



# CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

# R-41

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

June 19, 2007

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager to execute a transient occupancy tax sharing agreement with LBH Land Holding Company, LLC, in connection with the development of a Residence Inn Hotel at 600 Queensway Drive for an amount not to exceed \$1.5 million. (District 2)

## DISCUSSION

The City Council approved a long-term lease with LBH Land Holding Company, LLC (developer) for property at 600 Queensway Drive (formerly Naga Restaurant) on October 4, 2005, with the understanding the site would be developed into a Residence Inn by Marriott. The design and layout for an eleven-story 178-room hotel (Exhibit A) is complete and was approved by Planning Commission on February 1, 2007. During the soil testing for the site it was determined that significant improvement is needed to prepare the site for development, estimated at \$1.5 million. The developer is asking for City assistance to address the soil improvements.

Significant revitalization has occurred in the City's downtown area with the expansion of the Convention Center, the opening of the Aquarium of the Pacific, and Pike at Rainbow Harbor. These developments have helped to create Long Beach as a destination for conventions and visitors alike. While these developments are noteworthy, continued development is needed to fully integrate the downtown with the south waterfront area to support the Carnival Cruise Line terminal and the Queen Mary. The proposed hotel project is a great opportunity to begin revitalization of the south waterfront area. For this reason the Redevelopment Agency is looking to invest approximately \$1 million in off-site improvements to streets, medians, and landscaping to progress further development in the area.

The hotel project is estimated to generate \$17 million in transient occupancy tax (TOT) during the first 15 years of operation (Exhibit B). The revenue is distributed 50 percent

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to the General Fund to support City services and 50 percent to the Special Advertising and Promotions Fund to promote tourism. The project will also generate 50 permanent new jobs and 100 construction jobs. To address site improvement issues, staff recommends the City enter into a tax sharing agreement with the developer to distribute TOT received from the project. The tax sharing agreement would include the following major terms and conditions:

- Amount: The TOT sharing agreement will be provided for costs associated with site improvement work and not to exceed \$1.5 million plus interest;
- Payments: Payments under the agreement will be \$150,000 annually, plus interest at seven percent, but in no case will exceed 25 percent of the total TOT generated from the project;
- Length of Term: The TOT sharing agreement will begin the first full City fiscal year (October – September) after the hotel receives its certificate of occupancy and initiates TOT payments. The agreement term is ten years or extended as needed to rebate the entire amount plus interest;
- Distribution of Payment: Payments under the proposed TOT sharing agreement will be provided quarterly, within 30 days after receipt of TOT revenue from the project.

This letter was reviewed by Deputy City Attorney Heather Mahood on June 12, 2007, and Budget and Performance Management Bureau Manager David Wodynski on June 8, 2007.

TIMING CONSIDERATIONS

City Council action is requested on June 19, 2007, to complete the TOT sharing agreement and allow for construction to start on the project in a timely matter.

FISCAL IMPACT

The project will generate approximately \$15 million in TOT over a fifteen-year period, 50 percent accruing to the General Fund (GP 100) and 50 percent to the Special Advertising and Promotion Fund (SR 134). The rebate amount is \$1.5 million plus interest (7 percent), with estimated annual payments of \$209,000 over ten years. Loan payments will be limited to 25 percent of the actual TOT generated by the project.

SUGGESTED ACTION:

Approve recommendation.

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Respectfully submitted,



For PATRICK H. WEST  
DIRECTOR OF COMMUNITY DEVELOPMENT



For MICHAEL A. KILLEBREW  
DIRECTOR OF FINANCIAL MANAGEMENT

PHW:MAK:CB

Attachments: Exhibit A – Marriott Residence Inn Design  
Exhibit B – Transient Occupancy Tax Estimate

APPROVED:

  
for GERALD R. MILLER  
CITY MANAGER

EXHIBIT A



AERIAL PERSPECTIVE

RESIDENCE INN BY MARRIOTT

LONG BEACH

JANUARY 5, 2007

CUNINGHAM  
GROUP

## Exhibit B

### Residence Inn by Marriott

600 Queensway Drive

176 Room Hotel

### Estimated Revenue generated from Transient Occupancy Tax (TOT)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Total
TOT rate = 12%	836,000	922,320	998,400	1,030,320	1,063,320	1,097,280	1,132,440	1,157,280	1,182,720	1,208,880	1,236,080	1,263,892	1,292,329	1,321,407	1,351,138	\$ 17,093,805
SAP Fund (6%)	418,000	461,160	499,200	515,160	531,660	548,640	566,220	578,640	591,360	604,440	618,040	631,946	646,165	660,703	675,569	\$ 8,546,903
General Fund (6%)	418,000	461,160	499,200	515,160	531,660	548,640	566,220	578,640	591,360	604,440	618,040	631,946	646,165	660,703	675,569	\$ 8,546,903
Loan Payment *	208,995	208,995	208,995	208,995	208,995	208,995	208,995	208,995	208,995	208,995						\$ 2,089,950
City Revenue	627,005	713,325	789,405	821,325	854,325	888,285	923,445	948,285	973,725	999,885	1,236,080	1,263,892	1,292,329	1,321,407	1,351,138	\$ 15,003,855

\* note = Loan amount of \$1.5 million amortized over 10-years, plus 7 percent interest