

AB 562 REPORT
Operating Covenant Agreement
City of Claremont and Sushil Capital LLC
Residence Inn by Marriott

I. INTRODUCTION AND PURPOSE

This report is prepared pursuant to California Government Code Section 53083, as amended by Assembly Bill 562 (Chapter 238, Statutes of 2013). The statute requires local agencies to prepare an annual report for any economic development subsidy provided to a private entity in excess of \$100,000.

The purpose of this report is to describe the proposed Operating Covenant Agreement between the City of Claremont (“City”) and Sushil Capital LLC (“Owner”) related to the ownership and operation of the Residence Inn by Marriott (“Hotel”), and to evaluate the fiscal and public benefits associated with the agreement.

II. DESCRIPTION OF THE AGREEMENT

A. Parties

- **Local Agency:** City of Claremont
- **Private Entity:** Sushil Capital LLC
- **Hotel Operator/Brand:** Residence Inn by Marriott

B. Project Description

The project consists of the operation of a four-story, 120-room Residence Inn by Marriott hotel located at 721 South Indian Hill Boulevard within the City of Claremont. The Hotel provides extended-stay accommodations and related amenities, contributing to the City’s visitor-serving infrastructure.

C. Type of Economic Development Subsidy

The Agreement provides for a sharing of Transient Occupancy Tax revenues generated by the Hotel. Under the terms of the Agreement, the City agrees to remit a defined portion of TOT revenues collected from the Hotel to Sushil Capital LLC, subject to the conditions and limitations set forth in the Agreement.

This TOT sharing arrangement constitutes an economic development subsidy as defined by Government Code Section 53083.

III. TERMS OF THE ECONOMIC DEVELOPMENT SUBSIDY

A. Term of Agreement

- **Agreement Effective Date:** April 1, 2026
- **Agreement Expiration Date:** March 31, 2036
- **Total Term:** Ten (10) years

B. Subsidy Amount

- **Estimated Annual TOT Generated:** \$700,000
- **City Share of TOT:** 50%
- **Owner Share of TOT:** 50%
- **Maximum Total Subsidy (if applicable):** \$4,500,000

The estimated annual TOT generated, and the total amount of the subsidy is contingent upon actual hotel occupancy levels and TOT revenues generated during the term of the Agreement.

C. Public Purpose

The Agreement is intended to:

- Encourage commercial development and operation within the City;
- Increase overnight visitation and tourism spending;
- Generate long-term TOT and sales tax revenues for the City;
- Support local employment opportunities; and
- Enhance the City's economic base and hospitality offerings.

IV. FISCAL IMPACT AND PUBLIC BENEFITS

A. Fiscal Benefits to the City

Even with the TOT sharing arrangement in place, the City is expected to receive:

- A net positive share of TOT revenues during the term of the Agreement;
- Increased sales tax revenues from visitor spending at local businesses;
- Long-term TOT revenues following the expiration of the Agreement; and
- Ancillary economic benefits associated with hotel guests and operations.

B. Employment

The Hotel supports 20-25 full-time equivalent positions, 0 part-time positions, and 0 temporary positions. In addition to direct employment at the Hotel, indirect employment through local vendors and service providers will also provide additional employment opportunities.

V. PERFORMANCE MEASURES

The Agreement includes performance obligations requiring the Hotel to:

- Operate as a branded Residence Inn by Marriott (or similar-quality branded, licensed hotel);
- Remain open and in good standing during the term of the Agreement; and
- Generate Transient Occupancy Tax revenues for the City.

Failure to meet the conditions of the Agreement may result in reduction or termination of the subsidy, consistent with the Agreement's provisions.

This report is submitted in compliance with Government Code Section 53083 and shall be made available for public review as required by law.