

Sergio Ramirez

From: Sergio Ramirez
Sent: Tuesday, October 1, 2019 1:33 PM
To: Jack Cunningham
Cc: Lisa West; John Keisler; Tom Modica; Rebecca Garner; Andrew Vialpando
Subject: Breaker Hotel - Follow Up

Importance: High

Jack:

As a follow up to our conversation. Here are a few points of why staff is supportive of the proposed Transient Occupancy Tax Sharing Agreement:

The proposed hotel, will:

- help fill the Luxury segment of hotel accommodations that is currently missing from the Long Beach Tourism landscape as we aim to “hit a home run” or “slam dunk” in the waterfront. .
- will help support the CVB secure additional tourism and conventions to Long Beach.
- will support the office market in Long Beach, as certain business travelers seek out certain hotel accommodations.
- will preserve and restore, a historically significant building on Ocean Boulevard.
- will restore a hospitality use at the Breakers Building (between 1990 to 2015, the building was operated as a Congregate Care Facility for Seniors).
- The total development costs of the project to be approximately \$135 M.
 - Due to the historic nature of the building/adaptive reuse, and high degree of finishes, cost of land, there is high development costs (\$726,000 per room)
 - There is a feasibility gap of \$37.7 Million based on current revenue projections.
- The proposed project is expected to generate approximately \$73.5 Million Dollars in NEW TOT.
 - Under the proposed agreement, the City would share a portion of the project TOT with the developer during the first 9 years of operation, capped at \$13 M.
 - The hotel will be required to operate for a 20 minimum period.
 - The City assistance will cover 34% of the feasibility gap.
 - The developer will be required to make an investment of \$70.7 Million Dollars
 - Will be required to operate a 4 Diamond Hotel (with annual certification requirements) – Preferred Hotel Flag or greater with City approval.
- The project will re-open, the new and improved “Sky Room” Restaurant and Bar.
- The project will feature a destination – Jazz Club venue.

In regards to TOT Generation, although the City will be providing a TOT Subsidy to induce a high level hotel and providing \$13M in the first 9 years, the City will generate a much higher amount of TOT over the life of the hotel, typically between 25 and 30 years.

Based on the projections of our 3rd party economic consultant (Keyser Marston) listed below are some of the projections:

- Year 9 or sooner, Developer will receive \$13M and City will received \$3.24M (Based on the 80%/20% split),
- Year 10 the assistance period burns off – annual TOT to the City jumps to approximately \$2.1 annually,
- Between year 13 and 14, the City will have received approximately \$13M (same amount credited to the developer,

- By year 15, City would receive approximately \$17M,
- By year 20, City would receive approximately \$30M,
- By year 25, City would receive approximately \$44M,
- By year 30, City would receive approximately \$60M.

In addition the City is projected to receive over \$5M in Sales Tax and just under \$1M in Property Tax.

Please let me know if you have any additional questions or if the Councilwoman would like to speak with me directly.

Thank you,

Sergio M. Ramirez

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Stay in touch with Long Beach Economic Development!



ADDRESS CHANGE: Long Beach City Hall has moved! Please note that the address for City Hall has changed from 333 W. Ocean Boulevard to 411 W. Ocean Boulevard, Long Beach, CA 90802.