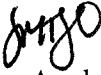


REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: October 18, 2017

TO: Honorable Members of the City Council

FROM: Sharon M. Tso 
Chief Legislative Analyst

Assignment No: 17-10-0985

CAMBRIA HOTEL INCENTIVE EVALUATION

SUMMARY

On September 30, 2016, Motion (Huizar-Price, CF #16-1128) was introduced to authorize the Chief Legislative Analyst (CLA) to evaluate the proposed Cambria Hotel project and determine whether financial assistance is warranted to support development of the project. Pacific Properties, as the development team of 926 James M Wood Boulevard LLC, has developed plans for the Cambria Hotel project, which will consist of one tower containing 247 rooms within walking distance of the Los Angeles Convention Center (LACC). The hotel will include all facilities associated with a select service hotel. The project will also include ground level retail and parking facilities.

A review conducted by the City's independent consultant determined that the project has a finance gap of \$18.3 million. The review also determined that the project will generate \$31.4 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 \$15.7 million NPV in financial assistance. The City would receive up to \$15.7 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. Therefore, providing financial assistance for the project would be consistent with City policy.

RECOMMENDATIONS

That the City Council:

1. Authorize the Mayor to execute a Memorandum of Understanding between the City of Los Angeles and 926 James M Wood Boulevard LLC (Developer) concerning terms for agreements necessary to provide a hotel incentive agreement to close the financing gap in the Cambria Hotel project;
2. Direct the Chief Legislative Analyst (CLA) and with assistance of the City Attorney and other City departments as necessary to negotiate the final definitive

documents necessary to provide the Developer a hotel incentive agreement to support the Cambria Hotel project for consideration by Council.

FISCAL IMPACT STATEMENT

There is no fiscal impact on the City General Fund associated with this action, inasmuch as City staff are being instructed to report with definitive documents necessary to provide a future revenue participation agreement for the Cambria Hotel project.

BACKGROUND

On September 30, 2016, Motion (Huizar-Price, CF #16-1128, Attachment A) was introduced to authorize the Chief Legislative Analyst (CLA) to evaluate the proposed Cambria Hotel project and determine whether financial assistance is warranted to support development of the project. Pacific Properties, as the development team of 926 James M Wood Boulevard LLC, has developed plans for the Cambria Hotel project, which will consist of one tower containing 247 rooms within walking distance of the LACC. The hotel will include all facilities associated with a select service hotel, including parking, meeting rooms, a ground-level gastro pub, a rooftop bar, and a pool and fitness center. The project will also include ground level retail and parking facilities.

City policy requires that an independent review be conducted to evaluate the project construction and finance plan, as well as potential City revenues that result from project completion. The CLA conducted a competitive process and selected Keyser Marston Associates (KMA) to prepare the required review.

KMA received documentation from the Developer concerning their finance plan and construction costs to determine the development feasibility of the project. They also estimated the amount of new revenues that would accrue to the City as a result of project completion. The final report by KMA (Attachment B) determined that the project has a finance gap of \$18.3 million. The review also determined that the project will generate \$31.4 million NPV in net new revenues to the City. Consistent with City policy, as discussed in the findings below, the Developer would be eligible to receive up to \$15.7 million NPV in financial assistance. The City would receive up to \$15.7 million NPV in new general fund revenues.

Memorandum of Understanding

Should Council determine that an incentive is appropriate to support development of this project, a Hotel Incentive Agreement 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 C) that provides terms that would serve as the basis for negotiation of the definitive documents necessary to establish the hotel incentive agreement between the City and the Developer. The terms are:

- ▶ Incentive payment of \$15.7 million NPV (\$48.4 million nominal) over a term of up to 25 years.

- ▶ The hotel will achieve and maintain a three 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, and a room block agreement for both the LACC and the 2028 Olympics 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.

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.

FINDINGS

The Block Grant Investment Fund (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. The City selected Keyser Marston Associates (KMA) through a competitive bid process to conduct a review of the financial feasibility, public revenues, and employment generation associated with the Cambria Hotel project, as required by the BGIF Policy.

The following provides findings for the Cambria Hotel project in compliance with the BGIF policy.

Substantial City Public Benefit

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 enhances the City’s long term economic position. The Cambria Hotel project provides the following:

Job Creation

The Developer indicates that the completed project would generate 86 jobs. KMA evaluated the project using Rims II Direct Effect Multipliers for accommodations, which suggests that the project would generate 140 full-time and part-time (125 full-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 630 temporary jobs.

Hotel Support for Los Angeles Convention Center (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. The additional 1,200 rooms provided by these facilities are a significant addition to meet the LACC's needs, but not nearly enough to approach the City's major competitors on the West Coast.

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

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 2017" that while national lodging occupancy dropped by 0.2% in 2016, Los Angeles occupancy grew by 2.1%. Downtown Los Angeles occupancy has shown the strongest growth in the Los Angeles region, with a 4.5% increase in 2016, exceeding anticipated growth of 4.1% estimated by CBRE in 2015. LATCB data indicate that Downtown has experienced an additional 1.6% increase through June of 2017 while the Los Angeles region has generally seen a 0.8% decrease during the same six-month period.

An August 2017 report for the CTD prepared by JLL, Inc., evaluates the impact of projected hotel development on the Downtown hotel market. The report indicates that the Downtown hotel market has been the top national performer for much of 2016 and that the market can absorb the additional rooms projected to be developed, including the Cambria Hotel. The KMA analysis reports that the Cambria will operate at a 78% occupancy rate by the third year of operation, meaning that the market will be able to absorb these new rooms.

Development of the Cambria Hotel project will provide additional hotel rooms within walking distance of the LACC, contributing to the total number of rooms available to support Citywide conventions.

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 Hotel Incentive Agreement, such as job training and job creation programs.

Net New City Revenue

The project site is currently a parking lot, generating approximately \$28,000 annually in public revenues. After construction, the project is estimated to generate \$2.5 million in net new public revenues in its first year of operations, a significant increase over existing revenues. This increase is a result of new property tax, sales tax, utility tax, parking tax, and transient occupancy tax revenues. As noted, City policy requires that no more than 50% of net new revenues would be available to incentivize development of the project, with all remaining funds accruing to the City.

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 Cambria Hotel project has a finance gap of \$18.3 million. A significant factor in the cost of the project is that constraints associated with the site require Type 1, concrete and steel high rise construction. Further, the location of the project requires a “very high quality standard that is consistent with the surrounding environment” in order to be competitive in the market and attract convention business.

Incentive Available

City policy provides that the Developer would be eligible to receive up to 50% 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 \$31.4 million NPV (\$96.8 million nominal) in net new City revenues, such as new transient occupancy tax (TOT), sales tax, property tax, and business tax revenues. Since 50% of estimated net new revenue is \$15.7 NPV million and the finance gap is \$18.3 million, the Developer would be eligible to receive up to \$15.7 million under City policy.

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 begun site preparation and pre-construction activities, at their risk, in order to be ready for the commencement of construction. All entitlements and required environmental assessments have been completed and approved. As a result, the project is ready to begin construction upon final determination of incentive support.

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% of net new revenue generated by the project. The project is expected to generate \$31.4 million NPV (\$96.8 million nominal) in total net new revenues from sources such as property tax, sales tax, and business tax. Again, as noted above, the finance gap is higher than the 50% of net new revenue, so the Developer is eligible to receive no more than 50% of net new revenue to be generated by the project, which is \$15.7 million NPV. The General Fund, then, would receive an estimated \$15.7 million NPV (\$31.4 million nominal) in new revenues over the life of this agreement.

- Attachments:
- A Motion (Huizar-Price) CF# 16-1128
 - B Cambria Hotel – Financial Feasibility, Public Revenue and Employment Analysis by Keyser Marston Associates
 - C Memorandum of Understanding Between the City of Los Angeles and 926 James M Wood Boulevard LLC

ATTACHMENT A
Motion (Huizar-Price)
CF# 16-1128

MOTION

Los Angeles has made great strides to improve its convention and tourism business over the past decade. The City has restructured the management of the Los Angeles Convention Center and supported the development of new hotels to support the growing interest in the City as an international tourist destination.

Despite the progress to date, there is still a need for hotels to meet the needs of all types of visitors to the City, including visitors to the Los Angeles Convention Center. Review of competing convention markets in California indicates that Los Angeles has a limited supply of hotel rooms within walking distance of the Convention Center. San Diego has over 9,000 hotel rooms within one-half mile of its convention center and San Francisco has over 20,000 hotel rooms within the same distance. Los Angeles has fewer than 3,300 hotel rooms within one half mile of our Convention Center. The lack of hotel rooms is regularly cited by convention and event planners as their key reason for taking their business to other cities.

To be more competitive, the City needs more hotel rooms in the vicinity of the Convention Center. The LA Tourism and Convention Board reports that at least 5,000 hotel rooms are needed. A proposal was recently announced to construct an approximately 250 room, limited service style hotel within walking distance of the Convention Center, on James Wood Boulevard at Georgia Street, known as the Cambria Hotel, to be developed by the Pacific Properties Partners.

The Developer has indicated that the proposed hotel project requires financial assistance to construct and has requested that the City help with economic incentives such as those that have been provided to other large hotel projects. As with previous projects, the Developer would provide funds to support any independent economic and fiscal analysis necessary to evaluate their proposal.

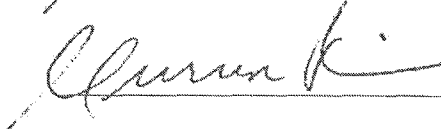
I THEREFORE MOVE that the City Council authorize and instruct the Chief Legislative Analyst to hire consultants necessary to evaluate the proposed Cambria Hotel project and make recommendations on economic development incentives that could help the project move forward, including, but not limited to, a potential site specific revenue agreement consistent with City policies; accept \$150,000 for consultant services from the developer to analyze the economics and financing associated with this instruction; request / authorize / instruct the City Controller to deposit / appropriate / expend all funds received as a result of this action in Fund 100, Department 28, Contractual Services Account 3040; and authorize the CLA to make any technical corrections, revisions, or clarifications to the above instructions in order to effectuate the intent of this action; and

I FURTHER MOVE that the developer pay the full cost for any financial and economic analysis, consultants and any other reviews associated with the economic evaluation of this project.

PRESENTED BY:


Jose Huizar
Councilmember, 14th District

SECONDED BY:





SEP 30 2016

ORIGINAL

ATTACHMENT B
Cambria Hotel – Financial
Feasibility, Public Revenue and
Employment Analysis

by Keyser Marston Associates
September 12, 2017



KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBBIE M. KERN
ROBERT J. WETMORE
REED T. KAWAHARA

LOS ANGELES
KATHLEEN H. HEAD
JAMES A. RABE
PAUL C. ANDERSON
GREGORY D. SOO-HOO
KEVIN E. ENGSTROM
JULIE L. ROMNEY
DENISE BICKERSTAFF

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

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

From: James Rabe, CRE
Kevin Engstrom

cc: John Wickham

Date: October 17, 2017

Subject: Cambria Hotel – Financial Feasibility, Public Revenue and Employment Analysis

Pursuant to your request, Keyser Marston Associates, Inc. (KMA) prepared an analysis of: (1) the development feasibility of the proposed Cambria Hotel & Suites (Project); (2) the site-specific revenues and net new revenues during the Incentive term that could be generated by the Project; and (3) the employment generated by the Project. The Project will be developed by Pacific Property Partners and Plus Development (Developer).

The Project consists of the construction of an 18-story high-rise building with 129,470 gross square feet of development. The 247-room Project will be located at 926 James M. Wood Boulevard in the City of Los Angeles (Site). The 14,156 square foot Site is currently used as a surface parking lot.

In preparing this analysis, KMA has met with the City of Los Angeles (City) and the Developer. The Developer provided the *Study of Potential Market Demand and Statements of Estimated Annual Operating Results & Development Feasibility and Public Revenues Analysis for the Proposed Cambria Hotel & Suites to be located at 926 James Wood Boulevard 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:

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Subject: Cambria Hotel Project Evaluation

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

EXECUTIVE SUMMARY

Feasibility Analysis

The Developer is proposing to build a 247-room Cambria Hotel & Suites. Based on the proposed brand, KMA assumes the Project will be developed to a minimum three-star quality level with a commensurate level of amenities. As a select-service brand, the Project will have a limited amount of hotel managed food & beverage services. KMA conducted a financial analysis that estimates the feasibility gap of the proposed development relying on 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, are high for a project of this type. However, the Project's construction type, building height, and location are all factors that add cost premiums over a typical three-star hotel development. Based on these considerations, KMA estimated the Hotel construction cost at \$97.5 million (\$395,000 per key).
- The stabilized, average daily rate (ADR) for the Hotel is projected to be \$230 (in 2017 dollars). This rate is consistent with the average for the better performing hotels in Downtown Los Angeles.¹
- The Project's stabilized occupancy levels are expected to be 78%, which is consistent with the current occupancy rate of better performing hotels in Downtown Los Angeles.
- KMA estimated the Project net operating income (NOI) at \$6.4 million (34.2% of gross revenue), which reflects a well-operated, efficient union property.

¹ The average ADR for the Downtown LA Hotels exceeding an ADR of \$130 per night was \$224 in 2016 (The 2017 Southern California Lodging Forecast).

- KMA estimated the Project's total stabilized net revenue at \$7.1 million, which includes the NOI for each hotel plus signage revenue of \$750,000.
- KMA estimates the feasibility gap for the Project at \$18.3 million, based on the development costs and revenues described above. Typical return on costs thresholds range from 8.5% to 10.5% for hotels in the market area; depending on location, brand and quality level. The KMA analysis relies on a 9.0% return on cost threshold for the following reasons: market area cap rates for select service hotels are higher than full-service properties, and the small size of the Site increases construction risk due to the Project's height and density.

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 City, the KMA analysis assumes that all of the 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.

As shown in Summary Table 1, TOT generates the majority of the site-specific revenues at \$83.2 million. The gross public revenues generated by the Project during the two-year construction period and 25-year operating period are \$98.0 million, which equates to \$31.8 million in net present value (NPV), when discounted at 10%.

The net new public revenues are equal to the site-specific revenues during the incentive period reduced by the public revenues that would be generated by the Site, if the property maintained its current use. Based on information provided by the City, the Site currently generates approximately \$28,000 in site-specific revenues annually.² As

² Based on information supplied by CBRE and the City.

shown in Summary Table 2, the net new revenues have a nominal value of \$96.8 million and \$31.4 million NPV.

The City's subsidy program is structured to be the lesser of 50% of the net public revenues (present value) or the feasibility gap. For this Project, 50% of the net public revenues (present value) is \$15.7 million, which is lower than the feasibility gap of \$18.3 million. Therefore, the NPV of the maximum assistance available is \$15.7 million.

Project Employment

The Project is estimated to generate a significant amount of employment. On-site, approximately 86 jobs are anticipated. Based on the relevant multipliers, the direct, indirect and induced employment generated by the Project is 140 full and part-time jobs (125 FTEs). During construction, the Project is projected to generate 630 temporary jobs.

FEASIBILITY ANALYSIS

The Developer is proposing a 247-room Cambria Hotel & Suites. KMA conducted a financial analysis that estimates the surplus/feasibility gap for the 247-room Project. The analysis conducted herein relies on the submittal from the Developer and our experience with other hotel developments in Southern 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 development costs are shown in Attachment 1 – Table 1. Given the proposed brand, KMA assumes the Project will be operated at a three-star quality level, with amenities appropriate for such a property. The Developer indicates that quality level of this Hotel will be high, but not at the level of the nearby Olympic North Project (Courtyard/Residence Inn). Consequently, the following key issues were identified during our review of the Project pro forma.

1. KMA assumed a land value of \$14.5 million. This estimate is based on the Developer's purchase price for the land and is comparable to other transactions in the immediate market area.

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2. The signage costs are estimated at \$1.2 million.
3. The Developer is proposing to construct 51 parking spaces for the Project. The costs of these spaces is incorporated into the overall shell costs.
4. A \$1.2 million improvement allowance for the food & beverage services is provided.
5. The Hotel furniture, fixture and equipment (FF&E) budget is estimated at \$22,100 per key, which is lower than other hotels in Downtown LA, but should be sufficient for the quality level that the Developer intends to achieve.
6. The Hotel shell costs are estimated at \$219,900 per key (\$54.3 million). These costs are relatively high; however, there are a number of reasons for these high costs, including:
 - 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.
 - e. The cost of providing 51 parking spaces is included in this estimate.
7. A contingency provision equal to 3.5% of the direct costs is included, which is within the typical range of 3% to 5% for this type of development.
8. The architecture, engineering and consultant costs are estimated at 4.3% of direct costs (\$2.7 million), which is at the low end of industry standards (4% 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 \$4.7 million.

10. The taxes, insurance, legal and accounting costs for the Hotel are .6% of direct costs, which is lower than typical (1.0% to 3.0%) for this type of project. This estimate is based on the Developer's submittal and corroboration.
11. Based on information provided by the Developer, the pre-opening/working capital costs for the Hotel are \$4,900 per room (\$1.2 million). This is consistent with hotels of this quality level in the region.
12. Typical development management fees range from 3% to 5% of direct costs. Given the scale of this Project, a 3.2% development management fee is assumed.
13. An indirect contingency allowance of 4.3% of indirect costs is assumed.
14. Based on industry standard financing assumptions and the proposed rates of return, the capitalized financing costs are estimated at \$7.1 million.

Overall, KMA believes the construction costs estimated by the Developer are reasonable; with the construction type, height of the Project, proposed quality level and location of the property all impacting these assumptions. Given the Developer's submitted construction costs and KMA's review, the Project development costs are \$97.5 million, which equates to \$395,000 per key.

Estimated Net Operating Income

The estimated NOI for the three hotels is shown in Attachment 1 – Tables 1. The NOI estimate includes the following key assumptions:

1. The stabilized, average daily rate (ADR) for the Hotel is estimated at \$230 (\$2016). The estimate is based on projections provided by the CBRE Consulting and reviewed by the brand. According to CBRE Consulting, the ADR for better performing hotels in Downtown Los Angeles was \$224 in 2016. Therefore, the Project is projected to achieve a rate that is 3% higher than the Downtown average. This is a healthy rate, given the fact that select service hotels traditionally have a lower rate structure than full-service hotels, which account for a healthy share of the Downtown supply.
2. The occupancy level is estimated at 78%, which assumes stabilization in Year 3 of operation. According to CBRE Consulting, the average occupancy level for Downtown Los Angeles hotels was 79% in 2016. Overall, this is a relatively healthy occupancy level and is typical of the product type.

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3. The other revenue sources and expenses are based on the Developer's submittal and KMA's experience with other hotels in the region. As a select service Hotel (which includes a limited food & beverage component) the vast majority of the revenues are generated from room sales.
4. The Distributed Expenses are based on KMA's experience with similar hotels in the region and information provided by the Developer. These expenses assume the Hotel will be union operated.
5. The Undistributed Expenses estimated by the Developer are typical for this type of hotel. For the purposes of this analysis, KMA's estimates are generally consistent.
6. The property taxes are estimated based on KMA's experience with similar projects in the region.
7. The FF&E reserves are estimated at 4% 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 and common areas.

KMA estimated the NOI for the Project at \$6.4 million, which is 34.2% of gross revenues. The ratio of NOI to gross revenues reflects a well-operated, efficient union property.

Estimated Project Surplus/(Feasibility Gap)

Shown in Attachment 1 - Table 3 is the estimated Project surplus/(feasibility gap).

1. The Hotel NOI is \$6.4 million.
2. The Hotel signage revenue is estimated at \$750,000 annually.
3. Typical return on costs thresholds range from 8.5% to 10.5% for hotels in the market area; depending on location, brand and quality level. The analysis relies on a 9.0% return on cost threshold for the following reasons:
 - a. Market area cap rates for select service hotels are higher than full-service properties.

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- b. The small size of the site increases construction risk, due to the Project's height and density.

Other hotels near the Convention Center, Staples Center and LA Live may support lower returns; however, the complexities identified above push the return requirements for this Project slightly higher. At this return, the Project would support \$79.2 million in investment and the Project's feasibility gap is \$18.3 million, which is the difference between the estimated development costs of \$97.5 million and the supported investment of \$79.2 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) 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 a 20% margin to identify an appropriate level of profit. Assuming a 7.5% capitalization rate for the Project (\$95.1 million value) and Project costs of \$97.5 million, the Project's feasibility gap under these assumptions is \$21.9 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. KMA projected the revenues generated during the 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. The City currently receives property tax and parking revenue taxes from the development on the Site. The Developer and City provided estimates of these revenues. To estimate the net new revenues, KMA calculated the gross revenues generated by the development of the Project and subtracted the current revenues generated on the Site.
- Based on the Project timeline provided by the Developer, KMA has assumed that the Project will require a two-year construction period, beginning in fiscal year 2018-19, with construction complete and the start of operations in 2020-21. Stabilized operations begin in the third year, 2022-23.

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- KMA relied on the projections for Hotel operations provided by the Developer (and reviewed by KMA) as the basis for projecting the gross room revenues, food and beverage sales, and other Hotel revenues.
- The KMA analysis assumes that all of the Hotel visitors generated by the Project will be net new to the City. This assumption is supported by the conclusion of the fiscal analysis commissioned by the City (the CSL analysis of the Downtown Stadium and Convention Center expansion), which indicates that the Convention Center hotel market is currently under-supplied by a minimum of 6,000 rooms.
- Finally, it is important to note that the purpose of the KMA analysis is to estimate the direct public revenue impacts of the Project occurring 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.

Site-Specific Revenue Classes

The purpose of projecting the public revenues generated by the Project is to quantify the amount of assistance potentially available to the Project. The City revenues available to provide assistance to the Project include TOT, property tax, sales tax, gross receipts tax, utility tax and parking tax. The revenues available to assist the Project are those that are incremental to what the City would receive from the property without the development of the Project. Each category is discussed below and specific assumptions are presented in Attachment 2.

Transient Occupancy Tax

TOT is collected based upon the Hotel room revenues. The City's TOT rate is 14.0%. KMA computed the TOT revenues based on the room revenue projections provided by the Developer and reviewed by KMA.

Property Tax

The Site is located in the tax rate area (TRA) 13264. According to the Los Angeles County Auditor-Controller's office, 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.

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Sales Tax

The City receives 1.0% of gross sales for the General Fund. The taxable sales from the Hotel are considered new sales tax revenues to the City. Construction materials are also subject to sales tax. Under the Agreement, the Developer is obligated to have the Site recognized as a point of sale so that the construction sales tax accrues to the City.

Gross Receipts Tax

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 the operation of the Hotel and the parking operations. Gross receipts are also generated by the construction of the Project. All gross receipts are considered new site-specific revenues.

Utility Taxes

The City receives tax revenues from the use of electricity, natural gas, and telephone services. 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 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 based on the individual revenue streams are provided in Attachment 2. Summary Table 1 shows the gross site-specific revenues generated during the construction and operating period. TOT is by far the primary generator of site-specific revenues followed by property tax. Over the 27-year period of construction and operations, the Project is projected to generate \$98.0 million of general fund revenues. The net present value (NPV), discounted at 10%, is \$31.8 million, as shown below:

Incremental Project Revenues		
	Total	Net Present Value @ 10%
Transient Occupancy Tax	\$83,180,000	\$26,586,000
Property Tax	8,843,000	3,187,000
On-Site Sales Tax	598,000	245,000
Gross Receipts Tax	1,019,000	369,000
Utility User Tax	1,751,000	542,000
Parking Tax	<u>2,600,000</u>	<u>831,000</u>
Total Revenues	\$97,991,000	\$31,761,000

Net Incremental Project Revenues

Under the policy, the assistance to the Hotel is limited to 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. The baseline revenues (Annual Base Period Amount) are established by projecting forward the Site's existing revenues at 2.5% annually. 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%
Site-Specific Revenues	\$97,991,000	\$31,761,000
(Less) Existing Amount	(\$1,157,000)	(\$407,000)
Net New Public Revenues	\$96,834,000	\$31,354,000
 50% of Net New Public Revenues	 \$48,424,000	 \$15,680,000

The baseline revenues have a nominal value of \$1.1 million and \$407,000 NPV, so the Net New Public Revenues have a nominal value of \$96.8 million and a \$31.4 million NPV. Applying the 50% factor to the net new revenues, the assistance available to the Project has a present value of \$15.7 million, which is lower than the Project feasibility gap of \$18.3 million.

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PROJECT EMPLOYMENT

Working with information provided by 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 information provided by the Developer, which indicated 86 jobs would be generated. The employment projections are based on the Developer's experience with similar projects.

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.³ The direct, indirect and induced employment generated by the Project is projected to be 140 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 to 1.0.⁴ Therefore, there are 125 FTEs generated by the Project.

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 630 construction related jobs while being built.⁵

CONCLUSION

The City identified three issues for KMA to review and evaluate. The first issue was to evaluate 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

³ RIMS II Multipliers (2007/2015) for Los Angeles County.

⁴ U.S. Department of Commerce - Bureau of Economic Analysis

⁵ RIMS II Multipliers (2007/2015) for Los Angeles County.

SUMMARY TABLE 1

**PUBLIC REVENUES PROJECTIONS
247 ROOM CAMBRIA HOTEL
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. 2017 -18	-	-	-	-	-	-	-
Const. 2018 -19	-	\$128,000	\$40,000	\$32,000	-	-	\$200,000
Const. 2019 -20	-	259,000	40,000	32,000	-	-	331,000
1 2020 -21	2,094,000	264,000	13,000	24,000	\$38,000	\$65,000	2,498,000
2 2021 -22	2,313,000	269,000	14,000	27,000	44,000	72,000	2,739,000
3 2022 -23	2,550,000	275,000	16,000	29,000	48,000	80,000	2,998,000
4 2023 -24	2,629,000	280,000	16,000	30,000	52,000	82,000	3,089,000
5 2024 -25	2,707,000	286,000	17,000	31,000	54,000	85,000	3,180,000
6 2025 -26	2,775,000	292,000	17,000	31,000	56,000	87,000	3,258,000
7 2026 -27	2,844,000	297,000	18,000	33,000	58,000	89,000	3,339,000
8 2027 -28	2,916,000	303,000	18,000	34,000	60,000	91,000	3,422,000
9 2028 -29	2,988,000	309,000	19,000	34,000	62,000	93,000	3,505,000
10 2029 -30	3,063,000	316,000	19,000	35,000	64,000	96,000	3,593,000
11 2030 -31	3,140,000	322,000	20,000	36,000	66,000	98,000	3,682,000
12 2031 -32	3,218,000	328,000	20,000	37,000	68,000	101,000	3,772,000
13 2032 -33	3,299,000	335,000	20,000	38,000	70,000	103,000	3,865,000
14 2033 -34	3,381,000	342,000	21,000	38,000	72,000	106,000	3,960,000
15 2034 -35	3,466,000	348,000	22,000	39,000	74,000	108,000	4,057,000
16 2035 -36	3,552,000	355,000	22,000	41,000	76,000	111,000	4,157,000
17 2036 -37	3,641,000	362,000	23,000	42,000	78,000	114,000	4,260,000
18 2037 -38	3,732,000	370,000	23,000	43,000	80,000	117,000	4,365,000
19 2038 -39	3,825,000	377,000	24,000	44,000	82,000	119,000	4,471,000
20 2039 -40	3,921,000	385,000	24,000	45,000	84,000	122,000	4,581,000
21 2040 -41	4,019,000	392,000	25,000	46,000	87,000	126,000	4,695,000
22 2041 -42	4,120,000	400,000	26,000	48,000	90,000	129,000	4,813,000
23 2042 -43	4,223,000	408,000	26,000	49,000	93,000	132,000	4,931,000
24 2043 -44	4,328,000	416,000	27,000	50,000	96,000	135,000	5,052,000
25 2044 -45	4,436,000	425,000	28,000	51,000	99,000	139,000	5,178,000
25 Year Term							
Nominal Total	\$83,180,000	\$8,843,000	\$598,000	\$1,019,000	\$1,751,000	\$2,600,000	\$97,991,000
Net Present Value @ 10%	\$26,586,000	\$3,187,000	\$245,000	\$369,000	\$542,000	\$831,000	\$31,761,000

¹ See ATTACHMENT 2 - TABLE 1 .

² See ATTACHMENT 2 - TABLE 2.

³ See ATTACHMENT 2 - TABLE 3A and ATTACHMENT 2 - TABLE 3B.

⁴ See ATTACHMENT 2 - TABLE 4A and ATTACHMENT 2 - TABLE 4B.

⁵ See ATTACHMENT 2 - TABLE 5A and ATTACHMENT 2 - TABLE 5B.

⁶ See ATTACHMENT 2 - TABLE 6.

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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 the Project. Projected development costs are above average for a hotel of this type. However, the Project's construction type, building height and location are all expected to increase the Project costs. The Project is expected to perform at levels consistent with other better performing hotels in the 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 \$18.3 million.

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 \$31.8 million. The NPV of the incremental public revenues generated by the Project is \$31.4 million, taking into account the property and parking tax revenues generated by the Site. Only 50% of the net new revenues are available for assistance to the Project, approximately \$15.7 million. The Project subsidy is determined by the lesser of the available public revenues or the Project feasibility gap; therefore, the Project subsidy is \$15.7 million.

The Project is estimated to generate 86 on-site jobs. Based on the relevant multipliers, the direct, indirect and induced employment generated by the Project is 140 full and part-time jobs (125 FTEs). During construction, the Project is projected to generate 630 temporary jobs.

Attachments

SUMMARY TABLE 2

**NET NEW PUBLIC REVENUES
247 ROOM CAMBRIA HOTEL
LOS ANGELES, CALIFORNIA**

<u>Project Year</u>	<u>Gross Public Revenues</u>	<u>(Less) Annual Base Period Amount</u> ¹	<u>Net New Public Revenues</u>	<u>50% of Net New Public Revenues</u>
Const. 2017 -18	-	-	-	-
Const. 2018 -19	\$200,000	(\$28,830)	\$171,000	\$86,000
Const. 2019 -20	331,000	(29,660)	301,000	151,000
1 2020 -21	2,498,000	(30,520)	2,467,000	1,234,000
2 2021 -22	2,739,000	(31,400)	2,708,000	1,354,000
3 2022 -23	2,998,000	(32,310)	2,966,000	1,483,000
4 2023 -24	3,089,000	(33,250)	3,056,000	1,528,000
5 2024 -25	3,180,000	(34,220)	3,146,000	1,573,000
6 2025 -26	3,258,000	(35,210)	3,223,000	1,612,000
7 2026 -27	3,339,000	(36,230)	3,303,000	1,652,000
8 2027 -28	3,422,000	(37,280)	3,385,000	1,693,000
9 2028 -29	3,505,000	(38,360)	3,467,000	1,734,000
10 2029 -30	3,593,000	(39,480)	3,554,000	1,777,000
11 2030 -31	3,682,000	(40,630)	3,641,000	1,821,000
12 2031 -32	3,772,000	(41,810)	3,730,000	1,865,000
13 2032 -33	3,865,000	(43,020)	3,822,000	1,911,000
14 2033 -34	3,960,000	(44,270)	3,916,000	1,958,000
15 2034 -35	4,057,000	(45,550)	4,011,000	2,006,000
16 2035 -36	4,157,000	(46,870)	4,110,000	2,055,000
17 2036 -37	4,260,000	(48,240)	4,212,000	2,106,000
18 2037 -38	4,365,000	(49,650)	4,315,000	2,158,000
19 2038 -39	4,471,000	(51,090)	4,420,000	2,210,000
20 2039 -40	4,581,000	(52,580)	4,528,000	2,264,000
21 2040 -41	4,695,000	(54,110)	4,641,000	2,321,000
22 2041 -42	4,813,000	(55,690)	4,757,000	2,379,000
23 2042 -43	4,931,000	(57,310)	4,874,000	2,437,000
24 2043 -44	5,052,000	(58,980)	4,993,000	2,497,000
25 2044 -45	5,178,000	(60,700)	5,117,000	2,559,000
25 Year Term				
Nominal Total	\$97,991,000	(\$1,157,250)	\$96,834,000	\$48,424,000
Net Present Value @ 10%	\$31,761,000	(\$407,000)	\$31,354,000	\$15,680,000

¹ Assumes current City revenues of \$28,000. City to review.

ATTACHMENT 1

PRO FORMA

TABLE 1

ESTIMATED CONSTRUCTION COSTS
247 ROOM CAMBRIA HOTEL
KMA SCENARIO
LOS ANGELES, CALIFORNIA

I. <u>Land Acquisition</u>	14,156 SF of Land	\$1,026 /SF	\$14,521,000
II. <u>Direct Costs</u>			
Site Improvements	247 Rooms	\$0 /Room	\$0
LED Sign	\$1,200,000 Allowance		1,200,000
Parking	51 Spaces	\$0 /Space	0
Retail Shell	0 Sq. Feet	\$0 /SF	0
Improvement Allowance	\$1,164,000 Allowance		1,164,000
Hotel FF&E	247 Rooms	\$22,100 /Room	5,449,000
Hotel Shell	247 Rooms	\$219,900 /Room	54,324,000
Direct Construction Costs			<u>\$62,137,000</u>
Construction Overhead/Contingency	3.5% Direct Costs	\$8,800 /Room	<u>\$2,175,000</u>
Total Direct Costs			\$64,312,000
III. <u>Indirect Costs</u>			
Architecture, Eng. & Consulting	4.3% Direct Cost		\$2,734,000
Permits & Fees/Impact Fees	247 Rooms	\$19,081 /Room	4,713,000
Taxes, Ins, Legal & Acctg	0.6% Direct Cost		413,000
Pre Opening/Working Capital	247 Rooms	\$4,895 /Room	1,209,000
Development Management	3.2% Direct Costs		2,064,000
Contingency Allowance	4.3% Indirect Costs		<u>484,000</u>
Total Indirect Costs			\$11,617,000
IV. <u>Financing Costs</u>			
Construction Interest	\$97,503,000 Costs	6.00% Interest	\$6,435,000
Loan Fees	1.00 Points		<u>618,000</u>
Total Financing Costs			\$7,053,000
V. <u>Total Construction Costs</u>			\$97,503,000
		Per Room	\$395,000

¹ Assumes a 24 month construction period and 55% average outstanding balance.
Prepared By: Keyser Marston Associates; Inc.
Filename: Cambria Hotel v4; KMA; 10/17/2017; KEE

TABLE 2

ESTIMATED STABILIZED NET INCOME¹
247 ROOM CAMBRIA HOTEL
KMA SCENARIO
LOS ANGELES, CALIFORNIA

I. <u>Income</u>			
Rooms	247 Rooms	\$230 /Room	\$16,174,000
Food & Beverage	7.5% Gross Sales	\$5,690 /Room	1,406,000
Other Operated Departments	1.9% Gross Sales	\$1,410 /Room	348,000
Parking	3.8% Gross Sales	\$2,860 /Room	707,000
Rentals & Other Income	0.0% Gross Sales	\$0 /Room	0
Gross Hotel Revenues			\$18,635,000
II. <u>Distributed Expenses</u>			
Rooms	21.0% of Dept. Sales	\$13,750 /Room	\$3,397,000
Food & Beverage	80.0% of Dept. Sales	\$4,550 /Room	1,125,000
Other Operated Departments	50.0% of Dept. Sales	\$700 /Room	174,000
Parking	50.0% of Dept. Sales	\$1,430 /Room	354,000
Rentals & Other Income	0.0% of Dept. Sales	\$0 /Room	0
(Less) Total Distributed Expenses			(\$5,050,000)
III. <u>Undistributed Expenses</u>			
General & Administration	8.4% Gross Revenues	\$6,340 /Room	\$1,565,000
Franchise Fees	0.0% Gross Revenues	\$0 /Room	0
Marketing	10.2% Gross Revenues	\$7,700 /Room	1,901,000
Utilities	2.2% Gross Revenues	\$1,660 /Room	410,000
Maintenance & Property Operation	3.2% Gross Revenues	\$2,410 /Room	596,000
Information & Telecoms	0.9% Gross Revenues	\$680 /Room	168,000
(Less) Total Undistributed Expenses			(\$4,640,000)
IV. <u>Management Fees</u>			
	3.0% Gross Revenues	\$2,260 /Room	(\$559,000)
V. <u>Fixed Expenses</u>			
Taxes	1.1% Costs	\$4,340 /Room	\$1,073,000
Insurance	1.0% Gross Revenues	\$750 /Room	186,000
FF&E Reserves	4.0% Gross Revenues	\$3,020 /Room	745,000
(Less) Total Fixed Expenses			(\$2,004,000)
VI. <u>Net Operating Income (NOI)</u>			\$6,382,000

¹ Assumes stabilization in year 3 of operation and 78% occupancy.

TABLE 3

**ESTIMATED PROJECT SURPLUS / FEASIBILITY GAP
247 ROOM CAMBRIA HOTEL
KMA SCENARIO
LOS ANGELES, CALIFORNIA**

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

I. <u>Hotel NOI</u>					\$6,382,000
II. <u>Other Revenue Sources</u>					
Signage Income	\$750,000	Allowance		\$750,000	
Retail Lease Income	0	Sq Feet	\$0.00 /SF	0	
Total Other Income					\$750,000
III. <u>Total Project NOI</u>					\$7,132,000
IV. <u>Total Warranted Investment</u>			9.00% Return on Costs		
Total Warranted Investment					\$79,244,000
(Less) Development Costs					(\$97,503,000)
V. <u>Estimated Project Surplus / Feasibility Gap</u>					(\$18,259,000)

-----Imputed Return-----

I. <u>Project NOI</u>		\$7,132,000
II. <u>Development Costs</u>		\$97,503,000
III. <u>Imputed Return</u>		7.3%

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

III. <u>Total Project NOI</u>		\$7,132,000
IV. <u>Total Stabilized Value</u>		7.50% Capitalization Rate
Value at Stabilization		\$95,093,000
(Less) Development Costs		(\$97,503,000)
V. <u>Profit</u>		(\$2,410,000)
	Profit Margin as % of Cost	-2.5%

Assistance Required to achieve 20% profit on cost **\$21,910,600**

ATTACHMENT 2

CITY REVENUES

ATTACHMENT 2 - TABLE 1

TRANSIENT OCCUPANCY TAX
247 ROOM CAMBRIA HOTEL
LOS ANGELES, CALIFORNIA

Project Year	Average Daily Rate	¹ Stabilized Occupancy Rate	Annual Room Revenues	² TOT Revenues ³	
1	2020 -21	\$244.00	68%	\$14,959,000	\$2,094,000
2	2021 -22	\$251.00	73%	16,519,000	2,313,000
3	2022 -23	\$259.00	78%	18,213,000	2,550,000
4	2023 -24	\$267.00	78%	18,776,000	2,629,000
5	2024 -25	\$275.00	78%	19,338,000	2,707,000
6	2025 -26	\$281.88	78%	19,822,000	2,775,000
7	2026 -27	\$288.92	78%	20,317,000	2,844,000
8	2027 -28	\$296.14	78%	20,825,000	2,916,000
9	2028 -29	\$303.55	78%	21,346,000	2,988,000
10	2029 -30	\$311.14	78%	21,879,000	3,063,000
11	2030 -31	\$318.92	78%	22,426,000	3,140,000
12	2031 -32	\$326.89	78%	22,987,000	3,218,000
13	2032 -33	\$335.06	78%	23,562,000	3,299,000
14	2033 -34	\$343.44	78%	24,151,000	3,381,000
15	2034 -35	\$352.02	78%	24,755,000	3,466,000
16	2035 -36	\$360.82	78%	25,373,000	3,552,000
17	2036 -37	\$369.84	78%	26,008,000	3,641,000
18	2037 -38	\$379.09	78%	26,658,000	3,732,000
19	2038 -39	\$388.57	78%	27,324,000	3,825,000
20	2039 -40	\$398.28	78%	28,008,000	3,921,000
21	2040 -41	\$408.24	78%	28,708,000	4,019,000
22	2041 -42	\$418.45	78%	29,425,000	4,120,000
23	2042 -43	\$428.91	78%	30,161,000	4,223,000
24	2043 -44	\$439.63	78%	30,915,000	4,328,000
25	2044 -45	\$450.62	78%	31,688,000	4,436,000

25 Year Term

Nominal Total	\$83,180,000
Net Present Value @ 10%	\$26,586,000

¹ Based on CBRE projections and KMA review. Assumes long term annual inflation rate of 2.5%.

² Assumes 247 keys and 365 annual room nights per key.

³ Based on a 14.0% tax rate.

ATTACHMENT 2 - TABLE 2

CITY SHARE OF PROPERTY TAX
 247 ROOM CAMBRIA HOTEL
 LOS ANGELES, CALIFORNIA

Project Year	Total Assessed Value ¹	Property Tax Revenues ²
Const. 2017 -18	-	-
Const. 2018 -19	\$48,752,000	\$128,000
Const. 2019 -20	98,479,000	259,000
1 2020 -21	100,449,000	264,000
2 2021 -22	102,458,000	269,000
3 2022 -23	104,507,000	275,000
4 2023 -24	106,597,000	280,000
5 2024 -25	108,729,000	286,000
6 2025 -26	110,904,000	292,000
7 2026 -27	113,122,000	297,000
8 2027 -28	115,384,000	303,000
9 2028 -29	117,692,000	309,000
10 2029 -30	120,046,000	316,000
11 2030 -31	122,447,000	322,000
12 2031 -32	124,896,000	328,000
13 2032 -33	127,394,000	335,000
14 2033 -34	129,942,000	342,000
15 2034 -35	132,541,000	348,000
16 2035 -36	135,192,000	355,000
17 2036 -37	137,896,000	362,000
18 2037 -38	140,654,000	370,000
19 2038 -39	143,467,000	377,000
20 2039 -40	146,336,000	385,000
21 2040 -41	149,263,000	392,000
22 2041 -42	152,248,000	400,000
23 2042 -43	155,293,000	408,000
24 2043 -44	158,399,000	416,000
25 2044 -45	161,567,000	425,000
25 Year Term		
Nominal Total		\$8,843,000
Net Present Value @ 10%		\$3,187,000

¹ Based on an assessed value of \$97,503,000. Assumes cumulative construction phasing of 0% in 2017-18; 50% in 2018-19; and 100% in 2019-20. Assessed value inflates at 2.0% annually.

² Based on a 1% general levy and a city share of 26.3%. Calculation does not include voter-approved indebtedness or special assessments.

ATTACHMENT 2 - TABLE 3A

ON-SITE SALES TAX PROJECTION
 247 ROOM CAMBRIA HOTEL
 LOS ANGELES, CALIFORNIA

Project Year	Construction Taxable Sales ¹	Hotel Taxable Sales ²	Leased Retail Taxable Sales	Total Taxable Sales	City Sales Tax Revenues ³
Const. 2017 -18	-	-	-	\$0	\$0
Const. 2018 -19	\$4,020,000	-	-	4,020,000	40,000
Const. 2019 -20	4,020,000	-	-	4,020,000	40,000
1 2020 -21	-	\$1,300,000	\$0	1,300,000	13,000
2 2021 -22	-	1,436,000	0	1,436,000	14,000
3 2022 -23	-	1,583,000	0	1,583,000	16,000
4 2023 -24	-	1,632,000	0	1,632,000	16,000
5 2024 -25	-	1,681,000	0	1,681,000	17,000
6 2025 -26	-	1,723,000	0	1,723,000	17,000
7 2026 -27	-	1,766,000	0	1,766,000	18,000
8 2027 -28	-	1,810,000	0	1,810,000	18,000
9 2028 -29	-	1,856,000	0	1,856,000	19,000
10 2029 -30	-	1,902,000	0	1,902,000	19,000
11 2030 -31	-	1,950,000	0	1,950,000	20,000
12 2031 -32	-	1,999,000	0	1,999,000	20,000
13 2032 -33	-	2,049,000	0	2,049,000	20,000
14 2033 -34	-	2,100,000	0	2,100,000	21,000
15 2034 -35	-	2,153,000	0	2,153,000	22,000
16 2035 -36	-	2,207,000	0	2,207,000	22,000
17 2036 -37	-	2,262,000	0	2,262,000	23,000
18 2037 -38	-	2,319,000	0	2,319,000	23,000
19 2038 -39	-	2,377,000	0	2,377,000	24,000
20 2039 -40	-	2,436,000	0	2,436,000	24,000
21 2040 -41	-	2,497,000	0	2,497,000	25,000
22 2041 -42	-	2,559,000	0	2,559,000	26,000
23 2042 -43	-	2,623,000	0	2,623,000	26,000
24 2043 -44	-	2,689,000	0	2,689,000	27,000
25 2044 -45	-	2,756,000	0	2,756,000	28,000
25 Year Term					
Nominal Total		\$51,665,000	\$0	\$59,705,000	\$598,000
Net Present Value @ 10%		\$16,510,000	\$0	\$24,550,000	\$245,000

¹ Based on a direct construction cost of \$64,312,000. Assumes a materials share of 50%; a taxable share of 50% ; and 50% of sales taking place within city limits.
² See ATTACHMENT 2 - TABLE 3B for details on taxable sales during operations. Long term inflation rate is set at 2.5%.
³ Assumes a 1% city share.

ATTACHMENT 2 - TABLE 3B

TAXABLE ON-SITE SALES CALCULATION¹
247 ROOM CAMBRIA HOTEL
LOS ANGELES, CALIFORNIA

I. Taxable Sales from Operations

<u>Year</u>	<u>Food & Beverage</u>	<u>Hotel Retail</u>	<u>Total</u>
2020 -21	\$1,300,000	\$0	\$1,300,000
2021 -22	\$1,436,000	\$0	\$1,436,000
2022 -23	\$1,583,000	\$0	\$1,583,000
2023 -24	\$1,632,000	\$0	\$1,632,000
2024 -25	\$1,681,000	\$0	\$1,681,000
2025 -26	\$1,723,000	\$0	\$1,723,000
2026 -27	\$1,766,000	\$0	\$1,766,000
2027 -28	\$1,810,000	\$0	\$1,810,000
2028 -29	\$1,856,000	\$0	\$1,856,000
2029 -30	\$1,902,000	\$0	\$1,902,000

¹ Based on hotel operating projections.

TABLE 4A
GROSS RECEIPTS TAX PROJECTION ¹
247 ROOM CAMBRIA HOTEL
LOS ANGELES, CALIFORNIA

Year	Hotel Revenues ²	Tax Per \$1,000	Parking Revenues ⁴	Tax Per \$1,000	Commercial Sales Revenues	Tax Per \$1,000	Total Gross Receipts Tax
Const. 2017 -18	\$0	\$0	-	-	-	-	\$0
Const. 2018 -19	32,156,000 ³	32,000	-	-	-	-	32,000
Const. 2019 -20	32,156,000 ³	32,000	-	-	-	-	32,000
1 2020 -21	16,259,000	21,000	\$654,000	\$3,000	\$0	\$0	24,000
2 2021 -22	17,955,000	23,000	722,000	4,000	-	0	27,000
3 2022 -23	19,796,000	25,000	796,000	4,000	-	0	29,000
4 2023 -24	20,408,000	26,000	821,000	4,000	-	0	30,000
5 2024 -25	21,019,000	27,000	845,000	4,000	-	0	31,000
6 2025 -26	21,545,000	27,000	866,000	4,000	-	0	31,000
7 2026 -27	22,083,000	28,000	888,000	5,000	-	0	33,000
8 2027 -28	22,635,000	29,000	910,000	5,000	-	0	34,000
9 2028 -29	23,202,000	29,000	933,000	5,000	-	0	34,000
10 2029 -30	23,781,000	30,000	956,000	5,000	-	0	35,000
11 2030 -31	24,376,000	31,000	980,000	5,000	-	0	36,000
12 2031 -32	24,985,000	32,000	1,005,000	5,000	-	0	37,000
13 2032 -33	25,610,000	33,000	1,030,000	5,000	-	0	38,000
14 2033 -34	26,250,000	33,000	1,056,000	5,000	-	0	38,000
15 2034 -35	26,906,000	34,000	1,082,000	5,000	-	0	39,000
16 2035 -36	27,579,000	35,000	1,109,000	6,000	-	0	41,000
17 2036 -37	28,268,000	36,000	1,137,000	6,000	-	0	42,000
18 2037 -38	28,975,000	37,000	1,165,000	6,000	-	0	43,000
19 2038 -39	29,699,000	38,000	1,194,000	6,000	-	0	44,000
20 2039 -40	30,441,000	39,000	1,224,000	6,000	-	0	45,000
21 2040 -41	31,202,000	40,000	1,255,000	6,000	-	0	46,000
22 2041 -42	31,982,000	41,000	1,286,000	7,000	-	0	48,000
23 2042 -43	32,782,000	42,000	1,318,000	7,000	-	0	49,000
24 2043 -44	33,602,000	43,000	1,351,000	7,000	-	0	50,000
25 2044 -45	34,442,000	44,000	1,385,000	7,000	-	0	51,000

25 Year Term

Nominal Total	\$887,000	\$132,000	\$0	\$1,019,000
Net Present Value @ 10%	\$327,000	\$42,000	\$0	\$369,000

¹ Hotel and Parking revenues based on Developer projections, with long term inflation set at 2.5%.

² See TABLE 4B. Includes all hotel operations including restaurant rental income but excluding parking income. Tax is assessed at a rate of \$1.27 per \$1,000 of receipts. Includes tax on construction spending. See note 2 below.

³ Based on hard costs of \$64,312,000 and the following cost phasing: 0% in 2017; 50% in 2018; and 50% in 2019. Tax is calculated at a rate of \$1.01 per \$1,000 of contractor receipts.

⁴ Based on projected parking revenues provided by Developer. Tax is assessed at a rate of \$5.07 per \$1,000 of receipts.

ATTACHMENT 2 - TABLE 4A

GROSS RECEIPTS TAX PROJECTION ¹
 247 ROOM CAMBRIA HOTEL
 LOS ANGELES, CALIFORNIA

Year	Hotel Revenues ²	Tax Per \$1,000	Parking Revenues ⁴	Tax Per \$1,000	Commercial Sales Revenues	Tax Per \$1,000	Total Gross Receipts Tax
Const. 2017 -18	\$0	\$0	-	-	-	-	\$0
Const. 2018 -19	32,156,000 ³	32,000	-	-	-	-	32,000
Const. 2019 -20	32,156,000 ³	32,000	-	-	-	-	32,000
1 2020 -21	16,259,000	21,000	\$654,000	\$3,000	\$0	\$0	24,000
2 2021 -22	17,955,000	23,000	722,000	4,000	-	0	27,000
3 2022 -23	19,796,000	25,000	796,000	4,000	-	0	29,000
4 2023 -24	20,408,000	26,000	821,000	4,000	-	0	30,000
5 2024 -25	21,019,000	27,000	845,000	4,000	-	0	31,000
6 2025 -26	21,545,000	27,000	866,000	4,000	-	0	31,000
7 2026 -27	22,083,000	28,000	888,000	5,000	-	0	33,000
8 2027 -28	22,635,000	29,000	910,000	5,000	-	0	34,000
9 2028 -29	23,202,000	29,000	933,000	5,000	-	0	34,000
10 2029 -30	23,781,000	30,000	956,000	5,000	-	0	35,000
11 2030 -31	24,376,000	31,000	980,000	5,000	-	0	36,000
12 2031 -32	24,985,000	32,000	1,005,000	5,000	-	0	37,000
13 2032 -33	25,610,000	33,000	1,030,000	5,000	-	0	38,000
14 2033 -34	26,250,000	33,000	1,056,000	5,000	-	0	38,000
15 2034 -35	26,906,000	34,000	1,082,000	5,000	-	0	39,000
16 2035 -36	27,579,000	35,000	1,109,000	6,000	-	0	41,000
17 2036 -37	28,268,000	36,000	1,137,000	6,000	-	0	42,000
18 2037 -38	28,975,000	37,000	1,165,000	6,000	-	0	43,000
19 2038 -39	29,699,000	38,000	1,194,000	6,000	-	0	44,000
20 2039 -40	30,441,000	39,000	1,224,000	6,000	-	0	45,000
21 2040 -41	31,202,000	40,000	1,255,000	6,000	-	0	46,000
22 2041 -42	31,982,000	41,000	1,286,000	7,000	-	0	48,000
23 2042 -43	32,782,000	42,000	1,318,000	7,000	-	0	49,000
24 2043 -44	33,602,000	43,000	1,351,000	7,000	-	0	50,000
25 2044 -45	34,442,000	44,000	1,385,000	7,000	-	0	51,000

25 Year Term

Nominal Total	\$887,000	\$132,000	\$0	\$1,019,000
Net Present Value @ 10%	\$327,000	\$42,000	\$0	\$369,000

¹ Hotel and Parking revenues based on Developer projections, with long term inflation set at 2.5%.

² See ATTACHMENT 2 - TABLE 4B. Includes all hotel operations including restaurant rental income but excluding parking income. Tax is assessed at a rate of \$1.27 per \$1,000 of receipts. Includes tax on construction spending. See note 2 below.

³ Based on hard costs of \$64,312,000 and the following cost phasing: 0% in 2017; 50% in 2018; and 50% in 2019. Tax is calculated at a rate of \$1.01 per \$1,000 of contractor receipts.

⁴ Based on projected parking revenues provided by Developer. Tax is assessed at a rate of \$5.07 per \$1,000 of receipts.

ATTACHMENT 2 - TABLE 4B

GROSS RECEIPTS CALCULATION ¹
 247 ROOM CAMBRIA HOTEL
 LOS ANGELES, CALIFORNIA

I. Hotel Gross Receipts

Year	Room Rev.	F&B/On-Site Retail	Other Revenues ²	Total
2020 21	\$14,959,000	\$1,300,000	\$0	\$16,259,000
2021 22	\$16,519,000	\$1,436,000	\$0	\$17,955,000
2022 23	\$18,213,000	\$1,583,000	\$0	\$19,796,000
2023 24	\$18,776,000	\$1,632,000	\$0	\$20,408,000
2024 25	\$19,338,000	\$1,681,000	\$0	\$21,019,000
2025 26	\$19,822,000	\$1,723,000	\$0	\$21,545,000
2026 27	\$20,317,000	\$1,766,000	\$0	\$22,083,000
2027 28	\$20,825,000	\$1,810,000	\$0	\$22,635,000
2028 29	\$21,346,000	\$1,856,000	\$0	\$23,202,000
2029 30	\$21,879,000	\$1,902,000	\$0	\$23,781,000

II. Total Project - Gross Receipts

Year	Hotel Revenue	Retail Rent ³	Total
2020 21	\$16,259,000	\$0	\$16,259,000
2021 22	\$17,955,000	\$0	\$17,955,000
2022 23	\$19,796,000	\$0	\$19,796,000
2023 24	\$20,408,000	\$0	\$20,408,000
2024 25	\$21,019,000	\$0	\$21,019,000
2025 26	\$21,545,000	\$0	\$21,545,000
2026 27	\$22,083,000	\$0	\$22,083,000
2027 28	\$22,635,000	\$0	\$22,635,000
2028 29	\$23,202,000	\$0	\$23,202,000
2029 30	\$23,781,000	\$0	\$23,781,000

¹ Based on Developer projections. Excludes parking revenues.

² Includes telephone, miscellaneous rentals, and other income.

ATTACHMENT 2 - TABLE 5A

**UTILITY USER TAX PROJECTION
247 ROOM CAMBRIA HOTEL
LOS ANGELES, CALIFORNIA**

<u>Year</u>	<u>Gross Utility Tax Revenue</u> ¹	<u>Utility Utilization Rate</u> ²	<u>Net Utility Tax Revenue</u>		
1	2020	21	\$48,000	80%	\$38,000
2	2021	22	49,000	90%	44,000
3	2022	23	50,000	95%	48,000
4	2023	24	52,000	100%	52,000
5	2024	25	54,000	100%	54,000
6	2025	26	56,000	100%	56,000
7	2026	27	58,000	100%	58,000
8	2027	28	60,000	100%	60,000
9	2028	29	62,000	100%	62,000
10	2029	30	64,000	100%	64,000
11	2030	31	66,000	100%	66,000
12	2031	32	68,000	100%	68,000
13	2032	33	70,000	100%	70,000
14	2033	34	72,000	100%	72,000
15	2034	35	74,000	100%	74,000
16	2035	36	76,000	100%	76,000
17	2036	37	78,000	100%	78,000
18	2037	38	80,000	100%	80,000
19	2038	39	82,000	100%	82,000
20	2039	40	84,000	100%	84,000
21	2040	41	87,000	100%	87,000
22	2041	42	90,000	100%	90,000
23	2042	43	93,000	100%	93,000
24	2043	44	96,000	100%	96,000
25	2044	45	99,000	100%	99,000

25 Year Term

Nominal Total	\$1,751,000
Net Present Value @ 10%	\$542,000

¹ See calculation on ATTACHMENT 2 - TABLE 5B. Utility costs are assumed to inflate at 3.0% annually.

² Based on projected hotel occupancy.

ATTACHMENT 2 - TABLE 5B

UTILITY USER TAX CALCULATION
 247 ROOM CAMBRIA HOTEL
 LOS ANGELES, CALIFORNIA

Utility Type	Keys	Cost Per Key	Annual Utility Cost	Tax Rate ¹	Tax Revenues
Electricity	247	\$1,125 ²	\$278,000	12.5%	\$35,000
Natural Gas	247	\$278 ²	69,000	10.0%	7,000
Telephone	247	\$278 ²	69,000	9.0%	6,000
Total			\$416,000	11.5%	\$48,000

¹ Per Los Angeles Municipal Code.

² Based on similar Downtown LA properties.

ATTACHMENT 2 - TABLE 6

**PARKING TAX
247 ROOM CAMBRIA HOTEL
LOS ANGELES, CALIFORNIA**

Year			Annual Parking Income ¹	Parking Tax Revenues ²
1	2020	21	\$654,000	\$65,000
2	2021	22	722,000	72,000
3	2022	23	796,000	80,000
4	2023	24	821,000	82,000
5	2024	25	845,000	85,000
6	2025	26	866,000	87,000
7	2026	27	888,000	89,000
8	2027	28	910,000	91,000
9	2028	29	933,000	93,000
10	2029	30	956,000	96,000
11	2030	31	980,000	98,000
12	2031	32	1,005,000	101,000
13	2032	33	1,030,000	103,000
14	2033	34	1,056,000	106,000
15	2034	35	1,082,000	108,000
16	2035	36	1,109,000	111,000
17	2036	37	1,137,000	114,000
18	2037	38	1,165,000	117,000
19	2038	39	1,194,000	119,000
20	2039	40	1,224,000	122,000
21	2040	41	1,255,000	126,000
22	2041	42	1,286,000	129,000
23	2042	43	1,318,000	132,000
24	2043	44	1,351,000	135,000
25	2044	45	1,385,000	139,000

25 Year Term

Nominal Total	\$2,600,000
Net Present Value @ 10%	\$831,000

¹ Based on Developer projections. Assumes long term revenue inflation of 2.5%.

² Based on a 10% tax rate.

ATTACHMENT C
Memorandum of Understanding
Between the City of Los Angeles and
926 James M Wood Boulevard LLC

**Memorandum of Understanding between the City of Los Angeles
and 926 James M Wood Boulevard LLC**

Cambria Hotel and Suites Project

The City of Los Angeles (the "City") and 926 James M Wood Boulevard LLC ("Developer" and, collectively with the City, the "Parties") enter into this Memorandum of Understanding ("MOU") as of October ____, 2017 for reference purposes, to provide non-binding guidelines for the negotiation of one or more agreements for the potential development of the Cambria Hotel on an approximately 14,156 square foot site located at 920-928 James M. Wood Boulevard and 908-912 South Georgia Street (the "Project Site"). All terms and issues set forth in this MOU are subject to further discussions.

BACKGROUND

Developer has proposed the development of the Project on the Project Site, located adjacent to the Los Angeles Sports and Entertainment District (the "District") and the Metro Blue Line rail station. The Project Site is within walking distance of the Los Angeles Convention Center ("LACC").

The project of approximately 129,470 square feet of floor area, includes an 18-story, 206 foot mixed-use boutique hotel with approximately 247 hotel guest rooms contained in a single tower (the "Hotel"), approximately 1,821 square feet of related commercial uses, and 51 automobile parking spaces and 28 bicycle stalls (collectively, the "Project").

The Project is desirable to the City as part of its ongoing effort to expand the LACC, and the City has determined that new hotel rooms serving a variety of visitor needs are necessary to more fully utilize an expanded LACC, as well as to support further economic development within the District, provide additional visitor-serving uses that are beneficial to support the 2028 Olympic and Paralympic Games, and meet the City's goal of attracting 50 million annual visitors. In addition, the City desires to create good paying jobs, thereby benefiting the downtown community and the City. The development of the Project would substantially contribute to the City's achievement of these goals.

Developer has asserted that the Project is not financially feasible without City financial assistance. The City has hired, at Developer's expense, an independent experienced financial analyst to evaluate the Project and advise the City with regard to the financial feasibility of the Project.

CITY INVESTMENT

The sources of potential City support for the financing and implementation of the Project are outlined below. The City finds these terms to be acceptable in concept for negotiation and clarification of the terms of any agreements necessary and appropriate to support the implementation of the development of the Project.

In the event the Parties reach a tentative agreement on the terms and conditions of the City's financial commitment in the Project, the terms will be set forth in one or more definitive written agreements (collectively the "City Agreements").

The terms to be further discussed and negotiated are as follows:

1. Special Fund. The proposed financial commitment on the part of the City with respect to the Project will require the City to establish a special fund (the "Special Fund") and deposit funds from the City's general fund (the "General Fund") into the Specific Fund on not less than an annual basis. The amount of funding with respect to the funding gap for the development of the Project will be determined Net New Tax Revenues (as defined in Paragraph 6 below) received by the City from the development and operation of the Project, as more specifically discussed below. Payments will be made from the Special Fund to Developer in arrears on a semi-annual basis, with each payment in an amount equal to the Financial Assistance (as defined in Paragraph 5 below) received by the City generated by the Project for the applicable six (6) month period. The payments of the TOT Financial Assistance to Developer will be subject to continued compliance by Developer with all material terms of the City Agreements.
2. Construction of the Project. Developer shall construct the Project substantially in accordance with (a) the milestones set forth in the Schedule of Performance and (b) the Scope of Development, as each is set forth in the City Agreements.
3. ADA Compliance/CASp. Developer shall construct and maintain the Project in accordance with all laws, rules and regulations including all applicable federal, state and local accessibility requirements. Developer shall utilize the services of a Certified Accessibility Specialist ("CASp") during the design and construction of the Project and shall provide written report(s) signed by the Project architect and the CASp to the City verifying that the Project has been designed and constructed in accordance with all applicable accessibility requirements. Such report may be incorporated into the architect certification described in paragraph 4, below. Failure to comply with the accessibility requirements shall be deemed a material breach of the City Agreements.
4. Construction Costs and Project Financing Audit Upon Substantial Completion (as that term will be defined in the City Agreements) of the Project, Developer shall submit a certification from the architect for the Project, stating that the improvements for the Project have been constructed in substantial accordance with the approved plans and specifications (the "Plans and Specifications") as well as in substantial conformance with the construction requirements set forth in the City Agreements, including the accessibility requirements if not separately certified, and any other governmental approval received for such Project. Further, within 180 days after the Substantial Completion of the Project, the City shall work with Developer to make (a) determination of final Project development and construction costs with respect to such Project, (b) a determination by the

City that Developer has substantially completed the Hotel in substantial conformance with industry standards for a select-service, three-star hotel, or equivalent, and the Plans and Specifications as well as all accessibility requirements, (c) a determination by the City that Developer has satisfied all of Developer's development obligations under the City Agreements with respect to such Project that are to be satisfied as of the Substantial Completion of the Project, and (d) completion of an independent audit of the development and construction costs with respect to such Project.

5. Maximum Assistance. The total amount of Financial Assistance will not exceed 50% of the Net New Tax Revenues projected to be generated by the Project and received by the City, determined as net present value, discounted at the rate of ten percent (10%) ("Financial Assistance"). Based on the pro forma and other financial analysis by the City's financial consultant, the maximum amount of the TOT Financial Assistance is \$15.7 million (NPV). Such maximum amount of the TOT Financial Assistance is subject to reduction on a dollar for dollar basis to the extent that the construction cost audit following Substantial Completion of the Project establishes that the total project construction costs (including all soft and hard costs) for the Project was less than the amount set forth in the pro forma and other financial analysis undertaken by the City's financial consultant that was used for the basis of the City's determination of the TOT Financial Assistance.
6. Tax Calculations. Net New Tax Revenues shall include all City business and utility taxes, the City's share of construction-related tax revenues, property taxes, property taxes in lieu of vehicle license fee taxes, sales taxes, utility user taxes, business gross receipt taxes, parking revenues taxes, transient occupancy tax ("TOT") and any other tax revenues reasonably expected to be received by the General Fund and generated by the Project, all of which must actually be received by the City.
7. Transfer of Project and Property. During the Term, Developer shall not sell, assign, convey or transfer the Project or any interest in the Project Site (each a "Transfer") without the prior written consent of the City, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that the City Agreements shall include certain customary permitted transferees to which Developer may effectuate a Transfer without the prior written consent of City.
8. Term. The City Agreements shall terminate on the date that is twenty-five years after Substantial Completion of the Project (the "Term").
9. Hotel Rating. The Hotel will achieve and maintain at least a select-service, three-star rating, as defined by the Mobil Travel Guide, or at an equivalent level by an alternative nationally recognized hotel rating service for the duration of the Term.
10. Hotel Operator. The initial hotel operator for the Hotel, as well as any proposed change to any hotel operator during the Term, shall require the prior written approval of the City, which approval shall not be unreasonably withheld,

conditioned or delayed. The Parties will agree to a pre-approved list of acceptable hotel operators and standards, which shall be attached to the applicable City Agreement and which shall not require the consent of the City if Developer decides, in its sole discretion, to replace the hotel operator.

11. Hotel Operation. The Hotel shall be operated in accordance with the hotel operating covenants and all other restrictions set forth in the applicable City Agreements for the entire Term.
12. Construction Sales Tax. Developer will cause the City to be designated as the “point of sale” for all construction-related purchases, including purchases made by any subcontractors of the developers of the Project. The City shall cooperate with Developer in such efforts and the City shall provide whatever assistance is necessary in order to designate the City as the “point of sale” for purposes of this Project.
13. Community Benefits Package. Developer shall comply with a community benefits package, as negotiated between the Parties. The package shall include card check neutrality, living wage compliance, local hiring compliance, a room block agreement relating to the LACC and the 2028 Olympic and Paralympic Games, and other elements agreed upon by the Parties, which may include job training and job creation. All or a portion of the items in the community benefits package may be the public benefits included in a development agreement for the Project.
14. Cooperation. The City will cooperate in processing any and all requests for required entitlements for the Project.
15. 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.

MOU IMPLEMENTATION

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

This MOU authorizes the Parties to negotiate and draft the City Agreements consistent with the terms of this MOU. Developer acknowledges and agrees that the final City Agreements, as well as any ordinances or other legislative acts necessary to effectuate the terms of any proposed City Agreements, must 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.

IN WITNESS WHEREOF, the Parties have executed this MOU on the dates indicated.

DEVELOPER:

926 James M Wood Boulevard LLC

By: _____

Name: _____

Title: _____

Date: _____

CITY:

CITY OF LOS ANGELES,
a municipal corporation

By: _____

Name: _____

Title: _____

Date: _____

APPROVED AS TO FORM:

Michael N. Feuer, City Attorney

By _____
Deputy City Attorney

Date: _____

ATTESTED:

Holly Wolcott, City Clerk

By _____
Deputy City Clerk

Date: _____