



**MICHAEL N. FEUER**  
CITY ATTORNEY

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

**REPORT RE:**

**DRAFT ORDINANCE ADDING CHAPTER 173 TO DIVISION 5 OF THE  
LOS ANGELES ADMINISTRATIVE CODE TO CREATE THE GRAND AVENUE  
HOTEL PROJECT TRUST FUND FOR THE RECEIPT AND DISBURSEMENT OF  
HOTEL DEVELOPMENT INCENTIVE PAYMENTS RELATED TO THE APPROVAL  
OF THE GRAND AVENUE 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 173 to Division 5 of the Los Angeles Administrative Code to create the Grand Avenue 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 Grand Avenue 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 Hotel Development Incentive Agreement (HDIA) between the City and Core/Related Grand Ave Owner, LLC (Developer) to fund a projected financing gap for the Project. The HDIA provides that the City will pay up to \$55,100,000, net present value, in yearly incentive payments (Incentive Payments) to fund a portion of the financing 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 HDIA. The City's obligations to make the Incentive Payments are conditioned upon the Developer's continued compliance with all material terms of the HDIA.

The acceptance and disbursement of the Incentive Payments require the creation of a fund to ensure that monies are received and expended in accordance with the terms of the HDIA. 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