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September 4, 2019

Ms. Kate Gordon, Director  
Office of Planning and Research  
1400 10th Street  
Sacramento, California 95814

Re: Inglewood Basketball and Entertainment Center Project AB 987 Application  
(Clearing House Tracking No. 2018021056)

Dear Ms. Gordon:

We are writing on behalf of MSG Forum, LLC in further response to the Clippers' supplemental arguments regarding their application for certification under AB 987.

The Clippers are asking the Air Resources Board ("ARB") and the Governor's Office of Planning and Research ("OPR") to take an unprecedented step in how a project's greenhouse gas ("GHG") emissions are calculated and to reject ARB's established methodologies for doing so. If ARB and OPR adopt the Clippers' "market shift theory," ARB and other local and state agencies will lose a key tool to facilitate the State's ambitious and important statewide climate goals. Exacerbating the problem with this "market shift theory" is the Clippers' illusory TDM program that will not only fail to reduce vehicle trips as required by AB 987, it will fail to mitigate the project's GHG emissions.<sup>1</sup>

Rejection of the Clippers' methodology is consistent with ARB's and OPR's actions on other projects and would not prevent the Clippers' project from moving forward or being certified under AB 987. It would just require the Clippers to spend money to mitigate their actual emissions to obtain certification. This is a clear commitment the Clippers made during the legislative process on AB 987.<sup>2</sup> And this was of particular importance to Governor Brown in his letter signing the legislation.<sup>3</sup>

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<sup>1</sup> See Exhibit 1, Gibson Transportation Response to Supplemental Information.

<sup>2</sup> See Exhibit 2, June 28, 2019 Letter from California Legislators re: Clippers' Application.

<sup>3</sup> See Exhibit 3, Governor Brown's AB 987 Signing Message.

The Clippers' attempted "market shift theory" prioritizes reducing the Clippers' project costs over meeting the State's climate goals and at the expense of protecting the local Inglewood community's health.

**A. The Clippers' Baseline Methodology Is Contrary To Precedent**

It is unprecedented, and contrary to prior actions, to permit a developer to count in its "baseline" the emissions that occur at another site from buildings that will not be demolished or otherwise stopped from emitting greenhouse gases. The Forum, Staples Center and Honda Center will not restrict the rental of their facilities, nor are their facilities being torn down. Therefore, they will continue to emit greenhouse gases at the same, or potentially higher, rate than they do today.

However, the Clippers want ARB and OPR to disregard all previous precedent regarding baseline GHG emissions in a way that results in a severe underestimation of the required emissions reductions under AB 987. The Clippers' methodology oversimplifies and ignores reality. The Clippers' methodology requires ARB and OPR to believe that the three other venues will not continue to successfully attract events to fill their venues once the Clippers relocate from the Staples Center to the new arena in Inglewood. This is not supported by the facts.

ARB's consistent baseline methodology, and the methodology that should be applied here, quantifies the actual, current emissions on the existing site that are known with certainty will permanently cease and not be replaced when the new project comes on-line. ARB's methodology ensures that emissions that will continue are not credited as part of the baseline. Previously approved AB 900 applications have described the application of the appropriate baseline methodology.

For example, ARB described the methodology for calculating the 6220 West Yucca Project's GHG net new emissions as follows:

The project would demolish and remove the existing structures and associated infrastructure from the project site and the existing uses would be vacated prior to construction and would cease to operate. Therefore, the GHG emissions from the existing site uses would not occur contemporaneously with either project construction emissions or project operational emissions.<sup>4</sup>

For the 1045 Olive Street Project, ARB stated that net new GHG emissions would be calculated using the same methodology.

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<sup>4</sup> Greenhouse Gas Emissions Methodology and Documentation for the 6220 West Yucca Project, at p. 8, available at: [http://opr.ca.gov/ceqa/docs/ab900/Application\\_for\\_ELDP\\_wExhibits-6220\\_West\\_Yucca\\_\(4-10-17\).pdf](http://opr.ca.gov/ceqa/docs/ab900/Application_for_ELDP_wExhibits-6220_West_Yucca_(4-10-17).pdf) (last accessed August 26, 2019).

The Project would demolish and remove the existing structures and associated infrastructure from the Project Site and the existing uses would be vacated prior to construction and would cease to operate. Therefore, the GHG emissions from the existing site uses would not occur contemporaneously with either Project construction emissions or Project operational emissions.<sup>5</sup>

For the 3333 California Street Project, ARB's methodology for calculating baseline and net new GHG emissions was the same. ARB explained:

The baseline for the analysis of the proposed project and project variant is the emissions from existing activities on the project site.<sup>6</sup>

The 3333 California Street project is an example of the applicant trying to gain an advantage with the amount of existing GHG emissions and ARB limiting the credit to just those emissions that will actually be completely eliminated. In 3333 California, the project included 558 residential units, approximately 54,000 square feet of retail, 50,000 square feet of office, and 14,700 square feet of childcare uses. The project would result in the demolition and adaptive reuse of the existing 364,500 square-foot office building, 11,500 square foot childcare center, and surface and subsurface parking. The project proponent first included 100% of the emissions associated with the existing use as its GHG baseline in its application for certification under AB 900. ARB rejected this approach. "ARB reason[ed] that given that a portion of the existing staff and visitors will continue to commute by car after relocation, their emissions should be accounted for in the AB900 analysis."<sup>7</sup> In other words, ARB recognized that certain emissions would not stop once the new project was built and, therefore, those emissions should not be included in the "baseline" inventory of emissions the project would avoid. It did not matter to where those emissions might be moving. The point was that the GHGs would continue to be emitted and, therefore, could not be credited as being "removed."

As another example, the Potrero Power Station proposes approximately 5.4 million square feet of uses on the site of a power plant that is being decommissioned. Again, ARB worked with the applicant to set an accurate baseline – or inventory of emissions the project would avoid or remove. In this case, that meant not giving the applicant credit for 100% of the

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<sup>5</sup> Greenhouse Gas Emissions Methodology and Documentation for the 1045 Olive Street Project, at p. 11, available at [http://opr.ca.gov/ceqa/docs/ab900/20180320-Attachment\\_2\\_1045\\_Olive\\_AB\\_900\\_Application.pdf](http://opr.ca.gov/ceqa/docs/ab900/20180320-Attachment_2_1045_Olive_AB_900_Application.pdf) (last accessed August 26, 2019).

<sup>6</sup> 3333 California Street Mixed-Use Project Application For Environmental Leadership Development Project, at p. 21, available at: [http://opr.ca.gov/ceqa/docs/ab900/20180824-AB900\\_3333\\_California\\_Street-2-San\\_Francisco\\_ELDP\\_Application.pdf](http://opr.ca.gov/ceqa/docs/ab900/20180824-AB900_3333_California_Street-2-San_Francisco_ELDP_Application.pdf) (last accessed August 26, 2019).

<sup>7</sup> Relocated Greenhouse Gas Emissions for 3333 California St AB 900, available at [http://opr.ca.gov/ceqa/docs/ab900/20181206-3333\\_CalSF\\_Ramboll\\_Attachment\\_Relocated\\_Emissions.pdf](http://opr.ca.gov/ceqa/docs/ab900/20181206-3333_CalSF_Ramboll_Attachment_Relocated_Emissions.pdf) (last accessed August 26, 2019).

emissions being removed because of the retiring power plant, but instead asking the applicant to quantify the emissions associated with generating the same quantity of electricity from other sources and then subtracting those emissions from the power plant to be decommissioned.

Plant operations would have to cease as a condition for the plant to be eligible for redevelopment following shutdown. Because redevelopment was one of the primary inducements to shut down the power plant, CARB staff believes it is reasonable to include the former power plant's operational emissions, *less the replacement emissions associated with transferring the plant's electricity generation* over to PG&E's electrical grid via the Transbay Cable, as the baseline for AB 900 purposes.<sup>8</sup>

This approach makes sense. The project was not causing those emissions to disappear, only relocate. It would be antithetical to the goal of reducing GHG emissions to allow the project to take credit for avoiding those emissions because they were not in fact avoided. Contrary to the Clippers' argument, the point is not whether the emissions are moving from or to the project site. The key is whether the emissions being credited in the baseline are actually going away. ARB and OPR have no certainty that nearly 400,000 MTCO<sub>2e</sub> will actually be eliminated from Staples, the Forum and Honda Center. In fact, it is virtually certain that such emissions will not be eliminated.

The Clippers propose to build their new arena on a site with almost no GHG emissions that exist on the site today. It is largely a vacant site. Recognizing that the lower the baseline (i.e., emissions to be avoided), the higher the mitigation requirements, the Clippers are trying to take credit for the existing emissions from existing uses at the Forum, Staples Center, and Honda Center. But those existing buildings and emissions are not going away. To the extent any events move from these existing arenas to the new Clippers' arena, the events will be replaced. The Clippers' project will result in an overall increase of GHG emissions.

Allowing the Clippers to inflate artificially the amount of GHG emissions that the new arena will remove is also contrary to AB 987's mandate for *local* GHG reductions. Local GHG emission reductions were required so that the reductions in toxic air contaminants and other air emissions could be enjoyed by the neighboring low-income minority community.

With their theoretical baseline, the Clippers would not have to mitigate over 400,000 MTCO<sub>2e</sub> that they actually will emit. That loss of GHG emission reduction means that the other toxic air contaminants will not be mitigated as AB 987 required and Governor Brown made clear in his signing message.

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<sup>8</sup> CARB Staff Evaluation of AB 900 Application for Potrero Power Station Mixed-Use Project, available at [http://opr.ca.gov/ceqa/docs/ab900/20190410-AB900\\_Potrero\\_Power\\_Station\\_CARB\\_AB\\_900\\_Determination\\_Potrero.pdf](http://opr.ca.gov/ceqa/docs/ab900/20190410-AB900_Potrero_Power_Station_CARB_AB_900_Determination_Potrero.pdf) (last accessed August 26, 2019), emphasis added.

**B. The Clippers' Hypothesis Is False; Data Does Not Support the "Market Shift" Theory**

The Clippers rely on "market studies" to justify the conclusion that events that currently occur at the Staples Center, the Forum, and the Honda Center will "shift" to the new arena and not be replaced. And in fact their consultant has expressly said that OPR and ARB cannot rely on the data and have said that they have not audited or verified the data.

While the Clippers' consultants guess at what may happen in the future, actual data<sup>9</sup> from what happened when the Forum reopened in 2014 shows the Clippers' hypothesis to be factually wrong.

When the Forum reopened in 2014, there was no "market shift" in the number of events from Staples Center and Honda Center. Rather, the entire market for events grew. While a new arena will increase competition on pricing and types of events, the data does not support that there will be a "market shift" if the Clippers' arena opens.

An expert report prepared by the Oak View Group ("OVG")<sup>10</sup> demonstrates that the Los Angeles market for live events is growing and that Conventions, Sports, & Leisure International's ("CSL") assumption of a finite (i.e., 319 event) market is unsupported.

The CSL analysis concludes that 59% of events at the new arena would be "market-shifted" from the Forum, Staples Center, and Honda Center. In support of this conclusion, it uses the Forum's reopening in 2014 to predict what the addition of a new arena in the marketplace would mean. However, the CSL analysis focuses only on the single year after the Forum reopened. A more accurate analysis would use an average of several years both before and after the introduction of a new arena to draw conclusions.

The OVG report, attached as Exhibit 4, shows the number of publicly ticketed non-sports events in the five years leading up to the Forum's reopening in 2014 and the five years since. As is shown, not only did the other arenas collectively not lose booked events, the Staples Center and Honda Center saw a collective 5% increase in the five years since the Forum reopened.

The OVG report details numerous errors in the CSL analysis. The most critical assumption, and the one underlying the Clippers' entire "market shift" theory, is that the market for arena space will saturate at 319 events. The OVG report explains that there has been

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<sup>9</sup> Data was gathered via "Pollstar," a trade publication dedicated to covering events worldwide. Pollstar provides data regarding publicly ticketed non-sports events at venues around the world.

<sup>10</sup> OVG is an international leader in the entertainment facility management space. Together, OVG principals and affiliated companies and co-venturers have managed dozens of facilities, with many decades of combined experience. Until last year, OVG was 50% owned by Azoff MSG Entertainment (a joint venture between Irving Azoff and MSG). The CEO of OVG is Tim Leiweke. Mr. Leiweke is a former President and CEO of Anschutz Entertainment Group, which owns Staples Center. OVG owns Pollstar.

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significant growth in the concert business in the last 20 years and concludes that “[a]ll market indications are that there will be continued significant growth in the live performance market...”<sup>11</sup> New entrants to the large spectator event markets will additionally add to the growth expected in the more traditional segments of the market. For instance, the e-sports industry is seeing tremendous growth with events selling out large arenas like the Staples Center.<sup>12</sup>

The CSL analyses also use unreasonable assumptions and comparisons to conclude that “the maximum potential use of vacated Clippers event days at Staples Center could total seven event days.”<sup>13</sup> First, as discussed in the OVG Report, it is incorrect to assume that Staples Center could not book a date when the Clippers were double-booked with NBA or NHL games. For instance, Madison Square Garden in New York City is home to one NBA team and one NHL team, as the Staples Center will be if the Clippers leave, and it regularly double-books NBA with college basketball or other basketball events (e.g., Harlem Globetrotters). They also occasionally double book NHL games with other hockey events (e.g., college hockey). Therefore, the assumption that the Staples Center will not double book on those days is unfounded.

Additionally, there is a market perception that the Staples Center is unavailable during the professional sports season because they are currently the only venue in the country with a combined three NBA and NHL teams. Using recent booking percentages<sup>14</sup> significantly understates the opportunity to book an event at Staples Center because some acts are not even inquiring about dates. A better comparison would be Madison Square Garden, as it is an arena in a major metropolis with two professional sports teams. Madison Square Garden’s booking percentages are shown below:

	Monday-Thursday			Friday-Sunday		
	3rd Party Events	Total Avail Dates	3rd Party Booking Rate	3rd Party Events	Total Avail Dates	3rd Party Booking Rate
2016	46	70	66%	37	57	65%
2017	47	71	66%	35	57	61%
2018	45	79	57%	37	49	76%
<b>3 Year Avg</b>	<b>46</b>	<b>73</b>	<b>63%</b>	<b>36</b>	<b>54</b>	<b>67%</b>

<sup>11</sup> Exhibit 4, OVG Report at p. 2.

<sup>12</sup> *Id.* at p. 3.

<sup>13</sup> CSL, Staples Center Vacated Event Days Analysis, at p. 5, <http://opr.ca.gov/ceqa/docs/ab900/20190614-Exhibits-to-Supplemental-AB-987-Submittal.pdf> (last accessed August 26, 2019).

<sup>14</sup> CSL created a “Third Party Events” definition for its analysis. It is unclear what source CSL used for estimating “Third Party Events.” Pollstar only counts publicly ticketed non-sports events. Corporate and private events (such as product launches, conferences, trade shows, graduations, speaker series, etc.) are not reported by Pollstar. This is a much broader category of events for which there is even greater opportunity for backfilling.

As the OVG Report concludes, “[u]sing the Garden’s booking rate, it is reasonable to assume that Staples Center will be able to fill at least twenty-two of the “Clippers-Only” publicly ticketed event days versus the seven total events that CSL assumes.”<sup>15</sup>

The Clippers’ analysis also relies on the assumption that 80% of corporate and community events will be relocated from other venues, but provides no support for this statement. As the OVG Report discusses, corporate and community events are only limited by pricing. Therefore, the increased supply of venues will simply put pressure on pricing and not on demand.<sup>16</sup>

In summary, the Clippers’ analysis concludes that there will only be 32 “net new” events (including family shows and “other events”) if their arena is built. However, OVG concludes that the actual number of “net new” publicly ticketed non-sport events alone will be between 50 and 65, in addition to the sports, e-sports, corporate and private events that the existing arenas will continue to add to their calendars.<sup>17</sup>

### **C. Rejecting The Clippers’ Methodology Does Not Mean Clippers Cannot Achieve Net Zero**

Rejecting the Clippers’ GHG “market shift” baseline theory is not a rejection of the project. It simply requires the Clippers to account for all of their projected emissions (in accordance with established methodology) and then mitigate those emissions to get to net zero. It isn’t complicated. AB 987 sets out a list of potential mitigation measures for them. They just have to be willing to invest the money in the local community as the Clippers promised during the legislative process and as the legislature intended. There is no reason the Clippers should be able to use a shortcut by artificially reducing their emissions and then do less in mitigation.

Conversely, permitting a developer to take credit for a theoretical “market shift” based on a market study will open the door for other developers to increase their baseline, and reduce their required mitigation, based on a market study of activities that may move to the project from other sites. For example, given the State’s shortfall in housing, every developer could claim that their housing development is simply a market shift of existing populations moving from overcrowded housing. Or alternatively, an office high-rise developer which has a lease commitment from a tenant to relocate in its building from an existing building can simply claim the new building has zero new emissions. This will remove the State’s ability to effectively drive reductions in new emissions that are necessary to achieve the climate neutrality goal of 2045.

### **D. Public Review of Clippers’ Further Data & Arguments Is Required**

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<sup>15</sup> Exhibit 4, OVG Report at p. 4.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at p. 6.

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Any supplemental information provided by the Clippers should be posted to OPR's website for public review and comment for at least 7 days. The AB 900 guidelines, which apply equally to AB 987, require as much. The additional comment period will allow ARB to continue to progress the matter forward while also giving ARB the benefit of the comments and review of the new Clippers' data by other groups such as NRDC, Climate Resolve, Public Counsel and ourselves. For example, NRDC noted that the TDM program is "illusory," and the public has not seen any VMT analysis. If additional information has been provided to support the TDM assumptions, it should be shared with the public.

We appreciate your attention to this matter. If you have any questions, you may reach me at (213) 891-8196.

Very truly yours,



George J. Mihisten  
of LATHAM & WATKINS LLP

cc: Mary Nichols, Chair, Air Resources Board  
Richard Corey, Executive Director, Air Resources Board  
Steven Cliff, Deputy Executive Officer, Air Resources Board



# Exhibit 1



September 4, 2019

MSG Forum, LLC  
3900 W. Manchester Blvd.  
Inglewood, CA 90305

**RE: REVIEW OF SUPPLEMENTAL INFORMATION FOR THE  
INGLEWOOD BASKETBALL AND ENTERTAINMENT CENTER**      **Ref: J1691**

We have reviewed the Supplemental Information posted to the Governor's Office of Planning and Research website on August 27, 2019 for the Los Angeles Clippers' proposed Inglewood Basketball and Entertainment Center (IBEC).

The Supplemental Information repeats what the Clippers have previously stated regarding the IBEC Transportation Demand Management (TDM) program and does not change our prior conclusions that the IBEC TDM program will not achieve the stated reductions for the reasons detailed in our memoranda dated January 31, 2019 and June 27, 2019.

Rather than repeat all the information provided in our previous memoranda, we include below specific responses to select assertions regarding the TDM program.

- The shifting of events from one venue to another is not vehicle miles traveled (VMT) or greenhouse gas (GHG) neutral in the Los Angeles region. Shifting events from STAPLES Center to IBEC moves events away from rail transit and away from employees and residents. The result will be longer trips (or increased VMT) and greater GHG emissions.
- Page 4 of the Supplemental Information repeats the position that the Clippers' shuttle buses can travel at 14 miles per hour (mph) through peak event traffic. Based on this assumption, the Supplemental Information states that the venue can be served by 27 full-size buses making 38 trips within a 30-minute time period with two-four minute headways. To be clear, this cannot be accomplished given the existing and future roadway traffic demand and roadway configurations. Page 4 Footnote 1 references a "much more conservative average shuttle speed of approximately 8 mph." This more realistic speed would double the travel times and the fleet would have to be expanded to 54 full-size buses to offer the same level of service described in the application.
- Page 5 of the Supplemental Information suggests closing lanes on arterial streets for shuttle bus priority lanes and having traffic control officers give shuttle buses priority movements. These priority traffic lanes will result in more congestion for commuters traveling home or to other local businesses.

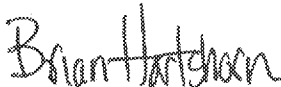
- STAPLES Center achieves a 7-9% rail mode split because the rail service is located immediately outside the door of the venue and the regional rail system focuses on downtown Los Angeles. IBEC does not experience either the proximity or the depth of rail service that is offered to downtown Los Angeles.
- The statement that a "substantial number of ticketholders are within a two-transfer ride to/from the IBEC site" does not support "good transit service" to the facility. A two-transfer ride is typically considered inadequate service and does not support a 7% rail mode split.
- The assumptions underlying the statement that the TDM program supports a 15.696% reduction in annual vehicle trips are not supported by the data and not supported by our decades of experience in the transportation field. We are unaware of any similarly situated event venue in California ever achieving this reduction in the number of trips.
- The Supplemental Information discusses an annual reporting and monitoring program but offers no targets or goals. Instead, the Supplemental Information states that it is "difficult to accurately assign specific trip reduction percentages to individual measures." If that is the case, what exactly will be measured in the monitoring program and what will be the measure of success? The TDM program is intended to increase transit to the point that automobile vehicle trips will be reduced by 6.3%. Average vehicle occupancy (AVO) targeted measures will supposedly increase AVO to the point that vehicle trips will be reduced by 9.4%. What baseline will the purported 15.7% reduction in trips be measured against? Additionally, as noted in our previous memoranda, the reductions will be impossible to monitor on an annual basis.

We would be happy to answer any questions on any of the above information.

Sincerely,



Patrick A. Gibson, P.E., T.E., PTOE  
President



Brian Hartshorn  
Senior Associate

# Exhibit 2

# CALIFORNIA LEGISLATURE

STATE CAPITOL  
SACRAMENTO, CALIFORNIA  
95814

June 28, 2019

Kate Gordon, Director  
Governor's Office of Planning and Research  
1400 Tenth Street  
Sacramento, CA 95814

Mary D. Nichols, Chair  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

Director Gordon and Chair Nichols:

We write to convey concerns with the Inglewood Basketball and Entertainment Center (IBEC) application, submitted for certification pursuant to AB 987 (Kamlager-Dove), Chapter 961, Statutes of 2018.

AB 987 was the product of more than a year of intensive legislative deliberations. Following the failure of a predecessor bill in 2017, we participated in negotiations and hearings where testimony was taken, commitments were made, and amendments were adopted. We supported the final version of AB 987 specifically because it raised the bar compared to existing requirements of AB 900 and the California Environmental Quality Act (CEQA) generally. In particular, AB 987 requires the applicant to achieve more stringent and specific standards for mitigation of traffic and greenhouse gas (GHG) emissions.

We have reviewed the IBEC application and are disappointed to find that it meets neither the letter nor the spirit of AB 987. The application claims to meet AB 987's standards, but falls short in several significant respects. The result is a project that may not even meet minimum standards for mitigation under CEQA, much less represent an "environmental leadership" project meeting extraordinary standards that justify expedited judicial review.

Specifically, the applicant's GHG analysis greatly overestimates baseline emissions in order to reduce the project's net GHG emissions. By making novel and unsubstantiated assumptions about the project drawing events away from existing venues, the application contrives net emissions for construction and 30 years' operation of 156,643-158,631 tons. This estimate stands in sharp contrast to the estimated net emissions of 595,000 tons offered by the applicant's consultants when the GHG conditions were negotiated last August. The approach used in the application stands the argument the applicant used last year against GHG neutrality requirements – that Inglewood is transit starved compared to Staples Center – on its head.

To mitigate this artificially low estimate of net GHG emissions, the applicant proposes the Transportation Demand Management (TDM) program/targets (47-48% of total) and 50% of the reductions attributable to the LEED Gold certification (2.5% of total), both required by the bill. They claim this gets to 49.5-50.1% of required reductions, conveniently achieving AB 987's local GHG mitigation floor of 50%. By lowballing net GHG emissions, the applicant circumvents the need to make any of the local GHG mitigation investments, and associated community benefits, touted when the bill was before the Legislature.

To achieve zero net GHG on paper, the application projects the balance of emission reductions (47-48% of total) from unspecified offset projects and potential GHG co-benefits attributed to the required \$30 million clean air investment. Though AB 987 requires offsets to be local if feasible, and limited to projects in the United States in any case, the application includes no details on how these requirements will be met.

Because nearly half of the GHG reduction obligation is attributed to the TDM program, it is all the more important that the measures in the TDM program are real commitments that will reduce the millions of new vehicle trips generated by the project. However, the TDM program consists of a vague array of unenforceable goals, not real commitments to invest in traffic reduction.

If the project proceeds as proposed, the result will be more local traffic and air pollution in Inglewood and surrounding communities in the Los Angeles region, and none of the local investment to reduce GHG emissions that AB 987 would require based on a realistic accounting of the project's net emissions. This will shortchange the very communities the project purports to benefit.

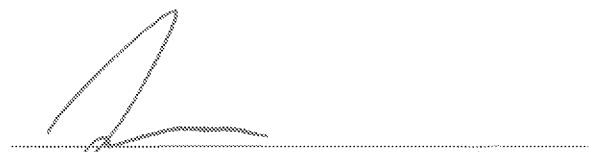
Certification of a substandard project also would be unfair to other applicants and may set a precedent which undermines meaningful GHG mitigation and long-term climate goals.


Just as we supported AB 987, we are prepared to support a project that meets its requirements. Unfortunately, in its current form, the IBEC application is not that project.

The application should not be certified as submitted. We ask you to direct the applicant to withdraw the application, so that it may be revised, resubmitted, and promptly reviewed.

Sincerely,

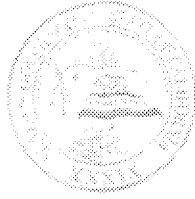
  
Assemblymember Al Muratsuchi, 66<sup>th</sup> District

  
Assemblymember Laura Friedman, 43<sup>rd</sup> District

  
Assemblymember Cristina Garcia, 58<sup>th</sup> District

  
Assemblymember Kevin McCarty, 7<sup>th</sup> District

# Exhibit 3



OFFICE OF THE GOVERNOR

SEP 30 2018

To the Members of the California State Assembly:

I am signing Assembly Bill 987, which would expedite judicial review under the California Environmental Quality Act for a sports and entertainment project in the City of Inglewood, if certain requirements are met.

This bill is consistent with AB 900, a bill I signed in 2011, which first established expedited judicial review of certified Environmental Leadership Development Projects. It allows the Inglewood project to qualify for expedited judicial review if it meets certain standards, including providing traffic reduction benefits and achieving a net zero greenhouse gas emissions standard. This issue requires particular attention here given the potential for high levels of congestion.

Additionally, the project must reduce criteria pollutants and toxic air contaminants, a requirement that is not included in the current Environmental Leadership Development Project standards.

Sincerely,

  
Edmund G. Brown, Jr.



# Exhibit 4



Re: Inglewood Basketball and Entertainment Center

This report examines the capacity of the Los Angeles/Orange County market with reference to an additional market entrant, the Inglewood Basketball and Entertainment Center (IBEC) Project – a proposed 18,000 capacity arena to be located in Inglewood, CA. This facility would be the new home of the Los Angeles Clippers (NBA).

When assessing the market for Arena events in the greater Los Angeles area we reference three existing 10,000-20,000 capacity indoor facilities.

- Staples Center – A 20,000 capacity arena located in Downtown Los Angeles owned by Anschutz Entertainment Group (AEG). Home to the Los Angeles Lakers (NBA), Los Angeles Clippers (NBA), Los Angeles Kings (NHL), and Los Angeles Sparks (WNBA).
- Honda Center – A 19,400 capacity arena located in Anaheim, CA owned by Anaheim Arena Management. Home to the Anaheim Ducks (NHL)
- Forum – A 17,500 capacity arena located in Inglewood, CA owned by the Madison Square Garden Company with no anchor sports tenants

The data for this analysis is from Pollstar, the leading trade publication in the live events industry. Pollstar is considered to provide the most accurate data of publicly ticketed non-sports events industry. As a result, Pollstar and the above data and analysis can be replicated by anyone with access to Pollstar. Our figures are different from CSL's "major third-party events" data because CSL reported that it included concerts, family shows and other events as part of its "major third-party events" and that the "other" events category "could include, but is not limited to, comedy and other entertainment/performance shows, sporting events (i.e. basketball, hockey, etc.), motorsports, rodeo, political/religious gatherings, and other such events." CSL's data is unclear and cannot be duplicated. CSL itself stated that:

*The information contained in this report is based on estimates, assumptions and other information developed from secondary market research, knowledge of the sports and entertainment industry, and other factors, including certain information provided by Wilson Meany and others. All information provided to us was not audited or verified and was assumed to be correct. Because procedures were limited, we express no opinion or assurances of any kind on the achievability of any projected information contained herein and this report should not be relied upon for that purpose. Furthermore, there will be differences between projected and actual results. This is because events and circumstances*



*frequently do not occur as expected, and those differences may be material....*

As the Pollstar data is a recognized and verifiable data source for live event data, we have based our discussion on the Pollstar data.

**Total Arena Events Will Increase.** Our analysis shows the Los Angeles market has demand capacity for additional concerts and other events and that the addition of the proposed major arena to the LA marketplace would result in an increase in the number of events in the LA marketplace. A new arena would increase competition for existing events. Because of this increased competition, the existing arenas will backfill any loss of events to the new arena with new events. It is important to note that Staples is owned and managed by AEG one of the most successful concert promoters in the world. Further, The Forum is the sister arena to The Garden, the most active concert venue in the country (based on Pollstar data for 2018). In 2018, The Garden and the Forum ranked number 1 and 2 in terms of ticket sales. Neither Staples, Honda Center, nor the Forum will have difficulty backfilling any events which may move to a new arena as discussed below.

***Market Growth.*** The concert business has experienced an explosion of Arena Touring over the past 20 years. This is driven by a number of factors. One, most Artists today derive around 85% of their annual revenue from tours. Two, people are spending their disposable income on unique live experiences that cannot be replicated in their homes. Three, the internet has provided global distribution channels for artists that previously have not had significant reach. This has led to new Arena Headlining stars in traditional genres such as Rock, Pop, and Country, but also K-Pop, Latin, and Hip-Hop. This means that there are more Arena Headlining stars today than there have historically been. All market indications are that there will be continued significant growth in the live performance market as a result of these factors. This does not account for additional growth that may come from the emerging e-sports market discussed below.

Major metropolitan markets such as New York, Los Angeles, Chicago, and Toronto consistently rank at the top of the ticket sales charts on an annual basis. These markets' large and diverse population bases ensure a strong and consistent demand for a diverse menu of live events. The major bottleneck for events in these major markets is date availability at local venues. With additional venue capacity, we would expect additional market growth.

Within the LA marketplace, the reopening of The Forum in 2014 shows that the entry of a new arena grows the overall event market. The CSL study only focused on 2014 for its analysis. It takes a few years for a venue to stabilize. Rather than a single snapshot year, an average of



several years both before and after the entry of the new venue smooths out the initial variability year-over-year. An analysis of the market data for five years before and five years after The Forum’s reopening shows that The Forum events steadily grew and the other venues did not lose total event days.

2) POLLSTAR EVENT COUNTS (ADJUSTED FOR REMOVAL OF RINGLING BROTHERS CIRCUS) - EXCLUDES PROFESSIONAL SPORTS TEAMS (NBA/NHL/WNBA)

Venue	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Forum	9	1	21	0	0	52	63	72	81	107
Staples	27	57	50	60	66	50	58	52	48	44
Honda	27	42	20	33	35	39	35	32	41	39
Total LA Arena Market	63	100	91	93	101	141	156	156	170	190

In addition to increases in size of publicly ticketed non-sports events market, venues attract other large events, some of which are newer to the marketplace.

For example, the hub of e-sports is in LA. Some of the biggest events thus far have been for Riot Games’ League of Legends. The League Championship Series Spring and Summer finals have been held at NBA arenas such as Oracle Arena in Oakland and TD Garden in Boston. The League of Legends World Championship finals have been held in stadiums such as the Bird’s Nest in Beijing in 2017 and Incheon Munhak Stadium in South Korea in November with tens of thousands of fans in attendance.<sup>1</sup> A League of Legends finals held at the Staples Center in 2013 sold out in less than an hour.<sup>2</sup>

**Increased Opportunity for Staples Center Events.** With the proposed fourth arena in the marketplace hosting the Los Angeles Clippers, Staples Center will have 41+ new dates (for Clippers event dates) available for event bookings. The documentation from CSL only anticipates seven net-new major events as a result of backfill at Staples Center. This methodology fails to account for the April-June playoff window. Staples Center is unique among arenas in North America in that it is home to two NBA teams and one NHL Team. These three anchor tenants make it very difficult for promoters to book events at Staples Center

<sup>1</sup> No one mold for esports venues as arenas continue to grow, ESPN (Dec. 23, 2018) available at: [https://www.espn.com/esports/story/\\_/id/25602388/no-one-mold-esports-venues-arenas-continue-grow](https://www.espn.com/esports/story/_/id/25602388/no-one-mold-esports-venues-arenas-continue-grow).

<sup>2</sup> League of Legends Finals Sells Out LA’s Staples Center In An Hour, Forbes (Aug. 24, 2013) available at: <https://www.forbes.com/sites/insertcoin/2013/08/24/league-of-legends-finals-sells-out-las-staples-center-in-an-hour/#2e3dbfc632b8>.



during the playoff window. Those considerations will change dramatically when Staples Center only has two anchor tenants to book around.

Using recent booking percentages, as CSL did, significantly understates the opportunity because some acts are not even inquiring about dates at Staples Center during the playoff window. Madison Square Garden in New York City, with two professional sports teams, may be a better comparison as to the booking potential for a venue with two main professional teams. The Garden shows a much higher booking percentage than projected by CSL.

	Monday-Thursday			Friday-Sunday		
	3rd Party Events	Total Avail Dates	3rd Party Booking Rate	3rd Party Events	Total Avail Dates	3rd Party Booking Rate
2016	46	70	66%	37	57	65%
2017	47	71	66%	35	57	61%
2018	45	79	57%	37	49	76%
<b>3 Year Avg</b>	<b>46</b>	<b>73</b>	<b>63%</b>	<b>36</b>	<b>54</b>	<b>67%</b>

Using the Garden’s booking rate, it is reasonable to assume that Staples Center will be able to fill at least twenty-two of the “Clippers-Only” publicly ticketed event days versus the seven total events that CSL assumes.

Further, the CSL analysis assumes that Staples Center would no longer double book events if the Clippers depart Staples. There is no basis for that assumption. To the contrary, other venues do double book events with professional sports team games. For instance, The Garden regularly double-books NBA with college basketball or other basketball events (e.g., Harlem Globetrotters). They also occasionally double book NHL games with other hockey events (e.g., college hockey) and with the NBA. Therefore, the assumption that the Staples Center will not double book on those days is unfounded.

**Corporate and Community Events Are Not Limited.** CSL asserts that 80% of the Clippers’ corporate and community events will be relocated from other venues, but provides absolutely no support for this statement. Our experience is that corporate and community events are only limited by pricing. If venues have greater competition for pricing, there will be more opportunity for corporate and community events at the venues and would not see that demand capped. In fact, with the growth in the Los Angeles tech region (east downtown Los Angeles, Santa Monica, El Segundo, Playa Vista, etc.) we would expect significant growth in the corporate market.

**Unique LA Effects on Market**



As the world's entertainment capital, LA venues have the unique potential to attract events related to the entertainment industry, such as awards shows, industry events, and filming. With pricing pressure, arenas may attract more events from this customer base.

Further, in 2028 the Olympics will create market pressure by taking up a lot of event days at Staples Center (Basketball), Forum (Gymnastics), and Honda Center (Volleyball). IBEC is currently not proposed to host any events.<sup>3</sup> Therefore, the Clippers arena may have an increase in third party events that year.

***Expansion in Venues is Indicative of Market Expectations for Growth.*** The addition of more dates and venues into the market is indicative of the growth that owners, promoters, and agents anticipate. The Hollywood Bowl expanded its season and operates very successfully in the Los Angeles market with expanded concert events. In addition, the Five Point Amphitheater just opened in Irvine California and it has seating capacity of approximately 12,000 (6,500 fixed seats and 5,500 field seating). Further, another new arena is being proposed for Los Angeles County and a 6,000 seat concert venue is planned for the new NFL stadium complex at Hollywood Park in Inglewood. Given the expanded arena facilities (actual and proposed), it is clear that the market believes that there is expected significant growth in the Los Angeles/Orange County concert and event market.

### **Case Study: New York City**

The closest comparable to the Los Angeles arena market is New York City. Long dominated by Madison Square Garden and the Nassau Coliseum. From 2000-2006 New York City averaged 115 Arena Shows (live events tracked by Pollstar) per year between these two venues in addition to their anchor tenant basketball and hockey games.

The market added Prudential Center in Newark, NJ in 2007 (home to the New Jersey Devils, NHL) and Barclays Center in Brooklyn, NY in 2012 (home to the Brooklyn Nets, NBA and later the New York Islanders, NHL). These new venues filled their calendars not only by attracting events previously hosted at The Garden and Nassau Coliseum, but also by capitalizing on the incredible growth of the live music business and absorbing the demand for more arena events. At the same time, The Garden and Nassau Coliseum did not have an appreciable decline in events.

In 2018 the New York City market had grown to 410 Arena Shows between these four venues. The introduction of two new venues provided more date capacity that was filled through the

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<sup>3</sup> Proposed Clippers arena in Inglewood is not part of the 2028 Olympics plan, for now, LA Times (July 26, 2019) available at: <https://www.latimes.com/sports/story/2019-07-26/proposed-clippers-arena-inglewood-2028-olympics>.



increased appetite for Arena concerts. The result was a market with nearly 300 more shows from before Prudential Center and Barclays Center opened. Even with these recent additions, a fifth arena is about to break ground, signaling New York City market's continued appetite for more venue space.

LA finds itself in a similar environment today. In 2015, the three LA arenas hosted a total of 156 Pollstar-counted events. In 2018, these arenas hosted 190 Pollstar-counted events, an increase of over 20 percent. Following similar trends to New York City along with growth discussed above we can reasonably anticipate that the addition of the proposed fourth arena in 2024 would add 50-65 net-new Pollstar-counted events to the LA market on an annual basis. These 50-65 Pollstar-counted events (i.e., publicly ticketed non-sport events) are in addition to the smaller family shows and other events that the existing arenas will continue to add to their calendars. By comparison, CSL predicts only 32 net new "major third-party" events, inclusive of "family shows" and "other events" with attendance predicted to be as low as 5,000. CSL does not forecast how many of these 32 "net new" events are forecast to be Pollstar-counted events.



*Oak View Group (OVG) is an international leader in the entertainment facility management space. Together, OVG principals and affiliated companies and co-venturers have managed dozens of facilities, with many decades of combined experience. OVG's combined development experience and industry knowledge uniquely positions the company as a leader in the development of sports and entertainment facilities. OVG also owns Pollstar, the leading entertainment industry publication.*