

CALIFORNIA COASTAL COMMISSION

SAN DIEGO AREA
7575 METROPOLITAN DRIVE, SUITE 103
SAN DIEGO, CA 92108-4421
(619) 767-2370



W12b

A-6-SAN-19-0203 (PALM AVE TRANSITIONAL HOUSING)

DECEMBER 11, 2019

EXHIBITS

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- Exhibit 7 – Hotel Market Analysis (2019 Supplemental Report)

RECEIVED

OCT 29 2019

GAVIN NEWSOM, Governor

STATE OF CALIFORNIA - THE RESOURCES AGENCY

CALIFORNIA COASTAL COMMISSION

SAN DIEGO COAST DISTRICT OFFICE
7575 METROPOLITAN DRIVE, SUITE 103
SAN DIEGO, CA 92108-4402
VOICE (619) 787-2370 FAX (619) 787-2384

CALIFORNIA
COASTAL COMMISSION
SAN DIEGO COAST DISTRICT



APPEAL FROM COASTAL PERMIT DECISION OF LOCAL GOVERNMENT

Please Review Attached Appeal Information Sheet Prior To Completing This Form.

SECTION I. Appellant(s)

Name: Citizens for South Bay Coastal Access
Mailing Address: 4891 Pacific Highway, Suite 104
City: San Diego Zip Code: 92110 Phone: 619-497-0021

SECTION II. Decision Being Appealed

- Name of local/port government:
City of San Diego
- Brief description of development being appealed:
Palm Avenue Transitional Housing; Project No. 644184; CDP No. 2326137; CUP No. 2326138
- Development's location (street address, assessor's parcel no., cross street, etc.):
1788 Palm Avenue, San Diego, CA 92154
- Description of decision being appealed (check one.):
 Approval; no special conditions
 Approval with special conditions:
 Denial

Note: For jurisdictions with a total LCP, denial decisions by a local government cannot be appealed unless the development is a major energy or public works project. Denial decisions by port governments are not appealable.

TO BE COMPLETED BY COMMISSION:	
APPEAL NO:	A-6-SAN-19-0203
DATE FILED:	10/29/19
DISTRICT:	San Diego Coast

EXHIBIT NO. 1
APPLICATION NO. A-6-SAN-19-0203
Appeal by Citizens for South Bay Coastal Access
California Coastal Commission

APPEAL FROM COASTAL PERMIT DECISION OF LOCAL GOVERNMENT (Page 2)

5. Decision being appealed was made by (check one):

- Planning Director/Zoning Administrator
- City Council/Board of Supervisors
- Planning Commission
- Other

6. Date of local government's decision: October 22, 2019

7. Local government's file number (if any): Resolution No. R-312718

SECTION III. Identification of Other Interested Persons

Give the names and addresses of the following parties. (Use additional paper as necessary.)

a. Name and mailing address of permit applicant:

City of San Diego; Attn: Krissy Maier
1200 3rd Ave., MS#560
San Diego, CA 92101
619-236-6312

b. Names and mailing addresses as available of those who testified (either verbally or in writing) at the city/county/port hearing(s). Include other parties which you know to be interested and should receive notice of this appeal.

(1) Rodel Reyes

(2) Travis Prozell
[Address unknown]

(3) Joy Cinada
[Address unknown]

(4)

APPEAL FROM COASTAL PERMIT DECISION OF LOCAL GOVERNMENT (Page 3)

SECTION IV. Reasons Supporting This Appeal

PLEASE NOTE:

- Appeals of local government coastal permit decisions are limited by a variety of factors and requirements of the Coastal Act. Please review the appeal information sheet for assistance in completing this section.
- State briefly **your reasons for this appeal**. Include a summary description of Local Coastal Program, Land Use Plan, or Port Master Plan policies and requirements in which you believe the project is inconsistent and the reasons the decision warrants a new hearing. (Use additional paper as necessary.)
- This need not be a complete or exhaustive statement of your reasons of appeal; however, there must be sufficient discussion for staff to determine that the appeal is allowed by law. The appellant, subsequent to filing the appeal, may submit additional information to the staff and/or Commission to support the appeal request.

The grounds for this appeal are that the Project is inconsistent with the local coastal program (LCP) and violates the public access policies of the Coastal Act.

The Coastal Commission already warned the City of San Diego (City) that this project was inconsistent with the LCP. In a letter opposing the project, the Commission noted that the LCP (also known as the Otay Mesa-Nestor Community Plan) had specific language protecting existing hotels/motels, recommending "retention and rehabilitation of the existing hotels ... along the southern edge of the San Diego Bay in order [to] maintain visitor-oriented uses and public access to coastal resources." In a second letter opposing the project, the Commission told the City that "[c]onversion of an existing motel to a residential use resulting [in] the loss of 64 lower-cost motel units would not be consistent with [the policy of approving coastal access in the area]."

The project, a Super 8 motel, represented more than 25% of the affordable accommodations in the area. This loss in affordable accommodations not only goes against the public-access goals in the Coastal Act generally, but also against the specific promises the City made in the Community Plan to preserve public access to the coast that was approved by the Commission in 1997.

APPEAL FROM COASTAL PERMIT DECISION OF LOCAL GOVERNMENT (Page 4)

SECTION V. Certification

The information and facts stated above are correct to the best of my/our knowledge.

Rodel Reyes

Signature of Appellant(s) or Authorized Agent

Date: October 29, 2019

Note: If signed by agent, appellant(s) must also sign below.

Section VI. Agent Authorization

I/We hereby
authorize

Rodel Reyes

to act as my/our representative and to bind me/us in all matters concerning this appeal.

Rodel Reyes

Signature of Appellant(s)

Date:

10/29/19

BRIGGS LAW CORPORATION

San Diego Office:
4891 Pacific Highway, Suite 104
San Diego, CA 92110

Telephone: 619-497-0021
Facsimile: 909-949-7121

Inland Empire Office:
99 East "C" Street, Suite 111
Upland, CA 91786

Telephone: 909-949-7115
Facsimile: 909-949-7121

FACSIMILE COVER SHEET

Recipient: California Coastal Commission - San Diego District Office

Recipient's fax number: 619-767-2384

Date: 10/29/2019 BLC File: 1931.00

Total Pages (including cover sheet): 5 pages

Sender: Briggs Law Corp. on behalf of Citizens for South Bay Coastal Access

Sender's fax number: 909-949-7121

Message: Please find Citizens for South Bay Coastal Access's Appeal Application.

The original signed appeal application will follow via USPS (regular mail).

Original Document to Follow? Yes No

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TEL :
SER.# : 000M3J198110

TRANSMISSION VERIFICATION REPORT

CALIFORNIA COASTAL COMMISSION

SAN DIEGO AREA
7575 METROPOLITAN DRIVE, SUITE 103
SAN DIEGO, CA 92108-4421
(619) 767-2370



June 7, 2017

Councilmember David Alvarez
City of San Diego
202 C Street, MS 10A
San Diego, CA 92101

Re: Conversion of Super 8 Motel at 1788 Palm Avenue into Transitional or Affordable Housing

Dear Councilmember Alvarez:

Thank you for your letter of May 30, 2017 asking for Commission staff input on the possible conversion of a Super 8 motel into a transitional housing and/or affordable housing facility. The existing motel is located on the north side of Palm Avenue, in the Otay Mesa/Nestor community. The site is covered by the City's certified Local Coastal Program (LCP), in an area where coastal development permits are appealable to the Coastal Commission.

The site is designated for Community Commercial in the certified Otay Mesa-Nestor Community Plan/Land Use Plan and zoned Commercial-Community (CC-4-2) in the City's zoning code. The purpose of the Community Commercial land use and zone designations are to provide a wide range of commercial development types and facilities. Neighborhood and Visitor Commercial uses are also typical uses found under this land use designation.

Staff's understanding is that the City's Land Development Code permits both Transitional Housing Facilities and Multiple Dwelling Units in the CC-4-2 zone, although there are many specific regulations that apply to transitional housing and multiple dwelling units including limits on ground floor uses, parking, facility size, etc., which any such use would have to comply with. However, the certified Otay Mesa-Nestor Community Plan includes specific language protecting existing motels, recommending "retention and rehabilitation of the existing hotels, retail, and visitor-oriented commercial areas along the southern edge of the San Diego Bay in order maintain visitor-oriented uses and public access to coastal resources." Conversion of an existing motel to a residential use would not be consistent with this policy. Thus, before the City could issue a coastal development permit for the conversion, an amendment to the City's Community/Land Use Plan would be required.

With regard to Coastal Act issues associated with a permit or LCP amendment allowing conversion of a motel to a residential use, visitor-serving uses such as overnight accommodations are high-priority uses under the Coastal Act and the certified LCP, particularly lower-cost accommodations, which would appear to include the existing motel. The Coastal Commission has the responsibility to both protect existing lower-cost

June 7, 2017

Page 2

facilities, and to ensure that a range of affordable facilities be provided in new development along the coastline of the state. Neither the City of San Diego nor Imperial Beach currently have an abundance of existing lower cost overnight accommodations within close access to the coast. Thus, the Commission has typically discouraged the conversion of existing lower-cost overnight accommodations into lower priority residential uses. When such projects are proposed, the Commission has typically required that when existing lower or moderate cost overnight accommodations are removed, the inventory be replaced with units that are of comparable cost and recreational value to the public as the existing units being removed.

If replacement of the lower or moderate cost units is not part of a proposed project (either on-site or elsewhere in the City), then the development should include, as a condition of approval for a CDP, some kind of mitigation to provide for the construction or funding for the establishment of lower cost overnight visitor accommodations within the City of San Diego, preferably in South San Diego County, for each of the lower cost units removed/converted on a 1:1 basis. As part of the analysis of impacts to affordable overnight accommodations that should be undertaken for any redevelopment of the site, a survey of the availability and cost-range of existing and proposed overnight visitor accommodations in the vicinity of the proposed hotel should be undertaken. That analysis should also consider how payment of a fee or other offsetting measures in-lieu of actual provision of affordable overnight accommodations could help mitigate the impact of removing lower-cost visitor-serving facilities.

It is Commission staff's expectation that the above issues would be analyzed and considered by the City as part of the LUP amendment which would have to be approved by the Commission prior to issuance of an appealable coastal development permit. Given the limited availability of lower-cost accommodations in the City's Coastal Zone, while we acknowledge the need for transitional and affordable housing options, Commission staff would encourage the City to retain and rehabilitate, as needed, the existing motel and look to other alternatives and sites to address the City's housing needs.

Please let me know if you have any additional questions.

Sincerely,



Diana Lilly
Senior Planner

CALIFORNIA COASTAL COMMISSION

SAN DIEGO AREA
7575 METROPOLITAN DRIVE, SUITE 103
SAN DIEGO, CA 92108-4421
(619) 767-2370



September 8, 2017

Jeffrey Peterson
City of San Diego Development Services Dept.
1222 First Avenue, MS 302
San Diego, CA 92101-4155

Re: Off-Line Reviewer Notification for Project Number 569136 Conversion of Super 8 Motel at 1788 Palm Avenue into Transitional or Affordable Housing

Dear Mr. Peterson:

Thank you for the opportunity to comment on the above-referenced project. The information submitted indicates that the required discretionary permit associated with the project is a Conditional Use Permit. The subject site is within the City's Coastal Overlay Zone, and the project consists of conversion of a motel to transitional housing. This is a change in intensity of use, which is development requiring approval of a coastal development permit from the City. A coastal development permit issued by the City on the subject site would be appealable to the Coastal Commission.

Staff previously commented on this project in June of this year, and this letter is attached for your review. To briefly summarize, the certified Otay Mesa-Nestor Community Plan includes specific language protecting existing motels, recommending "retention and rehabilitation of the existing hotels, retail, and visitor-oriented commercial areas along the southern edge of the San Diego Bay in order maintain visitor-oriented uses and public access to coastal resources." Conversion of an existing motel to a residential use resulting the loss of 64 lower-cost motel units would not be consistent with this policy. Thus, before the City could issue a coastal development permit for the conversion, an amendment to the City's Community/Land Use Plan is required.

Specific comments on the Coastal Act requirements that visitor-serving facilities be protected are included in the attached letter. Thank you again for the opportunity to comment, and please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Diana Lilly".

Diana Lilly
Senior Planner



South San Diego Bay/Salt Ponds

South Bay National Wildlife Refuge

Interstate 5

Project Site

Palm Avenue

Google



EXHIBIT NO. 2
APPLICATION NO.
A-6-SAN-19-0203
Vicinity Map
 California Coastal Commission

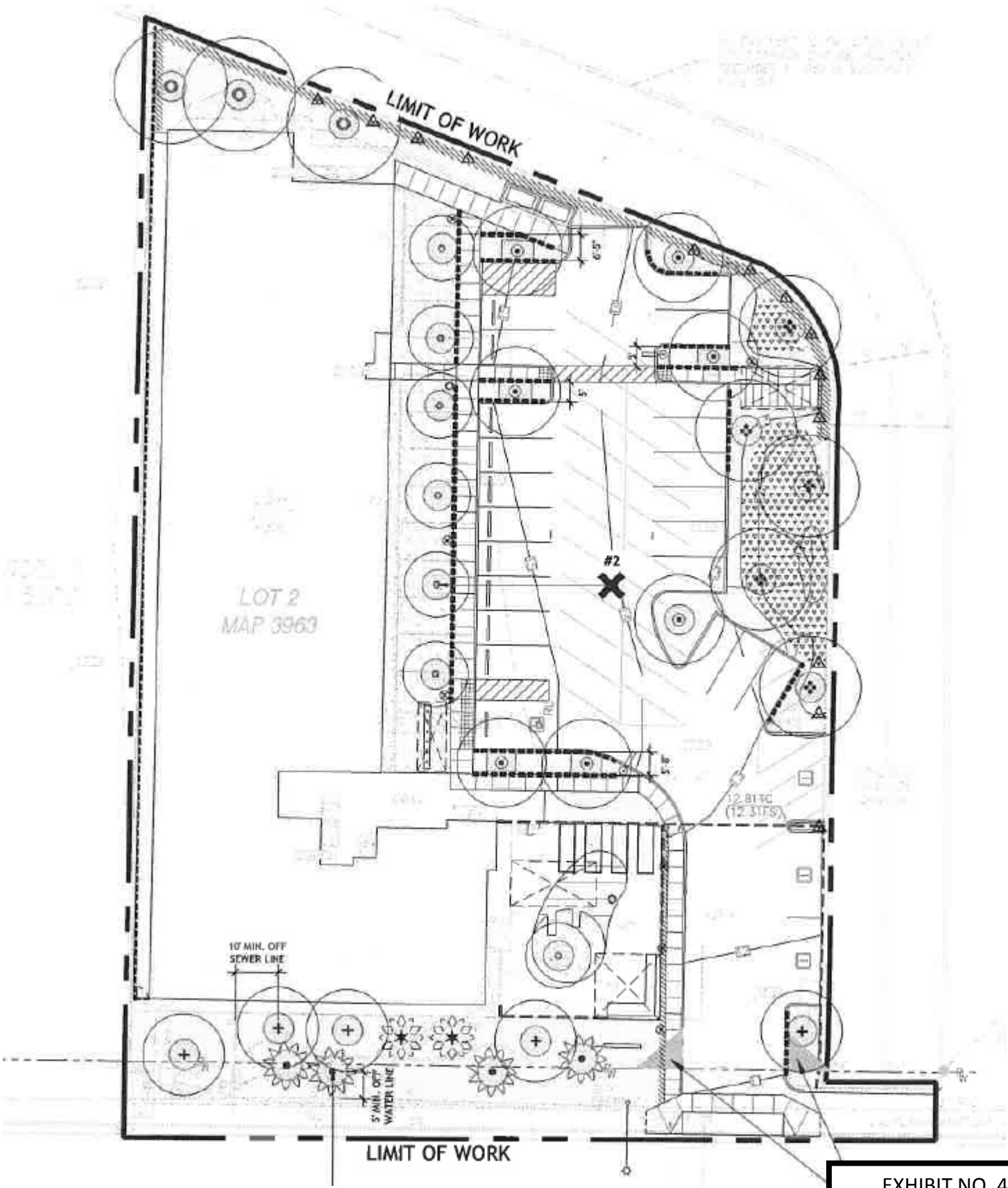
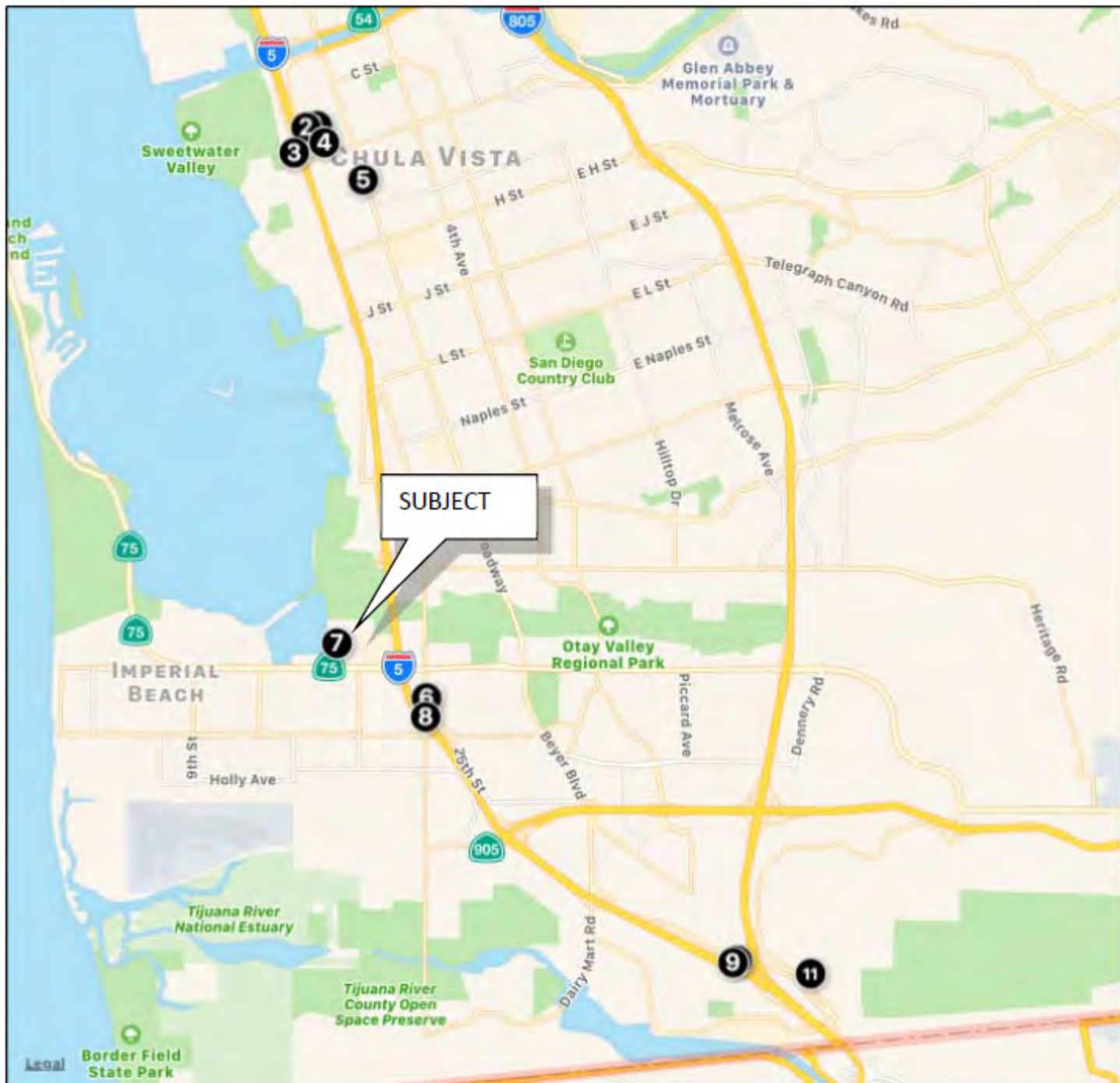


EXHIBIT NO. 4
APPLICATION NO.
A-6-SAN-19-0203
Landscaping Plan
 California Coastal Commission

Competitive Survey Hotel Location Maps



Overview Map

EXHIBIT NO. 5
APPLICATION NO. A-6-SAN-19-0203
Location of Surveyed Hotels
 California Coastal Commission

No.	Name of Establishment	City & State	Rooms
1	Days Inn San Diego South Bay Chula Vista	Chula Vista, CA	106
2	Motel 6 San Diego Chula Vista	Chula Vista, CA	176
3	Howard Johnson Inn & Suites San Diego Area Chula Vista	Chula Vista, CA	85
4	Good Nite Inn San Diego South Bay	Chula Vista, CA	117
5	Rodeway Inn & Suites Chula Vista San Diego South	Chula Vista, CA	22
6	E-Z 8 San Diego South	San Diego, CA	89
7	Super 8 San Diego South Bay Area (SUBJECT)	San Diego, CA	56
8	Motel 6 San Diego South Bay	San Diego, CA	58
9	Motel 6 San Ysidro San Diego Border	San Ysidro, CA	103
10	Rodeway Inn San Ysidro	San Ysidro, CA	69
11	Travelodge San Ysidro	San Ysidro, CA	<u>97</u>
	Total Rooms		978

Name of Establishment	4/19/2017 Rate Range	TripAdvisor Rating
Days Inn San Diego South Bay Chula Vista	\$61.00	3
Motel 6 San Diego Chula Vista	\$56.00	2.5
Howard Johnson Inn & Suites San Diego Area Chula Vista	\$68.00	2.5
Good Nite Inn San Diego South Bay	\$47.00	3.5
Rodeway Inn & Suites Chula Vista San Diego South	\$70.00	4
E-Z 8 San Diego South	\$55.00	2
Super 8 San Diego South Bay Area (SUBJECT)	\$54-\$59	2.5
Motel 6 San Diego South Bay	\$63-\$73	3
Motel 6 San Ysidro San Diego Border	\$56.00	3.5
Rodeway Inn San Ysidro	\$60-\$70	2.5
Travelodge San Ysidro	\$49.00	3

Note These are the lowest quoted non-refundable rates

EXHIBIT NO. 6
APPLICATION NO. A-6-SAN-19-0203
Room Totals and Rate Ranges by Hotel
 California Coastal Commission



Palm Avenue Hotel Market Analysis

2019 Supplemental Report

This report is intended to supplement and update the April 13, 2017 appraisal of the Super 8 by Wyndham San Diego/Imperial Beach hotel at 1788 Palm Ave., San Diego, CA 92154 (Palm Avenue Hotel) prepared by Rasmuson Appraisal Services for the City of San Diego. That appraisal relied upon then-current 2016 visitor and hotel performance data provided by Smith Travel Research, an independent industry research company that tracks supply and demand data for multiple market sectors including the hotel industry. From 2017 to 2019, the San Diego region increasingly benefitted from being a leading domestic tourism destination, driving hotel development and construction to bolster inventory and room counts as well as diversify service level and market appeal. Also, in the past three years, the burgeoning vacation rental market, led by AirBnB and Vrbo, and the rising popularity of RV parks have offered alternative accommodations for visitors beyond the traditional hotel market.

This supplemental report will summarize why the City's purchase of the Palm Avenue Hotel and conversion into an affordable transitional housing project does not negatively affect coastal access. Because there is sufficient nearby visitor-serving accommodations and because the Palm Avenue Hotel was not a significant source of visitor-serving accommodations due to multiple years of low occupancy rates and a high volume of police calls that made this hotel less desirable to tourists, the overall effect to coastal access of removing the underperforming hotel rooms from overall number of visitor serving accommodations in that area is nominal.

Tourism and the Hotel Boom

San Diego continues to be a top-10 U.S. destination for leisure travelers (No. 6¹) and for attendees of large business meetings and conventions (No. 7²), making tourism an important sector for the local economy and room-nights generator for area hotels. According to the San Diego Tourism Authority, overall visitor numbers increased 2.3% in 2018 over the 2016 data in the original appraisal. In 2018, 35.7 million visitors passed through San Diego, with more than 17.7 million staying at least one night. Visitor spending in 2018 increased 10.6% over 2018, totaling \$11.5 billion in 2018. Barring an economic downturn, tourism is expected to continue to be an economic driver, thanks largely to San Diego's attractiveness with its beaches, warm climate, major attractions, vibrant neighborhoods, arts and culture, geographic diversity and U.S.-Mexico border proximity. A testament to the strength of the tourism sector is the veritable hotel boom that has 36 new properties (5,914 rooms) in the pipeline to open between January 2019 and November 2021. (See Appendix 1, Hotel Construction Activity)

¹ TripAdvisor, 2019 Travelers' Choice Top 25 Destinations—United States, <https://www.tripadvisor.com/TravelersChoice-Destinations-cTop-g191>

² Cvent, 2019 Top U.S. Meeting Destinations, <https://www.cvent.com/en/press-release/cvent-unveils-lists-top-10-meeting-destinations-worldwide-2019>

EXHIBIT NO. 7

APPLICATION NO.

A-6-SAN-19-0203

Hotel Market Analysis 2019
Supplemental Report



California Coastal Commission

Palm Avenue Hotel Performance

The subject property was built in 1987 and underwent modest remodeling in 2007 and 2012 (\$400,000 each) and again in 2016 (\$1.07 million).³ In its most improved state, the Palm Avenue Hotel was a two-story, 61-room hotel (24,154 square-foot building area) with a stucco exterior, breakfast room, guest laundry, pool, lounge-deck area, 51 onsite parking spaces and mature landscaping. The room mix consisted of 31 single king beds and 30 double queens, including three ADA-compliant rooms on the first floor. It should be noted that the building in its entirety was not ADA-compliant, given the absence of an elevator and suitable egress and pathways from the property to the public thoroughfare. The rooms were minimally furnished with wall-mounted A/C units, painted wallboard walls and ceilings, laminate flooring in bedrooms and tiled bathrooms. Consistent with the national Super 8 by Wyndham franchise branding, the value hotel boasted the free SuperStart breakfast bonanza, free parking, free wi-fi and kids-under-17 stay free.



Located in the City of San Diego, south of Downtown and 3.3 miles north of the U.S.-Mexico border, the Palm Avenue Hotel is in South Bay and the South/East hotel submarket. The hotel was not within walking distance of the Pacific Ocean or San Diego Bay. Its closest public beach access was Imperial Beach Pier, which is 2.5 miles away by car or an 11-minute, 16-stop MTS 933 bus ride via the Palm Avenue corridor. The hotel was 4.5 miles by car (and Interstate 5) from the Chula Vista boat launch, the closest public access point to San Diego Bay. The location qualified the hotel as a coastal destination, and its rate and amenities put it in the economy/limited service hotel class. But it was clearly also an underperforming hotel, even when compared to only other economy-class hotels. (See Table 1 and Appendix 2)

Table 1: San Diego Regional Hotel Performance

Hotel Category	Lodging Metric	March 2017	Palm Ave. Hotel March 2017	Percentage Difference Compared to Other Hotels in Category
San Diego Region (ALL)	% Occupancy	83.1%	71.70%	-13.73%
	ADR	\$162.94	\$72.48	-55.52%
South/East Submarket	% Occupancy	78.9%	71.70%	-9.14%
	ADR	\$87.69	\$72.48	-17.35%
Budget	% Occupancy	79.7%		
	ADR	\$78.19		
Economy	% Occupancy	82.5%	71.70%	-13.05%
	ADR	\$99.90	\$72.48	-27.45%

Source: San Diego Tourism Authority

³ Rasmuson Appraisal Services, Super 8 Hotel, April 13, 2017

This report looks at data from March 2017 that captures the typical uptick in occupancy related to spring break travel. The March 2017 occupancy rate of 71.7% for the Palm Avenue Hotel for that month represents nearly double the occupancy rate of any other month at the hotel over the preceding two years. (See Table 2)

Table 2: Palm Avenue Hotel Monthly Occupancy

Month	Room Count	Occupancy
Jan-15	505	26.71%
Feb-15	477	27.93%
Mar-15	479	25.33%
Apr-15	455	24.86%
May-15	456	24.11%
Jun-15	579	31.64%
Jul-15	867	45.85%
Aug-15	783	41.41%
Sep-15	575	31.42%
Oct-15	535	28.29%
Nov-15	214	11.69%
Dec-15	424	22.42%
Total 2015	6349	28.52%
Jan-16	324	17.13%
Feb-16	591	33.41%
Mar-16	715	37.81%
Apr-16	400	21.86%
May-16	787	41.62%
Jun-16	489	26.72%
Jul-16	690	36.49%
Aug-16	752	39.77%
Sep-16	477	26.07%
Oct-16	451	23.85%
Nov-16	518	28.31%
Dec-16	635	33.58%
Total 2016	6829	30.59%
Jan-17	488	25.81%
Feb-17	950	55.62%

Source: Super 8 by Wyndham San Diego/Imperial Beach

Comparing the Palm Avenue Hotel's March 2017 ADR (average daily rate) of \$72.48⁴ to that of peer hotels for that same spring-break-peak month, the subject property's ADR falls below the average ADRs for hotels in the San Diego Region by 55.52%, in the South/East submarket (-17.35%) and in the economy class (-27.45%)⁵. (See Table 1) Moreover, even with its deeply discounted rate and desirable near-coastal location, the subject property's occupancy rate in March 2017 of 71.7%⁶ lagged that of peer hotels in the San Diego Region (-13.73%), in the South/East submarket (-9.14%) and in the economy class (-13.05%). The Palm Avenue Hotel property could easily be classified as underperforming even if it were placed among budget-class hotels, which had a March 2017 ADR of \$78.19 and occupancy rate of 79.7%.

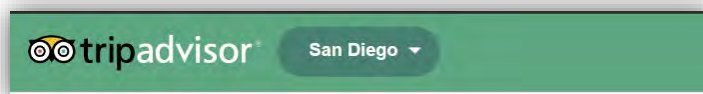
The industry standard of hotel performance is RevPAR, which is the ADR multiplied by occupancy rate. An increasing RevPAR suggests improved performance. A RevPAR analysis also confirms the Palm Avenue Hotel's performance below that of even lower tier budget-class hotels. (See Table 2)

Table 3: San Diego Regional Hotel RevPAR

Hotel Category	March 2017 RevPAR	Palm Ave. Hotel March 2017 RevPar	Difference v March 2017 RevPAR
San Diego Region (ALL)	\$135.42	\$51.97	-61.63%
South/East Submarket	\$69.20		-24.90%
Budget	\$62.35		-16.65%
Economy	\$82.38		-36.92%

Source: San Diego Tourism Authority

Further analysis of occupancy rates at the Palm Avenue Hotel shows flat demand atypical of the seasonal tourism patterns at other nearby hotels that commonly feature peaks in March and July. This flat demand could be indicative of two factors: (1) that the property accommodated a customer base outside typical vacation-goers, such as temporary workers/laborers seeking cheap extended stays, Navy personnel seeking accommodations near the Imperial Beach facility, or transient San Diego residents seeking affordable housing; and (2) that the property, regardless of its below-market rate, was not a highly desirable choice, especially for tourists or leisure-travelers. Online customer reviews support the latter hypotheses.



Super 8 by Wyndham San Diego/Imperial Beach
 296 reviews #255 of 293 Hotels in San Diego
 1788 Palm Ave, San Diego, CA 92154-1149 +1 800-536-1211 Visit hotel website

About

2.5 Average 296 reviews

- Location
- Cleanliness
- Service
- Value

⁴ Rasmuson Appraisal Services, Super 8 Hotel, April 13, 2017, p. 29

⁵ San Diego Tourism Authority

⁶ Rasmuson Appraisal Services, Super 8 Hotel, April 13, 2017, p. 29

When the Palm Avenue Hotel was in operation in 2017, HotelPlanner.com rated the hotel “Poor” based on 292 guest reviews.⁷ On the Wyndhamhotels.com site for the subject property, TripAdvisor surveys showed that most travelers, 60 of 195 (31%), gave it the worst rating of “Terrible,” while 43 (22%) rated it “Poor.”⁸ TripAdvisor placed the Super 8 by Wyndham San Diego/Imperial Beach in the 2-star (out of 5) hotel class⁹. TripAdvisor travelers also ranked it No. 255 of 293 San Diego hotels, earning an “average” of 2.5 out of 5 from 296 travelers’ reviews.

Therefore, the removal of the 61-rooms from the available inventory will have minimal, if any, impact on visitor-oriented coastal access because the hotel has not historically operated as a significant visitor-serving hotel.

Competition Analysis

The City’s purchase and conversion of the Palm Avenue Hotel property will have very minimal, if any, impact on the San Diego tourism industry, because, in addition to the above analysis, there are other suitable and affordable coastal-area visitor-serving accommodations available nearby that have been historically more desirable to visitors even when the subject property operated as a hotel.

The removal of an underperforming, poorly reviewed, economy-class, albeit known-brand hotel could marginally elevate the overall quality of San Diego’s hotel supply. Closing the Palm Avenue Hotel removed 61 rooms—or not even 0. 1%—from what, in November 2019, was the San Diego region supply of 64,431 rooms at 501 hotels.¹⁰ The removal of rooms associated with the Palm Avenue Hotel constitutes only 2.4% of the available rooms within a 5-mile radius of the hotel site to accommodate visitors. **There remain 37 properties with 2,530 rooms in the 5-mile radius** of the former Palm Avenue Hotel. (See Map 1 and Table 4)

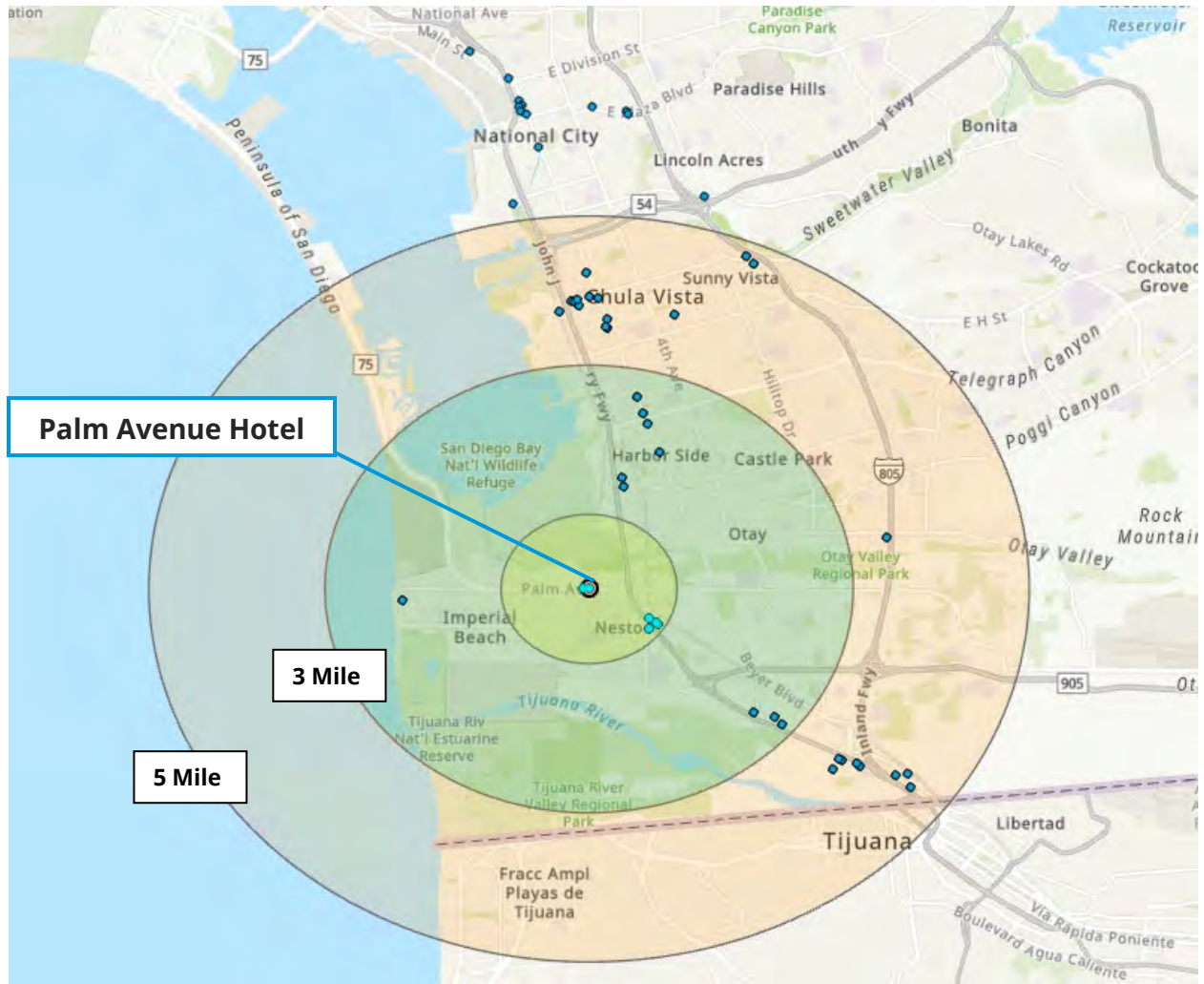
⁷ Super 8 San Diego/Imperial Beach, Retrieved from <https://www.hotelplanner.com/Hotels/237645/Reservations-Super-8-San-Diego-Imperial-Beach-San-Diego-1788-Palm-Ave-92154#HotelName>

⁸ Rasmuson Appraisal Services, Super 8 Hotel, April 13, 2017, p. 30

⁹ Good to Know, TripAdvisor, Super 8 by Wyndham San Diego/Imperial Beach, Retrieved Oct. 30, 2019 from https://www.tripadvisor.com/Hotel_Review-g60750-d119726-Reviews-Super_8_by_Wyndham_San_Diego_Imperial_Beach-San_Diego_California.html

¹⁰ San Diego Tourism Authority

Map 1: Hotel Properties in 1,3 and 5 Miles Surrounding the Palm Avenue Hotel



Source: City of San Diego, San Diego Tourism Authority

Table 4: Hotel Properties in 5 Miles Surrounding the Palm Avenue Hotel

Hotel Property	Address	Rooms
Within 1 Mile		
Motel 6 San Diego - South Bay	1101 Hollister St., San Diego, CA, 92154	60
San Diego Inn Motel	1078 Outer Road, San Diego, CA, 92154	26
Star Motel	1060 Outer Road, San Diego, CA, 92154	22
E-Z 8 Motel-South Bay	1010 Outer Road, San Diego, CA, 92154	89
Prime Inn	1722 Palm Ave., San Diego, CA, 92154	43
5 Properties		240 Rooms
Within 1-3 Miles		
Valli Hi Motel	655 W San Ysidro Blvd. , San Diego, CA, 92173	100
Best Western Americana Inn	815 W San Ysidro Blvd. , San Diego, CA, 92173	122
Quality Inn & Suites Near The Border San Ysidro	930 W San Ysidro Blvd., San Ysidro, CA, 92173	66
Sand Castle Inn	785 Seacoast Drive, Imperial Beach, CA, 91932	17
Palomar Inn	801 Palomar St., Chula Vista, CA, 91911	37
Palomar Motel	1160 Walnut Ave., Chula Vista, CA, 91911	29
Harbor View Motel	1089 Broadway, Chula Vista, CA, 91911	23
Chula Vista Inn	946 Broadway, Chula Vista, CA, 91911	52
Bay Cities Motel	864 Broadway, Chula Vista, CA, 91911	28
Surestay Plus Hotel Chula Vista West	778 Broadway, Chula Vista, CA, 91910	50
10 Properties		524 Rooms
Within 3-5 Miles		
Holiday Lodge Inn & Parking Llc	672 E San Ysidro Blvd. , San Diego, CA, 92173	29
Flamingo Motel	4625 Border Village Road, San Ysidro, CA, 92173	25
Rodeway Inn San Ysidro	643 E San Ysidro Blvd., San Ysidro, CA, 92173	69
Travelodge	190 Calle Primera , San Diego, CA, 92173	97
Motel 6 (Loc #98)	160 Calle Primera , San Diego, CA, 92173	103
Knights Inn San Ysidro	230 Via De San Ysidro , San Diego, CA, 92173	119
Frontier Motel	149 W Calle Primera , San Diego, CA, 92173	24
Best Western Chula Vista Otay Valley Hotel	4450 Main St., Chula Vista, CA, 91911	118
Travel Inn	394 Broadway, Chula Vista, CA, 91910	77
Rodeway Inn & Suites Chula Vista San Diego South	372 Broadway, Chula Vista, CA, 91910	22
Big 7 Motel	333 Broadway, Chula Vista, CA, 91910	45
El Primero Hotel	416 Third Ave., Chula Vista, CA, 91910	20
The Rambler Motel	225 Bay Blvd., Chula Vista, CA, 91910	112
Howard Johnson Inn & Suites San Diego/Chula Vista	235 Woodlawn Ave., Chula Vista, CA, 91910	85
Motel 6 San Diego - Chula Vista	745 E St., Chula Vista, CA, 91910	176
Quality Inn Chula Vista San Diego South	710 E St., Chula Vista, CA, 91910	77
Days Inn San Diego Chula Vista South Bay	699 E St., Chula Vista, CA, 91910	107
Vagabond Inn Chula Vista	230 Broadway, Chula Vista, CA, 91910	90
Holiday Inn Express San Diego South Chula Vista	632 E St., Chula Vista, CA, 91910	88
Highway Inn Motel	70 Broadway, Chula Vista, CA, 91910	41
La Quinta Inns & Suites San Diego Chula Vista	150 Bonita Road, Chula Vista, CA, 91910	142
Comfort Inn Chula Vista San Diego South	91 E Bonita Road, Chula Vista, CA, 91910	100
22 Properties		1,766 Rooms
TOTAL: 37 Properties, 2,530 Rooms		

Source: City of San Diego, San Diego Tourism Authority, Smith Travel Research

Of the 37 identified in the South Bay and South/East submarket, 32 were ranked by TripAdvisor, a leading a traveler’s resource and booking site. If the Palm Avenue Hotel’s 2.5 rating were placed among this group, it would have the second-lowest score (out of 5) and be tied for No. 6 as the lowest-rated property. (See Table 4)

Table 5: TripAdvisor Rankings for South Bay Hotels

Hotel Property	TripAdvisor Rating
Valli Hi Motel	5
The Rambler Motel	5
Surestay Plus Hotel Chula Vista West	4.5
El Primero Hotel	4.5
Holiday Inn Express San Diego South Chula Vista	4.5
Comfort Inn Chula Vista San Diego South	4.5
Best Western Americana Inn	4
Palomar Inn	4
La Quinta Inns & Suites San Diego Chula Vista	4
Harbor View Motel	3.5
Chula Vista Inn	3.5
Best Western Chula Vista Otay Valley Hotel	3.5
Rodeway Inn & Suites Chula Vista San Diego South	3.5
Quality Inn Chula Vista San Diego South	3.5
Motel 6 San Diego - South Bay	3
Prime Inn	3
Quality Inn & Suites Near The Border San Ysidro	3
Sand Castle Inn	3
Bay Cities Motel	3
Holiday Lodge Inn & Parking Llc	3
Travelodge	3
Knights Inn San Ysidro	3
Howard Johnson Inn & Suites San Diego/Chula Vista	3
Days Inn San Diego Chula Vista South Bay	3
Vagabond Inn Chula Vista	3
Rodeway Inn San Ysidro	2.5
Motel 6 San Diego - Chula Vista	2.5
Super 8 San Diego/Imperial Beach	2.5
E-Z 8 Motel-South Bay	2
Flamingo Motel	2
Travel Inn	2
Big 7 Motel	2
Highway Inn Motel	2

Table 6: Affordability of Hotel Options in South Bay

Hotel Property	Rooms	STR Chain Scale	Nov. 13/14 Price
Within 1 Mile			
Motel 6 San Diego - South Bay	60	Economy	\$73
San Diego Inn Motel	26	-	-
Star Motel	22	-	-
E-Z 8 Motel-South Bay	89	Economy	\$48
Prime Inn	43	-	-
5 Properties	240 Rooms		
Within 1-3 Miles			
Valli Hi Motel	100	-	\$100
Best Western Americana Inn	122	Midscale	\$106
Quality Inn & Suites Near The Border San Ysidro	66	Midscale	\$105
Sand Castle Inn	17		\$86
Palomar Inn	37	-	\$60
Palomar Motel	29	-	-
Harbor View Motel	23	-	-
Chula Vista Inn	52	-	\$60
Bay Cities Motel	28	-	\$75
Surestay Plus Hotel Chula Vista West	50	-	\$67
10 Properties	524 Rooms		
Within 3-5 Miles			
Holiday Lodge Inn & Parking Llc	29	-	-
Flamingo Motel	25	-	-
Rodeway Inn San Ysidro	69	Economy	\$70
Travelodge	97	Economy	\$53
Motel 6 (Loc #98)	103	Economy	\$65
Knights Inn San Ysidro	119	Economy	\$63
Frontier Motel	24	-	-
Best Western Chula Vista Otay Valley Hotel	118	Midscale	\$107
Travel Inn	77	-	\$65
Rodeway Inn & Suites Chula Vista San Diego South	22	Economy	\$75
Big 7 Motel	45	-	\$65
El Primero Hotel	20	-	\$90
The Rambler Motel (formerly Good Night Inn)	112	Economy	\$74
Howard Johnson Inn & Suites San Diego/Chula Vista	85	Economy	\$89
Motel 6 San Diego - Chula Vista	176	Economy	\$60
Quality Inn Chula Vista San Diego South	77	Midscale	\$69
Days Inn San Diego Chula Vista South Bay	107	Economy	\$62
Vagabond Inn Chula Vista	90	Midscale	\$64
Holiday Inn Express San Diego South Chula Vista	88	Upper Midscale	\$131
Highway Inn Motel	41	-	\$52
La Quinta Inns & Suites San Diego Chula Vista	142	Midscale	\$80
Comfort Inn Chula Vista San Diego South	100	Upper Midscale	\$99
22 Properties	1,766 Rooms		

Source: City of San Diego, San Diego Tourism Authority, Smith Travel Research; Prices calculated from an average of Hotel.com, Expedia.com, Priceline.com, Trivago.com, Orbitz.com, Travelocity.com, and Tripadvisor.com

The Palm Avenue Hotel was a property in the economy hotel class. Its departure from the market still leaves numerous affordable options within 5 miles of its location. (See Table 6) Of the 37 properties in that range, 20 properties (1,892 rooms) have national chain affiliation, with 18 properties (1,704) belonging to the lowest two tiers of Midscale and Economy in the Smith Travel Research (STR) Chain Scale.¹¹ (STR, without a “budget class,” considers Midscale and Economy affordable hotels.) Furthermore, there are 7 independent hotels (330 rooms) that could qualify as economy based on Nov. 13/14 ADRs of \$75 or less, bringing the total of affordable properties to at least 21 hotels (2,034).

Represented in this market are STR Economy chains including Days Inn, E-Z, Good Nite Inn, Howard Johnson, Knights Inn, Motel 6, Rodeway Inn and Travelodge. Midscale chains include Best Western, La Quinta Inns & Suites, Quality Inn, SureStay Plus and Vagabond Inn. Two Upper Midscale chains are Holiday Inn Express and Comfort Inn.

Table 7: Chain Hotels in South Bay

Chain Scale	Properties	Rooms
Economy	11	1039
Midscale	7	665
Upper Midscale	2	188
Total	20	1892

Alternative Affordable Accommodations

Since the 2017 publication of the Rasmuson appraisal, the South Bay and South/East submarket, as well as tourist preferences, have changed. Emerging tourism trends have included the proliferation of alternative accommodations, such as vacation rentals and RV parks are more plentiful along the coast and north of Downtown. Within the 5-mile radius of the subject property are 20 vacation rentals with 23 units and the LA Pacifica RV Resort (1010 W. San Ysidro Blvd., San Diego, CA 92173) with 179 units. These visitor-serving accommodations which are increasingly more popular than economy class hotel rooms, further mitigate any negative impacts of removing the underperforming Palm Avenue hotel from the hotel inventory. Indeed, many of these alternative affordable accommodations offer far better coastal access than the hotel site. (See Map 2)

¹¹ Smith Travel Research, STR Chain Scales – North America and Caribbean, <http://www.hotelnewsnow.com/Media/Default/Images/chainscales.pdf>

Map 2: Vacation Rentals in the 5 Miles Surrounding the Palm Avenue Hotel



Source: City of San Diego

Potential Hotel Development

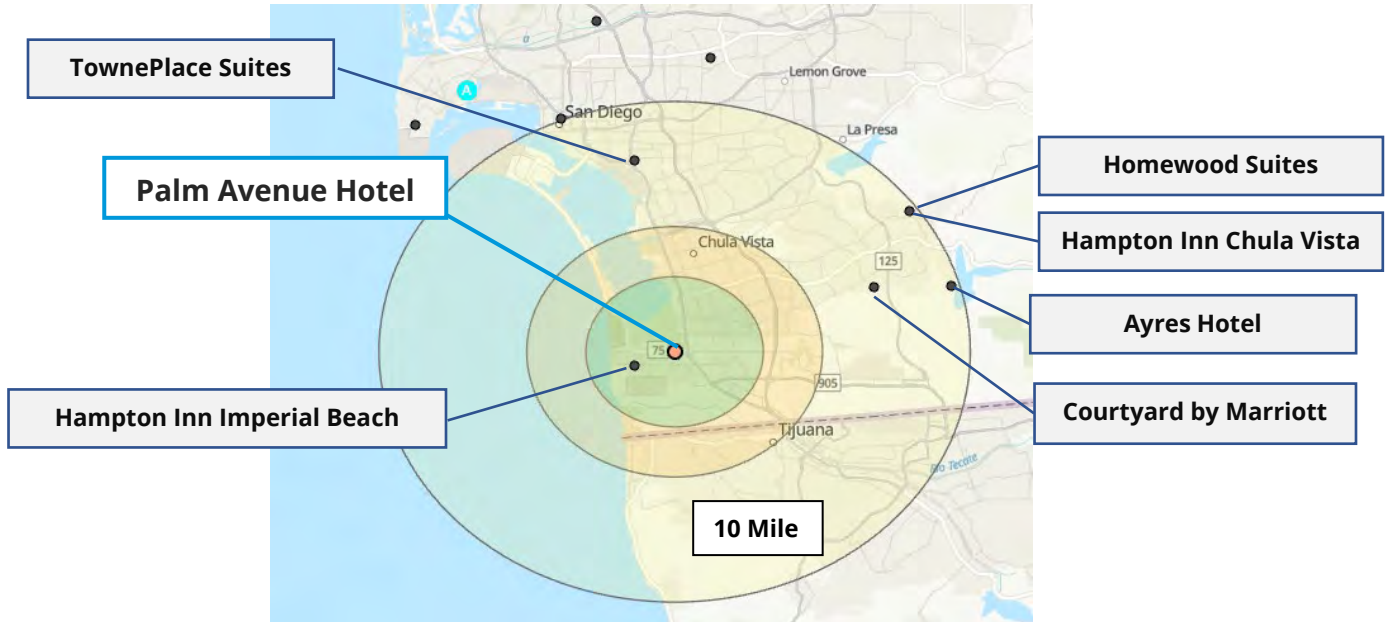
According to the San Diego Tourism Authority’s October 2019 report, *San Diego County Potential New Supply Developments*, 36 properties (5,914 rooms) are in the pipeline from 2019 to 2021. While most hotels in the pipeline are in Downtown and north of Downtown, suppliers are considering the burgeoning develop in the South County, particularly the commercial and residential growth in Chula Vista. Within 10 miles of the Palm Avenue Hotel location, two new hotels (TownePlace Suites (106 rooms) and Ayres Hotel (135)) have opened in 2019 and four more potential properties are projected to come online by 2021. A Courtyard by Marriott, Homewood Suites, and two Hampton Inns are in development. The six properties would add 689 rooms. (See Table 8 and Map 3)

Table 8: Hotel Development in South Bay

Hotel Property	Addresses	Potential Open Date	Rooms
TownePlace Suites San Diego Central	850 Tech Way, San Diego, CA 92113	OPEN	106
Ayres Hotel - Millenia Chula Vista	1710 Millenia Ave., Chula Vista, CA 91915	OPEN	135
Hampton Inn Chula Vista Eastlake	2424 Fenton St., Chula Vista, CA 91914	Nov-19	104
Homewood Suites Chula Vista Eastlake	2424 Fenton St., Chula Vista, CA 91914	Nov-19	91
Hampton Inn & Suites Imperial Beach	771 Palm Ave., Imperial Beach, CA 91932	2020	100
Courtyard by Marriott San Diego Chula Vista	SR-125 & Olympic Pkwy, Chula Vista, CA 91913	2021	153
6 properties within 10 miles			689

Source: San Diego Tourism Authority

Map 3: Hotel Development in South Bay 2019-2021



Summary

The City of San Diego’s purchase and conversion of the Palm Avenue Hotel presents virtually no marked adverse effect on the availability of affordable and brand-name accommodations in the South Bay and South/East submarket that would negatively impact coastal access because:

- There are 37 properties with 2,530 rooms located within 5 miles for the subject property.
- There are 21 chain and independent hotels (2,034 rooms) within 5 miles classified as Midscale or Economy or had daily rate \$75 or less on Nov. 13/14, 2019 (Some hotels did not provide rates.).
- Hotels in the South/East submarket continue to operate at an occupancy rate of 76.2% (2018), below regional average of 78.8%, indicating availability.
- Pipeline hotel projects as well as the growing alternative affordable accommodations vacation rental market will offer visitors sufficient availability of affordable visitor-serving accommodations and coastal access.
- The Palm Avenue Hotel, even in 2017, after its most significant renovations of its 30-year history, had a RevPar (\$51.97), which was below that of all San Diego hotels (\$135.42), the South/East submarket (\$69.20) and its economy class (\$82.38). It even lagged compared to budget-class hotels (\$82.38).
- Flat month-to-month demand at the subject hotel suggests that the subject property likely served a non-tourist customer base.
- The subject hotel was poorly reviewed by customers through popular travel and booking websites such as TripAdvisor and Expedia, earning a 2.5 out of 5 rating in TripAdvisor. That website ranked the subject property No. 255 out of 295 San Diego-area hotels.

- The Palm Avenue Hotel was not fully ADA-compliant or up to fire safety regulations. The two-story structure lacked an elevator and a required fire-sprinkler system, presenting potential risks to hotel guests.
- Removing a sub-standard, underperforming hotel from the area could improve visitor experience and elevate the profile of San Diego as a vacation destination.
- Conversion of the Palm Avenue Hotel into an 84-bed transitional housing facility will provide much needed affordable housing deemed a priority in the Otay Mesa/Nestor Community Plan to a population that cannot otherwise afford to live in a coastal area thereby increasing coastal access for that citizen population.

Appendix 1: New Supply

San Diego County Potential New Supply Developments Updated October 2019

Property Name	Street Address	City	Zipcode	Potential Open Date	Number of Rooms	Potentiality Rating*
TownePlace Suites San Diego Central	8650 Tech Way	San Diego	92113	Feb-19	106	OPEN
Hampton Inn and Suites by Hilton - Liberty Station	2211 Lee Court	San Diego	92133	Mar-19	181	OPEN
Sycuan Casino Resort Hotel	5469 Casino Way	El Cajon	92019	Mar-19	302	OPEN
Marriott SpringHill Suites	300 La Terraza Boulevard	Escondido	92029	May-19	107	OPEN
The Guild Hotel	500 West Broadway	San Diego	92101	Jun-19	162	OPEN
Ayres Hotel - Millenia Chula Vista	1710 Millenia Avenue	Chula Vista	91915	Jul-19	135	OPEN
TownePlace Suites Liberty Station	2311 Lee Court	San Diego	92133	Aug-19	222	OPEN
Carte Hotel & Suites Downtown San Diego	401 West Ash Street	San Diego	92101	Sep-19	246	OPEN
SpringHill Suites Carlsbad San Diego	3136 Carlsbad Boulevard	Carlsbad	92008	Oct-19	104	5
Hampton Inn Chula Vista Eastlake	2424 Fenton Street	Chula Vista	91914	Nov-19	104	5
Homewood Suites Chula Vista Eastlake	2424 Fenton Street	Chula Vista	91914	Nov-19	91	5
Ayres Hotel Vista	2100 W San Marcos Blvd	Vista	92081	Dec-19	100	5
2019 Total					1,860	
Legacy International Center	875 Hotel Circle South	San Diego	92108	Jan-20	127	5
Home2 Suites - Carlsbad/Palomar Airport	1901 Wright Place	Carlsbad	92008	Feb-20	146	5
Hampton Inn	100 Fletcher Parkway	El Cajon	92020	Mar-20	96	5
Hampton Inn & Suites Imperial Beach	771 Palm Ave.	Imperial Beach	91932	May-20	100	5
The Monsaraz, A Tapestry Collection Hotel	2912 Garrison St.	San Diego	92106	Sep-20	92	5
Fairfield Inn & Suites San Diego Mission Bay	4345 Mission Bay Drive	San Diego	92109	Nov-20	111	2
element San Diego Rancho Bernardo	I-15 and Scripps Poway Parkway	San Diego	92131	Nov-20	140	4
Encinitas Beach Hotel	2100 N Coast Highway 101	Encinitas	92024	Nov-20	124	5
2020 Total					936	
AC Hotel (Autograph Collection by Marriott)	743 Fifth Ave.	San Diego	92101	Feb-21	147	2
Courtyard by Marriott San Diego Chula Vista	SR-125 and Olympic Parkway	Chula Vista	91913	Feb-21	153	2
375 Airport Road Hotel	375 Airport Road	Oceanside	92058	Mar-21	86	2
Hilton Garden Inn - San Marcos Hotel	SWC Montiel Road & Leora Lane	San Marcos	92069	Apr-21	128	2
Springhill Suites San Diego Del Mar	El Camino Real & Carmel Valley Road	San Diego	92130	Apr-21	112	2
Destination Resorts Hotel	Pacific Street and Mission Avenue	Oceanside	92054	Apr-21	226	5
Joie de Vivre Hotel	Pacific St/Civic Ctr/Myers St/Mission Ave	Oceanside	92054	Apr-21	158	5
1010 Oceanside (Belvedere Project)	910 Mission Ave.	Oceanside	92054	May-21	124	3
Hyatt Place Hotel	3510 Valley Centre Drive	San Diego	92130	Jun-21	127	3
Fairfield Inn & Suites El Cajon	Oakdale Lane & 2nd Street	El Cajon	92021	Jul-21	111	2
Hampton Inn - SDSU	6650 Montezuma Road	San Diego	92115	Jul-21	125	3
Stone Brewing Company Boutique Hotel	Citracado Pkwy.	Escondido	92029	Jul-21	99	2
Manchester Pacific Gateway Complex (tower 1)	Broadway, PCH and Harbor Drive	San Diego	92101	Jul-21	550	4
Manchester Pacific Gateway Complex (tower 2)	Broadway, PCH and Harbor Drive	San Diego	92101	Jul-21	550	4
Manchester Pacific Gateway Complex (boutique)	Broadway, PCH and Harbor Drive	San Diego	92101	Jul-21	290	4
Hampton by Hilton	923 Island Ave.	San Diego	92101	Nov-21	132	3
2021 Total					3,118	

*Potential Hotels Rating Scale: (5) Hotel is under construction. (4) Financing for hotel is secured. (3) City approved the project and all permits. (2) Architectural design/renderings, environmental documents prepared and ready to obtain permits and approval from city. (1) Conceptual Idea only.

Appendix 2: Hotels Performance 2017-2019

San Diego Regional Hotel Performance

Hotel Category	Metric	March 2017	Palm Ave. Hotel March 2017	Difference v March 2017	2017 Average	2018 Average	2019 Average (9 mos.)
San Diego Region (ALL)	% Occupancy	83.1%	71.70%	-13.73%	77.3%	78.8%	79.1%
	ADR	\$162.94	\$72.48	-55.52%	\$158.57	\$164.73	\$171.00
South/East Submarket	% Occupancy	78.9%	71.70%	-9.14%	72.3%	76.2%	77.3%
	ADR	\$87.69	\$72.48	-17.35%	\$89.27	\$96.72	\$105.07
Budget	% Occupancy	79.7%			73.0%	74.5%	73.7%
	ADR	\$78.19			\$80.40	\$84.65	\$88.10
Economy	% Occupancy	82.5%	71.70%	-13.05%	75.4%	77.6%	76.9%
	ADR	\$99.90	\$72.48	-27.45%	\$101.35	\$108.15	\$111.37
Luxury	% Occupancy	83.5%			79.0%	79.6%	79.5%
	ADR	\$263.30			\$249.30	\$258.21	\$264.61
Midprice	% Occupancy	83.0%			76.7%	78.5%	79.2%
	ADR	\$143.09			\$138.68	\$143.30	\$144.00
Upscale	% Occupancy	86.9%			82.0%	83.3%	84.4%
	ADR	\$184.68			\$178.66	\$184.43	\$186.56