

MEMORANDUM

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DATE: NOVEMBER 7, 2013
TO: GOVERNING BOARD
FROM: STEVE VALENZUELA, CHIEF EXECUTIVE OFFICER
STAFF: BARRON MCCOY, SENIOR OPERATIONS OFFICER
NEELURA BELL, SPECIAL PROJECTS OFFICER
SUBJECT: **ARGYLE HOTEL** – Consent to the assignment of the Land-Use Owner Participation Agreement from RGC Hollywood, LP to Argyle Hotel, LLC for the proposed development of the Argyle Hotel in the Hollywood Redevelopment Project Area.

HW6990
ROPS# N/A

RECOMMENDATION(S)

That the Governing Board consent to the assignment of the Land-Use Owner Participation Agreement (“OPA”) from RGC Hollywood, LP to Argyle Hotel, LLC for the proposed development of the Argyle Hotel in the Hollywood Redevelopment Project Area.

SUMMARY

In October 2012, the Governing Board approved an OPA with CFRI-NCA Hollywood Venture, LLC (Developer) for the proposed development of the 225-room Argyle Hotel (“Project”) at 1800 North Argyle in Hollywood. In its actions, the Board also adopted two resolutions, to approve a floor area ratio in excess of four and one half times the development site; and, to certify the Project’s final Mitigated Negative Declaration and City Addendum as required by the California Environmental Quality Act.

Section 3 of the OPA permits the Developer to transfer its rights and obligations to permitted transferees, including the RGC Hollywood, LP (“RGC”). Any transfers to entities not previously identified in the OPA are subject to the CRA/LA’s prior written consent. Pursuant to the OPA, the Developer assigned its rights and interests to RGC in December 2012 through Provision 4 of a Bill of Sale, Assignment and Assumption assigning and conveying Other Intangible Property.

In December 2012, RGC entered into a Purchase and Sale Agreement with Argyle Hotel, LLC, of which RGC is a member with a 10% interest and KHP III Hollywood Investor LLC is the managing member with a 90% interest. There is also a Development Management Agreement between RGC and Argyle Hotel, LLC wherein RGC will be retained to perform the functions of planning, entitlement processing, development management, design supervision, construction administration and furniture, fixtures and equipment coordination related to the Project. One of the closing conditions of the Purchase and Sale Agreement is that the RGC obtain consent from the CRA/LA for the assignment of the OPA. In September 2013, RGC made the request of CRA/LA to approve the assignment of the OPA.

PREVIOUS ACTIONS

September 20, 2013 – CRA/LA Governing Board approved a Land-Use OPA and adopted resolutions making required CEQA findings and allowing for an increase in development density.

DISCUSSION & BACKGROUND

The following provides additional information about the Project and development entities.

Location

The Argyle Hotel project is proposed for development on a 19,752 square foot property at 1800 North Argyle Avenue. The site is improved with a 38,000 square foot, five-story office building which the developer intends to demolish and redevelop as the proposed hotel.

Developer Entity

The Kimpton Hotel Group was established in 1981 and is known as an industry pioneer in bringing boutique hotels to the United States. The company currently operates 58 hotels and 67 restaurants, bars and lounges in 24 cities. This year, Kimpton ranked 28th on *Fortune's* "100 Best Companies to Work For" List, making it the highest ranked hospitality company.

KHP III Hollywood Investors LLC is an indirect wholly-owned subsidiary of KHP Fund III, L.P. ("KHP Fund III"), an institutional private equity real estate fund with \$203 million in committed equity capital. KHP Fund III is the third fund within the Kimpton Hospitality Partners series of institutional private equity funds sponsored by Kimpton Hotel Holding LLC ("Kimpton"). Kimpton is the parent company of Kimpton Hotel & Restaurant Group, LLC, the largest player in the boutique/ lifestyle hotel segment.

Kimpton is the only branded hotel company with institutionally backed, fully discretionary, dedicated real estate investment funds for the acquisition and development of boutique hotels. The company's first institutional fund, the \$122 million Kimpton Development Opportunity Fund ("KDOF"), was established in 1997 and acquired/developed nine properties. Similar to KDOF, the three subsequent KHP Funds (the first of which closed in 2005) were raised to acquire, develop and redevelop boutique/lifestyle hotel properties in select major metropolitan cities and resort areas across North America.

RGC is a commercial real estate development company, headquartered in Encinitas, California, which specializes in hospitality and mixed-use hospitality, residential and retail projects. The expertise of the company encompasses all of the disciplines that are vital to the execution of the development process, including land acquisition, feasibility analysis and project cost accounting, financing, entitlement processing, design supervision, FF&E coordination and procurement, construction management, and asset management. The portfolio of projects managed, developed or constructed by the company, and its principals, includes commercial office, industrial, retail, residential, redevelopment and most notably hospitality and resort/recreation projects.

Description, Project Context and Project History

The proposed Project is a new 116,027 square foot 16-story hotel with 225 hotel rooms, 6,000 square feet of meeting space, and 3,000 square feet of restaurant space. The building will contain 11 stories of hotel use on top of three above-grade parking levels and ground level lobby use, and underground parking levels containing 107 parking spaces.

SOURCE OF FUNDS

No funds are required for this action.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

The recommended action has no impact on the ROPS or Administrative Budget.

ENVIRONMENTAL REVIEW

On April 3, 2008, the Prior Agency Board of Commissioners adopted Resolution No. 7145, making a finding of no significant effect on the environment, and adopting the Final Mitigated Negative Declaration (MND) and the Mitigation Monitoring Program for the 87 unit residential project at 1800 Argyle Avenue.

On September 20, 2013, the Governing Board adopted Resolution No. 024 making a determination that no subsequent environmental document was required for the project revised as a Hotel.



Steve Valenzuela
Chief Executive Officer

There is no conflict of interest known to me which exists with regard to any CRA/LA officer or employee concerning this action.