

Palmer HOTEL

FOR SALE - LEASEHOLD INTEREST



6360-6366 HOLLYWOOD BOULEVARD, LOS ANGELES, CA 90028

ENTITLED 57-KEY ADAPTIVE REUSE HOTEL PROJECT
VACANT • UNENCUMBERED • 40,759 SF
LEASEHOLD INTEREST - 87.5 YEARS REMAINING

CONFIDENTIAL OFFERING MEMORANDUM





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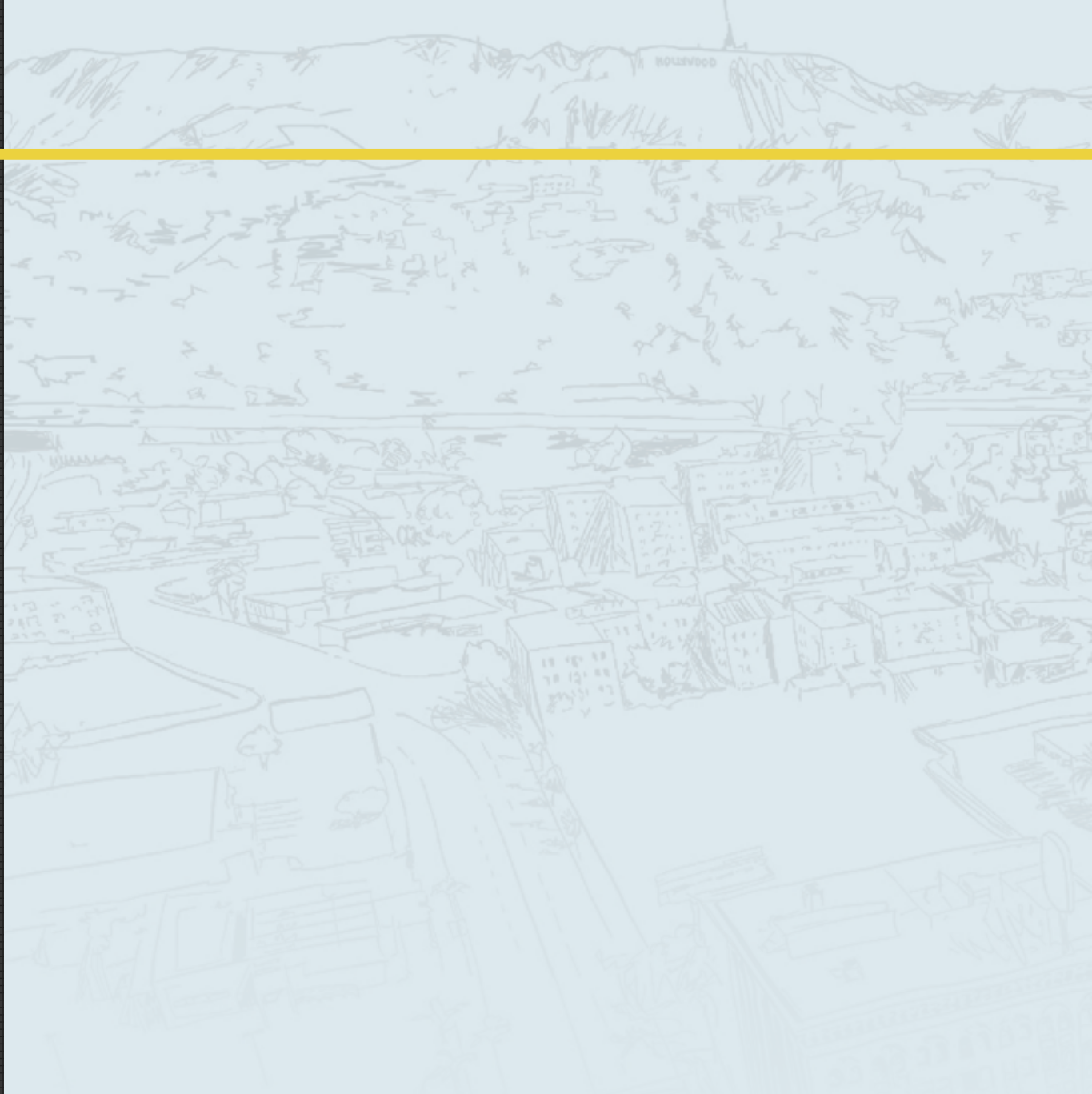


EXCLUSIVE AGENTS

MIKE CONDON, JR.
+1 213 629 7379
mike.condon@cushwake.com
Ca Lic. #01884476

CONNOR MARTIN
+1 213 426 3005
connor.martin@cushwake.com
Ca Lic. #02152889

MCKENNA GASKILL
+1 213 629 6529
mckenna.gaskill@cushwake.com
Ca Lic. #02049956





Palmer HOTEL

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Executive **SUMMARY**

THE OPPORTUNITY

Cushman & Wakefield of California, Inc. as exclusive advisor, is pleased to present the opportunity to acquire the leasehold interest in the **Palmer Hotel** (the “Property”), a four-story (plus a rooftop), 40,759 square foot adaptive reuse hospitality project located at 6360-6366 Hollywood Boulevard in Hollywood, CA 90028. The Property, also known as the “Palmer Building” was built in 1921 by Hollywood businessman and physician Dr. Erwin O. Palmer to house the Hollywood Citizen newspaper.

The Property is fully entitled for 57 hotel rooms with 12,904 square feet of restaurant and lounge space, including a rooftop pool and bar/restaurant with direct panoramic views of the Hollywood sign. There is a CUP in-place for alcohol sales in the basement, the ground-floor, and on the rooftop. The Property is located on the Walk of Fame in the heart of Hollywood, where foot traffic, a key measure for the neighborhood’s tourism sector and economic vibrancy, has returned to pre-pandemic levels.





4

**STORIES +
ROOFTOP**

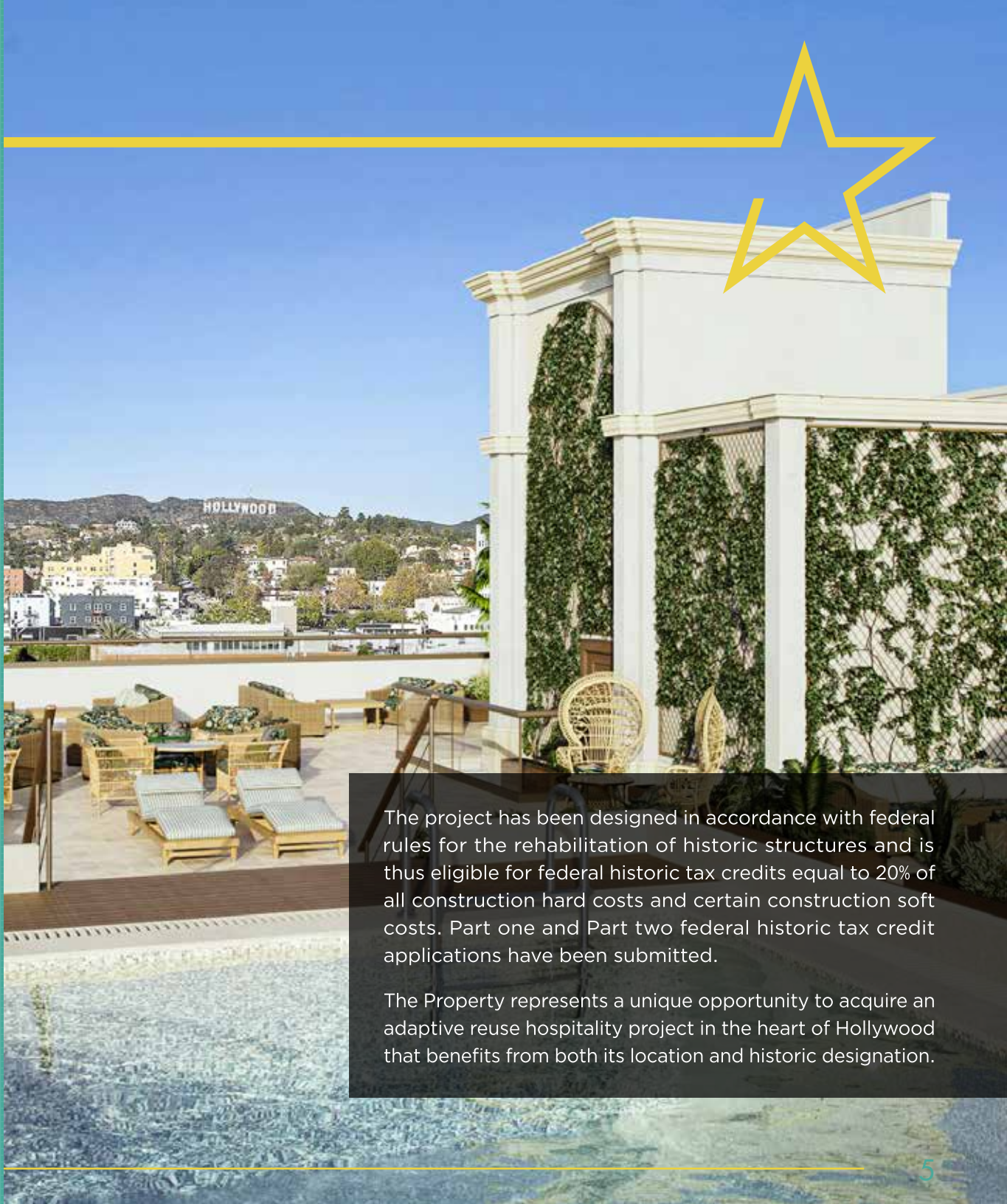
40,759
SQUARE FEET

57

HOTEL ROOMS

12,904

**SF RESTAURANT &
LOUNGE SPACE**



The project has been designed in accordance with federal rules for the rehabilitation of historic structures and is thus eligible for federal historic tax credits equal to 20% of all construction hard costs and certain construction soft costs. Part one and Part two federal historic tax credit applications have been submitted.

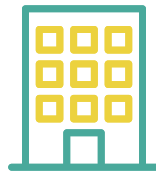
The Property represents a unique opportunity to acquire an adaptive reuse hospitality project in the heart of Hollywood that benefits from both its location and historic designation.

Investment HIGHLIGHTS

IVAR AVE



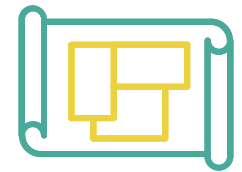
Prime Hollywood location, situated among hip & vibrant retail, restaurants and nightclubs, surrounded with new development



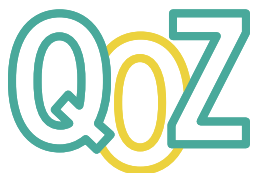
Rare adaptive reuse of a vacant, historic building allows for a substantially simplified and cost effective approach to creating a hotel. The project benefits from use of historic building code and does not require time consuming ground-up construction including expensive and complicated underground parking



Opportunity to capitalize on advantageous tax credits by preserving and rehabilitating a historic building



Project has undergone an almost 3 year entitlement process including a zone change to allow rooftop food and beverage uses. In addition a full set of construction drawings have been completed and submitted to LADBS



Located in a Qualified Opportunity Zone, providing the opportunity to achieve additional tax incentives



Long-term ground lease structure enables investors to acquire the Project at a lower capital basis than fee simple ownership



Approved City of Los Angeles Conditional Use Permit that permits the sale of a full line of alcoholic beverages throughout the hotel, including difficult-to-obtain rooftop service locations with flexible operating hours



Features panoramic views of the Hollywood sign from the rooftop and the north-facing rooms and sits on 50 feet of frontage along Hollywood Boulevard on a visible corner location in the heart of Hollywood

REGIONAL MAP



Centrally located in the heart of Hollywood



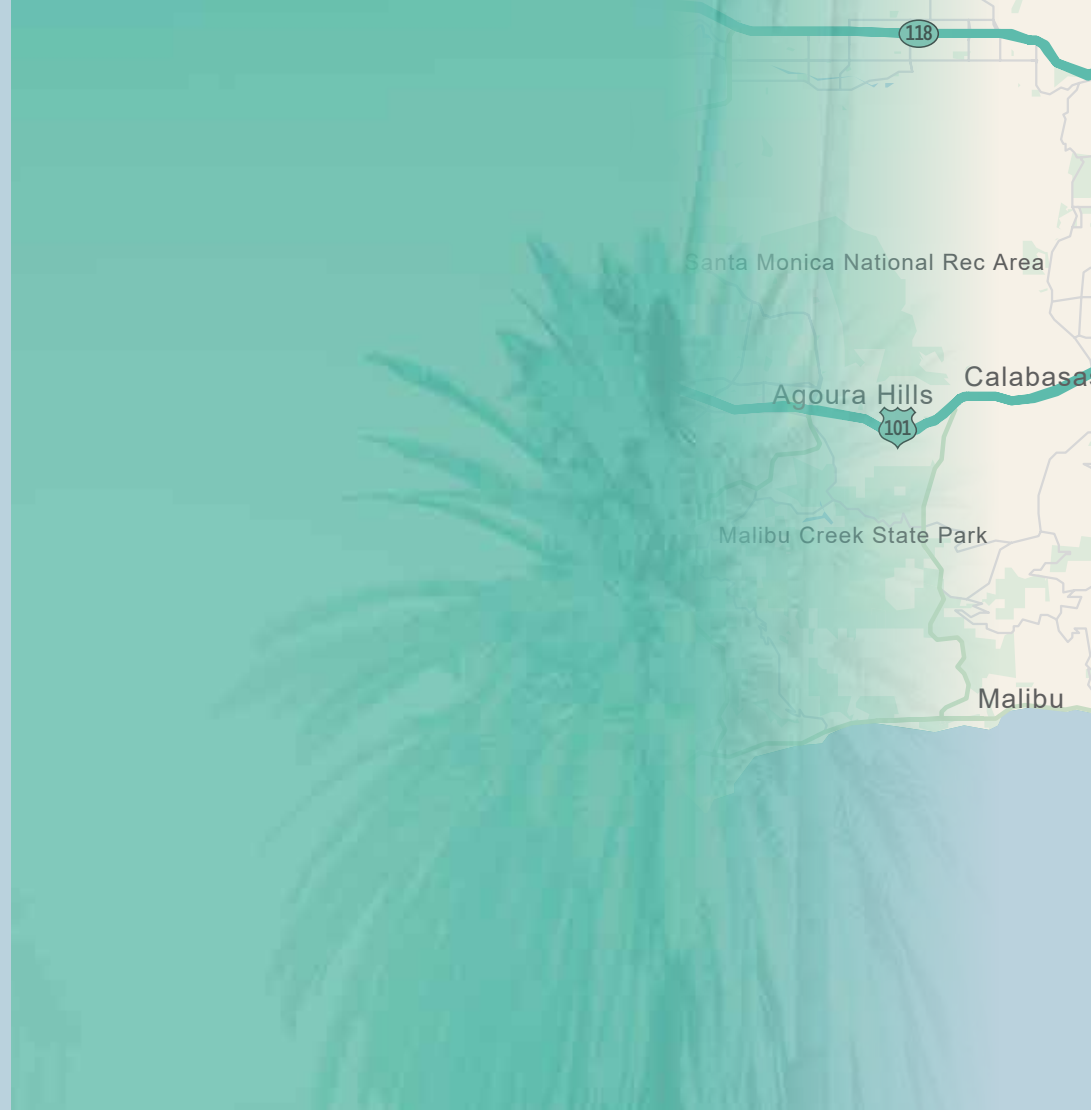
One half mile to Highway 101 and one mile from the I-5 Freeway and nearby the I-110/I-10 interchanges



Walking distance to the Hollywood/Highland metro station, providing convenient access to the Greater LA area



Proximate to Los Angeles International Airport (13 Miles Southwest) and the Hollywood Burbank Airport (7.5 miles north)



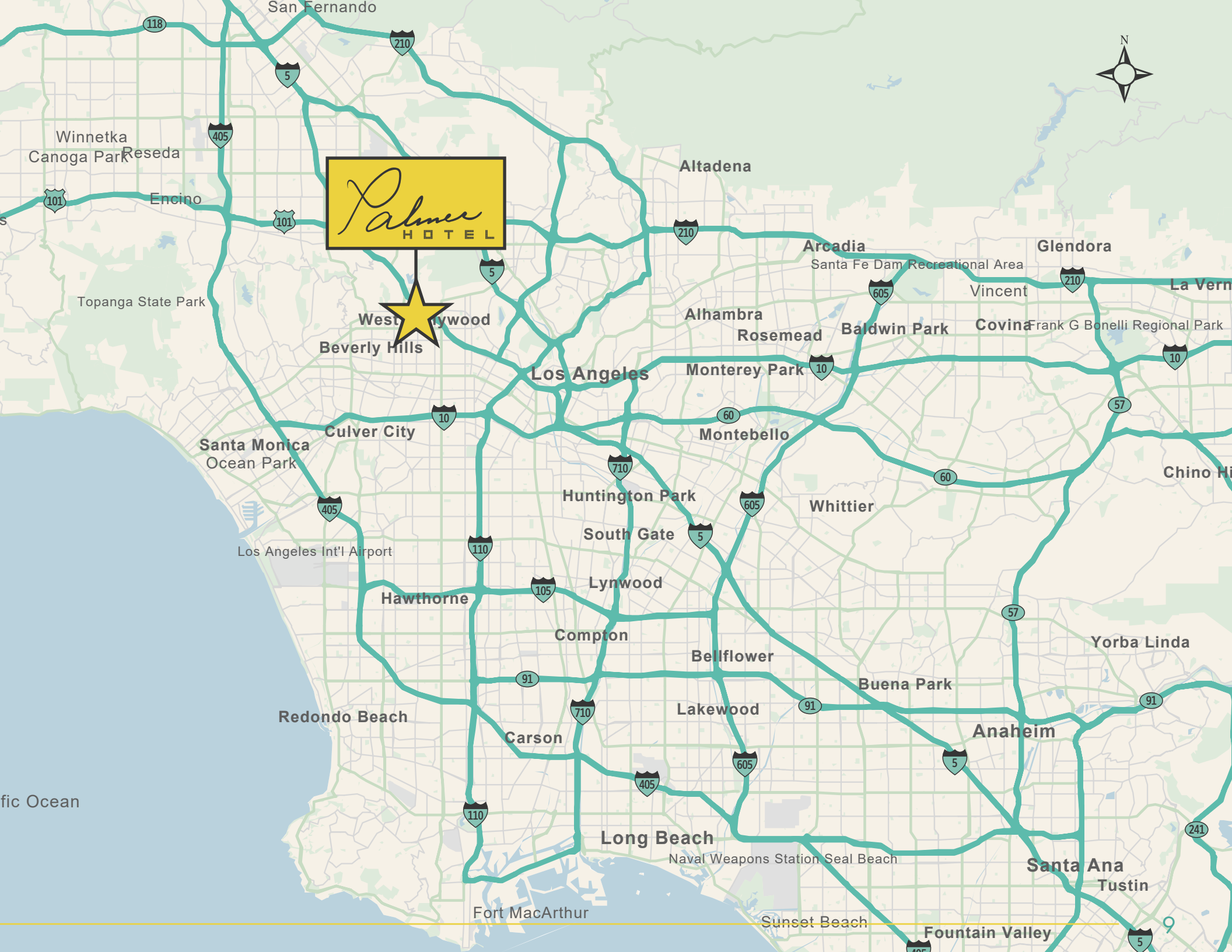
DRIVE TIMES

25-minute drive to Santa Monica Pier

25-minute drive to LAX airport

20-minute drive to Hollywood Burbank Airport

35-minute drive to the South Bay



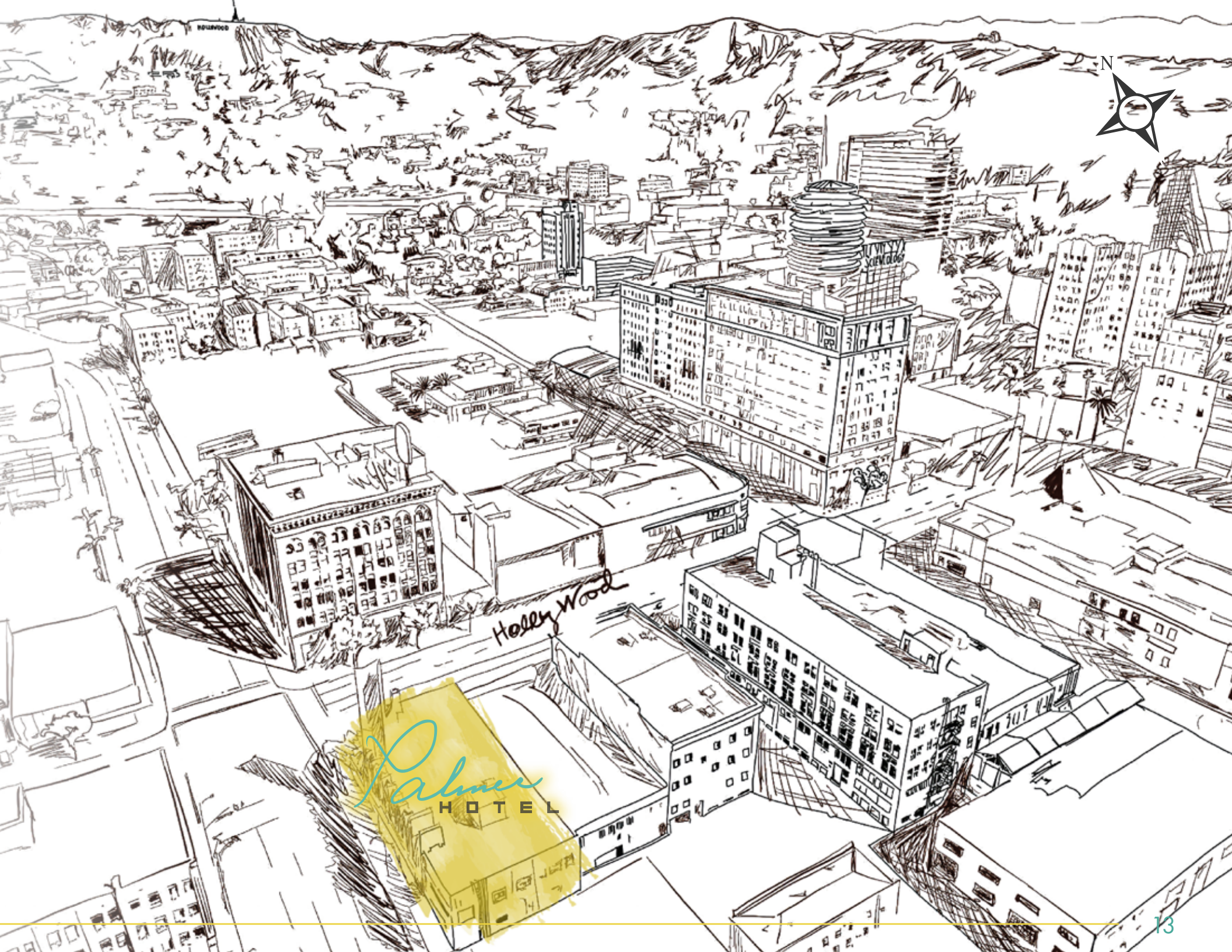


Property OVERVIEW



Address	6360-6366 Hollywood Boulevard, Los Angeles, CA 90025
Existing Improvements	Existing four-story vacant office/retail building
Lot Size (SF)	7,500
APN	5546-008-019
Zoning	(T)(Q)C2-2D-SN
Transit Oriented Community	Tier 4
State Enterprise Zone	Yes
Qualified Opportunity Zone	Yes
Project Area	Adaptive Reuse Incentive Area MTA Right-of-Way Project Area Transit Priority Area
Historic District	Hollywood Boulevard Commercial and Entertainment District





Hollywood

Palms
HOTEL

Amerity

MAP

US 101

LOS ANGELES



LA METRO



LYWOOD BLVD



WESTER

SUNSET BLVD



GOWER ST

WILTON PL

NORMANDIE AV



SANTA MONICA BLVD



US 101

MELROSE AV



Palmer HOTEL

EXISTING
BUILDING SIZE

41,056

SQUARE FEET

NUMBER OF STORIES

4

YEAR

1921

BUILT

BUILDING

82 FT

HEIGHT

OCCUPANCY

VACANT

EXISTING BUILDING

The existing building is a vacant building in the heart of Hollywood. The Property is currently nonconforming in terms of height and FAR, offering an investor a building that is larger in scale due to its grandfathered size.

The Property is a contributor to the Hollywood Commercial and Entertainment Historic District and benefits from its location in the Adaptive Reuse Incentive Area, the Los Angeles State Enterprise Zone, the Tier 4 Transit Priority Area, and the Federal Opportunity Zone.



GROUND LEASE ABSTRACT

The leasehold interest is highly unique in both its duration (87.5 years remaining) and in its rent escalation structure. Annual rent escalations are non-compounding (a flat \$18,000 annually), thus creating a lease payment that will be further and further below market over time.

Site Address	6360-6366 Hollywood Boulevard, Hollywood, CA 90028
Assessor Parcel Number	5546-008-019
Lease Commencement Date	June 18, 2019
Lease Expiration Date	June 18, 2110
Remaining Term (as of November 2022)	87.5 years with extensions
Initial Term	51 years (expires June 17, 2070)
First Extension	20 years at tenant election, \$2.0M extension fee, no market rent reset
Second Extension	20 years at tenant election, \$2.0M extension fee, market rent reset
Base Rent	\$600,000 per year
Rent Escalations	\$18,000 per year
Lease Type	Absolute Net (NNN); all expenses borne by Lessee
Sublease/Assignment	Lessee has the right to sublease or assign the lease with consent of the Landlord
Proposition 13 Protection	Lessee is not obligated to pay any portion of the increase in real estate taxes resulting from a reassessment of the Property through the sale, lease, or transfer of ownership in the Landlord's fee interest of the land or improvements.



ADDITIONAL POTENTIAL TAX ADVANTAGES

In addition to the Federal Historic tax credit program the project may be eligible for California State historic tax credits, as California signed legislation that created California's Historic Tax Credit, which allows up to \$50 million annually in tax credits for qualifying costs associated with the rehabilitation of historic structures in the State. Along with boosting preservation efforts of historic buildings, the legislation is expected to encourage the development of more affordable housing and improve the resilience of historic structures in general.

The California Historic Tax Credit is modeled after the Federal Historic Preservation Tax Incentives program, which provides a 20% income tax credit for the rehabilitation of historic income-producing buildings. Commonly known as the Federal Historic Tax Credit, this credit is based on qualified rehabilitation expenses, which essentially amount to any dollar that's put into the rehabilitation of a (historic) building. Such expenses include construction costs as well as fees for architectural and engineering services. The federal tax credit provides a major incentive for developers looking to rehabilitate historic structures.

Similar to its federal counterpart, California's program provides a 20% tax credit for qualified rehabilitation expenditures of certified historic structures. However, California offers a 5% bonus for five types of projects. Specifically, a 25% tax credit is available for historic rehabilitation projects meeting any of the following conditions:

- Structures located on local, state, or federal surplus property or land
- Structures that include affordable housing for lower-income households
- Structures located in a designated census tract in which the rates of unemployment and poverty are within the top 25% statewide
- Structures that are part of a military base reuse authority
- Structures that are part of certain transit-oriented developments

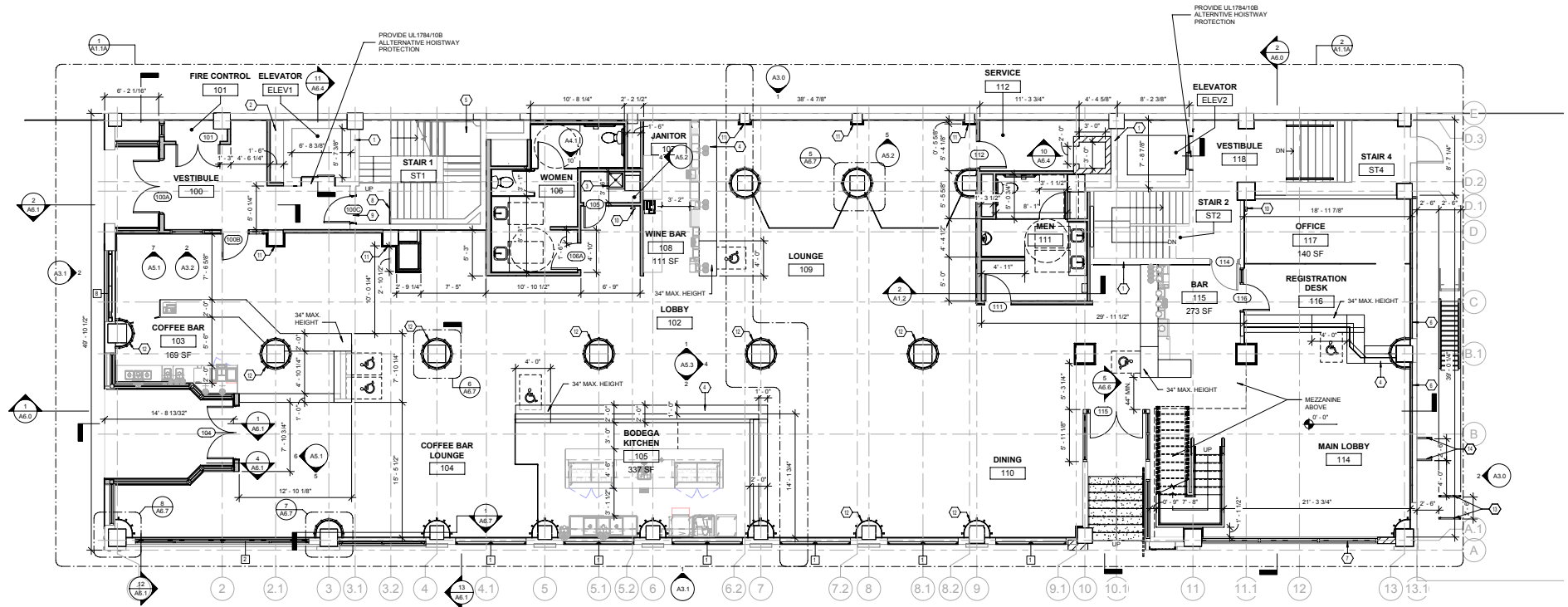
As for the potential benefits of California's new historic tax credit, the 2019 legislation (S.B. 451) establishing the five-year program lists the following "specific goals, purposes, and objectives" to be achieved by the tax credits, according to the law's text: leveraging \$287 million in private investment, creating 1,300 construction jobs and another 2,140 ongoing jobs, and creating \$800 million in economic activity.

HOTEL LOBBY RENDERING



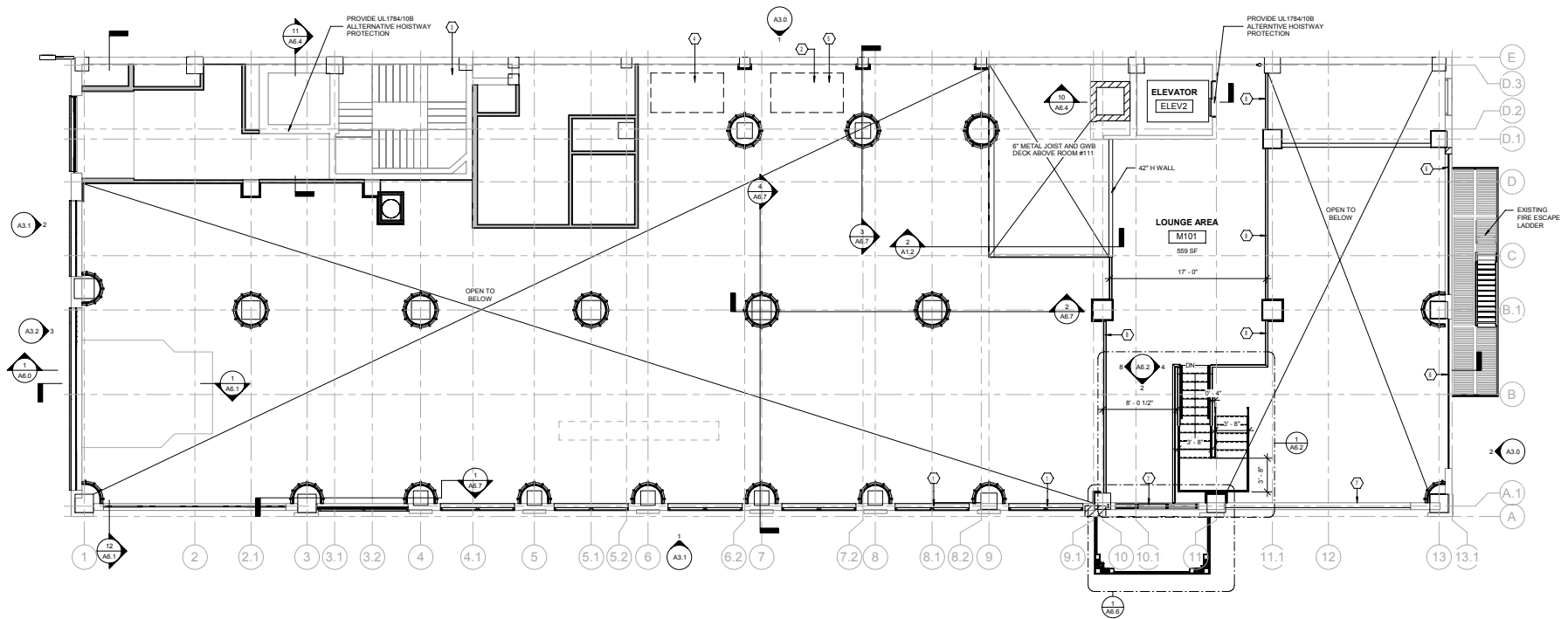




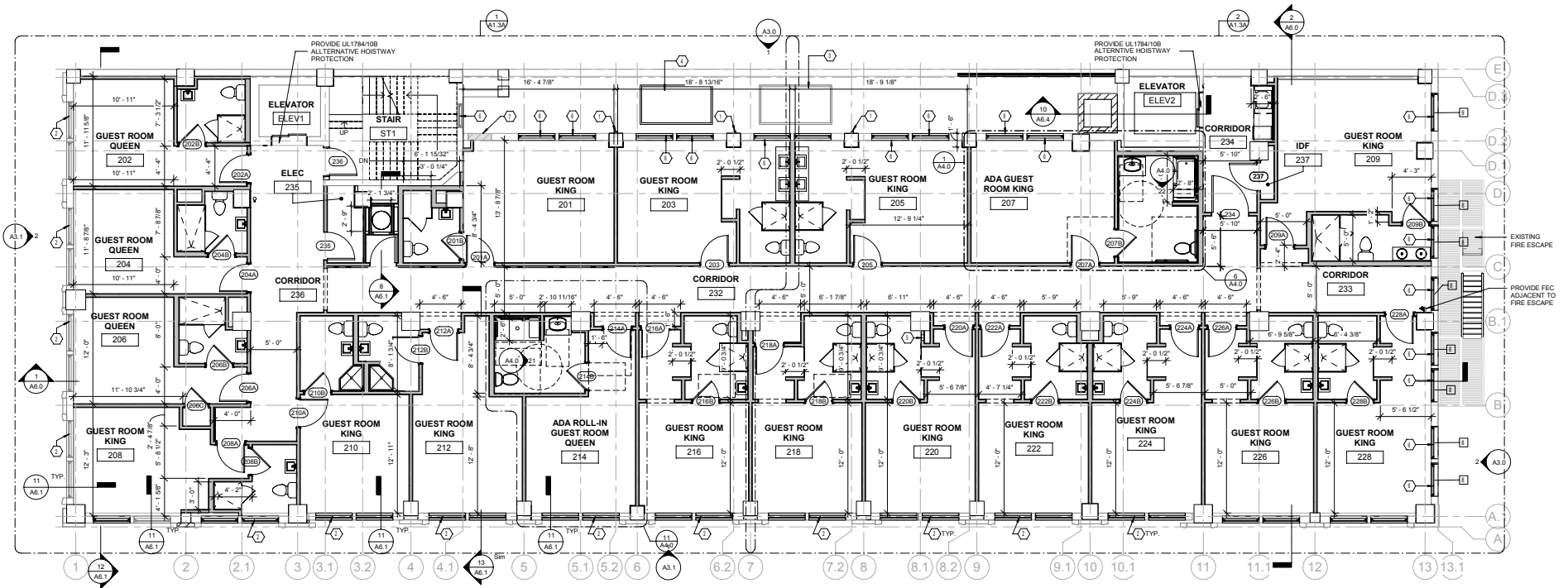


GROUND LEVEL

Floor PLANS

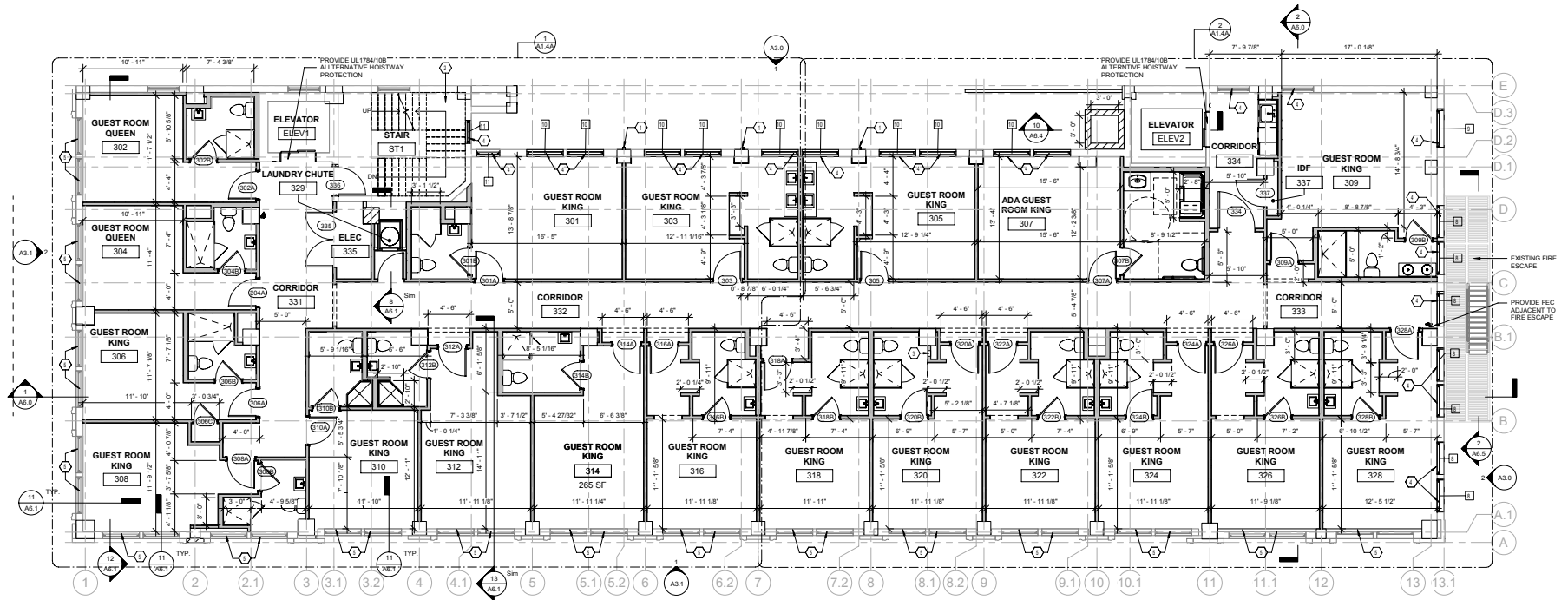


MEZZANINE LEVEL

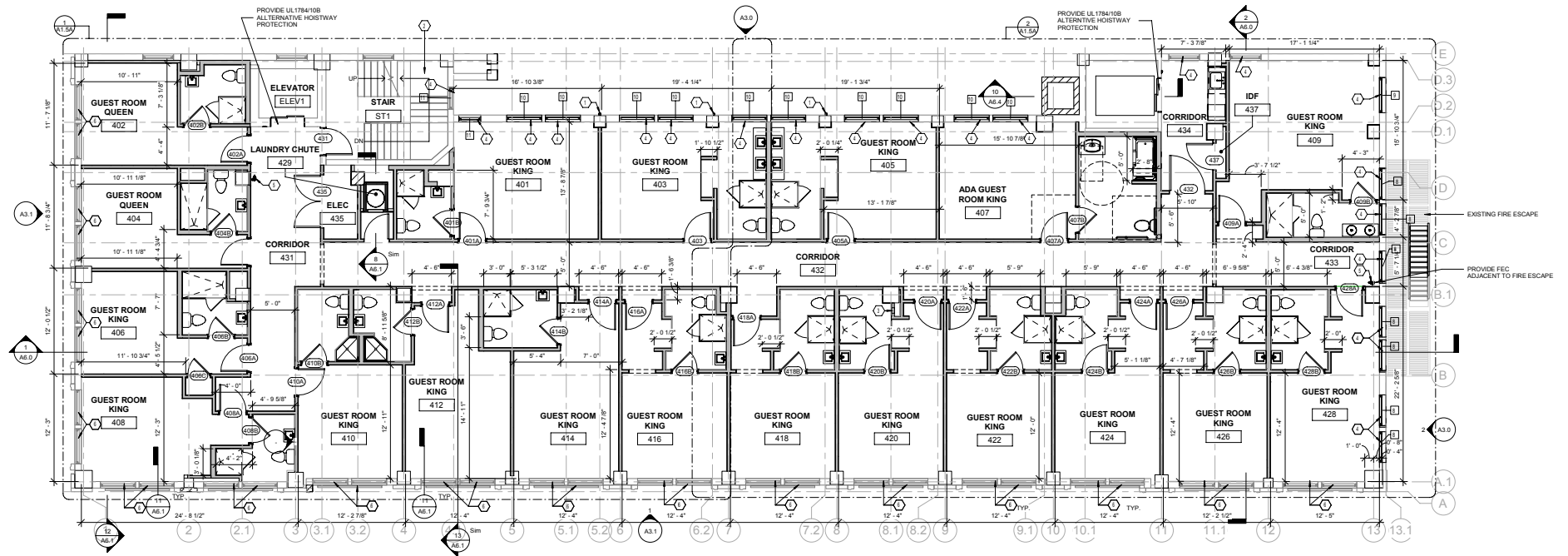


SECOND FLOOR

Floor PLANS

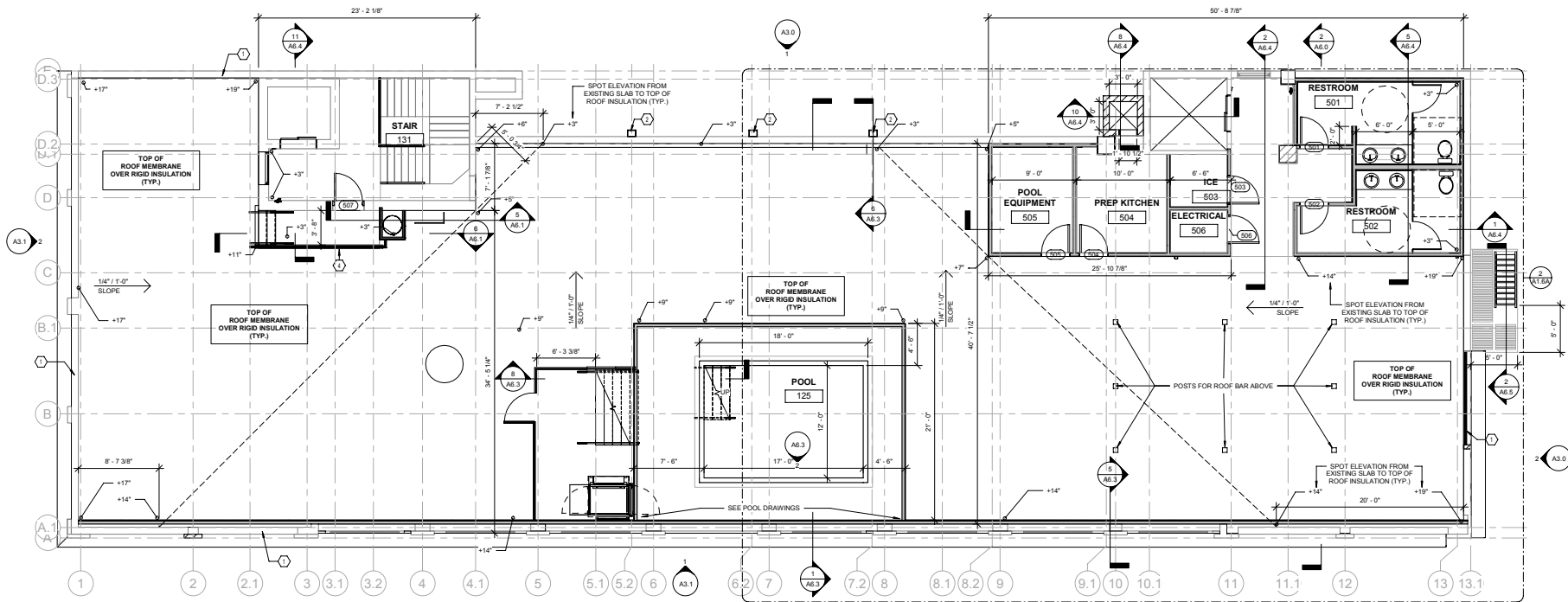


THIRD FLOOR



FOURTH FLOOR

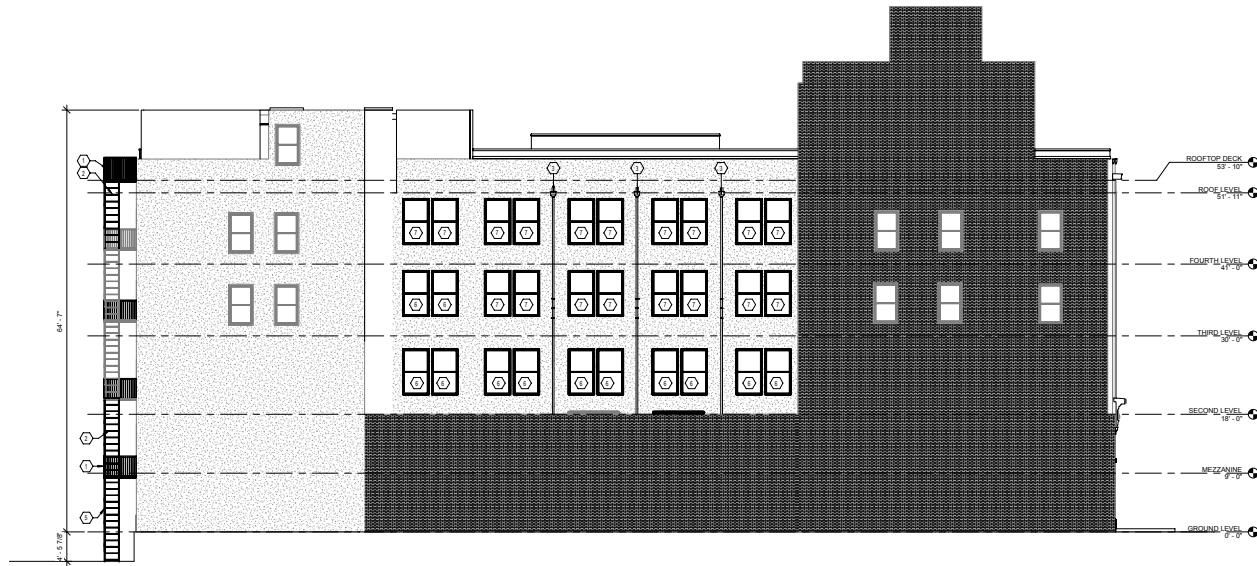
Floor PLANS



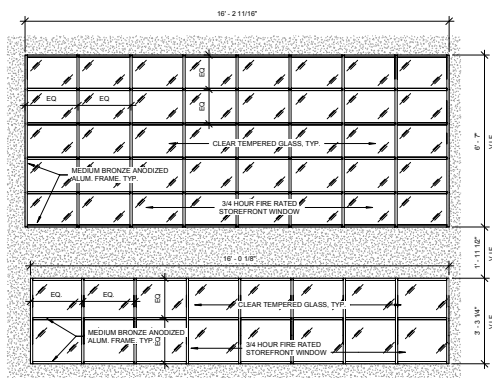
ROOFTOP



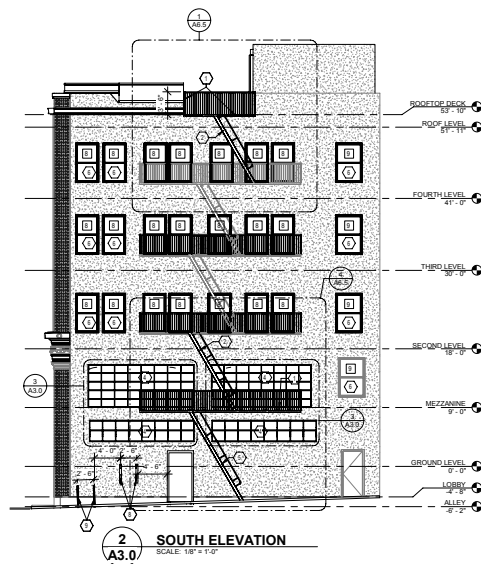
EAST ELEVATIONS



1 EAST ELEVATION
SCALE: 1/8" = 1'-0"

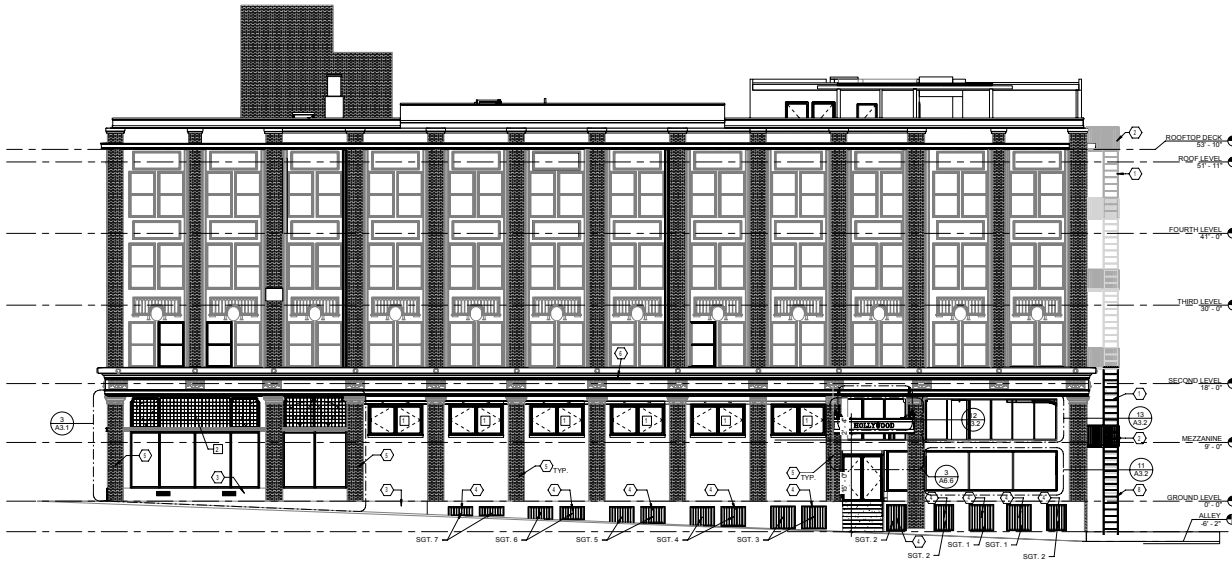


3 STOREFRONT ELEVATIONS
SCALE: 1/2" = 1'-0"



2 SOUTH ELEVATION
SCALE: 1/8" = 1'-0"

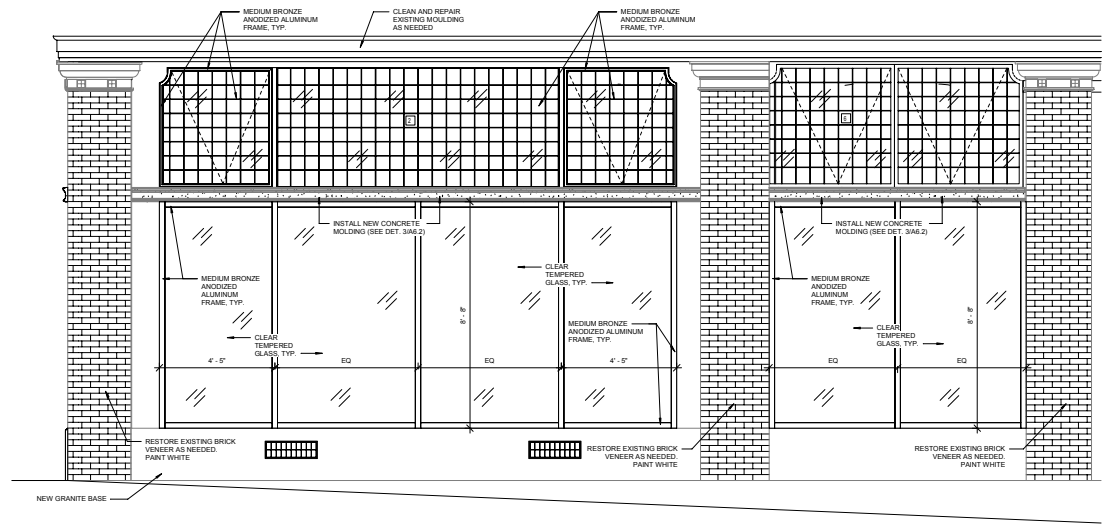
WEST ELEVATIONS



1 WEST ELEVATION
SCALE: 1/8" = 1'-0"



2 NORTH ELEVATION



3 WEST ELEVATION - STOREFRONT



The background is a grayscale photograph of a city skyline, likely Los Angeles, featuring prominent skyscrapers and a multi-lane highway with traffic. A semi-transparent teal filter is applied to the entire image. A large, thick black arrow is superimposed on the left side, pointing diagonally upwards and to the right, with its tail at the bottom left and its head pointing towards the top right.

Market

OVERVIEW

Greater

LOS ANGELES MARKET OVERVIEW

The Property is in Los Angeles County, the most populous county in the United States with more than 10 million people; a population greater than that of 40 individual U.S. states. Los Angeles County has the third largest metropolitan area economy in the world, with a nominal GDP of over \$1 trillion. At 4,083 square miles, Los Angeles County has 88 incorporated cities and several more unincorporated areas. Los Angeles County is home to more than one-quarter of all California residents, and notably, the City of Los Angeles.

Los Angeles is the largest city in California with an estimated population of nearly 4 million people and is the second-largest city in the United States, after New York City, and the third-largest city in North America. The City of Los Angeles lies in a basin in Southern California adjacent to the Pacific Ocean, extending through the Santa Monica Mountains and into the San Fernando Valley. In total, the City of Los Angeles covers 469 miles and is the seat of Los Angeles County. Los Angeles is known for its Mediterranean climate, ethnic and cultural diversity, Hollywood entertainment industry, and its sprawling metropolitan area.

Los Angeles has a diverse and robust economy, and hosts businesses in a broad range of professional and cultural fields. With over a dozen major industries, the LA region is also known for innovation as creative collisions occur where industries overlap, driving new business concepts and entirely new sectors, making LA the creative capital of the nation. All this success can be traced to a highly diverse, skilled workforce and visionaries who are reinventing everything from transit to translational medicine.

STUDENTS & WORKERS ALIKE ARE ATTRACTED TO LOS ANGELES' SUNNY WEATHER, BEAUTIFUL VIEWS, AND WORLD-RENOWN DESTINATIONS.



Of the 105 publicly-owned companies headquartered in California in the 2021 Fortune 500 List, 22 are headquartered in Los Angeles County. Total revenue for these companies in 2021 came to \$200 billion and the total market value was almost \$600 billion. The Walt Disney Company continues to be Los Angeles County's most valuable locally-based company, ranking 50th in the Fortune 500 list.

There are 63 accredited universities in Los Angeles, as well as 111 community colleges. Los Angeles boasts four universities within the nation's top 50 universities, including the California Institute of Technology, University of California Los Angeles, University of Southern California, and Pepperdine University.

Sources: U.S. Census, 2021 U.S. Gazetteer Files, Statista.com, LA Almanac, 2021 U.S. News University Rankings, fortune.com



2028 OLYMPICS

L.A. is also the only city in North America to have hosted the Summer Olympics twice - and by 2028 the third time. The 2028 Los Angeles Games will take place at existing venues such as Crypto.com Arena, home to the NBA's Lakers and Clippers, and Honda Center, home of the NHL's Anaheim Ducks. Plans also call for the use of existing facilities at convention centers in Los Angeles and Long Beach. The city of Los Angeles is not building new transportation systems specifically for the 2028 Games, but the incoming presence of the games sped up transit improvement projects that were already approved or underway. These include subway, light rail, rapid bus transit and express lane additions, designed to better connect riders to most parts of the city and expected to be finished before the start of the games.

The Los Angeles Games are expected to have an \$11 billion regional economic impact, according to a 2017 study by University of California, Riverside and consulting firm Beacon Economics, commissioned by the organizing committee. The impact includes \$167 million in tax revenue, up to 79,000 new full-time jobs and about \$7 billion in direct spending.

Source: CoStar ("Los Angeles Aims for 'No Build' 2028 Olympics on the Cheap" by Lou Hirsh)





The LA28 budget anticipates \$2.5 billion in corporate sponsorships and \$1.9 billion in ticket sales as the two largest revenue generators. Mayor Eric Garcetti anticipates generating \$1 billion in net income in 2028. As an added bonus, Los Angeles is among several U.S. cities vying to host matches during soccer's high-profile FIFA World Cup tournament in 2026.

Hollywood

MARKET OVERVIEW

Hollywood is a neighborhood in the central region of Los Angeles, California. Its name has come to be a shorthand reference for the U.S. film industry and the people associated with it. Many notable film studios such as Columbia Pictures, Walt Disney Studios, Paramount Pictures, Warner Bros., and Universal Pictures are located near or in Hollywood; Paramount still has its studios there. Hollywood was incorporated as a municipality in 1903. It was consolidated with the city of Los Angeles in 1910 and soon thereafter a prominent film industry emerged, eventually becoming the most recognizable in the world.

Hollywood is bounded by Hollywood Boulevard to the north, Melrose Avenue to the south, Western Avenue to the East, and La Brea Avenue to the west. The diverse neighborhood includes areas such as Franklin Village, Little Armenia, Spaulding Square, Thai Town and the Yucca Corridor. As a neighborhood within the Los Angeles city limits, Hollywood does not have its own municipal government.

In Hollywood, you can find the Universal Studios Hollywood, the only authentic, working movie studio and theme park in the world. It's a can't-miss for visitors and is even a popular weekend attraction for LA locals. Also in Hollywood you can find the famous Hollywood Sign. Since it was dedicated in 1923, the Hollywood Sign has become a Los Angeles icon and synonymous with the city. Today the 45-foot-tall, 350-foot-long sign is in its best condition ever, thanks to the ongoing preservation efforts of the Hollywood Sign Trust.

Hollywood is home to some of LA's most famous and historic landmarks, including the Griffith Observatory, the Pantages Theatre, Hollywood Roosevelt, the Hollywood Bowl, the TCL Chinese Theatre, the Capitol Records Building, Musso & Frank Grill, Yamashiro, and Hollywood Forever. The Property sits right on the world-famous Hollywood Walk of Fame, which features more than 2,700 terrazzo and brass stars embedded in the sidewalk along 15 blocks of Hollywood Boulevard and three blocks of Vine Street. The five-pointed stars honor the accomplishments of actors, musicians, directors, producers and others in the entertainment industry.

Sources: *Discover Los Angeles*





WALK OF FAME MASTER PLAN

The Hollywood Walk of Fame is slated for an expansive makeover that, per the Master Plan,

- Aims to create a place that celebrates the unique identity of Hollywood
- Establish a forward-looking framework to address present-day challenges and to anticipate future needs
- Provide an exemplary experience for pedestrians, bicycles and transit riders, and enhance safety for all users
- Catalyze economic development throughout the Walk of Fame corridor
- Provide spaces and amenities that accomodate a range of activities
- Protect and preserve valuable historic resources

Construction on the Walk of Fame will begin in the summer of 2023 on the “quick-build” streetscape imporalong the most popular sections of Hollywood Boulevard. The \$7.2 million mini-makeover, funded by the Measure M-enabled Metro Active Transport program will provide bus shelters and boarding platforms, plus bike racks, transit kiosks, benches and waste receptacles. Several bus stop will be consolidated as part of Metro’s “NextGen” program. The project also aims to improve pedestrian safety, which includes reducing the number of pedestrian crossings along Hollywood Boulevard.

Construction on the quick-build is projected to finish in 2024, which is the same year that the full build-out of the Hollywood Walk of Fame master plan is projected to commence. This phase of the full project will add another few feet of pedestrian space on the Boulevard, as well as additional bike lanes. It will also reduce two lanes of car traffic in each direction to just one each way, including a center turning lane.

Source: CoStar

HOLLYWOOD HOTEL MARKET

The Hollywood/Beverly Hills hotel submarket is a large hotel submarket in the Greater Los Angeles Market, consisting of approximately 15,000 rooms allocated across 160 properties. While hotels in Hollywood/Beverly Hills tend to be a bit larger than the broader market, the average hotel size in both the market and submarket is close to the national norm of about 90 rooms per building.

The Hollywood/Beverly Hills submarket is characterized by high-end hotels. Over half of the rooms are Luxury or Upper Upscale, a proportion found in less than 5% of U.S. submarkets, most of which are CBD-like areas. Similarly, the Los Angeles market as a whole has a larger proportion of high-end lodging than the typical U.S. market.

The U.S. hospitality sector endured an unprecedented shock at the onset of the COVID-19 pandemic, and occupancies in the Hollywood/Beverly Hills submarket itself bottomed out at 15.3% in April 2020. But with the low-point of the pandemic now in the rearview mirror, the market has nearly recovered. From September 2021 to September 2022, occupancy increased approximately 30% increase year-over-year, a significant boost that represents the return of tourism to the legendary Hollywood market.

Twelve-month RevPAR in the Hollywood/Beverly Hills hotel submarket climbed at a 61.2% rate year-over-year (as of September 2022). That's a stronger uptick than the already impressive 32.3% increase observed in the broader Los Angeles market.

There are 196 rooms spread between two projects underway in the Hollywood/Beverly Hills submarket, representing a 1.3% expansion of the existing inventory. This marks a continuation of new development in the submarket. From September 2019 to September 2022, 1,100 rooms were delivered, driving a sizable net inventory expansion even after factoring in a comparatively small amount of demolition activity.

Hollywood/Beverly Hills recorded 6 hotel trades over the past year, above the number of deals that is typical in a twelve-month period.

Source: CoStar



**TWELVE-MONTH REVPAR IN THE
SUBMARKET CLIMBED AT A RATE OF 61.2%
FROM SEPTEMBER 2021 TO SEPTEMBER 2022**





Transaction GUIDELINES

TRANSACTION GUIDELINES

The offering of **The Palmer Hotel** is being conducted exclusively by **Cushman & Wakefield**. All questions and inquiries should be directed to the Cushman & Wakefield representatives. Prospective investors are strongly discouraged from directly contacting Owner without the express written consent of Cushman & Wakefield. Owner and Cushman & Wakefield reserve the right to alter the Transaction Guidelines in their sole discretion.

Cushman & Wakefield will be available to assist prospective investors to arrange on-site inspections to answer any questions related to information contained in this Memorandum. The prospective buyer will be selected by Seller in its sole and absolute discretion based on a variety of factors including, but not limited to:



PURCHASE PRICE



TIMING OF DUE DILIGENCE & CLOSING PERIODS



SOURCE OF BOTH EQUITY & DEBT (IF APPLICABLE) FOR THE TRANSACTION







Palmer HOTEL



CUSHMAN &
WAKEFIELD

EXCLUSIVE AGENTS

MIKE CONDON, JR.

+1 213 629 7379

mike.condon@cushwake.com

Ca Lic. #01884476

CONNOR MARTIN

+1 213 426 3005

connor.martin@cushwake.com

Ca Lic. #02152889