

MEMORANDUM

To: Corinne Verdery, NBC Universal

From: Paul J. Silvern and David Berneman

Date: November 4, 2012

Re: Supplemental Analysis of Tax Revenue Impacts in the City of Los Angeles from the Proposed Boundary Adjustments in the NBC Universal Evolution Plan: Alternative 10

In a September 17, 2012 memorandum, HR&A Advisors, Inc. (HR&A) provided estimates of one-time and annually recurring incremental tax revenues that would accrue to the City of Los Angeles (“City”) from construction and annual operation of Alternative 10 of the proposed NBC Universal Evolution Plan (“Project”). This memorandum supplements that memorandum by providing estimates of fiscal impacts to the City that would occur immediately *after* certain municipal boundary adjustments proposed by the Project take place, but prior to the implementation of the development in the City that is envisioned by the Project.

A. The Project’s Boundary Adjustments¹

The 391-acre Universal City property (“Project Site”) is located in two jurisdictions, and currently includes approximately 95 acres (24 percent of the total Project Site area) in the City and 296 acres (76 percent of the total Project Site area) in the County of Los Angeles (“County”).

As shown in Figure 1, the portions of the Project Site currently within City jurisdiction are (1) approximately 40 acres along the southern and southwestern portion of the Project Site adjacent to the Hollywood Freeway, which also includes Universal Hollywood Drive and a limited amount of frontage along the north side of Universal Hollywood Drive; (2) approximately 11 acres at the southeastern corner of the Project Site along Barham Boulevard and Buddy Holly Drive; (3) approximately 40 acres at the northeastern corner of the Project Site along Barham Boulevard; (4) approximately 1.2 acres at the northwest corner of the Project Site along Lankershim Boulevard; and (5) an approximately 0.8-acre sliver midway along the Project Site’s northern boundary with the Los Angeles River Flood Control Channel. The portion of the Project Site within

¹ For an overview of the development that would occur under the Project, please refer to HR&A’s September 17, 2012 memorandum.

County jurisdiction is a contiguous area encompassing most of the northern, central, and western portions of the Project Site.

The Project's proposed jurisdictional boundary adjustments would result in approximately 3 acres being annexed into the City and 30 acres detached from the City to the County. Overall, the net change would be approximately 27 acres to the unincorporated area of the County. The jurisdictional boundary adjustments would maintain the existing 5 non-contiguous areas within the City, although the number of acres in each area would change, resulting in approximately 68 total acres of the Project Site in the City. Those areas would continue to include the approximately 11 acres at the southeastern corner of the Project Site along Barham Boulevard and Buddy Holly Drive and 40 acres at the northeastern corner of the Project Site along Barham Boulevard that are already in the City and for which no jurisdictional changes are contemplated. As shown in Figure 1, following the proposed jurisdictional boundary adjustments, the areas in the City also would include: (1) approximately 8.6 acres along the southern and southwestern portion of the Project Site adjacent to the Hollywood Freeway; (2) approximately 6.4 acres along Universal Hollywood Drive with frontage along the north side of Universal Hollywood Drive; and (3) approximately 1.9 acres at the northwest corner of the Project Site.

Figure 1



With the completion of the proposed jurisdictional boundary adjustments, the Project would result in unimproved land transfers from the County to the City and from the City to the County. As shown in Table 1, the land transfers would result in approximately 29.1 acres detached from the City and 2.4 acres annexed to the City, resulting in a net loss of 26.7 acres of unimproved land in the City. As shown in Figure 2, these land areas do not include improved land, and for purposes of this analysis improved land is considered land is currently occupied by an existing building. Those portions of the Project Site are analyzed separately, based on their particular land use (i.e., Entertainment Retail or Studio Office), as discussed below. Unimproved land is treated differently than improved land in this analysis since the improvements tend to increase the assessed value of the underlying and associated land relative to nearby unimproved land. Thus, to accurately measure the property tax implications of the boundary adjustments this analysis treats these categories of land differently.

Table 1
Un-Improved Land Square Footage Changes in City of Los Angeles
Immediately After Boundary Adjustments

Land Areas	Un-Improved Land Acreage¹
Detached from City	
Area 1	(19.7)
Area 2	(7.7)
Area 3	(0.1)
Area 4	(0.8)
Area 5	(0.8)
Total	(29.1)
Annexed to City	
Area 6	1.8
Area 7	0.2
Area 8	0.4
Total	2.4
Total Net Change	(26.7)

¹ Does not include land under operational buildings (i.e., Technicolor and Citywalk buildings)

Sources: NBC Universal; Rios Clementi Hale Studios; Matrix Environmental
 Prepared by: HR&A Advisors, Inc.

Figure 2



NBC UNIVERSAL EVOLUTION PLAN ANNEXATION/DETACHMENT AREAS

Also with the completion of the proposed jurisdictional boundary adjustments, the Project would result in transfers of existing gross building area from the City to the County and from the County to the City. As shown in Table 2, the City would annex approximately 98,000 square feet of studio office space, including one of the former Technicolor buildings and the Rock Hudson building, which consists of space that is categorized in the Project as Studio Office. The City would lose approximately 46,000 square feet of existing (and currently operating) Entertainment Retail uses located at CityWalk, and would gain approximately 24,000 square feet of an existing but vacant (and not operating) Entertainment Retail building (the former Fung Lum restaurant building). When accounting for the detachments and annexations, the City would have a net gain of approximately 52,000 square feet of gross building area immediately after the boundary adjustments occur.

Table 2
Building Square Footage Changes in City of Los Angeles
Immediately After Boundary Adjustments

Land Uses	Building Square Feet
Studio Office	
Technicolor (vacant)	80,087
Rock Hudson	<u>17,454</u>
<i>Subtotal</i>	97,541
Entertainment Retail	
Citywalk Retail Uses	(45,550)
Fung Lum Restaurant (vacant)	<u>23,900</u>
<i>Subtotal</i>	(21,650)
Total Net Change	<u>51,992</u>
<i>Sources: NBC Universal; Rios Clementi Hale Studios; Matrix Environmental</i>	
<i>Prepared by: HR&A Advisors, Inc.</i>	

B. Tax Revenue Generation Conclusions

Based on the unimproved land and gross building area changes immediately after the proposed boundary adjustments occur, land use-specific revenue generation factors derived from a case study of existing operations at NBC Universal, estimations of how the unimproved land areas relate to the assessed value of land in the official land parcels with which they are associated, and the particulars of the applicable City tax rates and tax formulas (e.g., sales tax, utility user's tax, property tax, motor vehicle license fee in-lieu property tax, utility user's tax, gross receipts tax and parking tax), HR&A estimates that prior to any new development as contemplated by the Project, implementation of the Project would produce an estimated loss of \$575,000 in annual tax revenues for the City. These results are summarized in Table 3. All dollar amounts are expressed in constant 2008 dollars for consistency with analyses HR&A prepared for the Project's Draft and

Final Environmental Impact Report. Detailed tax revenue calculations are provided in Appendix A to this memorandum.

Table 3
NBC Universal Evolution Plan Alternative 10
Annual Recurring Tax Revenue Changes in City of Los Angeles
Immediately After Proposed Boundary Adjustments

BY TAX CATEGORY	
Tax Revenues	City of LA Revenues (in 2008 \$)
Sales Tax	\$ (264,254)
Property Tax	\$ (68,638)
Motor Vehicle License Fees In-Lieu Property Tax	\$ (16,883)
Utility User's Tax	\$ (8,534)
Gross Receipts Tax	\$ (33,560)
Parking Tax	\$ (182,826)
Total Recurring	\$ (574,695)

Sources: NBC Universal; HR&A Advisors, Inc.

The City will also receive certain one-time tax revenues associated with the construction of proposed Project improvements located in the boundary adjusted areas. As set forth in our September 17, 2012, memorandum, these tax revenues total approximately \$910,000 from sales tax on construction materials and the gross receipts tax on construction earnings. Further, the City will receive annually recurring incremental tax revenues from annual operations of the Project's completed development. As set forth in our September 17, 2012, memorandum the annual tax revenues specific to the boundary adjusted areas will total approximately \$7.7 million. Supporting detailed tax revenue calculations are provided in Appendix A to the September 17, 2012 HR&A memorandum.

C. Conclusion

According to the estimates presented herein, the Project's boundary adjusted land uses would generate a modest reduction in City tax revenue immediately after boundary adjustments (-\$575,000). However, as demonstrated in the analysis presented in the September 17, 2012 HR&A memorandum, the Project would generate a significant net annual tax revenues increase for the City once the Project is fully built out (+\$7.7 million). Additionally, the City will receive one-time tax revenues (+\$910,000) from construction. Therefore, although the City would lose some sales tax, property tax, parking tax and certain other revenues associated with the loss of unimproved land, CityWalk retail and certain Studio Office spaces, this loss is more than compensated for by new revenues from the Project's proposed new hotel and new Studio and Studio Office uses.

Appendix A

Tax Calculation Details, by Land Use

**Estimate of Recurring Tax Revenues
to the City of Los Angeles from
Operation of the Existing Studio Office Facilities,
Alternative 10**
(all dollar values in 2008 \$)

Annual Recurring Revenues		
Sales Tax	\$	-
Property Tax	\$	12,744
MLV In-Lieu Property Tax	\$	3,135
Utility User's Tax	\$	3,993
Gross Receipts Tax	\$	-
Total Annual Recurring Revenues	\$	19,871

Source: HR&A Advisors, Inc.

Annual Property Tax		<u>Assumption Sources</u>	
Rock Hudson			
Total Gross New SF	17,454	NBC Universal	
Total AV per SF	\$ 250	HR&A	
Assessed Value	\$ 4,363,500		
Technicolor			
Total Gross New SF	\$ 80,087	NBC Universal	
Total Development Cost per SF	\$ 456	NBC Universal	
Total Construction Cost	\$ 36,519,672		
Assessed Value (75% Construction)	\$ 27,389,754		
Prop. Tax Rate (General Levy)	1.00%	Prop. 13	
General Levy Property Tax	\$ 317,533		
City of LA Share (TRA 00013) x 1%	0.26284779%	LA County Assessor	
County of LA Share \$	\$ 11,469		
Voter-approved indebtedness to LA (share)	0.00079500%	LA County Assessor	
Voter-approved indebtedness to LA \$	\$ 35		
Special Assessments to LA (share)	0.02841691%	LA County Assessor	
Special Assessments to LA \$	\$ 1,240		
Taxes Revenue to City of LA	\$ 12,744		

Annual Utility Users' Tax Revenue

Electricity			
Annual Electricity Cost/GLA SF	\$ 1.75	HR&A	
Net New GLA SF	17,454	Only Rock Hudson	
Annual Electricity Cost	\$ 30,545	NBC Universal	
Tax Rate	12.50%	City of LA	
Subtotal Tax Revenue	\$ 3,818		
Natural Gas			
Annual Electricity Cost/GLA SF	\$ 0.10	HR&A	
GLA SF	17,454	Only Rock Hudson	
Annual Electricity Cost	\$ 1,745		
Tax Rate	10.0%	City of LA	
Subtotal Tax Revenue	\$ 175		
Taxes Revenue to City of LA	\$ 3,993		

Motor Vehicle In-Lieu Property Tax

Total Assessed Value	\$ 4,363,500	Property Tax Analysis
City MVL in Lieu of Property Tax (2007-08)	297,256,000	City Budget
Citywide Assessed Value (2008) ⁶	\$ 413,773,567,411	LA Co. Assessor Annual Report
MVL In Lieu Share of Assessed Valuation	0.0718%	
Motor Vehicle License Fee In Lieu Revenue (2008 \$)	\$ 3,135	

**Estimate of Recurring Tax Revenues
 to the City of Los Angeles
 Operation of Existing Parking Lots,
 Alternative 10**
 (all dollar values in 2008 \$)

Annual Recurring Revenues		
Sales Tax	\$	-
Property Tax	\$	-
MLV In-Lieu Property Tax	\$	-
Utility User's Tax	\$	-
Gross Receipts Tax	\$	-
Parking Tax	\$	(182,826)
Total Annual Recurring Revenues	\$	(182,826)

Source: HR&A Advisors, Inc.

Assumption Sources

Parking Tax		
Annual Parking Charges	\$ (1,828,258)	NBCU
Tax Rate	10.0%	City of LA
Annual Revenue to City of LA (2008 \$)	\$ (182,826)	

**Estimate of Recurring Tax Revenues
to the City of Los Angeles from
Operation of Existing Un-Improved Land,
Alternative 10**
(all dollar values in 2008 \$)

Annual Recurring Revenues		
Sales Tax	\$	-
Property Tax	\$	(59,287)
MLV In-Lieu Property Tax	\$	(14,583)
Utility User's Tax	\$	-
Gross Receipts Tax	\$	-
Total Annual Recurring Revenues	\$	(73,871)

Source: HR&A Advisors, Inc.

Assumption Sources

Annual Property Tax

Detached from City Land

	Partition Acreage	Total Parcel	Total AV	Prorated AV	
Area 1	(19.7)	28.8	\$27,302,710	(\$18,641,417)	RCH; NBCU; LA County Assessor
Area 2	(7.7)	12.6	\$7,685,961	(\$4,661,128)	RCH; NBCU; LA County Assessor
Area 3	(0.1)	12.6	\$7,685,961	(\$84,804)	RCH; NBCU; LA County Assessor
Area 4	(0.8)	12.6	\$7,685,961	(\$512,081)	RCH; NBCU; LA County Assessor
Area 5	(0.8)	0.8	\$90,552	(\$90,552)	RCH; NBCU; LA County Assessor
Total	(29.1)			(\$23,989,982)	

Annexed to City Land

Area 6	1.8	63.2	\$91,194,960	\$2,604,011	RCH; NBCU; LA County Assessor
Area 7	0.2	67.4	\$129,622,249	\$306,532	RCH; NBCU; LA County Assessor
Area 8	0.4	67.4	\$129,622,249	\$779,741	RCH; NBCU; LA County Assessor
Total	2.4			\$3,690,284	

Net Land SF	(1,164,673)				
Net Assesed Value	\$ (20,299,697)				
Prop. Tax Rate (General Levy)	1.00%				Prop. 13
General Levy Property Tax	\$ (202,997)				
City of LA Share (TRA 00013)	0.26284779%				LA County Assessor
City of LA Share \$	\$ (53,357)				
Voter-approved indebtedness to LA (share)	0.00079500%				LA County Assessor
Voter-approved indebtedness to LA \$	\$ (161)				
Special Assessments to LA (share)	0.02841691%				LA County Assessor
Special Assessments to LA \$	\$ (5,769)				
Annual Revenue to City of LA (2008 \$)	\$ (59,287)				

Motor Vehicle In-Lieu Property Tax

Total Assessed Value	\$ (20,299,697)				Property Tax Analysis
City MVL in Lieu of Property Tax (2007-08)	297,256,000				City Budget
Citywide Assessed Value (2008) ⁶	\$ 413,773,567,411				LA Co. Assessor Annual Report
MVL in Lieu Share of Assessed Valuation	0.0718%				
Motor Vehicle License Fee In Lieu Revenue (2008 \$)	\$ (14,583)				

**Estimate of Recurring Tax Revenues
to the City of Los Angeles from
Operation of Existing CityWalk Facilities,
Alternative 10**
(all dollar values in 2008 \$)

Annual Recurring Revenues		
Sales Tax	\$	(264,254)
Property Tax	\$	(30,331)
MLV In-Lieu Property Tax	\$	(7,461)
Utility User's Tax	\$	(12,526)
Gross Receipts Tax	\$	(33,560)
Total Annual Recurring Revenues	\$	(348,132)

Source: HR&A Advisors, Inc.

			<u>Assumption Sources</u>		
Annual Property Tax			Motor Vehicle In-Lieu Property Tax		
Total Development Cost			Total Assessed Value	\$ (10,385,286)	
Total Gross New SF	(45,550)	NBC Universal	CityMVL in Lieu of Property Tax (2007-08)	\$ 297,256,000	City Budget
Cost per SF	\$ 228	NBC Universal	City Assessed Value (2008)	\$ 413,773,567,411	LA County Assessor Annual Report
Assessed Value	\$ (10,385,286)		MVL in Lieu Share of Assessed Valuation	<u>0.0718%</u>	
Prop. Tax Rate (General Levy)	1.00%	Prop. 13	Motor Vehicle License Fee In Lieu Revenue (2008 \$)	\$ (7,461)	
General Levy Property Tax	\$ (103,853)				
LA Share (TRA 00013)	0.26284779%	LA County Assessor	Gross Receipts Tax		
LA Share \$	\$ (27,297)		Tenant Total Sales	\$ (26,425,380)	
Voter-approved indebtedness to LA (share)	0.00079500%	LA County Assessor	Tax Rates		
Voter-approved indebtedness to LA \$	\$ (83)		Per \$1,000	\$ 1.27	City of LA, 2012
Special Assessments to LA (share)	0.02841691%	LA County Assessor	Annual Revenue to City of LA (2008 \$)	(33,560)	
Special Assessments to LA \$	\$ (2,951)				
Annual Revenue to City of LA (2008 \$)	\$ (30,331)				
Annual Utility Users' Tax Revenue					
Electricity					
Annual Electricity Cost/GLA SF	\$ 2.00	HR&A			
GLA SF	(45,550)	NBC Universal			
Annual Electricity Cost	\$ (91,099)				
Tax Rate	10.00%	City of LA			
Subtotal Tax Revenue	\$ (9,110)				
Natural Gas					
Annual Electricity Cost/GLA SF	\$ 0.75				
GLA SF	(45,550)	NBC Universal			
Annual Electricity Cost	\$ (34,162)				
Tax Rate	10.0%	City of LA			
Subtotal Tax Revenue	\$ (3,416)				
Annual Revenue to City of LA (2008 \$)	\$ (12,526)				
Sales Tax					
Net New Retail GLA SF	(45,550)	NBC Universal			
Taxable Sales/GLA SF	\$ 580	HR&A			
Annual Taxable Sales	\$ (26,425,380)	NBC Universal			
Tax Rate	<u>1.00%</u>	Includes 0.25% remitted as property tax per "triple flip"			
Annual Revenue to City of LA (2008 \$)	\$ (264,254)				

**Estimate of Recurring Tax Revenues
to the City of Los Angeles from
Operation of Existing Fung Lum Building,
Alternative 10**
(all dollar values in 2008 \$)

Annual Recurring Revenues		
Property Tax	\$	8,237
MLV In-Lieu Property Tax	\$	2,026
Total Annual Recurring Revenues	\$	10,263

Source: HR&A Advisors, Inc.

Annual Property Tax

Total Development Cost	
Total Gross New SF	23,900
Cost per SF	\$ 118
Subtotal	\$ 2,820,200
Prop. Tax Rate (General Levy)	1.00%
General Levy Property Tax	\$ 28,202
LA Share (TRA 00013)	0.26284779%
LA Share \$	\$ 7,413
Voter-approved indebtedness to LA (share)	0.00079500%
Voter-approved indebtedness to LA \$	\$ 22
Special Assessments to LA (share)	0.02841691%
Special Assessments to LA \$	\$ 801
Annual Revenue to County of LA (2008 \$)	\$ 8,237

Assumption Sources

NBC Universal
NBC Universal
Prop. 13
LA County Assessor
LA County Assessor
LA County Assessor

Motor Vehicle In-Lieu Property Tax

Total Assessed Value	\$ 2,820,200	
City MVL in Lieu of Property Tax (2007-08)	\$ 297,256,000	City Budget
City Assessed Value (2008)	\$ 413,773,567,411	LA County Assessor
MVL In Lieu Share of Assessed Valuation	<u>0.0718%</u>	
Motor Vehicle License Fee In Lieu Revenue (2008 \$)	\$ 2,026	