improvement Lease Agreements with USC:

In 2008, the Commission and USC entered into a lease that authorized USC to use the Coliseum during football season. Under the lease, the Commission is the landlord, and in that capacity, the Commission agreed to make needed repairs and specific capital improvements.

In response to concerns that the Commission could not complete necessary repairs and capital improvements to the Coliseum, CSC and USC entered into a "Non-Disturbance Agreement" in 2012, in which CSC agreed that, if the Commission's interest is "terminated by CSC or by operation of law prior to the termination of the lease," CSC would assume the rights and responsibilities of the Commission under its lease with USC, including the responsibility to perform the capital improvements.

In December 2012, CSC and USC negotiated a tentative, revised Non-Disturbance Agreement. A significant difference is that USC, not CSC, would assume the obligation to perform capital improvements to the Coliseum. The tentative agreement also contemplates an agreement under which USC would manage specified CSC parking lots. Under this tentative agreement, USC would have rights to a portion of the revenue earned from the parking lots, which are located on state property.

According to the author's office, CSC has no statutory authority to delegate control of state parking lots to USC. The author's office states that Legislative Counsel has opined that the prohibitions against delegation of power to USC to operate CSC parking lots are declaratory of existing law, because state agencies are required to exercise power in accordance with the manner set by statute. If that statute requires the exercise of discretion, as is the case regarding CSC management of parking lots and revenues, the power is in the nature of a public trust and may not be delegated by the agency without statutory authorization.

The author's office also notes that existing law expressly requires CSC to deposit all revenues received from parking facilities into the Fund, and that these monies may only be used, upon appropriation by the Legislature, for improvements to Exposition Park. The author's office states that this clearly demonstrates CSC is required by law to exercise discretion on how to accomplish the statutory mandates. Thus, this public trust obligation cannot be delegated to USC.

As part of the proposed lease agreement from May 2013, USC will invest a minimum of \$70 million in the Coliseum to complete repairs and improvements. In return, USC will receive the right to purchase special event parking in Exposition Park on days when events are being held in the Coliseum or Arena. USC acknowledges the concerns raised by CSC and others regarding the lease and has stated that the current process negotiations between the parties should be allowed to continue to work out these concerns. For instance, USC has agreed to set aside 600 parking slots in the CSC parking structure, and an additional 325 spaces in Lot 3 on game days to ensure adequate parking is available for the use of visitors to Exposition Park.

On June 25, 2013, the governing board of CSC voted 7-0 to adopt the basic terms for the lease agreement that extends to USC most of the benefits of owning the Coliseum. The lease goes into effective after the state DGS and the Agency approves a final lease and the CSC board ratifies it. The package could require the state to reimburse two public museums, CSC and the CAAM, for money they might lose because the lease will permit limited use of the parking lots at a lower price for nine to 10 days a year. Governor Brown's administration sent a letter to the museums promising to restore lost parking funds during the coming two years.

5) Ongoing Opposition from USC - Allow the Fairly Negotiated Lease to be Implemented:

USC writes the Committee to urge that the current lease be allowed to be implemented, and any concerns regarding the lease terms be addressed through the contract process rather than by statutory mandate. Specifically, while expressing their continued commitment to work with their neighbors, the Legislature and CSC, they remain concerned that this measure provides a bad precedent for future lease agreements, stating, "We continue to believe the

legislation establishes an unnecessary precedent with respect to the design and administration of future state lease agreements." Of particular concern is Section 2 of the bill, which covers leaseholds of the Coliseum and Arena, along with the parking facilities.

USC believes that a reasonable deal has been reached that will benefit all parties involved, which does not in any way hurt the museums in Exposition Park as was earlier asserted. Instead, they claim it helps solve major financial problems that are looming over CSC, pointing out, "if the Commission breaches its existing sublease with USC, the State will be required to 'step into the responsibility of the Commission's shoes' and take over the Commission's responsibilities, including the responsibility to fund \$70 million of the Coliseum improvements as well as perform any other Coliseum obligations under the existing sublease. Without the agreement, it is likely the State would not receive the Commission's rent payments for the Coliseum and Arena. However under the new sublease terms, these rent payments would be deposited into the Fund which is used for park-wide needs such as landscaping and security, and is currently being used as financial support for the CAAM and CSC."

6) Prior and Related Legislation:

- a) AB 1019 (Buchanan) Chapter 137, Statutes of 2012, transferred jurisdiction over the CSC, including the CAAM, the Exposition Park, and the Exposition Park Manager, to the Agency.
- b) SB 1060 (Ridley-Thomas), of the 2007-08 Legislative Session, would have abolished the Commission and reorganized the administrative and management structure for Exposition Park in Los Angeles by creating an Exposition Park Authority consisting of eleven board members responsible for managing and operating all state-owned properties located in Exposition Park. Also, would have mandated that the board sell the parcel that the Arena occupies. SB 1060 was held in this committee.
- c) SB 1133 (Denham), of the 2007-08 Legislative Session, would have mandated the sale of the parcel of land that the Coliseum and the Arena occupy, including the state's share of the Arena structure, and abolish the Commission upon completion of that sale. SB 1133 failed passage on the Senate Floor.
- d) AB 1849 (De Vore), of the 2007-08 Legislative Session, was similar to SB 1133. AB 1849 failed passage in the Assembly Business and Professions Committee.
- e) AB 260 (Wright), of the 1999-2000 Legislative Session, would have established an Exposition Park Authority (Authority), consisting of five members, to manage Exposition Park and allow the Authority, with the approval of the State and Consumer Services Agency, to build, maintain, and operate a stadium, arena, pavilion or other sports facility. AB 260 died on Assembly Floor pending concurrence of Senate amendments.
- f) AB 3220 (Archie-Hudson), Chapter 841, Statutes of 1996, among other things, renamed the California Museum of Science and Industry as the CSC and specified that it is deemed to be a tax-exempt organization as an instrumentality of the state.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

University of Southern California

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