Newport Pier:
Economic Evaluation & Highest/Best Use
Presented to
City Council
November 26, 2013
Options to Consider

- Remodel
- Replace
- Remove
Background

- Assessment of building and systems identified major utility, accessibility, and refurbishment work is required prior to re-tenanting building.

- Anticipated repair costs ±$400,000.

- Tenant Improvement Cost, Approx $150,000.
Problems
Economic Study

- Engaged GRC Assoc. to Survey piers in California.
- Comparison of business uses and revenue.
- Determine highest and best use.
Economic Study
Scope

CALIFORNIA PIERS SURVEYED

1. SF Pier 47
2. SF Pier 43/45
3. SF Pier 39
4. SF Pier 13/17
5. SF Pier 7
6. SF Pier 2
7. SF Pier 28
8. SF Pier 14
9. Pacifica
10. Santa Cruz
11. Sea Cliff (Aptos)
12. Monterey
13. Old Fisherman's Wharf (Monterey)
14. San Simeon
15. Los Cayucos
16. Harford Pier
17. Cal Poly (Avila Beach)
18. Avila
19. Pismo Beach
20. Goleta
21. Stern's (Santa Barbara)
22. Ventura Co.
23. Port Hueneme
24. Paradise Cove (Malibu)
25. Malibu
26. Santa Monica
27. Venice
28. Manhattan Beach
29. Hermosa Beach
30. Redondo Beach
31. Cabrillo (San Pedro)
32. Belmont (Long Beach)
33. Seal Beach
34. Huntington Beach
35. Newport
36. Balboa
37. Dana Harbor
38. San Clemente
39. Oceanside
40. Scripps (La Jolla)
41. Crystal (San Diego)
42. Ocean Beach (San Diego)
43. Imperial
Pier Uses

- Pier Uses include:
  - Recreation (fishing/pedestrian)
  - Restaurants (snack shop, fast food, full-service)
  - Entertainment and Retail (bait, other retail)
  - Research, aquarium, museum, education
  - Industrial
  - Commercial fishing
  - Rental cottages
Restaurant is most common type of business located on pier

Vacancy at piers is rare, 4 spaces since November 2012:
- Newport Pier – lease expired
- Seal Beach Pier – lease dispute with Ruby’s Diner, closed after 25 years
- Malibu Pier – Ruby’s Diner closed, lease with new tenant pending
- Harford Pier – café closed after summer season
Comparable Piers

- Selection of 13 piers with comparable demographic data (including population, race-ethnicity, median age, median household income, and average household size)
  - Newport Pier
  - Balboa Pier
  - Huntington Beach Pier
  - Seal Beach Pier
  - San Clemente Pier
  - Manhattan Beach Pier
  - Malibu Pier
  - Santa Monica Pier
  - Oceanside Pier
  - Ocean Beach Pier
  - Imperial Beach Pier
  - Pismo Beach Pier
  - Pacifica Municipal Pier
Summary of Retail Categories

- Restaurants have highest annual taxable sales per store (within one-quarter mile radius of selected comparable piers)

### Summary of Major Retail Categories

One-Quarter Mile Radius of the 13 Selected Piers

<table>
<thead>
<tr>
<th>Major Retail Category</th>
<th>Number of Retail Stores</th>
<th>Average Annual Taxable Sales Per Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restaurants</td>
<td>305</td>
<td>$911,092</td>
</tr>
<tr>
<td>Food Stores</td>
<td>42</td>
<td>$727,036</td>
</tr>
<tr>
<td>General Merchandise</td>
<td>5</td>
<td>$511,280</td>
</tr>
<tr>
<td>Apparel</td>
<td>166</td>
<td>$371,163</td>
</tr>
<tr>
<td>Other Retail</td>
<td>543</td>
<td>$169,571</td>
</tr>
<tr>
<td>Furniture and Appliances</td>
<td>68</td>
<td>$75,281</td>
</tr>
<tr>
<td><strong>Total Retail</strong></td>
<td><strong>1,129</strong></td>
<td><strong>$432,398</strong></td>
</tr>
</tbody>
</table>

*Source: GRC Associates, Inc., September 2013*
[Restaurant size, type, and concentration of alcohol licenses within one-quarter mile radius of pier contributes to the variation between Newport and Balboa Piers’ average annual taxable sales.]

### Average Annual Taxable Sales Per Restaurant

One-Quarter Mile Radius of the 13 Selected Piers

<table>
<thead>
<tr>
<th>Piers</th>
<th>Number of Restaurants</th>
<th>Average Annual Taxable Sales Per Restaurant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Monica Pier</td>
<td>7</td>
<td>$3,480,171</td>
</tr>
<tr>
<td>Manhattan Beach Pier</td>
<td>51</td>
<td>$1,304,125</td>
</tr>
<tr>
<td><strong>Newport Pier</strong></td>
<td>20</td>
<td><strong>$1,246,750</strong></td>
</tr>
<tr>
<td>Huntington Beach Pier</td>
<td>43</td>
<td>$1,151,772</td>
</tr>
<tr>
<td>Pismo Beach Pier</td>
<td>16</td>
<td>$1,068,863</td>
</tr>
<tr>
<td>San Clemente Pier</td>
<td>16</td>
<td>$938,950</td>
</tr>
<tr>
<td>Seal Beach Pier</td>
<td>19</td>
<td>$635,895</td>
</tr>
<tr>
<td>Oceanside Pier</td>
<td>27</td>
<td>$626,715</td>
</tr>
<tr>
<td>Malibu Pier</td>
<td>7</td>
<td>$611,029</td>
</tr>
<tr>
<td>Ocean Beach Pier</td>
<td>52</td>
<td>$600,360</td>
</tr>
<tr>
<td>Balboa Pier</td>
<td>30</td>
<td>$408,317</td>
</tr>
<tr>
<td>Imperial Beach Pier</td>
<td>11</td>
<td>$259,818</td>
</tr>
<tr>
<td>Pacifica Pier</td>
<td>6</td>
<td>$136,450</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td><strong>$926,637</strong></td>
</tr>
</tbody>
</table>

*Source: Secondary information compiled by GRC Associates, Inc., September 2013*
## Per Capita Retail Sales

### Summary of Per Capita Taxable Retail Sales - 2011

<table>
<thead>
<tr>
<th>NAICS Retail Category</th>
<th>California</th>
<th>Orange County</th>
<th>City of Newport Beach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicle and Parts Dealers</td>
<td>$1,419</td>
<td>$1,896</td>
<td>$5,863</td>
</tr>
<tr>
<td>Food Services and Drinking Places</td>
<td>1,457</td>
<td>1,788</td>
<td>4,619</td>
</tr>
<tr>
<td>Clothing and Clothing Accessories Stores</td>
<td>788</td>
<td>1,039</td>
<td>2,752</td>
</tr>
<tr>
<td>General Merchandise Stores</td>
<td>1,283</td>
<td>1,566</td>
<td>1,987</td>
</tr>
<tr>
<td>Gasoline Stations</td>
<td>1,470</td>
<td>1,584</td>
<td>1,667</td>
</tr>
<tr>
<td>Food and Beverage Stores</td>
<td>628</td>
<td>653</td>
<td>1,174</td>
</tr>
<tr>
<td>Bldg. Matr. and Garden Equip. and Supplies</td>
<td>694</td>
<td>744</td>
<td>533</td>
</tr>
<tr>
<td>Furniture and Home Furnishings Stores</td>
<td>247</td>
<td>298</td>
<td>505</td>
</tr>
<tr>
<td>Electronics and Appliance Stores</td>
<td>381</td>
<td>761</td>
<td>*</td>
</tr>
<tr>
<td>Health and Personal Care Stores</td>
<td>274</td>
<td>293</td>
<td>*</td>
</tr>
<tr>
<td>Sporting Goods, Hobby, Book, and Music Stores</td>
<td>282</td>
<td>361</td>
<td>*</td>
</tr>
<tr>
<td>Miscellaneous Store Retailers</td>
<td>457</td>
<td>544</td>
<td>*</td>
</tr>
<tr>
<td>Nonstore Retailers</td>
<td>82</td>
<td>151</td>
<td>*</td>
</tr>
</tbody>
</table>

**Total Per Capita Retail Sales**

- California: $9,463
- Orange County: $11,679
- City of Newport Beach: $20,785

* Data not available due to small sample size and confidentiality-Source: State Board of Equalization, August 2013
Economic Evaluation

- Highest/Best use based is a RESTAURANT.

- A full service restaurant at the pier location would have an annual taxable sales of $1.2M to $1.6M, or $300 to $400 sf/year.

- With rent at 7% of gross sales or $2.25 sf/month, estimated revenue to the City is $102,000 to $112,000/year.
Possible Next Steps For Remodel

1. Solicit proposals from qualified restaurant tenants.

2. Contribute funds to the project. Limit the City’s contribution to approximately 50% of project cost or a high of $300,000.

3. Selection of tenant will be based on:
   a) Qualification/Experience
   b) Credit Worthiness
   c) City’s Contribution
   d) Theme/Menu
## Estimated Financials

### Remodel

<table>
<thead>
<tr>
<th>City’s Investment -</th>
<th>($300,000)</th>
<th>($200,000)</th>
<th>($100,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue (10-Year):</td>
<td>$1,067,480</td>
<td>$1,067,480</td>
<td>$1,067,480</td>
</tr>
<tr>
<td>Net Present Value (NPR):</td>
<td>$747,940</td>
<td>$847,940</td>
<td>$947,940</td>
</tr>
<tr>
<td>Return on Investment (ROI):</td>
<td>256%</td>
<td>434%</td>
<td>967%</td>
</tr>
<tr>
<td>Internal Rate of Return (IRR):</td>
<td>30%</td>
<td>45%</td>
<td>84%</td>
</tr>
</tbody>
</table>
Replace

Approx. Cost to Replace ………………. $1,800,000

Challenges
2. Lost revenue until building is built.
3. 10-Years: NPV (519,000); ROI -28%; IRR -5%

Benefits
1. Opportunity for pier maintenance.
Remove

Approx. Cost to Remove $50,000

Challenges
1. Coastal Commission Approval

Benefits
1. Larger pier area for fishermen and the public;
2. Possible use of gourmet food trucks;
3. More room for special events;
4. Opportunity for pier maintenance.
Options

- Remodel?
- Replace?
- Remove?
Questions?