



Chula Vista Bayfront
Update Presentation

*City of Chula Vista
May 13, 2014*

Agenda

- Pre Development Feasibility
 - Branding & Market Strategy
 - Design Guidelines
 - Phase I Infrastructure
 - Hotel Market Demand Analysis
 - Hotel Feasibility
 - Commercial, Retail & Industrial Market Demand Analysis
- Solicitation & Developer Selection for Phase I



II. Brand Strategy & Design Guidelines

MISSION / VISION / VALUES

❖ Mission

The purpose of the project is to transform the Chula Vista Bayfront into a world-class destination for local residents and visitors – a unique place for people to live, stay and play.

❖ Vision



New Growth Engine:

Provide a destination for regional development and generate sustainable job creation



Investment Increase:

Attract public, private and foreign investment



Project Branding:

Enable the Bayfront to be recognizable and identifiable to the world for its value



Environmental Focus:

Eco-friendly environment encompasses large public realm preserving the Bayfront's natural resources

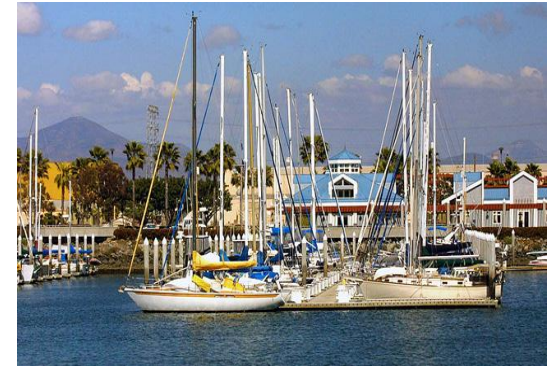
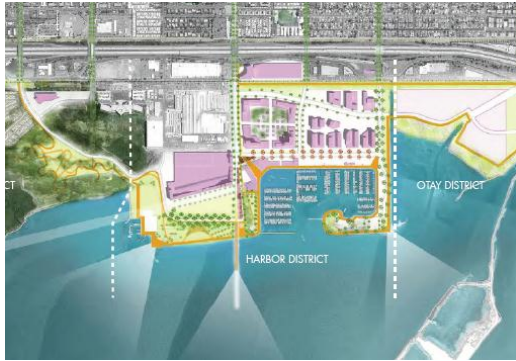
❖ Values

The development should stimulate the economy, protect natural resources, and create public amenities, making the waterfront a vibrant destination that emphasizes connectivity and balance.

PROJECT POSITION – IT'S ABOUT THE BAY

The Chula Vista Bayfront is part of the “Big Bay” - a natural extension of the ongoing development on the San Diego Bayfront. It is the largest contiguous project on the Bay, and therefore will be a comprehensive and inclusive location in and of itself.

- *a premium destination similar to the Hilton on Mission Bay and the Hotel Del Coronado as unique, well-positioned properties that define their settings.*



PROJECT POSITION - IT'S ABOUT BALANCE

A mixed-use project incorporating a destination resort/convention center, an integrated park network and access to the water and residential development. The design of the public realm and the ecological footprint creates a unique environment that supports a wide variety of uses.

- **View It:** *Enjoy the view corridors and diversity,*
- **Enjoy It:** *Stroll through the parks and enjoy the wildlife preserve, or*
- **Engage It:** *Ride a bike or kayak in the bay from the marina.*



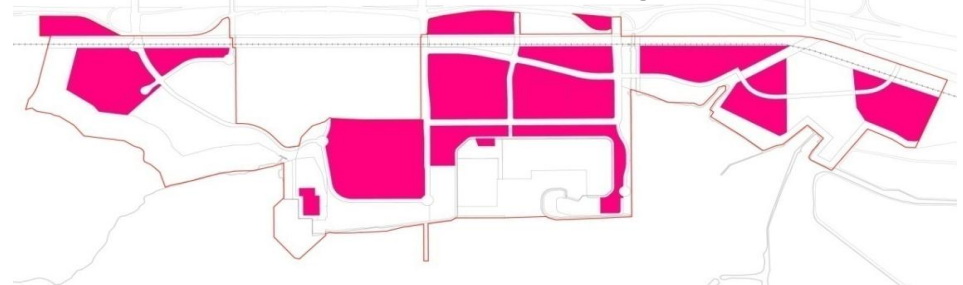
Design Guidelines

- ❖ The overall objective of the Design Guidelines is to incorporate the entitlements and land use designations with a vision to create a contiguous waterfront .
- ❖ The goal is to create attractive development projects while ensuring the public right of access to the shoreline and protecting the sensitive natural habitat which is part of the National Wildlife Refuge.

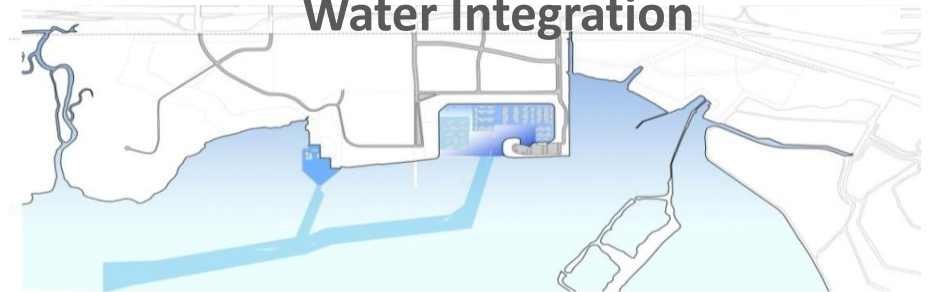
Public Realm



Private Development

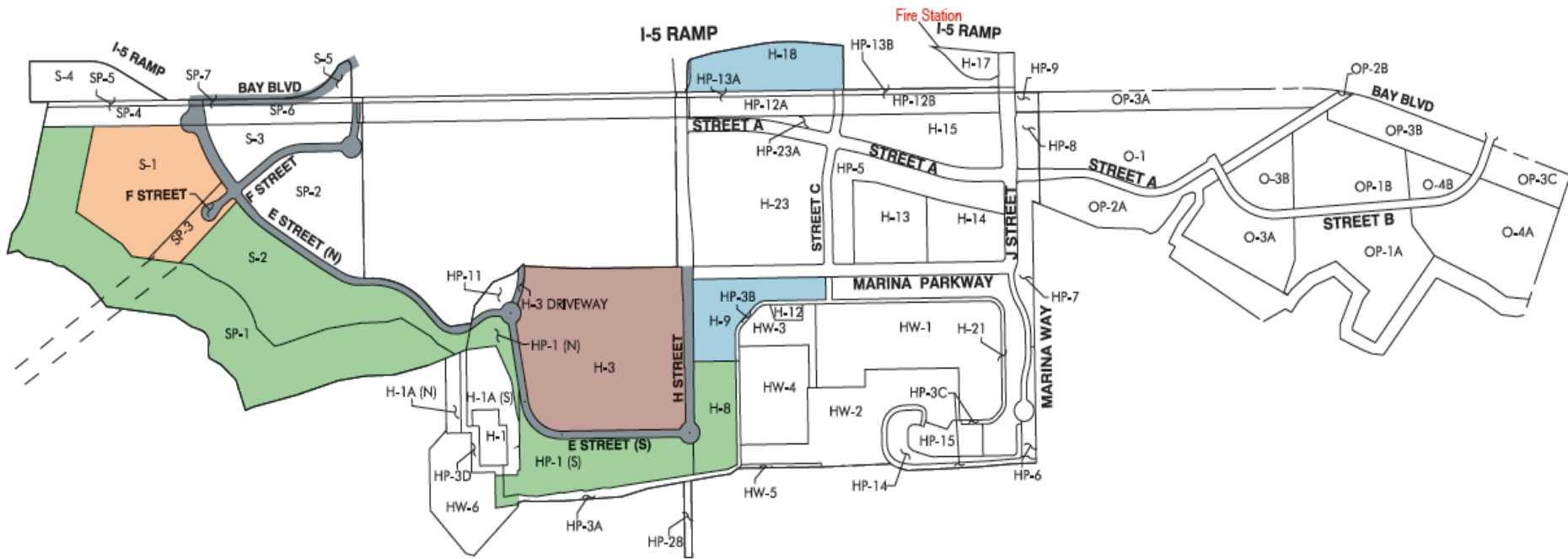


Water Integration



III. Feasibility Analysis

Chula Vista Bayfront - Proposed Phase IA - Infrastructure



- Hotel/Convention
- Retail
- RV Park
- Streets
- Parks

Phase I Infrastructure – Cost Estimate

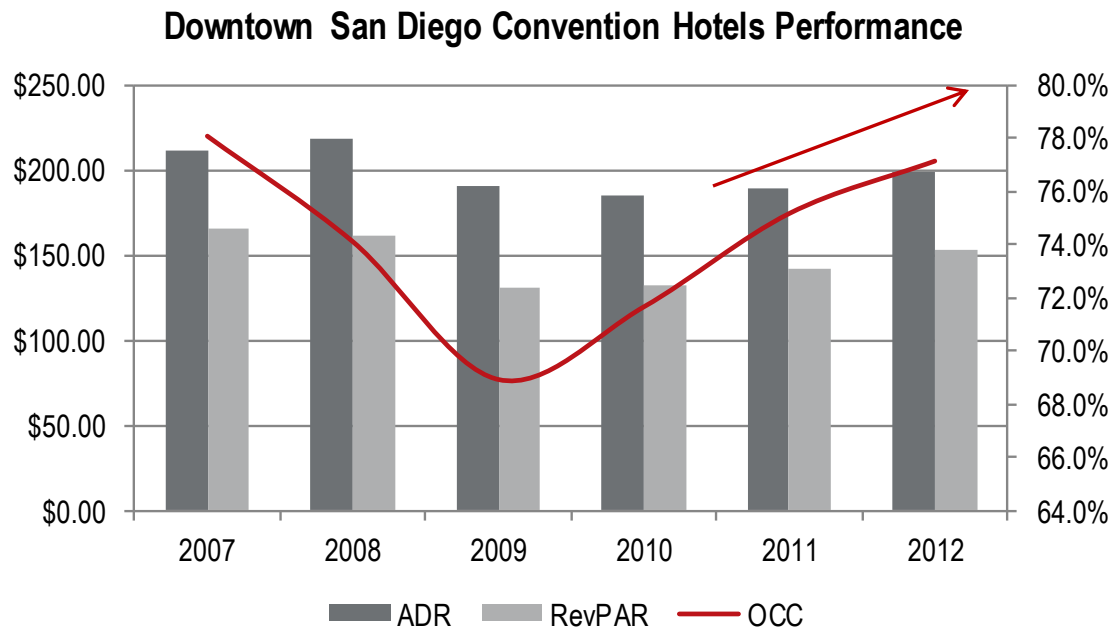
Program Element	Cost Estimate (Includes hard & soft costs)
Streets	\$22,433,000
Parks	\$39,485,000
Building Pads	\$11,314,000
Fire Station & offsite improvements	\$15,394,000
Total Cost	\$88,626,000

Hotel Demand Analysis

- Evaluated performance of competitive set of San Diego County convention hotels
- Detailed analysis and benchmarking of similar single destination hotel/convention properties that are not located in core urban areas
- Developed hypothetical program for single destination hotel on H-3 to test fit and feasibility
- Conducted extensive market soundings at industry forums with hotel operators and developers to test interest and opinions about CVB convention/hotel development

Demand Analysis: San Diego Competitive Set

- Downtown San Diego Convention Hotels
 - Influx of new supply by year-end 2008 with the launch of the 1,190-room Hilton San Diego Bayfront
 - The competitive set's demand level grew year-over-year by 181,000 room nights in 2009, compared to the average year-over-year growth of 50,000 to 70,000 room nights. This was attributed by the induced demand with the debut of the Hilton Bayfront. JLL estimates that a total of 80,000 to 100,000 induced room nights were attributed to Hilton's opening, as it is able to accommodate more transient and group demand.



Source: Smith Travel Research

Feasibility of Single Destination Resort on H-3

Goal of Analysis

- Determine whether hotel project is feasible and can generate enough revenue to support the Phase I infrastructure costs

Components of the Analysis

- Projected market impact of 1,500 room hotel entering market
- Developed program and cost estimate for 1,500 room hotel, 400,000 SF convention center and 2,800 parking stalls.
- Developed cost estimate for phase I Infrastructure requirements
- Projected returns of hotel operations based on benchmarks of similar hotels and ADR's that can be supported in San Diego market

- Port and City, with support by JLL, have conducted numerous outreach events presenting the CVB development opportunity to hotel/convention investors, developers and operators
 - Multiple ULI conferences
 - Hotel Industry Forums (ALIS, NYU)
 - Dallas P3 Conference
- Many of the likely hotel/convention operators have seen the project concept
- General feedback has been positive and has re-affirmed the following
 - Market timing is strong to go out for the hotel
 - Likely will only be a few operators capable of this development
 - Will take visionary investors and developers to do this project
 - All are concerned about incentives and public process
 - See the Port/City collaboration and Finance Agreement around the plan of finance as very positive

Results of Hotel Feasibility Analysis

- Strong market suggests this a good time to attract investors for new hotel development
 - Strong regional hotel market with rising rates and positive absorption
 - Low interest rates and softening debt/equity requirements
 - Strong preliminary investor interest
 - Convention business is strong
- Chula Vista market cannot rely on sufficient spill-over demand from downtown SD to support the development of a “signature hotel” on the CVB site
 - Success will require a hotel operator that brings “induced demand” to provide for initial stabilization
- Recommend focusing solicitation on finding developer for a single branded hotel
 - This will likely be a large hotel operator (1,200 – 1,600 rooms) that will require a convention center and parking adjacent to the hotel
 - Limited market for these type of operators

Results of Hotel Feasibility Analysis

- For investors to meet their return thresholds, the project will, at a minimum, need to fund:
 - Convention Center; and
 - Phase I infrastructure.
- Hotel operations may be able to generate sufficient revenue to support Phase I infrastructure and convention center

VI. Market Study for Non – Hotel Uses

Non Hotel Market Studies

- In addition to evaluating hotel demand, Jones Lang LaSalle evaluated Retail, Office and Industrial demand
 - Of these uses, only retail is market viable for Phase I development
- Because of importance of appropriate retail to overall success of project, Port has retained JLL to perform an updated retail analysis
 - Focusing on freeway parcel H-18 and retail potential along Marina and H street
 - Considering demand through the following filters
 - Permissible Uses
 - Permissible uses that would require no plan amendment
 - Permissible uses that might require a plan amendment
 - Market Timing
 - Demand for retail prior to other new development
 - Demand for retail after convention resort hotel is developed
 - Report will be completed in June 2014

VII. Conclusions and Recommendations

Conclusions

- Strong regional Hotel market and low interest rates make now the optimal time to go to market for Hotel development on H-3
- Market analysis favors development of large destination resort on H-3 (approximately 1,500 rooms)
 - The CVB site will require an operator that brings “induced demand”
 - A large hotel is required to generate enough revenue to support the Phase I infrastructure cost
 - The hotel will require a 400,000 SF conference center and 2,800 parking stalls
 - For hotel investors to generate the required return thresholds, the project will need to fund these amenities from the development revenues
- Assuming the cost structure doesn't change for the hotel developer, there should be sufficient revenues to support the repayment of phase I infrastructure.
- Initial market demand indicates retail on H-18, adjacent to the Freeway, would be supported in conjunction with the hotel development, and this will be further analyzed by current retail study.

- With the goal of selecting a hotel development team in 2015, initiate a two stage RFQ/RFP process for the hotel on H3
 - Release RFQ in June, 2014
 - Release RFP in 1st quarter 2015
 - Select preferred development team by mid 2015
 - Negotiate option to lease agreement by end of 2015
- Continue to refine the analysis for Phase I infrastructure to inform the Plan of Finance agreement between Port and City
 - Plan of Finance should be in place by release of RFP to short listed teams
 - Continue to evaluate retail opportunities throughout the Bayfront