

ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to evaluating available economic incentives and financial assistance in connection with the Pico-Figueroa Hotel Project.

Recommendations for Council action:

1. AUTHORIZE the Mayor to execute a Memorandum of Understanding between the City of Los Angeles and Lightstone DTLA LLC (Lightstone) providing terms for agreements necessary to provide a revenue participation agreement to close the financing gap in the Pico-Figueroa Hotel Project.
2. DIRECT the Chief Legislative Analyst (CLA), with assistance of the City Attorney and other City departments as necessary, to negotiate the final definitive documents necessary to provide a revenue participation agreement to support the Pico-Figueroa Hotel Project for consideration by Council .
3. INSTRUCT the City Administrative Officer and Department of General Services (GSD); and, REQUEST the City Attorney, to prepare the necessary reports, documents, and ordinances necessary to effectuate the sale of the City-owned parcel at the corner of Figueroa Street and Pico Boulevard (1260 Figueroa Street/601 Pico Boulevard).

Fiscal Impact Statement: The CLA reports that there is no fiscal impact on the City General Fund associated with this action, inasmuch as City staff are being instructed to report the final, definitive documents necessary to provide a future revenue participation agreement for the Pico-Figueroa Hotel Project.

Community Impact Statement: None submitted.

Summary:

On November 28, 2017, your Committee considered a November 21, 2017 CLA report relative to evaluating available economic incentives and financial assistance in connection with the Pico-Figueroa Hotel Project. According to the CLA, on January 19, 2016 a Motion (Huizar-Price) was introduced to authorize the CLA to evaluate the proposed Pico-Figueroa Hotel Project and determine whether financial assistance is warranted to support development of the project. Lightstone Group, as the development team of Lightstone, has developed plans for the Pico-Figueroa Hotel Project, which will consist of two towers containing three hotels with a total of 1,130 rooms directly across the street from the Los Angeles Convention Center (LACC). The three hotels in the project will be select service brands and will provide facilities and services associated with this hotel model. The Project will also include ground level retail and parking facilities.

However, the Project is viable only with the inclusion of a City-owned parcel located between the two privately owned parcels controlled by Lightstone (Council File No. 16-0073). In 2012, Council authorized the GSD to initiate the surplus property process for this parcel, which has been substantially completed. The City would sell the property to Lightstone for an appraised value of \$9.6 million. If approved, sale of this property to Lightstone would complete the surplus property process. A review conducted by the City's independent consultant determined that the

Project has a finance gap of \$67.4 million. The review also determined that the project will generate \$158 million net present value (NPV) in net new revenues to the City. Consistent with City policy, Lightstone would be eligible to receive up to \$67.4 million NPV in financial assistance (which is 43 percent of net new revenues generated by the Project). The City would receive an estimated \$90.6 million NPV in new General Fund revenues.

The Project would generate new hotel rooms to support the LACC, generate new jobs and new City revenues, and provide community benefits. Completion of this project, as well as other hotel projects supported by the City, would increase the number of hotel rooms within walking distance of the LACC to over 6,500 rooms. The City's objective has been to reach 8,000 hotel rooms in this area. Therefore, providing financial assistance for the project would be consistent with City policy.

After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the recommendations contained in the November 21, 2017 CLA report and detailed in the above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ECONOMIC DEVELOPMENT COMMITTEE



MEMBER VOTE

PRICE: YES

BUSCAINO: YES

HUIZAR: YES

ARL

11/28/17

-NOT OFFICIAL UNTIL COUNCIL ACTS-