

Existing City Hall Complex Reuse UPDATE

3300 Newport Boulevard and 475 32nd Street



City Council
Study Session
September 11, 2012



Introduction



- What is the appropriate future use of the City Hall site?
 - In April 2012, Council authorized the initiation of amendments to the General Plan, Coastal Land Use Plan, and Zoning Map to allow “Mixed Use Development” on the 4.26-acre site.

- What are the proposed elements of the Mixed Use designation?
 - Maximum of 99 residential units plus a maximum of 15,000 square feet of commercial; OR
 - Maximum of 78-room Hotel

Current Site Information



Site Size

4.26 acres gross
3.96 acres net
(approximately)

Building Area

54,000 sq. ft.
(includes
fire station #2)

Designated

“Public Facilities”



Background



- In addition to the various land use amendments, Staff is concurrently preparing a Request for Qualifications package
- In June 2012, Council requested a Hotel Feasibility/Market Analysis
- Staff contracted with PKF Consulting
 - Combined that work with an analysis by Keyser-Marston

Market Study Findings



- The market is capable of supporting 2 Hotels in Lido Village
- The City Hall site is well-suited for the development of an Upscale Boutique Hotel
- The site's existing lot configuration is acceptable given the site's extensive frontage on Newport Blvd and 32nd Street
- The location of Fire Station #2 is not a negative consideration in redeveloping the site as a Hotel
- 3 Hotel Sizes were studied:
 - 78 rooms
 - 100 rooms
 - 150 rooms

PKF Market Study Conclusions



	Scenario 1	Scenario 2	Scenario 3
Hotel Type	Upscale Boutique	Upscale Boutique	Upscale Boutique
Hotel rooms	78	100	150
Stabilized Occupancy	76%	75%	72%
Average Daily Rate (2012 \$)	\$220	\$210	\$195

Conclusions continued



- All three options are viable (78, 100, or 150 rooms)
- However, PKF's recommended Upscale Boutique Hotel size is 120 rooms.
 - This size has enough critical mass to be economically justified while keeping in character with the site and surrounding neighborhood

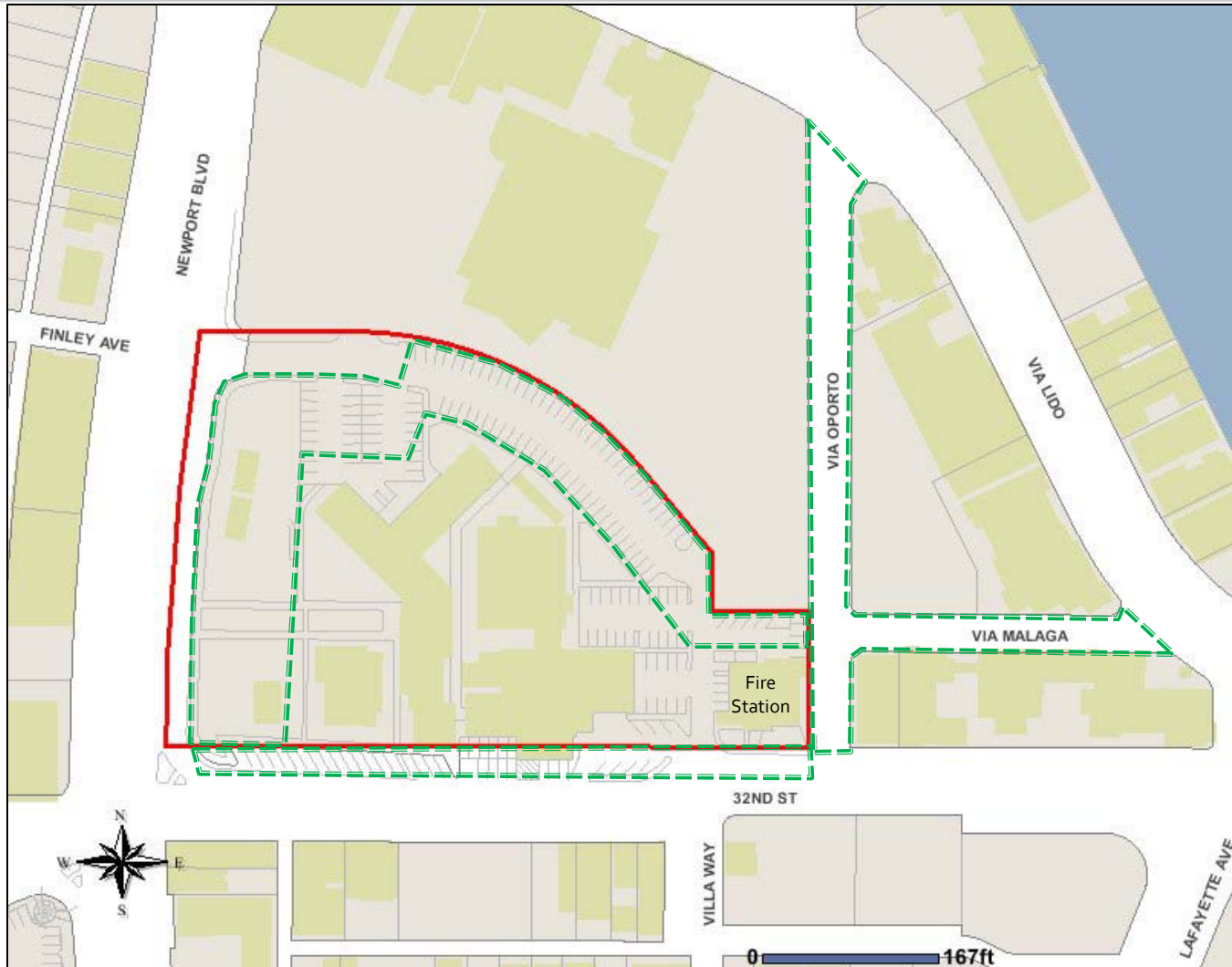
Next Step: Economic Implications



- Analyzed 4 Land Use Alternatives:
 - 78- Room Hotel
 - 120-Room Hotel
 - 92 Market-Rate Rental Units + 6,000 SF of Retail
 - 99 Market-Rate Rental Units

- Assumed several Public Benefits (Land value offsets):
 - Main Public Plaza and Promenade on site
 - Pedestrian Promenades on 32nd Street, Via Malaga, Via Oporto
 - Fire Station reconstruction onsite (50% of Cost)

Pedestrian Plazas and Promenades



Comparison Chart



Comparison of Scenarios				
Scenario	PKF Consulting			
	78-room Hotel		120-room Hotel	
Development Cost	\$18,500,000		\$29,800,000	
Public Improvements	Low	High	Low	High
Public Improvements cost	\$5,569,519	\$8,950,105	\$5,569,519	\$8,950,105
Land Value Upon Completion	\$27,500,000		\$40,900,000	
Residual going-in Cap Rate	n/a	n/a	n/a	n/a
Residual Terminal Cap Rate	8.5%	8.5%	8.5%	8.5%
Residual Discount Rate	11.0%	11.0%	11.0%	11.0%
Residual Land Value (After Public Improvements)	\$3,430,481	\$49,895	\$5,530,481	\$2,149,895
Representative Year Economic Impact	\$20,600,000		\$29,400,000	
10 Year (2015-2024)	\$254,249,861		\$362,006,807	

Comparison Chart



Comparison of Scenarios				
Scenario	Keyser Marston			
	92-unit Apartment; 6,000 SF retail		99-unit Apartment	
Development Cost	\$34,062,000		\$34,919,000	
Public Improvements	Low	High	Low	High
Pubic Improvements cost	\$5,569,519	\$8,950,105	\$5,569,519	\$8,950,105
Land Value Upon Completion	\$52,236,000		\$54,075,000	
Residual going-in Cap Rate	6.1%	6.1%	6.0%	6.0%
Residual Terminal Cap Rate	n/a	n/a	n/a	n/a
Residual Discount Rate	n/a	n/a	n/a	n/a
Residual Land Value (After Public Improvements)	\$12,604,481	\$9,223,895	\$13,586,481	\$10,205,895
Representative Year Economic Impact	\$2,069,000		\$2,227,000	
10 Year (2015-2024)	\$25,918,136		\$27,897,385	

Direct and Indirect Spending



Annual Direct and Indirect Spending of Hotels

	78 ROOMS	120 ROOMS
Lodging	\$4,760,184	\$6,806,520
Meals and Beverages	\$4,084,753	\$5,840,730
Shopping/gifts/Mus./Theater/ Clubs fees	\$4,880,098	\$6,977,983
Daily Transport/Parking	\$739,758	\$1,057,770
Amenities/Health Spa/Activities/Grocer./Conv./ Incidentals	\$1,355,758	\$1,938,578
Total Direct Spending	\$15,820,550	\$22,621,581
Multiplier for Indirect	1.3	1.3
Total Spending	\$20,566,715	\$29,408,056

Direct and Indirect Spending



Annual Direct and Indirect Spending of Apartment Scenarios

	92 Units	99 Units
Food, Grocery & Personal Care	\$692,392	\$745,074
Restaurants & Entertainment	\$790,372	\$850,509
Apparel, HH Operations, Supplies & Furnishings	\$586,224	\$630,828
Total Direct Spending on Retail	\$2,069,000	\$2,227,000
Multiplier for Indirect	1.3	1.3
Total Spending on Retail	\$2,690,000	\$2,895,000

Summary



- Apartment scenarios have a higher development cost compared to either Boutique Hotel scenario
- Apartment scenarios also have a higher land value upon completion
- Therefore, the potential annual ground rent will be higher for Apartment scenarios
- However, the Boutique Hotel's direct and indirect annual economic impact on the local community is nearly 10 times more a year (\$20.6 Million v. \$2.07 Million) than Apartment scenarios
- The annual transient occupancy tax (TOT) of the Boutique Hotel Scenarios ranges from \$476,000 to \$680,700 per year

Conclusion



- The City Hall site is well-suited for an Upscale Boutique Hotel or Market Rate Apartment Community
- Both land uses are economically viable and will have a positive impact on the community
- 78-room versus 120-room hotel option suggests a Measure S review (for the 120 rooms) and possible election

Next Steps



- Staff will proceed with Mixed Use Land Use Amendments;
- City Council (evening) meeting on September 25, 2012 –
 - Final market and economic studies will be made available in advance;
 - Council direction sought regarding consideration of a 120-room Upscale Boutique Hotel in the Land Use Amendments
- Should Request for Qualifications be issued for both options?
 - 78/120- Room Hotel
 - Maximum 99-unit market rate rental residential development with ancillary retail
 - Both RFQs will include the public benefit components

QUESTIONS?



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