City of Carpinteria

COUNCIL AGENDA STAFF REPORT
August 14, 2017

ITEM FOR COUNCIL CONSIDERATION

Accept the draft Request for Proposal (RFP) and authorize its distribution as a part of the process to solicit land lease and development proposals for a portion of Parcel APN 004-105-1, located at 499 Linden Avenue and currently occupied by a public parking lot.

STAFF RECOMMENDATION

Action Item; X Non-Action Item __

Accept the draft Request for Proposal (RFP) and authorize its distribution.

BACKGROUND

The City's visioning document entitled Vision 20/20 recommended the City pursue replacement of the Southern Pacific Railroad building once located at the Site. This two story building was razed in the late 1960's.

The renewed interest in pursuing a replacement building was inspired in part by additional land acquisitions by the City along the railroad corridor in 2012 and 2013. A concept plan that includes a suite of public improvements including a replacement parking lot, a community garden, a railroad undercrossing to the west, and additional urban trails was prepared by City Staff.

The City prepared a concept design with illustrations for an inn and restaurant for the Site in 2015.

The City Council and Staff work plan workshop held in January 2015 included a presentation of an initiative to further analyze area improvements including an inn and restaurant at the Site. The City Council included further work on this concept in City's 2016 Work Plan.

In September 2016, the City received a market analysis presentation by Keyser Marston Consultants that evaluated the local and regional market's opportunity for the Project

that included potential Project gross development costs and annual revenues. The study concluded that favorable economic conditions exist to financially support the proposed project.

The Project's conceptual design was presented to the Downtown-T Business Advisory Board (DTBAB), the Carpinteria Morning and Noontime Rotary Clubs and was presented at a widely publicized special meeting of the City Council on April 17, 2017.

At that meeting the City Council directed staff to prepare a draft RFP with the assistance of Keyser Marston Consultants.

DISCUSSION

City Staff has prepared an RFP that requests interested qualified entities submit specific information defining how they would develop a portion of parking lot No.3 into an inn and restaurant and how they would operate it.

Included in the RFP are the concept plans prepared by the City that illustrate an inn and restaurant building that is thought to be consistent with many of the General Plan policies as well as conforming to the arts and crafts architectural style of the City's residential areas.

While the RFP indicates the City's concept is a preferred design, it does not limit respondents to it. Respondents can propose alternate designs if they choose. For Example, while the RFP identifies a 30,000 square foot portion of parking lot number three that is closest to Linden Avenue to be leased, proposals received may offer alternative designs requiring the size of this area to be adjusted accordingly.

This 30,000 sq. ft. size was selected for use in the RFP because preliminary analysis indicated it was sufficient to accommodate the City's concept inn and restaurant design.

The Draft RFP requests a variety of information from respondents including the following:

- Proposed Project Design
  - A concept plan with sufficient detail to determine size of the building(s) and square footage of specific components.
  - A concept interior layout.
  - Public restroom facilities new location.
  - Anticipated design style and materials to be used.
  - Proposed public improvements to be built.
- Identification of the entities and individuals involved
- A preliminary capital pro forma[1]
- An operating pro forma
- A description of public benefits
- A proposed timeframe

The RFP specifically states that proposal must not include any public subsidy or permitting advantage. The project would be required to be reviewed and permitted as all projects are in the City and all costs associated with the project would be the responsibility of the project applicant.

Market conditions for such a project remain favorable, however it is possible the RFP does not generate any response from the private sector. Should proposals be received by the City, staff will review them and make a recommendation to the City Council on how to proceed.

City Staff will recommend the proposal that shows the greatest potential to provide public benefits with long term stability. The City Council could determine that no proposals meet the City's interest and reject all offers.

Leases for this type of Project are often in excess of fifty-five years. In addition to ground lease fees, an inn and restaurant would generate Transient Occupancy Taxes (TOT), property tax and sales tax revenues for the City.

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[1] Forecasted information presented in advance of the actual or formal information. The common objective of a pro forma document is to give a fair idea of anticipated financial outcomes if underlying assumptions hold true.

POLICY CONSIDERATIONS

The Carpinteria General Plan and Local Coastal Plan envisions support for visitor serving land uses in the downtown.

> Objective LU-5: Maintain availability of agriculture, coastal - dependent industry and visitor-serving commercial development including hotels/motels, restaurants and commercial recreation uses.
>
> Objective CDS2A-2: Preserve and enhance the downtown's historic status as the center of commercial activity of the city by encouraging a range of uses that serve both residents and visitors.
>
> Policies:
> CDS2A-a. Encourage and carefully regulate the development of two- and three-story mixed-use building along Linden and Carpinteria Avenues, to define a vital, lively, and valuable center for the city while prioritizing visitor-serving commercial uses.
>
> CDS2A-b. Ensure that intensified land uses within the subarea support a lively place to visit, live, work and shop, and that the scale and character of the District remain consistent with the city's "small beach town" image.

FINANCIAL CONSIDERATIONS

The solicitation of proposals has minimal financial ramifications for the City; however, should the City proceed to enter into a land lease of the property causing development as described, significant public revenue potential would be created. This financial consideration will be analyzed in detail should the Council decide to move ahead on a proposal.

LEGAL

The City Attorney has reviewed the draft RFP.

OPTIONS

The City Council could provide additional direction to staff regarding this project including modifying the draft RFP.

PRINCIPAL PARTIES EXPECTED AT MEETING

None

ATTACHMENTS

Draft RFP

Staff contact: Matthew Roberts, Parks and Recreation Director

(805) 684-5405 x449 Mattr@ci.Carpinteria.ca.us

Signature

Reviewed by: Dave Durflinger, City Manager

Signature

CITY of CARPINTERIA, CALIFORNIA

Request for Proposals to Lease City owned property for Development

Proposals must be delivered to Carpinteria City Hall

5775 Carpinteria Avenue, Carpinteria, CA 93013

By 3PM November 16, 2017

5775 Carpinteria Avenue (805) 684 5405 Mattr@ci.carpinteria.ca.us

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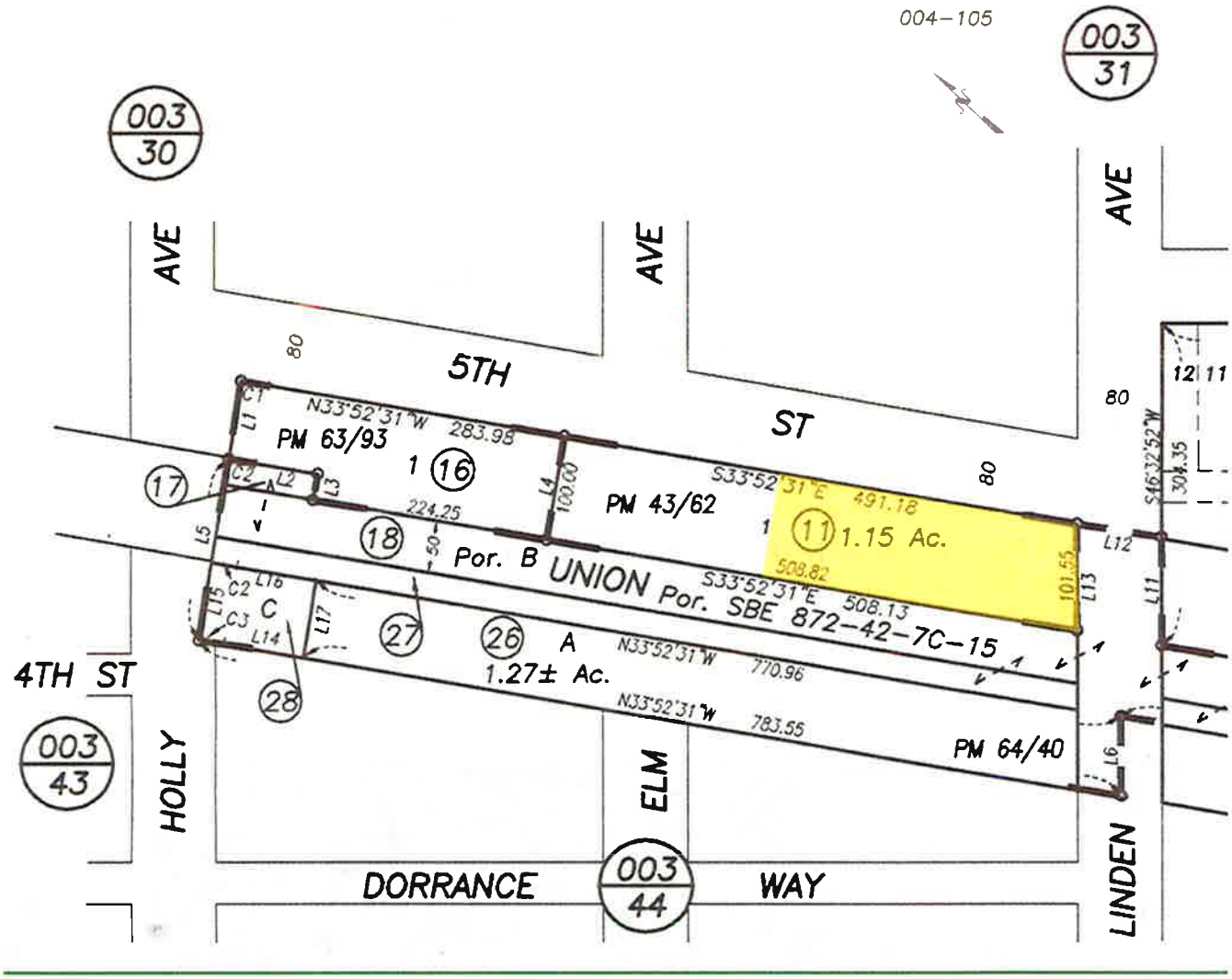
Requests for Proposals to Lease and Develop

General Description

The City of Carpinteria is inviting offers for a long term lease and development agreement for an approximate 30,000 square foot portion of a 1.15 acre City owned Parcel of land (APN 004-105-11) located in downtown Carpinteria at 499 Linden Avenue. The property is currently zoned Commercial Planned Development (CPD). A 110 space public parking lot and a small public restroom currently occupies the land. The size of the leased property may be adjustable to meet the needs of a successful proposal. The Property was once the site of the Carpinteria Southern Pacific Railroad station. The station had a two story train employee's residence and an attached small warehouse. The station was razed in 1969. In the early 1990's, the City constructed a public parking lot on the premises. The City may lease the Property for a period of 55 years or more pursuant to California Government Code 37380.



Location

Carpinteria is located along Highway 101. Sixteen miles north of Ventura and eleven miles south of Santa Barbara. The City of Carpinteria (City) is home to over 13,000 residents. Within the entire Carpinteria Valley, the estimated population is over 17,000 residents with over 8,600 employees. Carpinteria is less than a two hour drive or Amtrak train ride from Los Angeles.

The Property is located at the southwest corner of Linden Avenue and Fifth Street. Furthermore it is located along and north of the rail road tracks and Amtrak passenger platform. To the west the City's Parks Department is constructing a 2/3 acre community garden. The Property is within an easy walking distance of the ocean beach, a children's playground, and the Downtown Carpinteria retail business district. The Property is also located adjacent to the Carpinteria Coastal Vista Multiuse Trail that connects the Salt Marsh Nature Park to the Carpinteria Bluffs Nature Preserve. Construction funding has been awarded to build a trail reach that connects all the way to Rincon County Park. Carpinteria is an excellent bicycle tourism destination.

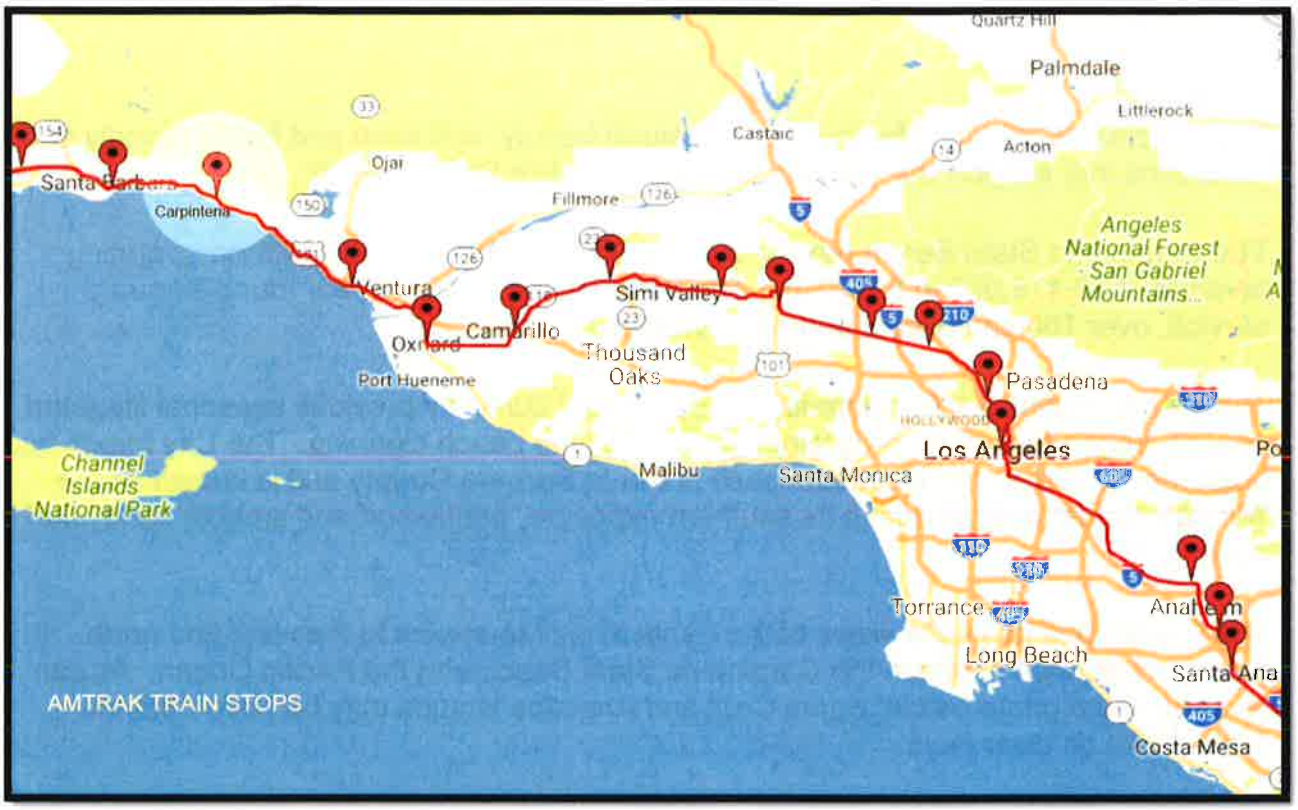
The Carpinteria Beach is famous for its natural beauty, soft sand and family friendly surf conditions that support the marketing slogan "World's Safest Beach".

The Carpinteria State Beach reports over 875,000 visitors annually with an operating revenue of $3,478,000 in FY15/16. The State Beach provides year round lifeguard service, over 160 campsites, and other visitor amenities.

The City maintains the Carpinteria City Beach and currently provides seasonal lifeguard service, ocean recreation programming, and routine beach cleaning. The City beach has been recognized as the cleanest beach in Santa Barbara County and is known as the "World's Safest Beach" due to its southern exposure, gentle surf and smooth sandy surf zone.

The Project Site has wide views of the Santa Ynez Mountains to the west and north. It has views of open space in the Carpinteria State Beach and the Pacific Ocean. As can be seen in the photo below, Santa Cruz and Anacapa Islands may be seen from the Project Site on clear days.

The immediate proximity of the City maintained Amtrak Passenger platform allows visitors to arrive and leave by train. Current daily Amtrak Pacific Surfliner service includes five northbound and five southbound trains that stop in Carpinteria. It runs from San Diego to San Luis Obispo making Carpinteria very accessible by rail.



Objectives

The City desires to enter into a lease and development agreement for the Property. The City has prepared a concept level plan for a boutique hotel and restaurant that is evocative of the Southern Pacific Railroad station. This concept level plan includes a 30-room, high quality (three diamond/three diamond plus) boutique hotel project with an ocean view restaurant built over what is now a public parking lot.

The City intends to establish a legal lot for the leased premises.

The ideal lessee would pursue the development and long term operation of a boutique hotel with a view restaurant similar to what the City has envisioned in the concept plans. It is expected the Project will become an iconic destination that can take advantage of the site's ocean and mountain views while also contributing to a positive economic outcome for the downtown tee.

The concept level plan preserves a portion of the existing public parking lot. The City owns a vacant lot on the south side of the railroad tracks that is also available for development into a new public parking lot that will serve as replacement parking and a site to relocate the public restroom. The ultimate project must both include parking adequate to comply with applicable zoning requirements and not result in loss of public parking spaces, or the public restroom amenity.

Other concepts that provide equivalent or better benefits in the opinion of the City will be considered including provision for some retail space. In addition to benefitting the vibrancy of the Carpinteria's downtown, the project is expected to generate revenue for the City to use toward its goal of meeting the need for public services and infrastructure maintenance.

Community and City Benefits

Proposed development projects for the Property must benefit the Community and City. The ideal Project outcome will result in a valuable community asset that helps support the Downtown business district. Examples of benefits include increased visitorship and tourism, improved Downtown architectural ambiance consistent with Carpinteria's vernacular, property, sales and transient occupancy taxes, increased job opportunities and public revenues from ground lease payments.

Green Building Objectives

Green building or sustainable building refers to both a structure and use of processes that are environmentally responsible and resource-efficient throughout a building's life-cycle including design, construction, operation, maintenance, renovation, and demolition. A project that includes features such as photovoltaic electrical generation, rain water harvesting, non-toxic building materials and sustainable operational methods is preferred.

City Sponsored Carpinteria Hotel Market Conditions Report

The City retained the services of a hotel industry expert who performed a market analysis of the Carpinteria area that concluded a new boutique hotel would serve unmet demand in Carpinteria. Keyser Marston Associates prepared a Carpinteria Hotel Market Conditions Report. The Report prepared in June 2016 is attached.

Successful Proposals

The City is seeking a proposal that includes;

1. Development of a high quality architectural design boutique hotel and restaurant that is evocative of the railroad building that once stood on the site. The proposed project is required to meet all applicable City development standards and building code requirements.
2. Providing public amenities attractive to both local residents and visitors. Stunning architecture with inviting public spaces, a view restaurant, new and increased beach area parking, walking trail extensions, and possibly retail space.
3. An experienced development team with experience in Hotel development. The team must provide information to demonstrate financial capacity and strength adequate to perform the development and operational obligations in the lease.
4. Attractive ground lease terms for both to the City and the Lessee. These terms include the length of lease term, specifications for insurance and maintenance requirements, the formula and amount of rent paid and detailed description of the durable improvements provided by the lessee.
5. Demonstration of a clear understanding of the City's Municipal Code Zoning Regulations and the General and Local Coastal Plan. Knowledge of the City's development limitations regarding overall height, parking requirements, and the City's development review process is critical to the success of the Project. (The Developer will be responsible for obtaining any and all governmental approvals

and selection through the RFP process does not guarantee outcomes relative to necessary governmental approvals. Gaining approvals should be considered in the proposed timeframe.)

6. A Lessee assumption of the ground lease, unsubordinated to any financing.
7. A Lessee paying any and all property taxes and/or possessory interest taxes.

Other Information

Any proposed development project will be required to comply with the California Environmental Quality Act and obtain a coastal development permit from the City.

The City has an adopted Local Coastal Plan (LCP) / General Plan (GP) and has authority to regulate development projects to insure conformance with the LCP/GP. Prior to the issuance of any permit for development in any area zoned or to be rezoned CPD, a development plan shall be submitted, processed, and approved, as provided in Chapter 14.68.

Many of the development standards used by the City can be found in Title 14 of the Municipal Code 14.16.090. For example building height is restricted to a height of no more than thirty feet. Chimneys, elevator and stair housings, church spires, and similar architectural features and similar structures may exceed the thirty foot restriction provided such excess heights are not in conflict with other provisions of this title.

Parking requirements are listed in Chapter 14.54 - PARKING REGULATIONS of the Municipal Code. Generally hotel/motel development requires one space per guest room and one space per employee. Restaurants require one space for each four fixed seats; or one space per fifty square feet of seating area, and one space per two hundred fifty square feet of gross floor area—CPD zone or one space per five hundred square feet of gross floor area—CB zone.

The Lessee will be required to pay all applicable fees, assessments and possessory interest taxes.

Projects that include timeshare, residential and industrial uses will not be considered.

The City has an adopted Local Coastal Plan (LCP) / General Plan (GP) and has authority to regulate development projects to insure conformance with the LCP/GP.

Many of the development standards used by the City can be found in Title 14 of the Municipal Code.

https://www.municode.com/library/ca/carpinteria/codes/code_of_ordinances?nodeId=TIT14ZO

Proposals that include City financial participation in the Project will not be considered. The Developer is responsible for obtaining any and all governmental approvals for the Project. No fees or other costs are waived by the City. All costs should be calculated as part of the proposed Development Project expenses.

The City is proposing to ground lease the Property "As Is" and is not obligated to repair, improve or otherwise incur costs.

Printed Proposals shall be delivered to Carpinteria City Hall City by the deadline listed on the cover page of this document. Proposals should be unbound and have numbered pages. A PDF of the proposal must also be provided using a USB Flash Drive.

Proposals should include the following information:

1. **A cover page that includes:**

   A. Developer's name and mailing address
   B. Developer's current legal status: corporation, partnership, sole proprietor, etc.
   C. Federal ID number or Social Security number.
   D. State ID number.
   E. Contact person's name, title, phone number, fax number and e-mail address
   F. Signature of authorized corporate officer for each entity proposing as a partnership or team acknowledging the authority to submit the Proposal.

2. **A concept plan of the proposed development**

   The concept plan must be in sufficient detail for the City to determine the following:
   A. The size and height of building(s) and square footage of specific components.
   B. Building elevations with a photo simulation.
   C. A concept interior layout.
   D. The amount and type of parking spaces needed and how replacement public parking will be achieved.
   E. The public restroom facility's new location.
   F. Anticipated design style and materials to be used.
   G. Proposed public improvements to be built on the site.

3. **Identification of the entities and individuals involved.**

   A. Provide a list of the entities and individuals that will be involved with a description of the responsibilities each will have. Please provide an Organizational Chart that shows the entity structure and the roles each will have in the project. (Project Org Chart).

   B. Provide a summary of the team's past experience. Please include a description of the entities' experience in developing similar projects including location, type

of development, cost of project, funding sources, status of project and information about any continued financial or operating interest in each.

C. Provide references for the projects that the team and its members have developed. The City would like to see projects and references for other publicly or institutionally owned sites if any.

D. Identify the principal person who will speak for the development team and any other key participants who will be involved in negotiating the project terms. Specify whether the development entity is or intends to form a corporation, a general or limited partnership, a joint venture or other type of business association to carry out the proposed development.

E. The developer must also provide two years of financial statements, which may be submitted confidentially under separate cover (City Attorney).

F. Design consultants on the team must be licensed in the State of California.

4. A Preliminary Capital Pro Forma

A preliminary capital pro forma showing the sources and uses of funds (debt, equity and other) to construct the development in its entirety. The pro forma should include line item detail for the following:

A. Project Hard Costs (Building Shell, FF&E, Site Costs, etc.)

B. Project Soft Costs (Architecture & Engineering, Permits & Fees, Development Management, etc.)

C. Capitalized Financing Costs

Information as to the status of securing those funds should be included, and inclusion of a conditional financing commitment is strongly encouraged.

5. An Operating Pro Forma

An operating pro forma for at least 20 years of Project operation, including the assumptions underlying the line item income and expense projections. Also show the Cash-on-Cash Return and Internal Rate of Return. If the project includes multiple uses, the operating pro forma should be broken down for the component uses. Detailed proformas in a format acceptable to the City will be required during the negotiation of a development agreement.

6. Preliminary Transaction Terms:

A. Proposed Lease Term, Cannot exceed statutory limits.
B. Proposed Minimum Rent
C. Proposed Percentage Rent

7. **A Description of the Public Benefits** that will result from the development, such as the creation or retention of jobs (including the estimated number, type and wage levels), tax base enhancement, increase in tourism and downtown visitorship, public parking and restroom facilities.

8. **A proposed timeframe** for the development, including identification of any conditions that must be met before the proposal can become a reality. The schedule should include the time needed to obtain financing, complete design and secure permits and approvals, prepare the site, start and complete construction, and start operations.

9. **Any other information** that would help City staff understand and evaluate the Proposal.

The contents of the proposal and any clarification to the contents submitted by the successful proposer may become part of the contractual obligation and be incorporated by reference into the Lease and Development Agreement between the selected developer and the City.

Developers responding to this RFP are not required to provide a Good Faith Deposit with their proposals but may be required at a future time.

Conditions to Commencement of Initial Term of Lease

A. All development entitlements for Development Project the must be final.

B. Approval of construction plans and permits, including posting of required bonds and fees.

C. Lessee shall have obtained City approval of Lessee's evidence of financial capability to complete development of Project.

D. Lessee shall obtain approval from the City of the Project's operational management plan.

E. Lessee shall have submitted evidence of required insurance to City.

F. The physical/environmental condition and title to the site are suitable for the development, operation, and maintenance of the Project and consistent with the conditions stated in the Lease.

G. The outside date for satisfaction of the conditions of commencement of the Lease Term is three years after City approval of Lease, subject to extensions for events of force majeure.

H. As with all proposed development in the City, final plans are subject to compliance with adopted City and State laws and regulations.

Review/Selection Process

A committee of City representatives will review proposals received by the due date. The City may also seek Input from Community Groups and Consultants. Some or all of the proposers may be requested to present their proposals to the review committee and the City Council. During the review process, proposers may be asked questions to clarify their proposals, but cannot modify their proposals.

Hold Harmless

The selected developer must agree to defend, indemnify and hold the City of Carpinteria harmless from any and all claims or lawsuits that may arise from the developer's activities under the provisions of the Lease / development agreement, that are attributable to the acts or omissions, including breach of specific contractual duties of the developer or the developer's independent contractors, agents, employees or officers.

Prevailing Wage Requirements

Prevailing wage requirements may or may not apply to this project. Anyone working on a public works project must be paid prevailing wages as determined by DIR. Public works projects in general means construction, alteration, demolition, installation, or repair work done under contract and paid in whole or in part out of public funds. For a full definition of public works refer to Labor Code section 1720. Anyone working on a public works project must be paid prevailing wages as determined by DIR. The developer will be responsible for complying prevailing wage requirements if applicable.

City Non-Liability and Related Matters

The RFP and the selection process shall in no way be deemed to create a binding contract, agreement, or offer of any kind between the City and the proposers. If the City selects a development team pursuant to the RFP, any legal rights and obligation between the successful team, if any, and the City will come into existence only when an agreement is fully executed by all parties, and the legal rights and obligations of each party shall at the time be only those rights and obligations which are set forth in the agreement and any other documents specifically referred to in that agreement.

The information being requested through this RFP is necessary for the City to adequately evaluate proposals. Failure to supply the requested information may result in rejection of the proposal. Each proposer agrees the City is not responsible for the costs incurred by proposers or their subcontractors incurred in connection with this RFP process, including, but not limited to costs associated with preparing a proposal or associated with participating in any presentations or negotiations related to this RFP.

In addition, each proposer agrees that all documentation and materials submitted in response to this RFP shall remain the property of the City. Subject to the California law relating to access to public records, the City may be required to publicly disclose all submitted information and materials to parties requesting such information.

The City reserves the right to alter the selection process in any way, to withdraw the RFP, to deem the proposals as non-responsive, to postpone the selection process for its own convenience at any time, to waive any defects in any submission, to recirculate the RFP, to issue a new RFP any time, or to hire a development team it deems appropriate at its sole discretion within an RFP evaluation.

The City is not responsible for representations made by any of its officers or employees prior to the approval of an agreement by the City Council unless such understanding or representation is included in the RFP or in subsequent written addenda. The City is responsible only for that which is expressly stated in this solicitation document and any authorized written addenda thereto.

The information being requested through this RFP is necessary for the City of Carpinteria to adequately evaluate your proposal. Failure to supply the requested information may result in rejection of your proposal. The City is not responsible for the costs incurred by proposers or their subcontractors incurred in connection with this RFP process, including, but not limited to costs associated with preparing a proposal or associated with participating in any presentations or negotiations related to this RFP.

Site Photos

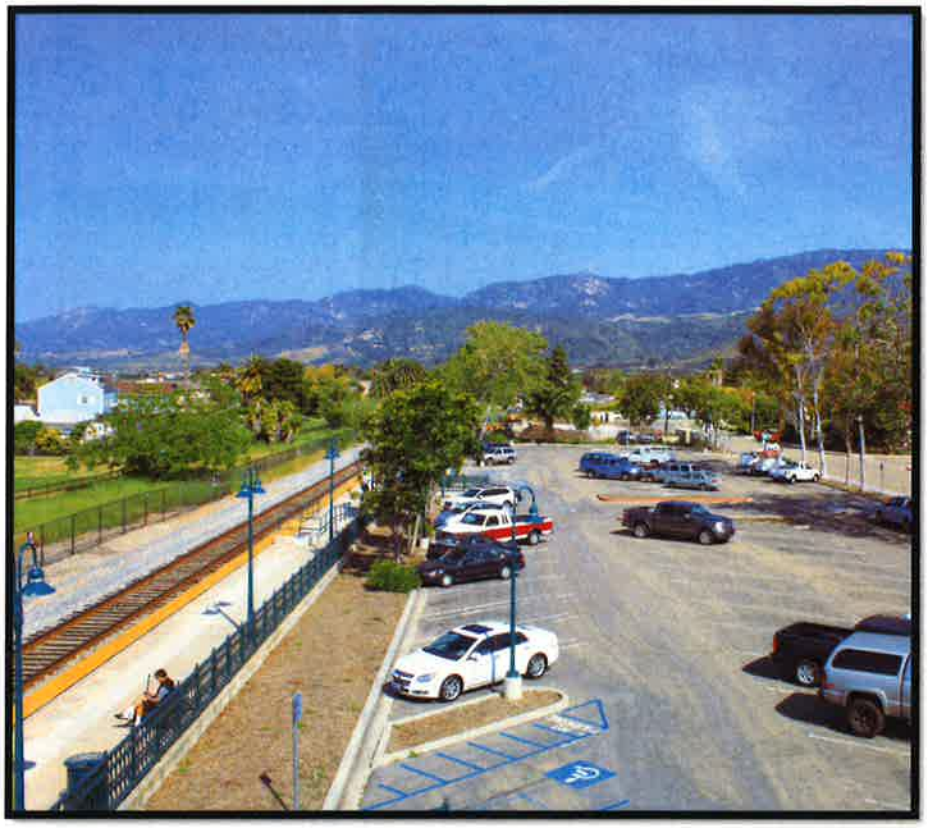
Page 1

The Amtrak passenger train shelter located at parking Lot #3

A picture of the Amtrak passenger platform and Shelter

Site Photos

Page 2



A view to the west from the project site showing the Santa Ynez Mountains and the Los Padres National Forrest

A view looking east on Fifth Street adjacent to Parking Lot #3

Site Photos

Page 3

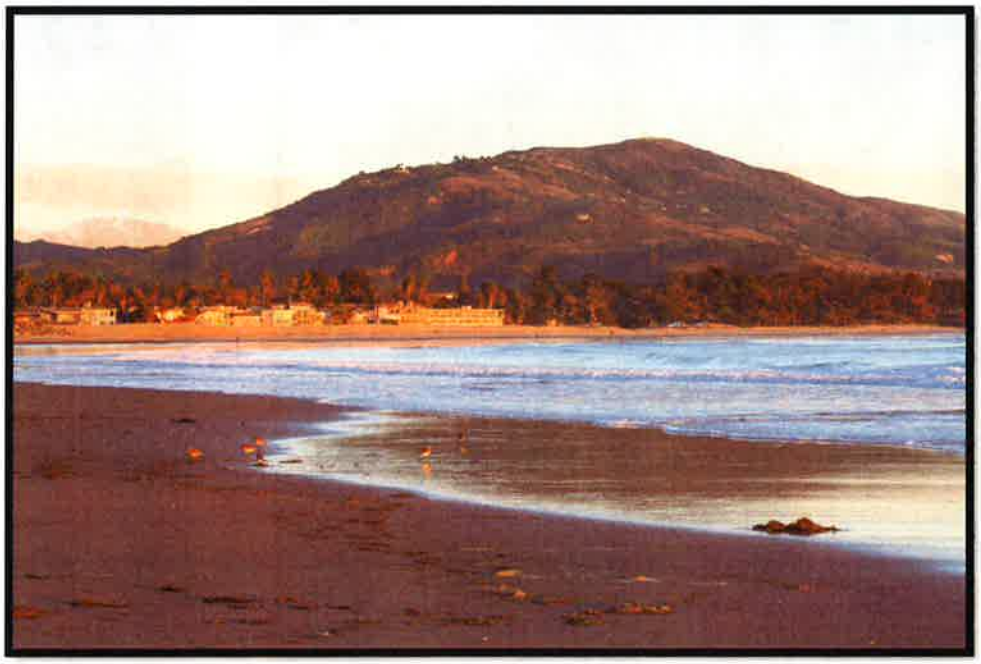
A view of Parking Lot #3looking east.

A View looking west of Parking Lot #3

Site Photos

Page 4

A photo of the Carpinteria Beach on a busy summer day 2015



A view of Carpinteria City and State Beach from Sand Point on a winter day.

Site Photos

Page 5

A view looking to the beach down Linden Avenue

A view of the 900 block Linden Avenue

Concept Plans Prepared by City

Artistic Rendering

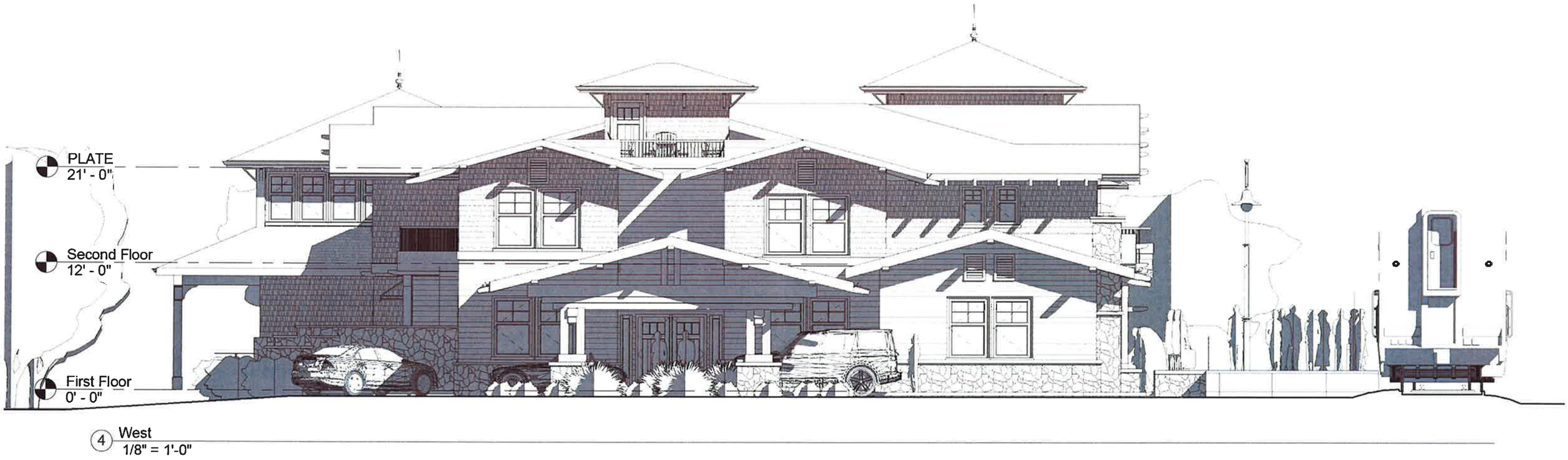
West Elevation

East Elevation

North and South Elevation

Ground Floor Plan

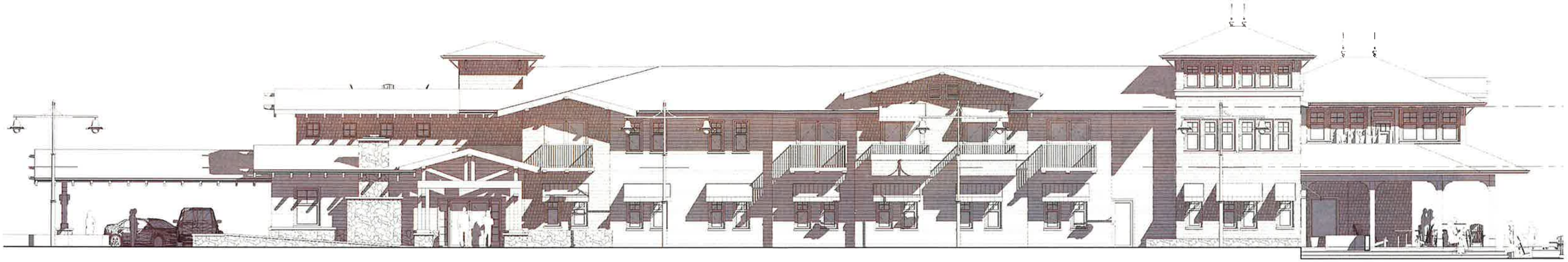
Second Story Floor Plan



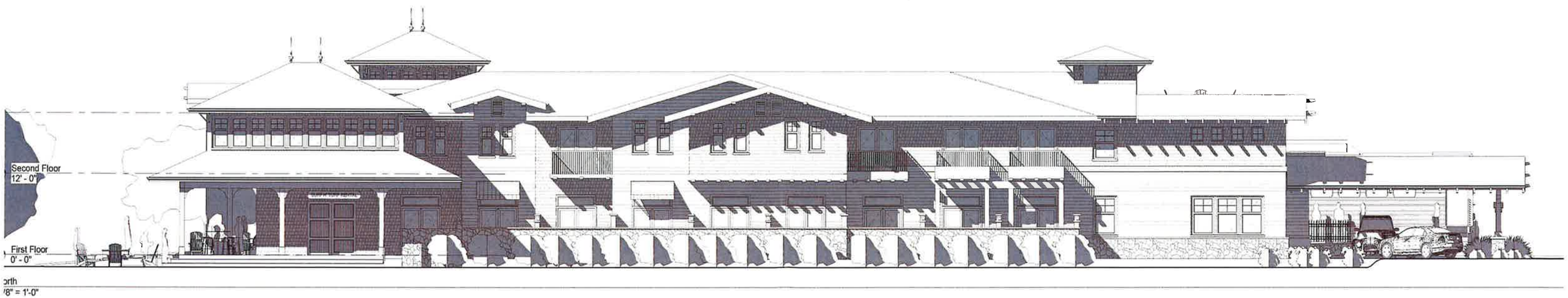
West Elevation

3 East
1/8" = 1'-0"

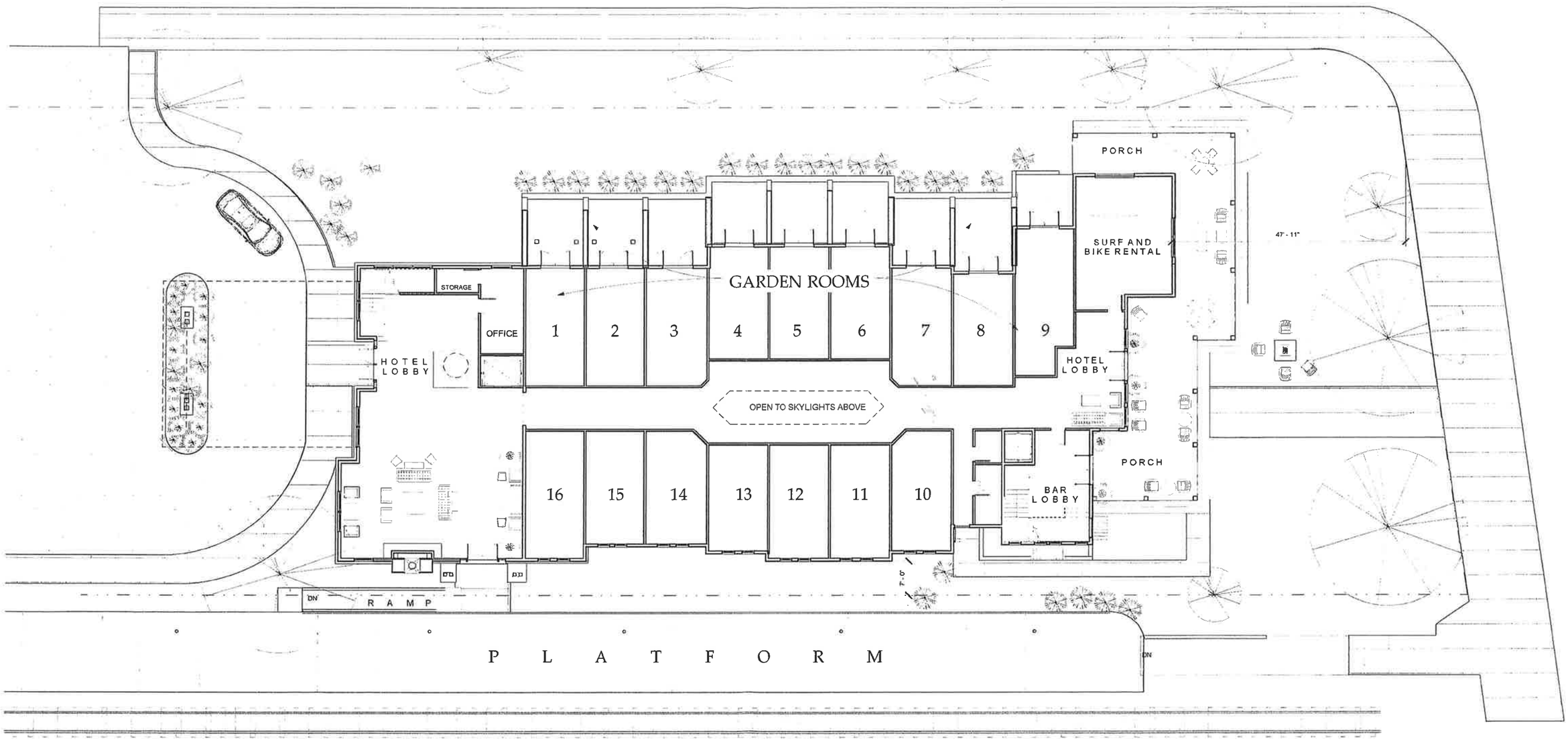
East Elevation
Linden Avenue Side



South Elevation
Railroad Side



North Elevation
Fifth Avenue Side



1 SITE - CONCEPTUAL
1" = 10'-0"

AREA SUMMARY

1ST FLOOR FOOTPRINT: 11,152 S.F.

BREAKDOWN BY AREAS

COMMON AREAS:	2,860 S.F.
GUEST ROOMS:	8,973 S.F.
EAST WING PORCH:	1,367 S.F.

TOTAL BLDG. AREA ENCLOSED:	18,016 S.F.
TOTAL AREA OUTDOORS:	2,387 S.F.

TERRANCE
DN
ROOF OF PORTE COCHERE
OPEN TO BELOW
DN
STAIR TO ROOF TERRACE
MEZZANINE
LOW BOOKCASE
17
18
19
20
21
22
23
OPEN TO BELOW SKYLIGHTS ABOVE
KITCHEN
M.
W.
LOUNGE
OUTDOOR TERRACE
HOUSE-KEEPING
30
29
28
27
26
25
24
OPEN TO BELOW
DN

KEYSER MARSTON ASSOCIATES

ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBBIE M. KERN
REED T. KAWAHARA
DAVID DOEZEMA

LOS ANGELES
KATHLEEN H. HEAD
JAMES A. RABE
GREGORY D. SOO-HOO
KEVIN E. ENGSTROM
JULIE L. ROMEY

SAN DIEGO
PAUL C. MARRA

To: Matt Roberts,
Director of Parks and Recreation
City of Carpinteria

From: Kevin Engstrom
James Rabe

Date: June 21, 2016

Subject: Carpinteria Hotel Market Conditions

Pursuant to your request, Keyser Marston Associates, Inc. (KMA) reviewed the market variables that will influence the demand for an approximately 30-room hotel development on the Linden Avenue and Fifth Street property (Site). Based on a review of the available data and contact with developers active in the area, KMA evaluated the market feasibility of a hotel at this location.

MARKET OVERVIEW

Located along Highway 101 between the cities of Ventura to the south and Santa Barbara to the north, the City of Carpinteria (City) is home to over 13,000 persons. Within the entire Carpinteria Valley, the estimated population is over 17,000 residents with over 8,600 employees.[1]

The Carpinteria Valley currently has a handful of hotels with over 600 rooms and approximately 100 vacation rentals.[1] As KMA understands the situation, the City is currently evaluating its options for regulating its vacation rental inventory. This is consistent with other jurisdictions throughout Southern California, which are considering mechanisms for managing the proliferation of these units and their coexistence with the City residents. In general, cities are finding that these units are not having a significant impact on hotel room demand; however, they are creating issues with local residents.

[1] Source: 2015 Carpinteria Valley Economic Profile

The City has a prime coastal location and surrounds Highway 101, which serves as a significant north – south transportation corridor for the State of California. Due to its coastal location, the City has a significant amenity in the form of Carpinteria State Beach, which hosted 880,000 visitors and generated nearly $3.5 million in user fees during the 2014/15 fiscal year.[2] The proposed Site is located in the historic core of the City and would be adjacent to the existing Amtrak station. The project would see the development of an existing parking lot and would assume the replacement of this parking on another site.

Historically, hotels are the most volatile land use, as rooms are "rented" on a nightly basis. This trend will continue in the future as fluctuations in employment, the economy, and natural/man-made disasters can all have a significant influence on the hotel industry. Notwithstanding these issues, the hotel market in Southern California is healthy, having improved significantly as the United States continues to recover from the recession. The following analysis summarizes hotel performance trends in the market over the past five years, provides an indication of regional hotel demand, and summarizes the impression of hotel developers active in the region.

HOTEL PERFORMANCE

The primary data sources used in this analysis were provided by PKF, Smith Travel Research and the City of Carpinteria (City). The information provided by these sources is based on surveys of a representative sample of hotels in the following market areas.

1. The Santa Barbara Town market are hotels located on, or within a few blocks of State Street (Town).[3]

2. The Santa Barbara Beach market includes resort hotels located along the beach communities of Santa Barbara, Montecito and Goleta (Beaches).[1]

3. The Santa Barbara County market includes the performance of hotels of all types in the county, including those in Carpinteria (County).[1]

4. The Carpinteria hotels include the top transient occupancy tax (TOT) producing hotels in the City: Best Western, Holiday Inn Express, Sandland Reef and two Motel Sixes.[4]

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[2] Source: California State Park System: Statistical Report 2014/15 Fiscal Year.
[3] Data provided by PKF Consulting
[4] Data provided by the City of Carpinteria

5. Working with the City, a Comparable Hotel Set of hotels was identified, including: Hotel Indigo Santa Barbara, The Wayfarer, Coast Hotel West Beach Inn and The Upham Hotel.[5]

The analysis is presented in the following tables:

Tables 1 – 4: Summarize hotel performance, including:

- 2010 - 2016 Hotel Occupancy Rates
- 2010 - 2016 Hotel Average Daily Rate (ADR)
- 2010 - 2016 Hotel Annual Revenue Per Available Room (RevPAR)

Tables 5 - 7: Summarize hotel demand for the following markets:

- Santa Barbara Town
- Santa Barbara Beach
- Santa Barbara County

Table 8: Projects Santa Barbara County hotel room demand

Table 9: Summarizes the 2015 Performance of Comparable Hotels

Table 1: Hotel Occupancy Rates

1. In each year between 2010 and 2015, the occupancy rate achieved in the Town was higher than the occupancy rates achieved in the Beach and County. In 2015, the average occupancy rates were as follows:

   a. The Town occupancy rate was 80.3%;

   b. The occupancy rate for the Beaches was 77.5%; and

   c. The County average occupancy rate was 78.5%.

[5] Data provided by Smith Travel Research (STR). Not all hotels provide their operating data to STR. The selected hotels provide their information and were identified by City staff and KMA as being most representative of a potential project in Carpinteria.

2. In each of the areas being studied, the average occupancy levels have increased since 2010. The percentage increases over the period are:

    a. Town at 15.2%;

    b. The Beaches at 18.3%; and

    c. The County at 18.8%.

For 2016, occupancy levels are projected to rise for the Beach and County. The occupancy level of the Town is projected to decrease slightly; however, this is due to an increase in room inventory as demand is projected to increase.

Table 2: Hotel Average Daily Rate (ADR)

1. The Town exhibits the lowest ADRs of the three areas being summarized herein; however, all of the current ADRs are relatively healthy.

2. In 2015, the ADRs were as follows:

    a. The Town ADR was $195;

    b. The Beaches' ADR was $289; and

    c. The County ADR was $217.

3. In each of the areas being studied, the ADR increased significantly since 2010. The percentage increases over the period are:

    a. The Town at 30.2%;

    b. The Beaches at 31.5%; and

    c. The County at 26.5%.

For 2016, ADRs are projected to rise an additional 5.0% for each of the market areas.

Table 3: Hotel Annual Revenue Per Available Room (RevPAR)

The RevPAR is the product of a hotel's occupancy rate multiplied by the average daily rate. Based on TOT records, the RevPAR of the largest TOT producing properties in the City can be estimated. As would be expected, the RevPAR estimates mirror the results of the occupancy and ADR results presented in the previous two tables. The key findings are:

1. The highest RevPAR numbers were achieved for all four areas in 2015.

2. The Carpinteria RevPAR was significantly lower than the RevPAR exhibited by the other three areas, but the Carpinteria RevPAR is growing at a faster pace than the other three areas.

3. The percentage growth in RevPAR over the period between 2010 and 2016 for the four areas are:

    a. Carpinteria at 72.8%;

    b. The Town at 49.9%;

    c. The Beaches at 55.6%; and

    d. The County at 50.3%.

For 2016, RevPARs are projected to rise over 4.0% for each of the market areas.

Table 4: Annual Change in Hotel Performance

Table 4 summarizes the change in hotel performance between 2010 and 2015 for the market areas. As previously noted, the occupancy levels, ADRs and resultant RevPARs have all shown healthy increases during this period.

Tables 5-7: Summary - Market Area Hotel Performance

Between 2010 and 2015, the following compound annual growth rates were generated within the market area:

1. Based on the factors already discussed, the RevPAR grew at healthy rate during this period. The average rate of growth per year equaled the following:

    a. The Town at 8.4%;

    b. The Beaches at 9.2%; and

    c. The County at 8.5%.

2. The supply of hotel rooms in the market area changed slightly:

    a. The Town at -1.1%;

    b. The Beaches at .2%; and

c. The County at .3%.

3. While the supply remained relatively static during this period, demand increased at relatively healthy rate:

   a. The Town at 1.7%;

   b. The Beaches at 3.6%; and

   c. The County at 3.9%.

Table 8: Projected Increase in Santa Barbara County Room Demand

The increase in County room demand is projected for the period between 2016 and 2031 based on an assumed 2.0% annual increase in the demand for hotel rooms, and 74% to 76% target occupancy rates. Based on these assumptions, demand for approximately 180 to 340 new hotel rooms is exhibited in the County over the next five years and over 2,000 new hotel rooms are supported over the next 15 years.

Table 9: 2015 Performance of Comparable Hotels

Table 9 identifies the average occupancy, the ADR and the RevPAR for the Comparable Hotel Set for each month in 2015. As shown in Table 9, the market is seasonal:

1. The Comparable Hotel Set exhibits strong demand during the summer months, with average occupancies exceeding 92% and ADRs up to $264.

2. The market area demonstrates fluctuating demand during the spring and fall, with average occupancies ranging from 68% to 86%, and ADRs ranging from $183 to $223.

3. The performance of the hotels in the market area declines during the winter months. The lowest occupancy point falls in December at 59.0% and the lowest ADR is January at $176.

Over the course of 2015, the average occupancy level was 79.8%, the ADR was $217 and the resultant RevPAR was $173. As would be expected given their location, the performance of these hotels would be comparable to the Town.

Hotel Performance Findings

The data collected for the market area indicates the following:

1. Hotel performance in the market area improved significantly over the past five years.

2. The demand for hotel rooms in the market area is seasonal, which indicates leisure travelers are driving the demand.

3. Demand is exhibited in the County for 180 - 340 new hotel rooms over the next five years, and for over 2,000 new hotel rooms over the next 15 years.

A hotel development on the Site would effectively need to capture approximately 10% - 15% of the near-term demand for new hotel rooms in the County. That capture rate would fall to less than 2% of the demand exhibited over the next 15 years.

MARKET IMPRESSIONS

To augment the hotel performance data collected for the market area, KMA contacted developers active in the region to gain their impressions of the opportunities for this specific site. These impressions can be summarized as follows:

1. There is a healthy amount of demand in the market area, as the hotel industry is performing very well in the Santa Barbara market area.

2. The current collection of hotels in Carpinteria does not offer a broad range of product types that would meet the needs of regional visitors.

3. The Site would be a good location for a hotel, given its proximity to the downtown and the State Beach.

4. Rail activity could be an issue; however, there are other hotels in the region that have successfully mitigated a similar location. Further, some travelers may be intrigued by the possibility of alighting from a train and having their hotel, beach and dining within walking distance.

5. The financial feasibility of the hotel is less certain, as it was noted that the City may need to subsidize the project.

Overall, the developers indicate a 30-40 room hotel at this location should have market support and would be well received by the region's visitors.

MARKET FEASIBILITY SUMMARY

The KMA analysis is intended to provide the City with a perspective on the market conditions exhibited for a potential hotel project in Carpinteria. The analysis indicates

strong hotel performance, as occupancies are high, ADRs have risen significantly and RevPARs are healthy. These findings are corroborated by developers active in the area, which indicate a 30-40 room hotel at this location should have market support and would be well received by the region's visitor. However, market feasibility does not immediately equate to financial feasibility, which cannot be determined until hotel developers have adequately addressed the potential hotel performance (ADR, occupancy levels, food and beverage revenues and operating expenses), the development costs and the financing available for such a project.

Limiting Conditions

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.

2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.

3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.

4. Market feasibility is not equivalent to financial feasibility; other factors apart from the level of demand for a land use are of crucial importance in determining feasibility. These factors include the cost of acquiring sites, relocation burdens, traffic impacts, remediation of toxics (if any), and mitigation measures required through the approval process.

5. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.

6. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

TABLE 1

2010-2016 HOTEL OCCUPANCY RATES
CARPINTERIA HOTEL OVERVIEW
CARPINTERIA, CALIFRONIA

Year	Santa Barbara Town [1]	Santa Barbara Beach [2]	Santa Barbara County [3]
2010	70.5%	65.5%	66.4%
2011	73.2%	69.1%	69.9%
2012	75.4%	71.6%	71.4%
2013	76.9%	72.8%	72.6%
2014	78.9%	76.0%	75.3%
2015	81.2%	77.5%	78.9%
2016(f)	80.3%	77.0%	78.5%
Percentage Increase between 2010 and 2015	**15.2%**	**18.3%**	**18.8%**
Compound Annual Growth between 2010 and 2015	**2.9%**	**3.4%**	**3.5%**
Forecast Change between 2015-2016	**-1.1%**	**-0.6%**	**-0.5%**

(f) Forecast

1 Hotels in Santa Barbara Town are located on, or within a few blocks of State Street. Source: PKF
2 Hotels in Santa Barbara Beach are located along beaches in Santa Barbara, Montecito and Goleta. Source: PKF.
3 Peformance of all hotels in Santa Barbara County, including those in Carpinteria. Source: PKF

Prepared by: Keyser Marston Associates, Inc.
File name: Carpinteria Hotel Tables; T1

TABLE 2

2010-2016 HOTEL AVERAGE DAILY RATE (ADR)
CARPINTERIA HOTEL OVERVIEW
CARPINTERIA, CALIFRONIA

Year	Santa Barbara Town [1]	Santa Barbara Beach [2]	Santa Barbara County [3]
2010	$149.65	$219.98	$163.01
2011	$155.98	$232.30	$168.78
2012	$159.09	$240.21	$174.69
2013	$167.03	$255.00	$182.51
2014	$177.47	$276.74	$196.39
2015	$194.79	$289.20	$206.20
2016(f)	$206.48	$303.65	$216.84
Percentage Increase between 2010 and 2015	**30.2%**	**31.5%**	**26.5%**
Compound Annual Growth between 2010 and 2015	**5.4%**	**5.6%**	**4.8%**
Forecast Change between 2015-2016	**6.0%**	**5.0%**	**5.2%**

(f) Forecast

1 Hotels in Santa Barbara Town are located on, or within a few blocks of State Street. Source: PKF

2 Hotels in Santa Barbara Beach are located along beaches in Santa Barbara, Montecito and Goleta. Source: PKF.

3 Peformance of all hotels in Santa Barbara County, including those in Carpinteria. Source: PKF

Prepared by: Keyser Marston Associates, Inc.
File name: Carpinteria Hotel Tables; T2

TABLE 3

2010 - 2016 HOTEL ANNUAL REVPAR[1]
CARPINTERIA HOTEL OVERVIEW
CARPINTERIA, CALIFRONIA

Year	City of Carpinteria [2]	Santa Barbara Town [3]	Santa Barbara Beach [4]	Santa Barbara County [5]
2010	$47.12	$105.50	$144.09	$108.24
2011	$58.15	$114.18	$160.52	$117.98
2012	$65.27	$119.95	$171.99	$124.73
2013	$64.42	$128.45	$185.64	$132.50
2014	$70.73	$140.02	$210.32	$147.88
2015	$81.42	$158.17	$224.13	$162.69
2016(f)	NA	$165.80	$233.81	$170.22
Percentage Increase between 2010 and 2015	**72.8%**	**49.9%**	**55.6%**	**50.3%**
Compound Annual Growth between 2010 and 2015	**11.6%**	**8.4%**	**9.2%**	**8.5%**
Forecast Change between 2015-2016	**NA**	**4.8%**	**4.3%**	**4.6%**

(f) Forecast

1 RevPAR is equal to the occupancy rate multiplied times the average room rate.
2 Includes top TOT producing hotels in Caprinteria: Best Western, Holiday Inn Express, Sandland Reef and Motel Sixes.
3 Hotels in Santa Barbara Town are located on, or within a few blocks of State Street. Source: PKF
4 Hotels in Santa Barbara Beach are located along beaches in Santa Barbara, Montecito and Goleta. Source: PKF.
5 Peformance of all hotels in Santa Barbara County, including those in Carpinteria. Source: PKF

Prepared by: Keyser Marston Associates, Inc.
File name: Carpinteria Hotel Tables; T3

TABLE 4

ANNUAL CHANGE IN OCCUPANCY, ADR & REVPAR
CARPINTERIA HOTEL OVERVIEW
CARPINTERIA, CALIFRONIA

Change in Occupancy Rates

Period	Santa Barbara Town [1]	Santa Barbara Beach [2]	Santa Barbara County [3]
2010-11	3.83%	5.50%	5.27%
2011-12	3.01%	3.62%	2.15%
2012-13	1.99%	1.68%	1.68%
2013-14	2.60%	4.40%	3.72%
2014-15	2.92%	1.97%	4.78%
2010-15	15.18%	18.32%	18.83%

Change in Average Daily Rates (ADR)

Period	Santa Barbara Town	Santa Barbara Beach	Santa Barbara County
2010-11	4.23%	5.60%	3.54%
2011-12	1.99%	3.41%	3.50%
2012-13	4.99%	6.16%	4.48%
2013-14	6.25%	8.53%	7.61%
2014-15	9.76%	4.50%	5.00%
2010-15	30.16%	31.47%	26.50%

Change in Revenue Per Available Room (RevPAR)

Period	City of Carpinteria [4]	Santa Barbara Town	Santa Barbara Beach	Santa Barbara County
2010-11	23.40%	8.22%	11.40%	9.00%
2011-12	12.24%	5.06%	7.15%	5.72%
2012-13	-1.29%	7.08%	7.94%	6.23%
2013-14	9.80%	9.01%	13.30%	11.61%
2014-15	15.10%	12.96%	6.56%	10.01%
2010-15	72.78%	49.92%	55.55%	50.31%

1 Hotels in Santa Barbara Town are located on, or within a few blocks of State Street. Source: PKF

2 Hotels in Santa Barbara Beach are located along beaches in Santa Barbara, Montecito and Goleta. Source:

3 Peformance of all hotels in Santa Barbara County, including those in Carpinteria. Source: PKF

4 Includes top TOT producing hotels in Caprinteria: Best Western, Holiday Inn Express, Sandland Reef and Motel Six

Prepared by: Keyser Marston Associates, Inc.
File name: Carpinteria Hotel Tables; T4

TABLE 5

SUMMARY - SANTA BARBARA TOWN PERFORMANCE [1]
CARPINTERIA HOTEL OVERVIEW
CARPINTERIA, CALIFRONIA

	Santa Barbara Town						
	Average Occupancy	Average Daily Rate	Annual Supply of Room Nights	Annual Demand for Room Nights	Change in Occupied Room Nights	RevPAR	Change
2010	70.5%	$149.65	257,690	181,751		$105.50	
2011	73.2%	$155.98	257,690	188,528	3.7%	$114.18	8.2%
2012	75.4%	$159.09	271,560	204,714	8.6%	$119.95	5.1%
2013	76.9%	$167.03	272,655	209,599	2.4%	$128.45	7.1%
2014	78.9%	$177.47	272,655	215,071	2.6%	$140.02	9.0%
2015	81.2%	$194.79	243,698	197,924	-8.0%	$158.17	13.0%
2016(f)	80.3%	$206.48	262,435	210,789	6.5%	$165.80	4.8%
Compound Annual Growth - 2010 -2015	2.9%	5.4%	-1.1%	1.7%		8.4%	
Forecast Change between 2015-2016	-1.1%	6.0%	7.7%	6.5%		4.8%	

[1] Hotels in Santa Barbara Town are located on, or within a few blocks of State Street. Source: PKF

Prepared by: Keyser Marston Associates, Inc.
File name: Carpinteria Hotel Tables; T5

TABLE 6

SUMMARY - SANTA BARBARA BEACH HOTEL PERFORMANCE [1]
CARPINTERIA HOTEL OVERVIEW
CARPINTERIA, CALIFRONIA

	Santa Barbara Beach						
	Average Occupancy	Average Daily Rate	Annual Supply of Room Nights	Annual Demand for Room Nights	Change in Occupied Room Nights	RevPAR	Change
2010	65.5%	$219.98	801,540	525,378		$144.09	
2011	69.1%	$232.30	801,540	553,744	5.4%	$160.52	11.4%
2012	71.6%	$240.21	801,540	573,991	3.7%	$171.99	7.1%
2013	72.8%	$255.00	804,916	586,063	2.1%	$185.64	7.9%
2014	76.0%	$276.74	809,205	615,311	5.0%	$210.32	13.3%
2015	77.5%	$289.20	809,205	627,216	1.9%	$224.13	6.6%
2016(f)	77.0%	$303.65	830,497	639,760	2.0%	$233.81	4.3%
Compound Annual Growth - 2010-2015	3.4%	5.6%	0.2%	3.6%		9.2%	
Forecast Change between 2015-2016	-0.6%	5.0%	2.6%	2.0%		4.3%	

[1] Hotels in Santa Barbara Beach are located along beaches in Santa Barbara, Montecito and Goleta. Source: PKF.

Prepared by: Keyser Marston Associates, Inc.
File name: Carpinteria Hotel Tables; T6

TABLE 7

SUMMARY - SANTA BARBARA COUNTY HOTEL PERFORMANCE [1]
CARPINTERIA HOTEL OVERVIEW
CARPINTERIA, CALIFRONIA

	Santa Barbara County						
	Average Occupancy	Average Daily Rate	Annual Supply of Room Nights	Annual Demand for Room Nights	Change in Occupied Room Nights	RevPAR	Change
2010	66.4%	$163.01	1,946,180	1,291,833		$108.24	
2011	69.9%	$168.78	1,946,180	1,360,018	5.3%	$117.98	9.0%
2012	71.4%	$174.69	1,972,825	1,409,497	3.6%	$124.73	5.7%
2013	72.6%	$182.51	2,003,211	1,454,372	3.2%	$132.50	6.2%
2014	75.3%	$196.39	2,007,135	1,510,413	3.9%	$147.88	11.6%
2015	78.9%	$206.20	1,977,813	1,560,808	3.3%	$162.69	10.0%
2016(f)	78.5%	$216.84	2,035,909	1,598,410	2.4%	$170.22	4.6%
Compound Annual Growth - 2010-2015	3.5%	4.8%	0.3%	3.9%		8.5%	
Forecast Change between 2015-2016	-0.5%	5.2%	2.9%	2.4%		4.6%	

[1] Peformance of all hotels in Santa Barbara County, including those in Carpinteria. Source: PKF

Prepared by: Keyser Marston Associates, Inc.
File name: Carpinteria Hotel Tables; T7

TABLE 8

PROJECTED INCREASE IN SANTA BARBARA COUNTY ROOM DEMAND
CARPINTERIA HOTEL OVERVIEW
CARPINTERIA, CALIFRONIA

Potential Demand - 2% Annual Increase in Demand & 74% Target Occupancy

	Annual Increase in Room Demand	Existing Room Night Supply	Santa Barbara Average Occupancy Level	Room Night Demand Exceeding Target Occupancy	Cumulative Additional Room Demand
2016	1,598,400	2,035,900	78.5%	561,600	340
2021	1,764,800	2,035,900	86.7%	620,100	956
2026	1,948,500	2,035,900	95.7%	684,600	1,636
2031	2,151,300	2,035,900	105.7%	755,900	2,387

Potential Demand - 2% Annual Increase in Demand & 76% Target Occupancy

	Annual Increase in Room Demand	Existing Room Night Supply	Santa Barbara Average Occupancy Level	Room Night Demand Exceeding Target Occupancy	Cumulative Additional Room Demand
2016	1,598,400	2,035,900	78.5%	504,800	184
2021	1,764,800	2,035,900	86.7%	557,300	784
2026	1,948,500	2,035,900	95.7%	615,300	1,446
2031	2,151,300	2,035,900	105.7%	679,400	2,178

[1] Peformance of all hotels in Santa Barbara County, including those in Carpinteria. Source: PKF

TABLE 9

2015 PERFORMANCE OF NEARBY COMPARABLE HOTELS[1]
CARPINTERIA HOTEL OVERVIEW
CARPINTERIA, CALIFRONIA

	Comparable Hotel Set		
	Average Occupancy	**Average Daily Rate**	**RevPAR**
January	71.6%	$175.89	$125.94
February	76.0%	$183.31	$139.32
March	79.0%	$190.27	$150.31
April	86.1%	$204.48	$176.06
May	81.7%	$220.58	$180.21
June	84.3%	$237.35	$200.09
July	92.4%	$261.53	$241.65
August	91.4%	$263.72	$241.04
September	85.2%	$232.81	$198.35
October	82.6%	$222.80	$184.03
November	67.7%	$189.24	$128.12
December	59.0%	$186.42	$109.99
Overall 2015 Performance	79.8%	$217.22	$173.34

[1] Includes the following hotels: Hotel Indidgo Santa Barbara; The Wayfarer; Coast Hotel West Beach Inn and the Upham Hotel. Source: Smith Travel Research