

**SUMMARY REPORT PURSUANT TO  
CALIFORNIA GOVERNMENT CODE SECTION 53083  
ON A  
HOTEL DEVELOPMENT INCENTIVE AGREEMENT  
BY AND BETWEEN  
THE CITY OF LOS ANGELES  
AND  
926 JAMES M. WOOD BOULEVARD, LLC**

The following Summary Report has been prepared pursuant to California Government Code Section 53083. The report sets forth certain details of the proposed Hotel Development Incentive Agreement (Agreement) between the following parties:

1. The City of Los Angeles (City), a municipal corporation;
2. 926 James M. Wood Boulevard, LLC, a California corporation (Developer)

The Agreement requires the City to provide a development incentive to the Developer for the purpose of constructing a hotel. The project is located on a 14,156 square foot parcel at 926 James M. Wood Boulevard in the City of Los Angeles (Site). The project will consist of building an 18-level, 247-room hotel (Project).

This summary report considers only the proposed Agreement. The purpose of this Agreement is to effectuate economic development in the City.

The following Summary Report is based upon the information contained within the Agreement, and is organized into the following six sections:

- I. Identity of the Developer:** This section provides the name and address of the Developer.
- II. Salient Points of the Agreement:** This section summarizes the major responsibilities imposed on the Developer and the City by the Agreement.
- III. Economic Incentives Provided and Cost of the Agreement:** This section details the economic incentives provided and the costs incurred by the City to implement the Agreement.
- IV. Consideration Received and Comparison with the Economic Incentives Provided:** This section describes the financial compensation to be received by the City.
- V. Creation of Economic Opportunity and Public Purpose:** This section explains how the Agreement will assist in creating economic opportunity in the City.

**VI. Job Creation:** This section describes the number of full-time, part-time and temporary jobs created under the Agreement.

This report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

## **I. IDENTITY OF DEVELOPER**

Information on the Developer is provided below:

### **926 James M. Wood Boulevard, LLC**

926 James M. Wood Boulevard, LLC  
c/o Pacific Property Partners  
825 South Barrington Avenue  
Los Angeles, California 90049

## **II. SALIENT POINTS OF THE AGREEMENT**

### **A. Project Description**

The Site was previously used as a parking lot. The Developer acquired the property and will be constructing a 247-room hotel on the Site. The proposed Project will include the following:

1. 247 hotel rooms
2. Lobby lounge and bistro
3. Meeting and pre-function space
4. Convenience/sundry store
5. Fitness room
6. Rooftop pool

The project will be 18 levels and includes a parking structure. The hotel will be built to a minimum three-star quality level. Total costs of the improvements are estimated at approximately \$97.5 million.

### **B. The Start and End Dates (Term) and Schedule**

Start Date: April 2018  
End Date: February 2020

### **C. Developer Responsibilities**

The Agreement requires the Developer to accept the following responsibilities:

1. Construction and maintenance of the Hotel Project in accordance with the standards set forth in the Agreement;
2. The Hotel Brand obtaining and maintaining the Three-Diamond Rating for the Hotel;
3. The Developer's continued compliance in all material respects with the City's Community Benefits Program;
4. The Hotel Brand's continued compliance in all material respects with the Hotel Operating Covenant;
5. Collection and remittance of all City taxes at the Hotel Site that are due and payable by Developer;
6. Developer shall execute and require the Hotel Operator and each business at the Hotel Site to execute a valid Confidentiality Waiver;
7. Developer and Hotel Operator shall strictly comply with the Room Block Agreement;
8. Developer shall cause the Hotel Operator to comply with all applicable Standard Contract Provisions and all other material terms of the Agreement;
9. Developer shall cooperate with the City in calculating Net New Revenues, and in complying with the Government Code Disclosure requirements by making available to the City any information and/or waivers which the City requires, whether from the Developer, the Hotel Operator, or any business operating on the Site, which the City determines in its reasonable discretion are necessary to determine the Net New Revenues generated at the Hotel Site and to comply with the Government Code Disclosure Requirements;
10. Developer shall insert a contract provision in its contract with the general contractor requiring the general contractor and its major subcontractors to designate the City of Los Angeles as the place of use of any materials purchased for the development of the Hotel Project; and
11. The Developer and its successors and assigns shall ensure that the Hotel will be operated, furnished, serviced, maintained, and refurbished to at least to the standard of quality of a Three-Diamond Rating or at an equivalent level by an alternative nationally recognized hotel rating service for the duration of the City Financial Assistance Term.

## **D. City Responsibilities**

The Agreement imposes the following responsibilities on the City:

1. The City shall disburse to the Developer the Annual Hotel Incentive Payments from the Special Fund on an annual basis until the earlier of such time as (a) the Maximum Hotel Incentive Amount has been paid to the Developer, or (b) the City Financial Assistance Term has expired or has been otherwise terminated.
2. The City shall disburse to the Developer an amount equal to one hundred percent (100%) of the Transient Occupancy Tax from the Hotel as received by the City in the applicable payment period.
3. The aggregate amount of the Hotel incentive payments, which when discounted to present value as of the Completion Date using a discount rate of ten percent (10%) per year equals fifteen million seven hundred thousand dollars (\$15,700,000).
4. The City shall have timely performed all of the obligations required by the terms of the Agreement.

## **III. ECONOMIC INCENTIVES PROVIDED AND COST OF THE AGREEMENT**

The City is making economic incentive payments to facilitate the development of the Project and the operation of the hotel. The cost to be incurred by the City is capped at a net present value of \$15.7 million assuming a discount rate of 10%. The payments will be made over a period of up to 25 years from 100% of the transient occupancy tax revenues generated by the Project.

## **IV. CONSIDERATION RECEIVED AND COMPARISON WITH THE ECONOMIC INCENTIVES PROVIDED**

The City expects to receive a significant increase in transient occupancy tax, property tax, sales tax, gross receipts tax, utility tax and parking tax from the development of the Project. The detailed projections for the Project are summarized in Keyser Marston Associates' *Cambria Hotel – Financial Feasibility, Public Revenue and Employment Analysis* that was submitted to the City in October 2017. Table 1 shows the projected City revenues generated by the Project over the term of the Agreement. The revenues are summarized below:

1. Transient Occupancy Tax (TOT) – The current City TOT rate is 14% of room revenues. The Project is projected to have an initial Average Daily Rate of \$230 and an occupancy rate that stabilizes at 78.0%. At this level of performance, the Project will generate \$83.2 million in TOT over the Agreement term. Assuming a 10% discount rate, the net present value of this revenue is \$26.6 million.
2. Property Tax – Within the Site's Tax Rate Area, the City receives 26.3% of the general property tax levy of 1.0% of assessed value, with the balance of the collected property

taxes going to other taxing jurisdictions. The assessed value of the Project is estimated at \$97.5 million. At this level of value, the Project will generate \$8.8 million in property tax over the Agreement Term. Assuming a 10% discount rate, the net present value of this revenue is \$3.2 million.

3. On-Site Sales Tax – The City receives 1.0% of the taxable sales generated by the Project, with the balance of the sales tax going to other taxing jurisdictions. As a select-service hotel, the Project will generate modest sales. The sales in these departments generate sales tax, which is projected at \$598,000 over the Agreement Term. Assuming a 10% discount rate, the net present value of this revenue is \$245,000.
4. Gross Receipts, Utility User Tax and Parking Taxes – The Project will also generate revenue to the City from taxes on its total gross receipts, utility utilization (electric, natural gas and telephone) and charged parking. The revenue generated from these sources is projected to create \$5.4 million in taxes to the City over the Agreement Term. Assuming a 10% discount rate, the net present value of this revenue is \$1.7 million.

Over the course of the Agreement Term, the Project is projected to generate \$98.0 million in gross revenue to the City, with a net present value of \$31.8 million.

The gross revenues generated by the Project are off-set by the existing revenues generated on the Site and the City's Assistance. The net revenues received by the City are shown in Table 2. As of the fiscal year 2016-17, the City received \$28,000 in revenue from the Site. Over the Agreement Term these revenues total \$1.2 million. Therefore, the Project is projected to generate \$96.8 million (\$31.8 million NPV) in additional revenues to the City over the Agreement Term.

Per the Agreement, the City's Assistance is limited to a net present value of \$15.7 million, with the City making annual payments to the Developer out of 100% of the available TOT over a term of up to 25 years. The payments made by the City are discounted at an interest rate of 10% per annum. As shown in Table 2, the payments to the Developer are projected to cease in Year 10 of Project operations. At this point in time the Developer will have received \$25.9 million in assistance, which has a net present value of \$15.7 million. As shown in Table 2, the net revenue to the City after the payment of the assistance to the Developer is \$70.9 million, which has a net present value of \$15.7 million.

## **V. CREATION OF ECONOMIC OPPORTUNITY AND PUBLIC PURPOSE**

The Los Angeles City Council has determined that encouraging economic development, including private investment that involves creation of new jobs and income in the City, or the retention of existing jobs and income that would otherwise be lost or be unavailable to the residents of the City, is a valid exercise of its powers and provides an important public benefit and serves an important public purpose. By authorizing the City to enter into this Agreement, the City Council has determined that the benefits accruing as a result of the transactions contemplated by this Agreement, including, without limitation, (i) direct benefits such as the increase in Three-Diamond hotel rooms near the Los Angeles Convention Center and potentially increasing the number of conventions in the City); (ii) increased revenues from property, sales, parking, gross receipts, utility and TOT taxes, (iii) enhanced economic opportunities generated by the development of a new hotel serving downtown Los Angeles, and (iv) the provision of infrastructure to the City of Los Angeles, together with the Developer's obligations under the Community Benefits Plan included in the Agreement represent fair consideration for all of the obligations to be undertaken by the City as contemplated in the Agreement.

Other important goals and objectives that are satisfied by the Project are:

1. Construction of the Project is expected to generate a substantial number of construction jobs.
2. Potential increase in private investment as a result of the public investment in this Project.
3. Increased number of visitors to the City, which will spend money on dining, retail and entertainment activities in the City.
4. As a surface parking lot, the current improvements on the Site do not reflect the highest and best economic use of the site.

## **VI. JOB CREATION**

The Project is projected to create the following number of temporary jobs during construction, and full-time and part-time jobs during operation. It is estimated that 630 temporary construction jobs will be created during the construction period. After opening the Developer indicates the Project will create 86 total jobs. These jobs will include 54 full-time and 32 part-time positions.

TABLE 1

**PUBLIC REVENUES PROJECTIONS**  
**247 ROOM CAMBRIA HOTEL**  
**LOS ANGELES, CALIFORNIA**

Project Year		Transient Occupancy Tax <sup>1</sup>	City Share of Property Tax <sup>2</sup>	On-Site Sales Tax <sup>3</sup>	Gross Receipts Tax <sup>4</sup>	Utility User Tax <sup>5</sup>	Parking Tax <sup>6</sup>	Gross Public Revenues
Const.	2017 -18	-	-	-	-	-	-	-
Const.	2018 -19	-	\$128,000	\$40,000	\$32,000	-	-	\$200,000
Const.	2019 -20	-	259,000	40,000	32,000	-	-	331,000
1	2020 -21	2,094,000	264,000	13,000	24,000	\$38,000	\$65,000	2,498,000
2	2021 -22	2,313,000	269,000	14,000	27,000	44,000	72,000	2,739,000
3	2022 -23	2,550,000	275,000	16,000	29,000	48,000	80,000	2,998,000
4	2023 -24	2,629,000	280,000	16,000	30,000	52,000	82,000	3,089,000
5	2024 -25	2,707,000	286,000	17,000	31,000	54,000	85,000	3,180,000
6	2025 -26	2,775,000	292,000	17,000	31,000	56,000	87,000	3,258,000
7	2026 -27	2,844,000	297,000	18,000	33,000	58,000	89,000	3,339,000
8	2027 -28	2,916,000	303,000	18,000	34,000	60,000	91,000	3,422,000
9	2028 -29	2,988,000	309,000	19,000	34,000	62,000	93,000	3,505,000
10	2029 -30	3,063,000	316,000	19,000	35,000	64,000	96,000	3,593,000
11	2030 -31	3,140,000	322,000	20,000	36,000	66,000	98,000	3,682,000
12	2031 -32	3,218,000	328,000	20,000	37,000	68,000	101,000	3,772,000
13	2032 -33	3,299,000	335,000	20,000	38,000	70,000	103,000	3,865,000
14	2033 -34	3,381,000	342,000	21,000	38,000	72,000	106,000	3,960,000
15	2034 -35	3,466,000	348,000	22,000	39,000	74,000	108,000	4,057,000
16	2035 -36	3,552,000	355,000	22,000	41,000	76,000	111,000	4,157,000
17	2036 -37	3,641,000	362,000	23,000	42,000	78,000	114,000	4,260,000
18	2037 -38	3,732,000	370,000	23,000	43,000	80,000	117,000	4,365,000
19	2038 -39	3,825,000	377,000	24,000	44,000	82,000	119,000	4,471,000
20	2039 -40	3,921,000	385,000	24,000	45,000	84,000	122,000	4,581,000
21	2040 -41	4,019,000	392,000	25,000	46,000	87,000	126,000	4,695,000
22	2041 -42	4,120,000	400,000	26,000	48,000	90,000	129,000	4,813,000
23	2042 -43	4,223,000	408,000	26,000	49,000	93,000	132,000	4,931,000
24	2043 -44	4,328,000	416,000	27,000	50,000	96,000	135,000	5,052,000
25	2044 -45	4,436,000	425,000	28,000	51,000	99,000	139,000	5,178,000
<b>25 Year Term</b>								
Nominal Total		\$83,180,000	\$8,843,000	\$598,000	\$1,019,000	\$1,751,000	\$2,600,000	\$97,991,000
Net Present Value @ 10%		\$26,586,000	\$3,187,000	\$245,000	\$369,000	\$542,000	\$831,000	\$31,761,000

TABLE 2

**NET NEW PUBLIC REVENUES**  
**247 ROOM CAMBRIA HOTEL**  
**LOS ANGELES, CALIFORNIA**

Project Year	Gross Public Revenues	(Less) Annual Base Period Amount <sup>1</sup>	Net New Public Revenues	50% of Net New Public Revenues	Incentive Payments @ 100% of TOT	Net City Revenue
Const. 2017 -18	-	-	-	-	-	-
Const. 2018 -19	\$200,000	(\$28,830)	\$171,000	\$86,000	-	\$171,000
Const. 2019 -20	331,000	(29,660)	301,000	151,000	-	301,000
1 2020 -21	2,498,000	(30,520)	2,467,000	1,234,000	\$2,094,000	373,000
2 2021 -22	2,739,000	(31,400)	2,708,000	1,354,000	2,313,000	395,000
3 2022 -23	2,998,000	(32,310)	2,966,000	1,483,000	2,550,000	416,000
4 2023 -24	3,089,000	(33,250)	3,056,000	1,528,000	2,629,000	427,000
5 2024 -25	3,180,000	(34,220)	3,146,000	1,573,000	2,707,000	439,000
6 2025 -26	3,258,000	(35,210)	3,223,000	1,612,000	2,775,000	448,000
7 2026 -27	3,339,000	(36,230)	3,303,000	1,652,000	2,844,000	459,000
8 2027 -28	3,422,000	(37,280)	3,385,000	1,693,000	2,916,000	469,000
9 2028 -29	3,505,000	(38,360)	3,467,000	1,734,000	2,988,000	479,000
10 2029 -30	3,593,000	(39,480)	3,554,000	1,777,000	2,125,000	1,429,000
11 2030 -31	3,682,000	(40,630)	3,641,000	1,821,000	-	3,641,000
12 2031 -32	3,772,000	(41,810)	3,730,000	1,865,000	-	3,730,000
13 2032 -33	3,865,000	(43,020)	3,822,000	1,911,000	-	3,822,000
14 2033 -34	3,960,000	(44,270)	3,916,000	1,958,000	-	3,916,000
15 2034 -35	4,057,000	(45,550)	4,011,000	2,006,000	-	4,011,000
16 2035 -36	4,157,000	(46,870)	4,110,000	2,055,000	-	4,110,000
17 2036 -37	4,260,000	(48,240)	4,212,000	2,106,000	-	4,212,000
18 2037 -38	4,365,000	(49,650)	4,315,000	2,158,000	-	4,315,000
19 2038 -39	4,471,000	(51,090)	4,420,000	2,210,000	-	4,420,000
20 2039 -40	4,581,000	(52,580)	4,528,000	2,264,000	-	4,528,000
21 2040 -41	4,695,000	(54,110)	4,641,000	2,321,000	-	4,641,000
22 2041 -42	4,813,000	(55,690)	4,757,000	2,379,000	-	4,757,000
23 2042 -43	4,931,000	(57,310)	4,874,000	2,437,000	-	4,874,000
24 2043 -44	5,052,000	(58,980)	4,993,000	2,497,000	-	4,993,000
25 2044 -45	5,178,000	(60,700)	5,117,000	2,559,000	-	5,117,000
<b>25 Year Term</b>						
Nominal Total	\$97,991,000	(\$1,157,250)	\$96,834,000	\$48,424,000	\$25,941,000	\$70,893,000
NPV @ 10%	\$31,761,000	(\$407,000)	\$31,354,000	\$15,680,000	\$15,680,000	\$15,673,000

<sup>1</sup> Assumes current City revenues of \$28,000.