

Communication from Public

Name: Jack Humphreville
Date Submitted: 03/19/2024 11:16 AM
Council File No: 24-0011-S4
Comments for Public Posting: Broke City Considering Giveaways of Over \$100 Million to Two Hotel Developers

City Considering Giveaways of Over \$100 Million to Two Hotel Developers

JACK HUMPHREVILLE

MARCH 18 2024



LA WATCHDOG - You would never know that the City of Los Angeles is looking at “budget gap” next year of over \$700 million as it is considering two development incentive agreements for over \$100 million for two luxury hotels in DTLA and the Arts District.

Beginning in 2007, the City has entered into eight development incentive agreements to encourage the construction of hotels within walking distance of the Convention Center. Under these agreements, the City agrees to provide project financing to the developers in an amount not to exceed 50% of the net new revenues generated by the project. Revenues include the transient occupancy (hotel) tax, property taxes, parking taxes, sales taxes, and other miscellaneous taxes. As for June 30, 2023, these giveaways have totaled approximately \$1 billion.

On March 1, the City Council approved a motion to update a 2018 analysis for the Venice Hope Group for its development of a \$132 million, 300 room hotel which

previously indicated that a \$63 million giveaway over a 10 to 15-year period was necessary to make this project economically “feasible.” This development also includes a \$171 million, 250-unit residential development.

In November, the City Council approved a motion by Kevin de Leon to authorize the hiring of a consultant, at the developer Vella Group’s expense, to determine if a proposed 236-room hotel at 670 Mesquit Street in the Arts District requires economic development incentives to make this project economically “feasible.” This proposed hotel, three miles from the Convention Center, is part of \$1 billion, 1.8 million square foot development that includes a million square feet of creative office space, 208 residential housing units, an Arts District Central Market, a grocery store, 136,000 square feet of retail space, a studio/event/gallery space of over 90,000 square feet, and a 62,000 square foot gym.

The estimated giveaway is estimated to be in the range of \$50 million over a 10 to 15 year time frame based on giveaways for other similar developments.

These subsidies are not in the best interests of the City and Angelenos since there are other more important priorities. These include funding the City’s homeless program; repairing and maintaining our streets, sidewalks, and parks; and balancing the City’s out of control budget.

There are also questions as to validity of the economic analysis of the consultants. Why do hotels within walking distance of the Convention Center deserve giveaways while hotels in Hollywood and the rest of the City do not? And hasn’t the City met its goals of having 8,000 rooms within walking distance of the Convention Center? And if these hotels receive subsidies, shouldn’t the developers reimburse (plus interest) the City if these projects exceed the consultants’ projections?

If the City Council decides to consider subsidizing these developers, there should be open and transparent hearings where we have the necessary time to review, analyze, and comment on any proposal that involves giveaways to deep pocketed developers.

<https://www.citywatchla.com/la-watchdog/28620-city-considering-giveaways-of-over-100-million-to-two-hotel-developers>

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