



## SUPPLEMENTAL AGENDA REPORT

**Meeting Date:** April 21, 2008  
**Item Number:** C-1  
**To:** Honorable Mayor & City Council  
**From:** Katie Lichtig, Assistant City Manager  
**Subject:** Consideration of Planning Commission's recommendation for approval of a General Plan Amendment, Zone Text Amendment, Zone Change, Specific Plan, Development Agreement and Environmental Impact Report for a Proposed Mixed Use Project at 9876 Wilshire Boulevard (The Beverly Hilton Revitalization Project)  
**Attachments:**

1. Ordinance approving Development Agreement
2. Proposed Development Agreement
3. Alternative Proposed Development Agreement

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### **RECOMMENDATION**

Consider the terms and conditions presented in the attached Development Agreements, select the preferred alternative and introduce the ordinance with the appropriate Development Agreement as an exhibit.

### **DISCUSSION**

The Ordinance approving the Development Agreement and the proposed Development Agreement are included as Attachments 1 and 2, respectively. As you may recall, the Planning Commission recommended Development Agreement had the following major terms and conditions:

- Municipal Surcharge equal to 2.5 percent on gross room revenues for all Waldorf=Astoria rooms
- No Municipal Surcharge or present day cash equivalent for Hilton Hotel rooms;
- Public Benefit Contribution based on the Planning Commission recommended project would have been \$6.4 million (to be adjusted up or down based on the square footage of the project ultimately approved by the City Council);
- Public Benefit Contribution payments scheduled for 60 percent at the time of the building permit on the Waldorf=Astoria and 40 percent at the time of the building permit for the one condominium building recommended by the Planning Commission;
- No discussion of required parking because this is part of the Specific Plan, not part of the development agreement.

- Contribution to affordable housing was \$1,570,398 (part of the Public Benefit Contribution) as recommended by the Planning Commission;
- The developer was required to install a "significant gateway statement" at the intersection of Santa Monica and Wilshire Boulevards but not monetary cap was place on the cost to the developer;
- A set-aside of \$1.0 million was proposed for improvement of Intersection of Santa Monica and Wilshire Boulevards;
- School Benefit Fee was included but the amount was left blank to allow the School District and the developer to come to conclusion on their negotiations;
- Provision in Section 7 limits hotel occupancies to 30 days or less.

The Ad Hoc Committee (Mayor Brucker and Councilmember Briskman) met with the applicant on several occasions to discuss the site plan. Further, the Ad Hoc Committee met with staff to provide advice and counsel on the terms of the Development Agreement that should be further negotiated with the developer. The Ad Hoc Committee's instructions were to attempt to negotiate a package of financial and other improvements to the Development Agreement that included but were not limited to receiving 5% Municipal Surcharge on all Waldorf=Astoria rooms (now 170 rooms); 2% Municipal Surcharge on remaining Hilton rooms (352 rooms) or \$7.75 million cash payment that is equivalent to the present value of this surcharge; \$15 million Public Benefit Contribution and a possible reduction in the required parking spaces. Based on extensive negotiations with the developer, Staff presents the Development Agreement in Attachment 2 which reflects the following changed terms and conditions:

1. Municipal Surcharge for all Waldorf=Astoria rooms is 5 percent of gross room revenue in perpetuity. This surcharge will produce revenue to the City equal to an estimated \$67.8 million over 30 years.
2. The developer has agreed to make a lump sum cash contribution of \$7.75 million which is equivalent to the present value of the 2% Municipal Surcharge on the Hilton rooms.
3. An additional \$2.45 million lump sum cash payment and is reflected in the Development Agreement Public Benefit Contribution.
4. The timing of payments of amounts due to the City was changed to reflect the following timing: \$5.0 million is due concurrent to the issuance of the building permit for the Waldorf= Astoria and \$5.2 million is due concurrent with the issuance of the building permit for Residence B.
5. Adjustment of Public Benefit Contribution: This section was deleted because it was no longer necessary due to the fact that the City and the developer agreed on a lump sum payment to the City based on the proposed project conceptually approved by the City Council on April 15, 2008.
6. Required Parking: Required parking will total 2183 parking spaces (1572 striped, 280 mechanical lifts and 331 valet spaces). The requirement to install the mechanical lifts will be at the discretion of the Director of Community Development based on a good faith determination that there is a need for additional parking.
7. Affordable Housing Contribution: This amount was changed to \$1.5 million based on staff's recommendation. This amount is 10% of the cash contributions.
8. Gateway at Wilshire and Santa Monica Boulevards: A \$1 million cost cap has been added to the section that requires the property owner to construct or install a "significant gateway statement" at the intersection of Wilshire and Santa Monica Boulevards.

9. Funding for Improvement of Intersection of Santa Monica and Wilshire Boulevards: This section was deleted. Staff believes that this set-aside unnecessarily binds the city to use this flexible funding source for this specific purpose. As the city establishes priorities for use of the cash contribution, the need for funding for this purpose could be less or more. A decision about the dedication of these funds for improvements at this intersection should be made within the context of a broader discussion about all the possible uses for these funds.
10. School Benefit Fee: As of the time this document went to print Staff had not received definitive word on the conclusion of negotiations between the Beverly Hills Unified School District and the developer so the amount in this section was intentionally left blank.
11. Limit on length of hotel occupancy: Provision in Section 7 that limits occupancies to 30 days or less has been deleted but a provision has been added that reserves the City's right to adopt a new city-wide ordinance that applies to the operation of hotels in general and have this new law applies to the operation of the Hilton and Waldorf=Astoria at such time as an ordinance is adopted by the city council.

These negotiations were conducted exclusively by City Staff based on advice, counsel and consultation from the Ad Hoc Committee. Members of the Ad Hoc committee are not unified in supporting the Development Agreement that contains the aforementioned terms and conditions. Councilmember Briskman supports the Development Agreement presented in Attachment 2. This Development Agreement is consistent with the Ad Hoc Committee's instructions except the total cash payment to the City is \$12.55 million less than the objective set forth by the Ad Hoc Committee. Mayor Brucker supports an alternative Development Agreement that includes the following alterations:

- \$12.55 million more cash contribution for a total of \$15 million contribution;
- employer provided free parking for all on-site employees upon Certificate of Occupancy for Waldorf=Astoria (Transportation Demand Management Measures can be satisfied by incentive opportunities including but not limited to cash payments, gift certificates, rewards, etc.); and
- impose Municipal Surcharge on all hotel room rental even those that have diplomatic exemptions from paying Transient Occupancy Tax.

The alternative supported by Mayor Brucker is presented as Attachment 3. Each member of the Ad Hoc Committee intends to present their perspectives at the City Council meeting on Monday, April 21, 2008.