

ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to the proposed Second Amendment to the Subvention Agreement for the Wilshire Grand Hotel (Contract No. C-118744).

Recommendations for Council action:

1. APPROVE the Second Amendment to Contract C-118744 with Hanjin International Corporation (Hanjin) 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 as detailed in the December 1, 2016 Chief Legislative Analyst (CLA) report, attached to the Council file.
2. REQUEST the City Attorney to prepare and present an Ordinance establishing 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.

Fiscal Impact Statement: None submitted by the CLA. Neither the CLA nor the City Administrative Officer have completed a financial analysis of this report.

Community Impact Statement: None submitted.

Summary:

On December 13, 2016, your Committee considered a December 1, 2016 CLA report relative to proposed Second Amendment to the Subvention Agreement for the Wilshire Grand Hotel (Contract No. C-118744). According to the CLA, on March 25, 2011, Council approved recommendations related to a new hotel and office development (Project) at the site of the former Wilshire Grand Hotel at 7th and Figueroa Streets in Downtown Los Angeles (Council File No. 11-0106). The recommendations included approval of a Subvention Agreement (Agreement) with Hanjin 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, Council approved the First Amendment to the Agreement (Contract No. C-1118744), with Hanjin for the Wilshire Grand Hotel (Council File No. 11-0106). The First Amendment memorialized changes Hanjin 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, Hanjin 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 Hanjin 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 Hanjin. 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 CLA, with the assistance of the City Administrative Officer and City Attorney, acknowledge that Hanjin's request is in accordance with the terms of the Agreement and recommends approval of amendments to the Agreement.

After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the Second Amendment to Contract No. C-118744 with Hanjin, as detailed in the above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ECONOMIC DEVELOPMENT COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
PRICE:	YES
CEDILLO:	YES
HARRIS-DAWSON:	YES
KREKORIAN:	YES
MARTINEZ:	YES

ARL  
12/13/16

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**