

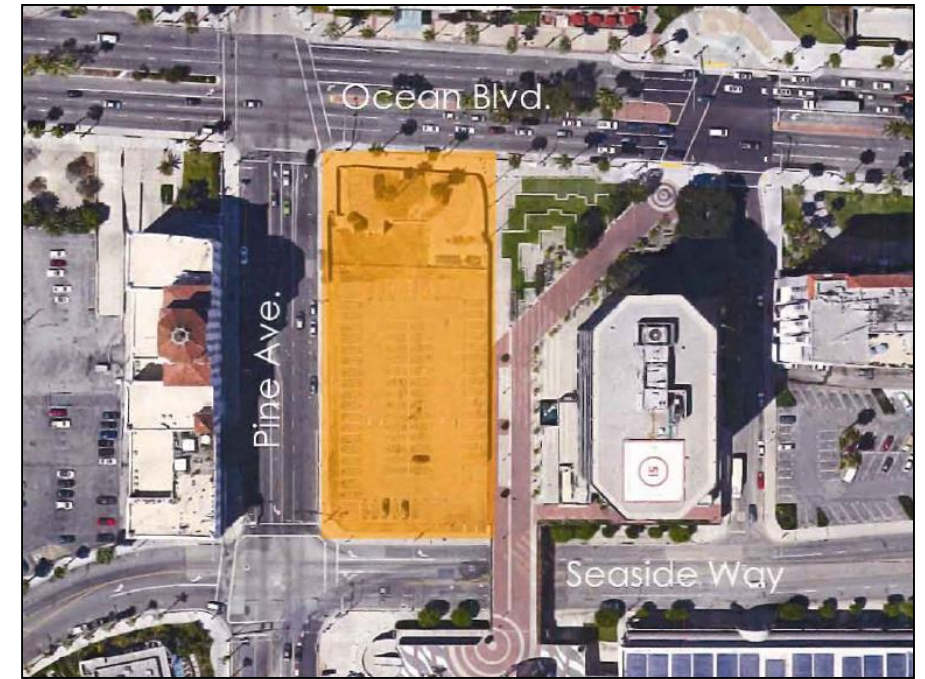
CITY OF LONG BEACH

AMERICAN LIFE, Inc. Amendment

December 12, 2017
City Council Meeting

Property

- Vacant 35,510 lot located at 100 East Ocean Blvd.
- Popularly known as the “Jergins Trust Building” built in 1919 but demolished by private property owner in 1988
- Purchased by the former Redevelopment Agency in 2011
- Designated for “Future Development” site in Long Range Property Management Plan



Purchase & Sale Agreement

- July 8, 2015 the City issued a Request for Proposals (RFP) for the purchase and development of the Jergins Trust site;
- American Life, Inc. hotel project selected by the Successor Agency Oversight Board among three proposals;
- \$7 million Purchase & Sale Agreement (PSA), and \$27 million Transient Occupancy Tax (TOT) sharing Agreement authorized by City Council on May 17, 2016.

Original Purchase & Sale Agreement

Purchase Price of \$7 million with the following conditions prior to the transfer of ownership:

- Executed contract with a nationally recognized hotel operator;
- 4-star or equivalent designation (City approved);
- Fully executed Project Labor Agreement between Buyer and LA/OC Building & Construction Trades Council;
- Evidence that hotel operator has agreed to participate in a Card Check Neutrality Agreement for hotel (does not include restaurant);

Approved Hotel Brands

- Intercontinental Hotel
- Marriott Full Service
- Authograph Marriott
- Hilton Curio
- W Hotel
- Kimpton Hotel

Original Transient Occupancy Tax Sharing Agreement

TOT sharing agreement is based on closing the economic feasibility gap for a 350-room, 4-star \$165 million project:

- Economic gap of up to \$47 million established and verified by third-party review;
- Projected \$54 million total new TOT generated over 20 years;
- Does not include taxes generated by the Long Beach Tourism Business Improvement Area;
- 50 percent TOT-sharing between City and Buyer/Developer for up to 20 years;
- Terminates after 20 years or total payment up to \$27 million is paid to Buyer/Developer (whichever is achieved first).

Changes

The following project delays and market changes have impacted the timing and cost of the project:

- 2016 Lawsuit filed by *Citizens Against DTLB Giveaways* vs. the City of Long Beach (petition for writ of mandate is denied in 2017);
- Costs for labor, construction, materials, and financing have increased during period of delay;
- Project design increased from 350 rooms to 417 rooms;
- Construction costs increased from \$165 million to \$262 million;
- Economic feasibility gap increased from \$47 million to \$61 million (verified by City's financial consultant).

Revised TOT Sharing Agreement

To address the new economic feasibility gap of the revised project, the following terms are recommended:

- Buyer/Developer shares up to 80 percent or approximately \$27 million of TOT earned, for 9 years;
- City receives 20 percent or approximately \$7 million of TOT earned, for 9 years;
- City will receive 100 percent or approximately \$4 million per year of TOT earned beginning in year 10 of the agreement;
- Minimum investment by Buyer/Developer of \$230 million to receive full benefit;
- All other original terms remain the same;
- Agreement will remain in effect for 20 years.

Other Benefits

The Buyer/Developer has committed to the following additional benefits:

- A safe workplace environment including the implementation of panic buttons for housekeeping workers;
- A good faith effort to identify local restaurant operator (if third party operator is chosen);
- A good faith effort to advance the City's economic development goal of competitive balance in the local hotel market.

Next Steps

- City Council approval 2017
- Execute Amendment 2017
- Select Hotel Operator 2018
- Secure Entitlements 2018
- Begin Construction 2019
- Grand Opening 2021