



**MICHAEL N. FEUER**  
CITY ATTORNEY

REPORT NO. R 17 - 0 0 2 0  
JAN 1 9 2017

**REPORT RE:**

**DRAFT ORDINANCE ADDING CHAPTER 174 TO DIVISION 5 OF THE  
LOS ANGELES ADMINISTRATIVE CODE TO CREATE THE WILSHIRE GRAND  
HOTEL PROJECT TRUST FUND FOR THE RECEIPT AND DISBURSEMENT OF  
HOTEL DEVELOPMENT INCENTIVE PAYMENTS RELATED TO THE APPROVAL  
OF THE WILSHIRE GRAND HOTEL DEVELOPMENT PROJECT**

The Honorable City Council  
of the City of Los Angeles  
Room 395 City Hall  
200 North Spring Street  
Los Angeles, California 90012

Honorable Members:

Pursuant to the request of the City Council, this Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. The draft ordinance adds Chapter 174 to Division 5 of the Los Angeles Administrative Code to create the Wilshire Grand Hotel Project Trust Fund for the receipt and disbursement of hotel development incentive payments to be made by the City to the Developer of the Wilshire Grand Hotel Project (Project) to fund a portion of Project costs.

Background and Summary of Ordinance Provisions

On December 14, 2016, the City Council approved a Second Amendment to the Subvention Agreement for the Wilshire Grand Hotel Development Incentive Agreement (Agreement) between the City and Hanjin International Corporation, a California Corporation (Developer), to fund a projected financing gap for the Project. The Agreement provides that the City will pay up to \$60,784,503, net present value, in yearly

incentive payments (Incentive Payments) to fund the gap over a term not to exceed 25 years. Deposits will be measured by net new tax revenues generated from the Project and cannot exceed 50% of the projected net new revenues received by the City over the term of the Agreement. The City's obligations to make the Incentive Payments are conditioned upon the Developer's continued compliance with all material terms of the Agreement.

The acceptance and disbursement of the Incentive Payments requires the creation of a fund to ensure that monies are received and expended in accordance with the terms of the Agreement. The enclosed draft ordinance establishes the required fund within the Administrative Code and designates the Chief Administrative Officer (CAO) as the fund administrator. The CAO, in its role as fund administrator, will be required to ensure that the Developer is in compliance with the terms of the HDIA and to establish the amount of the yearly budgetary allocation to be made into the Fund. The City's Economic and Workforce Development Department will be required to maintain records, issue reports, schedule public hearings and perform any other activity required by State law in regards to making these type of economic development subsidies pursuant to California Government Code Section 53083.

Council Rule 38 Referral

A copy of the draft ordinance was sent, pursuant to Council Rule 38, to the Chief Legislative Analyst, the City Administrative Officer and the Economic and Workforce Development Department, and their comments have been incorporated.

If you have any questions regarding this matter, please contact Senior Assistant City Attorney Noreen Vincent at (213)978-7730 or Deputy City Attorney Miguel Dager at (213)978-7740. They or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By



DAVID MICHAELSON  
Chief Assistant City Attorney

DM:NV:MD:vw  
Transmittal