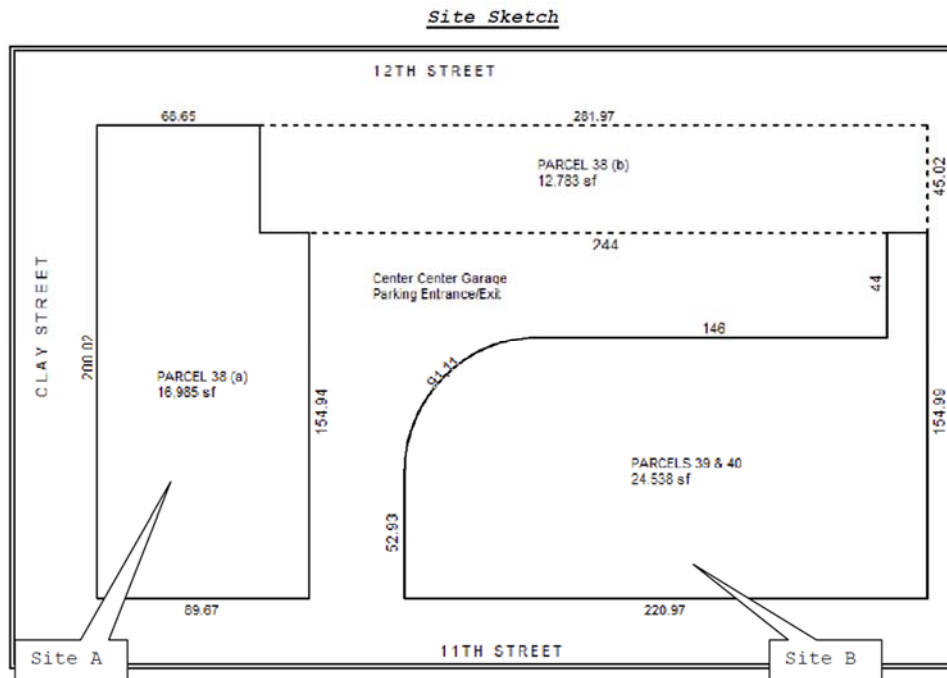
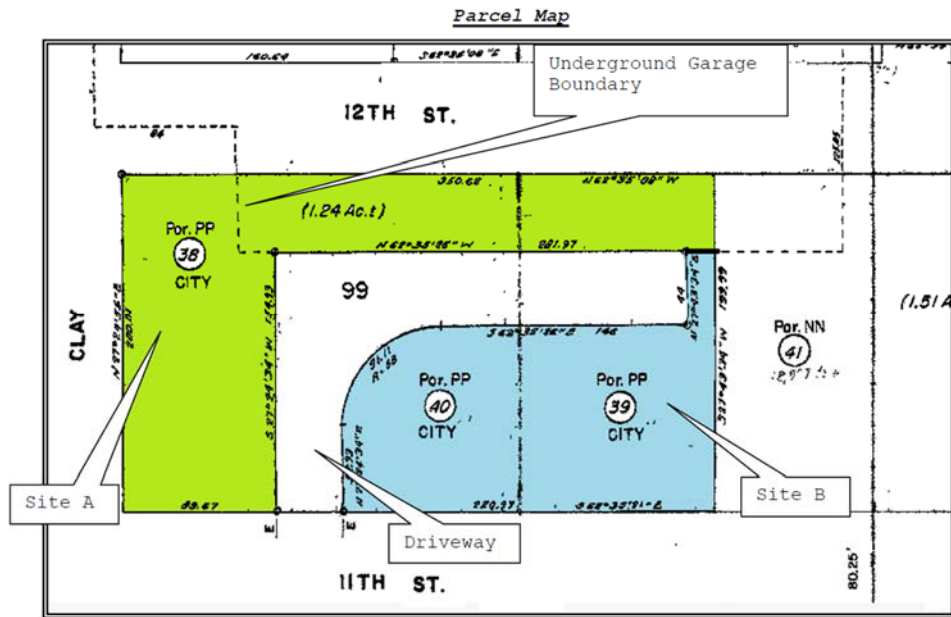


# ATTACHMENT A



## ATTACHMENT B

### Supplemental Schedule of Performance 15-Month Extension (T-5/T-6 Site B)

	Short Description of Developer Deliverable for Phase 2 / Site B	Due Date (Days)	Months
<b>1</b>	<b>Hotel Feasibility Analysis</b>	<b>0-120 Days</b>	<b>Months 1-4</b>
1a	Developer pursues hotel project, including but not limited to the following deliverables: <ul style="list-style-type: none"> <li>• Shared underwriting of hotel pro forma(s) between Developer and City and City's Third Party Economic Consultant;</li> <li>• Evidence of Developer meetings with minimum of three hotel investors to evaluate current market interest;</li> <li>• Fiscal Impact Report regarding hotel use.</li> </ul>	During first 90 days	Month 1 to Month 3
1b	Developer submits additional information regarding Alternate Project, including Fiscal Impact Report and other materials as requested.	During first 90 days	Month 1 to Month 3
1c	City makes determination regarding hotel feasibility and Alternate Use: <ol style="list-style-type: none"> <li>1. <b>If City determines hotel is feasible</b> – Developer makes affirmative decision to either seek Second Amendment to negotiate new terms and benchmarks for hotel project or terminate DDA. Proceed to 2a.</li> <li>2. <b>If City determines hotel is infeasible</b> - City makes determination to allow Developer to pursue Alternate Project. Proceed to 2b.</li> </ol>	Within 120 days of Council Authorization	Month 4

	<b>Short Description of Developer Deliverable for Phase 2 / Site B</b>	<b>Due Date (Days)</b>	<b>Months</b>
<b>2</b>	<b>DDA Termination -OR- Project Selection</b>	<b>Within 150 Days of Council Authorization</b>	<b>Month 5</b>
2a	1. If City determines hotel is feasible, pursuant to 1.c.1, and Developer decides not to pursue hotel project, developer submits written notice within 30 days after City determination of intent to terminate DDA. 2. If Developer decides to pursue hotel project, Developer continues entitlement process with FDP application. Proceed to Step 3.	Within 150 Days of Council Authorization	Month 5
2b	If City authorization for Alternate Project is received, pursuant to 1.c.2, Developer submits applications for PUD Amendment and CEQA Clearance for the University Use. Proceed to Step 3.	Within 150 Days of Council Authorization	Month 5
3	Project Team Info	Within 150 Days of Council Authorization	Month 5
4	Host Community Meeting	Within 210 Days of Council Authorization	Month 7
5	Project Design Info	Within 240 Days of Council Authorization	Month 8
6	Project Financing and Schedule	Within 240 Days of Council Authorization	Month 8
7	Market Research Study & Project Marketing	Within 240 Days of Council Authorization	Month 8
8	Final Appraisal Report	Within 250 Days of Council Authorization	Month 9
9	Final Reuse Appraisal (only if Developer elects)	Within 330 Days of Council Authorization	Month 11
10	Complete Planning Entitlements, including CEQA, as required.	Within 330 Days of Council Authorization	Month 11
11	Complete Negotiations for 2 <sup>nd</sup> Amendment to DDA for presentation to Council for approval	Within 360 Days of Council Authorization	Month 12

	Short Description of Developer Deliverable for Phase 2 / Site B	Due Date (Days)	Months
12	New Outside Date for DDA Expiration	450 days after Council Authorization - OR <ul style="list-style-type: none"> <li>• if 1<sup>st</sup> Extension Option granted: within 540 days after Council Authorization</li> <li>• if 2<sup>nd</sup> Extension Option granted: within 630 days after council Authorization</li> </ul>	Month 15 - OR <ul style="list-style-type: none"> <li>• if 1<sup>st</sup> Extension Option granted: Month 18</li> <li>• if 2<sup>nd</sup> Extension Option granted: Month 21</li> </ul>

## ATTACHMENT C

### Summary of Hotel Feasibility Analysis Received To Date

*The following is a summary of the hotel feasibility materials submitted by the Developer during the current DDA term to support their finding that a hotel is financially infeasible on Site B. As stated above, staff reviewed these materials, including conducting a peer review with an economic consultant, and concluded that these findings have merit but require additional analysis. This analysis will be completed during the first 90 days of the First Amendment extension period. These findings are summarized here for reference only and do not reflect the final determination of the City Administrator regarding hotel feasibility.*

Demand for hotel rooms in Oakland has been reasonably strong since 2015, with upscale hotel average daily room rates (ADR) increasing from \$190 to \$215 (or by 13% percent), and revenue per available room (RevPAR) increasing from \$152 to \$172 (or by 13 percent) over the same period. However, as detailed in Table 1 below, construction costs have experienced extreme escalation – a total of more than 40 percent since 2015. This means that, despite growth in rates and occupancy, hotel feasibility challenges have become more severe. Table 1 is a summary of a select group of upscale hotels in the competitive set (including the City Center Marriott, the Joie De Vivre Waterfront Hotel, and The Graduate Berkeley), with performance metrics compared to Bay Area construction cost increases as reported by Rider Levett Bucknall, an independent construction advisory firm.

**Table 1**

#### **East Bay Upscale Hotel Performance vs. Construction Cost Escalation**

	<b>Occupancy</b>	<b>ADR</b>	<b>RevPAR</b>	<b>RevPAR Increase</b>	<b>Construction Cost Increase</b>
<b>2013</b>	75.7%	\$159	\$120		
<b>2014</b>	77.2%	\$174	\$134		
<b>2015</b>	79.9%	\$190	\$152	<b>13.4%</b>	<b>9.4%</b>
<b>2016</b>	76.3%	\$205	\$157	<b>3.3%</b>	<b>14.7%</b>
<b>2017</b>	79.8%	\$208	\$166	<b>5.7%</b>	<b>7.6%</b>
<b>2018</b>	80.0%	\$215	\$172	<b>3.6%</b>	<b>6.2%</b>
<b>Total Increase</b>				<b>28.4%</b>	<b>43.5%</b>

*Source: STR Data & RLB Construction Index*

In addition to the fact that cost increases have outpaced revenues, there are some signs that net revenue growth is slowing. 20 new hotel developments are in the immediate pipeline in San Francisco, adding nearly 5,000 new rooms. This new product could siphon off some demand from Oakland.

All other hotel projects currently moving forward in Oakland benefit from lower construction costs because they are mid-rise (wood-frame) buildings; have different labor requirements; and/or are in Federal Opportunity Zones (OZ). Table 2 is an overview of recent Oakland hotel starts.

**Table 2: Active Hotel Developments in Oakland - 2019**

District	Hotel Name	Address	Developer	Rooms	Stories	OZ
7	SpringHill Suites	195 Hegenberger	Monarch Hotels	140	5	Yes
2	Hampton Inn	375 11th Street	Ridgemont Hospitality	121	6	No
3	Signature	2401 Broadway	Signature Development	168	6	No
3	AC/Residence Inn	1431 Jefferson	Hawkins Way Capital	286	18	Yes
3	The Moxy	2225 Telegraph	Tidewater Capital	173	7	Yes

A high-rise hotel on T-5/6 Site B does not benefit from the Federal OZ investor return increase of 25-35% and costs more to build due to Type I high-rise construction and other factors.

Based on the most recent hotel pro forma analysis prepared by Strada in November 2019 and peer reviewed by the City's third-party economic consultant, development of a hotel on Site B would require substantial City subsidy (i.e. free land; \$4 to \$12 million upfront; 100% of TOT rebate for first 20 years of operation) to make a hotel attractive to investors. Table 3 below summarizes the key results from the proforma analysis which show the cost per to build a hotel is nearly double what the Marriot sold for in 2017, which sold for \$289,000 per room.

**Table 3: Strada Pro Forma Conclusion Summary**

	High Rise Hotel (300 Key / Type I)	Mid Rise Hotel (180 Key / Type III)
Total Development Cost	\$150,000,000	\$83,000,000
Per Room Cost*	\$500,000	\$461,111
Land Payment to City	\$0	\$0
Additional Upfront Subsidy Needed	\$12,000,000	\$4,000,000
TOT Rebate Needed	100% for 20 Years	100% for 20 Years
NPV of TOT Rebate	\$33,000,000	\$19,000,000
IRR ( <i>Typical Range: 15% to 20%</i> )	18%	18%