# REPORT OF THE
# CHIEF LEGISLATIVE ANALYST

DATE: November 9, 2018

TO: Honorable Members of the City Council

FROM: Sharon M. Tso
Chief Legislative Analyst

Assignment No: 18-10-0992

## AEG PROPOSAL CONCERNING EXPANSION OF THE LOS ANGELES CONVENTION CENTER AND THE JW MARRIOTT HOTEL


## SUMMARY

On November 23, 2016, Motion (Price-Wesson, CF #15-1207-S1, Attachment A) was approved to authorize the Chief Legislative Analyst (CLA) to evaluate a public-private partnership development proposed by Anschutz Entertainment Group (AEG) to expand the Los Angeles Convention Center (LACC), as well as a complementary private proposal by AEG to expand the existing JW Marriott Hotel at LA LIVE (JW Marriott Expansion). The City Council has approved actions to expand and modernize the LACC on several occasions since 2010, including recommendations approved by Council on July 2, 2015 (CF #14-1383) to initiate a design competition for the LACC and on December 7, 2015 authorizing a $470 million budget for such a project.

In connection with the development of STAPLES Center and LA Live, both of which were developed by AEG, the City has entered into numerous agreements with AEG entities that provide them with long-term rights within portions of the City-owned LACC campus, such as signage rights, use of Gilbert Lindsay Plaza, and parking rights. It is likely that some of the rights AEG currently holds would be impacted by the contemplated expansion of LACC. Further, the concurrent development of the expanded JW Marriot Hotel addresses the City's goal of 8,000 hotel rooms within walking distance of the LACC. As a result, it is practical and in the best interest of the City to continue the cooperative relationship with AEG to enhance and expand the resources of this area.

City staff, including the CLA, City Administrative Officer (CAO), Convention and Tourism Department, Planning Department, and City Attorney, met with AEG and identified a project that would result in the expansion of the LACC, with at least 190,000 square feet of additional contiguous exhibit space; 55,000 square feet of additional meeting room space; and at least 95,000 square feet of multi-purpose space. The project would also result in the renovation of Gilbert Lindsay Plaza as a pedestrian-friendly open space that supports LACC events as well as the general public. AEG would serve in the role as Developer, with Plenary Group as a partner, in a public-private partnership (P3) comprised of a design-build-finance-operations-maintenance (DBFOM) development program. Populus, the architecture firm selected by the City previously to design the LACC expansion as a City-directed project, has been retained by AEG to remain as architect for this iteration of the LACC expansion project.

In order to move forward with AEG and Plenary as the Developer of the project, Council would need to approve an Exclusive Negotiating Agreement (ENA, Attachment B) that provides the Developer with rights to negotiate final definitive agreements to implement the LACC expansion plan. If the ENA is approved, the City and AEG would enter into negotiations to finalize a development plan. During negotiations, the City and AEG would complete schematic designs plus additional design development documents; develop a finance plan; determine an operations and maintenance program; and complete other requirements to implement the program. When complete, staff would transmit for Council and Mayor consideration and approval the documents necessary to enter into a final deal.

In order to prepare the necessary legal, program, and design documents to implement a P3 development, City staff have determined that expert support is required. Staff have determined that up to $5 million is required to retain outside counsel, financial advisors, construction review support, and other specialists in P3 developments who will support the City team in negotiations.

In addition, AEG, as the development team of L.A. Arena Land Company, LLC, has developed plans for the JW Marriott Expansion project, which would add a new tower with 850 rooms on the corner of Georgia Street and Chick Hearn Court. The JW Marriott expansion would happen concurrently with the LACC expansion. The hotel would be a full service facility and will include additional ballroom and meeting space. AEG reported that they have a gap in project financing and have requested a hotel development incentive to support development of the property.

A review conducted by the City's independent consultant, Keyser Marston Associates, (Attachment C) determined that the project has a finance gap of $119.4 million. The review also determined that the project will generate $195.5 million net present value (NPV) in net new revenues to the City. Consistent with City policy, the Developer would be eligible to receive up to $97.7 million NPV in financial assistance (which is 50 percent of net new revenues NPV generated by the project) (Attachment D, MOU for Hotel Development Incentive Agreement). The City would receive an estimated $97.7 million NPV in new General Fund revenues.

As a result of this project, the City would achieve the development goal of 8,000 hotel rooms within walking distance of the LACC. Additional evaluation of this development goal is recommended to determine whether the City policy for hotel incentive support should be revised.

This report recommends actions to execute the ENA and MOU to advance this project. If approved, schematic designs for the LACC would be prepared and all necessary definitive documents would be negotiated to implement the project. All final documents will be presented to Council and Mayor for final consideration.

**RECOMMENDATIONS**
That the City Council:

1. Authorize the Mayor to execute an Exclusive Negotiating Agreement between the City of Los Angeles and Anschutz Entertainment Group providing terms for agreements necessary for the expansion of the Los Angeles Convention Center;

2. Direct the Chief Legislative Analyst (CLA) and with assistance of the City Administrative Officer (CAO), Convention and Tourism Department, Bureau of Engineering, City Attorney and other City departments as necessary to negotiate the final definitive documents necessary to implement an expansion of the Los Angeles Convention Center for consideration by Council;

3. Authorize the Mayor to execute a Memorandum of Understanding between the City of Los Angeles and L.A. Arena Land Company, LLC providing terms for agreements necessary to provide a revenue participation agreement to close the financing gap in the JW Marriott Expansion Hotel project;

4. Direct the CLA with assistance of the City Attorney and other City departments as necessary to negotiate the final definitive documents necessary to provide a hotel development incentive agreement to support the JW Marriott Expansion Hotel project for consideration by Council; and

5. Instruct the CLA with the CAO, Los Angeles Convention and Tourism Department, the Los Angeles Tourism and Convention Board, and other departments as needed, to report on the status of hotel rooms needed to serve the LACC and any policy adjustments related to the incentive to support hotel development within walking distance of the LACC.

That the City Council, with the approval of the Mayor,

6. Authorize the CAO and the CLA, and the City Attorney and the Bureau of Engineering, subject to CAO review, to procure, negotiate, and execute contracts for financial advisory, legal, construction management and review, and other consulting services as necessary up to an aggregate amount of $5 million paid from the MICLA Commercial Paper Program (Los Angeles Convention Center).

**FISCAL IMPACT STATEMENT**
There is no General Fund impact in the current year as a result of the recommendations proposed in this report, as consulting costs will be paid from the MICLA Commercial Paper Program (Los Angeles Convention Center). An appropriation of $2 million is included in the 2018-19 Adopted Budget, Capital Finance Administration Fund, LACC Commercial Paper Account, for costs associated with administering this commercial paper program, including interest costs. The future

repayment of consulting cost financed through MICLA will require an appropriation from the General Fund or some other funding source.

Pursuant to Section 2.3(b) of the Exclusive Negotiating Agreement, the City would be required to reimburse AEG up to $4 million for actual costs incurred in connection with the preparation of the schematic design in the event that both parties do not enter into a mutually agreed-upon Implementation Agreement. If this obligation were to be triggered, additional funds will need to be identified to pay this reimbursement.

**DEBT IMPACT STATEMENT**
The issuance of commercial paper notes will not cause the City's debt service payments to exceed six percent of the General Fund revenues for non-voter approved debt as these are short-term notes. However, upon completion of the project, any outstanding commercial paper notes may be refinanced into long-term debt which would impact the City's debt capacity. The future repayment of the debt issued would be a General Fund obligation.

**BACKGROUND**
On November 23, 2016, Motion (Price-Wesson, CF #15-1207-S1, Attachment A) was adopted to authorize the CLA to evaluate a public-private partnership development proposed by AEG to expand the LACC, as well as a complementary private project by AEG to expand the existing JW Marriott Hotel at LA LIVE.

The City Council has approved actions to expand and modernize the LACC on several occasions since 2010. The Convention and Event Center project included the replacement of the West Hall at the LACC with an event center that intended to host a National Football League team, with replacement exhibit and meeting hall space to modernize and expand the LACC. In 2013, Council instructed City staff to identify alternatives for LACC expansion should the Event Center project not proceed. When it was determined that the Event Center would not be built, on July 2, 2015 (CF #14-1383) Council approved recommendations to initiate a design competition for the LACC and on December 7, 2015 authorized a $470 million budget for such a project. In November 2016, AEG presented their proposal to accomplish this project, resulting in the Motion referenced above.

In connection with the development of STAPLES Center and LA Live, both of which were developed by AEG, the City has entered into numerous agreements with AEG entities that provide them with long-term rights within portions of the City-owned LACC campus, such as signage rights, use of Gilbert Lindsay Plaza, and parking rights. For example, AEG maintains leasehold rights on parking in the West Hall and Cherry Street parking facilities to serve both the STAPLES arena and LA LIVE.

It is likely that some of the rights AEG currently holds would be impacted by the contemplated expansion of LACC. A realignment of lobbies, transit drop-off areas, and parking services, for example, could affect AEG's rights to use Gilbert Lindsay Plaza or the West Hall parking facility. As a result, it is practical and in the best interest of the City to continue the cooperative relationship with AEG to enhance and expand the resources of this area.

AEG proposes to concurrently expand the existing JW Marriott Hotel in LA LIVE with a second tower that would include approximately 850 hotel rooms, as well as new meeting and ballroom space. This new tower would be constructed on land owned by AEG.

City staff met with AEG and identified a project that would result in the expansion of the LACC, with at least 190,000 square feet of additional contiguous exhibit space; 55,000 square feet of additional meeting room space; and at least 95,000 square feet of multi-purpose space. The project would also result in the renovation of Gilbert Lindsay Plaza as a pedestrian-friendly open space that supports LACC events as well as uses for the general public. AEG would serve in the role as Developer, with Plenary Group as a partner, in a P3 development comprised of DBFOM program components. Populus, the architecture firm selected by the City previously to design the LACC expansion as a City-directed project, has been retained by AEG as architect for this iteration of the expansion project.

In order to move forward with AEG and Plenary as the Developer of the project, Council would need to approve an Exclusive Negotiating Agreement (ENA) that provides the Developer with rights to negotiate final definitive agreements to implement the LACC expansion plan. If the ENA is approved, the City and AEG would enter into negotiations to finalize a development plan. During negotiations, the City and AEG would complete schematic designs plus additional design development documents; develop a finance plan; determine an operations and maintenance program; and complete other requirements to implement the program. When complete, staff would transmit for Council and Mayor consideration and approval documents necessary to enter into a final deal. The ENA outlines the approach to several key issues that would be addressed during negotiations, as discussed below.

City staff have determined that support is required in the development of the necessary legal, program, and design documents. Staff have determined that up to $5 million is required to retain outside counsel, financial advisors, construction review support, and other specialists necessary to complete the necessary documents. Details concerning the City's consultant needs are provided below.

A central component of the proposed project is the concurrent expansion of the existing JW Marriott Hotel at LA Live. AEG has proposed to add a second tower with 850 rooms and additional meeting and banquet space. They have requested assistance to complete the project, however, as they have determined that the expansion project has a finance gap. This proposal is consistent with the City's goal of at least 8,000 hotel rooms within walking distance of the LACC. The City has evaluated this request and determined that a gap does exist and that financial assistance would be consistent with the City's policy. A Memorandum of Understanding (MOU) that guides negotiations on a Hotel Development Incentive Agreement (HDIA) has been prepared and is provided for Council consideration.

It should be noted that the LACC expansion would be developed by a partnership between AEG and Plenary Group (AEG/Plenary), while the JW Marriott expansion would be developed exclusively by AEG. AEG has involved Plenary as a partner on the LACC expansion due to their extensive experience with P3 projects around the world. Plenary is an infrastructure development firm that provides development services, equity investment, and long-term asset management of infrastructure projects, specializing in the P3 and DBFOM delivery model. Plenary is headquartered in Downtown Los Angeles and has recently managed the Melbourne Convention Center, Long Beach Civic Center, and UC Merced 2020 Project P3 projects.

**LACC EXPANSION ENA**

The City has been pursuing an expansion of the LACC since 2010, most recently completing a competitive process to select an architect for a City-directed expansion project. The City had intended to pursue either a design-build development model or a full DBFOM development model, and was in the process of evaluating these options. AEG then proposed to take responsibility for the expansion in partnership with Plenary Group (AEG/Plenary). As a long-standing partner with the City, the long-term rights that AEG holds on City property, and the concurrent expansion of the JW Marriott Hotel, the Council determined that it was appropriate to evaluate AEG's proposal.

As a result, City staff have held extensive discussions with AEG/Plenary to develop a plan to advance a P3 on the DBFOM model that would result in a major expansion and modernization of the LACC. The project proposed by AEG/Plenary, as modified through negotiations with the City, would ensure that LACC would be capable of serving over 95 percent of all major conventions meeting in the United States.

The result of these discussions is an ENA (Attachment B) that provides AEG with exclusive rights to negotiate a final deal to manage this project on behalf of the City. It outlines the roles and responsibilities of the City and AEG/Plenary, as discussed below. As a result, the City will not pursue any other development option, nor entertain offers from any other developer, until a final determination is made concerning the possibility of a development agreement with AEG.

**Design, Build, Finance, Operate, and Maintain Model**

AEG/Plenary has proposed that the LACC expansion project be developed as a P3 under the DBFOM model. During the ENA period, AEG/Plenary would manage design of the LACC and conduct a competitive bid process to select a contractor to build the project. This is expected to produce a firm bid to complete construction of the project. At the same time, the City and AEG/Plenary would negotiate terms related to operations and maintenance of the entire facility. The outcome of the construction bid and the operations and maintenance negotiations will inform the finance plan and the availability payment for the project.

The ENA also provides the opportunity to explore other development models should the DBFOM prove difficult to structure. Staff recognize that the LACC would, upon completion of the expansion, be comprised of two older buildings and one new building, requiring a maintenance program that incorporates a program to address deferred maintenance in the South and West Halls. This could complicate the structure of and costs to implement a maintenance program in a DBFOM, resulting in the consideration of other solutions to address long-term maintenance needs of the facility.

**Negotiation Period**

The ENA provides for a negotiating period of one year, with four 90-day extensions if needed to complete negotiations. The ENA requires that both parties remain in discussions for the first 150 days of the agreement, and that either party may withdraw with notice after this initial period expires.

During the negotiating period, AEG/Plenary would complete project designs and obtain a firm bid for construction. Also, the City and AEG/Plenary would negotiate final documents, such as an Implementation Agreement or other such documents and contracts as may be needed to implement the expansion plan.

An important topic to be discussed during this period will be consideration of terms related to the maintenance program. DBFOM programs typically have a term of 30 to 35 years. The City and AEG/Plenary will need to evaluate the maintenance needs of the existing LACC structures and develop a maintenance program that effectively manages costs and addresses any deferred maintenance. The maintenance program would also consider options to require competitive bidding for some maintenance services at periodic intervals over the course of the full contract term, rather than a single bidding process for the full term of the agreement.

Finally, the negotiating period would investigate financing plans and options. This would involve evaluating all costs to develop and maintain the project, as well as identifying new revenues that could become available as a result of the project. For example, a signage plan might generate new revenues that could offset the cost of the project.

In addition, finance plan options can result in different allocations of revenue and cost risk between the City and the Developer. For example, the City may choose to operate a signage program, accepting all risk for marketing and maintaining the signage, and collecting anticipated revenues. Alternately, the City can contract some or all of the signage program to another party, in an effort to stabilize an annual revenue stream and transfer risk for revenue generation to the other party. These options would be evaluated during the negotiation period, with recommendations presented to Council upon completion.

**LACC Design**

The architecture firm Populus has been selected to design an expansion of the LACC under two separate competitive bid processes. The first was in 2012 when AEG proposed to complete the Convention and Event Center (also known as Farmers Field) project. In 2016, the City selected Populus following an extensive competitive bidding process to complete the City-managed expansion project. When AEG/Plenary proposed the current DBFOM project, they retained Populus to continue as architect of record for the LACC expansion.

Populus has prepared design concepts that have built on efforts in 2012 and 2016. These designs are depicted in Exhibit A-1 of the ENA (Attachment B). The design places a 190,000 square foot exhibit hall between the existing South and West Halls of the LACC, creating a single, contiguous exhibit hall of approximately 910,000. An additional 55,000 square feet in meeting room space will be placed on a level contiguous with meeting rooms in the South Hall or elsewhere in the facility as appropriate.

A multi-purpose hall will be added above the new hall. This 95,000 square foot hall will have an extensive air wall system that would allow the space to be subdivided into smaller halls and meeting rooms. The space could also be used as a large ballroom. Outdoor decks would enhance the experience of this part of the venue.

A bridge would be constructed across Chick Hearn Court to connect the new JW Marriott Hotel tower to the LACC. This would be the first above-ground connection between the LACC and LA LIVE. In addition, Gilbert Lindsay Plaza would be renovated as a pedestrian-friendly open space to enhance use for LACC events, as well as events at STAPLES Center and events for the general public. Additional enhancements would include a new lobby on Pico Boulevard, relocation of bus arrival facilities, and realignment of back-of-house service areas.

The design would provide for an LACC that offers 1.2 million square feet of marketable space, outdoor function areas, and efficient back-of-house facilities to streamline event set-up and take-down. Exhibit A-2 to the ENA provides a detailed description of the elements that are expected to be included in the design, while Exhibit C describes the minimum elements that must be included in the proposed project.

During the ENA period, Populus would prepare Schematic Design Documents as well as advanced Design Development documents that would be used to obtain construction bids. Substantial design work would be completed within the first three months of the negotiating period. Exhibit A-3 to the ENA provides detail on the design documents that would be prepared by Populus during the negotiating period.

**AEG Obligations**

Under the ENA, AEG would be obligated to conduct any due diligence studies necessary to support the design process. In addition, AEG would conduct a review of the West and South Halls of the LACC to inform decisions regarding modernization and refurbishment of these buildings.

In addition to managing the design process, AEG would be responsible for completing any regulatory entitlements that may be required to implement the project. This would include compliance with State environmental review. This would build on approvals received for the

Convention and Event Center Specific Plan, which was approved by Council in 2014 in support of the Farmers Field project.

**Reimbursement**
As noted above, AEG/Plenary would expend substantial resources to complete design documents necessary to conduct a competitive construction bid process. In addition, AEG/Plenary would be expending resources necessary to obtain entitlements and environmental approvals. In all, AEG/Plenary estimates that they would expend approximately $11 million to complete all actions required under the ENA.

AEG/Plenary has, as a result, requested that the City provide reimbursement for a portion of their expenses under the ENA. After some consideration, City staff recommend that Council approve, as noted in the ENA, a reimbursement of $4 million for costs associated with preparation of the design documents which is the estimated cost of the Schematic Design Plus documents. Payment would be made only if the City and AEG/Plenary fail to enter into final, definitive agreements and if the final design documents are submitted to the City, with the assignment and transfer to the City of ownership rights to the design.

**Consultant Services**
City staff have determined that additional consultant services would be needed to assist the negotiations that would occur during the ENA term. The City Attorney has identified the need for outside counsel to support the preparation of legal documents associated with a P3 DBFOM project. The CAO and CLA have determined that the services of financial advisors with experience in P3 DBFOM projects are needed, particularly experts with experience in negotiating terms associated with facility maintenance.

The Bureau of Engineering has indicated that they require support preparing technical design guidelines, which will be used by AEG/Plenary and their consultants to design and renovate the LACC. Design guidelines would include space allocations, code compliance, controller integration from the new and existing systems, access way, path of travel, etc. As the design progresses, the BOE consultant would review the plans and specifications to ensure AEG/Plenary's consultants have incorporated the City's comments, cross check between disciplines for consistency, and check for code compliance.

Additional services may be required to review revenue proposals, convention event client requirements, or other technical and program issues associated with the LACC expansion. During the Convention and Event Center process, for example, it was determined that an expert in convention center client needs was required to review LACC designs related to client uses. Input provided by that study resulted in substantial improvements to the public spaces of the facility to improve the client and visitor experience. Staff have also identified the importance of technological innovation in the facility improvements. Specialists may be needed to develop a technology program that will enhance program delivery for event clients. Finally, the City will need an expert in signage valuation to advise on a signage program with revenue estimates. Staff request authority to expend up to $5 million in MICLA Commercial Paper Program (Los Angeles Convention Center) to support these efforts.

**JW MARRIOTT EXPANSION MOU**

As noted above, Council also instruct the CLA to evaluate AEG's request for financial assistance to support development of an expansion of the existing JW Marriott Hotel at LA LIVE. The following provides analysis of the proposal and a determination of the amount of funding that would be available to support the project.

**Proposed Hotel Project**

The JW Marriott Expansion Hotel project will consist of the addition of 850 new hotel rooms in a tower adjacent to the existing JW Marriott Hotel at LA Live. The tower will be located at the corner of Chick Hearn Court, immediately across from the LACC. As an expansion, this project will share the existing lobby and food service facilities within the existing hotel. The existing bridge across Georgia Street will provide above-grade access from the existing hotel tower to the new hotel tower. The project will also include approximately 100,000 square feet of new meeting and ballroom that will service both the expanded hotel and LACC events. A bridge over Chick Hearn Court will connect the JW Marriott directly to the LACC.

Council instructed the CLA to evaluate the request by AEG for City financial support to expand the existing JW Marriott Hotel. To do so, the City hired Keyser Marston Associates (KMA) to provide an economic and financial review of the project to determine whether the project has a finance gap, the impact of the new rooms on the City's General Fund, and whether the project qualifies for financial incentive support under the City's Block Grant Investment Fund (BGIF) policy, under which the City has evaluated hotel incentive requests.

To analyze the economic and fiscal impacts of this proposal, KMA reviewed the Developer's construction and operating costs, as well as an estimate of City General Fund revenues that would be generated by the project, to inform the City's consideration of the Project. The results of the KMA review are provided in Attachment C and summarized in the following analysis.

**Memorandum of Understanding**

Should Council determine that an incentive is appropriate to support development of this project, a Hotel Development Incentive Agreement (HDIA) would be prepared to establish terms for the provision of financial assistance. At this stage, a draft Memorandum of Understanding (MOU) has been prepared (Attachment D) that provides terms that would serve as the basis for negotiation of the definitive documents necessary to establish the HDIA between the City and AEG. The terms are as follows:

- Incentive payment of $97.7 million NPV ($166.8 million nominal) over a term of up to 25 years.

- The hotel will achieve and maintain a four star rating as defined and as determined by the AAA Tour Book Guide Southern California, or at an equivalent level by an alternative nationally recognized hotel rating service for the duration of the term.

- The Developer shall provide a Community Benefits Package, including local hiring, living wage requirements, job training and job creation, a Disadvantaged Business Enterprise program, and a room block agreement for both the LACC and the 2028 Olympic and Paralympic Games.

- The Developer shall ensure that the City is designated as the point of sale for construction related costs.

- Upon completion of construction, an independent party will evaluate the construction costs for the project. If construction costs are lower than estimated in the City's analysis, then the amount of the hotel incentive would be reduced. This cost reconciliation will ensure that the City's incentive is commensurate with the gap.

- The City's Bureau of Contract Administration would implement a program to ensure compliance with all wage compliance requirements of the HDIA.

If the Council and Mayor determine that an incentive should be provided for the Project, the MOU should be approved and the Mayor authorized to execute the MOU. It should be noted that the MOU is an advisory document intended to guide further negotiations. It is not a binding document.

**Substantial City Public Benefit**
The BGIF Policy, adopted by Council in 1996 and revised in 2001, provides the guidelines under which the City's assistance for hotel incentive agreements are based. As noted previously, the City selected KMA through a competitive bid process to conduct a review of the financial feasibility, public revenues, and employment generation associated with the JW Marriott Expansion Hotel project, as required by the BGIF Policy.

The following provides findings for the JW Marriott Expansion project in compliance with the BGIF policy. Policy requires that the project meet City policy objectives, such as provide quality jobs, provide long term revenue growth in the City's General Fund, and enhance the City's long term economic position.

The project will have an estimated development cost of $693 million. To ensure a positive economic impact in the City, the Developer has agreed to designate the construction site as the point of sale for materials purchases, which would ensure that the City receives additional Sales

Tax revenues. In addition, the Developer has agreed to incorporate a Community Benefits program that ensures compliance with certain labor and wage requirements.

The project is not located in a designated disinvested area. The Developer has agreed, however, to incorporate a robust disadvantaged business outreach effort into its development plan. In addition, they will continue to comply with local hiring requirements in the Los Angeles Sports and Entertainment District Community Benefits Plan and provide additional community benefits.

- **Job Creation**

The Developer indicates that the completed project would generate 740 permanent jobs. KMA evaluated the project using Rims II Direct Effect Multipliers for accommodations and retail, which suggests that the project would generate 1,210 full-time and part-time equivalent jobs. This accounts for jobs both within the project and in the region generally (direct, indirect, and induced). In addition, KMA estimates that the project would generate 5,560 construction related jobs.

- **Hotel Support for LACC**

The City has obtained several studies over the last decade evaluating the need for hotel rooms within walking distance of the LACC. The latest, a March 2017 analysis of the hotel market surrounding the LACC prepared by JLL, Inc., for the Los Angeles Convention and Tourism Department (CTD), indicates there are only 3,172 hotel rooms within walking distance of LACC, ranking Los Angeles 19th among major convention destinations in the U.S. The recent opening of the Wilshire Grand Hotel and Hotel Indigo has moved Los Angeles into the 16th position with 5,162 room, just ahead of Nashville, TN.

For comparison, Table 1 indicates the number of hotel rooms among convention centers on the West Coast. The data indicate that not only does the LACC need additional hotel rooms within walking distance of the facility to serve convention business, it is critical that rooms be located closer to LACC. Again, the Wilshire Grand and Hotel Indigo were not operational at the time the March 2017 report was prepared.

During the evaluation of Convention and Event Center project beginning in late 2010, the City received several studies that evaluated the need for hotel rooms within walking distance of the LACC. As a result of those studies, the City determined that at least 8,000 rooms were needed adjacent to the LACC to attract larger conventions. As of January 1, 2010, there were 1,578 hotel rooms within walking distance of the LACC. Since then, the City has approved incentive agreements to encourage the development of eight hotels in this zone, six of which have been constructed and are now in operation. As of November 1, 2018, a total of 3,041 additional hotel rooms have opened in this area. An additional 2,620 rooms are under construction or approved for construction.

**Table 1**
West Coast City Hotel Rooms by Distance
(within 3/4 mile from the convention center)

| Convention Center | ¼ Mile | ½ Mile | ¾ Mile | Total |
|---|---|---|---|---|
| San Francisco | 3,290 | 7,470 | 10,810 | 21,570 |
| Anaheim | 4,430 | 5,470 | 3,590 | 13,400 |
| Seattle | 3,340 | 5,480 | 1,840 | 10,660 |
| San Diego | 2,120 | 5,120 | 3,130 | 10,370 |
| Los Angeles | 0 | 1,854 | 1,318 | 3,172* |
| Long Beach | 1,370 | 760 | 430 | 2,560 |

* 5,162 with the addition of the Wilshire Grand Hotel and Hotel Indigo

As a result of the City's focus on reaching the goal of 8,000 hotel rooms within walking distance of the LACC, a total of 7,239 hotel rooms are anticipated to be in operation withing the next few years. Table 2 provides a summary of hotel rooms within walking distance of the LACC.

The addition of the JW Marriott Expansion project would support and achieve the goal of 8,000 hotel rooms within walking distance of the LACC. Once the goal of 8,000 hotel rooms within walking distance of the LACC has been achieved, the City should reevaluate the demand for hotel rooms to support the LACC and whether additional policy objectives should be considered.

Finally, various data sources indicate that demand for hotel rooms in Los Angeles is growing tight. The Los Angeles Tourism and Convention Bureau (LATCB) reports in their "Market Outlook 2018" that while national lodging occupancy is expected to increase by .6 percent to 66.3 percent occupancy in 2018, occupancy in Downtown Los Angeles is expected to significantly exceed the national average with a rate of 79.6 percent. CBRE estimates a 2018 occupancy rate of 78.4 percent and forecasts an occupancy rate of 78 percent among those Downtown hotels with a typical average daily rate exceeding $175. Most notable is that despite the addition of nearly 500,000 room nights between 2017 and 2019 with the opening of the Intercontinental Hotel, Hotel Figueroa, the Proper Hotel, and the Hoxton Hotel, the occupancy rate is expected to increase from 77.8 percent in 2017 to 78 percent in 2019. In addition, average daily room rates are forecast to grow during this same period from $229.14 to $238.29.

KMA estimates that the project will have an 82 percent occupancy rate, which is higher than the forecast for other hotels in the Downtown area. This is an indication of the high quality of the product that the Developer is expected to construct, the high quality of the services offered under the JW Marriott brand, and proximity to the LACC. In addition, it is anticipated that the proximity to LACC will result in the new hotel capturing additional room nights that would have otherwise been booked outside the City and Downtown.

**Table 2**
**Convention Center Hotel Support**

| | | |
|---|---|---|
| **Existing as of January 1, 2010** | | |
| Sheraton Los Angeles (The Bloc) | 484 | |
| Figueroa Hotel | 268 | |
| Stillwell Hotel | 232 | |
| Mayfair Hotel | 215 | |
| Luxe City Center Hotel | 175 | |
| Ritz Milner | 137 | |
| O Hotel | 67 | |
| Total | | 1,578 |
| **Opened after January 1, 2010** | | |
| JW Marriott Los Angeles LA Live* | 878 | |
| Ritz-Carlton Los Angeles LA Live* | 123 | |
| InterContinental Los Angeles Downtown* | 889 | |
| Hotel Indigo* | 350 | |
| Freehand Hotel and Hostel | 226 | |
| Residence Inn Los Angeles LA Live* | 219 | |
| Ace Hotel | 182 | |
| Courtyard Los Angeles LA Live* | 174 | |
| Total | | 3,041 |
| **Approved/Under Construction** | | |
| Broadway Trade Center | 200 | |
| Trinity Hotel | 183 | |
| Park Hyatt | 183 | |
| Hoxton Hotel | 164 | |
| The Downton LA Proper | 148 | |
| Lightstone Hotels* | 1,162 | |
| Cambria Hotel and Suites* | 247 | |
| The Reef | 208 | |
| W Hotel | 125 | |
| | | 2,620 |
| **TOTAL** | | **7,239** |
| **Proposed** | | |
| JW Marriott Expansion* | 850 | |
| Morrison Hotel | 473 | |
| AECOM* | 243 | |
| Venice Hope* | 300 | |
| Total proposed | | 1,866 |
| GRAND TOTAL | | 9,105 |

* Projects assisted by the City

Development of the JW Marriott Expansion project would provide additional hotel rooms within walking distance of the LACC, contributing to the total number of rooms available to support Citywide conventions. Notably, this project will create 850 rooms within 1/4 mile of the LACC.

- **Community Benefits**

The Developer has agreed to provide community benefits as part of its project development plan. Those benefits include card check neutrality, living wage compliance, local hiring compliance, and a room block agreement relating to the LACC and the 2028 Olympic and Paralympic Games. Additional community benefits may be included in the final HDIA, such as job training and job creation programs.

- **Net New City Revenue**

After construction, the project is estimated to generate $195.5 million NPV in net new public revenues ($601.2 million nominal) over 25 years. The most significant source of new public revenues would be from additional Transient Occupancy Tax (TOT) revenues generated by the new hotel rooms.

A component of the TOT that would be collected are revenues associated with a destination fee. This fee would be a part of the nightly room rate charged by the hotel operation and is expected to generate additional TOT revenues. Should the destination fee be removed for any reason and no longer generates associated TOT revenues, the amount of net new revenue to the City would be reduced. At such time, the incentive support for the project should be adjusted. The MOU provides for the inclusion of a mechanism to adjust the incentive support in such circumstances.

**Financial Need**

Upon detailed review of financial information provided by the Developer, as well as information provided by other resources in the commercial finance market, KMA has determined that the JW Marriott Expansion Hotel project has a finance gap of $119.4 million. A significant factor in the cost of the project is the risk associated with building a high rise, steel frame structure. The KMA analysis was based on a Developer Return of 8 percent which is at the lower range that a hotel developer would be expected to accept when constructing such a project. Even with a Return on Cost that reflects the minimum that a developer and the market would expect, the project has a $119.4 million gap. This gap in light of the lower rate of return indicates that the Developer will not receive an undue profit as a result of this project and that the project is not feasible without City support. It should be further noted that although the gap is $119.4 million, the City incentive will not exceed $97.7 million. The Developer may be obligated to find additional resources or make other business decisions to close the remaining gap, possibly resulting in a return that is below 8 percent.

**Incentive Available**
City policy provides that the Developer would be eligible to receive up to 50 percent of net new revenue generated by the project, but no more than the estimated finance gap. KMA has determined the project would result in the generation of $195.5 million NPV ($601.2 million nominal) in net new City revenues, such as new TOT, sales tax, property tax, and business tax revenues. Since 50 percent of estimated net new revenue is $97.7 million NPV and the finance gap is $119.4 million, the Developer would be eligible to receive up to $97.7 million under City policy, which is 50 percent of present value of net new revenues generated by the Project.

This incentive is structured so that no payment will be made to the Developer until the Project has been constructed, opened, and is generating TOT. As a result, the General Fund is fully protected from making any payment that has not been earned.

**Project Readiness**
The Developer has full site control of the project stie and has development rights under the Los Angeles Sports and Entertainment District (LASED). An environmental review under CEQA is underway. No final determination of project support will be made until the CEQA review is complete and available for Council review.

**Site Specific Revenue**
The KMA analysis calculated site specific revenues that would be generated by the project. As noted previously, the project will receive no more than 50 percent of net new revenue generated by the project. The project is expected to generate $195.5 million NPV ($601.2 million nominal) in total net new revenues from sources such as property tax, sales tax, and business tax. Again, as noted above, the 50 percent of net new revenues generated by the project are lower than the finance gap in the project, so the Developer is eligible to receive no more than 50 percent of net new revenues, which is $97.7 million NPV. The General Fund, then, would receive an estimated $97.7million NPV ($434.4 million nominal) in new revenues over the life of this agreement. It is estimated that the payment to the Developer would be fully paid within 11 years, with the City's General Fund retaining all revenues after that.

When the City provides an incentive payment before the initiation of construction, the City requires that the developer provide a financial guarantee to insure the City's investment in the project. The proposed JW Marriott Expansion project, however, would not receive any incentive payment support until after the project has been built and after it has begun to generate net new General Fund revenue. As a result, no financial guarantee is required.

**Project Review**
The MOU provides for terms that would allow the City to implement several types of review to ensure that the project complies ith the HDIA. First, as noted above, the Bureau of Contract Administration would implement a program to review compliance with labor and wage provisions of the HDIA. Second, a review of the project construction costs would be implemented upon completion of construction. If the construction costs are below those

estimated by KMA, then the incentive amount would be reduced based on the amount of the construction cost savings. Finally, the CAO, Economic and Workforce Development Department, and CTD would each implement annual review and reporting programs to ensure compliance with the HDIA.

Attachments:

| | | |
|---|---|---|
| Attachments: | A | Motion (Price-Wesson) CF# 15-1207-S1 |
| | B | Exclusive Negotiating Agreement between the City of Los Angeles and Anschutz Entertainment Group for the Los Angeles Convention Center Expansion |
| | C | JW Marriott Expansion – Financial Feasibility, Public Revenue & Employment Analysis by Keyser Marston Associates (KMA) |
| | D | Memorandum of Understanding Between the City of Los Angeles and L.A. Arena Land Company LLC |

Attachment A

Motion (Price-Wesson)
CF# 15-1207-S1

ECONOMIC DEVELOPMENT

# MOTION

Since 2013, the City has been exploring opportunities to expand and modernize the exhibit space and services offered at the Los Angeles Convention Center. The national convention business is highly competitive, especially in California where San Francisco, Anaheim, and San Diego provide facilities that directly compete with Los Angeles for business. Each of these cities in the process of expanding their facilities, while Los Angeles continues to explore its options.

In 2015, the City ran a design competition to seek an architect to design a Convention Center expansion through a traditional civic construction process method. At the same time, the City chose to explore opportunities to develop an expansion of the Convention Center through a public-private partnership. Evaluation of those dual development options is on-going.

Recently, the Anschutz Entertainment Group (AEG) provided correspondence to the City offering to develop a Convention Center project that would expand the exhibition facility and full-service hotel capacity needs of the City, while providing private development opportunities complementary to the STAPLES Center and LALive.

The City has a long-standing partnership with AEG, beginning with the successful development of the STAPLES Center. Subsequent work with LALive has resulted in a milestone development that has accelerated the development of Downtown Los Angeles as an international destination. In addition, AEG has certain rights to use portions of the Convention Center that could be incorporated into a larger solution for the Convention Center campus to generate a significant, catalytic project.

I THEREFORE MOVE that the City Council INSTRUCT the Chief Legislative Analyst (CLA) with assistance of the City Administrative Officer (CAO), the Convention and Tourism Department (CTD), Bureau of Engineering, and the City Attorney to evaluate the Los Angeles Convention Center expansion project proposed by Anschutz Entertainment Group (AEG) and provide a report with any findings or recommendations on the proposal.

Presented by: ______________________
CURREN PRICE
Councilmember, 9th District

Seconded by: ______________________

NOV 4 2016

# Attachment B

# Exclusive Negotiating Agreement (ENA)

# EXCLUSIVE NEGOTIATING AGREEMENT

This Exclusive Negotiating Agreement ("ENA") is entered into as of ___________, 2018 ("Effective Date"), by and between The City of Los Angeles, a California municipal corporation and charter city ("City"), and Anschutz Entertainment Group, Inc., a Colorado corporation ("AEG", together with the City, the "Parties", and each a "Party"), with reference to the following facts:

## RECITALS

A. The Los Angeles Convention Center ("LACC") was built in 1969 and has not gone through a major expansion/renovation since 1997.

B. The City desires an expanded and improved convention center that would facilitate the City's goal of Los Angeles being a leading and primary destination of top-tier national and international conventions, trade shows and events. In order to compete for tourism dollars and convention, trade show and event bookings with other cities throughout the world, the City wishes to expand and modernize the LACC to make it a modern, world-class convention center.

C. To further accomplish the City's goal of Los Angeles being a leading and primary destination of top-tier national and international conventions, trade shows and events, the City wishes to cause the development of a first-class hotel that provides approximately 850 hotel rooms and has the capacity to otherwise accommodate the increased attendance at, and the operational needs of, the expanded LACC. In order to optimize the benefits of increasing hotel rooms, and to attract convention center attendees from around the world, such hotel is to be located as close as possible to LACC, which would also further City's goal of having 8,000 hotel rooms within walking distance of LACC.

D. In connection with the development of STAPLES Center and LA Live, both of which were developed by AEG entities, the City entered into numerous agreements with various AEG entities. As part of said agreements, those AEG entities acquired various long-term rights ("Existing AEG Rights") within portions of the City-owned LACC campus. Said rights include, but are not limited to, (i) signage rights within the LACC campus, (ii) easement rights on, over and across Gilbert Lindsay Plaza and a roadway immediately to the north and west of such plaza, (iii) parking rights within portions of the West Hall garage and the Cherry Street garage, (iv) ground lease rights with respect to the STAPLES Center site, and (v) a development right relative to a City-owned lot located immediately south of Pico Boulevard and between Bond Street and L.A. Live Way. It is likely that some of the Existing AEG Rights would be impacted by the contemplated expansion of LACC.

E. In 2013, the City entered into a management agreement with an AEG entity to operate and manage the LACC. Such AEG entity remains as the current operator and manager of LACC.

F. Recognizing its unique position as an adjacent property owner to the LACC campus and holder of the AEG Existing Rights, AEG, through its letter dated May 7, 2018, and other communication with the City, is proposing to substantially concurrently: (i) expand and modernize the LACC substantially in accordance with the Basis of Design (Plans) set forth in **Exhibit A-1** hereto and the Basis of Design (Narrative Description) set forth in **Exhibit A-2** hereto ("LACC Expansion"), and (ii) expand the existing JW Marriott Hotel at LA Live with a new hotel tower comprising approximately 850 hotel rooms and approximately 100,000 square feet of meeting space, including an approximately 50,000 square foot ballroom, which new hotel tower shall be as generally depicted and described in **Exhibit A-1** hereto ("New Hotel Tower"). The LACC Expansion and the New Hotel Tower shall be collectively referred to herein as the "Proposed Project".

G. With respect to the LACC Expansion component of the Proposed Project, which is to be located on City-owned land, AEG offers to endeavor to enter into a mutually satisfactory public-private partnership ("P3") between the City and a P3 joint venture ("P3 Entity") to consist of AEG and Plenary Group USA Ltd (or its affiliate) ("Plenary"), which P3 Entity would act as the developer and operator for an expanded LACC using a design-build-finance-operate-maintain ("DBFOM") delivery method. With respect to the New Hotel Tower component of the Proposed Project, which is to be located on land owned by an AEG entity, it is contemplated that an AEG affiliate will develop the New Hotel Tower as a private hotel development, subject to City-required coordination with LACC operations and potential financial incentive based on City's policy relative thereto.

H. It is in the City's best interest to explore the desirability and feasibility of the Proposed Project because the Proposed Project: (i) advances the City's goal of Los Angeles being a leading and primary destination of top-tier national and international conventions, trade shows and events by expanding and modernizing the LACC and (ii) includes a hotel proposal that satisfies City's criteria and does not utilize City-owned real estate within the LACC campus.

I. AEG is uniquely positioned to develop the Proposed Project because, among other reasons: (i) the New Hotel Tower would be located on land owned by an AEG entity and (ii) the LACC Expansion would require reduction and/or modification of certain of the Existing AEG Rights. Therefore, it would be undesirable and impractical to engage in discussions regarding the Proposed Project with any entity other than AEG. Moreover, it would not be reasonably practicable or compatible with the City's interest to engage in discussion with any entity other than AEG. Accordingly, City wishes to engage in exclusive negotiation with AEG regarding the Proposed Project.

J. In order to allow the Parties to evaluate the feasibility of the Proposed Project and to allow for the exclusive negotiation of definitive agreements in connection therewith, the Parties now mutually desire to enter into this ENA.

K. Concurrently with the Parties' execution of this ENA, the City and an AEG affiliate intend to enter into a certain Memorandum of Understanding in order to establish certain general guidelines for the negotiation related to the development of the New Hotel Tower ("Hotel Expansion MOU").

NOW, THEREFORE, with reference to the foregoing Recitals, in consideration of the promises, covenants and agreements set forth in this ENA, and other good and valuable consideration, receipt of which is hereby acknowledged, City and AEG hereby agree as follows:

## ARTICLE 1: RIGHT TO NEGOTIATE EXCLUSIVELY

### Section 1.1 Good Faith Negotiations.

During the Negotiating Period described in Section 1.2 below, the Parties shall diligently and in good faith negotiate the terms of a master agreement (or a set of agreements) that: (1) shall set forth the framework for the Parties to pursue, to completion, the LACC Expansion and New Hotel Tower, as applicable to the relevant parties, (2) shall serve to effectuate the development, construction and implementation, of the LACC Expansion and New Hotel Tower, as applicable to the relevant parties, and (3) shall include as a part thereof mutually agreed-upon draft forms of various contracts, leases and other legal documents and agreements, as applicable to each element of the Proposed Project, that are necessary for the comprehensive implementation of the Proposed Project ("Implementation Agreement").

In particular, during the Negotiating Period, the Parties shall seek to finalize a mutually agreeable definitive design for the LACC Expansion, the total "all-inclusive" cost for the LACC Expansion, and a mutually agreeable definitive plan as to the financing of the development, maintenance and operation of the LACC Expansion, including without limitation, the Parties shall seek to agree upon a determination of the fixed annual "availability payment" to be made by the City to the P3 Entity upon completion of the LACC Expansion, as well as a mutually agreeable determination of an allocation between the P3 Entity and the City of the following commercial revenues in order to seek to offset the fixed-fee annual availability payment to be made by the City:

(i) a share of net operating revenue from the management, marketing and operation of the expanded LACC;
(ii) revenues relating to signage opportunities in, on and around the LACC;
(iii) revenues relating to new and existing LACC parking facilities;
(iv) revenues relating to the renovated Gilbert Lindsay Plaza; and/or
(v) such other revenue opportunities as may be identified during the Negotiating Period.

It is contemplated that in order to facilitate the development of the LACC Expansion, AEG would be required to reduce or otherwise modify certain of the Existing AEG Rights, including without limitation, reducing or modifying the nature and/or geographic scope of AEG's easement rights over Gilbert Lindsay Plaza and the Roadway (as defined and depicted in the Reciprocal Easement and Environmental Restriction Agreement, which is one of the existing STAPLES Center transaction documents) to the extent necessary to both: (i) allow AEG to continue to operate the STAPLES Center in a manner substantially consistent with its current operations and (ii) accommodate any proposed development within Gilbert Lindsay Plaza as a part of the LACC Expansion. It is further contemplated that in order to develop enhanced, more efficient and expanded parking facilities as a part of the LACC Expansion, AEG may be required to relinquish its long-term parking leasehold rights in the Cherry Street Garage. Subject in all respects to the Parties' agreement as to the terms and conditions thereof, in exchange for relinquishing such parking rights, AEG, or its designated operator, shall operate and utilize the new parking garage (or a portion thereof) to be developed as a part of the LACC Expansion within the site of the existing Cherry Street Garage (such new garage shall be referred to herein as the "LA Live Way Garage"), the number of parking spaces within which would be mutually determined by the Parties based on, among other factors, an evaluation of the Parties' mutual parking needs. In addition, it is contemplated that AEG would be required to release its existing development rights relative to the City-owned lot located immediately south of Pico Boulevard and between Bond Street and L.A. Live Way.

**Section 1.2 Negotiating Period.**

In order to allow the Parties to negotiate and finalize the Implementation Agreement, the exclusive negotiating period under this ENA ("Negotiating Period") shall commence as of the Effective Date and expire on that date which is three hundred sixty five (365) days after the Effective Date, which Negotiating

Period may be mutually extended by AEG and City (acting by and through City's Chief Legislative Analyst), from time to time, in writing, for up to four (4) successive ninety (90) day periods. Notwithstanding the foregoing, at any time following one hundred fifty (150) days after the Effective Date, the City and AEG shall each have the unilateral right to send to the other Party a written notice of termination in the event that the terminating Party reasonably determines that: (i) an impasse has been reached in the negotiation of the Implementation Agreement, or (ii) the Proposed Project is not feasible. If such notice of termination is sent, then this ENA shall be terminated on the thirty-first (31st) day after the date of such notice, and thereafter the provisions of Section 2.3b below shall apply.

**Section 1.3 Exclusive Negotiations.**

During the Negotiating Period, City shall not negotiate with any person or entity other than AEG and Plenary, or their respective affiliates formed for the purposes of entering into an Implementation Agreement, regarding any potential expansion of the LACC or the development of the LACC campus or any portion thereof, or solicit or entertain bids or proposals to do so. AEG acknowledges, however, that City may, from time to time, be contacted by other developers or other parties regarding the proposed expansion of the LACC or development of all or a portion of the LACC campus, and that such contact shall not be considered to be a breach of this ENA so long as City does not initiate the contact and indicates to such other developers or other parties that City has executed this ENA with AEG and that City is unable to discuss these negotiations, or entertain any offers or proposals, or to negotiate with any other developer or other parties with respect to any potential expansion of the LACC or development of all or any portion of the LACC campus, until this ENA expires or is terminated.

**Section 1.4 Implementation Agreement Terms and Conditions.**

The essential terms and conditions of the Implementation Agreement to be negotiated and drafted pursuant to this ENA shall be guided by the following objectives, requirements, and conditions:

a. The Parties shall seek a financially prudent and timely LACC Expansion using a P3 delivery model (such as a DBFOM or similar delivery model) pursuant to which the P3 Entity will assume significant risk and responsibility relating to the development of the LACC Expansion (the "P3 Delivery Model") with the objective of completing the LACC Expansion by early 2022. While the precise financing structure and responsibility for on-going maintenance of the LACC remain subject to further evaluation by the Parties, it is contemplated that the P3 Delivery Model will entail some contribution of private equity investment together with the entering into of a long-term operating concession for the entire expanded LACC.

b. The Parties shall seek a timely completion (substantially concurrent with the LACC Expansion completion) of the New Hotel Tower, as more particularly described in the Hotel Expansion MOU.

c. The Parties shall seek arrangements that will ensure optimal on-going operation, maintenance and improvement of the entire expanded LACC.

d. The Parties shall seek to take maximum advantage of, and build upon, any existing entitlements associated with and transactional framework contemplated by previously proposed and approved projects within and around the LACC campus.

e. The Parties shall seek to further integrate the LACC with the LA Live campus in a fashion that enhances and takes advantage of the synergies of their complementary facilities.

f. The negotiations shall be based on and guided by, and the Implementation Agreement shall incorporate, the objectives, parameters, development requirements, terms and conditions and other requirements set forth in the City Council action by which this ENA was approved, any applicable City design requirements for development, and **Exhibits A-1** and **A-2** attached hereto.

g. The Implementation Agreement shall require that the LACC Expansion be subject to all applicable written policies and requirements of the City including without limitation the following: (i) Public Infrastructure Stabilization Ordinance, (ii) First Source Hiring, (iii) Local Business Preference Program, (iv) City Contractors' Use of Criminal History for Consideration of Employment Applications, (v) Disclosure of Border Wall Contracting, (vi) Prevailing Wage, and (vii) Living Wage. Certain City ordinances and policies are also applicable to the New Hotel Tower.

h. The Implementation Agreement shall include such additional terms and conditions as are customarily included in City agreements.

## ARTICLE 2: NEGOTIATION TASKS

### Section 2.1 Overview.

The Parties shall use reasonable good faith efforts to accomplish all tasks reasonably required so as to support the negotiation and execution of a mutually acceptable Implementation Agreement prior to the expiration of the Negotiating Period. In particular, in an effort to better enable the Parties to achieve their mutual objective of completing the LACC Expansion by early 2022, the Parties shall in good faith seek to accomplish those certain pre-development milestones set forth in **Exhibit "B"** attached hereto by the corresponding target dates set forth therein; provided, however, that the Parties acknowledge and agree that neither Party shall be in default under this ENA solely by virtue of the failure by either Party to timely accomplish any or all of such pre-development milestones.

### Section 2.2 Obligations of AEG.

a. **Activities**. Subject to the City's performance of its obligations under this ENA, during the Negotiating Period, AEG shall undertake the following activities:

1. Undertake such site due diligence review and investigation as the Parties deem reasonably necessary;

2. Evaluate the existing condition of the West and South Halls to determine the optimal level of refurbishment work to be undertaken in connection with the LACC Expansion;

3. Pursue additional regulatory entitlements that may be required;

4. Based on **Exhibits A-1** and **A-2** hereto, produce and deliver "Schematic Design Plus" documentation (as defined and described in **Exhibit A-3** hereto) for review and approval by the City;

5. Establish cost estimates based on the Schematic Design Plus documentation;

6. Run a competitive selection process for a Design-Builder and for a long-term facilities maintenance contractor based on the approved Schematic Design Plus documentation;

7. Prepare and negotiate the Implementation Agreement and accompanying definitive agreements with the City;

8. Provide the City with detail surrounding the financing structure for the LACC Expansion, including cost, source and structure of private debt and equity;

9. Submit an all-in fixed price proposal (including development, design, construction, finance and long-term operations and maintenance costs) for the LACC Expansion, together with supporting pricing information from competitively tendered construction and operations subcontract packages, for review and approval by the City; and

10. Any other undertaking that is reasonably necessary to facilitate the negotiation and execution of the Implementation Agreement.

b. **Retention of Sub-contractors.**

1. AEG will hire certain sub-contractors to deliver the LACC Expansion. AEG will solicit competitive bids for a Design-Builder and for a long-term facilities maintenance contractor. AEG will update and inform the City on the competitive selection process for these key sub-contractors. AEG also intends to hire a design team, including Populous, which will develop the Conceptual and Schematic Design Plus documentation without such competitive bidding due to the proprietary nature of the design developed by Populous to date. AEG will novate the designers to the successful Design-Builder on or before Financial Close.

2. During the Negotiation Period and through and including the execution of the Implementation Agreement, AEG shall regularly consult and coordinate with the City in order to ensure that the process by which AEG selects and retains a Design-Builder, a long-term facilities maintenance contractor, and their sub-contractors will be consistent with the City's applicable policies designed to facilitate the involvement of small, local, disadvantaged businesses.

**Section 2.3 Obligations of the City**

a. **Activities.** Subject to AEG's performance of its obligations under this ENA, during the Negotiating Period, the City shall use good faith efforts to:

1. Negotiate the Implementation Agreement and accompanying definitive agreements exclusively with AEG and Plenary, or their respective affiliates, as applicable to the relevant entities, for the development of the LACC Expansion and New Hotel Tower, as applicable to the relevant

entities, pursuant to this ENA;

2. Review AEG's submittals and determine consistency with the goals and policies identified in this ENA;

3. Provide AEG with documents in the City's possession that would assist AEG with the due diligence activities described in this ENA;

4. Respond on a timely basis to all submittals by AEG made pursuant to this ENA;

5. Cooperate and work with AEG to establish a reasonable process for negotiation of the Implementation Agreement and accompanying definitive agreements; and

6. Any other undertaking that is reasonably necessary to facilitate the negotiation and execution of the Implementation Agreement.

b. **Reimbursement of AEG Expenses**.

If this ENA expires or is terminated without the Parties entering into a mutually agreed-upon Implementation Agreement, then within sixty (60) days following such expiration or earlier termination and AEG's delivery to the City of a written request for payment of the Reimbursement Obligation (as hereinafter defined), City shall be obligated to reimburse ("Reimbursement Obligation") AEG for a portion of the actual costs incurred by AEG (as evidenced by invoices and payment by AEG thereof) after the Effective Date in connection with the preparation of the Schematic Design Plus documentation for the LACC Expansion (excluding the LA Live Way Garage) pursuant to this ENA ("Eligible Design Costs"). Notwithstanding anything to the contrary, the City shall not have any Reimbursement Obligation in the event that the Parties fail to enter into a mutually agreed-upon Implementation Agreement because AEG unilaterally modifies the location of the New Hotel Tower or any of the elements of the Proposed Project, as such location and project elements are specified in **Exhibit C** attached hereto. The Reimbursement Obligation, if triggered, shall be an amount equal to the lesser of: (i) 100% of the Eligible Design Costs and (ii) Four Million Dollars ($4,000,000), which amount shall be payable to AEG only if the Schematic Design Plus documentation (as defined in Section 2.2(a)(4) above) for the LACC Expansion has been delivered and assigned to the City by the time the City receives AEG's written request for payment of the Reimbursement Obligation. For the avoidance of any doubt, neither the Reimbursement Obligation nor the Eligible Design Costs shall include any costs incurred by AEG or Plenary in relation to the design of the proposed LA Live Way Garage. City's Reimbursement Obligation shall be contingent upon the assignment and transfer to City, without any representation or warranty by AEG, of rights to and ownership of the Schematic Design Plus documentation, with written consent from the preparer(s) of such the Schematic Design Plus documentation, pursuant to commercially reasonable assignment agreements. City's Reimbursement Obligation shall survive the expiration and termination of this ENA. Except for City's Reimbursement Obligation, each Party shall be solely responsible for all costs and expenses incurred in connection with this ENA.

**Section 2.4 City's Capacity.**

The capacity of the City in this ENA shall be as owner of LACC and real property within the LACC campus ("Proprietary Capacity"), and any obligations or restrictions imposed by this ENA on the City shall be limited to City's Proprietary Capacity and shall not relate to, constitute a waiver of, supersede or otherwise limit or affect the governmental capacities of the City, including, without limitation, enacting laws, inspecting structures, reviewing and issuing permits/entitlements, and all of the other legislative and administrative or enforcement functions of each pursuant to federal, state or local law ("Governmental Capacity"). The City, when acting in its Governmental Capacity, shall be permitted to utilize its sole and absolute discretion with respect to matters requiring its approval and nothing in this ENA shall be construed to limit that discretion.

**Section 2.5 Additional Information.**

City and AEG may, during the term of this ENA, reasonably request additional information and data from one another, and each Party shall provide such additional information or data to the other if reasonably available, in a timely manner, including without limitation, (a) City shall furnish AEG with copies of all design materials regarding the proposed LACC expansion commissioned by City as of the Effective Date, and thereafter from time to time during the term of this ENA, and (b) AEG and Plenary will furnish to the City, from time to time but not less than quarterly, a summary of the expenditures theretofore paid or incurred for the post-Effective Date preparation of all conceptual drawings and schematic design documents and of all work product in connection with the activities prescribed in section 2.2(a), paragraphs 1 to 6, for the LACC Expansion. AEG acknowledges and understands that all materials submitted to the City, whether pursuant to this ENA or not, shall be subject to the California Public Records Act.

**Section 2.6 Test and Surveys.**

During the Negotiating Period, AEG shall have the right to conduct such tests, surveys, and other analyses of the LACC and other portions of the City-owned LACC campus as AEG deems reasonably necessary to determine the feasibility of the proposed LACC Expansion, provided that City shall have the right to approve any proposed invasive testing in advance, which approval shall not be unreasonably withheld, conditioned or delayed. In connection with all testing, surveys and other analyses permitted or approved pursuant to the prior sentence, the City shall provide to AEG, its agents, and its representatives the right to enter onto City-owned property within the LACC campus to conduct such tests, surveys, and other procedures ("Tests") after AEG enters into a written "Right of Entry" agreement with City, in a form mutually satisfactory to City and AEG. AEG shall defend, indemnify and hold harmless City from any loss, cost, or damage (including, without limitation, reasonable attorneys' fees) arising out of any such entry by AEG, its agents, or its representatives. Prior to making any such entry pursuant to the applicable Right of Entry agreement, AEG shall deliver to City documentation of insurance policy(ies) in amounts not less than that set forth on **Exhibit D** attached hereto, naming City as an additional insured. The insurance policy shall, among other things, cover all liability and property damage arising from the presence of AEG, its agents or its representatives on City-owned property during the conduct of the Tests.

**Section 2.7 Community Meetings.**

AEG shall be required to participate in public community meetings with City staff, and AEG agrees to participate in such meetings as reasonably deemed necessary by City staff.

### Section 2.8 Progress Reports.

Upon reasonable notice, as from time to time requested by City, AEG shall prepare and deliver written progress reports advising City on studies being made, and matters being evaluated by AEG with respect to this ENA.

## ARTICLE 3: GENERAL PROVISIONS

### Section 3.1 Limitation on Effect of ENA.

This ENA shall not obligate either Party to enter into any Implementation Agreement or any other agreement. By execution of this ENA, City is not committing itself to, or agreeing to approve, any particular development project, nor is AEG committing itself to undertake the acquisition or development of any property. Execution of this ENA by City and AEG is merely an agreement to take the actions that are reasonably necessary to conduct exclusive negotiations for a specified period of time that may or may not lead to recommendations to the City Council relating to such matters, in accordance with the terms hereof, reserving for subsequent City Council determination the final discretion and approval regarding the Proposed Project and all proceedings and decisions in connection therewith. Any Implementation Agreement, contracts, transactional documents, leases and land use entitlements resulting from negotiations pursuant to this ENA shall become effective only if and after such Implementation Agreement has been considered and approved by the City Council following conduct of all legally required proceedings including the provisions of state law, the Charter and Administrative Code of the City of Los Angeles, and all other applicable legal requirements. Each party assumes the risk that, notwithstanding this ENA and good faith negotiations, the Parties may not enter into an Implementation Agreement (or any agreement regarding the Proposed Project) due to the Parties' failure to agree upon essential terms of a transaction. Except as expressly provided in this ENA (e.g., the Reimbursement Obligation, if triggered), AEG agrees that City shall have no obligations or duties hereunder and no liability whatsoever in the event the Parties fail to execute an Implementation Agreement or otherwise reach agreement regarding the Proposed Project or any portion thereof.

### Section 3.2 Costs and Expenses.

AEG and City shall be responsible for their own costs and expenses in connection with any activities and negotiations undertaken in connection with the Proposed Project, and the performance of its obligations under this ENA, except as specifically provided in this ENA and/or the Hotel Expansion MOU. The Parties agree that AEG shall be solely responsible for costs incurred in connection with obtaining entitlements for the Proposed Project and any necessary compliance with the California Environmental Quality Act.

### Section 3.3 No Commissions.

City shall not be liable for any real estate commissions or brokerage fees that may arise from this ENA or any Implementation Agreement that may result from this ENA. City represents that it has engaged no broker, agent, or finder in connection with this transaction. AEG shall defend, indemnify and hold City harmless from any claims by any broker, agent, or finder retained by AEG.

**Section 3.4 Indemnity.**

Except for the gross negligence or willful misconduct of the City, AEG shall indemnify, defend, and hold harmless the City, its directors, officers, officials, employees, agents, and successors and assigns against all suits and causes of action, claims, writs, costs, damages, and liability, including, but not limited to, reasonable attorney's fees and costs of any litigation, or arbitration or mediation, if any, brought by a third party (1) challenging the validity, legality or enforceability of this ENA, (2) seeking to prevent the performance of this ENA, or (3) seeking damages which may arise directly or indirectly from this ENA, or which are incident to the performance of the activities contemplated in this ENA. Notwithstanding anything to the contrary, if, during the term of this ENA, a third party files an action seeking damages (as described in (3) above), then AEG shall have the right to immediately terminate this ENA, in which case, AEG shall continue to honor its obligations hereunder to indemnify, defend, and hold harmless the City, its directors, officers, employees, agents, and successors and assigns with respect to damages claimed by such third party to have been incurred prior to such termination of this ENA. AEG shall pay immediately upon the City's demand any amounts owing under this indemnity. The duty of AEG to indemnify includes the duty to defend the City or, at the City's choosing, to pay the City's costs of its defense in any court action, administrative action, or other proceeding brought by any third party arising from this ENA. The City shall have the right to approve any attorneys retained by AEG to defend the City pursuant to this section and shall have the right to approve any settlement or compromise. AEG's duty to indemnify the City shall survive the termination or expiration of this ENA.

**Section 3.5 No Liability.**

Except as expressly provided in this ENA, neither Party shall have any liability to the other for damages or otherwise for any default, nor shall either Party have any other claims with respect to performance under this ENA. Each Party specifically waives and releases any such rights or claims it may otherwise have at law or in equity and expressly waives any rights to consequential damages or specific performance from the other Party under this ENA.

**Section 3.6 Assignment.**

This ENA may not be assigned without the prior written approval of City, which City may approve, disapprove or withhold in its sole and absolute discretion; provided, however, that AEG shall have the right to assign this ENA to an entity that controls, is controlled by, or is under common control with, AEG, without requiring the City's consent.

**Section 3.7 Notices.**

Formal notices, demands, and communications between the Parties shall be sufficiently given if dispatched by registered or certified mail, postage prepaid, return receipt requested, or sent by express delivery or overnight courier service, to the offices of the City and AEG shown below. Any Party may change its address by giving notice in compliance with this Section 3.7. Notices shall be given as follows:

(a) The City of Los Angeles:

Chief Legislative Analyst

____________________

____________________

Attn: _______________

and

City Administrative Officer

____________________

____________________

Attn: _______________

and

Department of Convention and Tourism Development

____________________

____________________

Attn: _______________

(b) AEG:
800 West Olympic Boulevard, Suite 305
Los Angeles, California 90015
Attn: Ted Fikre, Esq.

**Section 3.8 Conflicts of Interest**.

No member, official or employee of City shall have any personal interest, direct or indirect, in this ENA nor shall any such member, official or employee participate in any decision relating to the ENA which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly, interested.

**Section 3.9 Nonliability of Officials, Officers, Members, and Employees.**

No member, official, officer, consultant, attorney or employee of City shall be personally liable to AEG, or any successor in interest, in the event the negotiations under this ENA do not result in an Implementation Agreement for any reason, or in the event of any default or breach by City or for any amount which may become due to AEG, or on any obligations under the terms of this ENA.

**Section 3.10 AEG's Obligation to Refrain from Discrimination**.

AEG covenants and agrees for itself, and its successors and assigns that there shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, religion, creed, national origin, ancestry, sex, sexual orientation, age, disability, medical condition, or marital status, in the performance of its obligations under this ENA.

**Section 3.11 AEG's Obligation Toward Equal Opportunity**.

AEG shall not discriminate against any employees or applicant for employment because of race, color, religion, creed, national origin, ancestry, sex, sexual orientation, age, disability, medical condition, or marital status. AEG shall conform to City's Equal Opportunity Policies regarding fairness in hiring.

**Section 3.12 No Attorneys' Fees**.

Neither Party in any action to enforce this ENA shall be entitled to recover attorneys' fees and costs from the other Party (including fees and costs in any subsequent action or proceeding to enforce or interpret any judgment entered pursuant to an action on this ENA). Each party shall bear its own costs and fees.

**Section 3.13 Governing Law**.

This ENA shall be governed by and construed in accordance with the laws of the State of California.

**Section 3.14 Neutral Interpretation**.

This ENA is the product of the negotiations between the Parties, and in the interpretation and/or enforcement hereof is not to be interpreted more strongly in favor of one Party or the other.

**Section 3.15 Counterparts**.

This ENA may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same ENA.

**[Signatures on following page]**

IN WITNESS WHEREOF, the Parties have caused this ENA to be duly executed by their respective authorized officers as of the Effective Date.

**CITY OF LOS ANGELES,**
a California municipal corporation and
charter city

By: ____________________
Name: __________________
Title: __________________

APPROVED AS TO FORM:

Michael N. Feuer,
City Attorney

By: ____________________
Name: __________________
Title: __________________

**ANSCHUTZ ENTERTAINMENT GROUP, INC.,**
a Colorado corporation

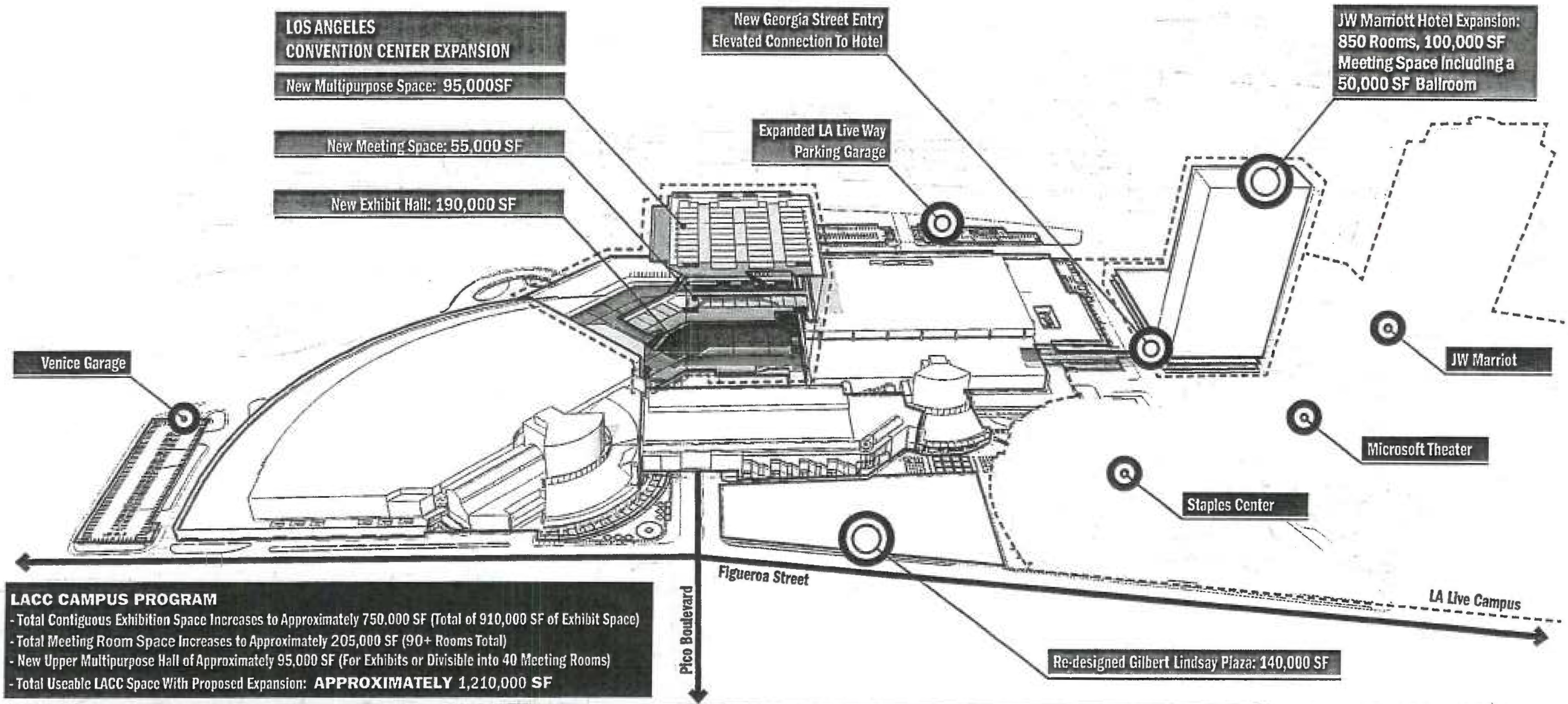
By: ____________________
Name: __________________
Title: __________________

## EXHIBIT "A-1"

**Basis of Design (Plans)**
**(subject to refinement and modification of design features)**

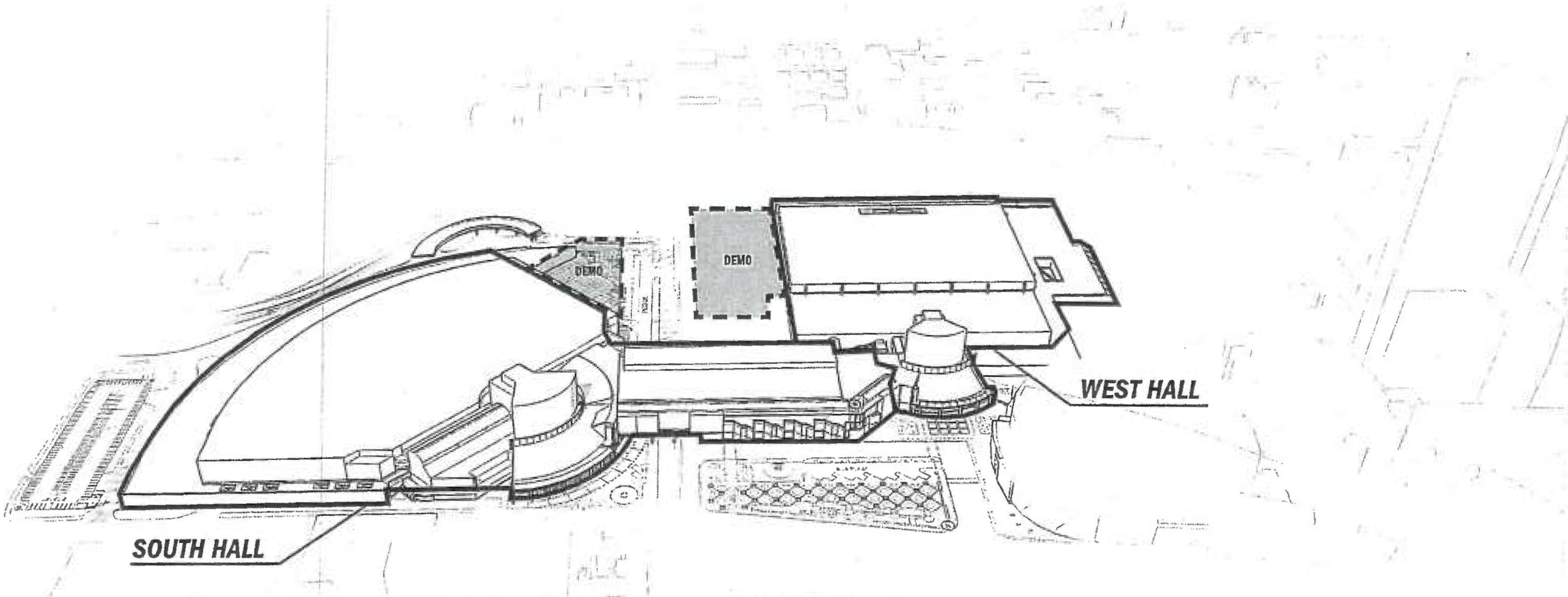
**[Please see attached]**

Notwithstanding anything set forth in Exhibit "A-1" to the contrary, the Parties acknowledge and agree that the Basis of Design (Plans) set forth on Exhibit "A-1" is intended to establish the Parties' mutual general intent as to the design of the Proposed Project but is not intended to bind the Parties in every respect or to represent a final and complete design of the Proposed Project. As such, it is anticipated that following the Effective Date, using the basis of design attached hereto as a guide, the Parties shall mutually continue the design process in good faith in order to arrive at a complete and final design of the Proposed Project satisfactory to the City.



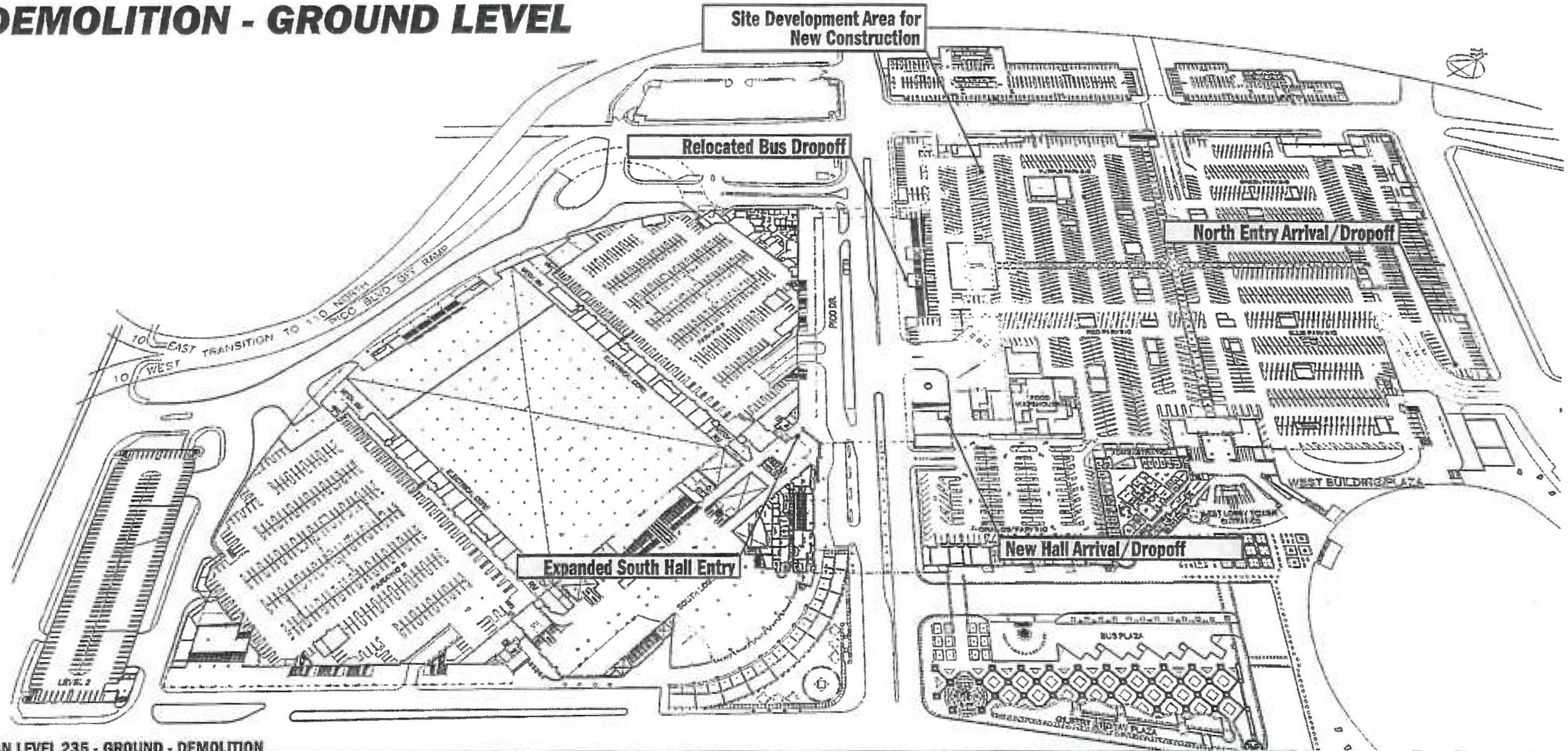

**LACC CAMPUS PROGRAM**

- Total Contiguous Exhibition Space Increases to Approximately 750,000 SF (Total of 910,000 SF of Exhibit Space)
- Total Meeting Room Space Increases to Approximately 205,000 SF (90+ Rooms Total)
- New Upper Multipurpose Hall of Approximately 95,000 SF (For Exhibits or Divisible into 40 Meeting Rooms)
- Total Useable LACC Space With Proposed Expansion: **APPROXIMATELY 1,210,000 SF**



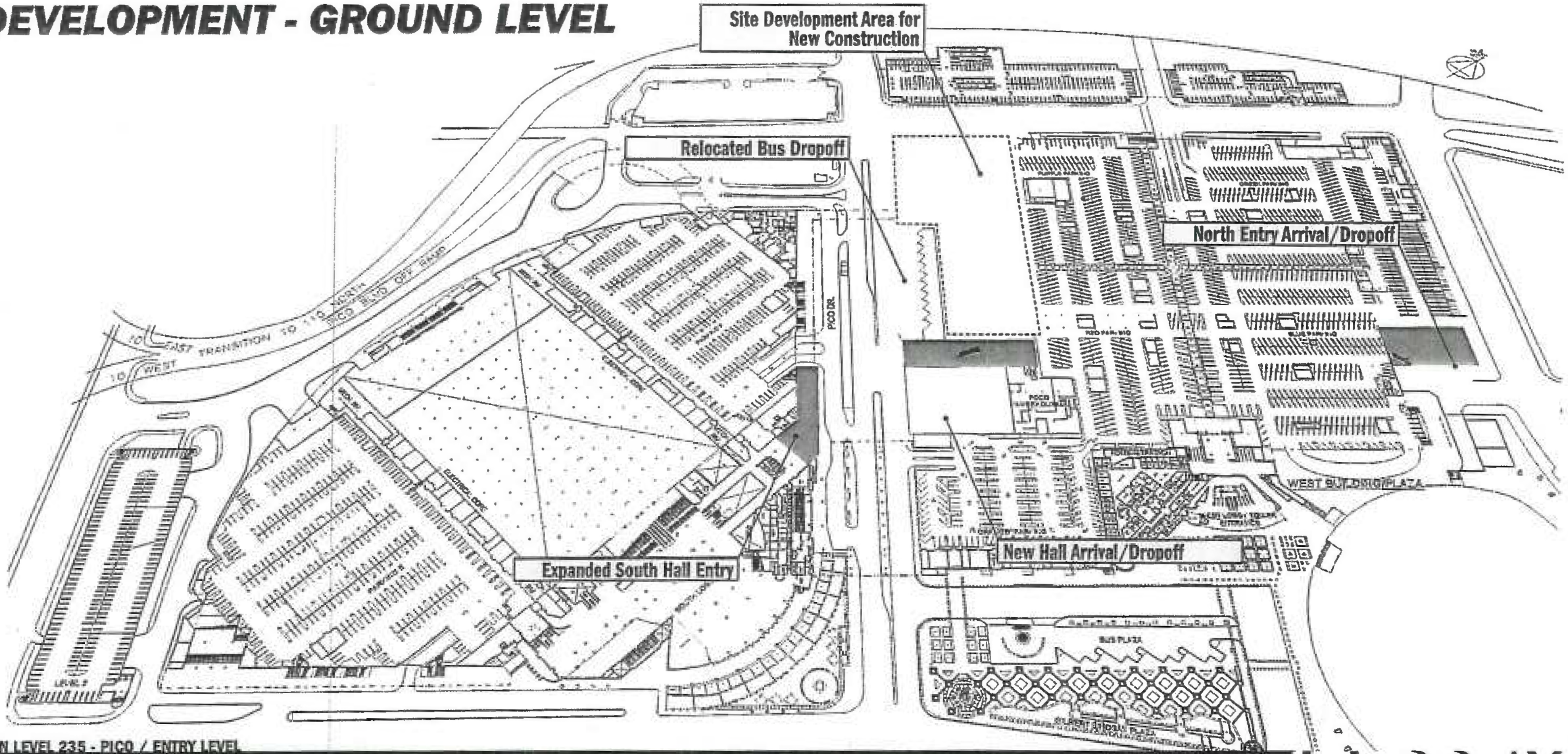

# DEMOLITION

# DEMOLITION - GROUND LEVEL



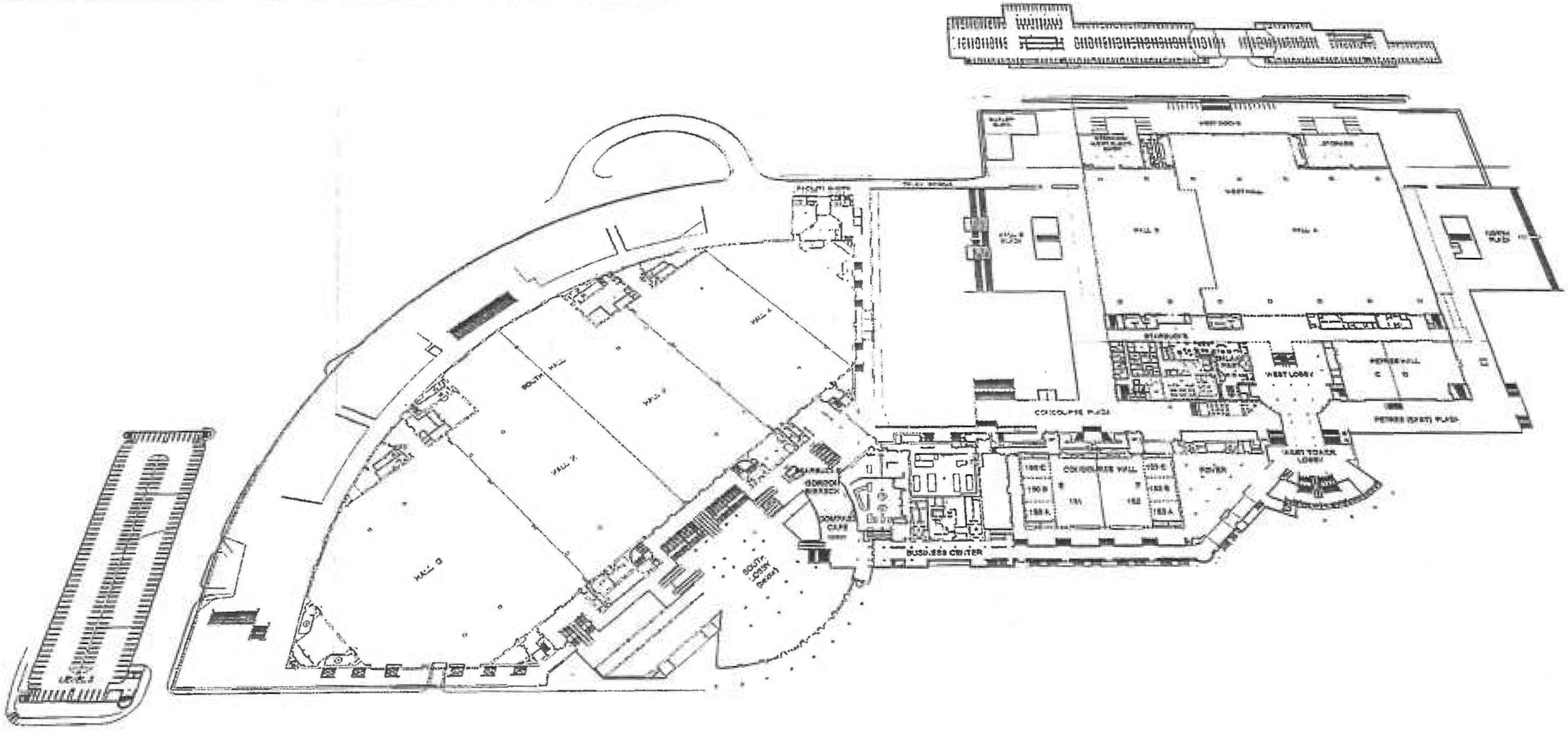

PLAN LEVEL 235 - GROUND - DEMOLITION

# DEVELOPMENT - GROUND LEVEL



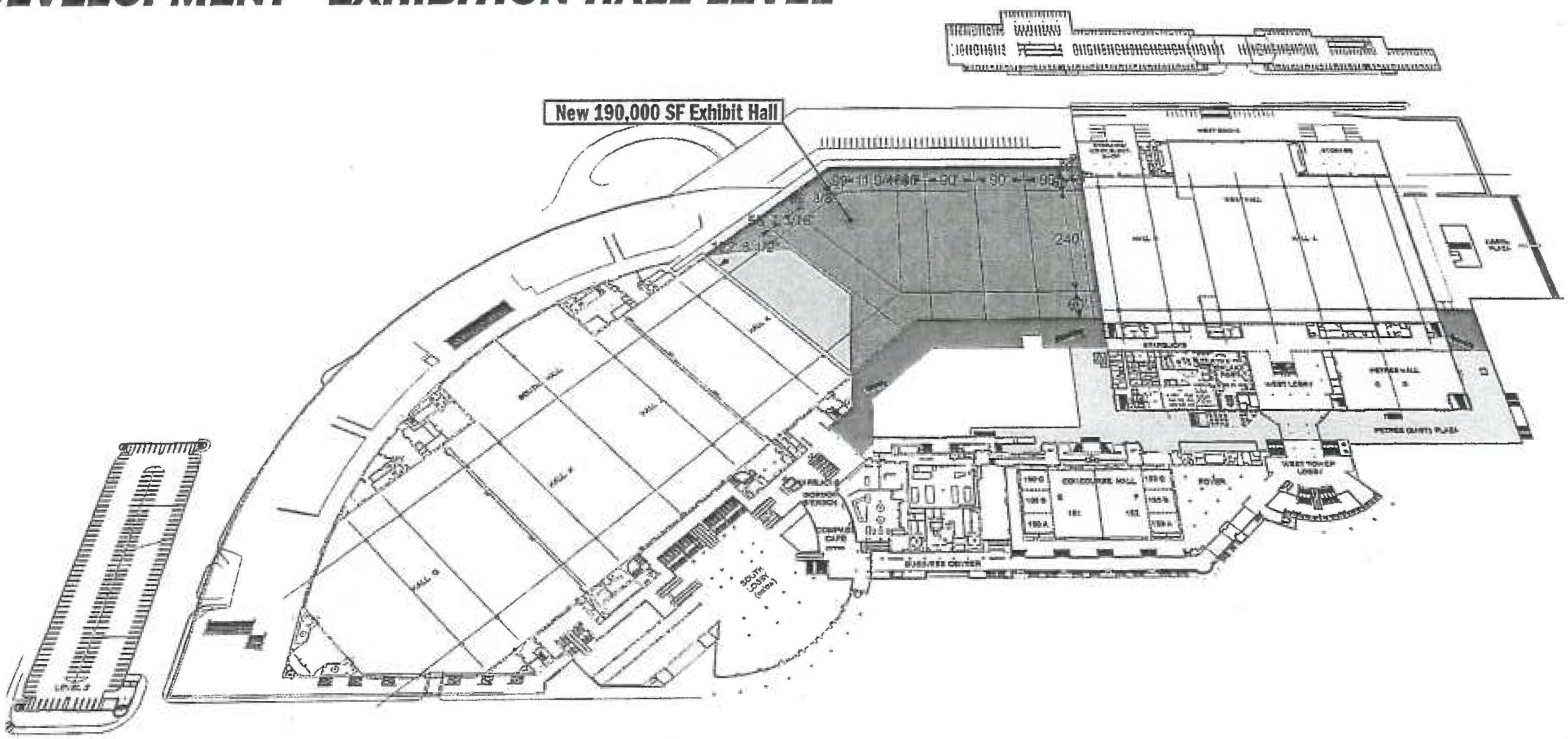

PLAN LEVEL 235 - PICO / ENTRY LEVEL

# DEMOLITION - EXHIBITION HALL LEVEL



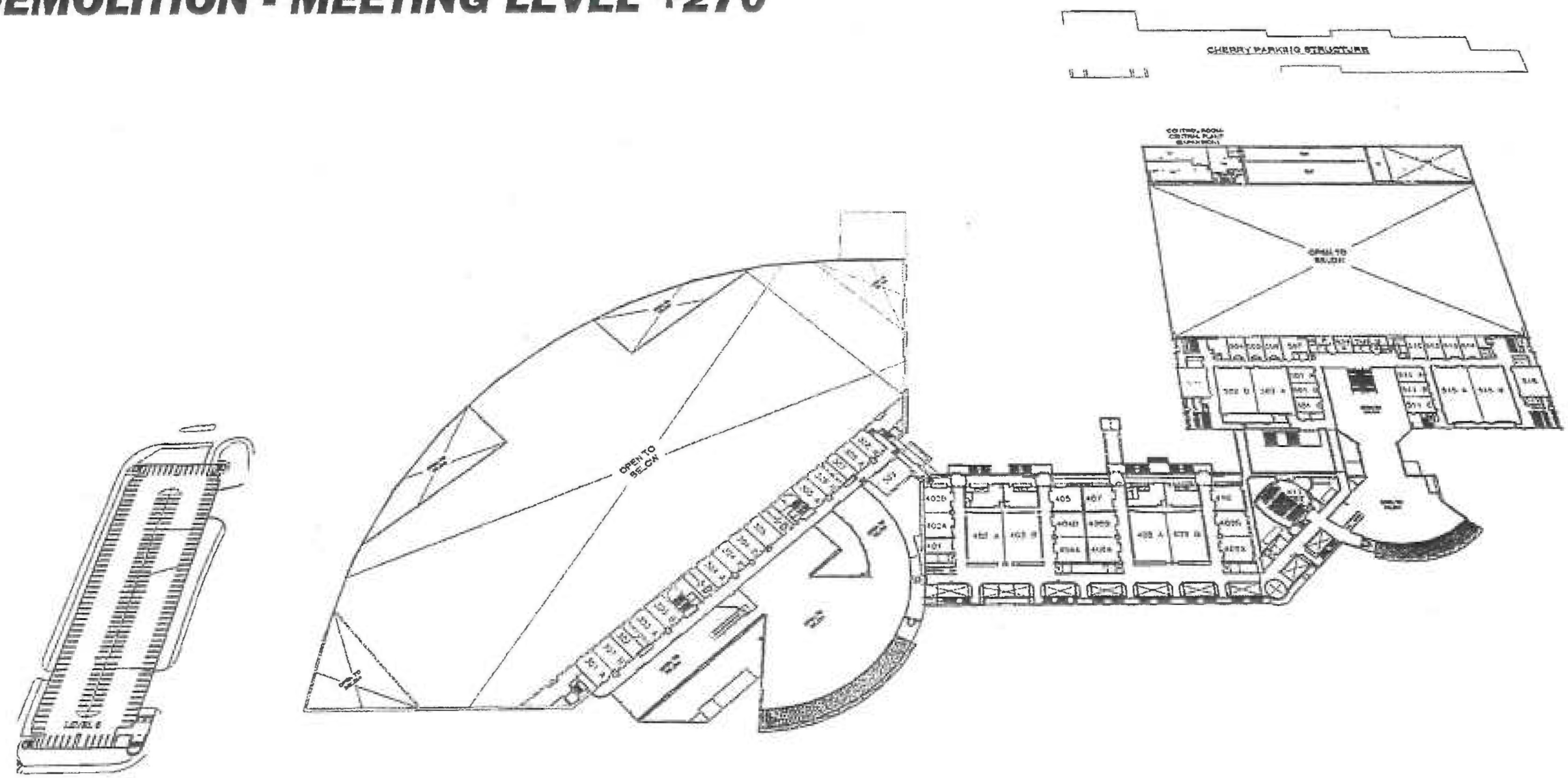
PLAN LEVEL 250 - EXHALL (190K SF) - DEMOLITION

# DEVELOPMENT - EXHIBITION HALL LEVEL



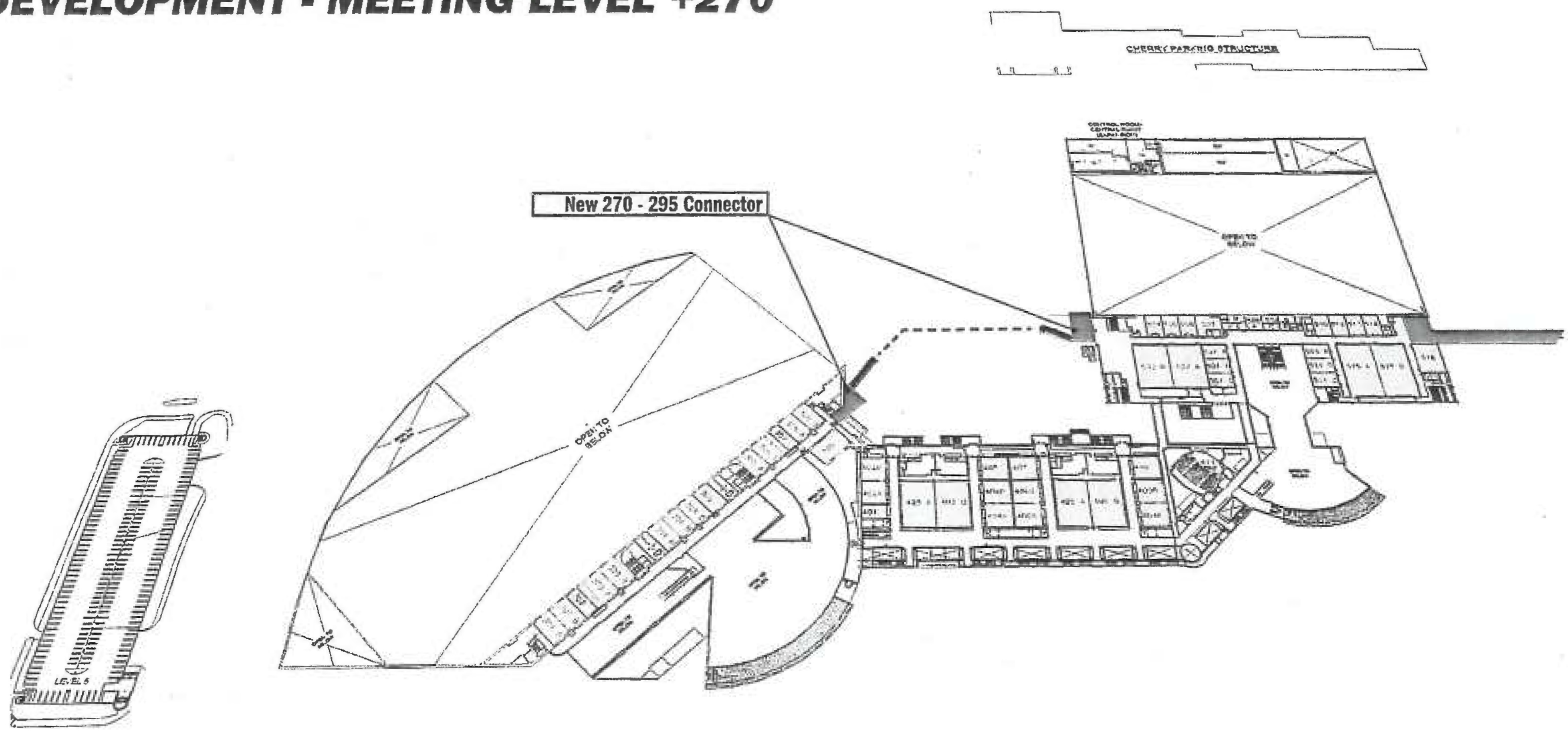

PLAN LEVEL 250 - EXHIBITION LEVEL

# DEMOLITION - MEETING LEVEL +270



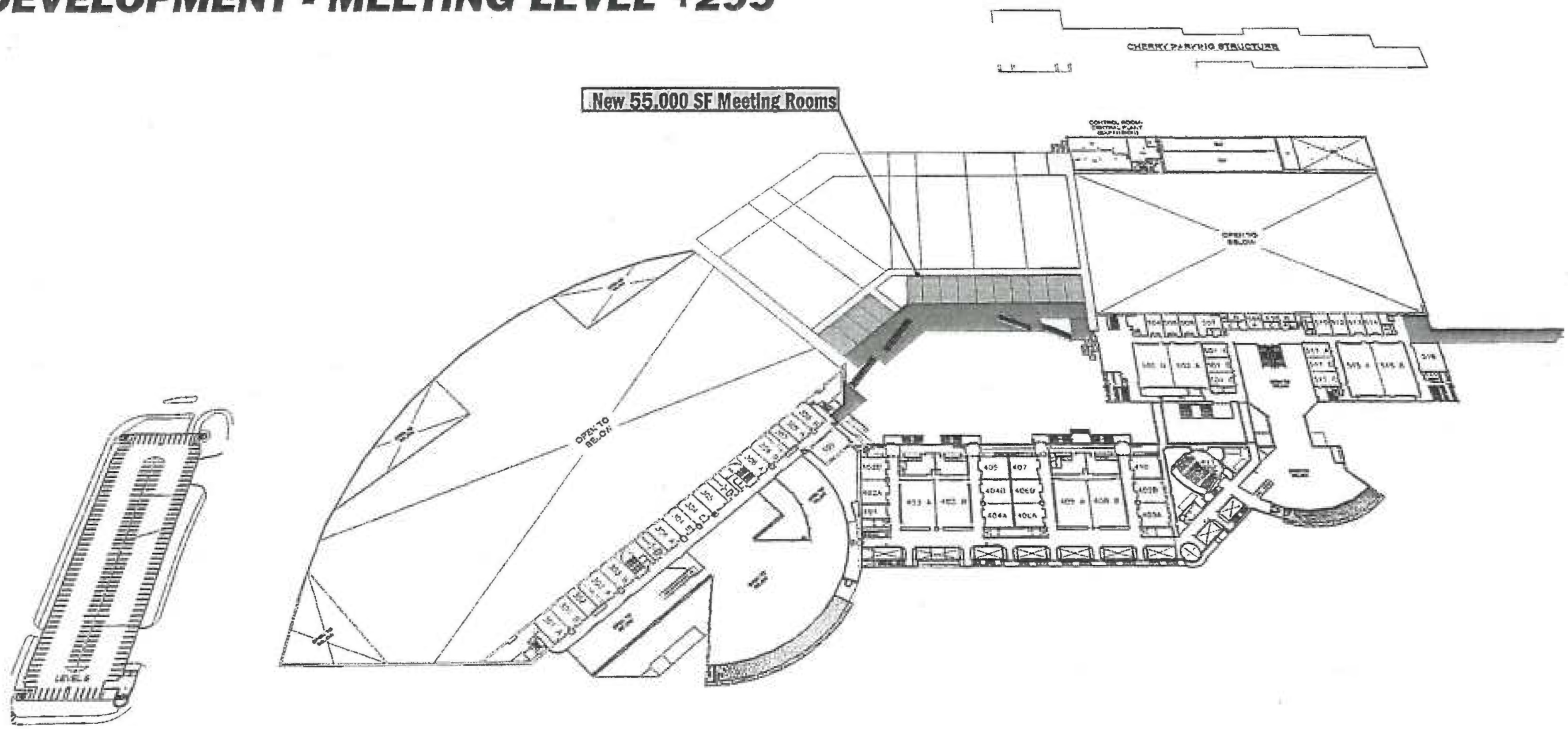
PLAN LEVEL 270 - CONNECTION LEVEL - DEMOLITION

# DEVELOPMENT - MEETING LEVEL +270



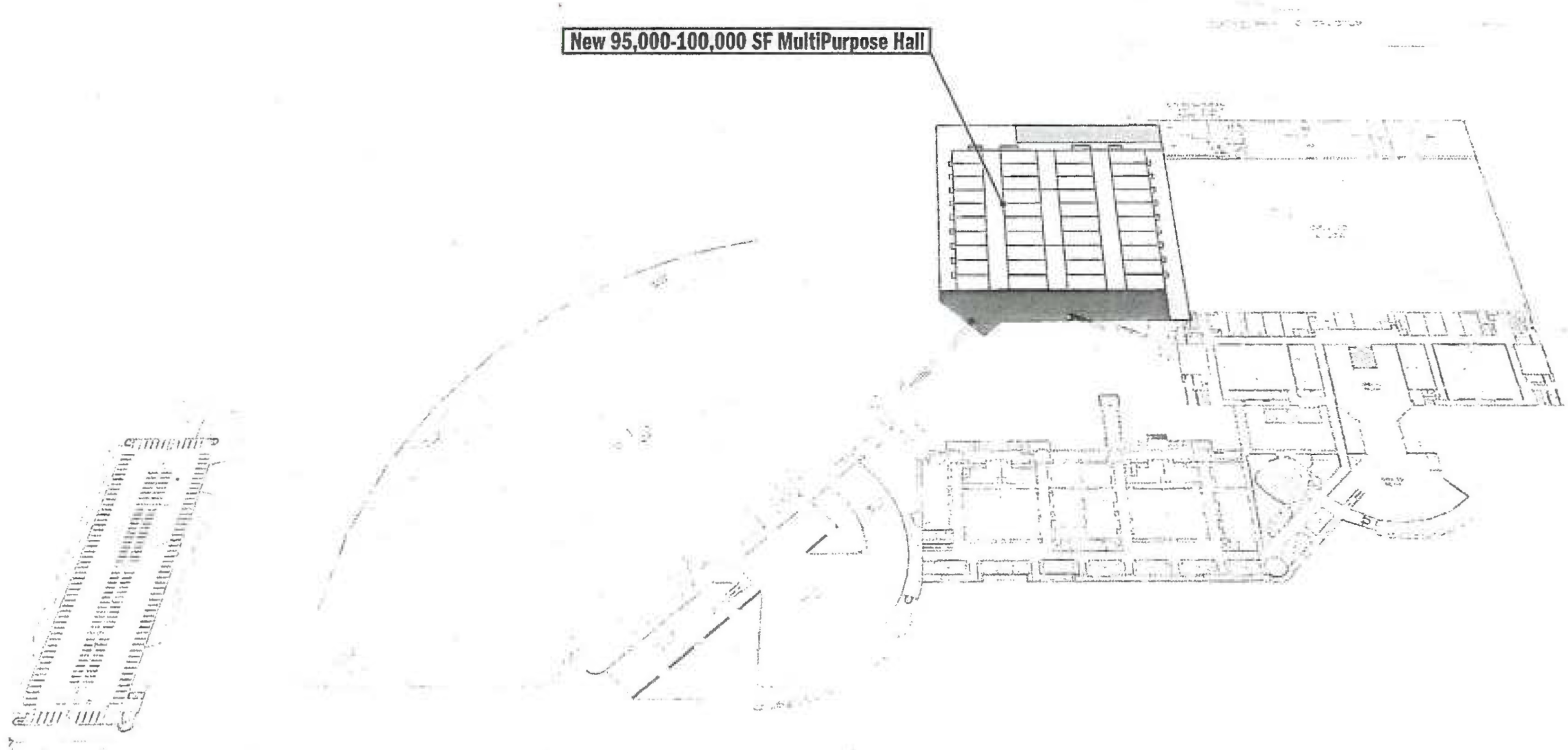

PLAN LEVEL 270 - CONNECTION LEVEL

# DEVELOPMENT - MEETING LEVEL +295




PLAN LEVEL 295 - MEETING ROOM LEVEL

# DEVELOPMENT - MULTIPURPOSE LEVEL




PLAN LEVEL 320 - MULTI-PURPOSE HALL

**EXHIBIT "A-2"**

**Basis of Design (Narrative Description)**

**[Please see attached]**

Notwithstanding anything set forth in Exhibit "A-2" to the contrary, the Parties acknowledge and agree that the Basis of Design (Narrative Description) set forth on Exhibit "A-2" are intended to establish the Parties' mutual general intent as to the scope of the LACC Expansion but are not intended to bind the Parties in every respect or to represent a final and complete description of the LACC Expansion. As such, it is anticipated that following the Effective Date, using the attached Basis of Design (Narrative Description) as a guide, the Parties shall mutually continue the design process in good faith in order to arrive at a complete and final scope of the LACC Expansion satisfactory to the City.

# Los Angeles Convention Center

# Expansion and Renovation

## Preliminary Facility Program
## For P3 Development

Prepared by the
Bureau of Engineering and
Department of Convention and
Tourism Development

**for**

**Los Angeles Convention Center**
**Expansion and Renovation Project**
1201 S. Figueroa St.
Los Angeles, CA 90015

# Table of Contents

## PROJECT SUMMARY

### I. Introduction

The following outlines preliminary programing information for the Los Angeles Convention Center (LACC) concerning a potential P3 development model. The information below is intended to provide initial guidance as to the design intent and operational concerns and requirements for LACC. The Basis of Design (Plans) and Basis of Design (Narrative Description) set forth in Exhibit A-1 and this Exhibit A-2, together with the Minimum Elements for the Proposed Project set forth in Exhibit C, are consistent with the City's goal of a Convention Center that is able to compete for and attract at least 95% of the conventions in the nation. Further, all proposed development on the LACC site must complement LACC's marketability and functionality, and enhance the site as a "convention destination" for citywide types of conventions and events. Design and development must also accommodate a strong "continuity of business plan" in which LACC can continue operating at full, or very near full, capacity and space inventory throughout the construction phasing. Additional details and programing specifications will be provided in the negotiating and design phases of the P3 effort.

### II. Project Description

The Expansion and Renovation Project ("Project") consists of the expansion, renovation, and modernization of the Los Angeles Convention Center including additional new high quality convention center exhibit hall space, multi-purpose space, meeting room space, exterior event space, and support space to expand and complement the existing Los Angeles Convention Center ("LACC") as a Tier 1 facility. Tier 1 is intended to convey a level of design, construction, and operation that will provide exhibitors with efficient and effective building access and utility services; visitors with a quality experience in the use and enjoyment of the public elements of the facility; and that ensures the safety of visitors, exhibitors, staff, and all others using the facility, and provides ADA access and efficient movement into, out of, and through the facility. The South Hall and Concourse Hall serves as the minimum standard for a Tier 1 facility, which ensures that expansion and modernization would integrate effectively into the existing components of the facility

The project involves modernizing and expanding the existing facility. Project includes robust provision of floor loading capacity, rigging capacity, utility capacity and services such as electrical, plumbing, data/telecomm, AV, and others. In addition, planning for the Project site is to include loading requirements and parking at current levels for attendees and staff (subject to further study). The Project shall include ample food service facilities including concessions stands, commissary, kitchens, storage spaces, etc. Additional space requirements include exhibit space, a large multi-purpose space, meeting rooms, arrival areas, lobbies, registration space, event/show offices, shuttle bus, taxi, rideshare pick-up/drop-off zones, public restrooms, building receiving area/loading docks, building services areas, audio/visual control room, storage, loading platforms and other spaces needed to support the facility. The Project shall utilize sustainable, energy-efficient materials and systems including renewable energy systems, and shall achieve a minimum rating of LEED Gold. Further, the design is to achieve a functional, visual, and marketable synergy with the LA Live campus and surrounding community resulting in an improved convention destination.

**a. Location**

- Downtown Los Angeles, 1201 S. Figueroa St, Los Angeles, CA 90015.
- Major cross streets include Pico Boulevard, Figueroa St. and L A Live Way, just east of the 110 Harbor Freeway and north of Interstate 10 Freeway.

**b. Uses**

- Convention and exhibition venue capable of attracting and hosting large professional conventions, trade shows, special events, multiple medium sized conventions and events simultaneously, and other related uses.

c. **Stakeholders**

- Owner: City of Los Angeles

## III. Expansion of Main Program Space

The expansion component of the project is to add "net-new" main programmable space as indicated in the table below, along with all circulation, pre-function, arrival areas, lobbies, back of house corridors, storage space, support space, etc. required to support the main programmable. If any existing space is removed or diminished as a result of desired design, the removed or diminished space shall be created elsewhere to yield a net effect of achieving the square footages listed in the "Total After Expansion" column for each space category in the table below. Additional information about each type of space is listed in the following sections.

| Type of Space | Existing | Net-New Space | Total After Expansion |
|---|---|---|---|
| Exhibit Space | 720,000 | 190,000 | 910,000 |
| Multi-Purpose Space* | 48,000 | 95,000 | 143,000 |
| Meeting Rooms | 102,000 | 30,000 to 55,000 | 132,000 to 157,000 |

* Existing space is Concourse Hall and Petree Hall

a. **Exhibit Space**

- Add net-new approximately 190,000 square feet of prime exhibit space between the existing south and west exhibit halls.
- All expanded or re-created exhibit space is to be at a minimum commensurate with the South Hall and Concourse Hall.
- All exhibit space shall be on the same level, currently known as level-1. All exhibit space on level-1 shall be contiguous, or at the very least, result in a contiguous exhibit experience throughout all of level-1.
- Currently the floor in the West exhibit hall and the South exhibit hall are approximately five feet (5') different in elevation (SH = 250' and WH = 245'). The approximate five feet (5') of elevation difference must be properly addressed to achieve visual and functional continuity of the south hall, new hall, and west hall spaces, resulting in a 747,000 sf "contiguous" exhibit hall product and experience. The transition from the south hall elevation to the west hall elevation must be designed to maximize functional exhibit space and yield 747,000 sf of useable/functional exhibit space.
- The new exhibit hall space connecting the existing south hall and west hall is to be viewed as an extension of the south hall, in which the same attributes, dimensions, column spacing, capabilities, etc. of the south hall are continued across Pico to join the west building. Note: ratings and capabilities of some components, such as overhead rigging, may be higher as indicated in other sections of this program document.
- All existing structure, elements, equipment, etc. that exist in the north end of the existing south hall, and the south end of the existing west hall are to be removed/relocated so that the existing halls and the new hall create a visually open and contiguous exhibit hall product.
- New Exhibit hall floor is to be designed at 350 lbs/SF for floor loading. Same with the utility floor boxes.
- Provide moveable air-wall systems capable of dividing the exhibit hall into multiple and

various configurations. Design should target divisions of approximately 100,000 sf, and strategically address the spaces where there is a change in direction (shifting from south hall plane to west hall plane), and where the new hall and the west hall meet. All access, egress, restrooms, concession stands, building systems such as lighting, HVAC, etc. must be designed to accommodate the various divisions of space.

- Size and number of freight doors and ramps to access the halls shall be equivalent to South Hall. At least two doors shall yield 25' vertical clearance.
- Provide equipment storage rooms commensurate with the existing percentage of said space in the existing halls Shop areas to be defined during design process. Placement of storage spaces and shop areas must be strategically located to maximize operational efficiency.
- Install/expand overhead catwalks to match existing catwalk distribution and capacities, including the ability to roll 1,100 lb transformers on wheels on the catwalk. West Hall and South Hall catwalks should be connected if possible. Provide at least one service elevator to access the new (or West hall) catwalks.
- Provide utility floor boxes and utility ports throughout all new exhibit hall space comparable to the capabilities and capacities of the south hall floor boxes. [ntd – add utility box upgrade to West Hall list
- Provide utility services in the catwalk such as 480 volt, 3-phase electrical service, 400 amp 120/208 volt, 3-phase service, CableTV, data connections, etc. Capacities and distribution to be equivalent to South hall.
- Finishes in the exhibit hall shall be commensurate with a Tier 1 convention center, and at least the quality of South Hall.
- All new exhibit space to have rigging capacity to accommodate current show requirements, with a goal of 2,000 lbs. per purlin (spaced every 10 feet) on all purlins simultaneously and each individual purlin having the capacity for 3,000 lbs of rigging load. Load distributions will be optimized to accommodate the program need as part of the final design. Developer to explore the upgrading of existing West Hall rigging capacity to match capacity stated above every 14 feet without impacting foundations. Developer to discuss potential solutions and related costs with city during the early stages of design.
- Evaluate the use of skylights to allow natural lighting at approximately 12 candle feet and provide an acceptable means of controlling the daylight (ON or OFF) for the space.
- Review existing utility infrastructure and related distribution to determine what must be replaced or upgraded.
- Upgrade seismic related bracing and support of building structure and/or systems as required by the Los Angeles Municipal Building Code ("Code"), and/or other applicable codes.

**b. New Multi-Purpose Space**

- Provide approximately <u>95,000</u> square feet of multi-purpose space to accommodate the following types of usage: Large general sessions with high-end AV production, large and small banquet events, light exhibits, break-out meetings, or a combination thereof.
- Design multi-purpose space with maximum flexibility; capable of being one large column free space, or configured in a variety of large and small spaces to best accommodate the usages listed above. In its most divided configuration, the space should convert into approximately 20 to 40 meeting rooms with proper access, circulation, attendee (program) flow, client experience (HVAC, lighting, AV, etc.).

- Provide ample interior pre-function space that can accommodate the various configurations and functions of the multi-purpose space, including simultaneous events. In addition, provide approximately 10,000sf of quality exterior event terrace immediately adjacent to the multi-purpose space. Pre-function and event terrace spaces to be outfitted with ample utilities, rigging, etc. to accommodate exhibits, displays, productions, etc., and be accessible from the kitchen for provision of food service.
- Capacity of utilities and rigging to be similar to those in the exhibit halls. Details regarding capacity, distribution, etc. to be discussed in the early phases of design. Certain sections of the multi-purpose space will require additional rigging and utility capacity based on potential production layouts.
- Multi-purpose space to have at least two show offices and two green rooms (one of each on each side).
- Multi-purpose space to have a kitchen facilities immediately adjacent. Kitchen must have the capability to produce high end meals for 5,000 to 6,000 guests.
- Multi-purpose space shall have at least two (2), and may require three (3) large freight elevators to service the space. Design must allow for large truck/trailers (some up to 83' long) to unload equipment/freight in a location that allows for easy access to the freight elevators. Elevators are to be minimum 10' wide, 10' tall, and 24' deep.
- Multi-purpose space to have satisfactory access paths and entries from kitchen and freight elevator lobbies to service the various configurations of the space(s). Access paths and entries must be designed to accommodate the loading and unloading of food service, freight, production and exhibit equipment, etc. in the various spaces (configurations), and accommodate such loading/unloading while other events are in progress.
- Provide acceptable means of allowing and controlling daylight for the space.
- Provide adequate design solutions to address perceptions of scale and comfort when in small rooms with very high ceilings. Solutions may include visual elements that change perception, retractable ceiling elements that can be deployed, etc.
- Ceiling height (overhead clearance) shall be a minimum of 27' high a.f.f.
- Finishes shall be suitable for all potential uses listed above.
- Provide adequate storage space adjacent to the multi-purpose space to accommodate related equipment and materials such as: Tables, chairs, staging, production equipment, F&B equipment, etc. Actual amount of space to be determined during early stages of design.

**c. Existing Multi-Purpose Space**

- Concourse Hall (26,000 sf) and Petree Hall (22,000 sf) are the two existing multi-purpose spaces. If developer proposes to demolish these spaces, equivalent space must be recreated in acceptable locations that work well with convention/event programing needs and program flow. New spaces shall be designed with robust rigging capacity, and equivalent utility service provisions and capacities that currently exist.
- Spaces shall be located in a manner that results in proper and efficient delivery of freight, food service, and other operational needs.

**d. Meeting Rooms**

- Add net-new of 30,000 sf to 55,000 sf of new meeting rooms, resulting in the creation of approximately 25 to 30 more rooms above existing room count. Replace any existing meeting rooms that are proposed for demolition.
- Rooms shall be divisible with air walls to create larger/smaller rooms based on event demand. Rooms

shall not be smaller than 1,500 sf in the smallest configuration.

- Provide meeting rooms adjacent to and supporting each of the exhibit halls including visual access to exhibit hall floor where possible.
- Rooms must be located and arranged in a manner that provides satisfactory conference flow, circulation, and program continuity for attendees on large conferences using all rooms. Room placement must also accommodate prudent programing and flow/circulation when used for multiple clients/events simultaneously to prevent attendee confusion, cross circulation, bottlenecks, etc.
- Provide pre-function space for all meeting rooms including registration and ancillary uses.
- Provide back of house service and storage to all meeting rooms.
- The design of meeting rooms and respective pre-function space over or near Pico Blvd must provide adequate mitigation of noise generated on Pico Blvd. Where daylighting is included, provide means of allowing and controlling daylight into the meeting rooms.
- Distribution and capacity of utilities in the meeting rooms shall be similar to those in the existing 400 series rooms. Access to additional utility shall be provided via strategic use of access ports leading to back-of-house areas with additional capacity.

**e. Exterior Event Spaces**

- The design shall include the addition of ample, high-quality exterior exhibit/event space(s) to maximize the advantages of the local climate and promote outdoor programing.
- Exterior event spaces must be strategically placed to accommodate event programing that is compatible with neighboring spaces.
- Exterior spaces must "stand alone" in their ability to receive freight and boom lifts, provide access for food trucks, etc. where feasible, and allow for set-up and tear down while other shows are in progress in the adjacent spaces.
- Space shall include means/path to get food service from the kitchen and be accessible by other means such as freight elevators, access from the exhibit hall, etc.
- Spaces shall include adjacent restrooms and related amenities.
- Spaces shall be outfitted with ample utilities, rigging, access, etc. to meet event production demands.

**f. Gilbert Lindsay Plaza**

- GL Plaza is to be designed to be an exterior event space that can accommodate a wide variety of event programing needs for events such as the LA Auto Show, E3, the 2028 Summer Olympics, etc. Space is to be designed to host large receptions and dining functions, large exhibits and exhibit structures, and other similar uses. Space is also to be designed to partition portions of the space to accommodate the programing of multiple events simultaneously. In addition, the plaza should also serve to function as a civic amenity showcasing the City's identity, and incorporating a signature feature such as a public art piece or water feature.
- Attendee flow, circulation, ability to properly secure the space(s), and the creation of strong connections to the two existing lobby towers, the Compass Café, as well as new arrival areas must be achieved to best serve the event functions listed above.
- The plaza should create a fluid connection to the adjacent lobby plazas to create a linear open space along Figueroa Street.
- Shuttle bus operations are to be removed from GL plaza; however design must accommodate proper circulation of fire trucks, production vehicles, etc. Driveway areas must

be flush with the plaza level to allow for curb-less pedestrian use of the full area when driveways are closed. Final design may include grade changes.

- Existing Gilbert Lindsay Memorial needs to be re-located as directed by the City.
- The creation of permanent retail/dining space in and around GL Plaza is to be considered.
- Design means for vehicle denial and other security measures to protect guests using GL Plaza, such as the use of bollards.
- Incorporate the existing Metro Bike Share at the site and augment the facilities to serve as a Mobility Hub, complementing the MyFigueroa project.
- Provide appropriate signage and information kiosks to inform visitors about programming and amenities.
- Consider the installation of a stormwater retention and filtration system demonstration project, in coordination with the Bureau of Sanitation.

g. **Pico Passage**

- The design of the passage under the covered portions of Pico Blvd must be designed in a manner that results in a pleasant pedestrian, driver, and attendee experience, and that is presented as a gateway piece between the Pico-Union and South Park neighborhoods. The passage is to be well-lighted, activated, and provide various design elements to be inviting and interesting to those who move through it. Elements may include use public art, murals, creative lighting, and digital elements that can be used for graphic art, displays, and wayfinding. The passage shall maintain a clear, direct, and safe pedestrian path of travel along public sidewalks on both sides of the street.
- The new lobby and arrival area in the passage must be commensurate with a Tier 1 convention center.
- The relocation of shuttle bus operations and staging to the Pico Passage must be designed to properly accommodate the anticipated demand of an expanded convention center. Access, flow, and circulation of buses and attendees must result in a quality operational and attendee experience. Bus parking and circulation must not result in buses backing out into public streets or into pedestrian paths of travel.

Design must factor in appropriate security measures and infrastructure to protect convention attendees and pedestrians as guided by a security specialist consultant.

h. **Bond Street Lot**

- Upgrade/enhance the existing Bond Street lot and adjacent roadway to better accommodate event operations. Upgrades/enhancements include; relocating fencing to incorporate the street into the lot; landscaping the Pico frontage in a manner that screens the activity in the lot and beautifies the Pico corridor; provide power, data, telecom, and lighting to the lot.

IV. <u>Support Spaces</u>

a. **Loading Docks**

- Loading platform(s) to be designed with South Hall docks as reference. Depth of docks shall meet or exceed the south hall dimensions. Truck maneuvering space (when accessing the dock) shall be designed to adequately accommodate large sleeper cabs with long trailers.

- There shall be approximately 1 truck dock bay for every 12,000 sf of exhibit space.
- Truck access from the street to the loading docks must be strategically designed and arranged to accommodate prudent truck circulation to/from the dock bays. Access from the street to the loading docks shall have redundancy in the event one path (ramp) becomes blocked.
- Ample apron space must be created adjacent to the loading dock areas to stage freight, equipment, large trash bins, empty crates, etc.

b. **Restrooms**

- Provide adequate restrooms throughout the facility including locations adjacent to meeting rooms, multi-purpose spaces, lobbies, at the front and rear of exhibit halls with proper distribution within each exhibit hall. All restrooms shall be in compliance with local building codes, including ADA stalls. All new or modernized restrooms to have one additional ADA wheel chair stall above and beyond code requirements.
- Restroom Facilities to be designed with counters and finishes commensurate with Tier 1 convention centers.
- Automatic sensor devices on all fixtures, tempered water faucets.
- Janitor's closet to be provided for every other public toilet room (on average).
- Family restrooms ADA accessible and gender neutral toilet facilities to be provided at prudent locations. Family restrooms to include changing station and related amenities.

c. **A/V Control Room**

- Locate on meeting room level with view into exhibit hall if possible. Accommodate any A/V control equipment rooms being demolished.

d. **Show Offices**

- Each exhibit hall shall be supported with a show office that overlooks the show floor (if possible), as well as two small support offices in the rear of each hall. Multi-purpose spaces to also have show offices and greenrooms.

e. **Lactation Rooms**

- Provide lactation rooms. Quantity and location of rooms to be discussed during early phases of design.

## V. Circulation & Pre-function

a. **Arrival Spaces, Pre-Function and Overall Attendee Circulation**

- Lobby spaces and arrival zones must provide a "sense of arrival" for attendees, and be large enough to accommodate the various uses of lobby space such as registration, queuing, information booths, displays, etc. Lobby spaces must also be designed with ample utilities, rigging, etc. to provide for client programing needs. Further, the design of lobby space and arrival zones must accommodate multiple/simultaneous events, providing each event with their own space and prudent circulation.
- Pre-function and circulation space supporting the exhibit halls, multi-purpose spaces, and meeting rooms must be large enough to accommodate attendee and program demand including activities such as registration, queuing, food service functions, displays, and other related functions that serve the space.
- All main program spaces (exhibit halls, multi-purpose spaces, meeting rooms, and exterior event areas) must be strategically located and connected to provide desirable and efficient attendee circulation and "program connection" to and from the various spaces.

- The new lobby space and arrival area contemplated on the north end of West Hall shall be designed in a manner that accommodates the hotel's connector bridge. Bridge should be designed to connect the LACC meeting rooms to the hotel meeting rooms and/or ballrooms. The design should also allow for program activations and displays to enhance the attendee experience. Design must accommodate various event mix scenarios so attendees from different events can be guided to desired locations to prevent cross circulation and/or security issues.
- Entries and exits must accommodate large crowds, ticket/pass control, queuing, and security check-points.
- Professional and well placed way finding signage and related systems must be provided throughout the campus.
- A circulation plan will be developed as part of the project design efforts.

**b. Operational Access, Circulation, Flow, and Efficiency**

Design of convention center spaces must be done in a manner that provides efficient and prudent access, connection, and operational circulation throughout; allowing staff, contractors, and equipment to travel from shops, back-of-house corridors, freight areas, etc. to all spaces. Strategic placement of freight areas, freight elevators, back-of-house corridors, shops, switch rooms, IDF's, mechanical rooms, storage spaces, etc., along with efficient access and paths of travel must be achieved. A vertical transportation study is to be conducted for optimal design. That study will consider redundancy and impact to operations for any elevator or escalator failure.

•

**c. Vertical Transportation**

- Passenger Elevators
  - ➢ Design in accordance with the latest codes to optimally transport attendees vertically to all levels. Provide a vertical transportation study for optimal design. Redundant design to be considered.
  - ➢ Size, quantity, and capacity of passenger elevators must adequately accommodate events with higher ratios of wheel chair and scooter, etc.
  - ➢ Minimum size of 6 feet x 8 feet with minimum capacity of 5,500 pounds
  - ➢ Elevators to be equipped with audio feeds.

- Service Elevators
  - ➢ Service elevators shall be placed in locations requiring food service staff and maintenance staff to travel vertically with food, product, materials, or equipment. Number, size, and capacities will be discussed during design process.

- Freight Elevators
  - ➢ The number and size of all freight elevators shall be such as to adequately handle the respective load and demand to all areas and usages served. This is to include the various freight operations for events, maintenance, food services, personnel, and equipment.

Redundant design to be considered.

- ➢ Design per code to optimally transport freight and equipment to all required levels including the exhibit hall catwalk level. Minimum size of freight elevators shall be 10' wide and 10' tall with minimum capacity of 20,000 pounds. The minimum depth of the freight elevators will vary, with some being 24 feet. To be discussed further during design phase.

- Escalators
  - ➢ The number, size, and speed of the escalators must adequately handle the respective loads during max-load scenarios so attendee flow is proper. Redundancy shall be provided to properly handle loads when an escalator is down for repair.
  - ➢ Design compliant with all current code requirements.
- Stairs/Ramps
  - ➢ Design to be compliant with all current code requirements a mix of stairs and ramps for internal and external circulation as required within existing and new site and building layout restrictions.
  - ➢ Design to explore an ADA approved means to navigate wheel chairs from GL Plaza to the exhibit hall level without the use of an elevator.

**d. Guest Services**

- Provide information stations at each level to serve guest needs. This may include information counters and storage rooms for LATCB staff. Also provide the following:
- First aid stations (offices) on the exhibit hall level and the multi-purpose space level, with convenient access to elevators.
- Lactation stations
- Adult changing rooms
- Mobile charging stations
- TTD
- ATMs
- Refrigerated drinking fountains and/or water bottle filling stations to be provided on all levels.

## VI. Food Service

The design, layout, size, and functionality of all food service spaces and related equipment, including number and size of food service spaces, must accommodate the increased volume of attendees due to expansion, and must factor in the replacement of any existing food service spaces that are demolished or repurposed. Food service spaces include kitchens, food outlets & concession stands, temporary concession locations, seating areas, pantries, storage spaces, freight docks, warehousing, service corridors, and more.

**a. Kitchens/Commissaries**

- **Central Kitchen/Commissary**
  - ➢ Main kitchen(s) are to be located in a strategic location to allow food service to be properly and efficiently delivered to all spaces in which food service will be provided including the exhibit halls, multi-purpose spaces, meeting rooms, pre-function spaces, lobbies, exterior event areas, etc. Proper access and back of house delivery paths must

be strategically designed throughout the facility to accomplish the above. This includes efficient access to freight docks, service elevators for food deliveries, etc. Note: multi-purpose space to have its own kitchen.

- ➢ Kitchen(s) must be sized to accommodate the growth of volume and demand resulting from an expanded facility.
- ➢ Design for adequate storage and staging for dry goods, frozen and refrigerated foods, pallets, alcoholic beverages and carts, etc.
- ➢ Design space and utility for storage of hot carts and other mobile food service units.

- **Multi-Purpose Space Kitchen**
  - ➢ Provide kitchen immediately adjacent to the multi-purpose space and design to accommodate major food functions that will be done in the multi-purpose space and surrounding pre-function spaces and exterior terraces.
  - ➢ Provide efficient means of access and circulation as it relates to the delivery of food service to multi-purpose space and pre-function spaces.
  - ➢ This kitchen must be supported by ample freight and service elevators for prompt and reliable delivery of goods, product, equipment, and personnel.
  - ➢ Design space and utility for storage of hot carts and other mobile food service units.

b. **Concessions**

- Concession spaces must be designed to appropriately serve patrons from multiple locations throughout the convention center with following minimum requirements:
  - ➢ Locate within the main exhibit halls and pre-function areas
  - ➢ Fixed concessions must have sufficient MEP and food service infrastructure to support sales and operations.
  - ➢ Portable concessions to be placed in strategic locations in pre-function areas, multi-purpose spaces, large meeting spaces, exterior event spaces, and perimeter of exhibit hall with electrical, plumbing, and data/communication services provided at each location.

c. **Restaurant/Food Court**

- Existing food court outlets and related seating areas are to be modernized and may be expanded to accommodate the increase in demand resulting from the expansion. To be studied in concert with the new concessions and retail space.
- Restaurant/food court seating areas shall be conveniently located near the main exhibit halls and pre-function areas to accommodate event patrons and potentially private functions.
- On-site restaurant(s) and bars are to be considered and discussed.

d. **Pantries**

- ➢ Pantries of adequate size, capacity, and equipment are to be provided in strategic locations to service all programing spaces in a proper, efficient manner, including the efficient and prompt delivery via back-of-house service corridors that lead into each space so front of house delivery is not required.
- ➢ Pantries shall have adequate power, water, and other utilities to properly provide for the permanent and temporary equipment that will be staged in the space. This includes ample power for hot carts, coffee stations, etc.

e. **Other Spaces**

- Design must also provide proper space and equipment for “empty’s” storage, recycling and trash operations, cart and equipment storage, wash down areas, etc.

## VII. Operations & Staff Facilities

a. **Shops**

- Replace any shop space that may be demolished or repurposed with space appropriate to current needs. May need to provide additional shop space depending on impact of an expanded facility.

b. **Offices**

- Replace any office space that may be demolished or repurposed with like space. May need to provide additional office space depending on impact of an expanded facility.

c. **Employee support space**

- Replace any support spaces that may be demolished or repurposed with like space. May need to provide additional support space depending on impact of an expanded facility. Support spaces may include break and lunch rooms, locker rooms, shower facilities, storage rooms, etc.

d. **Sales Presentation Room**

- Conference style room that allows for technology for video presentations, wall displays, models, etc. Space should also be outfitted with a tasting kitchen for food and beverage (F&B), so that F&B sales can be done from the same space.

e. **Food Service Loading Docks**

- Convenient access to service areas with easy street access.
- Provide an adequate number of truck bays for general building deliveries and commissary, with dock levelers, dock lighting, and appropriate ventilation.
- Provide space and equipment for trash compactors, composting, etc.

f. **Storage**

- Replace any storage area lost or removed as a result of the new design. Provide additional storage space to store new equipment (additional inventory) such as tables, chairs, stage risers, portable elevators, etc. Amount of new equipment to be stored needs to be determined.

g. **Janitorial and Maintenance Facilities**

- Provide janitor closets on all levels near toilet facilities.

h. **Trash Collection/Recycling**

- Main handling facility located near loading dock to accommodate separate treatment of trash and recyclable materials.
- Trash container and recycling container storage/staging on each level.
- Trash compactors on the loading docks behind each of the exhibit halls, and at the food service loading docks. For clarification and reference, South Hall has four (4) halls (G, H, J, K), and four compactors.

## VIII. Parking

a. Currently LACC has approximately 5,500 parking spaces devoted for LACC use. Developer shall study the existing spaces that may be impacted or lost and will agree with the City on the number of spaces that must be replaced.

b. Freeway face of the West parking structure will have a façade acknowledging its role as the public face of the convention center.

c. Developer must review existing parking agreements that are in place with LACC to determine impact and obligation of such agreements.

d. If design solutions result in building a new LA Live Way parking structure to replace the existing parking structure, then the Developer shall study the implications of designing the structure to accommodate future conversion of any and all floors into other types of use such as office space, etc. Design shall also explore the value of designing floors for future conversion into staging and storage space for exhibit materials and containers.

e. Any impact to truck marshalling space must be replaced so truck marshalling and staging is not minimized.

## IX. Mechanical and Electrical Systems

a. **Central Plant**

- Central plant and associated MEP systems and equipment shall be sized and design to provide adequate heating & cooling in all conditioned spaces simultaneously while under high occupancy loads generated from large events such as LA Auto Show, the Electronic Entertainment Expo (E3), Anime Expo, etc. In addition to heat load derived from occupancy, the central plant and associated systems must be designed to handle additional heat loads generated by exhibit and production lighting/equipment, etc.
- Central plant and related systems must be capable of meeting special circumstances and requirements for heating or cooling. Examples include client requirements to cool the exhibit hall to 65 degrees during the summer, and heat the exhibit hall to 78 degrees during the winter. Standard temperature for spaces is 72 degrees (air conditioning), and 74 degrees (heating).
- The Developer will study the implications of a Central Plant with properly sized Thermal Storage system so chilled water can be generated at night and used during the day to reduce electrical demand charges. In an effort to conserve water, air cooled chillers are to be considered and discussed during the design process.
- For above-ground chiller plant designs, solutions must prevent any fluids, etc. from leaking down into spaces below, and must prevent unwanted vibration in surrounding spaces. If the central plant (or heavy equipment) is proposed to be placed above a main program space such as an exhibit hall, multi-purpose space, etc., the supporting structure must be designed in a manner that does not diminish the desired rigging capacity for the space under the new chiller plant.

b. Electrical System

- Overall electrical system shall be designed commensurate with a Tier 1 convention center.
- New Electrical systems shall be designed with capacity and distribution equivalent with the existing capacity and distribution of the South Exhibit Hall, Petree Hall, and 400 series meeting rooms.
- All main LADWP feeds to be outfitted with Automatic Transfer Switches (ATS's) to allow the prompt and automatic transfer of service to the redundant LADWP line when an outage occurs on the primary line.
- Review existing utility infrastructure and related distribution to determine what must be replaced or upgraded.
- Upgrade seismic related bracing and support of systems and equipment as required by Code

c. Plumbing System

- Overall plumbing system shall be designed commensurate with a Tier 1 convention center.
- Plumbing systems shall be designed with capacity and distribution equivalent with the existing capacity and distribution of exhibit halls H&J. The multi-purpose space shall be designed with ample plumbing service to accommodate various client needs. Details to be discussed in early stages of design.
- Review existing utility infrastructure and related distribution to determine what must be

replaced or upgraded.

- Upgrade seismic related bracing and support of systems and equipment as required.

d. System Compatibility – Design must allow for integration, operation, control, and monitoring of all new devices, components, and systems with existing devices, components, and systems. Compatibility with existing building systems, devices and components includes, but is not limited to, the following systems:
   - HVAC Control System
   - Building Automation System
   - HVAC Distribution System
   - Plumbing Systems
   - Electrical systems
   - Emergency Power & Lighting systems
   - Lighting & Lighting Control system
   - Fire Detection and Protection systems
   - Data / Telecomm / Network systems
   - Security Surveillance and Access Control systems
   - Audio/Visual systems

X. <u>Audio/Visual and Information Technology Systems</u>

a. Overall A/V and technology systems shall be designed commensurate with a Tier 1 convention center. This includes professional systems, capacities, distribution, and equipment for systems such as: distributed audio systems, MATV systems, data/telecomm/network systems, security surveillance & access control systems, digital signage systems, and wayfinding systems.

XI. <u>Naming Rights, Sponsorships, and Related Signage</u>

a. Building theming, naming and sponsorship signage systems and programs are to be considered in the design of all new and existing spaces. Details and criteria will be discussed during negotiating and early design phases.

b. The naming designations and nomenclature of the exhibit halls, meeting spaces, lobbies, etc. throughout the entire facility (new and old) must be updated to provide space identification and related wayfinding that is easy to understand and results in ease of navigating the LACC campus. New hall/room (space) signage and related wayfinding signage will need to be installed.

c. Design to incorporate exterior monument signs, building signs, and related wayfinding monuments and signs that appropriately address identification and wayfinding on the proper scale, and within the context of the overall LACC/LA Live campus.

d. In addition to room/space designation signs, all exhibit halls, multipurpose spaces, and meeting rooms (existing and new) are to have electronic signage (digital displays) to display daily program information for the respective spaces.

e. Provide a professional digital signage system that is capable of programing all of the above types of signage (room signs, wayfinding, advertising, etc.). Provide office space for staff and equipment to operate the program.

XII. <u>Sustainability & Resiliency</u>

a. LEED Certified – Gold or higher

b. Sustainability Requirements to be studied and considered include:
   - Construction Activity Pollution Prevention
   - Water Efficiency
   - Storm Water Retention and Reuse

- Greywater Reuse
- Energy and Atmosphere, Renewal and Optimization
- Materials and Resources, Recycling, Waste Management, Building Reuse
- Indoor Environmental Quality, Daylight, Views, Thermal Comfort
- Address heat island effect on site
- Innovation and Design Process

c. Design to consider the city's resiliency goals and actions as listed in ***Resilient LA*** (March 2018) to determine various means and design solutions to achieve resiliency for LACC. Design to also consider the Mayor's sustainability **pLAn** for related sustainability initiatives.

XIII. Non Ductile Concrete Ordinance

a. Design and execution of the Project shall result in the west building and the Cherry Street parking garage achieving compliance with the city's Non Ductile Concrete Ordinance.

XIV. West Building Modernization

a. In addition to various elements and project requirements mentioned in the sections above concerning the existing west building, the Project will evaluate and consider the overall modernization of the west building. Elements to be considered and discussed include:
   - The exterior façade
   - Activation of the ground-floor Figueroa Street frontage
   - Visual synergy with LA Live (Campus feel)
   - The urban design and connection of west hall and west hall tower to LA Live venues and spaces
   - Technology, MEP, and utility systems upgrades
   - Improved insulation/sealing of the building envelope
   - Installing floor boxes in the exhibit hall on an approximate 30' X 30' grid
   - Upgrading ceiling structural elements to achieve higher load capacity for overhead rigging. Desired capacity is equal to the rating listed in the new exhibit hall.
   - Updating interior finishes
   - Modernizing the ceiling and lighting elements in the older portion of the west lobby
   - Modernizing restrooms including the restrooms in the rear of hall-A and making them ADA accessible
   - ADA access overall
   - Seismic bracing of mechanical systems.
   - Review existing utility infrastructure and related distribution systems to determine what must be replaced or upgraded.
   - Replace the main circuit breakers and switch gear in the S-1 and S-4 electrical switch rooms.

The level of modernization and related design solutions are to be discussed during the negotiating and early design phases of the Project to determine related costs and feasibility. Developer and City will prioritize the West Building Improvements as part of design process.

XV. Planning for the Future

Developer will produce an exhibit as part of the design documentation to demonstrate how the following program could be accommodated in a future expansion

| Type of Space | Future Expansion Estimates |
|---|---|
| Exhibit Space | 350,000 |
| Ballroom | 70,000 |
| Junior Ballroom | 30,000 |
| Meeting Rooms | 100,000 |

# EXHIBIT "A-3"

## Definition and Description of "Schematic Design Plus" Documentation

**A. Civil Site Plan**

a. Provided by AEG/Plenary
   i. Survey showing clear delineation of the project limit lines
   ii. Preliminary spot elevations
   iii. All existing utilities and underground structures within the Project Site based on both the information provided and field investigation
   iv. Results of preliminary soils, boring surveys, and recommendations
   v. Environmental Phase 1 report & Phase 2 if required

b. Provided by Populous
   i. Site plan of the project showing location of all buildings, roads, sidewalks and sidewalk features, parking and landscape elements.
   ii. Develop conceptual plan of service for utilities. Meet and confer with utility providers during ENA process to confirm capacity and get feedback on conceptual plans. Utilities would include electrical power, chilled water, domestic water, fire water, utility water, sanitary sewer, storm drain (, natural gas, telephone, data, and fire alarm systems, as applicable.
   iii. Conceptual plan for Site drainage, storm water removal or detention noted including any water quality facilities
   iv. Identify number of parking spaces
   v. Provisions for trash disposal and removal by truck dock, compactor etc.
   vi. Conformance to zoning restrictions for easements and setbacks, etc.
   vii. Outline demolition plan
   viii. Narrative as part of specification to describe standards references for utilities, street sections, paving sections, compaction criteria etc.

**B. Landscape including Gilbert Lindsay Plaza schematic design**

a. Planting plan & notes
b. Soils Specifications
c. Tree sizes, species and locations - Narrative
d. Paving & hardscape plan with materials - narrative
e. Sections for planters and other constructed elements
f. Site plan with landscape elements called out
g. Irrigation system description
h. Schematic lighting design.
i. Structures as required for food service, public performances, a mobility hub, and other public uses.
j. Schematic diagrams of Plaza uses and crowd control
   Will involve public process to get to final design

**C. Architectural**

a. Master alignment plan showing overall dimensions of the project
b. Site sections shall be included as needed to explain changes in levels within the proposed Project Site.
c. Floor plans showing:
   i. Locations, room names or space numbers
   ii. Overall dimension of major elements of the Project

        iii. Building elements such as vertical circulation elements, core elements, vertical shafts, interior partitions and types, door and window locations, finished floor elevations

d. Key dimensions, bay sizes and overall dimension
e. Area Summary
f. Room Listing describing [NTD – populous to provide a s sample of this]
    i. SF for each room area (gross, net and LAMC)
    ii. Suggested furniture for each room
    iii. Typical finishes for each room including RCP, doors, windows, hardware
    iv. Any specialty items (including equipment) planned for each room
    v. Electrical, mechanical and plumbing requirements for each room
g. Plan indicating major extent of materials and any special conditions or equipment to the extent not provided in Room Listing
h. Preliminary finish schedule for typical areas to the extent not provided in Room Listing
i. Accessibility routes and means for complying with applicable disabled access codes
j. Solar orientation diagrams

**D. Roof Plan**

a. Structural grid
b. Roof material
c. Preliminary drains and slope

**E. Conceptual Building Sections**

a. Major sections through building to show relevant conditions and as needed to explain structure and unusual design features, as applicable
b. Structural grid
c. Building to grade relationship that includes existing and proposed grades
d. Floor to floor height
e. Material designations to the extent not covered elsewhere

**F. Elevations**

a. Conceptual Building Elevations shall include all elevations, floor-to-floor dimension, the overall building height, and elevations of neighboring buildings, as applicable.
b. Major elevations with extent of glazing and mullion spacing indicated and other Major materials identified in REVIT model
c. Finish grade, floor lines, roof line
d. Exterior Renderings – Before & after from 4 views plus aerial

**G. Structural**

a. Design criteria narrative including loading assumptions, tons of sizes, seismic criteria, etc.
b. Structural system description including alternates considered
c. Overall Framing Plan
d. Shear wall elevations
e. Major member sizes Beam Sections and details
f. Slab schedule, sizing, typical sections and details
g. Beam Schedule, sizing, typical sections and details
h. Gravity column schedule, sizing, typical sections and details
i. Single line floor and roof framing plans

j. Typical bay and member sizes noted
k. Description of foundation system based on geotechnical report provided by AEG
l. Rebar quantity calculations with lbs per SF of area or other detail sufficient to qualify estimates

**H. Mechanical**

a. Preliminary HVAC system description to include central plant, duct chases, single lines showing major duct runs, and chilled, & hot water distribution lines
b. Design criteria for HVAC narrative including ("U" factors, temperature range, air changes, humidity controls, etc.)
c. Equipment schedules
d. Energy sources identified, entrances noted on architectural drawings
e. Mechanical rooms sized and located on architectural drawings
f. Vertical shafts with approximate spaces for risers and horizontal distribution indicated on architectural drawings
g. Location of cooling tower, mechanical rooms, electrical equipment shown on elevations, roof and/or site plans.
h. Fire protection codes and standards narrative
i. General description of fire suppression

**I. Electrical**

a. Design criteria for electrical services, including voltage, number of feeders and whether feeders are overhead or underground.
b. Provide a specific description of items to be served by emergency power and describe consideration for special areas.
c. Equipment schedule
d. Special features noted (UPS room, etc)
e. Power requirements stated
f. Substation and switch gear room sized and located on plans
g. MDF, IFD and electrical room overview and sizing requirements
h. Single line diagrams – attach example
i. Service outlets, floor boxes, furniture whips and other connections noted on plans or in room schedule
j. Any high voltage or special service locations noted on plans
k. Telephone and electrical room requirements shown on plans
l. Lighting outlined in plan
m. Preliminary photovoltaic layout and generation targets to be provided by AEG/Plenary

**J. Plumbing**

a. Gas, water, sewer, etc., service points
b. Underground plumbing (if any) required to reach points of connection to the extent required to determine and trenching required under building or otherwise.
c. Plumbing floor plans with plumbing fixture location identified
d. Approximate sizing and extent of horizontal distribution runs
e. Define floor drain requirements (show on plans or in Room List)
f. Riser diagrams for core and major plumbing stacks
g. Equipment Schedule
h. Fire life safety conceptual plans
i. Plumbing fixture count/schedule with occupancy load calculations

**K. Vertical Transportation**

a. Stair sections

b. Elevator summary
c. Escalator plan
d. Core plan and section views
e. Elevator and escalator specifications

## EXHIBIT "B"

### Pre-Development Milestones

| Design Development | Target Date |
|---|---|
| Complete Conceptual Design | Complete |
| Complete Schematic Design Plus documentation (Excluding Gilbert Lindsay Plaza) | 3/31/2019 |
| Complete Schematic Design Plus documentation for Gilbert Lindsay Plaza | 5/31/2019 |

| Contractor Procurement | Target Date |
|---|---|
| Develop and release design-builder and facilities maintenance provider RFP | 4/30/2019 |
| Design-Builder and facilities maintenance provider selection completed | 6/30/2019 |

| Commercial and Financial | Target Date |
|---|---|
| Commence negotiation of key business terms | 1/31/2019 |
| AEG/Plenary to submit draft of financing plan to the City | 3/31/2019 |
| AEG/Plenary to submit drafts of Implementation and other Definitive Agreements to the City | 3/31/2019 |
| Finalize key business terms | 6/30/2019 |
| AEG/Plenary to submit firm fixed price to the City | 9/30/2019 |
| Complete Implementation and other Definitive Agreements | 9/30/2019 |

## EXHIBIT "C"

### Minimum Elements for the Proposed Project

**LACC Expansion:**

- A minimum net-new addition of main programming space as follows: no less than 190,000 sf of exhibit hall space, no less than 95,000 sf of multi-purpose space, and no less than 55,000 sf of meeting room space.
- The existing south hall, the existing west hall, and the new hall spaces must connect together to provide an overall contiguous exhibit hall space offering.
- New arrival areas on the north side of west hall along Chick Hearn Court, and new lobby space on the north side of Pico Blvd. Existing shuttle bus program from Gilbert Lindsay Plaza relocated to new arrival area on Pico Blvd.
- Gilbert Lindsay Plaza to be redesigned to create a flexible, pedestrian-friendly open space that can be utilized to support LACC campus events as well as provide activated public space.
- Design must result in LACC's compliance with the City's non-ductile concrete ordinance (includes solutions for the west building and the LA Live Way garage).

**New Hotel Tower:**

- Not less than 840 hotel rooms.
- Not less than 95,000 square feet of total meeting room space, including ballroom space, exhibit space and meeting rooms.
- Not less than 50,000 square feet of ballroom space.
- Located within a development site bounded by West Road, Georgia Street, Chick Hearn Court, and L.A. Live Way.
- Connected to the expanded LACC via an above-grade, enclosed pedestrian bridge over Chick Hearn Court.
- Hotel brand shall be JW Marriott or equivalent.

**EXHIBIT D**
**INSURANCE REQUIREMENTS**

**[please see attached]**

Form Gen. 146 (Rev. 9/06)

# Required Insurance and Minimum Limits

Name: Anschutz Entertainment Group, Inc. Date: 07/25/2018

Agreement/Reference: Exclusive Negotiating Agreement

Evidence of coverages checked below, with the specified minimum limits, must be submitted and approved prior to occupancy/start of operations. Amounts shown are Combined Single Limits ("CSLs"). For Automobile Liability, split limits may be substituted for a CSL if the total per occurrence equals or exceeds the CSL amount.

Limits

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✓ **Workers' Compensation - Workers' Compensation (WC) and Employer's Liability (EL)**

WC *Statutory*

EL $1,000,000

☑ Waiver of Subrogation in favor of City

☐ Longshore & Harbor Workers

☐ Jones Act

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✓ **General Liability** $2,000,000

☑ Products/Completed Operations

☐ Fire Legal Liability

☐

☐ Sexual Misconduct

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✓ **Automobile Liability** (for any and all vehicles used for this contract, other than commuting to/from work) $1,000,000

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___ **Professional Liability** (Errors and Omissions)

Discovery Period

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___ **Property Insurance** (to cover replacement cost of building - as determined by insurance company)

☐ All Risk Coverage

☐ Flood

☐ Earthquake

☐ Boiler and Machinery

☐ Builder's Risk

☐

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___ **Pollution Liability**

☐

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___ **Surety Bonds** - Performance and Payment (Labor and Materials) Bonds 100% of the contract price

___ **Crime Insurance**

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**Other:**

Attachment C

"JW Marriott Expansion – Financial Feasibility, Public Revenue & Employment Analysis"

Keyser Marston Associates (KMA)

KEYSER MARSTON ASSOCIATES.
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

# MEMORANDUM



**To:** Sharon Tso, Chief Legislative Analyst
City of Los Angeles

**From:** Kevin Engstrom
James Rabe, CRE

**cc:** John Wickham

**Date:** October 30, 2018

**Subject:** JW Marriott – Development Feasibility and Public Revenue Analysis

Pursuant to your request, Keyser Marston Associates, Inc. (KMA) prepared an analysis of: (1) the development feasibility of an expanded JW Marriott project (Project); (2) the site-specific revenues that could be generated by the development of the expanded hotel and (3) the employment generated by Project. The Project will be developed by AEG (Developer).

The Developer currently owns the existing, 878-room JW Marriott hotel (Existing Hotel) located at LA Live in the City of Los Angeles (City). The proposed Project will add 850 rooms to the existing hotel to create a large-scale convention center hotel of 1,728 rooms (Expanded Hotel).

In preparing this analysis, KMA has met with the City of Los Angles (City) and the Developer. The Developer provided the *Study of Potential Market Demand and Statements of Estimated Annual Operating Results & Development Feasibility and Public Revenue Analysis for the Expanded 1,728-Room JW Marriott Los Angeles LA Live Located in Los Angeles, California* prepared by CBRE Hotels Consulting (CBRE), which summarized their projected operating performance and development costs.

The body of the memorandum is organized as follows:

- Executive Summary
- Feasibility Analysis
- Site-Specific Revenue Analysis
- Conclusions

## EXECUTIVE SUMMARY

### Feasibility Analysis

The Developer is proposing to add 850 rooms to the existing four-star JW Marriott. The Developer indicates the Expanded Hotel will be developed and operated at a quality level that is commensurate with the Existing Hotel. KMA conducted a financial analysis that estimates the feasibility gap of the proposed expansion, utilizing cost and revenue information provided by the Developer, as well as KMA's own experience with hotel projects in Southern California. KMA reached the following conclusions based on the analysis:

- Overall development costs, as estimated by the Developer, reflect a high quality level. The Hotel's construction type, amount of conference space, building height, proposed quality level, and location are all factors that add cost premiums over typical per key hotel development costs. Based on these considerations, KMA estimated the Hotel construction cost at $693.0 million ($815,000 per key).
- To measure feasibility KMA projected the operating parameters for the Expanded and Existing Hotel. The incremental difference in Net Operating Income (NOI) between Expanded and Existing Hotel was utilized to measure the level of investment supported by the new hotel rooms.
- The Expanded Hotel is projected to support a stabilized ADR of $291 in $2018. The average ADR of higher end hotels in Downtown Los Angeles was $230 in 2017.[1] Therefore, the Hotel is projected to achieve a rate that is 27% higher than the Downtown average. This premium would reflect a strong operator, high quality establishment and prime location. All of these factors are met by both the Existing and Expanded Hotel, as the Existing Hotel is already generating room rates of $272 per night, which exceed the market area average.

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[1] Source: CBRE Trends

- The Expanded Hotel's stabilized occupancy levels is expected to be 82% in the third year of operation, which is higher than the Downtown L.A. average of 77.9% in 2017.
- KMA estimated the incremental NOI at $41.6 million, which assumes an operating ratio for the Expanded Hotel of 24.0% of NOI to gross revenues. Comparably, the operating ratio for the Existing Hotel is 15.6%. Overall, the ratio of NOI to gross revenues for the Expanded Hotel reflects a well-operated, efficient property. The efficiencies achieved by the Expanded Hotel are significant, thus increasing the Project's NOI and mitigating its feasibility gap. In addition, the Developer intends to charge a resort fee, which will add $4.3 million in revenue to the Expanded Hotel's NOI.
- KMA estimates the feasibility gap for the Project at $119.4 million, based on the development costs and revenues described above. This analysis assumes a 8.00% return on cost threshold, which is at the low end of the typical range for full-service, luxury hotels.

**Site-Specific Revenues**

KMA prepared estimates of the site-specific revenues that are likely to occur during the construction and operation of the Project. The scope of the KMA analysis is limited to the City of Los Angeles General Fund revenue impacts that occur on-site as a result of the Project during construction, and a 25-year operating period. Based on market research, discussions with the Developer and CBRE, the KMA analysis assumes that all of the Hotel visits generated by the Project will be net new to the City of Los Angeles. The public revenues that are considered to be site-specific revenues include:

- Transient occupancy taxes (TOT) from Hotel guests;
- The City's share of property tax from the 1.0% general levy;
- Sales tax revenues from Hotel and restaurant operations and construction sales;
- Gross receipts taxes from the operation of the Hotel, parking, and on-site retail/restaurant;
- Utility taxes for electricity, gas, and telephone usage; and
- Parking taxes on parking gross receipts.

KMA projected the incremental revenues generated by the Expanded Hotel when compared to the Existing Hotel. TOT generates the majority of the site-specific revenues at $493.9 million. The incremental public revenues generated by the Expanded Hotel during the two-year construction period and 25-year operating period are $601.2 million, equal to $195.5 million in net present value (NPV), when discounted at 10%.[2]

The net new public revenues are equal to the site-specific revenues during the subvention period reduced by the public revenues that would be generated by the site, if the property maintained its current use. Based on the Developer's submittal and the City's review, the analysis assumes any existing property taxes are assigned to the Existing Hotel and will continue to be paid by the Existing Hotel. The site currently generates parking taxes from an existing parking structure; however, the existing parking is not fully utilized. Further, the project will not remove the entire parking structure and the balance of the parking is assumed to relocate and/or transfer to other LA Live parking garages owned by the Developer.[3] Therefore the net new revenues generated by the Project, when taking into account the baseline incremental revenues being generated by the Expanded Hotel, are equal to $601.2 million in gross value and $195.5 million in NPV.

The City's subsidy program is structured to be the lesser of 50% of the present value of the net public revenues when discounted at 10% or the feasibility gap. For this Project, the present value of 50% of the net public revenues is $97.7 million, which is lower than the feasibility gap ($119.4 million).[4] Therefore, the maximum subsidy payments to the Developer would have a present value of $97.7 million. If a general fund subsidy measured by an amount equivalent to 100% of the TOT is made available to the Developer, then the term of the subsidy would be 11 years, during which the Developer would receive $166.8 million ($97.7 million NPV). After the subsidy, the incremental City revenues generated by the Project will have a nominal value of $434.4 million and present value of $97.7 million.

**Project Employment**

The Project is estimated to generate a significant amount of employment. On-site, approximately 740 jobs are anticipated. Based on the relevant multipliers, the direct, indirect and induced employment generated by the Project is 1,210 full and part-time jobs (1,008 FTEs). During construction, the Project is projected to generate 5,560 temporary jobs.

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[2] Includes TOT charged on the Resort Fee totaling $45.5 million, which has a present value of $15.1 million when discounted at 10%.
[3] Based on information supplied by the City.
[4] Includes TOT charged on the Resort Fee. If these revenues are excluded, the net new revenues are $555.3 million ($180.2 million present value), so the revenues available for assistance ($277.7 million) would have a present value of $90.1 million.

## FEASIBILITY ANALYSIS

The Developer is proposing a 850-room expansion to the existing JW Marriott. The Expanded Hotel will be a full-service, four-diamond property consistent with the Existing Hotel. KMA conducted a financial analysis that estimates the surplus/feasibility gap for the Project. The analysis conducted herein relies on the submittal from the Developer and our experience with other hotel developments in California. The KMA pro forma analysis is organized as follows:

- Table 1 - Estimated Development Cost
- Table 2 - Estimated Net Operating Income/Sales Revenue
- Table 3 - Estimated Project Surplus/(Feasibility Gap)

### *Estimated Development Costs*

The estimated Project development costs are shown in Attachment 1 – Table 1. Given the proposed brand, KMA assumes the Hotel will be operated at a four-diamond quality level, with amenities appropriate for such a property. Consequently, the following key issues were identified during our review of the Hotel pro forma.

1. KMA included an air rights value/cost for the Project of $25.0 million, which is consistent with the Developer's submittal and reflects a cost of $35 per square foot of building space. The value is consistent with the combined TFAR and Public Benefit payments for the Luxe City Center Hotel project, which included a Public Benefit Payment of $7.2 million and a TFAR Transfer Payment of $1.2 million. The combined value of these payments equaled $35 per square foot of building area. This is also generally consistent with KMA's understanding of past TFAR transactions in Los Angeles.

2. The site-improvement are included in the Project's direct construction costs.

3. Signage costs are estimated at $6.5 million.

4. The Developer will utilize the existing parking spaces on the Site.

5. The Hotel furniture, fixture and equipment (FF&E) budget is estimated at $63,600 per key, which is consistent with comparable hotels, and is sufficient for the quality level that the Developer has indicated it wishes to achieve.

6. The Hotel shell costs are estimated at $567,00 per key ($481.8 million). These costs reflect the following:

a. The costs include prevailing wage provisions.

b. The Hotel will be a Type I, concrete and steel high-rise Project, which is significantly more costly than low-rise, wood-frame construction.

c. Given the urban location and surrounding developments, the Hotel will be built to a very high quality standard that is consistent with the surrounding environment and built to attract high quality, large conventions.

d. Significant site constraints, including the incorporation of the existing parking structure.

e. There is approximately 250,000 square feet of conference space in the Project.

7. A contingency provision equal to 5% of the direct costs is included. Typically, these allowances for hotel projects range from 5% to 10%.

8. The architecture, engineering and consultant costs are estimated at 6.0% of direct costs ($34.2 million), which is consistent with industry standards of 6% to 8% of direct costs.

9. Based on information provided by the Developer and reviewed by the City, the permits and fees are estimated at $7.2 million. An additional Art Fee of $4.6 million is included.

10. The taxes, insurance, legal and accounting costs for the Hotel are 1.50% of direct costs, which is within the range of typical costs (1.0% to 3.0%).

11. Based on information provided by the Developer, the pre-opening/working capital costs for the Hotel are $5,200 per room ($6.0 million). This is a moderate amount for a hotel of this quality level; however, the Existing Hotel will offset the requirement for a significant budget.

12. Typical development management fees range from 3% to 5% of direct costs. Based on the Developer's submittal, the development management fee was estimated at $8.1 million, which is 1.4% of direct costs.

13. A standard indirect contingency allowance of 5% of indirect costs is assumed.

14. Assuming standard industry assumptions, the total financing costs for the Project are $28.2 million.

Overall, KMA believes the development costs estimated by the Developer are reasonable given the construction type, height of the Hotel, proposed quality level and location of the property. Based on these assumptions, KMA estimated the Hotel construction costs at $693.0 million, which equates to $815,300 per Hotel key.

**Estimated Net Operating Income**

The estimated net operating income (NOI) for the Project is shown in Attachment 1 – Table 2. For the purposes of this analysis, KMA estimated the NOI for both the Expanded Hotel and Existing Hotel. The difference in Net Operating Income (NOI) between Expanded and Existing Hotel is the Incremental Project NOI. The NOI estimate includes the following key assumptions:

1. The stabilized, average daily rate (ADR) for the Expanded Hotel was estimated at $291 in 2018. The estimate is based on a market study prepared by the Developer and the their consultant, which evaluated the performance of the Existing Hotel and a competitive set of properties in Downtown Los Angeles. According to CBRE Trends, which tracks ADR and occupancy averages for hotels throughout Southern California, the average ADR of higher end hotels in Downtown Los Angeles was $230 in 2017. Therefore, the Hotel is projected to achieve a rate that is 27% higher than the Downtown average. This premium would reflect a strong operator, high quality establishment and prime location. All of these factors are met by both the Existing and Expanded Hotel, as the Existing Hotel is already generating room rates of $272 per night, which exceed the market area average.

2. The occupancy level is estimated at 82%, which assumes stabilization in Year 4 of operation. According to CBRE Trends, the average occupancy level for Downtown Los Angeles hotels was 77.9% in 2017. Therefore, the Hotel is anticipated to achieve a premium occupancy level for the market area.

3. The other revenue sources and expenses are based on the Developer's submittal, and KMA's experience with other hotels in the region.

4. The Distributed and Undistributed Expenses estimated by KMA for the Expanded Hotel are consistent with similar full-service hotels reviewed by KMA in the region. There is a significant difference in the operating margins for the Expanded Hotel compared to the Existing Hotel, as the Developer anticipates

significant benefits from the economies of scale associated with the larger property.

5. The FF&E reserves are estimated at 5% of gross revenues, which is consistent with other hotels in the region. Hotels typically have a high reserve requirement due to the need to turn over both soft and hard goods in rooms.

KMA estimated the NOI for the Expanded Hotel at $60.2 million, which is 24.0% of gross revenues. The ratio of NOI to gross revenues is consistent with other four diamond properties in the region, reflecting a well-operated, efficient property. The NOI for the Existing Hotel is estimated at $18.6 million, which is 15.6% of gross revenues. This ratio of NOI to gross revenues is extremely low and likely a significant reason for the Developer pursuing the expansion. The Incremental Project NOI is $41.6 million.

**Estimated Project Surplus/(Feasibility Gap)**

Shown in Attachment 1 - Table 3 is the estimated Project surplus/(feasibility gap) for the Expanded Hotel and Event Deck.

1. The Incremental Project NOI is $41.6 million. Ultimately, the efficiencies achieved by the Expanded Hotel are significant, proportionately increasing the Project's NOI. The higher NOI supported by the Expanded Hotel will mitigate the Project's feasibility gap.

2. In addition to the typical hotel revenues generated by the Project, the Developer is proposing to charge a Resort Fee of $25 per night.[5] Based on research conducted by the hotel operator and the Developer, the Resort Fee is assumed to be assessed on 82.5% of the hotel room guests, based on 95% of the transient rooms and 75% of the group rooms paying this fee. Included in the Resort Fee are a number of amenities available to the hotel guests. Proposed amenities include a free glass of wine, dining credit, daily yoga/fitness class, bike rental and retail discounts. If the Hotel guest utilizes these amenities, then the hotel will need to cover those costs. Based on the experience of other hotel operations, the Developer estimated the Resort Fee costs at 60% of gross revenues. Therefore, the Resort Fees generate $4.3 million in net revenue to the Project.

3. The analysis relies on an 8.0% return on cost threshold, for the following reasons:

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[5] The Developer indicates the proposed ADR for the Project reflects the imposition of the Resort Fee.

a. Market area cap rates
b. Proximity to the Convention Center
c. Existing hotel provides an established clientele base
d. Strong Downtown/LA Live area demand
e. High quality operator and brand

This level of return is at the low end for typical hotels, which range from 8.0% to 10.5% depending on location, brand and quality level. At this return, the Project would support $573.7 million in investment and the Project's feasibility gap is $119.4 million, which is the difference between the estimated development costs of $693.0 million and the supported investment of $573.7 million.

As a cross-check, KMA estimated the Project's feasibility gap by evaluating its profit margin. This return method utilizes a typical Developer profit based on the project costs and anticipated value of the development at stabilization. Typically, a hotel developer's profit (anticipated value at sale less development costs) for a high quality, high rise hotel in dense urban settings will range from 20% to 25% of project costs. Due to the Project's complexities and consistent with the return on cost analysis, KMA assumed the mid-point of this range, 22.5%, to identify an appropriate level of profit. Assuming a 6.25% capitalization rate for the Project ($734.3 million value) and Project costs of $693.0 million, the Project's feasibility gap under these assumptions is $114.7 million, which is consistent with the return on cost analysis.

## SITE-SPECIFIC REVENUE ANALYSIS

KMA was requested to review and estimate the site-specific revenues that might be generated by the development of the Project. For this analysis, KMA calculated the site-specific revenues for the Expanded Hotel and the Existing Hotel. The difference between these two revenues streams are the Incremental Project Revenues. The Incremental Project Revenues would be available for subsidizing the expansion. KMA projected the revenues generated during the two-year construction period and an operating period of 25 years. KMA made the following assumptions in projecting the public revenues:

- The purpose of the KMA analysis is to estimate the net new revenues that the Project would generate for the City of Los Angeles. Based on the Developer's submittal and the City's review, the analysis assumes any existing property taxes are assigned to the Existing Hotel and will continue to be paid by the Existing Hotel. The site currently generates parking taxes from an existing parking structure; however, the existing parking is not fully utilized. Further, the project will not remove the entire parking structure and the balance of the parking is assumed to relocate and/or transfer to other LA Live parking garages owned by the Developer. Therefore, there are no revenues to net out of the analysis.

- KMA assumed that the Project will require a two-year construction period, beginning in fiscal year 2020-21, with construction complete and the start of operations in 2022-23. Stabilized operations begin in the third operating year, 2024-25.
- KMA reviewed the projections for Hotel operations provided by the Developer and other hotel operating projections in KMA's files to project the gross room revenues, food and beverage sales, and other hotel revenues. KMA prepared the projections for a 25-year period using an annual 3.0% annual increase (after stabilization) in hotel room rates for the first ten years and a 2.5% increase thereafter.
- Typical industry practice is for hotels to collect and remit transient occupancy taxes on resort, destination and similar amenity fees. For instance, a review of the hotel booking website for two of the hotels in the City that currently charge such a fee, the Kimpton Palomar and the Mondrian Los Angeles, indicates that both are collecting TOT on such fees. Further, the Developer has indicated that both it and Marriott anticipate that the destination fee planned for the Project will be subject to TOT, and the imposition of such tax is assumed in the Developer's financial models for the proposed expansion project.
- The KMA analysis assumes that all of the visitors generated by the Hotel will be net new to the City. Discussions with the Developer and its consultants indicate that this Hotel is oriented toward supporting the Convention Center uses.
- Finally, it is important to note that the KMA analysis estimated the direct public revenue impacts of the Expanded Hotel and Existing Hotel within the City of Los Angeles. The analysis is strictly limited to **on-site** General Fund revenue impacts from the sources described in the next section. KMA understands that there are indirect and induced economic impacts that may occur as a result of the construction and operation of the Project. These broader, more regional impacts are not considered in the KMA analysis.
- KMA assumed a 10% discount rate for the Net Present Value projections.

**Site-Specific Revenue Classes**

The purpose of projecting the Incremental Project Revenues is to quantify the amount of assistance potentially available to the Project. The City revenues available to provide assistance include TOT, property tax, sales tax, gross receipts tax, utility tax, parking tax, and sales tax from Hotel visitor and employee spending. The revenues available to assist the Project are those that are incremental to what the City would receive from the property without its development. Each category is discussed below:

***Transient Occupancy Tax***

The City's TOT rate is 14.0%. KMA computed the TOT revenues based on its room revenue and resort fee projections. The KMA analysis does not assume the City's Tourism Marketing District (TMD) funds are available to subsidize this Project.

***Property Tax***

Based on information from the Los Angeles County Auditor-Controller's office, after taking into account the property tax revenues that are allocated to the Educational Revenue Augmentation Fund (ERAF), the City of Los Angeles receives approximately 26.3% of the 1.0% general levy rate. These property tax revenues accrue to the General Fund. These receipts are considered site-specific revenues.

***Sales Tax***

The City receives 1.0% of gross sales for the General Fund. All of the taxable sales from Hotel and restaurant operations are considered new sales tax revenues to the City. Construction materials purchased in the City or purchased out of state and delivered to the site are also subject to sales or use tax.

***Gross Receipts***

The City levies a tax on business activity in the City, based upon gross receipts or gross revenues. For the Project, gross receipts are generated by Hotel and parking operations, and the operation of the attached restaurant. Gross receipts are also generated by the construction of the Project. All gross receipts are considered new site-specific revenues.

***Utility Tax***

The City receives tax revenues from the use of electricity, natural gas, telephone and cable services used at the Hotel. The tax rates vary by utility. These revenues are considered new and flow to the General Fund.

### *Parking Tax*

The City collects 10% of the charges for parking as a citywide parking tax. Taxes collected from on-site hotel parking flow to the General Fund.

### Site-Specific Revenues

The Project's site-specific revenues are projected for the two-year construction period and a 25-year operating period. The computations of site-specific revenues for the individual revenue streams are provided in Attachment Two - Tables 1 - 6. The findings of the analysis are summarized in Summary Table 1A and 1B.

- **Summary Table 1A** - Shows the gross revenues generated by the Expanded Hotel, which are estimated at $1.1 billion ($354.0 NPV) over 25 years.
- **Summary Table 1B** - Shows the Incremental Project Revenues (Expanded Hotel revenues less Existing Hotel revenues) generated by the Project. Based on the foregoing assumptions, the Incremental Project Revenues are $601.2 million ($195.5 million NPV) over 25 years.

As shown in Attachment 2 - Tables 1 – 6, TOT is by far the primary generator of site-specific revenues, followed by property tax and sales tax, as shown below:

**Incremental Project Revenues**

| | Total | Net Present Value @ 10% |
|---|---|---|
| Transient Occupancy Tax[6] | $493,910,000 | $157,818,000 |
| Property Tax | 60,885,000 | 21,945,000 |
| On-Site Sales Tax | 18,509,000 | 6,374,000 |
| Gross Receipts Tax | 8,234,000 | 3,020,000 |
| Utility User Tax | 7,304,000 | 2,329,000 |
| Parking Tax | 12,391,000 | 3,977,000 |
| Total Revenues | $601,233,000 | $195,463,000 |

Under the policy, the assistance to the Hotel is limited to the present value of 50% of the net new public revenues up to the Project feasibility gap. The net new public revenues during the 25-year Incentive Term are equal the site-specific revenues generated by the Project, less the public revenues generated at the site without development of the Project. As stated above, the analysis assumes any existing property taxes are assigned

[6] Includes TOT charged on the Resort Fee totaling $45.5 million, which has a present value of $15.1 million when discounted at 10%.

to the Existing Hotel and the parking taxes will relocate and/or transfer to other garages owned by the Developer. Therefore, there are no revenues to net out of the analysis. Summary Table 2 shows the calculation of the Net New Public Revenues and the 50% of Net New Public Revenues that are available to the Project.

| | Gross Revenues | Net Present Value @ 10% |
|---|---|---|
| Net New Public Revenues | $601,233,000 | $195,463,000 |
| 50% of Net New Public Revenues[7] | $300,617,000 | $97,732,000 |

Applying the 50% factor to the net new revenues, the assistance available to the Project has a present value of $97.7 million, which is lower than the Project feasibility gap of $119.4 million. Therefore, the maximum subsidy payments to the Developer would have a present value of $97.7 million. If a general fund subsidy measured by an amount equivalent to 100% of the TOT is made available to the Developer, then the term of the subsidy would be 11 years, during which the Developer would receive $166.8 million ($97.7 million NPV). After the subsidy, the incremental City revenues generated by the Project will have a nominal value of $434.4 million and present value of $97.7 million.

## PROJECT EMPLOYMENT

Working with the Developer, KMA estimated the direct, indirect and induced employment generated by the Project. The direct employment is the actual number of jobs created on-site. The indirect and induced employment are the off-site jobs created throughout Los Angeles County as a result of the investment and operating performance of the Project.

### Project Employment

The Project employment estimates are based on the Developer's experience with the existing hotel, which indicated 741 jobs would be generated by the Project. This estimate includes 698 full-time positions and 43 part-time positions. It should be noted, that the CBRE report indicated one of the major factors convincing the Developer to move forward with the Project was the economies of scale achieved with a larger hotel. The low ratio of NOI to gross revenues for the Existing Hotel demonstrates its current inefficient operations. By adding more rooms and event space, the Developer can more

[7] Includes TOT charged on the Resort Fee. If these revenues are excluded, the net new revenues are $555.3 million ($180.2 million present value), so the revenues available for assistance ($277.7 million) would have a present value of $90.1 million.

efficiently run their Project and achieve higher operating margins. In part, these higher operating margins are possible because of the efficient utilization of labor.

**Direct, Indirect and Induced Employment**

The indirect and induced employment generated by the Project is measured for Los Angeles County based on the Rims II Multiplier. To estimate these impacts, the appropriate industry sector multipliers are selected. For the purposes of this analysis, KMA assumed the Rims II Direct Effect Multipliers for accommodations.[8] The direct, indirect and induced employment generated by the Project is projected to be 1,190 jobs. This estimate would reflect the total part-time and full-time employment generated by the Project. According to the Bureau of Economic Analysis, which prepares the RIMS II Multiplier, the ratio of Full-Time Equivalent (FTE) Employment to Total Employment in the Accommodations sector is .89.[9] Therefore, the FTEs for the Project are 1,060.

**Construction Employment**

The Project will generate a number of temporary, direct, indirect and induced construction jobs while being built. Based on the proposed hard costs and the Los Angeles County RIMS II construction employment multiplier, KMA estimates the Project will generate 5,290 construction related jobs while being built.[10]

## CONCLUSION

The City identified three issues for KMA to review and evaluate. The first issue was to identify the financial feasibility of the Project, including an estimate of the Project's feasibility gap. Second, the City wished to identify the incremental site-specific public revenues and net new revenues that would be generated by the Project. Third, the City requested employment estimates for the Project.

With respect to Project feasibility, KMA reviewed the development costs and potential operating revenues of Project. Projected development costs are above average for a hotel of this type. However, the Project's construction type, building height, quality level, magnitude of the conference center space and location are all expected to increase the Project costs. From an operating perspective, the Project is expected to perform at higher levels than the existing Downtown market in terms of ADR and occupancy levels. However, given the overall development costs, revenues, and anticipated rate of return, the Project is currently infeasible. KMA estimates the feasibility gap at approximately $119.4 million.

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[8] RIMS II Multipliers (2007/2016) for Los Angeles County.
[9] U.S. Department of Commerce - Bureau of Economic Analysis
[10] RIMS II Multipliers (2007/2016) for Los Angeles County.

KMA evaluated the site-specific revenues and the net new revenues of the Project. The net present value (NPV) of the site-specific revenues is $300.6 million. Only 50% of the net new revenues are available for assistance to the Project, approximately $97.7 million. The Project subsidy is determined by the lesser of the available public revenues or the Project feasibility gap; therefore, the Project subsidy is $97.7 million. If a general fund subsidy measured by an amount equivalent to 100% of the TOT is made available to the Developer, then the term of the subsidy would be 11 years, during which the Developer would receive $166.8 million ($97.7 million NPV). After the subsidy, the incremental City revenues generated by the Project will have a nominal value of $434.4 million and present value of $97.7 million.

The Project is estimated to generate a significant amount of employment. On-site, approximately 741 hotel jobs. Based on the relevant multipliers, the direct, indirect and induced employment generated by the Project is 1,190 full and part-time jobs (1,060 FTEs). During construction, the Project is projected to generate 5,290 temporary jobs.

Attachments

**ATTACHMENT TWO - SUMMARY TABLE 1A**
**GROSS PUBLIC REVENUES PROJECTIONS**
**JW MARRIOTT EXPANSION - DRAFT**
**LOS ANGELES, CALIFORNIA**

| Project Year | | Transient Occupancy Tax [1] | City Share of Property Tax [2] | On-Site Sales Tax [3] | Gross Receipts Tax [4] | Utility User Tax [5] | Parking Tax [6] | Gross Public Revenues |
|---|---|---|---|---|---|---|---|---|
| Const. | 2019 -20 | - | - | - | - | - | - | - |
| Const. | 2020 -21 | - | $2,351,000 | $356,000 | $288,000 | - | - | $2,995,000 |
| Const. | 2021 -22 | - | 3,280,000 | 356,000 | 288,000 | - | - | 3,924,000 |
| 1 | 2022 -23 | $23,530,000 | 3,346,000 | 928,000 | 382,000 | $397,000 | $711,000 | 29,294,000 |
| 2 | 2023 -24 | 25,338,000 | 3,413,000 | 1,002,000 | 411,000 | 429,000 | 732,000 | 31,325,000 |
| 3 | 2024 -25 | 26,603,000 | 3,481,000 | 1,054,000 | 430,000 | 463,000 | 754,000 | 32,785,000 |
| 4 | 2025 -26 | 27,430,000 | 3,551,000 | 1,088,000 | 444,000 | 475,000 | 777,000 | 33,765,000 |
| 5 | 2026 -27 | 28,256,000 | 3,622,000 | 1,121,000 | 458,000 | 487,000 | 800,000 | 34,744,000 |
| 6 | 2027 -28 | 29,082,000 | 3,694,000 | 1,155,000 | 471,000 | 499,000 | 824,000 | 35,725,000 |
| 7 | 2028 -29 | 29,911,000 | 3,768,000 | 1,188,000 | 485,000 | 511,000 | 849,000 | 36,712,000 |
| 8 | 2029 -30 | 30,812,000 | 3,843,000 | 1,224,000 | 499,000 | 524,000 | 874,000 | 37,776,000 |
| 9 | 2030 -31 | 31,713,000 | 3,920,000 | 1,261,000 | 514,000 | 537,000 | 900,000 | 38,845,000 |
| 10 | 2031 -32 | 32,616,000 | 3,999,000 | 1,297,000 | 529,000 | 550,000 | 927,000 | 39,918,000 |
| 11 | 2032 -33 | 33,423,000 | 4,079,000 | 1,330,000 | 542,000 | 564,000 | 950,000 | 40,888,000 |
| 12 | 2033 -34 | 34,249,000 | 4,160,000 | 1,363,000 | 555,000 | 578,000 | 974,000 | 41,879,000 |
| 13 | 2034 -35 | 35,097,000 | 4,243,000 | 1,397,000 | 570,000 | 592,000 | 998,000 | 42,897,000 |
| 14 | 2035 -36 | 35,965,000 | 4,328,000 | 1,432,000 | 584,000 | 607,000 | 1,023,000 | 43,939,000 |
| 15 | 2036 -37 | 36,855,000 | 4,415,000 | 1,468,000 | 598,000 | 622,000 | 1,049,000 | 45,007,000 |
| 16 | 2037 -38 | 37,767,000 | 4,503,000 | 1,505,000 | 613,000 | 638,000 | 1,075,000 | 46,101,000 |
| 17 | 2038 -39 | 38,701,000 | 4,593,000 | 1,542,000 | 628,000 | 654,000 | 1,102,000 | 47,220,000 |
| 18 | 2039 -40 | 39,659,000 | 4,685,000 | 1,581,000 | 643,000 | 670,000 | 1,130,000 | 48,368,000 |
| 19 | 2040 -41 | 40,641,000 | 4,779,000 | 1,620,000 | 660,000 | 687,000 | 1,158,000 | 49,545,000 |
| 20 | 2041 -42 | 41,647,000 | 4,874,000 | 1,661,000 | 676,000 | 704,000 | 1,187,000 | 50,749,000 |
| 21 | 2042 -43 | 42,678,000 | 4,972,000 | 1,702,000 | 693,000 | 722,000 | 1,217,000 | 51,984,000 |
| 22 | 2043 -44 | 43,734,000 | 5,071,000 | 1,745,000 | 710,000 | 740,000 | 1,247,000 | 53,247,000 |
| 23 | 2044 -45 | 44,816,000 | 5,173,000 | 1,788,000 | 728,000 | 759,000 | 1,278,000 | 54,542,000 |
| 24 | 2045 -46 | 45,926,000 | 5,276,000 | 1,833,000 | 745,000 | 778,000 | 1,310,000 | 55,868,000 |
| 25 | 2046 -47 | $47,063,000 | $5,382,000 | $1,879,000 | $764,000 | $797,000 | $1,343,000 | $57,228,000 |
| **25 Year Term** | | | | | | | | |
| Nominal Total | | $883,512,000 | $112,801,000 | $35,876,000 | $14,908,000 | $14,984,000 | $25,189,000 | $1,087,270,000 |
| Net Present Value @ 10% | | 282,845,000 | $41,122,000 | $11,948,000 | $5,162,000 | $4,812,000 | $8,084,000 | $353,973,000 |

[1] See ATTACHMENT TWO - TABLE 1.
[2] See ATTACHMENT TWO - TABLE 2.
[3] See ATTACHMENT TWO - TABLE 3A and ATTACHMENT TWO - TABLE 3B.
[4] See ATTACHMENT TWO - TABLE 4A and ATTACHMENT TWO - TABLE 4B.
[5] See ATTACHMENT TWO - TABLE 5A and ATTACHMENT TWO - TABLE 5B.
[6] See ATTACHMENT TWO - TABLE 6.

Prepared by: Keyser Marston Associates, Inc.
Filename; JW Marriott PR-PF-V22;Gross; DP

**ATTACHMENT TWO - SUMMARY TABLE 1B**
**INCREMENTAL PUBLIC REVENUES PROJECTIONS**
**JW MARRIOTT EXPANSION - DRAFT**
**LOS ANGELES, CALIFORNIA**

| Project Year | | Transient Occupancy Tax [1] | City Share of Property Tax [2] | On-Site Sales Tax [3] | Gross Receipts Tax [4] | Utility User Tax [5] | Parking Tax [6] | Incremental Public Revenues |
|---|---|---|---|---|---|---|---|---|
| Const. | 2019 -20 | - | - | - | - | - | - | - |
| Const. | 2020 -21 | - | $882,000 | $356,000 | $288,000 | - | - | $1,526,000 |
| Const. | 2021 -22 | - | 1,782,000 | 356,000 | 288,000 | - | - | 2,426,000 |
| 1 | 2022 -23 | $12,547,000 | 1,818,000 | 438,000 | 194,000 | $173,000 | $350,000 | 15,520,000 |
| 2 | 2023 -24 | 14,032,000 | 1,854,000 | 498,000 | 217,000 | 199,000 | 360,000 | 17,160,000 |
| 3 | 2024 -25 | 14,938,000 | 1,891,000 | 534,000 | 231,000 | 227,000 | 371,000 | 18,192,000 |
| 4 | 2025 -26 | 15,406,000 | 1,929,000 | 552,000 | 238,000 | 233,000 | 382,000 | 18,740,000 |
| 5 | 2026 -27 | 15,873,000 | 1,968,000 | 569,000 | 245,000 | 239,000 | 394,000 | 19,288,000 |
| 6 | 2027 -28 | 16,340,000 | 2,007,000 | 587,000 | 253,000 | 245,000 | 405,000 | 19,837,000 |
| 7 | 2028 -29 | 16,787,000 | 2,047,000 | 603,000 | 260,000 | 251,000 | 418,000 | 20,366,000 |
| 8 | 2029 -30 | 17,294,000 | 2,088,000 | 621,000 | 267,000 | 257,000 | 430,000 | 20,957,000 |
| 9 | 2030 -31 | 17,790,000 | 2,129,000 | 640,000 | 276,000 | 263,000 | 443,000 | 21,541,000 |
| 10 | 2031 -32 | 18,275,000 | 2,173,000 | 658,000 | 283,000 | 269,000 | 456,000 | 22,114,000 |
| 11 | 2032 -33 | 18,723,000 | 2,216,000 | 675,000 | 291,000 | 276,000 | 467,000 | 22,648,000 |
| 12 | 2033 -34 | 19,182,000 | 2,260,000 | 691,000 | 297,000 | 283,000 | 479,000 | 23,192,000 |
| 13 | 2034 -35 | 19,653,000 | 2,305,000 | 709,000 | 305,000 | 290,000 | 491,000 | 23,753,000 |
| 14 | 2035 -36 | 20,135,000 | 2,351,000 | 726,000 | 313,000 | 297,000 | 503,000 | 24,325,000 |
| 15 | 2036 -37 | 20,629,000 | 2,399,000 | 745,000 | 320,000 | 304,000 | 516,000 | 24,913,000 |
| 16 | 2037 -38 | 21,136,000 | 2,446,000 | 764,000 | 328,000 | 312,000 | 529,000 | 25,515,000 |
| 17 | 2038 -39 | 21,654,000 | 2,495,000 | 782,000 | 336,000 | 320,000 | 542,000 | 26,129,000 |
| 18 | 2039 -40 | 22,186,000 | 2,545,000 | 802,000 | 344,000 | 328,000 | 556,000 | 26,761,000 |
| 19 | 2040 -41 | 22,731,000 | 2,596,000 | 822,000 | 353,000 | 336,000 | 570,000 | 27,408,000 |
| 20 | 2041 -42 | 23,289,000 | 2,648,000 | 843,000 | 361,000 | 344,000 | 584,000 | 28,069,000 |
| 21 | 2042 -43 | 23,861,000 | 2,701,000 | 863,000 | 371,000 | 353,000 | 599,000 | 28,748,000 |
| 22 | 2043 -44 | 24,447,000 | 2,755,000 | 885,000 | 380,000 | 362,000 | 613,000 | 29,442,000 |
| 23 | 2044 -45 | 25,047,000 | 2,810,000 | 907,000 | 389,000 | 372,000 | 628,000 | 30,153,000 |
| 24 | 2045 -46 | 25,662,000 | 2,866,000 | 930,000 | 398,000 | 381,000 | 644,000 | 30,881,000 |
| 25 | 2046 -47 | $26,293,000 | $2,924,000 | $953,000 | $408,000 | $390,000 | $661,000 | $31,629,000 |
| **25 Year Term** | | | | | | | | |
| Nominal Total | | $493,910,000 | $60,885,000 | $18,509,000 | $8,234,000 | $7,304,000 | $12,391,000 | $601,233,000 |
| Net Present Value @ 10% | | $157,818,000 | $21,945,000 | $6,374,000 | $3,020,000 | $2,329,000 | $3,977,000 | $195,463,000 |

[1] See ATTACHMENT TWO - TABLE 1.
[2] See ATTACHMENT TWO - TABLE 2.
[3] See ATTACHMENT TWO - TABLE 3A and ATTACHMENT TWO - TABLE 3B.
[4] See ATTACHMENT TWO - TABLE 4A and ATTACHMENT TWO - TABLE 4B.
[5] See ATTACHMENT TWO - TABLE 5A and ATTACHMENT TWO - TABLE 5B.
[6] See ATTACHMENT TWO - TABLE 6.

Prepared by: Keyser Marston Associates, Inc.
Filename; JW Marriott PR-PF-V22;Incremental; DP

**ATTACHMENT TWO - SUMMARY TABLE 2**

**NET NEW PUBLIC REVENUES - $97,732,000 CAP ON REVENUES AVAILABLE**
**ASSUMES 14% TOT RATE AND $25 RESORT FEE**
**JW MARRIOTT EXPANSION - DRAFT**
**LOS ANGELES, CALIFORNIA**

| Project Year | | Incremental Public Revenues | (Less) Annual Base Period Amount [1] | Net New Public Revenues | 50% of Net New Public Revenues | Assistance Payment @ 100% of TOT Revenue | Net New City Revenue After Subsidy |
|---|---|---|---|---|---|---|---|
| Const. | 2019 -20 | - | - | - | - | - | - |
| Const. | 2020 -21 | $1,526,000 | $0 | $1,526,000 | $763,000 | - | $1,526,000 |
| Const. | 2021 -22 | 2,426,000 | 0 | 2,426,000 | 1,213,000 | - | 2,426,000 |
| 1 | 2022 -23 | 15,520,000 | 0 | 15,520,000 | 7,760,000 | 12,547,000 | 2,973,000 |
| 2 | 2023 -24 | 17,160,000 | 0 | 17,160,000 | 8,580,000 | 14,032,000 | 3,128,000 |
| 3 | 2024 -25 | 18,192,000 | 0 | 18,192,000 | 9,096,000 | 14,938,000 | 3,254,000 |
| 4 | 2025 -26 | 18,740,000 | 0 | 18,740,000 | 9,370,000 | 15,406,000 | 3,334,000 |
| 5 | 2026 -27 | 19,288,000 | 0 | 19,288,000 | 9,644,000 | 15,873,000 | 3,415,000 |
| 6 | 2027 -28 | 19,837,000 | 0 | 19,837,000 | 9,918,500 | 16,340,000 | 3,497,000 |
| 7 | 2028 -29 | 20,366,000 | 0 | 20,366,000 | 10,183,000 | 16,787,000 | 3,579,000 |
| 8 | 2029 -30 | 20,957,000 | 0 | 20,957,000 | 10,478,500 | 17,294,000 | 3,663,000 |
| 9 | 2030 -31 | 21,541,000 | 0 | 21,541,000 | 10,770,500 | 17,790,000 | 3,751,000 |
| 10 | 2031 -32 | 22,114,000 | 0 | 22,114,000 | 11,057,000 | 18,275,000 | 3,839,000 |
| 11 | 2032 -33 | 22,648,000 | 0 | 22,648,000 | 11,324,000 | 7,507,200 | 15,140,800 |
| 12 | 2033 -34 | 23,192,000 | 0 | 23,192,000 | 11,596,000 | - | 23,192,000 |
| 13 | 2034 -35 | 23,753,000 | 0 | 23,753,000 | 11,876,500 | - | 23,753,000 |
| 14 | 2035 -36 | 24,325,000 | 0 | 24,325,000 | 12,162,500 | - | 24,325,000 |
| 15 | 2036 -37 | 24,913,000 | 0 | 24,913,000 | 12,456,500 | - | 24,913,000 |
| 16 | 2037 -38 | 25,515,000 | 0 | 25,515,000 | 12,757,500 | - | 25,515,000 |
| 17 | 2038 -39 | 26,129,000 | 0 | 26,129,000 | 13,064,500 | - | 26,129,000 |
| 18 | 2039 -40 | 26,761,000 | 0 | 26,761,000 | 13,380,500 | - | 26,761,000 |
| 19 | 2040 -41 | 27,408,000 | 0 | 27,408,000 | 13,704,000 | - | 27,408,000 |
| 20 | 2041 -42 | 28,069,000 | 0 | 28,069,000 | 14,034,500 | - | 28,069,000 |
| 21 | 2042 -43 | 28,748,000 | 0 | 28,748,000 | 14,374,000 | - | 28,748,000 |
| 22 | 2043 -44 | 29,442,000 | 0 | 29,442,000 | 14,721,000 | - | 29,442,000 |
| 23 | 2044 -45 | 30,153,000 | 0 | 30,153,000 | 15,076,500 | - | 30,153,000 |
| 24 | 2045 -46 | 30,881,000 | 0 | 30,881,000 | 15,440,500 | - | 30,881,000 |
| 25 | 2046 -47 | $31,629,000 | $0 | $31,629,000 | $15,814,500 | - | $31,629,000 |
| **25 Year Term** | | | | | | | |
| Nominal Total | | $601,233,000 | $0 | $601,233,000 | $300,616,500 | $166,789,200 | $434,443,800 |
| Net Present Value @ 10% | | $195,463,000 | $0 | $195,463,000 | $97,732,000 | $97,732,000 | $97,731,000 |

[1] Based on City review, assumes $0, inflated at 2.5% annually.

Prepared by: Keyser Marston Associates, Inc.
Filename; JW Marriott PR-PF-V22;NetNew; DP

# ATTACHMENT ONE

# JW Marriott Development Cost Pro Forma

ATTACHMENT ONE - TABLE 1

**ESTIMATED DEVELOPMENT COSTS**
**JW MARRIOTT EXPANSION - DRAFT**
**KMA SCENARIO**
**LOS ANGELES, CALIFORNIA**

| | | | | | |
|---|---|---|---|---|---|
| **I.** | **Land/Air Rights Value** | $35 /Building SF | | | **$25,000,000** [1] |
| **II.** | **Direct Costs** | | | | |
| | Site Improvements | $0 /Land SF | | $0 [2] | |
| | Signage (Allowance) | | | 6,500,000 [2] | |
| | Parking | $0 /Space | | 0 [2] | |
| | FF&E | $63,580 /Room | 850 Rooms | 54,042,000 [2] | |
| | Shell | $566,870 /Room | 850 Rooms | 481,841,000 [2] | |
| | Direct Construction Costs | | | $542,383,000 | |
| | Direct Cost Contingency | 5.0% of Dir. Costs | | $27,119,000 [3] | |
| | **Total Direct Costs w/ Escalation** | | | | **$569,502,000** |
| **III.** | **Indirect Costs** | | | | |
| | A&E/Consulting | 6.0% of Dir. Costs | | $34,170,000 [3] | |
| | Permits & Fees/Impact Fees | $8,460 /Room | 850 Rooms | 7,190,000 [2] | |
| | Art Fee | $4,553,000 Allowance | | 4,553,000 [2] | |
| | Taxes, Ins, Legal & Acctg | 1.50% of Dir. Costs | | 8,543,000 [3] | |
| | Pre Opening/Working Capital | $5,180 /Room | 850 Rooms | 4,400,000 [2] | |
| | Development Management | 1.4% of Dir. Costs | | 8,100,000 [3] | |
| | Indirect Contingency | 5.0% of Ind. Costs | | 3,348,000 [3] | |
| | **Total Indirect Costs** | | | | **$70,304,000** |
| **IV.** | **Financing Costs** | | | | |
| | Construction Interest | $668,010,000 Costs | | $21,710,000 [4] | |
| | Loan Fees | 1.50 Points | | 6,494,000 [5] | |
| | Closing Cost | | | 0 | |
| | **Total Financing Costs** | | | | **$28,204,000** |
| **V.** | **Total Development Costs** | | | | **$693,010,000** |
| | Cost Per Key | | | | **$815,310** |

[1] Estimated value of Air Rights, which is consistent with past TFAR transactions in Downtown Los Angeles.
[2] Based on detailed 9/24/18 budget provided by developer.
[3] KMA Estimate based on experience with similar Downtown LA projects.
[4] Assumes a 65% loan to cost ratio, 5.0% interest rate, 24-month construction period and 50.0% average outstanding balance. Excludes Air Rights.
[5] Assumes a 65% loan to cost ratio.

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Filename: JW Marriott PR-PF-V22; KMAPF; 10/25/2018; KEE

ATTACHMENT ONE - TABLE 2

**ESTIMATED STABILIZED NET INCOME[1]**
**JW MARRIOTT EXPANSION - DRAFT**
**KMA SCENARIO**
**LOS ANGELES, CALIFORNIA**

| | | Expanded Hotel | | Existing Hotel | | Incremental NOI |
|---|---|---|---|---|---|---|
| I. | **Income** | | | | | |
| | Rooms | 1,728 Rooms | $150,547,000 | 878 Rooms | $69,833,000 | $80,714,000 |
| | Food & Beverage | 35.3% of Gross Sls | 88,440,000 | 36.6% of Gross Sls | 43,584,000 | 44,856,000 |
| | Parking | 0.0% of Gross Sls | 0 | 0.0% of Gross Sls | 0 | 0 |
| | Other Operated Departments | 0.6% of Gross Sls | 1,551,000 | 0.6% of Gross Sls | 769,000 | 782,000 |
| | Rentals & Other Income | 3.9% of Gross Sls | 9,827,000 | 4.1% of Gross Sls | 4,871,000 | 4,956,000 |
| | **Gross Hotel Revenues** | | **$250,365,000** | | **$119,057,000** | **$131,308,000** |
| II. | **Distributed Expenses** | | | | | |
| | Rooms | 26.5% of Dept. Sls | 39,895,000 | 30.5% of Dept. Sls | 21,279,000 | 18,616,000 |
| | Food & Beverage | 75.0% of Dept. Sls | 66,330,000 | 82.0% of Dept. Sls | 35,739,000 | 30,591,000 |
| | Parking | 70.0% of Dept. Sls | 0 | 55.0% of Dept. Sls | 0 | 0 |
| | Other Operated Departments | 80.0% of Dept. Sls | 1,241,000 | 115.0% of Dept. Sls | 884,000 | 357,000 |
| | Rentals & Other Income | 0.0% of Dept. Sls | 0 | 0.0% of Dept. Sls | 0 | 0 |
| | **(Less)Total Distributed Expenses** | | **($107,466,000)** | | **($57,902,000)** | **($49,564,000)** |
| III. | **Undistributed Expenses** | | | | | |
| | General & Administration | 5.8% of Gross Sls | $14,515,000 | 7.0% of Gross Sls | $8,341,000 | $6,174,000 |
| | Information & Telecom. | 1.7% of Gross Sls | 4,320,000 | 2.4% of Gross Sls | 2,897,000 | 1,423,000 |
| | Marketing | 6.2% of Gross Sls | 15,552,000 | 7.3% of Gross Sls | 8,692,000 | 6,860,000 |
| | Property Operations & Maint. | 2.3% of Gross Sls | 5,875,000 | 2.7% of Gross Sls | 3,248,000 | 2,627,000 |
| | Utilities | 1.8% of Gross Sls | 4,493,000 | 2.1% of Gross Sls | 2,459,000 | 2,034,000 |
| | **(Less)Total Undistributed Expenses** | | **($44,755,000)** | | **($25,637,000)** | **($19,118,000)** |
| IV. | **Management Fees** | 3.0% of Gross Sls | **($7,511,000)** | 3.2% of Gross Sls | **($3,810,000)** | **($3,701,000)** |
| V. | **Fixed Expenses** | | | | | |
| | Taxes | 4.7% of Gross Sls | $11,878,000 | 3.7% of Gross Sls | $5,371,000 | $6,507,000 |
| | Insurance | 0.0% of Gross Sls | 86,000 | 0.0% of Gross Sls | 44,000 | 42,000 |
| | FF&E Reserves | 5.0% of Gross Sls | 12,518,000 | 4.0% of Gross Sls | 4,762,000 | 7,756,000 |
| | Equipment Rental | 0.1% of Gross Sls | 346,000 | 0.1% of Gross Sls | 176,000 | 170,000 |
| | Common Area Charges | 2.2% of Gross Sls | 5,625,000 | 2.4% of Gross Sls | 2,800,000 | 2,825,000 |
| | **(Less) Total Fixed Expenses** | | **($30,453,000)** | | **($13,153,000)** | **($17,300,000)** |
| VI. | **Net Operating Income** | 24.0% of Gross Sls | $60,180,000 | 15.6% of Gross Sls | $18,555,000 | $41,625,000 |

[1] Assumes stabilization in year 3 of operation and 82% occupancy.

Prepared By: Keyser Marston Associates; Inc.
Filename: JW Marriott PR-PF-V22; KMAPF; 10/25/2018; KEE

ATTACHMENT ONE - TABLE 3

**ESTIMATED PROJECT SURPLUS / FEASIBILITY GAP**
**JW MARRIOTT EXPANSION - DRAFT**
**KMA SCENARIO**
**LOS ANGELES, CALIFORNIA**

**------------------------Return on Total Investment------------------------**

| | | | | |
|---|---|---|---|---|
| I. | **Hotel NOI** | | | $41,625,000 |
| II. | **Other Revenue Sources** | | | |
| | Resort Fee Revenue | $25.00 /Per Applicable Room | $10,667,000 | |
| | (Less): Resort Fee Expenses | 60.0% of Gross Resort Fee Revenue | ($6,400,000) | |
| | Total Other Income | | | $4,267,000 |
| III. | **Total Project NOI** | | | $45,892,000 |
| IV. | **Warranted Investment** | 8.00% Return on Costs | | |
| | Total Warranted Investment | | | $573,650,000 |
| | (Less) Development Costs | | | ($693,010,000) |
| **V.** | **Estimated Project Surplus / Feasibility Gap** | | | **($119,360,000)** |

**------------------------ Profit Margin Analysis ------------------------**

| | | | | |
|---|---|---|---|---|
| I. | **Total Project NOI** | | | $45,892,000 |
| II. | **Total Stabilized Value** | | | |
| | Value at Stabilization | | 6.25% Capitalization Rate[2] | $734,272,000 |
| | (Less) Development Costs | | | ($693,010,000) |
| III. | **Developer Profit Before Assistance** | | | $41,262,000 |
| | Share of Costs | | | 6.0% |
| **IV.** | **Estimated Project Surplus / Feasibility Gap @ 22.5% Profit on Costs** | | | **($114,665,000)** |

[1] Assumes 82.0% ocupancy level and 82.5% of occupied rooms will pay fee.
[2] Cap rate based on the CBRE: U.S. Cap Rate Survey 7/2018 for Los Angeles CBD Full Service/Luxury hotels.

Prepared By: Keyser Marston Associates; Inc.
Filename: JW Marriott PR-PF-V22; KMAPF; 10/25/2018; KEE

# ATTACHMENT TWO

# PUBLIC REVENUE ANALYSIS
# JW MARRIOTT EXPANSION - DRAFT

ATTACHMENT TWO - TABLE 1
TRANSIENT OCCUPANCY TAX[1]
JW MARRIOTT EXPANSION - DRAFT
LOS ANGELES, CALIFORNIA

| | | Expanded Hotel[2] | | | | | | | Existing Hotel[3] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Project Year | | ADR | Occupancy | Room Revenue | Room TOT[4] | Resort Fee | Resort Fee TOT | Total Hotel TOT | ADR | Occupancy | Room Revenue | TOT Revenues[4] | Incremental TOT |
| Const. | 2019 -20 | - | - | - | - | - | - | - | - | - | - | - | - |
| Const. | 2020 -21 | - | - | - | - | - | - | - | - | - | - | - | - |
| Const. | 2021 -22 | - | - | - | - | - | - | - | - | - | - | - | - |
| 1 | 2022 -23 | $321.00 | 78.0% | $157,920,000 | $22,109,000 | $10,147,000 | $1,421,000 | $23,530,000 | $306.00 | 80.0% | $78,451,000 | $10,983,000 | $12,547,000 |
| 2 | 2023 -24 | $334.00 | 81.0% | 170,635,000 | 23,889,000 | 10,350,000 | 1,449,000 | 25,338,000 | $315.00 | 80.0% | 80,758,000 | 11,306,000 | 14,032,000 |
| 3 | 2024 -25 | $347.00 | 82.0% | 179,465,000 | 25,125,000 | 10,557,000 | 1,478,000 | 26,603,000 | $325.00 | 80.0% | 83,322,000 | 11,665,000 | 14,938,000 |
| 4 | 2025 -26 | $358.00 | 82.0% | 185,154,000 | 25,922,000 | 10,768,000 | 1,508,000 | 27,430,000 | $335.00 | 80.0% | 85,886,000 | 12,024,000 | 15,406,000 |
| 5 | 2026 -27 | $369.00 | 82.0% | 190,843,000 | 26,718,000 | 10,983,000 | 1,538,000 | 28,256,000 | $345.00 | 80.0% | 88,450,000 | 12,383,000 | 15,873,000 |
| 6 | 2027 -28 | $380.00 | 82.0% | 196,532,000 | 27,514,000 | 11,203,000 | 1,568,000 | 29,082,000 | $355.00 | 80.0% | 91,013,000 | 12,742,000 | 16,340,000 |
| 7 | 2028 -29 | $391.00 | 82.0% | 202,221,000 | 28,311,000 | 11,427,000 | 1,600,000 | 29,911,000 | $365.65 | 80.0% | 93,744,000 | 13,124,000 | 16,787,000 |
| 8 | 2029 -30 | $403.00 | 82.0% | 208,428,000 | 29,180,000 | 11,656,000 | 1,632,000 | 30,812,000 | $376.62 | 80.0% | 96,556,000 | 13,518,000 | 17,294,000 |
| 9 | 2030 -31 | $415.00 | 82.0% | 214,634,000 | 30,049,000 | 11,889,000 | 1,664,000 | 31,713,000 | $387.92 | 80.0% | 99,453,000 | 13,923,000 | 17,790,000 |
| 10 | 2031 -32 | $427.00 | 82.0% | 220,840,000 | 30,918,000 | 12,127,000 | 1,698,000 | 32,616,000 | $399.56 | 80.0% | 102,436,000 | 14,341,000 | 18,275,000 |
| 11 | 2032 -33 | $437.68 | 82.0% | 226,361,000 | 31,691,000 | 12,370,000 | 1,732,000 | 33,423,000 | $409.54 | 80.0% | 104,997,000 | 14,700,000 | 18,723,000 |
| 12 | 2033 -34 | $448.62 | 82.0% | 232,020,000 | 32,483,000 | 12,617,000 | 1,766,000 | 34,249,000 | $419.78 | 80.0% | 107,622,000 | 15,067,000 | 19,182,000 |
| 13 | 2034 -35 | $459.83 | 82.0% | 237,821,000 | 33,295,000 | 12,869,000 | 1,802,000 | 35,097,000 | $430.28 | 80.0% | 110,313,000 | 15,444,000 | 19,653,000 |
| 14 | 2035 -36 | $471.33 | 82.0% | 243,766,000 | 34,127,000 | 13,126,000 | 1,838,000 | 35,965,000 | $441.03 | 80.0% | 113,071,000 | 15,830,000 | 20,135,000 |
| 15 | 2036 -37 | $483.11 | 82.0% | 249,861,000 | 34,981,000 | 13,389,000 | 1,874,000 | 36,855,000 | $452.06 | 80.0% | 115,897,000 | 16,226,000 | 20,629,000 |
| 16 | 2037 -38 | $495.19 | 82.0% | 256,107,000 | 35,855,000 | 13,657,000 | 1,912,000 | 37,767,000 | $463.36 | 80.0% | 118,795,000 | 16,631,000 | 21,136,000 |
| 17 | 2038 -39 | $507.57 | 82.0% | 262,510,000 | 36,751,000 | 13,930,000 | 1,950,000 | 38,701,000 | $474.95 | 80.0% | 121,765,000 | 17,047,000 | 21,654,000 |
| 18 | 2039 -40 | $520.26 | 82.0% | 269,072,000 | 37,670,000 | 14,209,000 | 1,989,000 | 39,659,000 | $486.82 | 80.0% | 124,809,000 | 17,473,000 | 22,186,000 |
| 19 | 2040 -41 | $533.26 | 82.0% | 275,799,000 | 38,612,000 | 14,493,000 | 2,029,000 | 40,641,000 | $498.99 | 80.0% | 127,929,000 | 17,910,000 | 22,731,000 |
| 20 | 2041 -42 | $546.60 | 82.0% | 282,694,000 | 39,577,000 | 14,783,000 | 2,070,000 | 41,647,000 | $511.46 | 80.0% | 131,127,000 | 18,358,000 | 23,289,000 |
| 21 | 2042 -43 | $560.26 | 82.0% | 289,762,000 | 40,567,000 | 15,079,000 | 2,111,000 | 42,678,000 | $524.25 | 80.0% | 134,406,000 | 18,817,000 | 23,861,000 |
| 22 | 2043 -44 | $574.27 | 82.0% | 297,006,000 | 41,581,000 | 15,381,000 | 2,153,000 | 43,734,000 | $537.36 | 80.0% | 137,766,000 | 19,287,000 | 24,447,000 |
| 23 | 2044 -45 | $588.62 | 82.0% | 304,431,000 | 42,620,000 | 15,689,000 | 2,196,000 | 44,816,000 | $550.79 | 80.0% | 141,210,000 | 19,769,000 | 25,047,000 |
| 24 | 2045 -46 | $603.34 | 82.0% | 312,042,000 | 43,686,000 | 16,003,000 | 2,240,000 | 45,926,000 | $564.56 | 80.0% | 144,740,000 | 20,264,000 | 25,662,000 |
| 25 | 2046 -47 | $618.42 | 82.0% | $319,843,000 | $44,778,000 | $16,323,000 | $2,285,000 | $47,063,000 | $578.68 | 80.0% | $148,359,000 | $20,770,000 | $26,293,000 |
| **25 Year Term** | | | | | | | | | | | | | |
| Nominal Total | | | | | 838,009,000 | | $45,503,000 | $883,512,000 | | | | $389,602,000 | $493,910,000 |
| Net Present Value @ 10% | | | | | $267,775,000 | | $15,069,000 | $282,845,000 | | | | $125,027,000 | $157,818,000 |

1 Derived from CBRE & KMA Projections. Assumes long term annual hotel revenue inflation rate of 2.5% for rooms and 2.0% rate for Resort Fee.
2 Assumes 1,728 keys and 365 annual room nights per key.
3 Assumes 878 keys and 365 annual room nights per key.
4 Based on a 14.0% tax rate.

Prepared by: Keyser Marston Associates, Inc.
Filename; JW Marriott PR-PF-V22;TOT; DP

**ATTACHMENT TWO - TABLE 2**
**CITY SHARE OF PROPERTY TAX**
**JW MARRIOTT EXPANSION - DRAFT**
**LOS ANGELES, CALIFORNIA**

| Project Year | | Expanded Hotel Assessed Value [1] | Expanded Hotel Property Tax Revenues [2] | Existing Hotel Assessed Value [3] | Existing Hotel Property Tax Revenues | Incremental Property Tax |
|---|---|---|---|---|---|---|
| Const. | 2019 -20 | - | - | $547,877,000 | - | - |
| Const. | 2020 -21 | $894,485,000 | $2,351,000 | 558,835,000 | $1,469,000 | $882,000 |
| Const. | 2021 -22 | 1,248,025,000 | 3,280,000 | 570,012,000 | 1,498,000 | 1,782,000 |
| 1 | 2022 -23 | 1,272,986,000 | 3,346,000 | 581,412,000 | 1,528,000 | 1,818,000 |
| 2 | 2023 -24 | 1,298,446,000 | 3,413,000 | 593,040,000 | 1,559,000 | 1,854,000 |
| 3 | 2024 -25 | 1,324,415,000 | 3,481,000 | 604,901,000 | 1,590,000 | 1,891,000 |
| 4 | 2025 -26 | 1,350,903,000 | 3,551,000 | 616,999,000 | 1,622,000 | 1,929,000 |
| 5 | 2026 -27 | 1,377,921,000 | 3,622,000 | 629,339,000 | 1,654,000 | 1,968,000 |
| 6 | 2027 -28 | 1,405,479,000 | 3,694,000 | 641,926,000 | 1,687,000 | 2,007,000 |
| 7 | 2028 -29 | 1,433,589,000 | 3,768,000 | 654,765,000 | 1,721,000 | 2,047,000 |
| 8 | 2029 -30 | 1,462,261,000 | 3,843,000 | 667,860,000 | 1,755,000 | 2,088,000 |
| 9 | 2030 -31 | 1,491,506,000 | 3,920,000 | 681,217,000 | 1,791,000 | 2,129,000 |
| 10 | 2031 -32 | 1,521,336,000 | 3,999,000 | 694,841,000 | 1,826,000 | 2,173,000 |
| 11 | 2032 -33 | 1,551,763,000 | 4,079,000 | 708,738,000 | 1,863,000 | 2,216,000 |
| 12 | 2033 -34 | 1,582,798,000 | 4,160,000 | 722,913,000 | 1,900,000 | 2,260,000 |
| 13 | 2034 -35 | 1,614,454,000 | 4,243,000 | 737,371,000 | 1,938,000 | 2,305,000 |
| 14 | 2035 -36 | 1,646,743,000 | 4,328,000 | 752,118,000 | 1,977,000 | 2,351,000 |
| 15 | 2036 -37 | 1,679,678,000 | 4,415,000 | 767,160,000 | 2,016,000 | 2,399,000 |
| 16 | 2037 -38 | 1,713,272,000 | 4,503,000 | 782,503,000 | 2,057,000 | 2,446,000 |
| 17 | 2038 -39 | 1,747,537,000 | 4,593,000 | 798,153,000 | 2,098,000 | 2,495,000 |
| 18 | 2039 -40 | 1,782,488,000 | 4,685,000 | 814,116,000 | 2,140,000 | 2,545,000 |
| 19 | 2040 -41 | 1,818,138,000 | 4,779,000 | 830,398,000 | 2,183,000 | 2,596,000 |
| 20 | 2041 -42 | 1,854,501,000 | 4,874,000 | 847,006,000 | 2,226,000 | 2,648,000 |
| 21 | 2042 -43 | 1,891,591,000 | 4,972,000 | 863,946,000 | 2,271,000 | 2,701,000 |
| 22 | 2043 -44 | 1,929,423,000 | 5,071,000 | 881,225,000 | 2,316,000 | 2,755,000 |
| 23 | 2044 -45 | 1,968,011,000 | 5,173,000 | 898,850,000 | 2,363,000 | 2,810,000 |
| 24 | 2045 -46 | 2,007,371,000 | 5,276,000 | 916,827,000 | 2,410,000 | 2,866,000 |
| 25 | 2046 -47 | $2,047,518,000 | $5,382,000 | $935,164,000 | $2,458,000 | $2,924,000 |
| **25 Year Term** | | | | | | |
| Nominal Total | | | $112,801,000 | | $51,916,000 | $60,885,000 |
| NPV @ 10% | | | $41,122,000 | | $19,177,000 | $21,945,000 |

1 Based on a KMA estimate of assessed value of $671,300,000 for the hotel expansion. Assumes cumulative construction phasing of 50% in 2020; and 100% in 2021. Assessed value inflates at 2.0% annually.

2 Based on a 1% general levy and a city share of 26.3%, based on information obtained from the Los Angeles County Auditor-Controller. Calculation does not include voter-approved indebtedness or special assessments.

3 Based on CBRE Report and City of LA review.

Prepared by: Keyser Marston Associates, Inc.
Filename; JW Marriott PR-PF-V22;Prop; DP

ATTACHMENT TWO - TABLE 3A

ON-SITE SALES TAX PROJECTION
JW MARRIOTT EXPANSION - DRAFT
LOS ANGELES, CALIFORNIA

| Project Year | | Expanded Hotel Taxable Sales [1] | Expanded Hotel City Sales Tax Revenues [2] | Existing Hotel Taxable Sales [1] | Existing Hotel City Sales Tax Revenues [2] | Incremental City Sales Tax Revenue |
|---|---|---|---|---|---|---|
| Const. | 2019 -20 | - | - | - | - | - |
| Const. | 2020 -21 | $35,594,000 [3] | $356,000 | - | - | $356,000 |
| Const. | 2021 -22 | $35,594,000 [3] | 356,000 | - | - | 356,000 |
| 1 | 2022 -23 | 92,771,000 | 928,000 | $48,963,000 | $490,000 | 438,000 |
| 2 | 2023 -24 | 100,241,000 | 1,002,000 | 50,403,000 | 504,000 | 498,000 |
| 3 | 2024 -25 | 105,428,000 | 1,054,000 | 52,003,000 | 520,000 | 534,000 |
| 4 | 2025 -26 | 108,770,000 | 1,088,000 | 53,603,000 | 536,000 | 552,000 |
| 5 | 2026 -27 | 112,112,000 | 1,121,000 | 55,203,000 | 552,000 | 569,000 |
| 6 | 2027 -28 | 115,454,000 | 1,155,000 | 56,803,000 | 568,000 | 587,000 |
| 7 | 2028 -29 | 118,796,000 | 1,188,000 | 58,507,000 | 585,000 | 603,000 |
| 8 | 2029 -30 | 122,442,000 | 1,224,000 | 60,262,000 | 603,000 | 621,000 |
| 9 | 2030 -31 | 126,088,000 | 1,261,000 | 62,070,000 | 621,000 | 640,000 |
| 10 | 2031 -32 | 129,734,000 | 1,297,000 | 63,932,000 | 639,000 | 658,000 |
| 11 | 2032 -33 | 132,977,000 | 1,330,000 | 65,530,000 | 655,000 | 675,000 |
| 12 | 2033 -34 | 136,301,000 | 1,363,000 | 67,168,000 | 672,000 | 691,000 |
| 13 | 2034 -35 | 139,709,000 | 1,397,000 | 68,847,000 | 688,000 | 709,000 |
| 14 | 2035 -36 | 143,202,000 | 1,432,000 | 70,568,000 | 706,000 | 726,000 |
| 15 | 2036 -37 | 146,782,000 | 1,468,000 | 72,332,000 | 723,000 | 745,000 |
| 16 | 2037 -38 | 150,452,000 | 1,505,000 | 74,140,000 | 741,000 | 764,000 |
| 17 | 2038 -39 | 154,213,000 | 1,542,000 | 75,994,000 | 760,000 | 782,000 |
| 18 | 2039 -40 | 158,068,000 | 1,581,000 | 77,894,000 | 779,000 | 802,000 |
| 19 | 2040 -41 | 162,020,000 | 1,620,000 | 79,841,000 | 798,000 | 822,000 |
| 20 | 2041 -42 | 166,071,000 | 1,661,000 | 81,837,000 | 818,000 | 843,000 |
| 21 | 2042 -43 | 170,223,000 | 1,702,000 | 83,883,000 | 839,000 | 863,000 |
| 22 | 2043 -44 | 174,479,000 | 1,745,000 | 85,980,000 | 860,000 | 885,000 |
| 23 | 2044 -45 | 178,841,000 | 1,788,000 | 88,130,000 | 881,000 | 907,000 |
| 24 | 2045 -46 | 183,312,000 | 1,833,000 | 90,333,000 | 903,000 | 930,000 |
| 25 | 2046 -47 | $187,895,000 | $1,879,000 | $92,591,000 | $926,000 | $953,000 |
| **25 Year Term** | | | | | | |
| Nominal Total | | $3,587,569,000 | $35,876,000 | $1,736,817,000 | $17,367,000 | $18,509,000 |
| NPV @ 10% | | $1,194,802,000 | $11,948,000 | $557,365,000 | $5,574,000 | $6,374,000 |

1 See ATTACHMENT TWO - TABLE 3B for details on taxable sales during operations. Long term inflation rate is set at 2.5%.

2 Assumes a 1% city share.

3 Based on hard construction costs of $569,502,000. Assumes a materials share of 50%; a taxable share of 50% ; and 50% of sales taking place within city limits.

Prepared by: Keyser Marston Associates, Inc.
Filename; JW Marriott PR-PF-V22;OnSiteSales_Proj; DP

ATTACHMENT TWO - TABLE 3B

**TAXABLE ON-SITE SALES CALCULATION [1]**
**JW MARRIOTT EXPANSION - DRAFT**
**LOS ANGELES, CALIFORNIA**

| Year | Expanded Hotel | Existing Hotel | Incremental Sales |
|---|---|---|---|
| 2022 -23 | $92,771,000 | $48,963,000 | $43,808,000 |
| 2023 -24 | $100,241,000 | $50,403,000 | $49,838,000 |
| 2024 -25 | $105,428,000 | $52,003,000 | $53,425,000 |
| 2025 -26 | $108,770,000 | $53,603,000 | $55,167,000 |
| 2026 -27 | $112,112,000 | $55,203,000 | $56,909,000 |
| 2027 -28 | $115,454,000 | $56,803,000 | $58,651,000 |
| 2028 -29 | $118,796,000 | $58,507,000 | $60,289,000 |
| 2029 -30 | $122,442,000 | $60,262,000 | $62,180,000 |
| 2030 -31 | $126,088,000 | $62,070,000 | $64,018,000 |
| 2031 -32 | $129,734,000 | $63,932,000 | $65,802,000 |

[1] Based on KMA projections.

Prepared by: Keyser Marston Associates, Inc.
Filename; JW Marriott PR-PF-V22;Sales_Detail; DP

ATTACHMENT TWO - TABLE 4A
GROSS RECEIPTS TAX PROJECTION [1]
JW MARRIOTT EXPANSION - DRAFT
LOS ANGELES, CALIFORNIA

| | Year | Expanded Hotel: Hotel Revenues[2] | Expanded Hotel: Tax Per $1,000[2] | Expanded Hotel: Parking Revenues | Expanded Hotel: Tax Per $1,000 | Expanded Hotel: Total Gross Receipts Tax | Existing Hotel: Hotel Revenues[2] | Existing Hotel: Tax Per $1,000 | Existing Hotel: Parking Revenue | Existing Hotel: Tax Per $1,000 | Existing Hotel: Total Gross Receipts Tax | Incremental Gross Receipts |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Const. | 2019 -20 | - | - | - | - | - | - | - | - | - | - | - |
| Const. | 2020 -21 | $284,751,000 | $288,000 | - | $0 | $288,000 | - | - | - | $0 | - | $288,000 |
| Const. | 2021 -22 | 284,751,000 | 288,000 | - | 0 | 288,000 | - | - | - | 0 | $0 | 288,000 |
| 1 | 2022 -23 | 272,773,000 | 346,000 | $7,110,000 | 36,000 | 382,000 | $133,750,000 | 170,000 | $3,610,000 | 18,000 | 188,000 | 194,000 |
| 2 | 2023 -24 | 294,122,000 | 374,000 | 7,320,000 | 37,000 | 411,000 | 137,684,000 | 175,000 | 3,720,000 | 19,000 | 194,000 | 217,000 |
| 3 | 2024 -25 | 309,014,000 | 392,000 | 7,540,000 | 38,000 | 430,000 | 142,055,000 | 180,000 | 3,830,000 | 19,000 | 199,000 | 231,000 |
| 4 | 2025 -26 | 318,686,000 | 405,000 | 7,770,000 | 39,000 | 444,000 | 146,426,000 | 186,000 | 3,950,000 | 20,000 | 206,000 | 238,000 |
| 5 | 2026 -27 | 328,362,000 | 417,000 | 8,000,000 | 41,000 | 458,000 | 150,797,000 | 192,000 | 4,060,000 | 21,000 | 213,000 | 245,000 |
| 6 | 2027 -28 | 338,043,000 | 429,000 | 8,240,000 | 42,000 | 471,000 | 155,167,000 | 197,000 | 4,190,000 | 21,000 | 218,000 | 253,000 |
| 7 | 2028 -29 | 347,728,000 | 442,000 | 8,490,000 | 43,000 | 485,000 | 159,823,000 | 203,000 | 4,310,000 | 22,000 | 225,000 | 260,000 |
| 8 | 2029 -30 | 358,279,000 | 455,000 | 8,740,000 | 44,000 | 499,000 | 164,617,000 | 209,000 | 4,440,000 | 23,000 | 232,000 | 267,000 |
| 9 | 2030 -31 | 368,833,000 | 468,000 | 9,000,000 | 46,000 | 514,000 | 169,555,000 | 215,000 | 4,570,000 | 23,000 | 238,000 | 276,000 |
| 10 | 2031 -32 | 379,392,000 | 482,000 | 9,270,000 | 47,000 | 529,000 | 174,641,000 | 222,000 | 4,710,000 | 24,000 | 246,000 | 283,000 |
| 11 | 2032 -33 | 388,816,000 | 494,000 | 9,502,000 | 48,000 | 542,000 | 179,007,000 | 227,000 | 4,828,000 | 24,000 | 251,000 | 291,000 |
| 12 | 2033 -34 | 398,474,000 | 506,000 | 9,740,000 | 49,000 | 555,000 | 183,482,000 | 233,000 | 4,949,000 | 25,000 | 258,000 | 297,000 |
| 13 | 2034 -35 | 408,373,000 | 519,000 | 9,984,000 | 51,000 | 570,000 | 188,069,000 | 239,000 | 5,073,000 | 26,000 | 265,000 | 305,000 |
| 14 | 2035 -36 | 418,518,000 | 532,000 | 10,234,000 | 52,000 | 584,000 | 192,771,000 | 245,000 | 5,200,000 | 26,000 | 271,000 | 313,000 |
| 15 | 2036 -37 | 428,916,000 | 545,000 | 10,490,000 | 53,000 | 598,000 | 197,590,000 | 251,000 | 5,330,000 | 27,000 | 278,000 | 320,000 |
| 16 | 2037 -38 | 439,573,000 | 558,000 | 10,752,000 | 55,000 | 613,000 | 202,529,000 | 257,000 | 5,463,000 | 28,000 | 285,000 | 328,000 |
| 17 | 2038 -39 | 450,494,000 | 572,000 | 11,021,000 | 56,000 | 628,000 | 207,593,000 | 264,000 | 5,600,000 | 28,000 | 292,000 | 336,000 |
| 18 | 2039 -40 | 461,687,000 | 586,000 | 11,297,000 | 57,000 | 643,000 | 212,783,000 | 270,000 | 5,740,000 | 29,000 | 299,000 | 344,000 |
| 19 | 2040 -41 | 473,158,000 | 601,000 | 11,579,000 | 59,000 | 660,000 | 218,102,000 | 277,000 | 5,884,000 | 30,000 | 307,000 | 353,000 |
| 20 | 2041 -42 | 484,915,000 | 616,000 | 11,868,000 | 60,000 | 676,000 | 223,554,000 | 284,000 | 6,031,000 | 31,000 | 315,000 | 361,000 |
| 21 | 2042 -43 | 496,964,000 | 631,000 | 12,165,000 | 62,000 | 693,000 | 229,143,000 | 291,000 | 6,182,000 | 31,000 | 322,000 | 371,000 |
| 22 | 2043 -44 | 509,313,000 | 647,000 | 12,469,000 | 63,000 | 710,000 | 234,871,000 | 298,000 | 6,337,000 | 32,000 | 330,000 | 380,000 |
| 23 | 2044 -45 | 521,969,000 | 663,000 | 12,781,000 | 65,000 | 728,000 | 240,743,000 | 306,000 | 6,495,000 | 33,000 | 339,000 | 389,000 |
| 24 | 2045 -46 | 534,940,000 | 679,000 | 13,101,000 | 66,000 | 745,000 | 246,761,000 | 313,000 | 6,657,000 | 34,000 | 347,000 | 398,000 |
| 25 | 2046 -47 | $548,234,000 | $696,000 | $13,429,000 | $68,000 | $764,000 | $252,929,000 | $321,000 | $6,823,000 | $35,000 | $356,000 | $408,000 |
| **25 Year Term** | | | | | | | | | | | | |
| Nominal Total | | | | | | $14,908,000 | | | | | $6,674,000 | $8,234,000 |
| Net Present Value @ 10% | | | | | | $5,162,000 | | | | | $2,142,000 | $3,020,000 |

1 Hotel and Parking revenues derived from KMA projections.

2 See ATTACHMENT TWO - TABLE 4B. Includes all hotel operations, but excluding Resort fee & parking income. Tax is assessed at a rate of $1.27 per $1,000 of receipts. Includes tax on construction spending, which is $1.01 per $1,000 of contractor receipts.

3 Based on KMA estimate of parking revenues. See ATTACHMENT TWO - TABLE 6. Tax is assessed at a rate of $5.07 per $1,000 of receipts.

Prepared by: Keyser Marston Associates, Inc.
Filename; JW Marriott PR-PF-V22;GR_Proj; DP

**ATTACHMENT TWO - TABLE 4B**

**GROSS RECEIPTS CALCULATION**
**JW MARRIOTT EXPANSION - DRAFT**
**LOS ANGELES, CALIFORNIA**

**Expanded Hotel**

| Year | | Room Revenues | Food & Beverage / Market Revenues | Other Revenues [1] | Resort Fee | Total |
|---|---|---|---|---|---|---|
| 2022 | -23 | $157,920,000 | $92,771,000 | $11,935,000 | $10,147,000 | $272,773,000 |
| 2023 | -24 | 170,635,000 | 100,241,000 | 12,896,000 | 10,350,000 | 294,122,000 |
| 2024 | -25 | 179,465,000 | 105,428,000 | 13,564,000 | 10,557,000 | 309,014,000 |
| 2025 | -26 | 185,154,000 | 108,770,000 | 13,994,000 | 10,768,000 | 318,686,000 |
| 2026 | -27 | 190,843,000 | 112,112,000 | 14,424,000 | 10,983,000 | 328,362,000 |
| 2027 | -28 | 196,532,000 | 115,454,000 | 14,854,000 | 11,203,000 | 338,043,000 |
| 2028 | -29 | 202,221,000 | 118,796,000 | 15,284,000 | 11,427,000 | 347,728,000 |
| 2029 | -30 | 208,428,000 | 122,442,000 | 15,753,000 | 11,656,000 | 358,279,000 |
| 2030 | -31 | 214,634,000 | 126,088,000 | 16,222,000 | 11,889,000 | 368,833,000 |
| 2031 | -32 | 220,840,000 | 129,734,000 | 16,691,000 | 12,127,000 | 379,392,000 |
| 2032 | -33 | 226,361,000 | 132,977,000 | 17,108,000 | 12,370,000 | 388,816,000 |
| 2033 | -34 | 232,020,000 | 136,301,000 | 17,536,000 | 12,617,000 | 398,474,000 |
| 2034 | -35 | 237,821,000 | 139,709,000 | 17,974,000 | 12,869,000 | 408,373,000 |
| 2035 | -36 | 243,767,000 | 143,202,000 | 18,423,000 | 13,126,000 | 418,518,000 |
| 2036 | -37 | 249,861,000 | 146,782,000 | 18,884,000 | 13,389,000 | 428,916,000 |
| 2037 | -38 | 256,108,000 | 150,452,000 | 19,356,000 | 13,657,000 | 439,573,000 |
| 2038 | -39 | 262,511,000 | 154,213,000 | 19,840,000 | 13,930,000 | 450,494,000 |
| 2039 | -40 | 269,074,000 | 158,068,000 | 20,336,000 | 14,209,000 | 461,687,000 |
| 2040 | -41 | 275,801,000 | 162,020,000 | 20,844,000 | 14,493,000 | 473,158,000 |
| 2041 | -42 | 282,696,000 | 166,071,000 | 21,365,000 | 14,783,000 | 484,915,000 |
| 2042 | -43 | 289,763,000 | 170,223,000 | 21,899,000 | 15,079,000 | 496,964,000 |
| 2043 | -44 | 297,007,000 | 174,479,000 | 22,446,000 | 15,381,000 | 509,313,000 |
| 2044 | -45 | 304,432,000 | 178,841,000 | 23,007,000 | 15,689,000 | 521,969,000 |
| 2045 | -46 | 312,043,000 | 183,312,000 | 23,582,000 | 16,003,000 | 534,940,000 |
| 2046 | -47 | $319,844,000 | $187,895,000 | $24,172,000 | $16,323,000 | $548,234,000 |

**Existing Hotel**

| Year | | Room Revenues | Food & Beverage / Market Revenues | Other Revenues [1] | Resort Fee | Total |
|---|---|---|---|---|---|---|
| 2022 | -23 | $78,451,000 | $48,963,000 | $6,336,000 | $0 | $133,750,000 |
| 2023 | -24 | 80,758,000 | 50,403,000 | 6,523,000 | 0 | 137,684,000 |
| 2024 | -25 | 83,322,000 | 52,003,000 | 6,730,000 | 0 | 142,055,000 |
| 2025 | -26 | 85,886,000 | 53,603,000 | 6,937,000 | 0 | 146,426,000 |
| 2026 | -27 | 88,450,000 | 55,203,000 | 7,144,000 | 0 | 150,797,000 |
| 2027 | -28 | 91,013,000 | 56,803,000 | 7,351,000 | 0 | 155,167,000 |
| 2028 | -29 | 93,744,000 | 58,507,000 | 7,572,000 | 0 | 159,823,000 |
| 2029 | -30 | 96,556,000 | 60,262,000 | 7,799,000 | 0 | 164,617,000 |
| 2030 | -31 | 99,453,000 | 62,070,000 | 8,032,000 | 0 | 169,555,000 |
| 2031 | -32 | 102,436,000 | 63,932,000 | 8,273,000 | 0 | 174,641,000 |
| 2032 | -33 | 104,997,000 | 65,530,000 | 8,480,000 | 0 | 179,007,000 |
| 2033 | -34 | 107,622,000 | 67,168,000 | 8,692,000 | 0 | 183,482,000 |
| 2034 | -35 | 110,313,000 | 68,847,000 | 8,909,000 | 0 | 188,069,000 |
| 2035 | -36 | 113,071,000 | 70,568,000 | 9,132,000 | 0 | 192,771,000 |
| 2036 | -37 | 115,898,000 | 72,332,000 | 9,360,000 | 0 | 197,590,000 |
| 2037 | -38 | 118,795,000 | 74,140,000 | 9,594,000 | 0 | 202,529,000 |
| 2038 | -39 | 121,765,000 | 75,994,000 | 9,834,000 | 0 | 207,593,000 |
| 2039 | -40 | 124,809,000 | 77,894,000 | 10,080,000 | 0 | 212,783,000 |
| 2040 | -41 | 127,929,000 | 79,841,000 | 10,332,000 | 0 | 218,102,000 |
| 2041 | -42 | 131,127,000 | 81,837,000 | 10,590,000 | 0 | 223,554,000 |
| 2042 | -43 | 134,405,000 | 83,883,000 | 10,855,000 | 0 | 229,143,000 |
| 2043 | -44 | 137,765,000 | 85,980,000 | 11,126,000 | 0 | 234,871,000 |
| 2044 | -45 | 141,209,000 | 88,130,000 | 11,404,000 | 0 | 240,743,000 |
| 2045 | -46 | 144,739,000 | 90,333,000 | 11,689,000 | 0 | 246,761,000 |
| 2046 | -47 | $148,357,000 | $92,591,000 | $11,981,000 | $0 | $252,929,000 |

[1] Revenue from other hotel operated departments, excludes parking.

Prepared by: Keyser Marston Associates, Inc.
Filename; JW Marriott PR-PF-V22;GR_Detail; DP

ATTACHMENT TWO - TABLE 5A

UTILITY USER TAX PROJECTION
JW MARRIOTT EXPANSION - DRAFT
LOS ANGELES, CALIFORNIA

| | | Expanded Hotel | | | Existing Hotel | | | |
|---|---|---|---|---|---|---|---|---|
| Year | | Hotel Utility Tax [1] | Utility Utilization Rate [2] | Utility Tax | Hotel Utility Tax [1] | Utility Utilization Rate | Utility Tax | Incremental Utility Tax Revenue |
| Const. | 2019 -20 | - | - | - | - | - | - | - |
| Const. | 2020 -21 | - | - | - | - | - | - | - |
| Const. | 2021 -22 | - | - | - | - | - | - | - |
| 1 | 2022 -23 | $441,000 | 90% | $397,000 | $224,000 | 100% | $224,000 | $173,000 |
| 2 | 2023 -24 | 452,000 | 95% | 429,000 | 230,000 | 100% | 230,000 | 199,000 |
| 3 | 2024 -25 | 463,000 | 100% | 463,000 | 236,000 | 100% | 236,000 | 227,000 |
| 4 | 2025 -26 | 475,000 | 100% | 475,000 | 242,000 | 100% | 242,000 | 233,000 |
| 5 | 2026 -27 | 487,000 | 100% | 487,000 | 248,000 | 100% | 248,000 | 239,000 |
| 6 | 2027 -28 | 499,000 | 100% | 499,000 | 254,000 | 100% | 254,000 | 245,000 |
| 7 | 2028 -29 | 511,000 | 100% | 511,000 | 260,000 | 100% | 260,000 | 251,000 |
| 8 | 2029 -30 | 524,000 | 100% | 524,000 | 267,000 | 100% | 267,000 | 257,000 |
| 9 | 2030 -31 | 537,000 | 100% | 537,000 | 274,000 | 100% | 274,000 | 263,000 |
| 10 | 2031 -32 | 550,000 | 100% | 550,000 | 281,000 | 100% | 281,000 | 269,000 |
| 11 | 2032 -33 | 564,000 | 100% | 564,000 | 288,000 | 100% | 288,000 | 276,000 |
| 12 | 2033 -34 | 578,000 | 100% | 578,000 | 295,000 | 100% | 295,000 | 283,000 |
| 13 | 2034 -35 | 592,000 | 100% | 592,000 | 302,000 | 100% | 302,000 | 290,000 |
| 14 | 2035 -36 | 607,000 | 100% | 607,000 | 310,000 | 100% | 310,000 | 297,000 |
| 15 | 2036 -37 | 622,000 | 100% | 622,000 | 318,000 | 100% | 318,000 | 304,000 |
| 16 | 2037 -38 | 638,000 | 100% | 638,000 | 326,000 | 100% | 326,000 | 312,000 |
| 17 | 2038 -39 | 654,000 | 100% | 654,000 | 334,000 | 100% | 334,000 | 320,000 |
| 18 | 2039 -40 | 670,000 | 100% | 670,000 | 342,000 | 100% | 342,000 | 328,000 |
| 19 | 2040 -41 | 687,000 | 100% | 687,000 | 351,000 | 100% | 351,000 | 336,000 |
| 20 | 2041 -42 | 704,000 | 100% | 704,000 | 360,000 | 100% | 360,000 | 344,000 |
| 21 | 2042 -43 | 722,000 | 100% | 722,000 | 369,000 | 100% | 369,000 | 353,000 |
| 22 | 2043 -44 | 740,000 | 100% | 740,000 | 378,000 | 100% | 378,000 | 362,000 |
| 23 | 2044 -45 | 759,000 | 100% | 759,000 | 387,000 | 100% | 387,000 | 372,000 |
| 24 | 2045 -46 | 778,000 | 100% | 778,000 | 397,000 | 100% | 397,000 | 381,000 |
| 25 | 2046 -47 | 797,000 | 100% | $797,000 | 407,000 | 100% | $407,000 | $390,000 |
| **25 Year Term** | | | | | | | | |
| Nominal Total | | | | $14,984,000 | | | $7,680,000 | $7,304,000 |
| Net Present Value @ 10% | | | | $4,812,000 | | | $2,483,000 | $2,329,000 |

1 See calculation on ATTACHMENT TWO - TABLE 5B. Utility costs are assumed to inflate at 2.5% annually.

2 Build up to projected hotel occupancy.

Prepared by: Keyser Marston Associates, Inc.
Filename; JW Marriott PR-PF-V22;UUT_Proj; DP

ATTACHMENT TWO - TABLE 5B

UTILITY USER TAX CALCULATION
JW MARRIOTT EXPANSION - DRAFT
LOS ANGELES, CALIFORNIA

**Expanded Hotel**

| Utility Type | Rooms | Cost Per Room | Annual Utility Cost | Tax Rate [1] | Tax Revenues |
|---|---|---|---|---|---|
| Electricity | 1,728 | $1,494 [2] | $2,582,000 | 12.5% | $323,000 |
| Natural Gas | 1,728 | $361 [2] | 624,000 | 10.0% | 62,000 |
| Telephone | 1,728 | $360 [3] | $622,000 | 9.0% | $56,000 |
| Total | | | $3,828,000 | 11.5% | $441,000 |

**Existing Hotel**

| Utility Type | Units | Cost Per Unit | Annual Utility Cost | Tax Rate [1] | Tax Revenues |
|---|---|---|---|---|---|
| Electricity | 878 | $1,494 [2] | $1,312,000 | 12.5% | $164,000 |
| Natural Gas | 878 | $361 [2] | 317,000 | 10.0% | 32,000 |
| Telephone | 878 | $360 [3] | $316,000 | 9.0% | $28,000 |
| Total | | | $1,945,000 | 11.5% | $224,000 |

**Incremental Hotel Revenues**

| Utility Type | Annual Utility Cost | Tax Rate [1] | Tax Revenues |
|---|---|---|---|
| Electricity | $1,270,000 | 12.5% | $159,000 |
| Natural Gas | $307,000 | 10.0% | 31,000 |
| Telephone | $306,000 | 9.0% | 28,000 |
| Total | $1,883,000 | 11.6% | $218,000 |

[1] Per Los Angeles Municipal Code.
[2] Based on KMA research & CBRE data: electricity costs were 60% and gas/fuel costs were 11% of utility costs.
[3] Based on an average of recent hotel operating statements, annual telephone costs are assumed at $360 per room.

Prepared by: Keyser Marston Associates, Inc.
Filename; JW Marriott PR-PF-V22;UUT_Detail; DP

ATTACHMENT TWO - TABLE 6

**PARKING TAX**
**JW MARRIOTT EXPANSION - DRAFT**
**LOS ANGELES, CALIFORNIA**

| | | Expanded Hotel | | Existing Hotel | | |
|---|---|---|---|---|---|---|
| Year | | Parking Revenue [1] | Parking Tax Revenue [2] | Existing Hotel | Incremental Hotel [1] | Parking Tax Revenues [2] |
| 1 | 2022 -23 | $7,110,000 | $711,000 | $3,610,000 | $361,000 | $350,000 |
| 2 | 2023 -24 | 7,320,000 | 732,000 | 3,720,000 | 372,000 | 360,000 |
| 3 | 2024 -25 | 7,540,000 | 754,000 | 3,830,000 | 383,000 | 371,000 |
| 4 | 2025 -26 | 7,770,000 | 777,000 | 3,950,000 | 395,000 | 382,000 |
| 5 | 2026 -27 | 8,000,000 | 800,000 | 4,060,000 | 406,000 | 394,000 |
| 6 | 2027 -28 | 8,240,000 | 824,000 | 4,190,000 | 419,000 | 405,000 |
| 7 | 2028 -29 | 8,490,000 | 849,000 | 4,310,000 | 431,000 | 418,000 |
| 8 | 2029 -30 | 8,740,000 | 874,000 | 4,440,000 | 444,000 | 430,000 |
| 9 | 2030 -31 | 9,000,000 | 900,000 | 4,570,000 | 457,000 | 443,000 |
| 10 | 2031 -32 | 9,270,000 | 927,000 | 4,710,000 | 471,000 | 456,000 |
| 11 | 2032 -33 | 9,502,000 | 950,000 | 4,828,000 | 483,000 | 467,000 |
| 12 | 2033 -34 | 9,740,000 | 974,000 | 4,949,000 | 495,000 | 479,000 |
| 13 | 2034 -35 | 9,984,000 | 998,000 | 5,073,000 | 507,000 | 491,000 |
| 14 | 2035 -36 | 10,234,000 | 1,023,000 | 5,200,000 | 520,000 | 503,000 |
| 15 | 2036 -37 | 10,490,000 | 1,049,000 | 5,330,000 | 533,000 | 516,000 |
| 16 | 2037 -38 | 10,752,000 | 1,075,000 | 5,463,000 | 546,000 | 529,000 |
| 17 | 2038 -39 | 11,021,000 | 1,102,000 | 5,600,000 | 560,000 | 542,000 |
| 18 | 2039 -40 | 11,297,000 | 1,130,000 | 5,740,000 | 574,000 | 556,000 |
| 19 | 2040 -41 | 11,579,000 | 1,158,000 | 5,884,000 | 588,000 | 570,000 |
| 20 | 2041 -42 | 11,868,000 | 1,187,000 | 6,031,000 | 603,000 | 584,000 |
| 21 | 2042 -43 | 12,165,000 | 1,217,000 | 6,182,000 | 618,000 | 599,000 |
| 22 | 2043 -44 | 12,469,000 | 1,247,000 | 6,337,000 | 634,000 | 613,000 |
| 23 | 2044 -45 | 12,781,000 | 1,278,000 | 6,495,000 | 650,000 | 628,000 |
| 24 | 2045 -46 | 13,101,000 | 1,310,000 | 6,657,000 | 666,000 | 644,000 |
| 25 | 2046 -47 | $13,429,000 | $1,343,000 | $6,823,000 | $682,000 | $661,000 |
| **25 Year Term** | | | | | | |
| Nominal Total | | | $25,189,000 | | $12,798,000 | $12,391,000 |
| NPV @ 10% | | | $8,084,000 | | $4,107,000 | $3,977,000 |

1 Based on 228 spaces and CBRE projections.
2 Based on a 10% tax rate.

Prepared by: Keyser Marston Associates, Inc.
Filename; JW Marriott PR-PF-V22;Parking; DP

Attachment D

Memorandum of Understanding Between the City of Los Angeles and L.A. Arena Land Company, LLC

**Memorandum of Understanding between the City of Los Angeles (City) and L.A. Arena Land Company, LLC[1] (Developer) for Hotel Expansion**

The above listed parties enter into this Memorandum of Understanding (MOU) as of November __, 2018, to provide non-binding general guidelines for the negotiation related to the development of an approximately 850-room expansion of the existing JW Marriott Los Angeles LA LIVE hotel.

## PROJECT BACKGROUND

The Los Angeles Convention Center ("LACC") is a significant economic engine for the City, attracting visitors from across the nation and around the world to attend conventions, consumer shows, and other major events. The City has been exploring opportunities to expand and modernize the LACC, which would involve City-owned real property surrounding the LACC (the "LACC Property"). Concurrently with the execution of this MOU, the City and Anschutz Entertainment Group, Inc. ("AEG"), an affiliate of Developer, intend to enter into a certain Exclusive Negotiating Agreement (the "LACC Expansion Project ENA") pursuant to which the City and AEG shall discuss and jointly pursue an expansion of the existing LACC facility (the "LACC Expansion Project"). In addition, in order to remain competitive with other convention centers in California and across the nation, the City has sought to expand the number of hotel rooms in the vicinity of the LACC. The City has determined that at least 8,000 hotel rooms are needed within a half mile of the LACC to support its expansion efforts.

The City, the City's former redevelopment agency ("CRA/LA"), AEG, and one or more of Developer's affiliates have previously entered into, or are parties to, a Hotel Agreement to develop a significant hotel at the L.A. LIVE property to serve as a headquarters hotel for major LACC events. As a result of those agreements, Developer developed and continues to own the existing 878-room JW Marriott and 123-room Ritz Carlton located at L.A. LIVE (the "Existing Hotel"). Developer desires to expand the Existing Hotel by constructing a new 40-story tower on Developer's Olympic West property immediately adjacent to the West Hall of the LACC containing approximately 850 additional JW Marriott hotel rooms and including approximately 100,000 square feet of associated meeting and ballroom space, and other supporting facilities (the "Hotel Expansion"). The Hotel Expansion will be integrated with the Existing Hotel, which together will be operated by affiliates of Marriott International, Inc. (the "Hotel Operator") under a single long-term management agreement for both the Existing Hotel and the Hotel Expansion (collectively, the "Expanded Hotel"). The total cost to develop the Hotel Expansion (including requisite land and air rights values) is estimated to require in excess of $700,000,000 of new investment by Developer.

[1] L.A. Arena Land Company is initially acting as the developer of this project. It is anticipated that on or around the close of the financing for this project, all rights and obligations under project-related agreements, including those contemplated by this MOU, would be transferred to Olympic & Georgia Partners (or one of its subsidiaries) in its capacity as owner of the hotel.

Developer, the City, and the CRA/LA, previously entered into that First Amended and Restated Hotel Development Agreement ("Existing Hotel Development Agreement") dated January 26, 2007, that among other things, required the special taxing district created by the City on June 30, 2006 (the "Community Taxing District") to fund an amount equal to the transient occupancy tax ("TOT") generated by the Existing Hotel in order to reimburse Developer for a portion of the cost to develop the Existing Hotel. Since the Existing Hotel opened, the Developer has received a portion (but not all) of the funding obligated to be provided under the Existing Hotel Development Agreement. In connection with the construction of the proposed Hotel Expansion, the City and Developer desire to dissolve the Community Taxing District and to instead combine the financial assistance provided to Developer for the Existing Hotel under the Existing Hotel Development Agreement with the Additional City Financial Assistance (as defined below) for the Hotel Expansion, without decreasing or increasing the remaining amount of financial assistance already to be provided to Developer for the Existing Hotel under the Existing Hotel Development Agreement.

The Hotel Expansion would consist of a 40-story tower to be constructed on the existing event deck space over the Olympic West garage at LA Live (the "Project Site"). In addition, this tower is anticipated to include meeting, conference, banquet, exhibition, and ballroom space, which would serve as Convention Center Specific Uses under the existing Los Angeles Sports and Entertainment District (the "LASED"). The gross building area of the Hotel Expansion, including parking, is anticipated to be approximately 800,000 square feet.

This new compliment of function space would support the new hotel rooms, would be directly linked to the function space in the Existing Hotel by means of two pedestrian bridges over the private West Road, and would be made available for rent to certain LACC events on a basis to be further negotiated by Developer and City. In addition, the new function space would be directly linked to the expanded LACC facility via an enclosed pedestrian bridge to be constructed across Chick Hearn Court (the "LACC Expansion Project Pedestrian Bridge") as a part of and within the scope of the LACC Expansion Project, as more specifically described in the LACC Expansion Project ENA.

The Project Site is currently being utilized by the Developer as parking, staging and temporary event space. The Project Site is within the LASED, and, subject to the Developer's obtaining the City's approval of a Project Permit Compliance Review ("PPCR") pursuant to the provisions of the LASED Specific Plan, has been allocated entitlements for mixed use development, including the Hotel Expansion.

The additional rooms and the associated meeting and ballroom space in the Hotel Expansion are desirable to the City because they would expand the lodging and meeting options currently available to potential conventions, groups and other visitors to the City. The City's willingness to contribute to the financial feasibility of the Hotel Expansion is based on the development and operation of the proposed Hotel Expansion, together with the Existing Hotel, as an additional source for hotel rooms and supporting amenity areas to support tourism in Los Angeles and to support the LACC, which has been recognized through the American Recovery and Reinvestment Act process as an Economic Recovery target area and is also designated as a Targeted Employment Area, and the public benefits resulting therefrom. The Hotel Expansion will provide much needed additional lodging and meeting space to complement the offerings at the LACC and will provide visitors and conventioneers with added lodging and meeting options when they travel to downtown Los Angeles. In addition, with 1,851 rooms in total, the Expanded Hotel will enable the LACC to compete for and attract large group events that historically have been unwilling to come to Los Angeles due to the lack of large enough room blocks in close proximity to the LACC.

## CITY INVESTMENT

The sources of City support for the financing and implementation of the Hotel Expansion are outlined below. The City finds these terms to be acceptable in concept for negotiation and clarification of the terms in a Hotel Development Incentive Agreement and any other agreements necessary and appropriate to support the implementation of the development of the Hotel Expansion (the "Replacement City Agreements").

## CITY TERMS AND CONDITIONS

1. **Employment of Consultant**: The City has employed an outside consultant to perform an evaluation of the financial feasibility of the Hotel Expansion Project and to obtain any information the City determines is reasonably necessary to comply with the initial and continuing disclosure and public hearing requirements set forth in Government Code Section 53083 ("Disclosure Requirements"). The Developer has cooperated and will continue to reasonably cooperate with the City's consultant and agrees to make available to the consultant any financial data, projections or any other information reasonably requested by the consultant that the consultant determines is useful in making its evaluation. Developer has paid for the consultant's services, but the City is the consultant's client for purposes of the consultant's services.

2. **Conditional Obligations**: The City's financial commitments will be conditional obligations payable on a not less than yearly basis solely from general fund revenues measured by TOT revenues received by the City from the development and operation of the Hotel Expansion and the combined operation of the Expanded Hotel, and will be subject to compliance by Developer and the Hotel Operator with all terms of the Replacement City Agreements to be executed between the parties to provide the Additional City Financial Assistance, which shall include but not be limited to the Developer's and Hotel Operator's continued compliance with the terms of the Community Benefits Package, the amended Room Block Agreement and the Developer's and Hotel Operator's timely remittance of all City taxes as well as any information or waivers which the City determines are necessary to comply with the Disclosure Requirements.

3. **Continued Obligations**: The City will continue to have the obligation to fund all of the economic assistance required of it under the Existing Hotel Development Agreement, and in no event will the existing Community Taxing District be dissolved, or any of the Existing City Agreements be modified, amended or terminated unless and until the parties have entered into all required definitive and binding Replacement City Agreements and any and all appeal periods have lapsed.

4. **Construction Costs and Hotel Expansion Financing Audit**: Upon completion of construction of the Hotel Expansion, Developer shall submit (A) a certification from the

architect for the Hotel Expansion stating that the improvements to the Project Site have been made in accordance with the Hotel Expansion plans and specifications (the "Hotel Expansion Plans and Specifications"), and (B) a certificate from Developer that the Project complies with the terms of the Replacement City Agreements. Upon (1) submission of the architect's certification, (2) a determination of final Hotel Expansion development and construction costs, (3) a determination by the City that Developer has completed the Hotel Expansion in full conformance with industry standards for a hotel consistent with the Existing Hotel and the Hotel Expansion Plans and Specifications, (4) a determination by the City that Developer has satisfied all of Developer's development obligations under the Replacement City Agreements, (5) certification by Developer that it has complied with requirements related to Construction Sales Tax (as described in Paragraph 14 below) and that the amount of Construction Sales Tax remitted to the City in connection with the Hotel Expansion was generally consistent with the amount estimated by the City's financial consultant; and (6) completion of an independent audit of the development and construction costs, Developer and City will conduct an updated review of the Hotel Expansion development and construction costs and project financing and other factors as agreed to by the parties to reevaluate and adjust the maximum amount of Additional City Financial Assistance as described in Paragraph 5 below. The City may, but will not be required to employ an outside consultant to perform an evaluation of the Developer's submittals under this Paragraph 4. Developer shall be responsible for the reasonable costs and payment of the outside consultant services, but the City shall be the consultant's client for purposes of the consultant's services. In addition, Developer shall be responsible for the reasonable costs of any outside consultants engaged by the City in connection herewith to perform periodic on-going audits (up to once every five years) as needed to comply with Government Code Section 53083.

5. **City Financial Assistance**: After an independent review of the Hotel Expansion Plans and Specifications, the estimated construction costs for the Hotel Expansion, and the pro forma statement of estimated operating results for the operation of the Hotel Expansion and the Expanded Hotel prepared by Developer, the City's consultants projected that without public assistance, the Developer's return on investment will be below industry standards for a project of this level of complexity and risk, and further estimated a feasibility gap for the proposed development of the Hotel Expansion in the amount of $119.4 million (the "Financing Gap"). The City's financial analysis indicated that the Hotel Expansion would serve unmet and new market demands and would generate Net New Revenues to the City, totaling $601.2 million over 25 years, with those Net New Revenues having a net present value of $195.5 million. As a result of the Financing Gap, and in order to induce Developer to construct and operate the Project, which will yield substantial benefits for the City, the City's Chief Legislative Analyst recommends that the City provide the Additional City Financial Assistance (as defined below), subject to approval by the City Council at one or more duly noticed public hearings.

6. **Additional City Financial Assistance**: The anticipated financial assistance to the Developer based on the Hotel Expansion Plans and Specifications presented to the City's consultants has a net present value of $97.7 million (the "Additional City Financial Assistance"). The Additional City Financial Assistance is projected to be necessary to

complete construction of the Hotel Expansion and assist in filling the financing gap as determined by the independent study and, further, is consistent with the City's policy of reinvesting an amount not to exceed 50% of the total Net New Revenues to the City generated by a project or an amount measured by 100% of the TOT generated by the project, whichever is lower. Providing the Additional City Financial Assistance to the Hotel Expansion would serve the public interest as the Hotel Expansion has been found to be economically unfeasible otherwise. As used herein, "Net New Revenues" consists of increased revenues received by the City from TOT, property taxes, sales and use taxes, business gross receipts taxes, utility user taxes and parking revenue taxes, as a result of the development and operation of the Expanded Hotel.

7. **Total Funding Amount**: The Additional City Financial Assistance for the Hotel Expansion is in addition to the assistance currently required to be paid to Developer pursuant to the Existing Hotel Development Agreement (the "Existing City Financial Obligation"). If the Additional City Financial Assistance is duly approved by the City, the Replacement City Agreements shall modify the existing terms of the financial assistance from the City to the Developer such that the net present value of the total financial assistance to be provided to the Developer from and after the opening of the Hotel Expansion will equal the sum of (a) the Existing City Financial Obligation (as of the opening of the Hotel Expansion) and (b) the Additional City Financial Assistance. Developer shall be responsible for any trustee fees required to administer the TOT reinvestment contemplated hereunder.

8. **Tax Calculations**: Until completion of the Hotel Expansion, TOT calculations shall continue to include only the TOT collected from the continued operation of the Existing Hotel. Upon completion of the Hotel Expansion, the TOT calculation shall thereafter include TOT collected from the operation of the entire Expanded Hotel.

9. **Modification of City Policy:**

The Additional City Financial Assistance recommended by this MOU is consistent with the City's historical practices and policies for similarly situated projects that receive financial assistance from the City based on the generation of new site specific tax revenue by the project. For the Hotel Expansion, the Additional City Financial Assistance proposed hereunder is less than the anticipated Financing Gap due to the City's policy that limits such financial assistance to no more than 50% of projected Net New Revenues. If at any time prior to the sixth (6th) anniversary of the opening of the Hotel Expansion, the City takes any action to modify, or deviate from, such policies for any other proposed hotel project or projects in the area bounded by the Harbor Freeway, 7th Street, Hill Street, and the Santa Monica Freeway (including by way of example only, increasing the 50% cap or materially altering the methodology of determining financing gaps or net new revenues, or increasing the availability of any form of financial assistance), then the Additional City Financial Assistance provided to the Developer shall be equitably adjusted consistent with such action or actions, and the Replacement City Agreements will be modified accordingly; provided, however, that in no event shall the Additional City Financial Assistance (i) exceed the Financing Gap, or (ii) increase the percentage of Net New Revenue to a percentage that is greater than the percentage of net new revenues received by the other project. For purposes of clarification, nothing in this Paragraph is intended to, nor shall it, in any way restrict the City from taking any actions it deems necessary or appropriate acting in its Governmental Capacity with respect to any project; rather, the intent of the parties is that to the extent any such actions have the result of conferring a material benefit with measurable financial value upon another project (such as, but not limited to, the provision of tax rebates or reductions, or the sale or lease of any City owned or controlled properties for less than fair market value), such value shall be taken into account in determining the applicability of this provision and calculating any adjustment hereunder.

10. **Transfer of Hotel Expansion and Property**: The restrictions on Developer's ability to transfer the Expanded Hotel shall be consistent with those set forth in the Existing Hotel Development Agreement.

11. **Hotel Rating**: The Expanded Hotel will be operated, furnished, serviced, maintained and refurbished together with and to a standard of quality comparable to the Existing Hotel, consistent with the operating covenants for the Existing Hotel set forth in the Existing Hotel Development Agreement for the duration of the Term under the Replacement City Agreements.

12. **Hotel Operator**: The provisions regarding changes to the Hotel Operator during the Term shall be consistent with those set forth in the Existing Hotel Development Agreement.

13. **Hotel Operation**: The Expanded Hotel shall be operated in accordance with the hotel operating covenants and all other restrictions set forth in the Existing City Agreements for the duration of the Term under the Replacement City Agreements.

14. **Construction Sales Tax**: The Developer will cause the City of Los Angeles to be designated as the "point of sale" for all construction-related purchases including purchases made by any subcontractors of the Developer of the Hotel Expansion.

15. **Adjustments to the Additional City Financial Assistance**: In contemplation of the Hotel Expansion, the Developer intends to charge a destination fee (the "Destination Fee"), and to impose and remit to the City TOT thereon. The estimated Net New Revenues used to determine the amount of the Additional City Financial Assistance includes this revenue source. If at any point following the opening of the Expanded Hotel, (a) the Developer substantially reduces or eliminates the Destination Fee, or (b) for whatever reason the City is no longer receiving TOT on account of such Destination Fee, then the Additional City Financial Assistance will be reduced accordingly. Further, if the Developer substantially reduces or eliminates the Destination Fee after it has received the full Additional Financial Assistance and prior to the 25th anniversary of the opening of the Hotel Expansion, then promptly following the expiration of such 25-year period, the Developer will be obligated to remit to the City the amount of shortfall in City revenue that was estimated to be accrued by the City as a result of the Destination fee by the City's consultant

16. **Labor Compliance**: The City will monitor Developer's compliance with all applicable wage compliance requirements of the Replacement City Agreements and the Community Benefits Package. The Developer, its general contractor, and their subcontractors shall

meet with the Office of Contract Compliance for a Pre-Construction Meeting prior to the commencement of any construction work on the Hotel Expansion to receive information on the prevailing wage, certified payroll, apprenticeship and local hire requirements in connection with the Hotel Expansion.

17. **Community Benefits Package**: In connection with the development of the Hotel Expansion, Developer shall comply with a community benefits package, which shall include an Amended and Restated Room Block Agreement, a Card Check Neutrality Agreement, Living Wage Compliance, and Local Hiring Compliance, and may also include other elements such as streetscape improvements, job training and job creation as agreed upon with the City. In addition, Developer anticipates that the Expanded Hotel will be designed to accommodate a connection to the proposed LACC Expansion Project Pedestrian Bridge, and further anticipates that it will contribute an agreed-upon amount towards the construction cost of the LACC Expansion Project Pedestrian Bridge in order to help defray the cost of such construction.

18. **CASp:** To the extent required by applicable law, in connection with the development of the Hotel Expansion, Developer shall engage a Certified Access Specialist under the California Certified Access Specialist Program (CASp) to inspect and prepare an Accessibility Report to determine if the Hotel Expansion is in compliance with applicable state and federal accessibility requirements. Developer shall provide a copy of said Accessibility Report to the City upon receipt. The Accessibility Report will identify those internal and external areas of the Hotel Expansion, if any, that are not in compliance with applicable accessibility standards. The Accessibility Report will delineate those recommendations of work by address, internal and external, needed to be performed at the Project Site ("Recommended ADA Work"). Developer, at Developer's cost, will take steps to perform the Recommended ADA Work.

19. **Cooperation**: The City has previously approved certain entitlements for development within the LASED, including development on the Project Site, and will continue to cooperate in processing expeditiously any requests for entitlements, amendments or necessary modifications of the various land use controls to accommodate the scope of development in the plans and specifications prepared for the Hotel Expansion, the City will cooperate to the extent necessary to process Developer's Hotel Expansion PPCR Application as well as all other related approvals (such as for signage) under the LASED Specific Plan, airspace vacations for the pedestrian bridge and other project elements, Cultural Affairs Commission approval of the pedestrian bridge, and lot line adjustments or subdivisions (as may be required) for the Expanded Hotel.

20. **Project Site Map**: Attached hereto as Exhibit A and incorporated herein.

21. **Government Code Section 53083**: Developer shall cooperate with the City in complying with the disclosure and public hearing requirements set forth in Government Code Section 53083, including, to the extent necessary providing any tax data or confidentiality waivers deemed by the City as necessary to ensure compliance with all statutorily required reporting requirements, including waivers from any operator, tenant or subtenants located at the Site.

22. **City Capacity:** Under this MOU, the City is acting only in its proprietary capacity such as entering into contracts ("Proprietary Capacity"), and any obligations or restrictions imposed by this MOU on the City shall be limited to City's Proprietary Capacity and shall not relate to, constitute a waiver of, supersede or otherwise limit or affect the governmental capacities of the City, including, without limitation, enacting laws, inspecting structures, reviewing and issuing permits/entitlements, and all of the other legislative and administrative or enforcement functions of each pursuant to federal, state or local law ("Governmental Capacity"). The City, when acting in its Governmental Capacity, shall be permitted to utilize its sole and absolute discretion with respect to matters requiring its approval and nothing in this MOU shall be construed to limit that discretion.

**MOU IMPLEMENTATION**

The parties further acknowledge and agree that this MOU is merely an expression of the parties' agreement in concept to the terms to be negotiated and further acknowledge and agree that the terms set forth in this MOU are not binding on the parties.

This MOU authorizes the parties to negotiate and draft written agreements, which may include amendments to previously approved agreements and/or any other documents necessary to implement the terms of any agreed upon restructuring of the terms or conditions of any agreement, or to the extent applicable, any other agreement to which the City may or may not be a party but which is necessary to effectuate the terms of the parties' agreement. The Developer acknowledges and agrees that the final agreements, as well as any ordinances or other legislative acts necessary to effectuate the terms of any proposed agreement between the parties must comply with the Disclosure Requirements and be approved by the City Council and, if applicable, the Mayor, as set forth in the Los Angeles City Charter and/or Administrative Code or as otherwise required by law.

[signatures on the following page]

IN WITNESS WHEREOF, the parties executed this Memorandum of Understanding on the dates indicated.

**DEVELOPER**:

L.A. ARENA LAND COMPANY, LLC,
a Delaware limited liability company

By: ____________________________
Name: __________________________
Title: __________________________

Date: __________________________

**CITY**:

THE CITY OF LOS ANGELES:

By: ____________________________
Name: __________________________
Title: __________________________

Date: __________________________

APPROVED AS TO FORM:

Michael N. Feuer, City Attorney

By: ________________________________
[Name]
Deputy City Attorney

Date: __________________________

ATTESTED:

Holly Wolcott, City Clerk

By: ________________________________
Deputy City Clerk

Date: ________________________________