

**CALIFORNIA COASTAL COMMISSION**

45 FREMONT, SUITE 2000  
 SAN FRANCISCO, CA 94105-2219  
 VOICE (415) 904-5200  
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**FINAL AGENDA****F9****PUBLIC WORKSHOP: LOWER COST VISITOR SERVING ACCOMMODATIONS**

**Date:** Friday, March 13, 2015

**Location:** Chula Vista Council Chambers, 276 Fourth Avenue, Chula Vista, CA 91910

**Estimated duration:** 2¼ hours; 9:45 am – 12:00 pm; *times are approximate*

**Purpose:** Public education and discussion of topics related to the economics of hotel development and the constraints and opportunities for financing lower cost visitor serving overnight accommodations

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|----------------------|--|
| <b>9:45 – 9:50</b>   | <b>I. WELCOME AND INTRODUCTION</b>   |
| <b>9:50 – 10:35</b>  | <b>II. PRESENTATIONS</b><br><br><b>A. Economics of Hotel Development and Opportunities for Public-Private Partnerships</b><br>Maurice Robinson<br>Maurice Robinson & Associates<br><br><b>B. Lower Cost Accommodations Facilitated and/or Funded by the State Coastal Conservancy</b><br>Samuel Schuchat, Executive Officer<br>California Coastal Conservancy<br><br><b>C. Analysis of Overnight Accommodations at Port of San Diego</b><br>Penny Maus, Senior Asset Manager, Real Estate<br>San Diego Unified Port District |
| <b>10:35 – 10:45</b> | <b>IV. 10-MINUTE BREAK</b>   |
| <b>10:45 – 11:15</b> | <b>V. PUBLIC COMMENTS</b>  |
| <b>11:15 – 11:50</b> | <b>VI. COMMISSION DISCUSSION AND QUESTIONS TO PANELISTS</b>  |
| <b>11:50 – 12:00</b> | <b>VII. WRAP UP</b>  |

*(See over for Speakers' Biographies)*

## Public Workshop: Lower Cost Visitor Serving Accommodations

### **Maurice Robinson**

Mr. Robinson, ISHC, CRE, ASA, is president of Maurice Robinson & Associates, and has over 35 years of experience as a consultant in the real estate and hospitality development industry. He is a nationally-recognized expert who specializes in public sector counseling, and has been assisting cities, counties, port districts, state and Federal agencies in California by facilitating the development of hotels, including Cavallo Point (the conversion of 30 historic buildings at Fort Baker into a Gold LEED certified hotel in Golden Gate National Park), and the Argonaut (the conversion of the historic Haslett warehouse into the 260-room, 4-diamond, top-producing hotel in SF's Fisherman's Wharf).

Mr. Robinson is a state-certified Appraiser, Economist, Arbitrator, and has won numerous awards from his peers; authored numerous articles, newsletters, and chapters in hospitality textbooks; spoken dozens of times at many industry conferences; and guest lectured at UC Berkeley's MBA program.

### **Samuel Schuchat**

Samuel P. Schuchat became Executive Officer of the Coastal Conservancy in July 2001. He is also the Secretary to the California Ocean Protection Council and serves on the boards of the Los Cerritos Wetlands Authority, the Baldwin Hills Conservancy, and the Santa Monica Bay Restoration Commission. He was the Executive Director of the Federation of State Conservation Voter Leagues from 1998 to 2001; the Federation is the trade association of 26 environmental Political Action Committees (PAC) in as many states. From 1992 to 1998 he was the Executive Director of the California League of Conservation Voters, the nation's largest and oldest state environmental PAC with 25,000 members.

Mr. Schuchat has an extensive background in fund-raising and management of not-for-profit organizations. He has worked as a community and union organizer, has raised money for community art projects, and was the deputy director of Sacramento AIDS foundation in the late 1980s. He served on the California Fish and Game Commission from 1999 to 2004 including two years as Vice-President. He is currently serving on the Board of Temple Sinai in Oakland. He received his BA in Political Science at Williams College in Williamstown, Massachusetts, in 1983, and his MA in Public Administration at San Francisco State University in 1989. He is an avid cyclist and birdwatcher, and has backpacked all over the Eastern and Western United States. He resides in Oakland with his wife and daughter.

### **Penny Maus**

Penny Maus joined the Port of San Diego in 2008 and is currently a Senior Asset Manager in the real estate department. In her current role, she is involved with complex contract negotiation, entitlement processing, stakeholder outreach, construction and property management for a diverse portfolio of assets, including many of the Port's hotels. Penny has served as the Port's project manager on such notable projects as: San Diego Marriott Marquis & Marina's \$182 million Facilities Improvement Project; implementation of the Big Bay Shuttle; Kona Kai Resort Expansion Project; Humphrey's Resort and Marina Redevelopment Project; and, is currently managing the Port's lower cost overnight accommodations study. Prior to joining the Port, she worked in franchising and real estate for the corporate offices of Jack in the Box Inc. and PETCO Animal Supplies, Inc.



March 12, 2015

CALIFORNIA COASTAL COMMISSION  
45 Fremont Street, Suite 2000  
San Francisco, CA 94105-2219

RE: BIKE CUBE PROJECT – AFFORDABLE LODGING ALTERNATIVE

Dear Commissioners:

As a developer with hotel and RV/camping properties located on the California Coast, I have noted how the Coastal Commission and Staff have struggled with the problem of including affordable lodging units in new developments. Over the past decade, a portion of the public has changed priorities related to transportation and travel plan interests. More specifically the public, all age groups, have shown an increased awareness in outdoor activities including camping and even more so, bicycling. I have had an opportunity to see this growth from Santa Cruz to Santa Barbara and there is a genuine need for secure and affordable accommodations for this activity. The California Missions were established within a reasonable travel distance to each other and I believe there are some conceptual similarities. Please consider the following overview:

The concept is to develop a series of specialty bike cube sites along the California coast (each setting would be within 50 mile limits of one another). Specific details include the creation of portable stainless steel or fiberglass structures that can be increased or decreased at each location based on variable demands. These would be treated as a temporary use, as the cubes would be relocated to accommodate seasonal conditions. These portable sleeping units are designed as 10x10x10 cubes, the interior of which includes a queen size bed, bike racks and storage cabinet. Other amenities include solar lighting, two exit doors with RFID security locks. Similarly designed portable showers and restrooms meeting ADA criteria would be included in each village setting.

There are many physical and operational details to be considered and I would like to make a presentation to the Commission at your next workshop.

Regards,



John E. King  
JEK/ml

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**F9****Prepared March 11, 2015 for March 13, 2015 Hearing**

**To:** Commissioners and Interested Persons

**From:** Madeline Cavalieri, Coastal Program Manager  
 Elena Perez, California Sea Grant Fellow

**Subject:** **ADDENDUM for March 2015 Public Workshop on Lower Cost Visitor Serving Accommodations**

The purpose of this addendum is to: 1) add a glossary of lodging development terms that may be a useful reference when listening to the speakers' presentations, and; 2) provide the public comments on the Workshop that were received as of March 10, 2015.

The background report is modified as shown below (text in *italicized* format indicates text to be added):

**1. Glossary of Lodging Terms**

Add new section at the end of the report, on page 4, as follows:

*Glossary of Terms for Lodging Development, Operations, & Investment*

**Average Daily Room Rate (ADR):** *The ADR is a metric used to measure the operating performance of a lodging unit. Calculate the ADR by dividing the total rooms revenue by the number of rooms occupied. Total rooms revenue includes transient rooms revenue, group rooms revenue, and other rooms revenue (no-shows, day use, late check-out, rollaways, cribs, and surcharges). Complimentary rooms are not included in the rooms occupied. ADR is also referred to as Average Room Rate.*

**Capitalization Rate (Cap Rate):** *The Cap Rate is used to help determine the rate of return, or how fast an asset pays for itself and begins to make a profit. The Cap Rate is the ratio of Net Operating Income (NOI) to the property asset value, and is calculated by dividing the NOI an asset produces in a given year by its purchase price. For example, if an asset costs \$1,000,000 and it produces \$50,000 in a given year, the capitalization rate is 5% and it will take 20 years to pay for the asset with the money it produces. The capitalization rate may change from year to year as NOI changes. (Cap Rate = NOI/Purchase Price)*

**Discount Rate:** *The Discount Rate is the interest rate used to compute the present value of future cash flows. The future value of an investment depends on the particular interest rate at which the investment is compounding. Future cash flows must therefore be discounted in*

## ADDENDUM: Lower Cost Visitor Serving Accommodations

*order to calculate its present value. Investors' required rate of return is often used as a discounting rate to ensure the projected cash flow of a property will provide a sufficient return of investment.*

### **Earnings Before the deduction of Interest, Taxes, Depreciation and Amortization**

*(EBITDA): EBITDA is used to indicate the current operational profitability of the business. EBITDA is widely used when assessing the performance of companies and is intended to allow a comparison of profitability between different companies by canceling the effects of interest payments from different forms of financing (by ignoring interest payments), political jurisdictions (by ignoring tax), collections of assets (by ignoring depreciation of assets), and different takeover histories (by ignoring amortization). EBITDA is the same as NOI.*

***Full-Service Hotels:** Full-Service Hotels are generally mid-price, upscale or luxury hotels ("upper-priced") with a restaurant, lounge facilities and meeting space, and offer guest services, often including bell and room service. Full-Service Hotels draw at least 5% of rooms revenue from the sale of food and beverages.*

***Internal Rate of Return (IRR):** The Internal Rate of Return is the rate of return used to measure the profitability of an investment. It is the rate at which the present value of all future cash flows is equal to the initial investment, or the rate at which the investment breaks even.*

***Limited-Service Hotels:** Limited-Service Hotels have rooms-only operations (i.e. without food and beverage service), but very few other services or amenities. These hotels are often in the budget or economy group ("lower-priced").*

***Occupancy Percentage (Occ):** Occupancy percentage shows the percentage of available rooms occupied for a given period and is calculated by dividing the number of occupied rooms by the number of available rooms.*

***Net Operating Income (NOI):** The Net Operating Income is used to analyze real estate investments that generate income. NOI is the total revenue from the property less all operating expenses necessary to run and maintain the property and its grounds, such as insurance, property management fees, property taxes, utilities, and repairs. NOI is a before-tax figure that does not take into account interest earned, depreciation, and amortization. NOI is the same as EBITDA.*

***PKF Consulting (PKF):** PKF Consulting is a national firm of management consultants, industry specialists, and appraisers who provide a full range of services to the hospitality, real estate, and tourism industries. PKF's Hospitality Research division prepares a variety of forecast and benchmarking reports, and maintains databases of hotel income statements and sale prices. These reports and data are widely used by hotel property financial professionals.*

***Revenue per Available Room (RevPAR):** RevPAR is a performance metric in the hotel industry. Calculate RevPAR by dividing a hotel's total guestroom revenue by the number of rooms available and the number of days in that period, or by multiplying the ADR by the Occupancy Percentage.*

## ADDENDUM: Lower Cost Visitor Serving Accommodations

***Smith Travel Research (STR):*** *STR is the leading provider of information services to the hotel industry. The company offers a comprehensive database covering more than 160,000 hotels worldwide, which is used to provide competitive benchmarking, aggregated market segment data, industry forecasts and construction pipeline reports. STR's clients include hotel operators, developers, financiers, analysts and suppliers to the hotel industry.*

**Monterey County Vacation Rental Alliance**  
**PO Box 221816**  
**Carmel, CA 93922**

March 2, 2015

Commissioners, California Coastal Commission:

On behalf of the Monterey County Vacation Rental Alliance ([www.MCVRA.org](http://www.MCVRA.org)), I am writing to offer some information for the upcoming Public Workshop #2, scheduled for March 13, 2015. This workshop is to focus on "Low Cost Visitor Serving Accommodations in the Coastal Zone." I attended Public Workshop #1, held in December in Monterey, and spoke during the public comment period to highlight the value of short-term vacation rentals in the Coastal Zone.

As I said then, we believe that the types of accommodations that Short Term Rental (STR) property owners can offer present an economical option for families and folks with lower incomes visiting the coast. We believe that our mission aligns with that of the Coastal Commission in encouraging property owners to offer a variety of housing costs to individuals, couples and families traveling on a budget. STRs also offer the "homey" feel of staying in homes where many times the hosts are present and get to interact with their guests in a more intimate way than happens in motels and hotels. We certainly do not believe that STRs take away from the hospitality industry, but rather provide another (and usually lower cost) option to the traveling public.

Here is a comparison of what a family might expect to spend in a vacation rental versus a hotel in the Monterey County Coastal Zone:

A mid-priced hotel in Monterey, the Spindrift Inn, is \$239 per night per room for a four-night stay on March 4-8, 2015. A family of two adults and three children will need two rooms, for a total of \$478 per night. A three-bedroom house in Pacific Grove, Snuggle In, which is located approximately two miles from the Spindrift Inn, can be rented for \$229 per night. That is a savings of \$996 for the four-night stay. A family staying in a hotel or motel will eat three meals a day in restaurants, costing an average of \$12.75 per meal per person, or \$765. Those same meals can be prepared in a vacation home for \$4.00 per meal per person, or \$240 (food costs taken from *Don't Eat Out as Often*, by Trent Hamm, at [www.TheSimpleDollar.com](http://www.TheSimpleDollar.com), July 31, 2014). That is a savings of \$525. The difference in total expenditure for this hypothetical family of five for their four-day stay in the Monterey Bay is \$1521. They will spend \$1156 (plus applicable taxes) for their vacation, as opposed to \$2677 (plus applicable taxes) for conventional lodging. That difference in cost can mean, for many families, that they will actually be able to visit the coast, as opposed to not being able to visit the coast. For other families, the cost difference means they can visit the coast more than once.

At present, Monterey County does not allow permits for short term rentals located in the Coastal Zone although permits can be obtained for STRs outside the Coastal Zone. Our organization is advocating for a fair and reasonable ordinance in the County that will allow short term rental uses to be permitted in the Coastal Zone. We hope the Commission will support such an ordinance, because we strongly believe that allowing short term rentals in the Coastal Zone would fulfill the public access mandates of the Coastal Act and make it possible for more visitors to enjoy the wonders of the Monterey County Coastal Zone.

Thank you for considering this important form of coastal access for average and below average income visitors.

Sincerely yours,



Janie Rommel-Eichorn  
Treasurer, Monterey Vacation Rental Alliance

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**DRAFT AGENDA****F9**

**PUBLIC WORKSHOP: LOWER COST VISITOR SERVING  
 ACCOMMODATIONS**

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# F9

**Prepared February 27, 2015 (for March 13, 2015 hearing)**

**To:** Commissioners and Interested Persons  
**From:** Charles Lester, Executive Director  
Susan Hansch, Chief Deputy Director  
Madeline Cavalieri, Coastal Program Manager  
Elena Perez, California Sea Grant Fellow

**Subject: Public Workshop on Lower Cost Visitor Serving Accommodations**

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## STAFF SUMMARY

The Coastal Act broadly protects public access for all by protecting and providing for lower cost public recreational and visitor serving facilities, including but not limited to overnight accommodations. As stated in the Commission's Strategic Plan Vision: "The California coast is available for all to enjoy through thousands of public accessways to and along the shoreline, a completed California Coastal Trail, a well-supported network of parks and open spaces, and a wide range of visitor-serving facilities, including lower cost campgrounds, hostels, and hotels."

Section 30213 requires permitted development to protect, encourage and, where feasible, provide lower cost visitor and recreational facilities. This protection is necessary because, as the Commission has seen throughout the history of its program, there is significant pressure to develop new higher cost accommodations, sometimes by replacing existing lower or moderate cost facilities. This is because market demand tends to push prices increasingly higher in the California coastal zone, where tourism and overnight accommodations are extremely valuable commodities.

In December 2014, the Commission conducted a public workshop on lower cost visitor serving overnight accommodations, which provided an overview of the issues related to protecting and providing such accommodations. The December staff report summarizes Commission actions that have directly addressed these issues and provides the status of the in-lieu fees that have been collected as mitigation for impacts to lower cost overnight accommodations. Examples and lessons from Commission actions are cited in order to provide an overview of ways to evaluate, protect and provide lower cost overnight accommodations in new LCPs, LCP amendments and

future development projects. The December staff report is available at: <http://documents.coastal.ca.gov/reports/2014/12/W3-12-2014.pdf>.

This March workshop will focus on the economics of hotel development and the constraints and opportunities for financing lower cost visitor serving overnight accommodations, including through public-private partnerships.

Following this workshop, the Commission will hold a third workshop. The third workshop will provide an opportunity to further explore concepts that originate from the first two workshops and consider how they relate to the Commission's program. The future workshop or workshops will also provide further opportunity to join with our state agency partners, including the Coastal Conservancy and State Parks, to explore options for enhancing our existing partnerships to further the goals and implement the ideas that stem from the workshops.

#### December Workshop

The December workshop provided an overview of the issues related to protecting and providing lower cost visitor serving overnight accommodations. The webcast of the workshop, including the speakers' presentations, can be accessed at: <http://www.cal-span.org/cgi-bin/archive.php?owner=CCC&date=2014-12-10&player=jwplayer>.

The December workshop included four speakers. Tammy Blount of the Monterey County Visitor's Bureau provided an overview of Monterey County's tourism economy. She discussed the effects of the growing economy on tourism; the aim of the Monterey County Visitor's Bureau to attract all types of visitors to Monterey; and the need to accommodate such visitors with affordable accommodations.

Patrick Tierney, Professor of Tourism and Entrepreneurship at San Francisco State University spoke about the challenges to development of lower cost overnight accommodations on the coast. He discussed the major factors influencing the economics of lower cost overnight accommodations in the coastal zone; the economic factors that enable owners to retain their existing lower cost overnight accommodations; the challenges owners face in retaining them; and recommended proactive approaches for the Coastal Commission to encourage their retention.

Karl Knapp, Chief of Facilities Management of the California State Parks provided an overview of lower cost overnight accommodations in State Parks. He discussed the existing park facilities that accommodate visitors; the proposed facilities and projects in place to increase affordable lodgings and accommodate a variety of users; and the enhancements made to various facilities to extend the usable camping season and draw different user types.

Aaron Chaffee, Vice President of Hostelling International spoke about affordable access through HI USA hostels along the California coastline. He discussed the cultural and educational benefits of HI hostels; the numerous partnerships that facilitate the development and maintenance of hostels; and strategies used to ensure HI's accommodations remain affordable.

### Commission Discussion

At its December workshop, the Commission expressed interest in numerous ideas related to lower cost visitor serving overnight accommodations. For example, the Commission discussed the need for family-oriented hotel lodging that would accommodate low-income and middle-income families. In addition, the Commission acknowledged the importance of hostels in providing lower cost accommodations along the coast. Commissioners were also interested in ensuring that in-lieu fees are used in a way that serves a diverse population.

With regard to the economics of hotel development and financing lower cost visitor serving accommodations, the Commission wanted to further explore the potential for more public-private partnerships and also wanted to understand the similarities that may exist between the development and protection of affordable housing and the development and protection of lower cost visitor serving units. The Commission noted the need to encourage maintaining or upgrading lower cost visitor serving accommodations through grants or low cost loans. The Commission called upon Dr. Tierney to provide recommendations on how to achieve this objective. Dr. Tierney pointed to the potential for easements to be used as a tool to ensure protection of existing lower cost accommodations. He also suggested the possibility of establishing a program akin to the Williamson Act as a way to provide tax incentives for the protection of lower cost accommodations.

### March Workshop

The March workshop features panelists with expertise in several areas related to the economics of hotel development and financing for lower cost visitor serving accommodations. This workshop will provide time for the Commission to further discuss these issues, ask questions of the panelists, and explore new ideas for enhancing the protection and provision of lower cost visitor serving overnight accommodations.

### Public-Private Partnerships

The Commission retains no in-lieu fee accounts of its own, but instead, partners with other agencies and organizations that can hold and distribute them. The Commission often partners with the State Coastal Conservancy, which distributes the in-lieu fees either to other public agencies or to non-profit organizations for uses that have a clear public purpose. When considering the use of public-private partnerships, the Conservancy has cautioned that these partnerships can be complicated, given the constitutional prohibition on providing gifts of public money. Article 16, §6 of the California Constitution states that the legislature “shall have no power... to make any gift or to authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation whatever... .” In determining whether an appropriation of public funds is a “gift” within the meaning of this provision, courts have routinely inquired whether the money is to be used for a public or private purpose; where it is to be used for public purposes, its expenditure is not a constitutionally prohibited gift.

In many cases, the Commission’s in-lieu fees are spent on projects undertaken by government agencies, avoiding the issue of a ‘gift of public funds’. In addition, the Coastal Conservancy has explicit statutory authority to award grants to nonprofit organizations for specified purposes.<sup>1</sup>

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<sup>1</sup> Public Resources Code section 31116.

## Public Workshop: Lower Cost Visitor Serving Accommodations

The Conservancy has indicated that in granting this authority, the legislature intended to ensure that the organizations receiving the funds have demonstrably charitable public purposes and that, at least with respect to real property transactions, the ability of the grantee to dispose of property or use it for unrelated financial purposes is subject to state control.

Thus, if state funds are used to support a private business enterprise, it must be clear that there is a direct and substantial public purpose served and that any benefit to the private entity is only incidental to the direct public purpose. These limitations on the use of public funds should be considered in future discussions of potential public-private partnerships.