


REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: December 1, 2016

TO: Honorable Members of the City Council

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 11-0106
Assignment No: 16-09-0792

Second Amendment to the Subvention Agreement for the Wilshire Grand Hotel

SUMMARY

On March 25, 2011, the City Council approved recommendations related to a new hotel and office development (Project) at the site of the former Wilshire Grand Hotel at 7th Street and Figueroa Street in Downtown Los Angeles (C.F. 11-0106). The recommendations included approval of a Subvention Agreement (Agreement) between the City of Los Angeles (City) and Hanjin International Corporation (Developer) that established terms for the formation of a Community Taxing District and the provision of transient occupancy tax revenues to support development of the hotel.

On August 21, 2013, the City Council approved a First Amendment to the Agreement (Contract C-118744), between the City and Developer for the Wilshire Grand Hotel (C.F. 11-0106). The First Amendment memorialized changes the Developer made to their development team, advancements in their project design, and changes to the Agreement to reflect the current state of the Project. The design of the Project changed from two towers to a single tower, increased the number of hotel rooms from 650 to 889 rooms, and reduced the projected commercial space from 1.5 million square feet to approximately 400,000 square feet. The changes fell within the scope of the Project's approved entitlements and stayed in line with the City's objectives.

On December 4, 2015, the Developer notified the City that they would like to exercise their right to increase the maximum amount of the revenues they will receive as City Incentive Payments based on the terms of the Agreement related to the inclusion of the office building component of the Project. The Agreement allows the Developer to receive an increase in the total amount of City Incentive Payments if they construct an office building prior to the end of the Agreement term. The Developer is building 404,064 square feet of office and retail space simultaneously with construction of the hotel. As a result, the City financial commitment to the Developer will increase from \$54 million to approximately \$60.8 million, an increase of \$6.8 million. The change is consistent with City policy that allows projects such as this to receive financial assistance of no more than 50 percent of net new revenues generated by the project and within the parameters of the fiscal and economic analysis prepared by the City consultant in 2011 for this Project. Additional technical changes to the Agreement are also needed to clarify certain aspects of the administration of the Agreement including the change in the City's process for providing incentive payments to the Developer and the Developer's administration of its Guarantee payment to the City.

The proposed changes to the Agreement do not materially alter the original intent of the Agreement and continue to protect the City's General Fund. The Chief Legislative Analyst (CLA), with the assistance of the City Administrative Officer (CAO) and City Attorney's Office, acknowledges the Developer's request is in accordance with the terms of the Agreement and recommends approval of amendments to the Agreement. The attached Amendments to the Agreement would implement the requested changes.

RECOMMENDATION

That the Council, subject to the approval of the Mayor:

1. APPROVE the Second Amendment to Contract C-118744 (attached) between the City of Los Angeles and Hanjin International Corporation for the Wilshire Grand Hotel that includes an increase in the total amount of City Incentive Payments, adjustments in the City's funding method to provide the City Incentive Payments, and changes in the administration of the Developer Guarantee to the City; and
2. REQUEST the City Attorney to prepare and present an ordinance to establish The Wilshire Grand Hotel Trust Fund for the receipt and disbursement of City Incentive Payments pursuant to the Hotel Development Incentive Agreement and to provide for the reporting requirements set forth in California Government Code Section 53083.

BACKGROUND

On March 25, 2011, the City Council approved recommendations related to the development of a new hotel and office development at the site of the Wilshire Grand Hotel at 7th Street and Figueroa Street in Downtown Los Angeles. The recommendation included approval of the Agreement between the City and Hanjin International Corporation (Developer) that established terms for the formation of a Community Taxing District and the provision of transient occupancy tax revenues to support development of the hotel (C.F. 11-0106).

The Project as proposed at the time included two towers, one with a 650-room hotel, condominiums, and related retail space, and the other with an office tower with as much as 1.5 million square feet of commercial space. This new Project was proposed to replace the then-existing 1952 Wilshire Grand Hotel, which included a modest commercial office tower.

At the time the Agreement was first approved, it was uncertain the additional office and retail space would be included in the Project so the additional revenues from the expanded square footage were not factored into the initial City Incentive Payment projections. Section 3 of the Agreement allows the Developer to receive additional assistance if the office and retail space is built within the term of the Agreement based on a formula described in Section 3.2(b) of the Agreement. The Agreement also included a Guarantee payment from the Developer of approximately \$4 million annually which is equivalent to site specific revenues generated at the Project location prior to the construction of the Project. The Developer is required to provide Guarantee Payments to the City for the term of the Agreement (up to 25 years) in order to keep the City's General Fund whole. The Developer has provided the City with timely Guarantee payments from 2012 through 2015.

On August 21, 2013, the City Council approved a First Amendment to the Agreement (C.F. 11-0106). The First Amendment memorialized changes the Developer made to their development team, advancements in their Project design, and changes to the Agreement to reflect the current state of the Project. The design of the Project changed from two towers to a single tower, increased the number of hotel rooms from 650 to 889 rooms, and reduced the projected commercial space from 1.5 million square feet to approximately 400,000 square feet. The changes fell within the scope of the Project's approved entitlements and were in line with the City's development objectives.

Updated Status

The Project is currently under construction. As of September 30, 2016, the Project is approximately 85 percent completed and is projected to be fully completed in April 2017.

Second Amendment to the Agreement

The proposed Second Amendment to the Agreement encompasses a number of changes as follows:

1. Financial Assistance by City

On December 4, 2015, the Developer requested that the City memorialize their right under the terms of the Agreement to increase the maximum amount of the City Incentive Payment as a result of their inclusion of the office building component in the Project. Section 3.2(a) of the Agreement allows for an increase in the maximum amount of City Incentive Payment if the Developer builds an office building and a certificate of occupancy or temporary certificate of occupancy is issued for the office building prior to the end of the Agreement Term. The office building along with retail space is being built simultaneously with the hotel and will provide an additional 404,064 square feet to the Project.

The City originally estimated Net new revenues derived solely from the hotel component of the Project to be \$108 million net present value over a 25 year term. In accordance with City policy, the estimated revenues supported a \$54 million commitment in City Incentive Payments to the Developer. Section 3.2(a) of the Agreement anticipated future inclusion of the office component and provided a formula in Section 3.2(b) for calculating the additional revenues and City Incentive Payments resulting from the additional square footage.

As a result of immediately incorporating office uses into the Project, net new revenues derived from the Project over a 25 year term will increase from approximately \$108 million to approximately \$121.6 million net present value. Therefore, the maximum City Incentive Payment from the City will increase from \$54,000,000 to \$60,784,503, an increase of approximately \$6.8 million. The increase is in accordance with the calculations described in Section 3.2(b) and Exhibit H to the Agreement. The Second Amendment to the Agreement provides revenue projections in Exhibit B that estimate the Project will derive enough revenue in the first nine years to satisfy the City's financial commitment to the Project.

This increase in the City Incentive Payment is consistent with City policy, within the eligible incentive limits calculated by the City's consultant, and is in compliance with the terms of the Agreement.

2. Funding Method

As per the original Agreement, the City agreed to use its best efforts to establish a Community Taxing District (District) to fund a portion of the Project's development costs but it was later determined that establishing such a District was not feasible. An alternative funding method was derived that satisfies all parties and does not change the terms and conditions of the Agreement. Therefore, the term "Community Taxing District" and "Funding Agreement" are removed in their entirety from the Agreement. The terms "TOT Subvention" and "Subvention Term" are also being removed from the Agreement and replaced with "City Financial Assistance" and "Incentive Term," respectively.

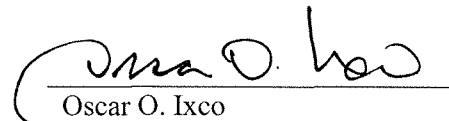
Section 3 of the Second Amendment describes the process in which the City will establish a Special Fund in which, at least on an annual basis, it will deposit funds to provide financial assistance to the Developer. The amounts to be deposited are based on the Schedule of Projected City Financial Assistance included as Exhibit B in the Second Amendment. As part of the City's budget process, the City preserves the flexibility to adjust the amount each year in accordance with actual hotel operating results. The City will assure that sufficient funds are deposited into the Special Fund and any excess deposits shall remain in the Special Fund and be used to make payments in the following fiscal year. The City will use General Funds to provide payments to the Developer on a semi-annual basis in an amount equivalent to one hundred percent of the TOT received by the City from the Hotel during the applicable six month period. Based on the net new revenue projections shown in Exhibit B, the hotel is expected to generate enough

revenue in the first nine years of operation to allow the City the ability to fully satisfy its financial assistance commitment.

3. Developer Guarantee to the City

The Developer has submitted and may continue to submit one or more appeals to the County Department of Auditor-Controller to seek a refund of real property taxes paid prior to obtaining a certificate of occupancy for the Project and property taxes paid for the period after completion and during operation of the Project. Such an appeal may result in the Developer owing the City additional payments with regard to the Guarantee. The Developer receives a credit against the payment of the Annual Base Period Amount equal to the amount of all Project Related City Revenues generated by the Project during any Guarantee Year. When the Developer's Real Property tax appeal has been resolved with a final non-appealable decision, the Developer will notify the City and provide sufficient documentation to ensure the City receives the Annual Base Period Amount, as adjusted for the appropriate Real Property Tax properly credited for the period for which the Developer received a refund. The Annual Base Period Amount is \$4,146,000 which represents the total public revenues generated by the subject property and paid to the City for the period of March 1, 2009, through February 28, 2010. There is no escalation attached to the Annual Base Period Amount. To date, the Developer has provided the City with timely payments for the period of 2012 through 2015.

The proposed changes as described above are technical and do not materially alter the original intent of the Agreement. The Project, along with the additional square footage in office and retail space, is estimated to generate more revenue in a shorter period than originally anticipated, thereby reducing the amount of time required to meet the City Financial Assistance requirements of the Agreement with the Developer and continue to protect the City's General Fund. As such, we recommend approval of the attached Second Amendment to the Agreement between the City and Developer.



Oscar O. Ixco
Analyst

Attachment A: Second Amendment to the Subvention Agreement between
the City of Los Angeles and Hanjin International Corporation

ATTACHMENT A

SECOND AMENDMENT TO SUBVENTION AGREEMENT

(Next page)

SECOND AMENDMENT TO CITY CONTRACT C-118744

by and among

THE CITY OF LOS ANGELES,

a municipal corporation

and

HANJIN INTERNATIONAL CORPORATION

a California corporation

Dated as of _____, 2016

(Wilshire Grand Hotel Project)

This Second Amendment to City Contract C-118744 (the "Second Amendment") dated as of _____, 2016 for identification purposes, is entered into by and between the City of Los Angeles, a municipal corporation (the "City") and Hanjin International Corporation, a California corporation (the "Developer"), with reference to the following facts, purposes and understandings.

RECITALS

Whereas, the City and the Developer entered into that certain Subvention Agreement dated as of April 25, 2011(as amended by the First Amendment to City Contract C-118744 dated August 30, 2013 by and between the City and the Developer, the "Agreement"), for the development of the Wilshire Grand Redevelopment Project (the "Project," the scope of which is set out in the Agreement).

Whereas, any initially capitalized term which is not defined in this Second Amendment shall have the meaning given such term in the Agreement.

Whereas, a financial analysis of the Project was conducted by a consultant retained by City and the financial analysis projected that the Project was not financially feasible without financial assistance from the City.

Whereas, the Agreement provided for the City to provide an amount not to exceed Fifty-Four Million Dollars (\$54,000,000) in financial assistance for the development of the Hotel portion of the Project as well as additional financial assistance should the commercial building portion of the Project be constructed in accordance with the schedule attached to the Agreement as Exhibit H. The commercial building with 404,064 square feet of space has been incorporated by the Developer in the Project.

Whereas, in accordance with Exhibit H of the Agreement, the City and the Developer have determined that the net present value of the maximum City Financial Assistance (hereinafter defined) available to the Developer shall be in the amount of Sixty Million Seven Hundred Eighty Four Thousand Five Hundred and Three Dollars (\$60,784,503).

Whereas, the Agreement provided for the development of not less than six hundred and fifty (650) hotel rooms and the Developer is actually constructing the Project with eight hundred and eighty nine (889) hotel rooms.

Whereas, the Developer entered into a Hotel Operating Agreement with a Hotel Operator and the City approved the Hotel Operator and the Hotel Operating Agreement in accordance with the Agreement.

Whereas, the City determined that providing financial assistance for the development of the Project served one or more public interests, including, without limitation, (i) the development of additional hotel rooms in downtown Los Angeles that will support the City's goal of increasing the use of the Los Angeles Convention Center, (which will create significant economic benefits for the City, (ii) increased City revenues

from property, sales, parking, business license, utility and hotel taxes, (iii) enhanced economic opportunities for business in the downtown Los Angeles area, (iv) the revitalization of the downtown Los Angeles area, and (v) the Community Benefits Program described in the Agreement.

Whereas, pursuant to the Agreement, the City agreed to use its best efforts to establish a community taxing district (“District”) to fund a portion of the Project’s development costs so as to make the Project financially feasible (“City Financial Assistance”).

Whereas, the City has determined that the formation of the District is not feasible and the Parties have agreed to structure the funding of the City Financial Assistance pursuant to an alternative funding method, hereinafter described, in lieu of the District, without otherwise changing the terms and conditions of the Agreement.

Whereas, Government Code Section 53083, effective as of January 1, 2014, requires the City to report, hold noticed public hearings and make certain disclosures regarding projected and actual economic impacts of approved economic development subsidies.

NOW, THEREFORE, in reference to the foregoing Recitals and in consideration of the promises, covenants, and agreement set forth in the Agreement and this Second Amendment and other good and valuable consideration the sufficiency of which is hereby acknowledged, the City and the Developer hereby agree as follows:

Section 1. Article 1 of the Agreement is hereby amended to add the following definitions as defined terms within the Agreement.

“City Deposit” shall mean a deposit by the City into the Special Fund from its general revenues on a not less than yearly basis in an amount which the City determines in its reasonable discretion is necessary to fund the projected City Financial Assistance payments for the upcoming fiscal year.

“City Financial Assistance” shall mean those payments to be made by the City to the Developer to fund the financial assistance to be provided by City to the Developer over the Incentive Term as set forth in Section 3.2 of this Agreement.

“City Refund Amount” is defined in Section 3.4(i).

“Government Code Disclosure Requirements” shall mean the notice, hearing, disclosure and other requirements set forth in California Government Code Section 53083, which are applicable to the City Financial Assistance.

“Tax Confidentiality Waiver” shall mean a waiver in the form of Exhibit A attached hereto to be executed by the Hotel Operator concerning the release of tax information related to the Transient Occupancy Tax revenues collected by the Hotel Operator and remitted to the City to determine the periodic and/or maximum City

Financial Assistance payments as well as complying with the Government Code Disclosure Requirements.

“Real Property Taxes” is defined in Section 3.4(i).

“Special Fund” shall mean a special fund to be established by the City into which the City will make the City Deposits and from which the City will make the City Financial Assistance payments for the duration of the Incentive Term and may also disburse funds to third parties (including, without limitation, an administrative trustee), for reasonable and necessary expenditures in connection with the administration of this Agreement.

Section 2. (a) The Parties agree that all references in the Agreement to the terms “Community Taxing District” or the “District,” including, without limitation, references in Recital F, definitions in Section 1.1, and Sections 3.1, 6.5 and 8.4, are no longer applicable and are deleted from the Agreement.

(b) The Parties agree that all references in the Agreement to the term “Funding Agreement,” including, without limitation, definitions in Section 1.1 and Sections 3.1, 3.2(a), 3.3(a), 3.3(c), 6.5, 7.4(a)(5), 7.5 and 8.4, are no longer applicable and are deleted from the Agreement.

(c) The Parties agree that all references in the Agreement to the term “TOT Subvention,” including, without limitation, definitions in Section 1.1 and Sections 3.1, 3.2(a), 3.3(a), 3.3(b), 3.3(c), 3.3(d), 3.4, 7.6 and 8.4, are deleted from the Agreement and replaced with the phrase “City Financial Assistance.”

(d) The Parties agree that all references in the Agreement to the term “Maximum Hotel Special Tax Amount,” including, without limitation, definitions in Section 1.1 and Sections 3.2(a), 3.2(b), 3.3(c) and 3.3(e), are deleted from the Agreement and replaced with the phrase “maximum City Financial Assistance.”

(e) The Parties agree that all references in the Agreement to the term “Subvention Term,” including, without limitation, definitions in Section 1.1 and Sections 2.2, 3.2(a), 3.4(a) and 3.4(h) are deleted from the Agreement and replaced with the phrase “Incentive Term.”

Section 3. Section 3.1 of the Agreement is hereby amended in its entirety to read as follows:

Section 3.1 City Financial Assistance.

(a) Subject to the terms and conditions of this Agreement, the City shall establish the Special Fund and, on a not less than yearly basis, shall make the City Deposit from the City’s General Fund into the Special Fund. The amount of the City Deposit will be determined as part of the City’s budget process. The amount appropriated to the Special Fund each year will be based on the Schedule of Projected City Financial Assistance attached hereto as Exhibit B; provided, however that the City

shall not be bound by the Schedule but shall have the flexibility to adjust the amount each year in accordance with actual hotel operating results as part of the City's budget process. If the amount of the City Deposit for any City fiscal year exceeds the amount of the City Financial Assistance paid by the City to the Developer during such fiscal year, the excess amount shall remain in the Special Fund and will be carried over and used to make City Financial Assistance payments in the next fiscal year. The City shall make additional City Deposits from time to time if needed to ensure full payment of the City Financial Assistance pursuant to Section 3.1(b).

(b) Subject to the terms and conditions of this Agreement, commencing upon the Completion Date and continuing for the duration of the Incentive Term, the City shall disburse to the Developer the City Financial Assistance payments from the Special Fund on a semi-annual basis (i.e., twice each year on March 31 for the period September 1 through February 28 and on September 30 for the period March 1 through August 31), until the earlier of such time as (i) the amount of the maximum aggregate City Financial Assistance as set forth in Section 3.2(c) has been paid to Developer, or (ii) the Incentive Term has expired or the Agreement has been otherwise terminated. The City shall disburse to the Developer in payment of the City Financial Assistance an amount equal to one hundred percent (100%) of the Transient Occupancy Tax received by the City from the Hotel during the applicable six (6) month period. The payments to the Developer shall be made in arrears. The City reserves the right to retain the services of a trustee in accordance with the City's procurement policy to make the disbursements from the Special Fund and the fees and expenses of the trustee shall be borne solely by the City. If the City retains a trustee to make the disbursements, all references in this Agreement to the City making the City Financial Assistance payment or disbursement of the City Financial Assistance payment shall include the trustee making the payment or disbursement.

(c) The Developer acknowledges that the City will utilize Transient Occupancy Tax revenues from the Hotel solely to measure the amount of the City Deposits and that no provision of this Agreement is intended to or shall be deemed to be, a designation of Transient Occupancy Tax revenue for any purpose other than the deposit of such tax revenue into the City's General Fund.

(d) The Developer acknowledges and agrees that the City's obligation to make the City Deposits or to make the City Financial Assistance payments to the Developer is conditioned upon the Developer's continued compliance with the terms of the Agreement, including, without limitation, the following:

- i. Construct, maintain and operate the Project in accordance with the standards set forth in the Agreement;
- ii. Comply in all material respects with the requirements of the Community Benefits Program;
- iii. Comply with the Room Block Agreement;

iv. Cooperate with the City in complying with the Government Code Disclosure requirements, which shall include making available to the City any non-proprietary and non-confidential information in the Developer's possession which the City reasonably requires and obtaining a Tax Confidentiality Waiver from the Hotel Operator as reasonably necessary to comply with the Government Code Disclosure or to calculate the City Financial Assistance payments or the City Deposit; and

v. Comply in all material respects with all other material terms of the Agreement.

(e) In the event that the City determines that the Developer has failed to satisfy any condition, the City shall provide the Developer with written notice and the Developer shall have thirty (30) days to satisfy such condition (or, if the satisfaction is not possible within such thirty (30) day period despite the Developer's reasonable efforts, such longer period of time as is reasonably necessary to satisfy such condition) before the City declares the condition to be unsatisfied. The City may withhold the City Financial Assistance payments until the Developer has complied with its obligations.

Section 4. Section 3.2 of the Agreement is hereby amended by adding the following subsection (c):

(c) Maximum Amount of City Financial Assistance Payments. In accordance with Section 3.2(a) and (b), the Additional Maximum Hotel Special Tax Amount has been determined in accordance with Exhibit H of the Subvention Agreement and the City Financial Assistance has been increased due to the construction of the office building. The aggregate maximum amount of the City Financial Assistance payments to the Developer shall not exceed a net present value of Sixty Million Seven Hundred Eighty Four Thousand Five Hundred and Three Dollars (\$60,784,503) and shall be payable over the Incentive Term.

Section 5. Section 3.4 of the Agreement is hereby amended by adding the following subsection (i):

(i) The Developer and the City acknowledge that the Developer has submitted and will submit one or more appeals to the County Department of Auditor-Controller (the "Auditor-Controller") that seek a refund of real property taxes paid with respect to the Project, including, without limitation, (i) real property taxes paid for the period prior to Developer obtaining a certificate of occupancy for the Project (i.e., prior to demolition of the hotel and during construction of the Project), and (ii) real property taxes paid for the period after completion and during operation of the Project. Pursuant to the Agreement, the Developer receives a credit against the payment of the Annual Base Period Amount equal to the amount of all Project Related City Revenues generated by the Project during any Guarantee Year, which Project Related City Revenues include "1% property taxes" (as used herein, "Real Property Taxes"). If the Developer receives a Real Property Tax refund for a year in which the Developer received a credit against the Annual Base Period Amount for Real Property Taxes, the

Developer and the City agree to implement the following procedure to ensure that the City will be made whole with respect to the amount of the Annual Base Period Amount for the year in question. When the Developer's Real Property Tax appeal has been resolved in a final non-appealable decision, the Developer shall notify the City in writing within thirty (30) days of the resolution whether the Developer received a Real Property Tax refund and, if so, the amount of the refund and the period of time as to which the refund applies, and the Developer shall provide sufficient supporting documentation. In order to ensure that the City is made whole with respect to any Real Property Taxes for which the Developer received both a credit against the Annual Base Period Amount and a refund from the Auditor-Controller, after the Developer notifies the City of the Real Property Tax refund, the Developer and the City shall promptly meet and confer to discuss the refund and whether the City should receive additional amounts due to the Real Property Tax refund, based on the manner in which such refunds are handled between the City and the Auditor-Controller. Based on the meeting and information and substantiating documentation provided by the City, the Developer shall promptly pay the City such amount as may be necessary to ensure that the City receives the Annual Base Period Amount, as adjusted for the appropriate Real Property Tax properly credited for the period for which the Developer received a refund.

Section 6. The City confirms that it has approved the Hotel Operator and the Hotel Operating Agreement in accordance with Section 3.7 of the Agreement.

Section 7. Except for the amendments expressly set forth herein, all other provisions of the Agreement shall remain unchanged and in full force and effect.

[Signature pages to follow]

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed as of the date first written above.

DEVELOPER:

HANJIN INTERNATIONAL CORPORATION,
a California corporation

By: _____

Name: _____

Title: _____

Date: _____

CITY:

CITY OF LOS ANGELES,
a municipal corporation

By: _____

Name: _____

Title: _____

Date: _____

APPROVED AS TO FORM:

MICHAEL N. FEUER,
CITY ATTORNEY

By: _____

Name: _____

Title: _____

Date: _____

CITY CLERK

By: _____

Name: _____

Title: _____

Date: _____

Exhibit A

Form of Tax Confidentiality Waiver

ANTOINETTE CRISTOVALE

CITY OF LOS ANGELES

DIRECTOR of FINANCE

CALIFORNIA



OFFICE OF FINANCE

200 N. SPRING ST.
LOS ANGELES CA 90012

(213) 978-1774

ERIC GARGETTI

MAYOR

Date

WAIVER OF CONFIDENTIALITY

[Wilshire Grand Redevelopment Project]

I understand that any and all individual taxpayer information and records, documents, and data from which taxpayer data may be deduced, provided to me by the Office of Finance, or accessed or reviewed by me during performance of this project, are confidential under Chapter II, Section 21.17 of the Los Angeles Municipal Code (copy provided on reverse side of this page) and other statutes. I hereby authorize the disclosure of the confidential information described below to the persons or entities listed below. The City of Los Angeles shall be authorized to disclose this confidential information until [end date of Agreement] or as specified pursuant to the Subvention Agreement (Agreement) for the purposes identified in this Agreement therein (C.F. xx-xxxx). I hereby absolve the City of Los Angeles from all claims for damages, liability, or injunctive relief and waive any such claims based on the disclosure of confidential information under this Waiver of Confidentiality.

INFORMATION TO BE DISCLOSED

Tax Year 20xx – 20xx	Taxpayer Account Number	Description of Information Transient Occupancy Taxes
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RECIPIENTS OF CONFIDENTIAL INFORMATION

Name	Address	Telephone Number/Email
Natalie R. Brill or successor, Chief of Debt Management	Office of the City Administrative Officer 200 N. Main St., Room 1500 Los Angeles, CA 90012	(213) 473-7526 Natalie.Brill@lacity.org
Sarai Bhaga or successor, Debt Management Group	Office of the City Administrative Officer 200 N. Main St., Room 1500 Los Angeles, CA 90012	(213) 978-0604 Sarai.Bhaga@lacity.org
Derik Pearson or successor, Debt Management Group	Office of the City Administrative Officer 200 N. Main St., Room 1500 Los Angeles, CA 90012	(213) 473-7554 Derik.Pearson@lacity.org

If I am executing this document as a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer. [NOTE: This must be executed by an authorized representative of the same entity who obtains a Business Tax Registration Certificate and pays Transient Occupancy Tax.]

[Signatures on next page]

Name of Taxpayer

Signature

Printed Name

Title

**SECTION 21.17, LOS ANGELES MUNICIPAL CODE.
(Amended by Ord. No. 180,380, Eff. 1/5/09.)**

**CONFIDENTIAL CHARACTER OF INFORMATION OBTAINED –
DISCLOSURE UNLAWFUL.**

(a) It shall be unlawful for the Director of Finance or any person having an administrative duty under the provisions of this Article or Article 1.6 to make known in any manner whatever the business affairs and operations of, or the nature, amount or source of income, profits, losses, expenditures, net worth, or any particular thereof, or any other information set forth in any statement or return or obtained by an investigation of records and equipment of, any person required to obtain a business tax registration certificate or sales or use tax permit, or pay business, sales or use tax or any other person visited or examined in the discharge of official duty, or to permit any statement or return, or copy of either, or any book containing any abstract or particulars thereof to be seen or examined by any person.

(b) Nothing in this section shall be construed to prevent:

1. the disclosure of information to, or the examination of records and equipment by, another City official or employee or a member of the Board of Review for the sole purpose of administering or enforcing any provision of this article or Article 1.6;
2. the disclosure of information to, or the examination of records by federal or state officials, or the tax officials of another city or county, or city and county, if a reciprocal arrangement exists; or to a grand jury;
3. the disclosure of information and results of examination of records of a particular taxpayer, or relating to a particular taxpayer, with respect to any proceeding in a court of law or before an administrative body in which the existence or amount of any business, sales or use tax liability of the particular taxpayer to the City of Los Angeles is relevant and material and the particular taxpayer is a party to the proceeding, including but not limited to proceedings before any Board or Commission as set forth in Municipal Code section 22.02;
4. the disclosure after the filing of a written request to that effect, to the taxpayer himself, or to his successors, receivers, trustees, executors, administrators, assignees and guarantors, if directly interested, of information as to the items included in the measure of any paid tax, any unpaid tax or amounts of tax required to be collected, interest and penalties; further provided, however, that the City Attorney approves each such disclosure and that the Director of Finance may refuse to make any disclosure referred to in this paragraph when in his opinion the public interest would suffer thereby;
5. the disclosure of the names and addresses of persons to whom registration certificates or sales tax and use tax permits have been issued;

6. the disclosure of such information as may be necessary to the City Council in order to permit it to be fully advised as to the facts when a taxpayer files a claim for refund of business, sales or use taxes, or submits an offer of compromise with regard to a claim for refund of business, sales or use taxes, or submits an offer of compromise with regard to a claim asserted against him by the City for business, sales or use taxes, or where the existence or amount of business, sales, or use taxes are otherwise relevant to the determination of a matter required to be submitted to the City Council under the City of Los Angeles Charter, the Los Angeles Municipal Code, or the Los Angeles Administrative Code;

7. the disclosure of information to, or the examination of records by, contractors or employees of contractors with whom the City of Los Angeles has contracted to assist the City of Los Angeles for the sole purpose of administering or enforcing any provision of this Article or Article 1.6, if the contract requires the persons granted access to such information or records to abide by the confidentiality requirements of this Section, and if the City Council has approved the award and execution of such contract;

8. the disclosure of information to, or the examination of records by, purchasers of accounts receivable pursuant to Los Angeles Administrative Code section 5.186, or the disclosure to any employees of such purchasers of accounts receivable, if the purchase agreement requires the persons granted access to such information or records to abide by the confidentiality requirements of this Section;

9. the disclosure of the identity of any particular taxpayer with delinquent business, sales, or use taxes and the type and amount of the delinquent business, sales, or use tax liability of that taxpayer, and the publication of such information at the discretion of the Office of Finance pursuant to Los Angeles Municipal Code section 21.15 (m);

10. the disclosure of information when compelled by an order of court or other judicial process; and

11. the disclosure of statistical or cumulative information when the disclosure does not identify any particular taxpayer or reveal information in a manner that could identify a particular taxpayer.

Exhibit B

Schedule of Projected City Financial Assistance

Project Development Program:

Hotel	889 rooms
Office & Retail	404,064 sf

<u>Operating Year</u>	<u>Estimated Hotel Room Revenues (1)</u>	<u>Transient Occupancy Tax Revenue</u>	<u>Projected City Financial Assistance</u>
1	68,062,231	9,528,712	9,528,712
2	74,138,692	10,379,417	10,379,417
3	78,613,000	11,005,820	11,005,820
4	80,801,308	11,312,183	11,312,183
5	83,233,846	11,652,738	11,652,738
6	85,910,615	12,027,486	12,027,486
7	88,343,154	12,368,042	12,368,042
8	91,019,923	12,742,789	12,742,789
9	93,696,692	13,117,537	2,906,868

Notes:

- (1) Hotel revenue based on Keyser Marston Transient Occupancy Tax calculation scaled for updated room count (889).
- (2) Figures shown above are nominal and not adjusted for net present value