

**SUMMARY REPORT PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTION 53083
ON A
HOTEL DEVELOPMENT INCENTIVE AGREEMENT
BY AND BETWEEN
THE CITY OF LOS ANGELES
AND
GREENLAND LA METROPOLIS HOTEL DEVELOPMENT LLC.**

The following Summary Report has been prepared pursuant to California Government Code Section 53083. The report sets forth certain details of the proposed Hotel Development Incentive Agreement (Agreement) between the following parties:

1. The City of Los Angeles (City), a municipal corporation;
2. Greenland LA Metropolis Hotel Development LLC., a Delaware corporation (Developer).

The Agreement requires the City to provide a development incentive to the Developer for the purpose of constructing a hotel. The project is located on a 1.5-acre parcel at the intersection of 9th Street and Francisco Street in the City of Los Angeles (Site). The project will consist of building an 18-story, 350-room hotel (Project).

This summary report considers only the proposed Agreement. The purpose of this Agreement is to effectuate economic development in the City.

The following Summary Report is based upon the information contained within the Agreement, and is organized into the following six sections:

- I. Identity of the Developer:** This section provides the name and address of the Developer.
- II. Salient Points of the Agreement:** This section summarizes the major responsibilities imposed on the Developer and the City by the Agreement.
- III. Economic Incentives Provided and Cost of the Agreement:** This section details the economic incentives provided and the costs incurred by the City to implement the Agreement.
- IV. Consideration Received and Comparison with the Economic Incentives Provided:** This section describes the financial compensation to be received by the City.
- V. Creation of Economic Opportunity and Public Purpose:** This section explains how the Agreement will assist in creating economic opportunity in the City.

VI. Job Creation: This section describes the number of full-time, part-time and temporary jobs created under the Agreement.

This report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. IDENTITY OF DEVELOPER

Information on the Developer is provided below:

Greenland LA Metropolis Hotel Development LLC.

Greenland LA Metropolis Hotel Development LLC.
c/o Greenland US Holding, Inc.
777 South Figueroa Street, Suite 4650
Los Angeles, California 90017

II. SALIENT POINTS OF THE AGREEMENT

A. Project Description

The Site was previously used as a parking lot. The Developer acquired the property and will be constructing a multi-phase, mixed-use development on the Site. The proposed Project is the first phase of development, and it will include the following:

1. 350 hotel rooms
2. Food and beverage outlets
3. Meeting and pre-function space
4. Business center
5. Fitness center
6. Pool
7. Spa
8. Sundry shop

The project will be 18 stories and includes a parking structure. The hotel will be built to a minimum three-star quality level. Total costs of the improvements are estimated at approximately \$183,710,000.

B. Developer Responsibilities

The Agreement requires the Developer to accept the following responsibilities:

1. Construction and maintenance of the Hotel Project in accordance with the standards set forth in the Agreement;
2. The construction and continued maintenance of the Hotel as a Three-Star Hotel, as defined by the Forbes Travel Guide, or of a Three-Diamond hotel, as defined by the AAA Diamond Ratings, or if those rating services are not in use, at an equivalent level used by an alternative nationally recognized hotel rating service;
3. The Developer's continued compliance in all material respects with the City's Community Benefits Program;
4. The Hotel Brand's continued compliance in all material respects with the Hotel Operating Covenant that requires that the Site be used for the Hotel for a term equal to twenty-five (25) years after the Completion Date;
5. Developer cooperating with the City in making the Government Code Disclosures, which shall include obtaining any necessary confidentiality waivers reasonably necessary to either comply with the Government Code Disclosure requirements or to calculate the Hotel Incentive Payment or the City Deposit;
6. Developer shall insert a contract provision in its contract with the general contractor requiring the general contractor and its major subcontractors to designate the City of Los Angeles as the place of use of any materials purchased for the development of the Hotel Project.

C. City Responsibilities

The Agreement imposes the following responsibilities on the City:

1. The City shall make the hotel incentive payments to the Developer in accordance with the Agreement. The amount of the City's payment will be determined as part of the City's budget process and shall equal the aggregate amount of Transient Occupancy Tax paid by the Hotel in the prior calendar year.
2. The City shall disburse the hotel incentive payments not less frequently than on a semi-annual basis in an amount equal to one hundred percent (100%) of the Transient Occupancy Tax received by the City from the Hotel in the prior six months.
3. The aggregate amount of the hotel incentive payments, which when discounted to present value as of the Completion Date using a discount rate of ten percent (10%) per year equals thirteen million five hundred thousand dollars (\$13,500,000)

4. The City shall have timely performed all of the obligations required by the terms of the Agreement.

III. ECONOMIC INCENTIVES PROVIDED AND COST OF THE AGREEMENT

The City is making economic incentive payments to facilitate the development of the Project and the operation of the hotel. The cost to be incurred by the City is capped at a net present value of \$13.5 million assuming a discount rate of 10%. The payments will be made over a period of up to 25 years from 100% of the transient occupancy tax revenues generated by the Project.

IV. CONSIDERATION RECEIVED AND COMPARISON WITH THE ECONOMIC INCENTIVES PROVIDED

The City expects to receive a significant increase in transient occupancy tax, property tax, sales tax, gross receipts tax, utility tax and parking tax from the development of the Project. The detailed projections for the Project are summarized in Keyser Marston Associates' *Metropolis Project – Development Feasibility and Public Revenue Analysis* that was submitted to the City in June 2014. Table 1 shows the projected City revenues generated by the Project over the term of the Agreement. The revenues are summarized below:

1. Transient Occupancy Tax (TOT) – The current City TOT rate is 14% of room revenues. The Project is projected to have an initial Average Daily Rate of \$222 and an occupancy rate that stabilizes at 75.7%. At this level of performance, the Project will generate \$104.63 million in TOT over the Agreement term. Assuming a 10% discount rate, the net present value of this revenue is \$34.05 million.
2. Property Tax – Within the Site's Tax Rate Area, the City receives 26.3% of the general property tax levy of 1.0% of assessed value, with the balance of the collected property taxes going to other taxing jurisdictions. The assessed value of the Project is estimated at \$113.32 million for the Hotel and \$221.18 million for the Residential. At this level of value, the Project will generate \$29.44 million in property tax over the Agreement Term. Assuming a 10% discount rate, the net present value of this revenue is \$10.61 million.
3. On-Site Sales Tax – The City receives 1.0% of the taxable sales generated by the Project, with the balance of the sales tax going to other taxing jurisdictions. As a full-service hotel, the Project will have dining facilities, bar facilities and meeting facilities that serve food and drink. The sales in these departments generate sales tax, which is projected at \$3.07 million over the Agreement Term. Assuming a 10% discount rate, the net present value of this revenue is \$1.26 million.
4. Gross Receipts, Utility User Tax and Parking Taxes – The Project will also generate revenue to the City from taxes on its total gross receipts, utility utilization (electric, natural gas and telephone) and charged parking. The revenue generated from these sources is projected to create \$12.60 million in taxes to the City over the Agreement

Term. Assuming a 10% discount rate, the net present value of this revenue is \$4.20 million.

5. Off-Site Sales Taxes – The Project will provide accommodations for numerous visitors annually. These visitors will spend money in nearby establishments and within the City of Los Angeles. In addition, the Project will generate approximately 280 on-site jobs. Combined, the hotel guests and employees are projected to generate \$7.49 million in sales taxes to the City over the Agreement Term. Assuming a 10% discount rate, the net present value of this revenue is \$2.40 million.

Over the course of the Agreement Term, the Project is projected to generate \$161.13 million in gross revenue to the City, with a net present value of \$54.10 million. The Hotel alone is projected to generate revenues of \$135.56 million, with a net present value of \$44.59 million.

The gross revenues generated by the Project are off-set by the existing revenues generated on the Site and the City's Assistance. The net revenues received by the City are shown in Table 2.

As of the fiscal year 2013-14, the City received \$120,600 in property tax revenue from the Site. In addition, the parking operations on the Site generated \$400 in City revenue, thus the Site currently generates \$121,000 annually in City revenue. Over the Agreement Term these revenues total \$4.38 million. Therefore, the Project is projected to generate \$156.75 million (\$52.48 million NPV) in additional revenues to the City over the Agreement Term. The Hotel alone is projected to generate \$131.18 million (\$42.97 million NPV) in incremental revenue to the City over the Agreement Term.

Per the Agreement, the City's Assistance is limited to a net present value of \$13.50 million, with the City making semi-annual payments to the Developer out of 100% of the available TOT over a term of up to 25 years. The payments made by the City are discounted at an interest rate of 10% per annum. As shown in Table 2, the payments to the Developer are projected to cease in Year 6 of Project operations. At this point in time the Developer will have received \$18.70 million in assistance, which has a net present value of \$13.50 million.

As shown in Table 2, the net revenue to the City after the payment of the assistance to the Developer is \$134.04 million, which has a net present value of \$38.99 million. The Hotel alone is projected to generate revenues of \$112.48 million in incremental revenue, which has a net present value of \$29.47 million. The \$134.04 million in additional City revenues is significantly greater than the \$18.70 million economic incentive provided.

V. CREATION OF ECONOMIC OPPORTUNITY AND PUBLIC PURPOSE

The Los Angeles City Council has determined that encouraging economic development, including private investment that involves creation of new jobs and income in the City, or the retention of existing jobs and income that would otherwise be lost or be unavailable to the residents of the City, is a valid exercise of its powers and provides an important public benefit and serves an important public purpose. By authorizing the City to enter into this Agreement, the City Council has determined that the benefits accruing as a result of the transactions contemplated by this Agreement, including, without limitation, (i) direct benefits such as the increase in Three-Diamond Hotel rooms near the Los Angeles Convention Center and potentially increasing the number of conventions in the City); (ii) increased revenues from property, sales, parking, gross receipts, utility and TOT taxes, (iii) enhanced economic opportunities generated by the development of a new hotel serving downtown Los Angeles, and (iv) the provision of infrastructure to the City of Los Angeles, together with the Developer's obligations under the Community Benefits Plan included in the Agreement represent fair consideration for all of the obligations to be undertaken by the City as contemplated in the Agreement.

Other important goals and objectives that are satisfied by the Project are:

1. Construction of the Project is expected to generate a substantial numbers of construction jobs.
2. Potential increase in private investment as a result of the public investment in this Project.
3. Increased number of visitors to the City, which will spend money on dining, retail and entertainment activities in the City.
4. As a surface parking lot, the current improvements on the Site do not reflect the highest and best economic use of the site.

VI. JOB CREATION

The Project is projected to create the following number of temporary jobs during construction, and full-time and part-time jobs during operation. It is estimated that 1,521 temporary construction jobs will be created during the construction period. After opening the Developer indicates the Project will create 280 total jobs. These jobs will include 210 full-time and 70 part-time positions.

Attachment

TABLE 1

**PUBLIC REVENUES PROJECTIONS
METROPOLIS PROJECT
LOS ANGELES, CALIFORNIA**

Project Year	Transient Occupancy Tax	City Share of Property Tax	On-Site Sales Tax	Gross Receipts Tax	Utility User Tax	Parking Tax	Hotel Visitor Spending	Employee Spending	Gross Public Revenues
Const. 2014 -15	-	\$427,000	\$169,000	\$136,000	-	-	-	-	\$886,000
Const. 2015 -16	-	862,000	215,000	\$136,000	-	-	-	-	1,213,000
1 2016 -17	\$2,672,000	879,000	69,000	\$40,000	\$99,000	\$138,000	\$184,000	\$5,000	4,336,000
2 2017 -18	3,009,000	896,000	77,000	\$45,000	125,000	159,000	212,000	5,000	4,784,000
3 2018 -19	3,322,000	914,000	84,000	\$50,000	148,000	174,000	232,000	5,000	5,191,000
4 2019 -20	3,466,000	933,000	87,000	\$52,000	163,000	179,000	238,000	5,000	5,392,000
5 2020 -21	3,574,000	951,000	90,000	\$53,000	175,000	183,000	244,000	5,000	5,275,000
6 2021 -22	3,646,000	970,000	92,000	\$55,000	179,000	188,000	250,000	5,000	5,385,000
7 2022 -23	3,719,000	990,000	94,000	\$55,000	183,000	192,000	256,000	6,000	5,495,000
8 2023 -24	3,793,000	1,009,000	97,000	\$57,000	188,000	197,000	262,000	6,000	5,728,000
9 2024 -25	3,869,000	1,030,000	99,000	\$58,000	193,000	202,000	269,000	6,000	5,847,000
10 2025 -26	3,946,000	1,050,000	101,000	\$59,000	198,000	207,000	276,000	6,000	5,966,000
11 2026 -27	4,025,000	1,071,000	104,000	\$61,000	203,000	211,000	283,000	6,000	6,090,000
12 2027 -28	4,106,000	1,093,000	106,000	\$62,000	208,000	215,000	290,000	6,000	6,214,000
13 2028 -29	4,188,000	1,114,000	108,000	\$63,000	213,000	220,000	297,000	6,000	6,340,000
14 2029 -30	4,272,000	1,137,000	110,000	\$64,000	218,000	224,000	304,000	7,000	6,470,000
15 2030 -31	4,357,000	1,160,000	112,000	\$66,000	223,000	229,000	312,000	7,000	6,602,000
16 2031 -32	4,444,000	1,183,000	115,000	\$67,000	228,000	233,000	320,000	7,000	6,736,000
17 2032 -33	4,533,000	1,206,000	117,000	\$68,000	234,000	238,000	328,000	7,000	6,873,000
18 2033 -34	4,624,000	1,231,000	119,000	\$69,000	240,000	243,000	336,000	7,000	7,014,000
19 2034 -35	4,716,000	1,255,000	122,000	\$71,000	246,000	248,000	344,000	7,000	7,157,000
20 2035 -36	4,811,000	1,280,000	124,000	\$72,000	252,000	253,000	353,000	8,000	7,304,000
21 2036 -37	4,907,000	1,306,000	127,000	\$73,000	259,000	258,000	362,000	8,000	7,454,000
22 2037 -38	5,005,000	1,332,000	129,000	\$75,000	266,000	263,000	371,000	8,000	7,606,000
23 2038 -39	5,105,000	1,358,000	132,000	\$78,000	273,000	268,000	380,000	8,000	7,762,000
24 2039 -40	5,207,000	1,386,000	135,000	\$79,000	280,000	274,000	390,000	8,000	7,922,000
25 2040 -41	5,311,000	1,414,000	137,000	\$80,000	287,000	279,000	400,000	9,000	8,083,000
25 Year Term									
Nominal Total	\$104,627,000	\$29,437,000	\$3,071,000	\$1,844,000	\$5,281,000	\$5,475,000	\$7,493,000	\$163,000	\$161,125,000
NPV @ 10%	\$34,045,000	\$10,610,000	\$1,254,000	\$783,000	\$1,645,000	\$1,776,000	\$2,396,000	\$53,000	\$54,101,000

TABLE 2

**NET NEW PUBLIC REVENUES - \$13,500,000 CAP ON AVAILABLE TOT REVENUE
METROPOLIS PROJECT
LOS ANGELES, CALIFORNIA**

Project Year	Gross Public Revenues	(Less) Annual Base Period Amount ¹	Net New City Revenues	Projected TOT Revenues	Assistance Payments @ 100% TOT Revenues	Net New City Revenues
Const. 2013 -14	-	-	-	-		
Const. 2014 -15	\$886,000	(\$124,000)	\$762,000	\$0	\$0	\$762,000
Const. 2015 -16	1,213,000	(126,000)	1,087,000	0	0	1,087,000
1 2016 -17	4,336,000	(129,000)	4,207,000	2,672,000	(2,672,000)	1,535,000
2 2017 -18	4,784,000	(131,000)	4,653,000	3,009,000	(3,009,000)	1,644,000
3 2018 -19	5,191,000	(134,000)	5,057,000	3,322,000	(3,322,000)	1,735,000
4 2019 -20	5,392,000	(137,000)	5,255,000	3,466,000	(3,466,000)	1,789,000
5 2020 -21	5,275,000	(140,000)	5,135,000	3,574,000	(3,574,000)	1,561,000
6 2021 -22	5,385,000	(142,000)	5,243,000	3,646,000	(2,660,000)	2,583,000
7 2022 -23	5,495,000	(145,000)	5,350,000	3,719,000	0	5,350,000
8 2023 -24	5,728,000	(148,000)	5,580,000	3,793,000	0	5,580,000
9 2024 -25	5,847,000	(151,000)	5,696,000	3,869,000	0	5,696,000
10 2025 -26	5,966,000	(154,000)	5,812,000	3,946,000	0	5,812,000
11 2026 -27	6,090,000	(157,000)	5,933,000	4,025,000	0	5,933,000
12 2027 -28	6,214,000	(160,000)	6,054,000	4,106,000	0	6,054,000
13 2028 -29	6,340,000	(163,000)	6,177,000	4,188,000	0	6,177,000
14 2029 -30	6,470,000	(167,000)	6,303,000	4,272,000	0	6,303,000
15 2030 -31	6,602,000	(170,000)	6,432,000	4,357,000	0	6,432,000
16 2031 -32	6,736,000	(174,000)	6,562,000	4,444,000	0	6,562,000
17 2032 -33	6,873,000	(177,000)	6,696,000	4,533,000	0	6,696,000
18 2033 -34	7,014,000	(181,000)	6,833,000	4,624,000	0	6,833,000
19 2034 -35	7,157,000	(184,000)	6,973,000	4,716,000	0	6,973,000
20 2035 -36	7,304,000	(188,000)	7,116,000	4,811,000	0	7,116,000
21 2036 -37	7,454,000	(192,000)	7,262,000	4,907,000	0	7,262,000
22 2037 -38	7,606,000	(195,000)	7,411,000	5,005,000	0	7,411,000
23 2038 -39	7,762,000	(199,000)	7,563,000	5,105,000	0	7,563,000
24 2039 -40	7,922,000	(203,000)	7,719,000	5,207,000	0	7,719,000
25 2040 -41	8,083,000	(208,000)	7,875,000	5,311,000	0	7,875,000
25 Year Term						
Nominal Total	\$161,125,000	(\$4,379,000)	\$156,746,000	\$104,627,000	(\$18,703,000)	\$138,043,000
NPV @ 10%	\$54,101,000	(\$1,617,000)	\$52,484,000	\$34,045,000	(\$13,500,000)	\$38,985,000

¹ Assumes 2013-14 property tax revenues of \$120,642, inflated at 2.0% annually; and 2013 tax on parking rent revenues of \$430, inflated at 2.5% annually. Based on estimates provided by