


# **REPORT OF THE CHIEF LEGISLATIVE ANALYST**

---

DATE: July 31, 2024

TO: Honorable Members of the City Council

FROM: Sharon M. Tso   
Chief Legislative Analyst

Council File 18-0734-S2  
Assignment No: 24-02-0116

## **VENICE HOPE HOTEL RE-EVALUATION OF A PROPOSED HOTEL DEVELOPMENT INCENTIVE**

### **SUMMARY**

On March 1, 2024 the City Council adopted an action pursuant to Motion (De Leon – Blumenfield, CF 18-0734-S2) to authorize the Chief Legislative Analyst (CLA) to re-evaluate the proposed Venice Hope Hotel project and determine whether financial assistance is warranted to support development of the project. This would be an update to a previous study conducted for the project.

Jade Enterprises, as the development team of New Horizons Capital LLC (Developer), has developed plans for the Venice Hope Hotel project, which will consist of a 22-story hotel with a total of 300 rooms and a 23-story apartment complex at 1611 South Hope Street. The dual brand hotel will include a select service hotel and an extended stay hotel and will provide facilities and services associated with these hotel models. The project will also include ground-level retail space, meeting space, a pool deck, fitness center, a rooftop deck, and two garages with 250 residential and 108 hotel parking spaces.

A full review conducted by the City's independent consultant in 2020 (Attachment A) and submitted to Council in a CLA report in 2022 (CF 18-0734) determined that the project, at that time, had a finance gap of \$23.7 million and would generate \$51.1 million in net present value (NPV) General Fund revenues. Consistent with City policy and subject to approval by the Council and Mayor, the Developer would be eligible to receive up to \$23.7 million NPV in financial assistance (the lesser of the finance gap or 50% of net new revenues generated by the project).

Due to the pandemic and other factors, the CLA report was not considered by Council. The Developer recently indicated that they continue to be interested in developing the Project and would like consideration of their request for financial assistance to support the Venice Hope Hotel project. This was the basis of the Motion to re-evaluate the Developer's request for financial assistance.

To expedite consideration of the Developer's proposal, the CLA requested the consultant to prepare an addendum of the project to update their analysis of the cost to construct the project, the revenues

that would be generated by the project, and any changes to the financial assistance that may be available for the project. The addendum (Attachment B) determined that as a result of COVID, supply chain availability, and inflation, the cost of the project has increased and the financial feasibility gap has grown to \$62.1 million, while hotel room rates and occupancy have decreased. The project would generate \$44.9 million NPV (\$135,850,200 nominal) in net new General Fund revenues to the City. Consistent with City policy and subject to approval by the Council and Mayor, the Developer would be eligible to receive up to \$22,455,500 NPV in financial assistance (the lesser of the finance gap or 50% of net new revenues generated by the project). The result is that the project remains eligible for financial assistance, but the amount of the eligible assistance has decreased from \$23.7 million to \$22.4 million. The Developer has reviewed the addendum, agrees with the findings, and would accept the lower incentive amount allowed by the City's policy.

The project is expected to generate new jobs, additional City revenue, new hotel rooms to support the Los Angeles Convention Center (LACC), and provide community benefits. Therefore, providing financial assistance for the project would be consistent with City policy.

At this time, authorization is required to execute a Memorandum of Understanding (Attachment C) between the City and the Developer which will form the framework for the final incentive agreement. Upon Council's approval, the CLA will negotiate the final incentive agreement to support the Venice Hope Hotel. All final documents will be presented to Council and Mayor for final approval.

## **RECOMMENDATIONS**

That the City Council:

1. Authorize the Mayor to execute a Memorandum of Understanding, substantially in the form attached, between the City of Los Angeles and New Horizons Capital LLC providing terms for agreements necessary to provide a revenue participation agreement to close the financing gap in the Venice Hope Hotel project; and
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 to provide a revenue participation agreement to support the Venice Hope 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 on the final, definitive documents necessary to provide a future revenue participation agreement for the Venice Hope Hotel project.

## **BACKGROUND**

On March 1, 2024, Council adopted an action pursuant to Motion (De Leon – Blumenfield, CF 18-0734-S2) to authorize the CLA to re-evaluate the proposed Venice Hope Hotel project and determine whether financial assistance is warranted to support development of the project. The Motion renews the City's effort to evaluate and potentially provide financial assistance to support completion of the Project.

Jade Enterprises, as the development team of New Horizons Capital LLC, has developed plans for the Venice Hope Hotel project, which will consist of a 22-story hotel with a total of 300 rooms and a 23-story apartment complex at 1611 South Hope Street. The dual brand hotel will include a select service hotel and an extended stay hotel, as well as all facilities associated with those service levels including parking, meeting rooms, a ground-level restaurant, and ground-level retail. The project will also include a rooftop deck with a pool and fitness center.

The Developer has identified a budget gap in the project that renders the project infeasible without additional financial assistance. As a result, the Developer has requested that the City provide financial resources to subsidize the project. The Motion was approved by Council to initiate an evaluation of this request.

### **Primary Evaluation**

City policy requires that an independent review be conducted to evaluate the project construction and finance plan, as well as potential City revenues that may result from project completion. On Council approval of the original Motion to evaluate the Venice Hope Hotel in 2020, the CLA conducted a competitive bid process and selected RSG to prepare the required review. RSG 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 RSG (Attachment A) determined that the project had a finance gap of \$23.7 million. The review also determined that the project would generate \$51.1 million NPV in net revenues to the City. Consistent with City policy, the Developer would have been eligible to receive the lesser of up to 50 percent of net new revenues generated by the project or the financing gap identified by independent review. In this case, the Developer was eligible to receive \$23.7 million NPV, the identified finance gap, in financial assistance. The City would receive \$27.4 NPV in new General Fund revenues over the life of the agreement.

The CLA transmitted a report to Council for consideration in 2022 that included a review of the Project, its eligibility for support through the City's Block Grant Infrastructure Fund (BGIF) policy, and the supporting independent analysis prepared by RSG. For various reasons, the CLA report on this matter was not considered.

In early 2024, Motion (De Leon – Blumenfield) instructed the CLA to re-evaluate the proposed Venice Hope Hotel project and submit revised findings concerning the potential need for financial support.

### **Addendum Evaluation**

Upon approval of the Motion, the CLA engaged RSG to update their study of the Project. To expedite the study, the CLA consulted with RSG and determined that a review of key factors would be conducted to re-evaluate the financial status of the project, rather than conducting a full, comprehensive study. The intent was to determine whether key financial factors provided adequate insight into the financial status of the project, or whether a full re-evaluation was warranted.

The Addendum provided by RSG (Attachment B) finds that the project continues to have a finance gap. However, the gap has increased from \$23.7 million to \$62.1 million due to a 29% increase in construction costs. Further, the Addendum has determined that net new revenues estimated to be generated by the Project have decreased from \$51.1 million to \$44.9 million as room rates and room occupancy in the local hotel market have not fully recovered from the COVID crisis. As a result, the incentive eligible to the Developer under the City's BGIF policy has decreased from \$23.7 million to \$22.4 million.

The Developer has reviewed the Addendum and has accepted the revised findings. The Project otherwise remains eligible for support under the City's BGIF policy. As such, the incentive available to support this project of \$22.4 million is provided to Council for consideration.

The following provides an updated assessment of the Project with the revised incentive information. These factors are required to be considered under the City's BGIF policy.

### **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 as follows:

- ▶ Incentive payment of \$22,455,500 NPV (\$67,925,100 nominal) over a term of up to 25 years, subject to final construction cost reconciliation.
- ▶ The hotel will achieve and maintain a three star rating, as defined by the AAA Tour Book: 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 compliance, job training initiatives, an emergency use agreement, a room block agreement for the LACC, and the 2028 Olympic and Paralympic Games, and other elements.
- ▶ The Developer shall ensure that the City, to the extent practical, 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 hotel component of 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. If the residential component of the project begins within one year of commencement of construction of the hotel component, the evaluation will include costs for the residential component.

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 RSG through a competitive bid process to conduct an independent review of the financial feasibility, public revenues, and employment generation associated with the Venice Hope Hotel project, as required by the BGIF Policy.

The following provides findings for the Venice Hope Hotel 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 Venice Hope Hotel project provides the following public benefits:

### **Job Creation**

RSG evaluated the project using the IMPLAN model to determine the temporary and permanent economic impacts and determined that the project would generate 467 full-time equivalent jobs resulting from project operation. This accounts for jobs both within the project and in the region generally (direct, indirect, and induced). RSG estimates that the project would generate 3,172 construction-related jobs.

### **Hotel Support for Los Angeles Convention Center (LACC)**

Table 1 below shows the progress over time in developing hotel room capacity within walking distance of the LACC. Prior to the opening of the JW Marriott/Ritz Carlton hotels, there were only 1,578 hotel rooms within walking distance of the LACC, of which 1,383 currently remain in operation due to the transition in use of the Mayfair Hotel. Council has been operating under a policy to support the development of 8,000 hotel rooms within walking distance of the LACC. Table 1 shows that 7,382 hotel rooms are available, under construction, or have approved entitlements in that area. An additional 5,062 rooms have been proposed, which could result in 12,444 hotel rooms within walking distance of LACC.

CBRE reports that occupancy rates prior to the pandemic (2019) in the Los Angeles market were approximately 80.6% based on an inventory of 101,228 rooms in the market area. The pandemic of course resulted in a major reduction in hotel occupancy, dropping as low as 43 percent. The Los Angeles market has gradually recovered from 73.4 percent occupancy in 2022, to 75.3 percent as of the first quarter of 2024. They also report room inventory has increased over the same period to 103,960, an increase of nearly 2.7 percent over 2019 levels, excluding hotels permanently converted to residential or other uses.

Development of the Venice Hope 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. Notably, this project will create 300 rooms within 1/2 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, job training initiatives, local hiring compliance, an emergency use agreement, 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 creation programs.

### **Emergency Use Agreement**

Immediately following the outbreak of the COVID-19 pandemic, travel and safety restrictions resulted in a severe decline in hotel occupancy. The loss of hotel guests drastically reduced revenue for hotel operators, as well as tax revenue for the City. Concurrently, there was a great need to provide temporary shelter for vulnerable populations in the City. In response to the pandemic, the State established the Project Roomkey program and the County, in partnership with the City, was able to contract with several hotels to provide safe shelter for vulnerable populations.

**Table 1**  
**Convention Center Hotel Support**

<b>Existing as of January 1, 2010</b>	
Sheraton Los Angeles (The Bloc)	485
Figueroa Hotel	268
Stillwell Hotel	232
Luxe City Center Hotel	175
Wayfarer Hotel (former Ritz Milner)	156
O Hotel	67
Total	1,383
<b>Opened after January 1, 2010</b>	
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
Lightstone Hotels*	1,162
Courtyard Los Angeles LA Live*	174
LEVEL Furnished Living	303
Hoxton Downtown LA	174
Total	4,680
<b>Approved/Under Construction</b>	
Broadway Trade Center	150
Trinity Hotel	183
The Downtown LA Proper	148
Cambria Hotel and Suites*	247
The Reef	208
W Hotel	125
dtLA South Park Hotel/AECOM Hotel*	258
Total	1,319
<b>TOTAL</b>	<b>7,382</b>
<b>Proposed</b>	
JW Marriott Expansion**	850
Morrison Hotel**	473
Olympia	1,000
Figueroa Centre	342
Home2 Suites	143
The Albany Hotel**	730
City Lights on Fig	1,024
Trademark Hotel/The Bricks	200
South Park Towers Hotel/Venice Hope Hotel**	300
Total proposed	5,062
GRAND TOTAL	12,444

\* Projects assisted by the City

\*\*Projects requesting assistance from the City

In order to expedite such emergency uses in the future, the City has requested that an Emergency Use Agreement (Attachment D) be included as a community benefit. This will ensure that hotels receiving financial assistance from the City participate in any emergency response that may occur

in the future. The attached Emergency Use Agreement would allow the City, upon request, to utilize the hotel in order to address a local emergency and secure accommodations for those impacted by said emergency or disaster. The Emergency Use Agreement would be included as a part of the community benefits package for hotels receiving incentive payments moving forward.

### **Net New City Revenue**

The project site is currently comprised of commercial and warehouse space, which would generate approximately \$3,350,800 (nominal) in public revenues over 25 years. After construction, the project is estimated to generate \$3,717,500 in net public revenues in its first year of operation alone and \$135.9 million over 25 years. This increase is a result of new gross tax receipts, property tax, sales tax, utility tax, parking tax, and transient occupancy tax (TOT) 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, RSG has determined that the Venice Hope Hotel project has a finance gap of \$62,130,000. A significant factor in the cost of the project is that the site requires Type 1 concrete and steel high rise construction due to building height.

### **Site Specific Revenue**

The RSG analysis calculated site specific revenues that would be generated by the project. The project is expected to generate \$44,911,000 NPV (\$135,850,200 nominal) in total net new revenues from sources such as property tax, sales tax, business tax, and TOT over 25 years.

### **Incentive Available**

As indicated above, RSG has determined the project would result in the generation of \$44,911,000 NPV (\$135,850,200 nominal) in net new City revenues. The project is eligible to receive up to 50% of net new revenues generated by the project and may not exceed the projected finance gap. Since the finance gap is \$62,130,000 and 50% of net new site specific revenues is \$22,455,500, the Developer would be eligible to receive up to \$22,455,500 under City policy. The General Fund, then, would receive an estimated \$22,455,500 NPV in new revenues over the life of the agreement.

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. Payment of the maximum incentive amount is conditional on the Project generating the maximum incentive amount in TOT revenue throughout the term of the proposed agreement. 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.

- Attachments:
- A Venice Hope Hotel – Financial Feasibility, Public Revenue & Employment Analysis by RSG
  - B July 2024 Addendum to March 2020 Report – Financial Feasibility, Public Revenue & Employment Analysis by RSG
  - C Memorandum of Understanding Between the City of Los Angeles and New Horizons Capital, LLC
  - D Form of Emergency Use Agreement

## **Attachment A**

Venice Hope Hotel – Financial  
Feasibility, Public Revenue &  
Employment Analysis by RSG

CHIEF LEGISLATIVE ANALYST  
CITY OF LOS ANGELES

200 N SPRING ST  
CITY HALL ROOM 255  
LOS ANGELES, CA 90012



# FEASIBILITY AND ECONOMIC IMPACT ASSESSMENT REPORT

South Park Towers Hotel & Residential  
City of Los Angeles

March 2020

---

CONTENTS

Introduction ..... 1

Executive Summary ..... 5

Project Description..... 7

Development Feasibility Analysis ..... 8

Fiscal Impact Analysis.....18

Economic Impact Analysis .....32

Conclusions .....34

## INTRODUCTION

The Venice Hope Group LLC (“Developer”) has submitted plans for a mixed-use, two tower development with a 22-story dual-brand hotel and a 23-story apartment complex (“Project”). The Developer is seeking financial assistance from the City of Los Angeles (“City”). Figure 1 on the following page shows a conceptual view of the Project from the intersection of Venice Boulevard and Flower Street, looking Southeast. The 1.73-acre Project site (“Site”) is currently used by 5 commercial manufacturing and warehousing buildings.

The City’s Block Grant Investment Fund (“BGIF”) Policy, which was approved by City Council in 1996 and amended in 2001, invests public financial resources in proposed projects that provide substantial public impacts within the City, including redevelopment of underperforming property, the creation of jobs, and the generation of new public revenues.

Over the past decade, the City has utilized the BGIF Policy to improve tourism and hospitality within close proximity to the Los Angeles Convention Center (“LACC”), in alignment with the Los Angeles Tourism and Convention Board’s goal of attracting 50 million visitors per year by 2020. The development of new cultural and entertainment venues, as well as the proposed expansion of the LACC, are expected to elicit demand for tourism and hospitality uses in the area. To accommodate increased tourism, the City has identified a need to increase the hotel room supply, particularly within walking distance of the LACC (“Target Area”). In 2010, a third-party study indicated that a minimum of 8,000 hotel rooms in the Target Area would be required in order to attract large national and international conventions. The City subsequently set a benchmark of developing 8,000 hotel rooms in the Target Area by 2020. The proposed Project is located within the Target Area.<sup>1</sup>

Based on information derived from the November 21, 2018 Chief Legislative Analyst’s Report on “Economic Development Incentives Program” and a review of active construction projects in Los Angeles, the Target Area has approximately 5,413 existing operational hotel rooms, 961 hotel rooms under construction, and 3,376 proposed hotel rooms (inclusive of the proposed Project).<sup>2</sup> If all hotel rooms under construction and proposed are completed, the Target Area would contain approximately 9,105 hotel rooms.

The Developer estimates that the Project will have a \$47.4 million financing gap and has requested financial assistance from the City. The BGIF Policy sets the maximum site-specific financial assistance available to a project at the lesser of the project’s feasibility gap or 50 percent of net new site-specific tax revenue generated by the project.

---

<sup>1</sup> Report: “Economic Development Incentives Program”, Chief Legislative Analyst, November 21, 2018.

<sup>2</sup> Construction status information is derived from the latest news reports obtained from Co-Star, The Real Deal, LA Downtown News, Curbed LA, and Urbanize LA.

The City's Office of the Chief Legislative Analyst ("CLA") retained RSG to evaluate the financial feasibility and fiscal and economic impacts of the Project. Before preparing our analysis, RSG met with the City and representatives of the Developer's team.

This Report presents our findings regarding the following details of the Project:

- Overall feasibility of the Project;
- The net fiscal impact of the Project to the City during construction and the first 25 years of operation; and
- The number of temporary and permanent jobs generated by the Project within the City.

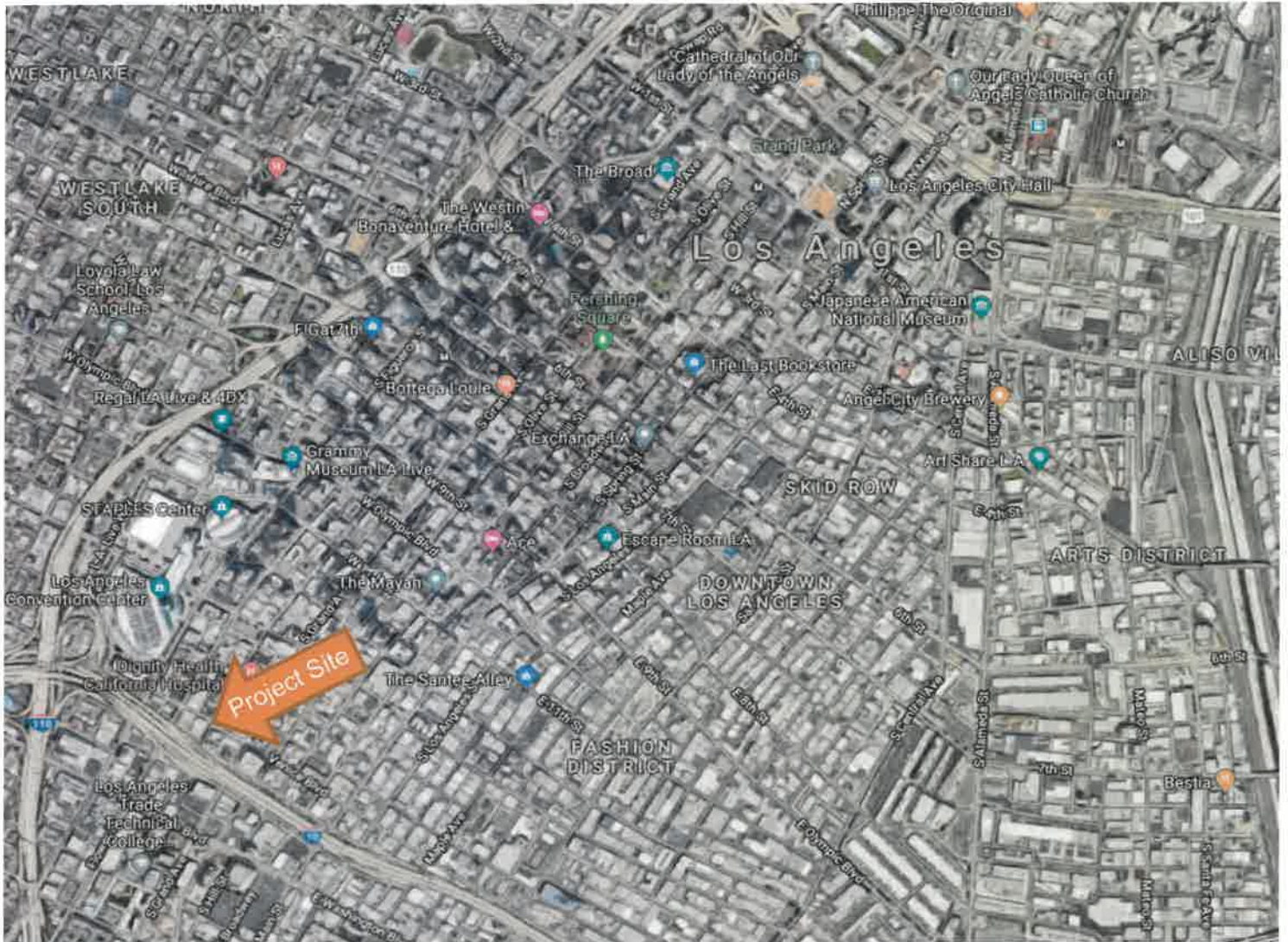
This Report stands as an independent assessment of the overall terms, conditions, and impacts of the Project. The City may use this information to determine if the Project requires financial assistance, and, if so, the level and type of such assistance needed. The Project description, development cost, feasibility gap, and site-specific tax revenues presented in this Report are primarily based upon information provided by the Developer. Refinements to the Project are inevitable at this stage, as the permits have not yet been approved.

Should the development program be altered materially, our conclusions are subject to change.



**Figure 1: Conceptual View of Project from Venice Boulevard and Flower Street, Looking Southeast**  
Source: Venice Hope Group LLC





**Figure 2: Project Site Vicinity Map**  
Source: Google



## EXECUTIVE SUMMARY

Based on the Project description, methodology, and assumptions referenced herein, RSG has concluded the following about the Project:

- **\$(23.7) Million Feasibility Gap** – RSG estimates that the Project development costs would total \$302.9 million and the value of the Project would total \$279.2 million, resulting in a \$(23.7) million feasibility gap.
- **\$51.1 Million in Net New Fiscal Impacts to the City (net present value, discounted at 10 percent)** – RSG expects that the Project would generate \$52.1 million of total tax revenue to the City inclusive of the construction period and the first 25-year operating period. This \$52.1 million amount includes \$33.4 million of transient occupancy taxes (“TOT”), \$9.2 million of property taxes, \$2.5 million of the motor vehicle license fee adjustment amount (“VLFAA”) and \$6.9 million of remaining tax revenue, including on-site sales taxes, utility user taxes, gross receipts taxes, parking occupancy taxes, and construction materials and receipts taxes (numbers may not add up precisely due to rounding). Over the same period, the existing Site would generate \$952,000 in City tax revenue if it remained the industrial buildings it is today. Thus, the Project would generate approximately \$51.1 million in net new site-specific tax revenues.
- **3,639 New Temporary and Permanent Jobs** – RSG finds that construction is expected to directly generate the full-time equivalent of 3,172 new temporary construction jobs during the 2-year construction period and approximately 467 new permanent jobs. Both construction and operations would also generate indirect and induced temporary and permanent jobs.

Table 1 below summarizes the feasibility and financial impacts of the project to the City:

**Table 1: Summary of Project Feasibility, and Fiscal and Economic Impacts**

	<b>Hotel</b>	<b>Residential</b>	<b>Total</b>
Total Development Costs	\$ 132,063,260	\$ 170,849,277	\$ 302,912,538
Total Development Value	108,200,000	171,000,000	279,200,000
Feasibility Surplus/(Gap)	\$ (23,860,000)	\$ 150,000	\$ (23,710,000)
<i>Fiscal Impacts</i>			
First Stabilized Year (2027)	\$ 3,937,440	\$ 872,560	\$ 4,810,000
Nominal (25 Years)	132,948,928	28,154,672	161,103,600
NPV (10% 25 Years)	42,377,528	9,705,072	52,083,000
Temporary Jobs	3,172		
Permanent Jobs	467		

The Project as proposed is not currently feasible without financial assistance. The City may choose to provide financial assistance to the Project based on the findings of this Report and consistent with the City's BGIF Policy. Pursuant to the BGIF Policy, the maximum subsidy to the Project is the lesser of the Project's feasibility gap (\$23.7 million) or 50 percent of the net new site-specific tax revenues generated by the Project in the first 25 years of the Project (\$25.6 million). Therefore, based on the findings of this Report, **the maximum assistance from the BGIF Policy available to the Project is \$23.7 million**. After the subsidy, the remaining net new site specific tax revenue, totaling \$27.4 million, as well as all net new revenues generated by the Project after the first 25-year operating period would be net new revenue to the City's General Fund.

## PROJECT DESCRIPTION

The Developer is proposing to develop a 23 story, 438,000 square-foot residential apartment tower and a 22 story 315,000 square-foot dual-brand hotel at 1611 S Hope St. The hotel would consist of one nationally recognized limited-service provider and an extended stay brand. As presented in the Developer's conceptual site plans and hard construction cost estimates provided to RSG, the Project includes the following components:

- 300 guestrooms & 250 apartments;
- 3,120 square feet of ground-level restaurant space;
- 10,000 square feet of ground-level retail space;
- 5,500 square feet of meeting space;
- A pool deck and fitness center on the 5<sup>th</sup> floor of the hotel;
- A rooftop deck with a pool on the 23<sup>rd</sup> floor of the residential tower; and
- 2 garages with 228 residential and 108 hotel parking spaces (Includes 60 regular and 48 automated stackers).

## LOCATION

The Project, as proposed, will be located in the South Park neighborhood of Downtown Los Angeles. The commercial-zoned (C2) parcel is directly north of the Interstate 10 (I-10) freeway and about 1,300 feet southeast of the Los Angeles Convention Center. The Site has the Venice-Hope Park north across Venice Boulevard and is less than a mile away from the Fashion District, Staples Center, and the Grammy Museum.

## DEVELOPMENT CALENDAR

Currently, the Developer is pursuing approvals from the City Planning Department (CPC-2018-3336-SN-TDR-CUB-ZV-WDI-SPR-MSD) based on the current timeline, the Developer anticipates that construction will begin on July 1, 2022. Should Project construction be delayed even a few months later, the impacts described in this report could be deferred and/or altered from the forecast presented in this Report.

## DEVELOPMENT FEASIBILITY ANALYSIS

RSG's development feasibility analysis considers the cost of construction compared to valuation of the Project. RSG has concluded that the Project will face a deficit of approximately **\$(23.7) million**, made up of a **\$150,000** surplus from the residential portion and **\$(23.9) million** deficit from the hotel. Thus, the Project as proposed is not presently feasible without financial assistance. The Project costs are approximately **\$302.9 million**, inclusive of on- and off-site improvements and indirect costs in 2020 dollars. By comparison, the total value of the Project is approximately **\$279.2 million**. The feasibility gap is equivalent to about 7.8 percent of RSG's estimated development costs.

The sections that follow detail the development costs and Project valuation.

### DEVELOPMENT COSTS

#### DEVELOPMENT COSTS SUMMARY

RSG estimates that the Project costs will total **\$302.9 million** in 2020 dollars, which breaks down to **\$132.1 million** from hotel costs and **\$170.8 million** from residential costs. Our estimate is substantially based on construction cost data from Marshall Valuation Service ("MVS"), which is regarded as an authoritative guide to construction replacement costs. Our cost estimate is also based on construction cost estimates provided by the Developer and cost estimates for comparable hotel and residential projects.

RSG's estimate of total development costs are outlined in Table 2 on the following page.

**Table 2: RSG's Development Cost Estimates**

	<b>Hotel</b>	<b>Residential</b>	<b>Total</b>
Land	\$ 5,470,560	\$ 5,926,440	\$ 11,397,000
Closing Costs	328,320	355,680	684,000
<b>Land Cost Subtotal</b>	<b>\$ 5,798,880</b>	<b>\$ 6,282,120</b>	<b>\$ 12,081,000</b>
Construction	\$ 82,531,000	\$ 103,679,000	\$ 186,210,000
Retail	-	3,630,107	3,630,107
Restaurant	1,754,328	-	1,754,328
Parking	8,063,616	11,584,314	19,647,930
Furniture, Fixtures & Equipment	6,621,120	4,022,880	10,644,000
Operating Supplies & Equipment (OSE)	1,500,000	-	1,500,000
Retail and Restaurant TI Costs	710,400	769,600	1,480,000
On-site Improvements	5,014,560	5,432,440	10,447,000
Construction Contingency	5,483,356	3,566,817	9,050,173
<b>Hard Costs Subtotal</b>	<b>\$ 111,678,380</b>	<b>\$ 132,685,157</b>	<b>\$ 244,363,538</b>
Architect and Consultant Fees	\$ 2,250,000	\$ -	\$ 2,250,000
Pre-opening & PR/Marketing	900,000	-	900,000
Soft Cost Contingency	1,544,000	-	1,544,000
Development Fee	5,592,000	6,058,000	11,650,000
Financing Costs and Fees	4,300,000	-	4,300,000
Residential Tower Soft Cost Estimate	-	25,824,000	25,824,000
<b>Softs Costs Subtotal</b>	<b>\$ 14,586,000</b>	<b>\$ 31,882,000</b>	<b>\$ 46,468,000</b>
<b>TOTAL PROJECT COSTS</b>	<b>\$ 132,063,260</b>	<b>\$ 170,849,277</b>	<b>\$ 302,912,538</b>

## DEVELOPMENT COSTS ASSUMPTIONS

In preparing our development cost estimates, RSG incorporated the following key assumptions:

- **Land:** RSG assumed a land value of approximately \$11.4 million, which reflects the actual sale price according to CoStar Group, CoreLogic MetroScan, and the CBRE Appraisal Report (dated January 28, 2019). RSG also assumed 6 percent of incidental closing costs.

The Developer utilized a \$46.5 million land cost, based on the CBRE Valuation and Advisory Services Appraisal ("Appraisal"). According to the Appraisal, the Developer acquired title to the property in 2017 with a sale price of \$11,397,000. The Appraisal indicates that the land was previously listed for \$24,000,000 in 2008, but originally entered into escrow for a reported \$9,000,000 in 2012. The final concluded land valuation according to the Appraisal is \$46.5 million – the Appraisal justifies the elevated appraised value by indicating that the 2017 sale price was originally negotiated in 2012 during inferior

market conditions, and that the valuation was negatively impacted by parking covenants (which have been decreased from 48 to 8 spaces with covenants) and pending litigation (which has been dismissed). To maintain consistency with previous feasibility studies, RSG utilized the actual purchase price of \$11.4 million.

Though the original purchase price was below market, the Los Angeles County Assessor's office assessed the property at \$31.6 million, nearly 3 times greater than the original purchase price. It is unknown whether the developer would appeal this assessed value, which they are entitled to do under state law. While the updated assessed land valuation has an immediate fiscal impact on the City's existing site-specific tax revenues, the feasibility of the project does not change because the increased assessment was not the result of additional costs incurred by the developer on the Project.

- MVS Construction Cost Estimates: Based on Marshall Valuation Service (MVS) data, RSG estimates the building construction costs as \$337 per square foot for the hotel component and \$295 per square foot for the residential component.

Based on MVS data, RSG estimates the hard costs of the 228-space residential parking garage at \$51,000 per space and the 108-space hotel garage at \$66,000 per space. The hotel garage is planned to have 24 spaces with automated machine stackers, that can stack two cars per space. The automated parking equipment costs were provided by CBRE, and included in the parking line item.

Note that MVS cost data includes certain soft costs, including contractor's overhead and profit, sales taxes, permit costs, and insurance during construction and hard costs, including metals, concrete, brick, glass, carpet, hardwood, and various bath and kitchen amenities, among other averages.

- Additional Construction Costs Not included in MVS Estimates:
  - Architects and Consultants (Hotel): The Developer assumed a \$2.25 million budget for architects and consultants, which is 2 percent of hard costs. RSG considers this assumption reasonable and assumed the same budget in our development cost estimates.
  - Pre-opening & Public Relations/Marketing (Hotel): The Developer assumed a \$900,000 budget for pre-opening and public relations/marketing, which is \$3,000 per room. RSG considers this assumption reasonable and assumed the same budget in our development cost estimates.
  - Development Fee: The Developer did not estimate a development fee cost separate from other soft costs. However, RSG assumed a total development fee of \$11.7 million, divided proportionally between the two components. The development fee is \$5.6 million for the Hotel and \$6.1 million for the Residential, which is 4 percent of RSG's total development cost estimate. This assumption was



based on RSG's experience with similar projects in the Los Angeles Area involving hotel and residential construction.

- Financing Costs (Hotel): CBRE estimates that financing costs will total \$4.3 million based on industry standard financing assumptions and the current market. RSG considers this assumption reasonable and assumed the same budget in our development cost estimates.
- Contingencies: RSG estimates \$10.6 million in total contingencies, with \$7 million in Hotel hard and soft cost contingencies and \$3.6 million in Residential hard cost contingency. This assumption is based on RSG's experience with past projects.
- Residential Soft Cost Estimate: Because the Developer does not anticipate that construction will start until 2022, they do not have detailed soft costs at this time. CBRE therefore assumed soft costs at 20 percent of hard costs. RSG considers the 20 percent of hard costs assumption reasonable and incorporated it in our analysis, equating to \$25.8 million.
- Furniture, Fixture & Equipment ("FF&E") and Operating Supplies & Equipment ("OS&E"): RSG assumed an FF&E and OS&E budget of approximately \$23,000 per key for the hotel portion and \$16,000 per key for the residential. This budget includes costs related to freight, warehousing, and technology. These assumptions are based on RSG's experience with past projects.
- Retail and Restaurant Tenant Improvements: RSG assumed a \$1.5 million budget (\$1.96 per square foot) for tenant improvements for the retail and restaurant components. This is based on RSG's experience with past projects.
- On-site Improvements: RSG assumed a \$10.4 million budget for on-site improvements. This is based on RSG's experience with past projects.

## VARIANCES FROM DEVELOPER'S COST ESTIMATES

The Developer estimates that the development costs for the Project will total \$317 million, which is \$14.2 million (4.7 percent) greater than RSG's estimates. The largest discrepancy between the Developer and RSG's estimate is the land cost. In accordance with methodologies used in comparable feasibility studies, RSG utilized the actual recorded purchase price to estimate a total land cost of \$12.1 million, inclusive of closing costs. The Developer acknowledged the recorded sale price, but incorporated the \$46.5 million land valuation from the Appraisal as the land cost.

RSG acknowledges that both RSG's and the Developer's estimates are preliminary at this time, and reconciliation of the final development expenses, as customarily required by the City's subvention agreements, would provide the final figures of actual Project costs.

## PROJECT VALUATION

Deducting the estimate of a project's total development costs from the project value yields the project's surplus or feasibility gap. The value of a proposed project can be estimated based on assumptions about the operations of the project and industry standards for expected returns for the project type. RSG estimates that the total value of the Project is **\$279.2 million**, which, based on RSG's development cost estimate of **\$302.9 million**, indicates a **\$23.7 million** feasibility gap for the Project. The Hotel component is valued at \$108.2 million and the Residential tower is valued at \$171 million.

### NET OPERATING INCOME- HOTEL

RSG's valuation of both towers in the Project is based on an estimate of the Project's net operating income ("NOI") at reversion in Year 11. RSG estimates that the NOI in the first year of stabilization will be \$8.6 million (or 32 percent of gross revenues), which is \$6.5 million in 2020 dollars. In Year 11, the NOI is expected to reach **\$11 million**.

RSG's NOI estimate incorporates the following assumptions:

- ADR: CBRE assumes a \$247 ADR at opening.

CBRE assumed that the Project's ADR would inflate 3 percent annually. RSG found this assumption reasonable and included it in the NOI estimates.

- Occupancy Rate: CBRE assumes a 65 percent occupancy rate in Year 1, a 73 percent occupancy rate in Year 2, and a 78 percent occupancy rate thereafter. RSG found these to be consistent with prior experience and included them in the NOI estimates.
- Restaurant Lease Revenue: CBRE assumes that the annual rent income for the 3,120 square feet of ground-level restaurant will be \$42 per square foot at opening, and the rent will increase 3 percent annually. Based on RSG's survey of restaurant lease rates in the vicinity of the Site, RSG assumed rent would be \$40 per square foot at opening, but kept the 3 percent annual increase from CBRE.
- FF&E Reserve: CBRE estimates the FF&E reserve as 2 percent of total revenues in Year 1, 3 percent of total revenues in Year 2, and 4 percent of total revenues thereafter. Based on industry standards, RSG finds these assumptions reasonable and included the same assumptions in our NOI estimates.
- Other Revenue & Expenses: Based on industry standards, RSG finds CBRE's assumptions regarding other revenue and expenses reasonable and included the same assumptions in our NOI estimates.



## NET OPERATING INCOME- RESIDENTIAL

RSG's valuation of the Residential tower is also based on NOI in stabilization Year 11. This valuation includes the assumption of a 16-month lease-up period, per the Developer. RSG estimates that the NOI in the first year of stabilization will be \$9 million, (or 66 percent of gross revenues), which is \$7.7 million in 2020 dollars. The NOI inflates to **\$11.6 million** in Year 11.

RSG's NOI estimate incorporates the following assumptions:

- Rent: CBRE assumes rent would be \$3,346 in 2020 dollars and \$4,115 nominally at opening in 2024. RSG found market rents to be marginally higher at \$3,416 in 2020 dollars and \$4,201 nominally at opening.

CBRE assumed that the Project's rent would inflate 3 percent annually. RSG agreed with this assumption.

- Vacancy Rate and Lease-Up/Occupancy Rate: CBRE assumes a 5 percent vacancy rate at stabilization and beyond as well as a lease-up period during the first two years. 40 percent of the total units less the vacancy rate will have been leased in the first year, and 97 percent less the vacancy rate in the following year. RSG therefore assumed an occupancy rate of 35 percent for the first Fiscal Year, 92 percent for the second, and 95 percent in the third.
- Retail Lease Revenue: CBRE assumes that the monthly rent income for the 10,000 square feet of ground-level retail will be \$47 per square foot at opening, and the rent will increase 3 percent annually. Based on RSG's survey of retail lease rates in the vicinity of the Site, RSG included the same assumptions in our NOI estimates.
- Replacement Reserve: CBRE estimates the Replacement reserve as \$250 per unit annually in 2019 dollars. RSG finds this assumption to be reasonable and included it in our NOI estimates.
- Other Revenue & Expenses: Based on industry standards, RSG finds CBRE's assumptions regarding other revenue and expenses reasonable and included the same assumptions in our NOI estimates.

## DISCOUNTED CASH FLOW ANALYSIS

RSG and the Developer utilize a method of evaluation called Discounted Cash Flow ("DCF"), which is considered a simple, accurate and conservative method of analyzing a real estate investment. Importantly, the DCF analysis recognizes that income received in the earlier years following an investment is more valuable than income received in the later years. This process of discounting future cash flows relies heavily on the applied Discount Rate and the process of estimating a future reversion value, which is a function of the inflated Year 11 net operating income and a Capitalization Rate. Consistent with the Developer's cost estimates, the construction costs were estimated in 2020 dollars and the cost of sale were placed at 1 percent



of the residential component and 2 percent of the hotel component. Under the DCF methodology, the importance of both Discount Rates and Capitalization Rates cannot be understated – the feasibility of a real estate investment can be completely reversed by a small miscalculation of either rate.

The selection of a discount rate is largely dependent on the financial requirements of a developer, however it will vary based on changes to the cost of money, general real estate risk, developer experience, project location, market conditions, and lender security. Because of the myriad of internal and external factors that can affect a discount rate, there are no universally accepted discount rates. A higher discount rate reflects more risk associated with market conditions, owner experience, and location, among other factors. Finally, because a discount rate mirrors an investment's internal rate of return, and therefore a developer's return on equity, the discount rate is largely a factor of a developer's required returns.

The Developer has proposed a 7.5 percent Discount Rate for the residential component, and a 10 percent Discount Rate for the hotel component. Based on a review of the current market conditions and typical returns, RSG expects to find 6.75 to 7.25 percent discount rates for residential investments and 8.75 to 9.75 percent discount rates for hotel investments. The Developer's proposed Discount Rates are slightly outside the high end of each respective rate spectrum, but not substantially inconsistent with market ranges.<sup>3</sup> It should be noted that in considering the Developer's level of experience, the historically low cost of money, favorable location, and product type, one could easily argue in favor of using lower discount rates.

The capitalization rate is driven by a property's qualities and apparent risk associated with the income generated from an investment, rather than the Developer's financial requirements. Factors that cause the capitalization rate to fluctuate include general market conditions, the property type (residential, office, hospitality, etc.) and location, the condition or age of the investment, and the quality of the tenants. Like the discount rate, the capitalization rate is based on a series of factors that change frequently, and the capitalization rate should be re-evaluated proportional to changes to the Project scope. A higher capitalization rate reflects greater perceived risk associated with an investment scope or tenancy.

The Developer has proposed a 5.5 percent Capitalization Rate for the residential component and a 9.1 percent Capitalization Rate<sup>4</sup> for the hotel component. After reviewing the current market rates and considering the proposed property type, location, and quality, RSG considers capitalization rates between 4.0 and 5.0 percent for the residential component, and 6.5 to 7.5 percent for the hotel component to be reasonable. The Developer's residential Capitalization Rate is slightly above the expected range; however the hotel component Capitalization Rate is well above the expected range. RSG utilized a 5.0 percent Capitalization Rate for the residential

---

<sup>3</sup> In addition to RSG's experience with similar projects, RSG reviewed several market reports, including Real Estate Research Corporation (Los Angeles), and Integra Realty Research (National) in order to formulate a market Discount Rate (IRR).

<sup>4</sup> The Developer calculates a reversion value by applying an 8.0 percent Terminal Capitalization Rate and a 1.1 percent Effective Levy Rate, totaling 9.1 percent, to the NOI before property tax

component and incorporated a 7.5 percent Capitalization Rate for the hotel component, which is more consistent with market conditions and the Project scope. These Capitalization Rates are arguably still higher than current Downtown Los Angeles submarket rates – the Project is a high-quality product, located in one of the US's most favorable market areas, and is expected to have high quality tenants.<sup>5</sup>

RSG's feasibility gap analysis assumptions and conclusions based on the discounted cash flow are shown in Table 4 below.

---

<sup>5</sup> RSG reviewed several market reports, including Real Estate Research Corporation (Los Angeles) and CBRE's 2019 North America Cap Rate Study (Los Angeles CBD), and Co-Star Submarket Analytics (for DTLA Submarket) and obtained income and sale data for several comparable multi-family investment properties in Downtown Los Angeles.

**Table 4: RSG's Feasibility Gap Analysis Based on Discounted Cash Flow**

<b>SOUTH PARK RESIDENTIAL TOWERS</b>										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income	1,492,773	8,354,215	8,990,980	9,287,164	9,592,762	9,908,068	10,233,383	10,569,020	10,915,298	11,272,548
Discount Rate										7.50%
Net Present Value (NPV)										\$59,170,000
Capitalization Rate										5.00%
Reversion Value										\$112,960,000
Selling Costs (1%)										(\$1,130,000)
Net Residential Reversionary Value										\$111,830,000
Total Value										\$171,000,000
Construction Cost Estimate										(\$170,850,000)
Residential Feasibility Surplus/(Gap)										\$150,000
<b>SOUTH PARK DUAL-BRAND HOTEL</b>										
Net Operating Income	5,490,934	7,338,177	8,567,079	8,841,000	9,124,000	9,416,000	9,717,000	10,029,000	10,349,000	10,681,000
Discount Rate										10.00%
Net Present Value (NPV)										\$52,680,000
Capitalization Rate										7.50%
Reversion Value										\$56,650,000
Selling Costs (2%)										(\$1,130,000)
Net Hotel Reversionary Value										\$55,520,000
Total Value										\$108,200,000
Construction Cost Estimate										(\$132,060,000)
Hotel Feasibility Surplus/(Gap)										(\$23,860,000)
Total Combined Value										\$279,200,000
Total Construction Cost										(\$302,910,000)
Combined Feasibility Surplus/(Gap)										(\$23,710,000)



## VARIANCE FROM DEVELOPER'S FEASIBILITY GAP ESTIMATES

The primary factors contributing to the variance between CBRE's and RSG's feasibility gap include the cost of land and the applied capitalization rate. CBRE estimates that the Project's feasibility gap is \$47.4 million, while RSG estimates the feasibility gap to be \$23.7 million. RSG's calculations indicate that a small surplus on the residential component slightly offsets the feasibility gap of the hotel component. CBRE also expects the residential portion of the Project to present a feasibility surplus, slightly offsetting the feasibility gap of the hotel component.

CBRE based the land costs on the land valuation provided in the Appraisal, while RSG incorporated actual recorded assessed land value. RSG utilized Capitalization Rates that are consistent with current market conditions, and reflect the quality of the location, product, and Developer.

## FISCAL IMPACT ANALYSIS

The Project will provide benefits to the City in the form of net new site-specific tax revenues. Net new site-specific revenue is defined as tax revenues to the City General Fund generated by the Project less any General Fund revenue already generated from the Site or revenues transferred from other areas of the City.

RSG's analysis of Project-generated revenue is categorized by the following revenue sources:

- Transient occupancy tax ("TOT");
- Property tax;
- Motor Vehicle License Fee Adjustment Amount ("VLFAA");
- On-site sales tax;
- Utility user tax;
- Gross receipts tax;
- Parking occupancy tax; and
- Construction materials and gross receipts tax.<sup>6</sup>

### FISCAL IMPACT SUMMARY

RSG estimates that the Project will generate **\$51.1 million** in net new site-specific tax revenues in the first 25-year operating period (net present value, discounted at 10 percent). Fiscal impact projections presented in this Report begin with "Construction Year One" in FY 2022-23 and ending FY 2023-24, a 25-year term beginning in the first year of operations in addition to a construction period of approximately 24 months. The Project is assumed to stabilize in Year 3 of Project operations. Net present values of fiscal impacts presented in this Report are discounted to FY 2024-25, the first year of Projection operations.

RSG assumes that all hotel visits to the Project are net new hotel visits to the City. This assumption is based on the Department of Convention and Tourism Development's identification of the need to add 8,000 hotel rooms to the supply in the Convention Center area by 2020, a benchmark that has not yet been met.

The Site is currently improved with a surface parking lot and 5 connected industrial and light manufacturing buildings that generates property tax and parking occupancy tax revenues to the City. Based on this information, RSG estimates that the Site as currently developed would generate \$952,000 in City tax revenue through FY 2048-49 (net present value, discounted at 10

---

<sup>6</sup> Construction Materials Sales Tax and Construction Gross Receipts Tax are one-time revenues generated from purchases of materials and business tax during the construction period.

percent). RSG deducted this amount from our estimate of gross revenue projections to calculate our projections of net new revenues.

Table 5 on the following page provides a summary by revenue source of the total revenues for the City over the 25-year period. Following Table 5, Table 6 shows RSG's calculation of 50 percent of the net present value of net new tax revenue, discounted at 10 percent.



**Table 5: 25-Year Fiscal Impact Projections Summary**

Fiscal Year	Transient Occupancy Tax	Property Tax	Property Tax in Lieu of MVLF	Parking Tax	Sales Tax	Utility User Tax	Gross Receipts Tax	Construction Taxes	Total
C 2022-23	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$707,300	\$707,300
C 2023-24	0	0	0	0	0	0	0	707,300	707,300
1 2024-25	2,460,000	870,000	235,000	170,000	134,000	76,000	53,000	0	3,998,000
2 2025-26	2,846,000	887,000	240,000	195,000	141,000	102,000	58,000	0	4,469,000
3 2026-27	3,132,000	905,000	245,000	212,000	146,000	108,000	62,000	0	4,810,000
4 2027-28	3,226,000	923,000	250,000	216,000	151,000	111,000	64,000	0	4,941,000
5 2028-29	3,323,000	942,000	255,000	221,000	155,000	115,000	66,000	0	5,077,000
6 2029-30	3,423,000	961,000	260,000	225,000	160,000	118,000	68,000	0	5,215,000
7 2030-31	3,526,000	980,000	265,000	230,000	165,000	122,000	70,000	0	5,358,000
8 2031-32	3,631,000	1,000,000	270,000	234,000	170,000	125,000	72,000	0	5,502,000
9 2032-33	3,740,000	1,020,000	275,000	239,000	175,000	129,000	74,000	0	5,652,000
10 2033-34	3,852,000	1,040,000	281,000	244,000	180,000	133,000	76,000	0	5,806,000
11 2034-35	3,968,000	1,061,000	287,000	249,000	185,000	137,000	79,000	0	5,966,000
12 2035-36	4,087,000	1,082,000	293,000	254,000	191,000	141,000	81,000	0	6,129,000
13 2036-37	4,210,000	1,104,000	299,000	259,000	197,000	145,000	83,000	0	6,297,000
14 2037-38	4,336,000	1,126,000	305,000	264,000	202,000	150,000	86,000	0	6,469,000
15 2038-39	4,466,000	1,148,000	311,000	269,000	209,000	154,000	88,000	0	6,645,000
16 2039-40	4,600,000	1,171,000	317,000	274,000	215,000	159,000	91,000	0	6,827,000
17 2040-41	4,738,000	1,194,000	323,000	280,000	221,000	163,000	94,000	0	7,013,000
18 2041-42	4,880,000	1,218,000	329,000	286,000	228,000	168,000	97,000	0	7,206,000
19 2042-43	5,027,000	1,243,000	336,000	291,000	235,000	173,000	100,000	0	7,405,000
20 2043-44	5,177,000	1,268,000	343,000	297,000	242,000	179,000	103,000	0	7,609,000
21 2044-45	5,333,000	1,293,000	350,000	303,000	249,000	184,000	106,000	0	7,818,000
22 2045-46	5,493,000	1,319,000	357,000	309,000	256,000	189,000	109,000	0	8,032,000
23 2046-47	5,657,000	1,345,000	364,000	315,000	264,000	195,000	112,000	0	8,252,000
24 2047-48	5,827,000	1,372,000	371,000	322,000	272,000	201,000	115,000	0	8,480,000
25 2048-49	6,002,000	1,399,000	378,000	328,000	280,000	207,000	119,000	0	8,713,000
<b>Total</b>	<b>\$106,960,000</b>	<b>\$27,871,000</b>	<b>\$7,539,000</b>	<b>\$6,486,000</b>	<b>\$5,023,000</b>	<b>\$3,684,000</b>	<b>\$2,126,000</b>	<b>\$1,414,600</b>	<b>\$161,103,600</b>
NPV 10%	\$33,419,000	\$9,230,000	\$2,496,000	\$2,122,000	\$1,585,000	\$1,148,000	\$668,000	\$1,414,600	\$52,083,000



**Table 6: 50 percent of Net New Site-specific Tax Revenues**

	<b>Gross Revenues</b>	<b>NPV @ 10%</b>
Total Site-specific Tax Revenues	\$161,103,600	\$52,083,000
Less: Existing Amount	(\$3,097,200)	(\$952,000)
<b>Net New Site-specific Tax Revenues</b>	<b>\$158,006,400</b>	<b>\$51,131,000</b>
<b>50% of Net New Site-specific Tax Revenues</b>	<b>\$79,003,200</b>	<b>\$25,565,500</b>

## TRANSIENT OCCUPANCY TAX

Transient occupancy tax revenue is generated from a City fee charged upon hotel room stays. The City has a 14 percent TOT rate. As mentioned in the above subsection regarding NOI, RSG's projection of TOT revenue incorporates an ADR of \$247 at opening in July 2024, as well as a 3 percent annual inflation in ADR in Years 2 through 25. Additionally, our TOT revenue projections incorporate occupancy rates of a 65 percent occupancy rate in Year 1, a 73 percent occupancy rate in Year 2, and a 78 percent occupancy rate thereafter.

As shown in Table 7 below, the Project is expected to generate **\$2.46 million** in the first year of operations and **\$33.4 million** over the 25-year projection period (net present value, discounted at 10 percent).

**Table 7: Transit Occupancy Tax Revenue Projections**

	Fiscal Year	Rounded ADR	Occupancy Rate	Annual Room Revenue	TOT Revenue
1	2024-25	\$247	65%	\$17,574,914	\$2,460,000
2	2025-26	254	73%	20,330,119	2,846,000
3	2026-27	262	78%	22,374,271	3,132,000
4	2027-28	270	78%	23,045,499	3,226,000
5	2028-29	278	78%	23,736,864	3,323,000
6	2029-30	286	78%	24,448,970	3,423,000
7	2030-31	295	78%	25,182,439	3,526,000
8	2031-32	304	78%	25,937,913	3,631,000
9	2032-33	313	78%	26,716,050	3,740,000
10	2033-34	322	78%	27,517,531	3,852,000
11	2034-35	332	78%	28,343,057	3,968,000
12	2035-36	342	78%	29,193,349	4,087,000
13	2036-37	352	78%	30,069,150	4,210,000
14	2037-38	363	78%	30,971,224	4,336,000
15	2038-39	373	78%	31,900,361	4,466,000
16	2039-40	385	78%	32,857,372	4,600,000
17	2040-41	396	78%	33,843,093	4,738,000
18	2041-42	408	78%	34,858,386	4,880,000
19	2042-43	420	78%	35,904,137	5,027,000
20	2043-44	433	78%	36,981,261	5,177,000
21	2044-45	446	78%	38,090,699	5,333,000
22	2045-46	459	78%	39,233,420	5,493,000
23	2046-47	473	78%	40,410,423	5,657,000
24	2047-48	487	78%	41,622,735	5,827,000
25	2048-49	502	78%	42,871,417	6,002,000
Total					\$106,960,000
NPV 10%					<b>\$33,419,000</b>

## PROPERTY TAX

The City annually receives a portion of the ad valorem property taxes from all real property. According to County of Los Angeles Auditor-Controller reports, the City's General Fund share of the 2018-19 property taxes in the Project's Tax Rate Area is approximately 26.3 percent of the general 1 percent property tax levy, net of the Educational Revenue Augmentation Fund ("ERAF") adjustment. For the sake of simplicity, RSG estimated property taxes based on the assumption that the Project's assessed valuation in Year 1 would be equal to the total development cost. We then applied the maximum Proposition 13 annual inflation rate of 2 percent.

As shown in Table 8 below, the Project is expected to generate \$870,000 in the first year of operations and **\$9.2 million** over the 25-year projection period (net present value, discounted at 10 percent).

**Table 8: Property Tax Revenue Projections**

	Fiscal Year	Assessed Valuation	Property/Real Estate Tax	Taxes to City of LA
1	2024-25	\$331,162,546	\$3,312,000	\$870,000
2	2025-26	341,097,422	3,378,000	887,000
3	2026-27	351,330,345	3,446,000	905,000
4	2027-28	361,870,255	3,515,000	923,000
5	2028-29	372,726,363	3,585,000	942,000
6	2029-30	383,908,154	3,657,000	961,000
7	2030-31	395,425,398	3,730,000	980,000
8	2031-32	407,288,160	3,805,000	1,000,000
9	2032-33	419,506,805	3,881,000	1,020,000
10	2033-34	432,092,009	3,959,000	1,040,000
11	2034-35	445,054,770	4,038,000	1,061,000
12	2035-36	458,406,413	4,119,000	1,082,000
13	2036-37	472,158,605	4,201,000	1,104,000
14	2037-38	486,323,363	4,285,000	1,126,000
15	2038-39	500,913,064	4,371,000	1,148,000
16	2039-40	515,940,456	4,458,000	1,171,000
17	2040-41	531,418,670	4,547,000	1,194,000
18	2041-42	547,361,230	4,638,000	1,218,000
19	2042-43	563,782,067	4,731,000	1,243,000
20	2043-44	580,695,529	4,826,000	1,268,000
21	2044-45	598,116,395	4,923,000	1,293,000
22	2045-46	616,059,886	5,021,000	1,319,000
23	2046-47	634,541,683	5,121,000	1,345,000
24	2047-48	653,577,933	5,223,000	1,372,000
25	2048-49	673,185,271	5,327,000	1,399,000
Total			\$106,097,000	\$27,871,000
NPV 10%			\$34,112,000	<b>\$9,230,000</b>

#### MOTOR VEHICLE LICENSE FEE ADJUSTMENT

Established in 1935, the Motor Vehicle License Fee ("MVLFF") was essentially a tax on vehicle ownership. It is collected by the State annually when vehicles are registered, and was historically allocated to cities and counties based upon a statutory formula. In 2004, during the State's budget

crisis, about 90 percent of each city's MVLF revenue was replaced with property tax revenue, and cities in particular began to receive an allocation of property tax from the Educational Revenue Augmentation Fund ("ERAF") in an amount equal to what they would have received in MVLF under an older MVLF allocation formula. Under current law, the property tax in-lieu of MVLF revenue increases based on assessed value growth in a jurisdiction, so estimated revenues are based on changes in assessed value created by the Project.

The Project is estimated to increase city-wide assessed valuation by \$302,913,865 (2020 dollars) and will generate approximately \$235,000 in estimated In-Lieu MVLF revenues at build-out. RSG applied a 2 percent growth rate to match the growth in Assessed Value. As depicted in Table 10, the City is expected to receive **\$2.5 million** in In-Lieu MVLF revenues (2020 dollars) through 2049.

**Table 10: Motor Vehicle License Fee Adjustment Projections**

	Fiscal Year	Assessed Valuation	MVLF
1	2024-25	331,162,546	235,000
2	2025-26	337,785,797	240,000
3	2026-27	344,541,513	245,000
4	2027-28	351,432,343	250,000
5	2028-29	358,460,990	255,000
6	2029-30	365,630,210	260,000
7	2030-31	372,942,814	265,000
8	2031-32	380,401,670	270,000
9	2032-33	388,009,703	275,000
10	2033-34	395,769,898	281,000
11	2034-35	403,685,295	287,000
12	2035-36	411,759,001	293,000
13	2036-37	419,994,181	299,000
14	2037-38	428,394,065	305,000
15	2038-39	436,961,946	311,000
16	2039-40	445,701,185	317,000
17	2040-41	454,615,209	323,000
18	2041-42	463,707,513	329,000
19	2042-43	472,981,663	336,000
20	2043-44	482,441,297	343,000
21	2044-45	492,090,123	350,000
22	2045-46	501,931,925	357,000
23	2046-47	511,970,564	364,000
24	2047-48	522,209,975	371,000
25	2048-49	532,654,174	378,000
Total			\$7,539,000
NPV 10%			<b>\$2,496,000</b>

## PARKING OCCUPANCY TAX

The City imposes a 10 percent tax on parking occupancy fees in the City. Residential parking spaces are exempt, and hotel parking spaces are exempt if the occupants remain at the hotel longer than 30 days. RSG assumed that 50 percent of occupied rooms in the hotel would need one parking space in the City. Because RSG is estimating net new parking occupancy tax revenue to the City, our analysis is intended to capture all new parking revenue generated by the Project, including parking revenue generated off-site. Based on current parking rates at comparable hotels near the Site, RSG assumed that the parking rate in Year 1 would be \$48 and increase 2 percent annually.

As shown in Table 9 below, the Project is expected to generate \$170,000 in the first year of operations and **\$2.1 million** over the 25-year projection period (net present value, discounted at 10 percent).

**Table 9: Parking Occupancy Tax Revenue Projections**

	Fiscal Year	Annual Occupancy	Number of Rooms Occupied	Parking Spaces Utilized	Cost of Individual Parking	Total Parking Cost	City Parking Revenue
1	2024-25	65%	71,175	35,588	\$48	\$1,699,482	\$170,000
2	2025-26	73%	79,935	39,968	49	1,946,819	195,000
3	2026-27	78%	85,410	42,705	50	2,121,740	212,000
4	2027-28	78%	85,410	42,705	51	2,164,174	216,000
5	2028-29	78%	85,410	42,705	52	2,207,458	221,000
6	2029-30	78%	85,410	42,705	53	2,251,607	225,000
7	2030-31	78%	85,410	42,705	54	2,296,639	230,000
8	2031-32	78%	85,410	42,705	55	2,342,572	234,000
9	2032-33	78%	85,410	42,705	56	2,389,423	239,000
10	2033-34	78%	85,410	42,705	57	2,437,212	244,000
11	2034-35	78%	85,410	42,705	58	2,485,956	249,000
12	2035-36	78%	85,410	42,705	59	2,535,675	254,000
13	2036-37	78%	85,410	42,705	61	2,586,389	259,000
14	2037-38	78%	85,410	42,705	62	2,638,117	264,000
15	2038-39	78%	85,410	42,705	63	2,690,879	269,000
16	2039-40	78%	85,410	42,705	64	2,744,697	274,000
17	2040-41	78%	85,410	42,705	66	2,799,590	280,000
18	2041-42	78%	85,410	42,705	67	2,855,582	286,000
19	2042-43	78%	85,410	42,705	68	2,912,694	291,000
20	2043-44	78%	85,410	42,705	70	2,970,948	297,000
21	2044-45	78%	85,410	42,705	71	3,030,367	303,000
22	2045-46	78%	85,410	42,705	72	3,090,974	309,000
23	2046-47	78%	85,410	42,705	74	3,152,794	315,000
24	2047-48	78%	85,410	42,705	75	3,215,849	322,000
25	2048-49	78%	85,410	42,705	77	3,280,166	328,000
<b>Total</b>							<b>\$6,486,000</b>
NPV 10%							<b>\$2,122,000</b>

## SALES TAX

The City receives one percent of gross receipts from the sale of tangible personal property sold in the City of Los Angeles. Additional sales taxes for Metro transportation projects are excluded from these calculations in our Report. To estimate the sales tax generated from hotel sales, RSG assumed that 100 percent of food and beverage sales and 15 percent of Other Operated Department (OOD) revenue (RSG defines OOD revenue as hotel revenue other than room and retail lease revenue; this income specifically includes revenue generated from the sale of in-room movies, business services, telecommunications, sale of pre-packaged foods, and parking) would be subject to sales tax. RSG also utilized CBRE's estimate for revenue generated by the leased sign space to be displayed on the freeway facing side of the Project.

At this time, no restaurant or retail tenants have been secured for the Project, which is typical at this early stage of development. The restaurant is envisioned by the Developer as a fast-casual restaurant. To estimate the sales tax generated from the 13,120 square-foot restaurant and retail space, RSG utilized CBRE's assumption that the sales would total \$500 per square foot for the restaurant and \$900 per square foot for the retail at opening and increase 3 percent annually. RSG assumed that 100 percent of restaurant and retail sales would be subject to sales tax.

As shown in Table 9 below, the Project is expected to generate \$134,000 in the first year of operations and **\$1.6 million** over the 25-year projection period (net present value, discounted at 10 percent).



**Table 9: Sales Tax Revenue Projections**

Fiscal Year	Food & Beverage Revenue	Signage Taxable Revenue	Retail Taxable Revenue	Restaurant Taxable Revenue	OOD Taxable Revenue	Total Revenue Subject to Sales Tax	Sales Tax Amount
1 2024-25	\$1,680,894	\$1,059,000	\$9,000,000	\$1,560,000	\$124,471	\$13,424,365	\$134,000
2 2025-26	1,944,406	1,091,000	9,270,000	1,607,000	144,450	14,056,856	141,000
3 2026-27	2,139,912	1,123,000	9,548,000	1,655,000	158,850	14,624,762	146,000
4 2027-28	2,204,110	1,157,000	9,834,000	1,705,000	163,650	15,063,760	151,000
5 2028-29	2,270,233	1,192,000	10,129,000	1,756,000	168,600	15,515,833	155,000
6 2029-30	2,338,340	1,228,000	10,433,000	1,809,000	173,700	15,982,040	160,000
7 2030-31	2,408,490	1,264,000	10,746,000	1,863,000	178,950	16,460,440	165,000
8 2031-32	2,480,745	1,302,000	11,068,000	1,919,000	184,350	16,954,095	170,000
9 2032-33	2,555,167	1,341,000	11,400,000	1,977,000	189,900	17,463,067	175,000
10 2033-34	2,631,822	1,382,000	11,742,000	2,036,000	195,600	17,987,422	180,000
11 2034-35	2,710,777	1,423,000	12,094,000	2,097,000	200,735	18,525,511	185,000
12 2035-36	2,792,100	1,466,000	12,457,000	2,160,000	206,757	19,081,857	191,000
13 2036-37	2,875,863	1,510,000	12,831,000	2,225,000	212,959	19,654,822	197,000
14 2037-38	2,962,139	1,555,000	13,216,000	2,292,000	219,348	20,244,487	202,000
15 2038-39	3,051,003	1,602,000	13,612,000	2,361,000	225,929	20,851,932	209,000
16 2039-40	3,142,533	1,650,000	14,020,000	2,432,000	232,707	21,477,240	215,000
17 2040-41	3,236,809	1,700,000	14,441,000	2,505,000	239,688	22,122,497	221,000
18 2041-42	3,333,913	1,751,000	14,874,000	2,580,000	246,878	22,785,792	228,000
19 2042-43	3,433,931	1,804,000	15,320,000	2,657,000	254,285	23,469,216	235,000
20 2043-44	3,536,949	1,858,000	15,780,000	2,737,000	261,913	24,173,862	242,000
21 2044-45	3,643,057	1,914,000	16,253,000	2,819,000	269,771	24,898,828	249,000
22 2045-46	3,752,349	1,971,000	16,741,000	2,904,000	277,864	25,646,213	256,000
23 2046-47	3,864,919	2,030,000	17,243,000	2,991,000	286,200	26,415,119	264,000
24 2047-48	3,980,867	2,091,000	17,760,000	3,081,000	294,786	27,207,653	272,000
25 2048-49	4,100,293	2,154,000	18,293,000	3,173,000	303,629	28,023,922	280,000
Total							\$5,023,000

NPV 10%

**\$1,585,000**

## UTILITY USER TAX

The City of Los Angeles Municipal Code Article 1.1, Chapter 2 imposes a tax on telephone, electricity, and natural gas users in the City. This tax can range from 9 percent to 12 percent depending on the utility. CBRE assumed a weighted average of 11.5 percent. RSG found this to be reasonable. RSG used Smith Travel Research (STR) data to come up with the hotel utility expense and utilized CBRE's residential utility expense.

As shown in Table 10 below, the Project is expected to generate \$76,000 in the first year of operations and **\$1.1 million** over the 25-year projection period (net present value, discounted at 10 percent).



**Table 10: Utility User Tax Revenue Projections**

	Fiscal Year	Utility Expense Per Available Room	Total Utility Expense	Utility Taxes Generated
1	2024-25	\$1,225	\$659,070	\$76,000
2	2025-26	1,262	888,918	102,000
3	2026-27	1,300	939,396	108,000
4	2027-28	1,339	967,578	111,000
5	2028-29	1,379	996,605	115,000
6	2029-30	1,420	1,026,503	118,000
7	2030-31	1,463	1,057,298	122,000
8	2031-32	1,507	1,089,017	125,000
9	2032-33	1,552	1,121,688	129,000
10	2033-34	1,598	1,155,339	133,000
11	2034-35	1,646	1,189,999	137,000
12	2035-36	1,696	1,225,699	141,000
13	2036-37	1,747	1,262,470	145,000
14	2037-38	1,799	1,300,344	150,000
15	2038-39	1,853	1,339,354	154,000
16	2039-40	1,909	1,379,535	159,000
17	2040-41	1,966	1,420,921	163,000
18	2041-42	2,025	1,463,548	168,000
19	2042-43	2,086	1,507,455	173,000
20	2043-44	2,148	1,552,678	179,000
21	2044-45	2,213	1,599,259	184,000
22	2045-46	2,279	1,647,237	189,000
23	2046-47	2,347	1,696,654	195,000
24	2047-48	2,418	1,747,553	201,000
25	2048-49	2,490	1,799,980	207,000
Total				\$ 3,684,000
NPV 10%				<b>\$1,148,000</b>

## GROSS RECEIPTS TAX

Section 21, Article 1, Chapter 2 of the Municipal Code outlines gross receipts taxes to be imposed and collected by the City Office of Finance. The City Office of Finance website<sup>7</sup> outlines the commercial categories and rates at which business taxes are imposed. The two applicable categories for the Project are Rental of Dwelling Units, which applies to hotels and apartments, and Retail Sales. The current tax rate for both categories is \$1.27 per \$1,000 or fractional part thereof of gross receipts. The amount of gross receipts taxes is determined by applying the City's

<sup>7</sup> Source: <https://finance.lacity.org/know-your-rates> (link current as March 13, 2019).

tax rate to the annual sales generated by the tenants – similar to sales tax except that the tax is levied on the seller's gross income (i.e., receipts), rather than the sale of goods themselves.

As shown in Table 11 below, the Project is expected to generate \$53,000 in the first year of operations and **\$668,000** over the 25-year projection period (net present value, discounted at 10 percent).

**Table 11: Gross Receipts Tax Revenue Projections**

Fiscal Year	Hotel Total Revenues	Restaurant + Retail Sales	Residential Rent Income	Total Taxable Revenue	Gross Receipts Tax Revenue
1 2024-25	\$21,272,365	\$10,560,000	\$10,191,454	\$42,023,818	\$53,000
2 2025-26	24,465,000	10,876,800	10,497,197	45,838,997	58,000
3 2026-27	26,837,000	11,203,104	10,812,113	48,852,217	62,000
4 2027-28	27,642,110	11,539,197	11,136,477	50,317,784	64,000
5 2028-29	28,471,373	11,885,373	11,470,571	51,827,317	66,000
6 2029-30	29,325,514	12,241,934	11,814,688	53,382,137	68,000
7 2030-31	30,205,280	12,609,192	12,169,129	54,983,601	70,000
8 2031-32	31,111,438	12,987,468	12,534,202	56,633,109	72,000
9 2032-33	32,044,781	13,377,092	12,910,229	58,332,102	74,000
10 2033-34	33,006,125	13,778,405	13,297,535	60,082,065	76,000
11 2034-35	33,996,309	14,191,757	13,696,461	61,884,527	79,000
12 2035-36	35,016,198	14,617,510	14,107,355	63,741,063	81,000
13 2036-37	36,066,684	15,056,035	14,530,576	65,653,295	83,000
14 2037-38	37,148,684	15,507,716	14,966,493	67,622,894	86,000
15 2038-39	38,263,145	15,972,947	15,415,488	69,651,580	88,000
16 2039-40	39,411,039	16,452,136	15,877,953	71,741,128	91,000
17 2040-41	40,593,370	16,945,700	16,354,291	73,893,362	94,000
18 2041-42	41,811,172	17,454,071	16,844,920	76,110,163	97,000
19 2042-43	43,065,507	17,977,693	17,350,268	78,393,467	100,000
20 2043-44	44,357,472	18,517,024	17,870,776	80,745,271	103,000
21 2044-45	45,688,196	19,072,535	18,406,899	83,167,630	106,000
22 2045-46	47,058,842	19,644,711	18,959,106	85,662,659	109,000
23 2046-47	48,470,607	20,234,052	19,527,879	88,232,538	112,000
24 2047-48	49,924,725	20,841,074	20,113,715	90,879,514	115,000
25 2048-49	51,422,467	21,466,306	20,717,127	93,605,900	119,000
Total					\$2,126,000
NPV 10%					<b>\$668,000</b>

## CONSTRUCTION SALES & GROSS RECEIPTS TAX

Construction sales tax is the City's sales tax rate assessed on the price of materials purchased in order to construct a project. These include materials such as lumber, glass, concrete, and piping. As previously discussed in the Sales Tax subsection, the City's sales tax rate is 1.0 percent. RSG assumed that 50 percent of our estimate of total hard costs for the Project would be construction materials. Additionally, CBRE assumed that the Developer would designate the City as the point

of sale for 100 percent of materials; RSG considers this assumption aggressive, but incorporated the assumption in our analysis. Given the relatively small amount of projected construction sales tax revenues generated by the Project, changing this assumption would have a nominal effect.

Additionally, Section 21.188 of the City's Business Tax Ordinance establishes a gross receipts tax for entities engaged in the construction, alteration, repair, or demolition of any building. The gross receipts tax includes a base tax of \$153 on all construction up to \$60,000. Beyond \$60,000, the construction business is taxed at a rate of \$1.01 for every \$1,000 in excess of \$60,000. RSG applied the base tax and tax rate per \$1,000 of gross receipts to our estimate of the Project hard costs.

Based on the development schedule outlined earlier in the Report, RSG assumed that 50 percent of construction would be completed in FY 2022-23, and the remaining 50 percent would be completed in FY 2023-24.

The Project is expected to generate **\$1.4 million** of construction sales tax and gross receipts tax revenue during the 2-year construction period.

#### VARIANCE FROM DEVELOPER'S NET NEW REVENUE ESTIMATES

Our \$161.6 million estimate of gross revenues (in nominal dollars) generated by the Project in the first 25-year operating period is 6.9 percent greater than CBRE's \$151.2 million estimate. The difference between the two fiscal impacts is largely due to RSG's land cost assumptions and inclusion of Property Tax in lieu of MVLF as a net new site specific tax revenue.

CBRE did not subtract the existing revenue that the Site generates – CBRE's figures do not represent net new tax revenues. To calculate the net new tax revenue (\$51.1 million), RSG subtracted the estimated current property tax revenues over a 25-year period from the total site specific tax revenues. It should be noted that the existing structure has operating business tenants – this results in a conservative estimate of existing site specific tax revenue because it does not account for existing gross receipts or utility user tax revenues.

## ECONOMIC IMPACT ANALYSIS

Development and ongoing operation of the Project will generate employment opportunities. For the purpose of this analysis, RSG used the IMPLAN model to measure the temporary and permanent economic impacts of the Project using zip code-based data for the City. IMPLAN is an input-output analysis software tool that tracks the interdependence among various producing and consuming sectors of the economy. According to MIG, Inc., the creators of IMPLAN, the software measures the relationship between a given set of demands for final goods and services and the inputs required to satisfy those demands. IMPLAN publishes countywide data on an annual basis; this analysis utilized the 2019 County of Los Angeles dataset to calculate direct, indirect, and induced employment.

The IMPLAN inputs are investment or operating costs of the Project. RSG's estimate of total Project costs exclusive of land costs (\$290.8 million) was used to determine temporary economic impacts resulting during construction of the Project. The Project's gross annual receipts in the stabilized year of operations for the hotel (\$26,837,000), for the residential (\$13,687,478) and for the restaurant and retail (\$10,560,000), in 2020 dollars were used to determine permanent economic impacts resulting during operation of the Project.

RSG analyzed the direct, indirect, and induced employment during the construction phase (temporary employment) and operations phase (permanent employment). The definitions of direct, indirect, and induced employment are provided below:

Direct Employment – Refers to the direct employment associated with the Project resulting from development costs and operational sales revenue.

Indirect Employment – Changes in sales, jobs, and/or income within the businesses that supply goods and services to the Project. Indirect employment does not occur directly at the Site, but is an indirect effect to surrounding or related businesses.

Induced Employment – Regional changes resulting from additional spending earned either directly or indirectly from the Project.

The IMPLAN analysis concludes that the Project will directly result in the full-time equivalency of **3,172 temporary jobs** related to the Project construction and **467 permanent jobs**. Table 13 on the following page provides additional detail regarding employment generated by the Project, including indirect and induced employment.

**Table 13: Employment Impacts**

	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>All Employment</b>
Temporary (Construction)	2,168	277	727	<b>3,172</b>
Permanent (Operations)	316	64	87	<b>467</b>
<b>TOTAL</b>	<b>2,484</b>	<b>341</b>	<b>814</b>	<b>3,639</b>

## CONCLUSIONS

RSG was retained by the City to evaluate the feasibility of the Project, estimate the net new site-specific tax revenues generated by the Project, and project the number of jobs generated by the Project. RSG's findings are as follows:

- The Project's **feasibility gap is \$(23.7) million**, derived from the net of the \$(23.9) million deficit from the hotel portion and the \$150,000 surplus from the residential. These gaps are based on RSG's \$302.9 million estimate of total Project costs (\$132.1 million from the hotel + \$170.8 million from the residential) and a \$279.2 million valuation of the Project.
- The Project will yield \$52.1 million in site-specific tax revenues (net present value, discounted at 10 percent) during the 2-year construction period and first 25 years of operation. Of this amount, 64 percent is TOT revenue and 18 percent is property tax revenue. The remaining revenue includes the VLFAA, on-site sales taxes, utility user taxes, gross receipts taxes, parking occupancy taxes, and construction materials and receipts taxes.

The Site is currently a surface parking lot and 5 connected industrial and light manufacturing buildings that generates property tax revenues for the City. The current assessed value is \$32.6 million. If the buildings remained, the City would yield \$952,000 of property tax revenues from the Site during the time period in question. Deducting this amount from the Project's gross tax revenues yields **\$51.1 million in net new site-specific tax revenues generated by the Project**.

- The Project will directly generate the full-time equivalency of **3,172 temporary jobs during the 2-year construction period and 467 permanent jobs**. The Project will generate a total of 2,484 direct jobs, 341 indirect jobs, and 814 induced jobs.

The City's BGIF Policy sets the maximum site-specific financial assistance available to a project at *the lesser of* a project's feasibility gap or 50 percent of net new site-specific tax revenue generated by the project. Accordingly, **the maximum assistance from the BGIF Fund available to the Project is \$23.7 million**, equivalent to the feasibility gap.

## **Attachment B**

July 2024 Addendum to March 2020  
Report – Financial Feasibility, Public  
Revenue & Employment Analysis by  
RSG





July 24, 2024

Via Electronic Mail

John Wickham, Assistant Chief Legislative Analyst  
Office of the Chief Legislative Analyst  
200 N. Spring Street, City Hall Room 255  
Los Angeles, CA 90012

**ADDENDUM TO MARCH 2020 REPORT  
FEASIBILITY AND ECONOMIC IMPACT ASSESSMENT REPORT – VENICE HOPE HOTEL**

Dear Mr. Wickham:

This letter provides the City of Los Angeles (“City”) an addendum to our March 2020 feasibility and economic analysis of the proposed Venice Hope hotel project in Downtown Los Angeles.

This addendum reflects preliminary updates to the feasibility and fiscal analysis based on primary market conditions that have changed over the ensuing four years, with the intent to inform the City’s Office of the Chief Legislative Analyst whether it may be appropriate to conduct an entirely new review of the project, which may result in a different conclusion on the potential gap and possible City assistance it may offer under its Block Grant Incentive Fund (BGIF) policy.

The City’s BGIF policy provides financial subsidies to eligible projects to expedite their completion. The financial subsidies the City may provide under are equal to the lesser of the feasibility gap on the project or one-half of the net new revenues received by the City.

Based on our analysis as provided herein, RSG has prepared preliminary estimates of the Project’s feasibility and economic impact that are slightly lower than the results from March 2020, which appears to suggest that if the analysis were to be prepared more comprehensively that the City’s maximum assistance may be approximately \$1.3 million less than what we concluded previously. The Chief Legislative Analyst will need to ascertain whether this addendum is sufficient to discuss with the Applicant a possible reduction in Project assistance under the BGIF policy; provided the Applicant agrees with the City’s conclusion, total assistance to the Project may be \$22.4 million.

**MARCH 2020 FINDINGS OF A \$23.7 MILLION FEASIBILITY GAP**

In March 2020, RSG prepared the Feasibility and Economic Impact Assessment Report (“Report”) for the South Park Towers Hotel and Residential Project (“Project”) for the Chief Legislative Analyst. The Report, which evaluated the costs of construction as compared to the project value derived from room revenue (primarily occupancy levels and room rates), reached the following conclusions:

- The purpose of the Report was to analyze the feasibility and impact of the Project, a proposed 23 story, 250-unit apartment tower and an accompanying 22 story tower with two hotels totaling 300 guest rooms.
- The Report concluded that based on the cost and market conditions at that time, development of the hotel would not be financially feasible, facing a gap of approximately \$23.7 million. See Appendix 1A for details.
- By comparison, the net new fiscal revenue projected for the City were \$51.1 million (net present value), of which one-half, or \$25.6 million, which is more than the feasibility gap of \$23.7 million. See Appendix 1B for details.
- Accordingly, the Report concluded that under the City's BGIF policy, the City could provide up to \$23.7 million in subsidies to the Project. See Table 1 below for a summary.

**Table 1: March 2020 Analysis Conclusions**

<b>Estimated Feasibility Gap</b>	<b>One-Half of Projected Net New Revenues</b>
\$23,700,000 (See Appendix 1A)	\$25,565,500 (See Appendix 1B)
<b>\$23,700,000</b>	<b>&lt;- Max BGIF Policy Subsidy</b>

Due to various economic factors, the City did not proceed with the subvention agreement or Project at the time, so the City had not concluded the negotiations based on the March 2020 Report.

#### PURPOSE OF THIS REVIEW

Recently, you informed RSG that the applicant has reengaged with the City and expressed a desire to commence work on the entitlement and subvention agreement. The media have reported frequently on inflation plus an overall drop in tourism that have affected the real estate industry, particularly hospitality.

Because the applicant has agreed in principle to the terms negotiated in March 2020, the City does not need to conduct a full update of the report. RSG can document that the primary conditions affecting the Project have remained the same or worsened since the Report. This letter evaluates these conditions, and recommends lower City incentive payments to the applicant.

#### CURRENT CONDITIONS ARE ALL WORSE THAN MARCH 2020

According to the City, the project scope as proposed in 2020 remains unchanged, encompassing both the residential and hospitality towers along with the associated uses as previously described. However, construction costs have significantly increased, while market conditions have not yet recovered and remain worse than the pre-COVID period when the analysis was prepared. These include the following:

1. Construction Costs are 29 Percent Higher Since March 2020: According to the Federal Reserve Bank of St. Louis's Federal Reserve Economic Data ("FRED"), the construction industry has experienced cost increases in both labor and materials costs that in aggregate have increased construction by approximately 29 percent since March 2020. RSG collected data for labor and material construction cost indexes for the period of March 2020 to April 2024 from [FRED](#). This demonstrates the following:
  - A. The FRED 1982 construction material cost index increased from 236.3 in March 2020 to 332.3 in April 2024, which is an aggregate increase of 40.6 percent. (For context 1982 is the year the index was 100 flat)
  - B. Construction labor costs have increased although not at the same rate as material costs. According to FRED, the 2005 construction labor cost index increased from 138.4 in March 2020 to 162.5 in April 2024, an increase of 17.4 percent. (For context 2005 is the year the index was 100 flat)
- RSG prepared a graphic of these construction data in Appendix 2 A-C included at the end of this letter.
2. Occupancy Rates are Improving but Still Below March 2020: RSG has included another graph in Appendix 2 A-C that shows the historical trends on occupancy rates in the Los Angeles hotel market. According to CoStar, upscale and upper upscale hospitality developments are seeing occupancy rates at 69 percent, four (4) percentage points above opening year 1 in the RSG report but nine (9) percentage points below the stabilized year 3.
3. Average Daily Rates ("ADR") Remain Well Below March 2020: According to CoStar, Los Angeles hotels are seeing ADR at \$194, a 21% decrease from the \$247 used for RSG's opening year 1 of the Report. Please see Appendix A-C for illustrations of average daily room rates for the Los Angeles area.

This data is reflective of analyses RSG is performing on other similar types of construction projects in the Los Angeles area.

Together, these factors would all present materially worse conditions for hotel development than what the applicant was facing in March 2020. While most economists expect the Los Angeles hospitality market to recover given the upcoming events and relatively year-round travel season enjoyed in the region, RSG is not aware of any credible evidence suggesting that construction costs are going to similarly drop to pre-pandemic levels.

#### PRELIMINARY UPDATE BASED ON APRIL 2024 MARKET CONDITIONS

A full project review entails a comprehensive update of the construction and operating budget of the Project as well as additional fiscal and economic analysis, which may not necessarily be required if the Applicant agreed to a lower amount of assistance than what the \$23.7 million that was calculated in March 2020. If the Applicant is not willing to proceed under such terms, or if the

potential assistance might be greater than \$23.7 million, the City may have to re-engage RSG to perform a new analysis.

Using the primary data points on market (not necessarily project-specific) construction costs, occupancy rates, and average daily room rates, RSG performed a preliminary update to our March 2020 analysis and has attached the results herewith. The preliminary update applies the percentage change (increase or decrease) in these market conditions to the factors used to estimate the feasibility gap and fiscal impacts for the Project.

Based on this methodology, RSG can conclude the following:

- Based on the updated construction costs and market conditions, RSG's preliminary update to the financial feasibility analysis concludes that development of the hotel would not be financially feasible, facing a gap of approximately \$62.1 million. See Appendix 3A for details.
- By comparison, the net new fiscal revenue projected for the City is \$44.9 million (net present value), of which one-half, or \$22.4 million, is less than the feasibility gap of \$62.1 million. See Appendix 3B for details.
- Accordingly, the Report concluded that under the City's BGIF policy, the City could provide up to \$22.4 million in subsidies to the Project. See Table 2 below for a summary.

**Table 2: June 2024 Preliminary Update Summary**

<b>Estimated Feasibility Gap</b>	<b>One-Half of Projected Net New Revenues</b>
\$62,130,000 (See Appendix 3A)	\$22,455,500 (See Appendix 3B)
<b>Max BGIF Policy Subsidy -&gt;</b>	<b>\$22,455,500</b>

A more substantive and project-specific study may yield different results. We understand that the Project design has not changed materially since what we studied in the March 2020 report. Moreover, the market conditions employed in this preliminary update are the primary drivers determining the amount of the potential assistance. So while a comprehensive Project study may reveal more precise estimates of the fiscal impacts and feasibility, we do not anticipate such results would be dramatically different than what we have concluded in this preliminary update.

## CONCLUSION

This addendum reviewed the March 2020 analysis and performed a preliminary update on the proposed Venice Hope Hotel Project. In conclusion, the preliminary update using 2024 market data appears to support a modest reduction in the potential City assistance from \$23.7 million to \$22.4 million.

John Wickham, Assistant Chief Legislative Analyst  
Office of the Chief Legislative Analyst  
July 24, 2024  
Page 5

The City's Office of the Chief Legislative Analyst should determine if a comprehensive update to the March 2020 report is necessary if the Applicant agrees with a reduction in total Project assistance to \$22.4 million.

If we can provide any more information, please do not hesitate to ask.

Sincerely,  
RSG, INC.

A handwritten signature in black ink, appearing to read "Jim Simon", with a stylized flourish at the end.

Jim Simon, Principal

Attachments (3)

### Feasibility Gap Analysis Based on Discounted Cash Flow

[illegible]

**Appendix 1B****Site Specific Tax Revenue Summary (March 2020)**

	<b>Gross Revenues</b>	<b>NPV @ 10%</b>
Total Site-specific Tax Revenues	\$161,103,600	\$52,083,000
Less: Existing Amount	(\$3,097,200)	(\$952,000)
Net New Site-specific Tax Revenues	\$158,006,400	\$51,131,000
<b>50% of Net New Site-specific Tax Revenues</b>	<b>\$79,003,200</b>	<b>\$25,565,500</b>



## Appendix 2 A-C

### Appendix 2A

#### Construction Cost Index Escalation Since 2020

US National

	March 2020	April 2024	% Increase
Construction Materials Cost Index	236.300	332.277	40.6%
Construction Labor/Wage Cost Index	138.400	162.500	17.4%
Average % Increase			<b>29.0%</b>

Source: FRED - St. Louis Fed, US Bureau of Labor Statistics

### Appendix 2B

#### Change in Hotel Revenue Assumptions

Los Angeles Region

	Original RSG Report		Current (2024)
	Opening Year 1	Stabilized Year 3	
Occupancy Rate (%)	65%	78%	69%
Average Daily Rate (ADR) <sup>1</sup>	\$247	\$262	\$194
Revenue per Available Room (RevPAR)	\$161	\$204	\$134

Source: RSG Inc., CoStar

<sup>1</sup> RSG's report used the same opening year ADR figure as the CBRE report.

### Appendix 2C

#### Change in Capitalization Rates

Los Angeles Region

	Original (2020)	Current (2024)
Residential (Apartment)	5.00%	5.30%
Hotel	7.50%	8.00%

Source: RSG Inc., RERC Q1 2024 Real Estate Report

**PROVISIONAL 2024 - Feasibility Gap Analysis Based on Discounted Cash Flow**

[illegible]

**Appendix 3B****Site Specific Tax Revenue Summary (*Provisional 2024*)**

	<b>Gross Revenues</b>	<b>NPV @ 10%</b>
Total Site-specific Tax Revenues	\$139,201,000	\$45,941,000
Less: Existing Amount	(\$3,350,800)	(\$1,030,000)
Net New Site-specific Tax Revenues	\$135,850,200	\$44,911,000
<b>50% of Net New Site-specific Tax Revenues</b>	<b>\$67,925,100</b>	<b>\$22,455,500</b>

## **Attachment C**

Memorandum of Understanding  
Between the City of Los Angeles  
and New Horizons Capital, LLC

**Memorandum of Understanding by and between  
the City of Los Angeles and the Venice Hope Group**

**South Park Towers Hotel and Mixed Use Project**

The City of Los Angeles (the "City") and New Horizons Capital, LLC, a California limited liability company ("Developer" and, collectively with the City, the "Parties") enter into this Memorandum of Understanding ("MOU") as of \_\_\_\_\_, 2024 for reference purposes, to provide non-binding guidelines for the negotiation of one or more agreements for the potential development of a hotel, as part of a residential mixed use project on an approximately 1.73 acre site located at 1611 South Hope Street at the intersection of Venice Boulevard and Flower Street in the City of Los Angeles (the "Project Site"). All terms and issues set forth in this MOU are subject to further discussions.

**BACKGROUND**

The Developer has proposed the development of a mixed use, two tower development with a 22-story dual-brand hotel containing 300 guestrooms on the Project Site, a pool and fitness center on the 5<sup>th</sup> floor of the hotel, and 5,500 square feet of meeting space (the "Hotel Project"), together with and a 23-story residential complex with 250 rental units approximately 3,120 square feet of ground-level restaurant space, 10,000 square feet of ground-level retail space, a rooftop deck with a pool on the 23<sup>rd</sup> floor of the residential building, and 228 residential and 108 hotel parking spaces (the "Residential Project", which, with the Hotel Project, is, collectively, the "Project"). The Project Site is currently being used as commercial and warehouse space.

The Project Site is located in the South Park neighborhood of the City of Los Angeles and is less than 1 mile away from the the Los Angeles Sports and Entertainment District (the "LASED") and the Los Angeles Convention Center (the "LACC") as well as the Fashion District and the Grammy Museum.

The Project is desirable to the City as part of its ongoing effort to expand the LACC. The City has determined that new hotel rooms in the Hotel Project, 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 LASED, provide additional visitor-serving uses that are beneficial to support the City's hosting of the Olympics in 2028, 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 (the "City 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 Special 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 by Net New Tax Revenues 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 an annual basis, with each payment in an amount equal to the Transient Occupancy Tax ("TOT") received by the City generated by the Project for the applicable twelve (12)-month period. The payments 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 Hotel 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. Accessibility Compliance/CASp. Developer shall construct and maintain the Hotel Project in accordance with all applicable accessibility laws, rules, and regulations including all federal, state, and local accessibility requirements. Developer shall also comply with the City's Accessible Housing Program requirements. Developer shall utilize the services of a Certified Accessibility Specialist ("CASp") during the design and construction of the Hotel Project and shall provide written report(s) signed by the Hotel Project architect and the CASp to the City verifying that the Hotel 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 of the Hotel Project (as defined in the City Agreements), Developer shall submit a certification from the architect for the Hotel Project, stating that the Hotel Project

has been constructed in substantial accordance with the approved plans and specifications (the "Plans and Specifications") as well as the requirements set forth in the City Agreements, including the accessibility requirements if not separately certified. Further, within 180 days after the issuance of a certificate of occupancy for the Hotel Project, the City shall work with Developer and the City Analyst to make (a) determination of final Hotel Project development and construction costs with respect to the Hotel Project; (b) a determination by the City that Developer has substantially completed the Hotel Project in substantial conformance with the Plans and Specifications as well as all accessibility requirements, and (c) a determination by the City that Developer has satisfied all of Developer's development obligations under the City Agreements with respect to the Hotel Project.

5. Tax Calculations. Net New Tax Revenues shall include 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, and any other tax revenues received by the City's General Fund and generated by the Project, all of which must actually be received by the City.
6. Maximum Assistance. The total amount of financial commitment on the part of the City with respect to the Project 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 ("NPV"), discounted at the rate of ten percent (10%). Based on the pro forma and other financial analysis by the City Analyst, the maximum amount of the TOT Financial Assistance is \$22,455,500 NPV ("TOT Financial Assistance"). 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 completion of the Hotel Project establishes that the total project construction costs for the Hotel Project were less than \$170,379,306. If Developer commences construction of the Residential Project within one (1) year of the commencement of construction of the Hotel Project, the construction cost audit will include a review of the Residential Project to confirm that the construction costs for the entire Project were not less than \$390,804,147.
7. Transfer of Project and Property. During the term, Developer shall not sell, assign, convey, or transfer the Hotel Project or any interest in the Hotel 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 transfers to which Developer may effectuate a Transfer without the prior written consent of the City. A sale of equity interests that does not change the management of Developer shall not constitute a Transfer nor shall any mortgage or construction financing.
8. Term. The City Agreements shall terminate on the date that is twenty-five years from the date of the completion of the Hotel Project or when the Developer has received the total amount of TOT Financial Assistance.



9. Hotel Rating. The Hotel will achieve and maintain at least a three-star rating, as defined by the AAA Tour Book: Southern California, 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. For purposes of sales and use taxes, to the extent practical, Developer shall cause the City of Los Angeles to be designated as the “point of sale” for construction materials purchased in connection with the performance of the Project, including purchases made by any subcontractors of Developer. The City shall cooperate with Developer in obtaining any and all permits required for the City to be designated as the “point of sale” for all construction-related purchases and will make its resources available to Developer to process any such permits.
13. Community Benefits Package. Developer shall comply with a community benefits package, as negotiated between the Parties. The package shall include, but not be limited to, card check neutrality, living wage compliance, job training initiatives, local hiring compliance, a room block agreement relating to the LACC, an emergency occupancy agreement allowing the City, upon request, to utilize the Hotel in order to address a local emergency, a room block agreement with the Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 d/b/a LA28 that allows for the reservation of certain rooms around the 2028 Olympic and Paralympic Games, and any other elements agreed upon by the Parties. All or a portion of the items in the community benefits package may not 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. However, the execution of this MOU does not constitute a contract, agreement or promise that this MOU will actually lead to the execution of any final City Agreements, or that the City will agree to support in any manner the financing and/or implementation of the development of the Project. 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:

NEW HORIZONS CAPITAL, LLC,  
a California limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

CITY:

CITY OF LOS ANGELES,  
a municipal corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_, City Attorney

By \_\_\_\_\_

Deputy City Attorney

Date: \_\_\_\_\_

ATTESTED:

\_\_\_\_\_, City Clerk

By \_\_\_\_\_

Deputy City Clerk

Date: \_\_\_\_\_

## **Attachment D**

Form of Emergency Use  
Agreement

(Template form, to be revised as necessary based on nature of emergency)

**CITY OF LOS ANGELES  
EMERGENCY OCCUPANCY AGREEMENT**

<b><u>OCCUPANCY AGREEMENT COVERING PREMISES</u></b> <b><u>LOCATED AT:</u></b>  [REDACTED] [REDACTED] [REDACTED]
<b><u>OWNER'S FED. TAX. I.D., NO. OR SOCIAL SECURITY NO.:</u></b>  [REDACTED]
<b><u>TENANT AGENCY:</u></b>  CITY OF LOS ANGELES

**Contract No:**

\_\_\_\_\_

**THIS EMERGENCY OCCUPANCY AGREEMENT** (this "Agreement"), is made and entered into this [REDACTED] day of [REDACTED], 20[REDACTED], ("Effective Date") by and between [REDACTED], (hereinafter "Owner," without distinction as to number or gender), as owner of the Property, as defined below, and the City of Los Angeles, a municipal corporation, acting by and through its Department of General Services, (hereinafter called the "City"). Collectively, Owner and the City are sometimes referred to herein as the "Parties".

This Agreement is entered into pursuant to [REDACTED] **[\*\*add description of emergency declaration, ex. *the Governor's State of Emergency Proclamation dated* \_\_\_\_\_, 20\_\_\_\_ and Executive Order N-\_\_\_\_\_, in response to \_\_\_\_\_, and is directly related to that emergency and necessary for the preservation of public health and safety\*\*]**.

**RECITALS**

**WHEREAS**, on [REDACTED], 20[REDACTED], the Governor of the State of California ("Governor") declared a State of Emergency pursuant to the California Emergency Services Act due to [REDACTED] **[\*\*add description of nature of the emergency, ex. *the Coronavirus Pandemic\*\****] ("State of Emergency"); and **[\*\*remove recital if no statewide state of emergency declared\*\*]**

**WHEREAS**, on [REDACTED], 20[REDACTED], the Mayor of the City of Los Angeles ("Mayor") declared the existence of a local emergency pursuant to the Los Angeles City Charter and the Los Angeles Administrative Code due to [REDACTED] **[\*\*add description of nature of the emergency, ex. *the Coronavirus Pandemic\*\****] ("Local Emergency"); and

**WHEREAS**, on [REDACTED], 20[REDACTED], the Los Angeles City Council approved a resolution ratifying the Mayor's Declaration of Local Emergency; and

**WHEREAS**, on [REDACTED], 20[REDACTED], the Mayor issued the [REDACTED] **[\*\*add description of actions taken by the Mayor, (ex. *Safer at Home Order under the Declaration of Local Emergency, under which residents were instructed to isolate themselves in their residences, subject to certain exceptions, such as to engage in specified essential activities*)**]; and

**WHEREAS**, on [REDACTED], 20[REDACTED], City and Owner entered into that certain Hotel Development Incentive Agreement whereby the City agreed to provide Owner with up to [REDACTED] for a period of [REDACTED] in financial assistance to develop the Property ("City Financial Assistance"); and

**WHEREAS**, as a material condition of the City's provision of the City Financial Assistance, the City required Owner to enter into an agreement to authorize the City, upon request (and without the City resorting to its Police Powers or any other inherent authority), to utilize the Property in order to address the Local Emergency, including, without limitation, to make use of the Property to house people displaced by the Local Emergency, first responders assisting with the Local Emergency, and/or people whose health and/or welfare are at risk in whole or in part due to the existence or aftermath of the Local Emergency; and

**WHEREAS**, based on [\*\*include the Mayor's Declaration or both\*\*] the State of Emergency declared by the Governor on [REDACTED], 20[REDACTED] and the Local Emergency declared by the Mayor on [REDACTED], 20[REDACTED], and pursuant to the City's request, the City and Owner wish to enter into this agreement to utilize the Property as part of the City's response to a declared State of Emergency and/or Local Emergency in order to preserve the health, safety and welfare of the people of the City of Los Angeles.

**NOW, THEREFORE**, in consideration of the foregoing and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, Owner and City hereby agree as follows:

**Description.**

The Owner hereby grants the City, and the City hereby hires from the Owner, the use and occupancy of the Property, in its "AS IS" condition, including all appurtenances, situated in the City of Los Angeles, County of Los Angeles, State of California, and more particularly described as follows:

The [REDACTED] located at [REDACTED], [REDACTED], CA as outlined in red on the attached Exhibit "A" aerial site plan, consisting of xxx (x) page(s), dated [REDACTED], said Exhibit "A", hereby being incorporated into this Agreement, and including all parking spaces at the Property, including, but not limited to, any and all parking spaces actually on-site and/or contiguous to the Property that is owned and/or operated by Owner in connection with its normal operation of the Property, and unlimited use of the building's common facilities, except as specifically and expressly excluded in this Agreement. The City shall have the right to occupy and utilize up to 100% of the rooms at the Property, and shall pay for all of the rooms that are actually occupied and utilized. For the purposes of this Agreement, a room is "occupied and utilized" by the City if: (1) the City notifies the Owner that it will be occupied or (2) the room otherwise cannot be made available to members of the general public that desire to pay the published daily rate for such room because the City's general use of the Property renders rooms uninhabitable. A room is uninhabitable if: (a) City's use of the Hotel renders occupation of otherwise unoccupied rooms a health or safety issue or (b) permitting occupation would interfere with the Owner's ability to make prudent business decisions. The City recognizes that there may be situations where, notwithstanding the fact that the City is not using all of the rooms at the Property, the City's use of the Property is such that the remainder of those rooms become unsafe or otherwise uninhabitable for rental by hotel. In such a circumstance, the City shall pay for all of the rooms that are occupied and utilized by the City.

However, the City shall not be responsible to pay for any rooms unoccupied pursuant to this Agreement. Following notification from the City as to the number of rooms that are to be occupied and utilized pursuant to this Agreement, Owner shall have the right to utilize any unoccupied rooms as it wishes subject to the circumstances described in the Mayor's Declaration of Local Emergency set forth above.



The City shall also be granted access to and use of facilities and common areas at the Property, including, but not limited to, conference rooms, parking, media rooms, guest rooms, kitchen access, etc., to support operations as needed, at no additional cost/fee to the City. The City shall have exclusive access to and use of the rooms occupied and utilized pursuant to this Agreement twenty-four (24) hours per day, seven (7) days per week with no exceptions.

**Term.**

The term of this Agreement shall commence on [REDACTED], the date that the City has notified Owner that it requires the use of the Property on the terms set forth in this Agreement and shall continue until the City provides written notice to Owner that it no longer needs the use of the Property, but not longer than ninety (90) days after the Local Emergency is lifted, with such rights to extend or to terminate as expressly set forth in this Agreement.

**Termination.**

The City may terminate this Agreement at any time by giving written notice to the Owner at least thirty (30) days prior to the date when such termination shall become effective. If the City fails to complete its move out within the notice period and remains on the premises, rent shall be paid based on the actual number of days the City occupies the premises following the effective date of termination. Any such payments for rent shall be limited to the actual number of rooms occupied by the City following the effective date of termination.

**Rent.**

Rental payments shall be paid by the City, from legally available funds, in arrears within 30 days from receipt of a monthly invoice during said term as follows: Daily Room Rate shall not exceed the government rate, which for purposes of this Agreement shall be the applicable Federal Per Diem lodging rate for the City of Los Angeles set and annually updated by the United States General Services Administration, or the average rate charged for same time period in the year prior to this Agreement, whichever is less.

**THE ALL-INCLUSIVE DAILY ROOM RATE SHALL BE [REDACTED]  
00/100 DOLLARS (\$ [REDACTED].00) DURING THE TERM OF THIS AGREEMENT.**

Invoices to City shall be sent to:

City of Los Angeles  
c/o Department of General Services  
Real Estate Services Division  
Suite 201, City Hall South  
111 East First Street  
Los Angeles, CA 90012  
Attention: Director of Real Estate Services

**Notices.**

All notices and correspondence herein provided to be given, or which may be given by either party to the other, shall be deemed to have been fully given when made in writing and either: 1) deposited in the United States Mail, certified and postage prepaid; 2) sent via an alternate commercial overnight delivery service (i.e. FedEx or similar) with receiver's signature required; or 3) sent by e-mail transmission (with a hard copy deposited in the United States Mail, certified and postage prepaid, or sent via an alternate commercial overnight delivery service); provided that if sent by e-mail transmission notice shall be deemed effective on receipt when using software that provides unmodifiable proof that the message was sent, that the message was delivered to the recipient's information processing system, and of the

time and date the message was delivered to the recipient along with a verifiable electronic record of the exact content of the message sent; and addressed as follows:

To the Owner:

[REDACTED]  
[REDACTED]  
[REDACTED]

Phone No.: [REDACTED]

Email: [REDACTED]

To the City:

City of Los Angeles  
c/o Department of General Services  
Real Estate Services Division  
Suite 201, City Hall South  
111 East First Street  
Los Angeles, CA 90012  
Attention: Director of Real Estate Services  
Email: \_\_\_\_\_

with a copy to:

Office of the City Attorney  
Real Property/Environment Division  
700 City Hall East  
200 North Main Street  
Los Angeles, CA 90012  
Attention: \_\_\_\_\_  
Email: \_\_\_\_\_

**ALL NOTICES AND CORRESPONDENCE MUST REFERENCE CITY AND PREMISES ADDRESS**

Rental payments shall be made payable to: [REDACTED]  
and mailed to:

[REDACTED]  
[REDACTED]  
[REDACTED]

Nothing herein contained shall preclude the giving of any such written notice by personal service. The address to which notices and correspondence shall be mailed to either party may be changed by giving written notice to the other party.

**Parking.**

City will have use of up to all of the parking on-site and/or contiguous to the Property that is owned and/or operated by Owner in connection with its normal operation of the Property, free of charge. If the City does not occupy and utilize all of the rooms, Owner shall have the right to utilize the parking spaces associated with the unoccupied rooms released to the Owner. Parking spaces, upon commencement of this Agreement, shall be unobstructed and completely accessible for City's use. Valet services shall not be available.

**Services, Utilities and Supplies.**

Owner, at Owner's sole cost and expense and at no additional cost/fee to the City, shall furnish normal and standard hotel operation functions including but not limited to the following services, utilities, and supplies to the area occupied by the City, and also to the "common" building areas (if any) such as lobbies, elevators, stairways, corridors, etc., if any:

- A. Sewer, trash disposal, and water service, including both hot and cold water to the lavatories.
- B. Elevator (if any) service.
- C. Electricity and/or gas as necessary to provide power for heating, ventilating, and air conditioning, and electrical or gas service as needed for the operations of the premises.
- D. If there is a pool, a gym, bar/restaurant, meeting room(s) and/or conference room(s), the Owner should still maintain those areas but the Owner shall be entitled to close off those areas from use by occupants unless otherwise advised by the City that such will be needed or otherwise available for use by other guests.
- E. Linen/terry and laundering services not less than every 3 days.
- F. Standard hotel housekeeping/janitorial services, not less than every 3 days, including but not limited to changing linens, cleaning the floors, dusting surfaces, cleaning the bathrooms, and replacing all soaps, shampoos, lotions and towels.
- G. Check-in and billing services.
- H. Maintenance and operation of building mechanical, electrical and HVAC system.
- I. Landscaping services, if applicable.
- J. Regular maintenance and upkeep of the rooms, including handling routine maintenance calls including repair of plumbing and HVAC.

All services, including, but not limited to those enumerated in this Section 7, shall be subject to the circumstances described in the Mayor's Declaration of Local Emergency described above. The Owner shall not be financially or otherwise responsible for providing these services if the circumstances of the emergency make their provision in violation of the Mayor's Declaration of Local Emergency. All services, including housekeeping/janitorial services, as well as linen/terry and laundering services shall be provided in accordance with any applicable, current health and safety protocols established by public health officials.

In the event of failure by the Owner to furnish any of the above services or utilities in a satisfactory manner, the City may furnish the same at its own cost; and, in addition to any other remedy the City may have, may deduct the amount thereof, including City's administrative costs, from the rent that may then be, or thereafter become due hereunder.

Notwithstanding the foregoing or any language to the contrary contained within this Agreement, the Parties acknowledge that Owner shall not be required to provide optional room amenities that Owner may typically offer under Owner's normal business practices which Owner typically charges to the room as an additional charge. Owner acknowledges that City shall solely be responsible to Owner for the standard Daily Room Rate, excluding any additional room charges, and City shall not be subject to, or responsible to reimburse to Owner, any additional charges to the room for any amenities, services, or expenses billed to the room. Owner shall solely be responsible for the removal, prohibition, and/or blocking, of any room amenities or services which would subject the City to an additional charge, including, but not limited to, the following:

- 1. Occupant's use room mini-bar.
- 2. Occupant's use of room pay-per-view services.
- 3. Occupant's use of room service.
- 4. Occupant's Audio/Visual Equipment Rental.
- 5. Occupant's use of room phone or fax.
- 6. Occupant's use of non-complimentary internet or cable use.
- 7. Occupant's use of any on-site printing services.
- 8. Occupant's use of any pool, gym, spa, or other common area amenities.
- 9. Occupant's use of any optional appliances.
- 10. Use of any meeting or conference rooms.

#### **Furniture Included.**

Each room, facilities, and common areas will be provided in its "As-Is" condition, including any furniture

and personal property that is normally provided at the Property and in its regular course of business.

**Repair and Maintenance.**

During the term of this Agreement, the Owner-at its sole cost and expense shall maintain the occupied premises in good repair and tenantable condition. The City shall not have any maintenance or repair-obligations beyond restoration of the premises as specified in Section 24 of this agreement.

**Assignment.**

The City shall have the ability to assign this Agreement and allow City service providers, designees and contractors to work at the subject premises on the City's behalf.

**Quiet Possession.**

The Owner agrees that the City, while keeping and performing the covenants herein contained, shall at all times during the existence of this Agreement, peaceably and quietly have, hold, and enjoy the occupied premises without suit, trouble, or hindrance from the Owner or any person claiming under Owner.

**Destruction.**

If the occupied premises are totally destroyed by fire or other casualty, this Agreement shall terminate. If such casualty shall render ten percent (10%) or less of the floor space of the occupied premises unusable for the purpose intended, Owner shall affect restoration of the premises as quickly as is reasonably possible, but in any event within thirty (30) days.

In the event such casualty shall render more than ten percent (10%) of such floor space unusable but not constitute total destruction, Owner shall forthwith give notice to City of the specific number of days required to repair the same. If Owner under such circumstances shall not give such notice within fifteen (15) calendar days after such destruction, or if such notice shall specify that such repairs will require more than ninety (90) days to complete from date such notice is given, City, in either such event, at its option may terminate this Agreement or, upon notice to Owner, may maintain occupancy and elect to undertake the repairs itself, deducting the cost thereof from the rental due or to become due under this Agreement and any other occupancy agreement between Owner and City.

In the event of any such destruction other than total, where the City has not terminated this Agreement as herein provided, or pursuant to the terms hereof has not elected to make the repairs itself, Owner shall diligently affect the repair of said premises and, in any event, if said repairs are not completed within the period of thirty (30) days for destruction aggregating ten percent (10%) or less of the floor space, or within the period specified in Owner's notice in connection with partial destruction aggregating more than ten percent (10%), the City shall have the option to terminate this Agreement or complete the repairs itself, deducting the cost thereof from the rental due or to become due under this Agreement and any other occupancy agreement between Owner and City.

It is understood and agreed that the City or its agent has the right to enter its destroyed or partially destroyed occupied facilities no matter what the condition. At the City's request, the Owner shall immediately identify an appropriate route through the building to access the City occupied space. If the Owner cannot identify an appropriate access route, it is agreed that the City may use any and all means of access at its discretion in order to enter its occupied space.

**Subrogation Waived.**

To the extent authorized by any fire and extended coverage insurance policy issued to Owner on the herein occupied premises, Owner hereby waives the subrogation rights of the insurer, and releases the City from liability for any loss or damage covered by said insurance.

### **Prevailing Wage Provisions.**

To the extent any restoration work performed pursuant to Section 23 of this Agreement is defined as a "public works" project pursuant to Labor Code §§1720 et seq., the following shall apply:

- A. Owner/contractor shall comply with prevailing wage requirements and be subject to restrictions and penalties in accordance with §1770 et seq. of the Labor Code which requires prevailing wages be paid to appropriate work classifications in all bid specifications and subcontracts.
- B. The Owner/contractor shall furnish all subcontractors/employees a copy of the Department of Industrial Relations prevailing wage rates which Owner will post at the job site. All prevailing wage rates shall be obtained by the Owner/contractor from:

Department of Industrial Relations  
Division of Labor Statistics and Research  
455 Golden Gate Avenue, 8th Floor  
San Francisco, California 94102  
Phone: (415) 703-4774  
Fax: (415) 703-4771

For further information on prevailing wage:

[http://www.dir.ca.gov/dlsr/statistics\\_research.html](http://www.dir.ca.gov/dlsr/statistics_research.html)

- C. Owner/contractor shall comply with the payroll record keeping and availability requirement of §1776 of the Labor Code.
- D. Owner/contractor shall make travel and subsistence payments to workers needed for performance of work in accordance with the Labor Code.
- E. Prior to commencement of work, Owner/contractor shall contact the Division of Apprenticeship Standards and comply with §1777.5, §1777.6, and §1777.7 of the Labor Code and Applicable Regulations.

### **Fair Employment Practices.**

During the performance of this Agreement, the Owner shall not deny benefits to any person on the basis of religion, color, ethnic group identification, sex, age, physical or mental disability, nor shall they discriminate unlawfully against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, age, or sex. Owner shall ensure that the evaluation and treatment of employees and applicants for employment are free of such discrimination.

Owner shall comply with the provisions of the Fair Employment and Housing Act (Government Code, Section 12900 et seq.), the regulations promulgated thereunder (California Code of Regulations, Title 2, Section 11000 et seq.), the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (Government Code, Sections 11135-11139.8), and the regulations or standards adopted by the awarding City to implement such article.

### **Representation and Warranty.**

Owner represents and warrants to City, that Owner has not, and shall not, remove any current occupant staying at the premises who has stayed at the premises for more than five days in either of the past two months and/or whom the Owner believes is using the hotel/motel as his/her primary residence. Each of

Owner and City represents and warrants to the other that, as to itself, it has the full right and authority to enter into this Agreement and to consummate the transaction contemplated by this Agreement, and this Agreement and all instruments, documents and agreements to be executed by such party in connection herewith are, or when delivered shall be, duly authorized, executed and delivered by it and are, or when delivered shall be, valid and enforceable obligations of such party.

#### **Holding Over.**

In the event the City remains in possession of the premises after the expiration of the Term as defined in Section 2 above (to wit, the duration of the Local Emergency declaration plus ninety (90) days after the Local Emergency is lifted), or any extension or renewal thereof, this Agreement shall be automatically extended on a month-to-month basis, for up to three (3) months, subject to thirty (30) days termination by the City and otherwise on the terms and conditions herein specified, so far as applicable. If the City fails to vacate the premises within the notice period and remains for an extended period, additional rent shall be paid and prorated on a thirty (30) day month, based on the actual number of days the City occupies the premises following the effective date of termination. Any such payments for additional rent shall be limited to the actual number of rooms occupied by the City following the effective date of termination.

#### **Surrender of Possession.**

Upon termination or expiration of this Agreement, the City will peacefully surrender to the Owner the occupied premises in as good order and condition as when received, except for reasonable use and wear thereof and damage by earthquake, fire, public calamity, the elements, acts of God, or circumstances over which City has no control or for which Owner is responsible pursuant to this Agreement. The City and Owner shall document the condition of the room at check-in and check-out. Damage and/or vandalism to the room caused by the City or City's occupant will be repaired by Owner at the City's sole cost and expense in accordance with Section 23 of this Agreement.

#### **Time of Essence, Binding Upon Successors.**

Time is of the essence of this Agreement, and the terms and provisions of this Agreement shall extend to and be binding upon and inure to the benefit of the heirs, executors, administrators, successors, and assigns to the respective Parties hereto. All of the Parties hereto shall be jointly and severally liable hereunder.

#### **No Oral Agreements.**

It is mutually understood and agreed that no alterations or variations of the terms of this Agreement shall be valid unless made in writing and signed by the Parties hereto, and that no oral understanding or agreement not incorporated herein, shall be binding on any of the Parties hereto.

#### **Insurance.**

Owner understands and agrees to the following:

The City has elected to be self-insured for liability exposures. Under this form of insurance, the City and its employees acting in the course and scope of their employment are insured for tort liability arising out of official City business.

The City has also elected to be self-insured for its motor vehicle liability exposures.

The City has elected to self-insure its workers' compensation obligations for all City employees.

Owner Requirements:

- A. Owner shall provide and maintain scope of coverage equivalent to ISO policy form CG 00 01; insurance companies shall have acceptable rating equivalent to A.M. Best rating of not less than A:VII. City, along with its boards, commissions, officers, agents, employees, assigns, and successors-in-interest, shall be included as additional insureds in all general liability insurance.
- B. Evidence of Coverage and Notice to City
- Owner shall provide Certificate(s) of insurance coverage ("Certificate") to City.
  - Renewal Certificates shall be provided to City not less than 10 days prior to Owner's policy expiration dates. The City reserves the right to obtain complete, certified copies of any required Owner insurance policies at any time.
  - Certificates shall identify all insurance coverage types and limits, and be signed by an authorized representative of the insurer(s). The Insured party named on the Certificate shall match the name of the Owner identified in this Agreement. Certificates shall provide the full name of each insurer providing coverage, its NAIC (National Association of Insurance Commissioners) identification number, its financial rating, the amounts of any policy deductibles or self-insured retentions exceeding twenty-five thousand (\$25,000.00) dollars.
  - Neither the City's failure to obtain, nor the City's receipt of, or failure to object to a non-complying insurance certificate, or any other insurance documentation or information provided by the Owner, its insurance broker(s) and/or insurer(s), shall be construed as a waiver of any of the Required Insurance provisions.
  - Certificates notices of cancellation shall be delivered to:  
  
City of Los Angeles  
c/o Department of General Services  
Real Estate Services Division  
Suite 201, City Hall South  
111 East First Street  
Los Angeles, CA 90012  
Attention: Director of Real Estate Services
  - Owner also shall promptly notify City of any third-party claim or suit filed against Owner which arises from or relates to this Agreement, and could result in the filing of a claim or lawsuit against Owner and/or City.

#### **Hazardous Substances.**

City agrees that it will comply with all applicable laws existing during the term of this Agreement pertaining to the use, storage, transportation, and disposal of any hazardous substance as that term is defined in such applicable law. In the event a government order is issued naming the City or the City incurs any liability during or after the Term of this Agreement in connection with contamination which pre-existed the City's obligations and occupancy under this Agreement or which were not caused by the City, Owner shall hold harmless, indemnify, and defend the City in connection therewith and shall be solely responsible as between City and Owner for all efforts and expenses thereto.

#### **Security and Damage Prevention.**

The City shall make a good faith effort to prevent damage to the premises. City and Owner shall inspect the Property upon the commencement of this Agreement and prior to the City's occupancy of the Property in order to document the condition of the Property. City and Owner shall inspect the Property

at the expiration of the Term of this Agreement to determine the extent of any purported damage, beyond reasonable wear and tear and/or the condition of the Property prior to the City's occupancy, caused by City guests for which the City shall have responsibility.

#### **Restoration of Premises.**

Upon termination of this Agreement, Owner agrees that the equipment installed by the City shall be and remain the property of the City, and City shall remove such property when vacating the premises. To the extent the premises needs restoration due to damage caused by City's use of the premises pursuant to this Agreement, City shall be responsible to Owner for all reasonable costs to restore all surfaces, including floors and walls, to the condition existing prior to such damage, including repair of damaged floor tile and patching and repainting damaged wall surfaces to match adjacent existing surfaces. All costs shall be pre-approved by City based on reasonable commercial standard work estimates. City shall clean the premises per the current health and safety protocols established by public health officials, immediately prior to vacating the premises.

#### **Access.**

At no cost to City, commencing as of the Effective Date, Owner shall allow City or its agents to enter the premises to stage and prepare the premises for occupants, or other parties, or for any other purpose City deems necessary.

#### **Indemnification.**

The City agrees to indemnify and hold harmless the Owner and agrees to repair or pay for any damage proximately caused by reason of the City's use of said premises during the term of this Agreement, except to the extent that any such damages suffered by Owner are the result of Owner's negligent, intentional, or otherwise wrongful acts or the negligent, intentional, or otherwise wrongful acts of any persons acting under or on behalf of the Owner or any pre-existing conditions of the premises and/or where the City is found to have no liability by reason of any immunity arising by statute or common law in connection with the fulfillment of the City's constitutional and statutory public responsibilities.

Owner agrees to indemnify and hold harmless the City in the event of any claim, demand, cause of action, judgments, obligations, or liabilities, and all reasonable expenses which City may suffer as direct and proximate result of the negligence, intentional conduct or other wrongful act or violation of law by the Owner, its employees, or any person or persons acting under the direct control and authority of the Owner or its employees, in connection with the City's occupancy of said premises under and during the term of this Agreement except to the extent that any such damages or expenses suffered by City are the result of City's sole negligence.

#### **Taxes.**

Owner is solely responsible for all tax liabilities, including property taxes, relating to the premises, other than any applicable Transient Occupancy Tax relating to the occupancy of hotel guest rooms pursuant to this Agreement that is levied and charged, which Transient Occupancy Tax shall be the sole responsibility of the City.

#### **Exclusive Use.**

Owner shall not rent or allow occupancy of any vacant rooms or facilities in the hotel during the Term of the City's occupancy of the premises until and unless the City notifies Owner that the City will not be occupying and utilizing 100% of the rooms, at which point Owner shall have the right to utilize any unoccupied rooms as it wishes subject to the circumstances described in the Mayor's Declaration of Local Emergency set forth above. Any commercial or retail space at the Property, that is not part of the hotel use, is not considered as part of the Property for the purpose of this Agreement.



### **Occupancy of Premises.**

Owner and City understand that they shall not receive rent, fees, or any other form of payments or consideration, or gifts from occupants of hotel rooms in exchange for access to or use of the Premises. Owner and City also understand that neither has entered into any contract with the occupants of the hotel rooms related to the use of the Premises within the meaning of California Civil Code section 1925. The occupants of the hotel rooms are not persons who hire any dwelling unit from Owner or City within the meaning of California Civil Code section 1940 and are not subject to the benefits of the California Civil Code or any other state statutes, rules, or regulations or local government rules, regulations or ordinances, that confer tenancy rights on the occupants.

### **Owner Information.**

Prior to City making a payment to Owner, Owner shall provide such information and documents as City may require from Owner in order for City to process such payment.

### **| Limitation of Liability.**

Except for any of its liability under the indemnification section of this Agreement, City shall not be liable to Owner for damages of any kind in any amount in excess of the amount paid under this Agreement to Owner by City.

The Parties shall not be liable for special, indirect, incidental, punitive, or consequential damages of any kind including, but not limited to, loss of business, any lost or anticipated profits or cost, revenue, reputation, or good will, arising from any failure or matter under this Agreement.

### **Remedies.**

In the event of a breach by the Owner of any term or provision of this Agreement, the City shall have the right to pursue all available remedies at law or equity, including recovery of damages (except for attorneys' fees) and specific performance of this Agreement. In the event of a breach by the City of any term or provision of this Agreement, the Owner shall have the right to pursue all available remedies at law or equity, including recovery of damages (except for attorneys' fees) and specific performance of this Agreement.

The Parties hereto agree that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate. Except as expressly provided elsewhere in this Agreement, each Party's rights and remedies under this Agreement are cumulative and in addition to, not exclusive of or in substitution for, any rights or remedies otherwise available to that Party.

### **Counterparts, Electronic Signature.**

This Agreement and any other document necessary for the consummation of the transaction contemplated by this Agreement may be executed in counterparts, including both counterparts that are executed on paper and counterparts that are in the form of electronic records and are executed electronically. An electronic signature means any electronic sound, symbol or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or e-mail electronic signatures. All executed counterparts shall constitute one agreement, and each counterpart shall be deemed an original. The Parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile signatures, may be used in connection with the execution of this Agreement and electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called pdf format shall be legal and binding and shall have the same full force and effect as if a paper original of this Agreement had been delivered and had been signed using a handwritten signature. Owner and City (i) agree that an electronic signature,

whether digital or encrypted, of a party to this Agreement is intended to authenticate this writing and to have the same force and effect as a manual signature, (ii) intended to be bound by the signatures (whether original, faxed or electronic) on any document sent or delivered by facsimile or, electronic mail, or other electronic means, (iii) are aware that the other party will rely on such signatures, and (iv) hereby waive any defenses to the enforcement of the terms of this Agreement based on the foregoing forms of signature. If this Agreement has been executed by electronic signature, all parties executing this document are expressly consenting under the United States Federal Electronic Signatures in Global and National Commerce Act of 2000 ("E-SIGN") and California Uniform Electronic Transactions Act ("UETA") (Cal. Civ. Code § 1633.1, et seq.), that a signature by fax, email or other electronic means shall constitute an Electronic Signature to an Electronic Record under both E-SIGN and UETA with respect to this specific transaction.

**Additional Provisions Based Upon Funding Utilized by the City.**

The Owner agrees to comply with all additional and applicable federal, state, and/or local requirements, standards, orders, or regulations that may be required of Owner based upon the funding utilized by the City in connection with this Agreement. To the extent such additional and applicable federal, state, and/or local requirements, standards, orders, or regulations are to be required of Owner, the City shall notify the Owner of such prior to the commencement of this Agreement. Owner's compliance with any and all additional and applicable federal, state, and/or local requirements, standards, orders, or regulations shall be documented as an attachment to this Agreement.

***[Signature Page Immediately Follows]***

**IN WITNESS WHEREOF**, this Agreement has been executed by the Parties hereto as of the dates written below.

**CITY:**

**CITY OF LOS ANGELES**, a municipal corporation, acting by and through its Department of General Services

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**APPROVED AS TO FORM:**

\_\_\_\_\_, City Attorney

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_, City Clerk

By: \_\_\_\_\_  
Deputy

Date: \_\_\_\_\_

*[signature of Owner on following page]*

DATE: \_\_\_\_\_

**OWNER:**


By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

*[end of signatures]*

**EXHIBIT A**

**SITE PLAN**

[see attached]