

CALIFORNIA COASTAL COMMISSION

South Coast District Office  
301 E Ocean Blvd., Suite 300  
Long Beach, CA 90802-4302  
(562) 590-5071



W20b

5-22-0799 (OCEAN AVENUE PARTNERS, LLC  
& BELLE VUE PLAZA)

NOVEMBER 30, 2023

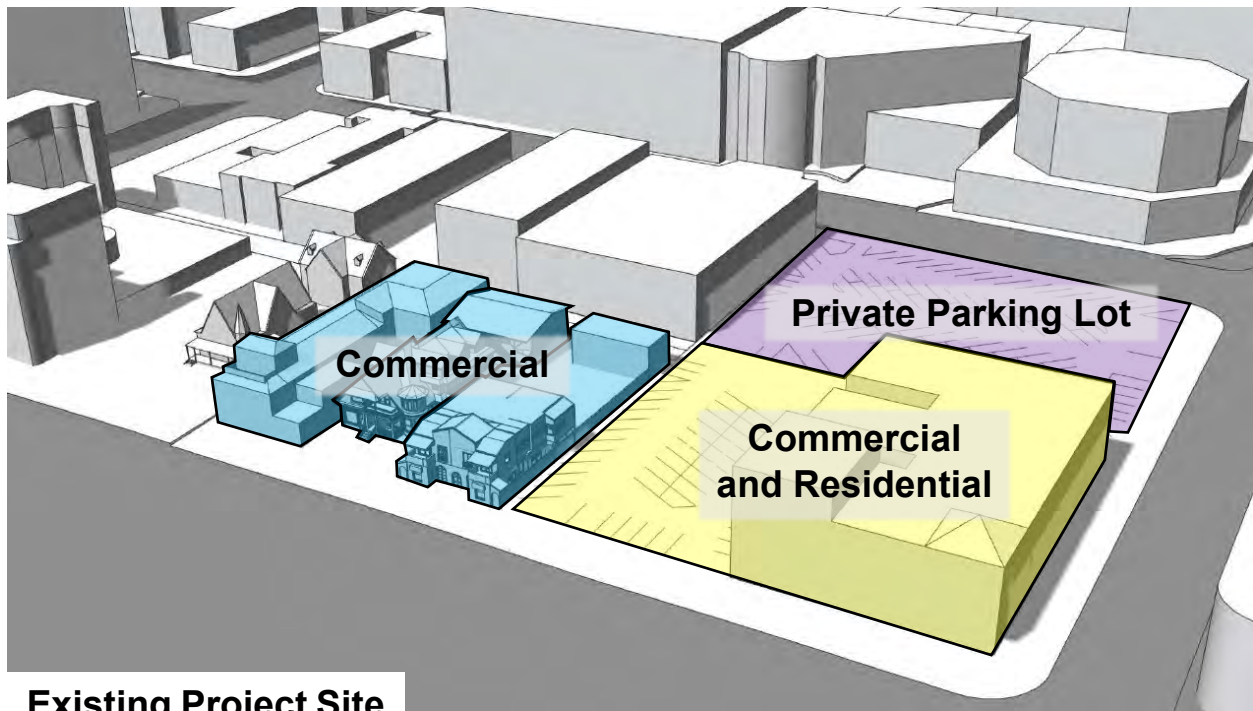
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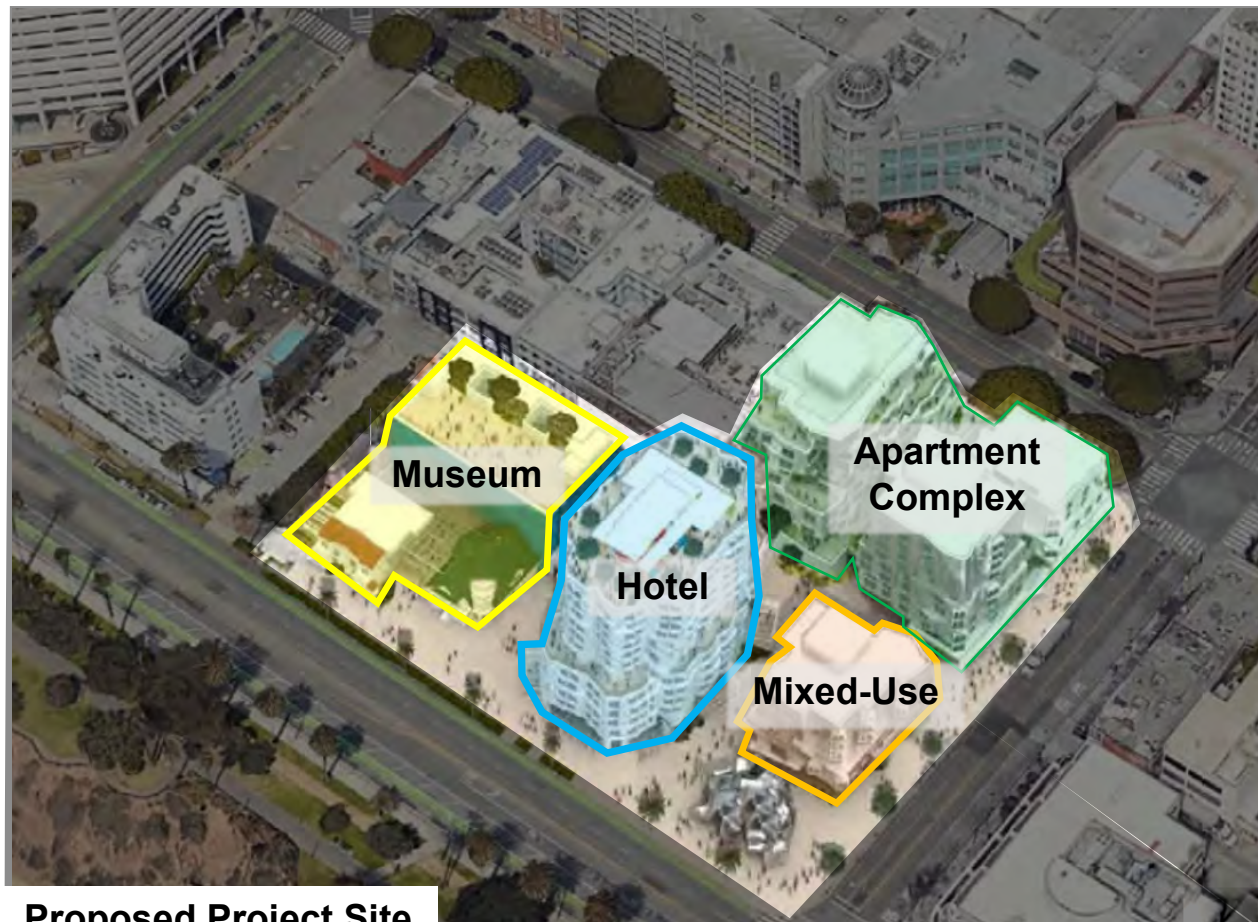
## Exhibit 1—Vicinity Map







**Existing Project Site**

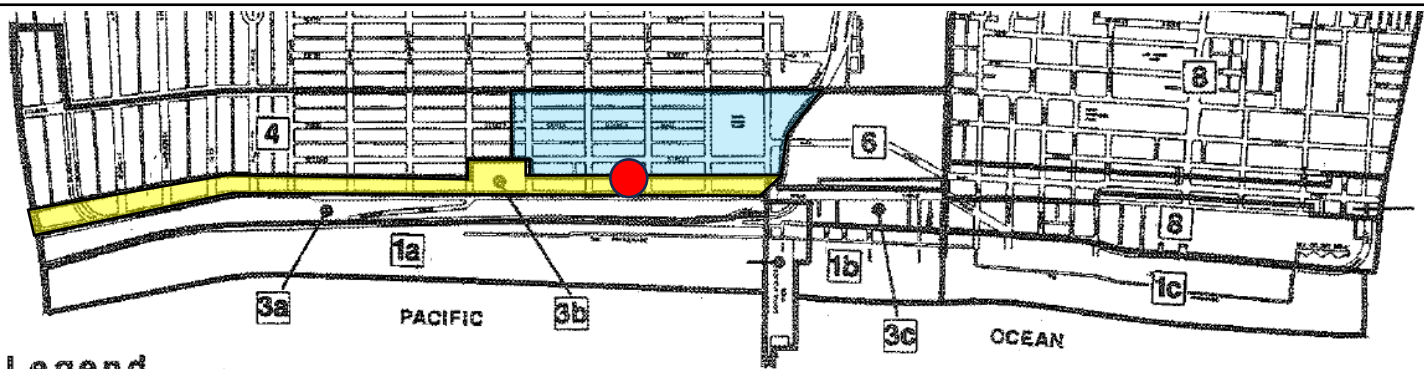


**Proposed Project Site**

*Note: The distribution of proposed uses has been simplified in this figure for illustrative purposes.*



## Exhibit 2 – Santa Monica Certified LUP Maps



### Legend

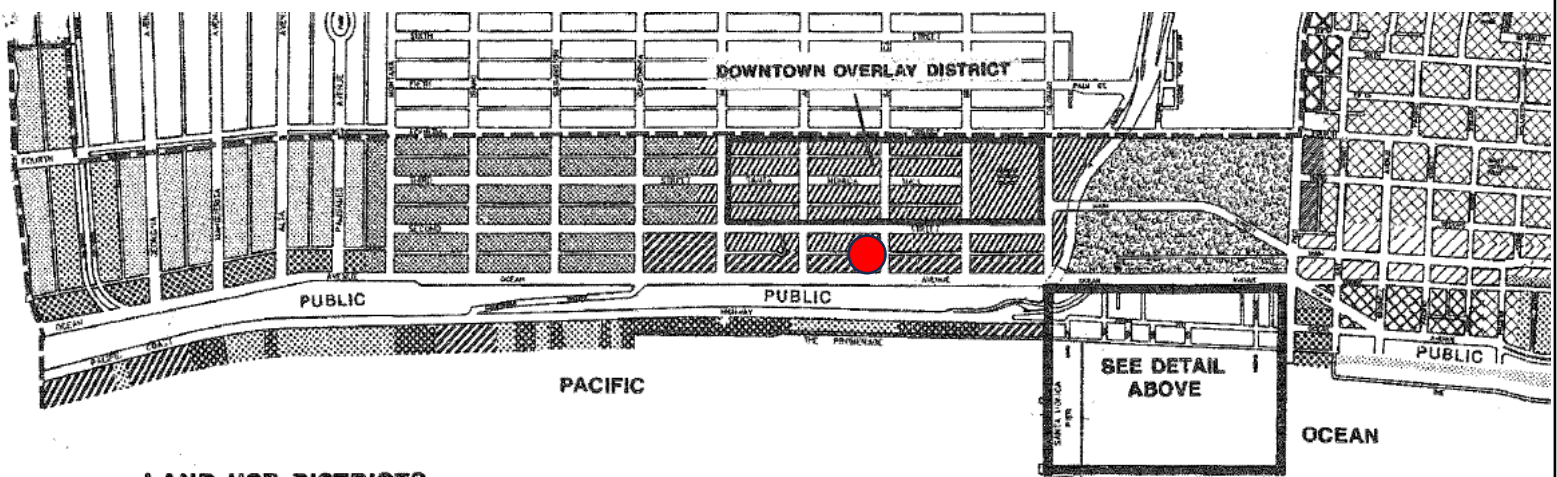
- 1 SANTA MONICA STATE BEACH
- 2 SANTA MONICA PIER
- 3 OCEAN AVENUE AND PALISADES PARK
- 4 NORTH SIDE RESIDENTIAL
- 5 DOWNTOWN
- 6 CIVIC CENTER AND RAND SITE
- 7 MAIN STREET FROM PICO BOULEVARD TO SOUTH CITY LINE (SPECIAL COMMERCIAL DISTRICT)
- 8 OCEAN PARK

● = Project Site

MAP 4

### Coastal Zone Sub-Areas

### SANTA MONICA LOCAL COASTAL PROGRAM



### LAND USE DISTRICTS

- SINGLE FAMILY RESIDENTIAL
- LOW DENSITY MULTIPLE RESIDENTIAL
- MEDIUM DENSITY MULTIPLE FAMILY RESIDENTIAL
- HIGH DENSITY MULTIPLE FAMILY RESIDENTIAL
- RESIDENTIAL – VISITOR COMMERCIAL
- NEIGHBORHOOD COMMERCIAL
- DOWNTOWN COMMERCIAL
- HIGHWAY COMMERCIAL
- MAIN STREET SPECIAL COMMERCIAL
- CIVIC CENTER
- BEACH PARKING DISTRICT

● = Project Site

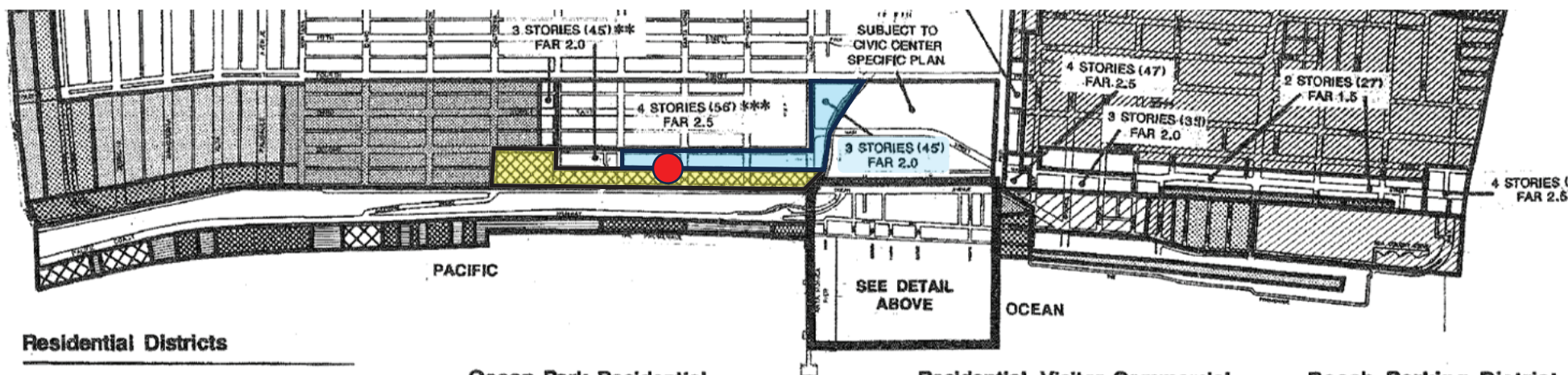
MAP 14

### Land Use Policy Map

### SANTA MONICA LOCAL COASTAL PROGRAM







### Residential Districts

	2 STORIES (28'), 1 UNIT PARCEL
	2 STORIES (30'), 1 UNIT / 1500 SQ. FT.
	28' / 30', 1 UNIT / 1500 SQ. FT. ***
	2 STORIES (30'), 1.0 FAR / 1250 SQ. FT.
	3 STORIES (40'), 1 UNIT / 1250 SQ. FT.
	4 STORIES (45'), 1 UNIT / 900 SQ. FT.

### Ocean Park Residential

	2 STORIES (27'), 1 UNIT / PARCEL
	2 STORIES (30'), 2 UNITS / PARCEL
	2 STORIES (30'), 1 UNIT / 1500 SQ. FT.
	2 STORIES (30'), 1 UNIT / 2000 SQ. FT.
	3 STORIES (35'), 1 UNIT / 1250 SQ. FT.

### Residential-Visitor Commercial

	3 STORIES (45'), 2.0 FAR
	2 STORIES (30'), 1.0 FAR
	30 FEET 0.5 FAR

### Beach Parking District



- \* 3 STORIES (45'), FAR 1.5, IF 50% OF PROJECT IS RESIDENTIAL  
 \*\* 6 STORIES (84'), FAR 3.0 WITH SITE REVIEW  
 \*\*\* 6 STORIES (84'), FAR 3.5 WITH SITE REVIEW  
 \*\*\*\* 40' MAX. WITHIN SITE VIEW ENVELOPE

● = Project Site

## MAP 15. Development Intensities SANTA MONICA LOCAL COASTAL PROGRAM





## Exhibit 3 – Excerpted Project Plans

# THE OCEAN AVENUE PROJECT

SANTA MONICA, CALIFORNIA

July 14, 2022

### CITY OF SANTA MONICA

City  
Engineer

City Planning Division

Ocean Avenue Project approved by Santa Monica City Council on 07/14/2022; Ordinance No. 2710 and Resolution Nos. 11442, 11443, and 11444 adopting Development Agreement 13DEV-004 and an amendment to the 1992 Partially-Certified Local Coastal Plan Land Use Plan, and compliance with CEQA for the Ocean Avenue Project at 101 Santa Monica Boulevard, 129 Santa Monica Boulevard, 1327 Ocean Avenue, 1333 Ocean Avenue, and 1337 Ocean Avenue, Santa Monica, CA 90401.

Roxanne Tanemori, Principal Planner  
08/08/2022

*R. Tanemori*



WORTHE REAL ESTATE GROUP  
GEHRY PARTNERS, LLP.



PROJECT INFORMATION

PROJECT NAME:	OCEAN AVENUE PROJECT
EXISTING PROJECT ADDRESSES:	101 SANTA MONICA BOULEVARD, 1337 OCEAN AVENUE, 1333 OCEAN AVENUE, 1327 OCEAN AVENUE AND 129 SANTA MONICA BOULEVARD
PROJECT DESCRIPTION:	MIXED-USE PROJECT INCLUDING HOTEL, RESIDENTIAL APARTMENTS, RETAIL/RESTAURANT, CULTURAL USES / CAMPUS INCORPORATING TWO CITY-DESIGNATED LANDMARKS, AND BELOW-GRADE PARKING.
LEGAL DESCRIPTION:	OCEAN AVENUE PARCEL 101 SANTA MONICA BOULEVARD: LOTS M, N, O, AND P BLOCK 148 OF THE TOWN OF SANTA MONICA, IN THE CITY OF SANTA MONICA, AS PER MAP RECORDED IN BOOK 3, PAGES 80 AND 81 AND IN BOOK 39, PAGE 45 ET SEQ., OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.  1327 OCEAN AVENUE: LOT "S" IN BLOCK 148 OF THE TOWN OF SANTA MONICA, IN THE CITY OF SANTA MONICA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3 PAGE(S) 80 AND 81, AND IN BOOK 39 PAGE 45 ET. SEQ., OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.  1333 OCEAN AVENUE: LOT "R" IN BLOCK 148 OF THE TOWN OF SANTA MONICA, IN THE CITY OF SANTA MONICA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3 PAGE(S) 80 AND 81, AND IN BOOK 39 PAGE 45 ET. SEQ., OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.  1337 OCEAN AVENUE: LOT "Q" IN BLOCK 148 OF THE TOWN OF SANTA MONICA, IN THE CITY OF SANTA MONICA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3 PAGE(S) 80 AND 81, AND IN BOOK 39 PAGE 45 ET. SEQ., OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.  SECOND STREET PARCEL LOTS I, J, K, L, BLOCK 148 OF THE TOWN OF SANTA MONICA, IN THE CITY OF SANTA MONICA, AS PER MAP RECORDED IN BOOK 3, PAGES 80 AND 81 AND IN BOOK 39, PAGE 45 ET SEQ., OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.
DCP DISTRICT:	ESTABLISHED LARGE SITE OVERLAY, OCEAN TRANSITION (OCEAN AVENUE PARCEL), BAYSIDE CONSERVATION (2ND AND 4TH) (SECOND STREET PARCEL)
AVERAGE NATURAL GRADE (A.N.G.):	77'. SEE SHEET A9-101
KEY SUSTAINABILITY ELEMENTS:	LEED PLATINUM WATER NEUTRALITY USE OF RECYCLED WATER

DOWNTOWN COMMUNITY PLAN - STANDARDS AND REGULATIONS

MAXIMUM HEIGHT PERMITTED:	130' (DCP 9.10.080(A))
PROJECT HEIGHT:	MAX. 130', SEE SHEETS A9-101 & A9-102
MAXIMUM FAR PERMITTED:	4.0 (DCP 9.10.080(B)(2))
PROJECT F.A.R.:	2.95 (243,630 SF / 82,569 SF)
OPEN SPACE REQUIREMENTS:	50% OF TOTAL PARCEL AREA COMPRISE OF THE FOLLOWING: MIN 25% LOCATED AT THE GROUND FLOOR AND REMAINDER WITHOUT A REGULATED LOCATION (DCP 9.10.080(C)(1))
PROJECT OPEN SPACE:	COMPLIES, SEE SHEET A9-109 & A9-110
BUILDING FRONTAGE LINE:	15' WIDE ALONG 2ND STREET, 20' WIDE ALONG OCEAN AVENUE, 18' WIDE ALONG SANTA MONICA BOULEVARD (DCP ILLUSTRATION 4.11 BUILDING FRONTAGE LINE)

CURRENT PROJECT FLOOR AREA

	ABOVE-GRADE	BELOW-GRADE	TOTAL
ABOVE-GRADE MECHANICAL / SHARED SERVICES (I.E. TRASH, STORAGE, UTILITIES)	10,750 SF	--	10,750 SF
ROOFTOP PUBLICLY-ACCESSIBLE OBSERVATION DECK ENCLOSED ROOFTOP LOBBY AREA	240 SF	--	240 SF
CULTURAL USE CAMPUS INCLUDES RELOCATED CITY-DESIGNATED LANDMARKS	16,000 SF	18,000 SF	34,000 SF
RETAIL/RESTAURANT/COMMERCIAL	28,130 SF INCLUDES 4,940 SF OUTDOOR DINING	7,980 SF	36,110 SF
RESIDENTIAL 100 UNITS	101,750 SF	15,800 SF	117,550 SF
HOTEL 120 ROOMS SPA MEETING & BANQUET SPACE COMMON AREA BACK OF HOUSE	91,700 SF	23,700 SF	115,400 SF
TOTAL FLOOR AREA PER SMMC 9.04.080	248,570 SF	65,480 SF	314,050 SF
TOTAL FLOOR AREA FOR FAR CALC PER SMMC 9.04.090	243,630 SF	--	--

FAR: 2.95 (243,630 SF/82,569 SF)

PARKING

VEHICLES	254 STRIPED SPACES PLUS ADDITIONAL CAPACITY IN AISLES VIA VALET/ATTENDANT
EV CHARGING INFRASTRUCTURE	EV CHARGERS - 10% OF THE VEHICULAR PARKING SPACES EV READY - 4.5% OF VEHICULAR PARKING SPACES EV READY, RACEWAYS/CONDUITS -- 38.5% OF VEHICULAR PARKING SPACES
BICYCLES - LONG TERM	0.2 SPACES/HOTEL ROOM AND 1 SPACE/3,000 SQUARE FEET OF FLOOR AREA FOR THE RETAIL/RESTAURANT/CULTURAL USES SPACE; 1 SPACE/RES BEDROOM
BICYCLES - SHORT TERM	NO LESS THAN EIGHT (8) SPACES FOR THE HOTEL PLUS 1 SPACE/4,000 SQUARE FEET OF FLOOR AREA FOR THE RETAIL/RESTAURANT/CULTURAL FACILITIES USES, 10% OF LONG-TERM FOR RESIDENTIAL USE
FINAL AUTO AND BIKE PARKING LAYOUT SUBJECT TO REVIEW AND APPROVAL BY MOBILITY DIVISION	



City of

Santa Monica

CITY PLANNING DIVISION

APPROVAL IN CONCEPT

Case:

Ocean Avenue Project Development Agreement  
101 Santa Monica Blvd, Santa Monica, CA 90401

Date:

June 14, 2023

Planner:

Roxanne Tanemori,  
Acting Planning Manager

Notes:

Ocean Avenue Project approved by Santa Monica City Council on 07/14/2022: Ordinance No. 2710 and Resolution Nos. 11442, 11443, and 11444 adopting Development Agreement 13DEV-004 and an amendment to the 1992 Partially-Certified Local Coastal Plan Land Use Plan, and compliance with CEQA for the Ocean Avenue Project at 101 Santa Monica Boulevard, 129 Santa Monica Boulevard, 1327 Ocean Avenue, 1333 Ocean Avenue, and 1337 Ocean Avenue, Santa Monica, CA 90401.

Permit from the California Coastal Commission is required.

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FAX 310-459-2644

THE  
OCEAN AVENUE  
PROJECT

LOS ANGELES, CA

TITLE

PROJECT  
STATISTICS

PROJECT  
2007-032

SCALE

DRAWN BY

DATE

SIZE: 11"x17"

SHEET NUMBER

A0-103

GEHRY PARTNERS, LLP



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NOTE A  
TRASH LOADING CONCEPT IS  
TO UTILIZE PORTABLE  
INDUSTRIAL LIFTS TO UNLOAD  
PRIVATE CONTAINERS BY THE  
BUILDINGS OPERATIONAL  
STAFF. CITY BINS ARE NOT  
INTENDED TO BE MOVED  
EXCEPT BY CITY RRR STAFF.  
CONCEPT WILL BE FURTHER  
DEVELOPED BY A WASTE /  
RECYCLING MANAGEMENT  
CONSULTANT DURING  
SCHEMATIC DESIGN.

## THE OCEAN AVENUE PROJECT

LOS ANGELES, CA

TITLE

## LEVEL 1 FLOOR PLAN

PROJECT

2007-032

SCALE

DRAWN BY

DATE

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SHEET NUMBER

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THE  
OCEAN AVENUE  
PROJECT

LOS ANGELES, CA

TITLE

LEVEL 2  
FLOOR PLAN

PROJECT  
2007-032

SCALE

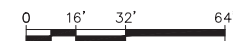
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THE  
OCEAN AVENUE  
PROJECT

LOS ANGELES, CA

TITLE

LEVEL 3  
FLOOR PLAN

PROJECT  
2007-032

SCALE

DRAWN BY DATE

SIZE: 11'x17' JULY 14, 2022

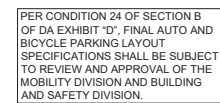
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## LOS ANGELES, CA

TITLE

LEVEL B2  
FLOOR PLAN

PROJECT  
2007-032  
SCALE

DRAWN BY	DATE
SIZE: 11"x17"	JULY 14, 202
SHEET NUMBER	

A2-2B2



# SITE PLANTING LEGEND

PLAN	COMMON NAME	BOTANICAL NAME	NOTES
	MAJESTIC BEAUTY FRUITLESS OLIVE OR SIMILAR	OLEA EUROPAEA 'MONHER'	EVERGREEN MATURE HEIGHT 35' MATURE WIDTH 35' WATER USE: DROUGHT TOLERANT
	NATCHEZ CRAPE MYRTLE OR SIMILAR	LAGERSTROEMIA INDICA X FAURIEI 'NATCHEZ'	DECIDUOUS MATURE HEIGHT 20' MATURE WIDTH 20' WATER USE: DROUGHT TOLERANT
	FLAME TREE OR SIMILAR	DELONIX REGIA	DECIDUOUS MATURE HEIGHT 16' MATURE WIDTH 16' WATER USE: DROUGHT TOLERANT
	MAGNOLIA LITTLE GEM OR SIMILAR	MAGNOLIA GRANDIFLORA	EVERGREEN MATURE HEIGHT 15' MATURE WIDTH 5' WATER USE: DROUGHT TOLERANT
	AMERICAN SWEETGUM OR SIMILAR	LIQUIDAMBAR STYRACIFLUA	EVERGREEN IN SOUTH MATURE HEIGHT 60' MATURE WIDTH 40' WATER USE: DROUGHT TOLERANT
	MIXED GROUND COVER INCLUDING UC VERDE, BUFFALO GRASS AND COASTAL NATIVE MEADOW OR SIMILAR	BUCHLOE DACTYLOIDES 'UC VERDE' AND SESLERIA AUTUMNALIS OVERSEEDED WITH S&S SEEDS CA COASTAL NATIVE WILDFLOWER MIX	DECIDUOUS MATURE HEIGHT 25" WATER USE: LOW TO VERY LOW



PER CONDITION 24 OF SECTION B OF DA EXHIBIT 'D', FINAL AUTO AND BICYCLE PARKING LAYOUT SPECIFICATIONS SHALL BE SUBJECT TO REVIEW AND APPROVAL OF THE MOBILITY DIVISION AND BUILDING AND SAFETY DIVISION.



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THE  
OCEAN AVENUE  
PROJECT

LOS ANGELES, CA

TITLE

GROUND  
FLOOR SEATING  
AND LANDSCAPE  
PLAN

PROJECT

2007-032

SCALE

DRAWN BY

DATE

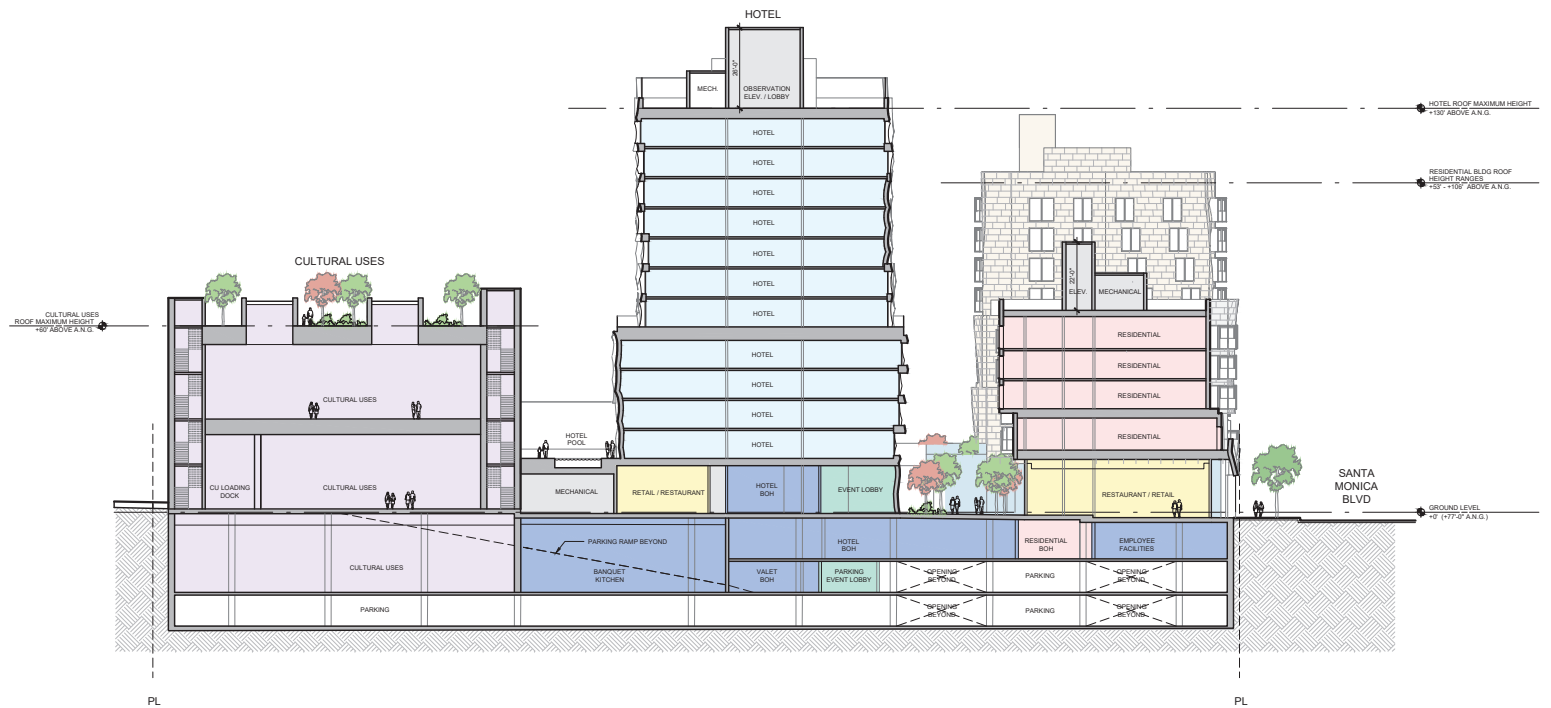
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## THE OCEAN AVENUE PROJECT

LOS ANGELES, CA

TITLE

## SECTION

PROJECT  
2007-032

SCALE

DRAWN BY DATE

SIZE: 11'x17" JULY 14, 2022

SHEET NUMBER

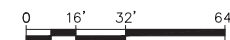
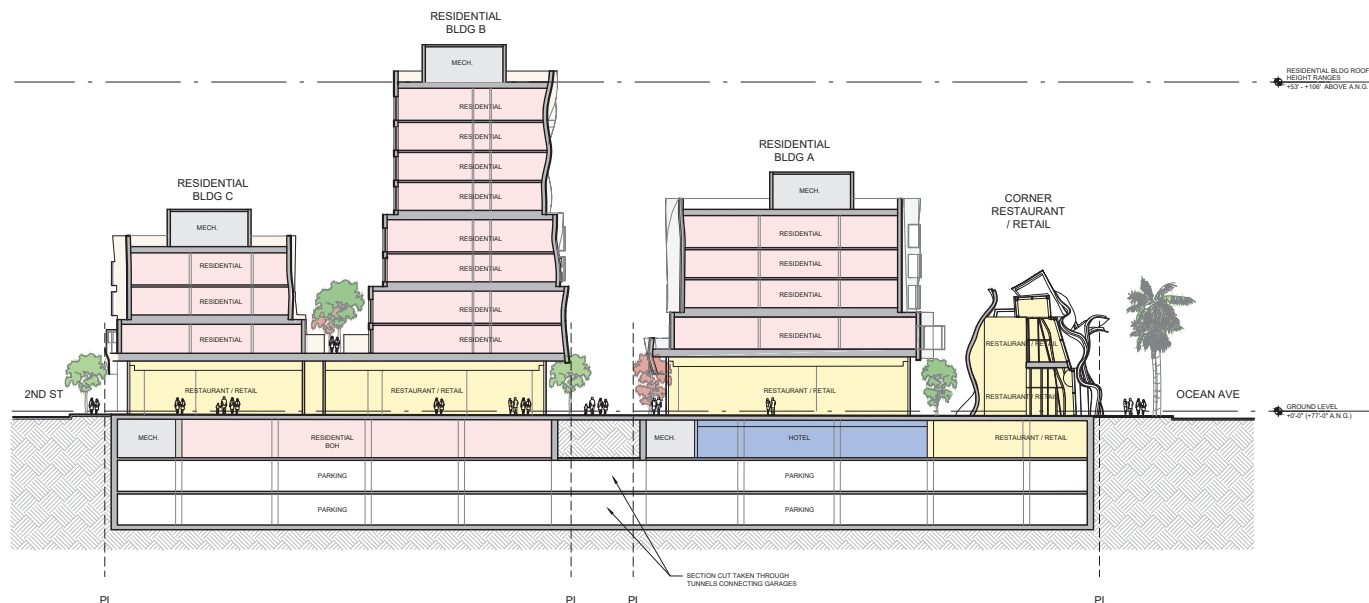
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KEY PLAN

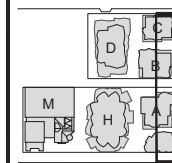


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KEY PLAN

## THE OCEAN AVENUE PROJECT

LOS ANGELES, CA

TITLE

## SECTION

PROJECT  
2007-032

SCALE

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A3-203

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## URBAN DESIGN CONCEPT

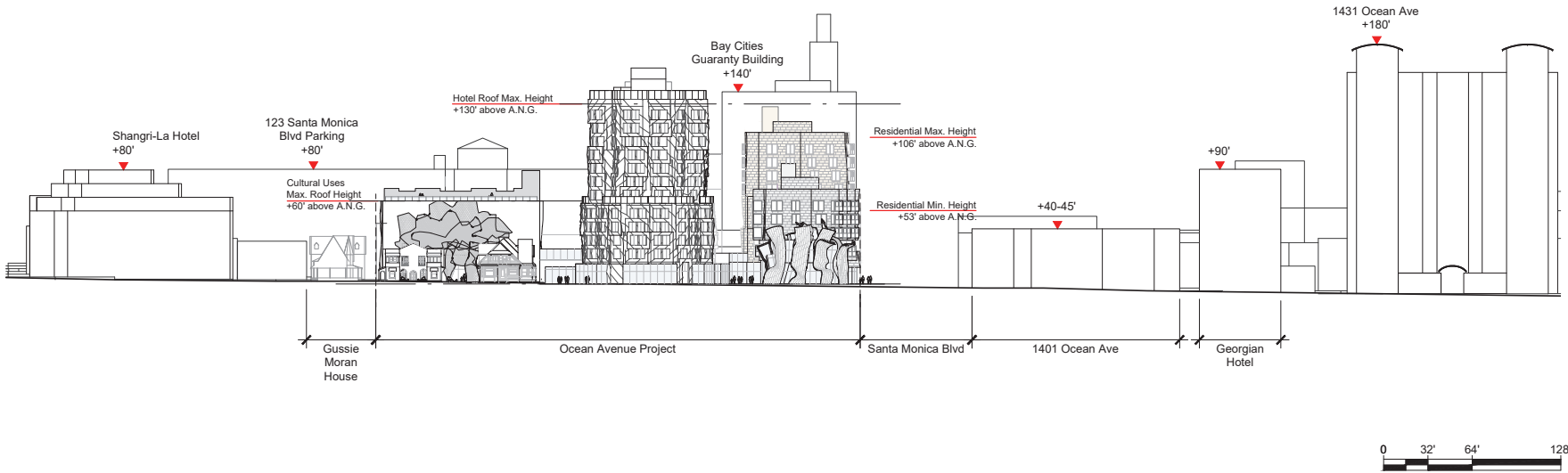
The design team has received significant input from the community outreach process, the planning department, and the architectural review board. The extensive outreach process used in developing the approved DCP informs the revised project, resulting in a lower maximum height appropriate to the downtown context. A slender tower is oriented in an east-west direction, maximizing views to the oceanfront for areas to the east.

To reduce the height of the project, area that previously occupied the taller portions of the project has been redistributed in a responsible manner to other portions of the site. The tower location remains weighted towards Ocean Avenue, however its height has been reduced from 244' to 130', measured to the roof. The tower's new height associates it more with the mid-rise buildings in downtown as opposed to the tall towers.

The residential component has been distributed among four distinct buildings with varying heights from 106' to 53'. The existing context has a series of mid-rise buildings along Santa Monica Boulevard from 5th Street to Ocean Avenue, and the taller residential buildings have therefore been placed along this street.

The lower height buildings have been placed on the north side of the site, along each of 2nd Street (residential) and Ocean Avenue (museum complex).

The building street fronts are modulated to enhance activity by allowing for a variety of experiences at the sidewalk. Breaks in the building facade help maintain a scaled relationship to pedestrians and the adjacent context.



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THE  
OCEAN AVENUE  
PROJECT

LOS ANGELES, CA

TITLE

URBAN DESIGN  
CONCEPT

PROJECT

2007-032

SCALE

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SHEET NUMBER

JULY 14, 2022

SHEET NUMBER

A9-103

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Exhibit 4—Project Renderings



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THE  
OCEAN AVENUE  
PROJECT

LOS ANGELES, CA

TITLE

RENDERING  
OCEAN AVENUE

PROJECT  
2007-032

SCALE

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## THE OCEAN AVENUE PROJECT

LOS ANGELES, CA

TITLE

## RENDERING PEDESTRIAN MALL \ 1ST COURT ALLEY

PROJECT  
2007-032

SCALE

DRAWN BY DATE

SIZE: 11"x17" JULY 14, 2022

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THE  
OCEAN AVENUE  
PROJECT

LOS ANGELES, CA

TITLE

RENDERING  
VIEW OF  
CULTURAL USES  
FROM OCEAN AVE

PROJECT

2007-032

SCALE

DRAWN BY

DATE

SIZE: 11"x17"

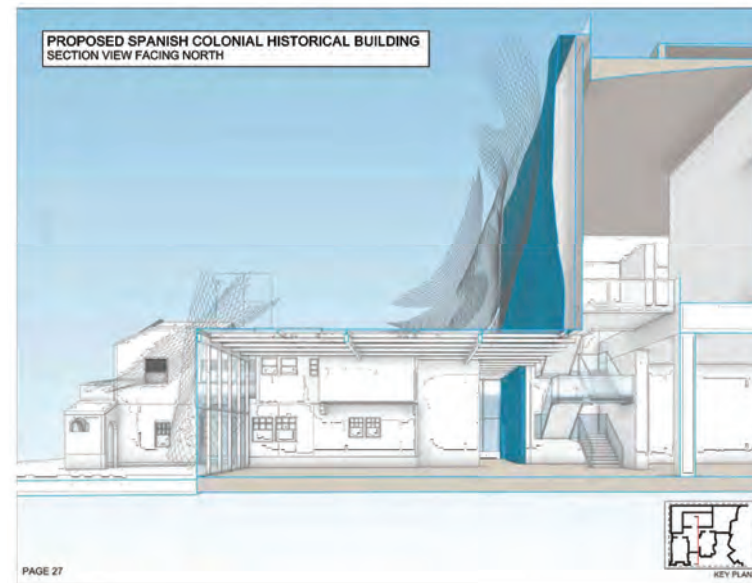
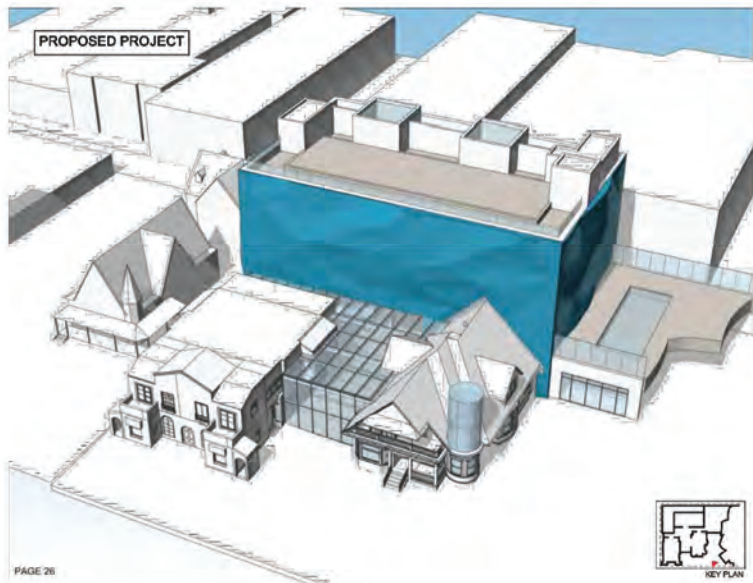
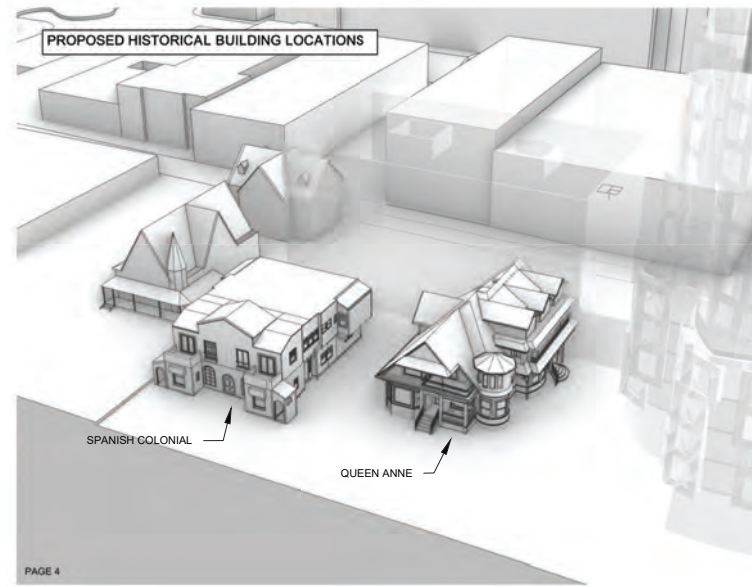
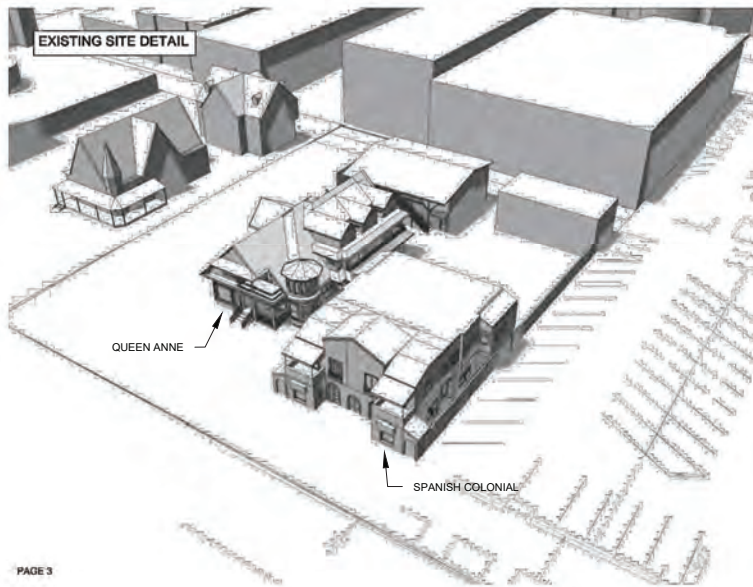
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SHEET NUMBER

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THE  
OCEAN AVENUE  
PROJECT

LOS ANGELES, CA

TITLE

HISTORICAL  
BUILDING  
OVERVIEW

PROJECT  
2007-032

SCALE

DRAWN BY DATE

SIZE: 11'x17" JULY 14, 2022

SHEET NUMBER

A9-112

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# Exhibit 5 – Low-Cost Lodging Feasibility Memorandum

Maurice Robinson & Associates LLC  
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Manhattan Beach, CA 90266

## Memorandum

**Date:** May 12, 2021

**To:** Steve Hudson – California Coastal Commission Deputy Director

**RE:** On-Site Low-Cost Lodging Feasibility Analysis for the Proposed Miramar Redevelopment Project

### Introduction:

Maurice Robinson and Associates LLC (“MR&A”) has been engaged by Ocean Avenue LLC (“Owner”), the owner of the Fairmont Miramar Santa Monica Hotel (“Hotel”) in the City of Santa Monica (“City”), to review the financial feasibility of providing on-site low-cost lodging as part of the proposed redevelopment plan (“Project”) for the Hotel. I am familiar with the Project and the related financial projections, as I worked with the Owner to prepare an overall feasibility analysis for the Project in 2020 in conjunction with the City’s financial feasibility consultant, HR&A Advisors (“HR&A”), as input to the Project approval hearings with the City.

Applying my expertise in hospitality finance, I have performed numerous financial feasibility analyses for both hotel owners and public agencies for over the last 40 years (my resume is attached as Exhibit A to this memorandum). In addition to the above, I have also worked closely with the California Coastal Commission (“Coastal”) over the years on several low-cost lodging analyses and work efforts. In 2016, I worked with Coastal staff and submitted a March 15, 2016 memo describing my suggested empirical methodology for establishing “low-cost lodging” rates on a market-by-market basis, as opposed to a statewide basis. This methodology has since been adopted by Coastal staff, although they have often deferred to the simpler, three-step version of my full ten-step methodology and have even referred to it as the “Robinson Method”.

### Background and Executive Summary:

- Santa Monica is a unique coastal location and should have a City-specific low-cost lodging rate, rather than applying a state-wide low-cost rate. Applying the Robinson Method produces a higher low-cost lodging rate as compared to Coastal’s standard statewide low-cost lodging rate, which was about \$130 in 2019.<sup>1</sup> Based on the methodology proposed

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<sup>1</sup> Given the unprecedented impact of COVID-19 on hotel operations in 2020, the analysis throughout this memo utilizes 2019, the last full year of normal hotel operations, as the basis for analysis throughout.

below, the Santa Monica-specific low-cost rate is about \$148 per night in 2019 dollars, and \$151 in 2021.

- The Miramar Hotel has been a high-cost hotel for at least the last 75 years and has never been a low-cost facility. Information provided in the CBRE February 22, 2018 Fiscal Impact Report commissioned by the City indicated a 2018 ADR for the existing Hotel of \$446 per night. Updated and actual 2019 operating information provided to HR&A for their August 18, 2020 Fiscal Impact Report update indicated a 2019 actual ADR of \$448 per night for the existing Hotel.
- No low-cost hotel rooms are being removed as part of the proposed Project. Moreover, (i) the historic preservation and rehabilitation of the existing Palisades Building only renovates, and does not remove, 111 high-cost hotel rooms; and (ii) the replacement of the remaining 190 high-cost rooms with 201 high-cost rooms has no impact on existing low-cost visitor facilities in the area.
- Information in CBRE's February 22, 2018 Fiscal Impact Report indicated a projected ADR for the redeveloped Hotel in 2026 (the proposed opening year of the redeveloped Hotel) of \$759 in current dollars. Updated information provided to HR&A for their August 18, 2020 Fiscal Impact Report update, reflecting the anticipated future impact of COVID-19, reduced the projected ADR in 2026 to \$713 in current dollars.
- Since the Project will preserve and rehabilitate an existing historic building on the site with 111 existing hotel rooms that will be reconfigured and renovated with a new interior design and furnishing package, the 25% affordable lodging feasibility analysis in this memo is based on 201 rather than 312 new rooms; thus, a total of 51 low-cost rooms are considered in this feasibility analysis.
- The existing Miramar Hotel is a full-service union hotel, and the incremental operating cost that the existing Hotel incurs for each room night sold is estimated based on its historical operating expenses to be \$341 in 2019 dollars. This cost per room night does not include any land costs, financing costs or development costs, and is already well above the Santa Monica specific low-cost rate, even within the existing Miramar Hotel operational structure.
- In the redeveloped Miramar Hotel, with additional guest services and amenities, significantly higher level of service/quality and larger guest rooms, the incremental operating cost per room night (again without land, financing, or development costs) is projected to be \$486 in 2019 dollars, which compares even less favorably to the Santa Monica specific low-cost lodging rate.
- The redevelopment of the Hotel involves closing down a profitable hotel for nearly three years, and the development of a complex and high-risk, mixed-use project with hotel, retail, and residential components, as well as a significant amount of subterranean parking.
- As was made clear during the City's Planning Commission and City Council hearings, the Owner's financial feasibility analysis forecasts below market-rate returns and modest profit margins for a project of this scale and complexity, even with aggressive assumptions on



performance levels. In some cases (e.g., hotel average daily rates, hotel exit prices and condo sales prices per square foot), these levels have never before been achieved in the City of Santa Monica, particularly when one considers the substantial uncertainty and tempered expectations of the hospitality sector's recovery in the post-COVID environment.

- In my professional opinion, and based upon the analysis which follows, the inclusion of on-site affordable lodging in the redeveloped Miramar Hotel will translate to a substantial negative profit margin for the Owner, making the proposed Project and its unprecedented community benefit package (negotiated extensively over a 10-year City approval process) financially infeasible, and thus, the Owner will be unable to implement the Project.

This memo addresses the following:

1. Santa Monica-Specific Low-Cost Lodging Rate Analysis
2. Hotel-Specific Operating Cost per Room Night (Pre- and Post-Redevelopment)
3. Overall Project Feasibility
4. Operational Considerations

## **1. Santa Monica Specific Low-Cost Lodging Rate Analysis:**

Following the guidance from my March 15, 2016 memo, I pursued the following steps to identify a Santa Monica-specific low-cost lodging rate:

1. Obtained an inventory of economy motels from STR for Los Angeles County and identified the motels in that inventory that report to STR (i.e., STR's "Participation List").
2. Purchased from STR the recent average daily rate ("ADR") data for the summer of 2019 for the reporting economy-class motels selected for the analysis ("STR Run") within Los Angeles County. (The geographic area of coverage had to be expanded outside the City of Santa Monica in order to identify enough reporting motels for the STR Run, as STR has certain requirements on the minimum number of motels and mix of brands that must be included in any specific data request, and only two economy hotels report in Santa Monica). The data from the STR Run for July and August of 2019 (the "Prior Year ADR") provided the ADR actually achieved by Economy properties in the summer of 2019, prior to the negative impacts from the current COVID-19 pandemic, which serves as the base ADR for this analysis.
3. Performed research through online travel agency (OTA) websites such as Expedia, Trivago, etc. to identify economy motel products in Santa Monica that are not included in STR's inventory.
4. Used the OTA websites to research the base room rates (published room rates are called "Rack Rates") currently being charged for one-night, single-occupancy, standard lodging at the economy motels, some of which are included in the STR Run; some of which are included in the STR Participation List but do not report performance data to STR; and some that are not included in the STR Participation List, for two different dates in the coming

summer period (“Current Year Rack Rates”). For this analysis, we selected a Wednesday in both mid-July and mid-August, and applied the methodology discussed below.

5. For each economy motel identified, calculated the average of their two Current Year Rack Rates obtained under Step 4.
6. Calculated the weighted average of the Current Year Rack Rate averages from Step 4 for only the motels included in the STR Run. (The weightings are based on the number of rooms provided by each motel. The weighted average calculation starts with the estimated total room revenues achieved by the sample based on their average Current Year Rack Rates, which, when divided by the total number of occupied rooms, gives the average Current Year Rack Rate for the whole group, based on rooms, not based on the number of properties.)
7. Divided the ADR from the STR Run into the weighted average Rack Rate for the same motels included in the STR Run as estimated in Step 6. This ratio, referred to as the “ADR Factor”, represents an estimate of the relationship for the STR Run motels between Prior Year ADR and the Current Year Rack Rates.
8. Multiplied the average Current Year Rack Rates from Step 4 for all the economy motels by the ADR Factor to estimate each property’s Prior Year ADR.
9. I did not apply Step 9 of my methodology (i.e., multiply each property’s estimated Prior Year ADR derived under Step 8 by the then-most recent projection of hotel room rate inflation between the prior and current years as published by STR to translate the Prior Year ADR estimates into ADR estimates for the prospective 12-month period, as the pandemic’s impacts on 2020 and 2021 room rates was to anomalously depress them, not inflate them.
10. Similarly, I did not apply Step 10 of my methodology (i.e., estimate the median, mean and/or different percentiles as desired of the ADR estimates from Step 9 as alternative assumptions on the subject market’s LC Rate in the current year), as these were not needed for the current analysis.

The following discussion summarizes the application of the above methodology to derive a Santa Monica-specific low-cost lodging rate:

<b>Table 1</b>								
<b>Derivation of Low-Cost Room Rate in Santa Monica</b>								
<b>STR Reporting Comp Set Properties (to derive ADR factor)</b>				<b>Published Rates (1)</b>				
<b>Name</b>	<b>rooms</b>	<b>address</b>	<b>zip</b>	<b>14-Jul</b>	<b>11-Aug</b>	<b>average</b>	<b>room revs</b>	
Days Inn Los Angeles Santa Monica	67	3007 Santa Monica Blvd.	90404	\$ 159	\$ 159	\$ 159	\$ 10,653	
SureStay Hotel Santa Monica	82	3102 Pico Blvd.	90405	\$ 197	\$ 197	\$ 197	\$ 16,154	
Travelodge LAX South El Segundo	111	1804 E. Sycamore Ave.	90245	\$ 119	\$ 111	\$ 115	\$ 12,765	
ESA- LAX Airport - El Segundo	151	1910 E. Mariposa Ave.	90245	\$ 126	\$ 126	\$ 126	\$ 19,026	
	411			<b>Summer 2021 ADR:</b>		<b>\$ 143</b>	\$ 58,598	
<b>Actual 2019 Summer ADR (per STR):</b>						<b>\$ 140</b>		
2019/2021 ADR factor (2):						98%		
<b>Economy Class Motels in Santa Monica</b>				<b>Published Rates (1)</b>				
<b>Name</b>	<b>rooms</b>	<b>address</b>	<b>zip</b>	<b>14-Jul</b>	<b>11-Aug</b>	<b>average</b>	<b>room revs</b>	
Seaview	16	1760 Ocean Ave.	90401	\$ 107	\$ 107	\$ 107	\$ 1,712	
Ocean Park Inn	28	2452 Lincoln Blvd.	90405	\$ 125	\$ 125	\$ 125	\$ 3,500	
Santa Monica Motel	32	2102 Lincoln Blvd	90405	\$ 136	\$ 152	\$ 144	\$ 4,608	
Ocean Park Hotel	44	2680 32nd St.	90405	\$ 129	\$ 129	\$ 129	\$ 5,676	
Palm Motel	26	2020 14th St.	90405	\$ 104	\$ 104	\$ 104	\$ 2,704	
Days Inn Los Angeles Santa Monica	67	3007 Santa Monica Blvd.	90404	\$ 159	\$ 159	\$ 159	\$ 10,653	
SureStay Hotel Santa Monica (3)	82	3102 Pico Blvd.	90405	\$ 197	\$ 197	\$ 197	\$ 16,154	
Pavilions Motel	18	2338 Ocean Park Blvd.	90405	\$ 123	\$ 123	\$ 123	\$ 2,214	
	313			<b>Summer 2021 ADR:</b>		<b>\$ 151</b>	\$ 47,221	
2019/2021 ADR factor (2):						98%		
<b>Implied 2019 Summer ADR for Santa Monica Economy Class Motels:</b>						<b>\$ 148</b>		
<b>CCC-Approved Low-Cost Rate Thresholds:</b>								
2019 Statewide Low-Cost Rate = <b>\$130</b> (75% of the 2019 July/August STR ADR, which was \$173.)								
2019 entire LA County Economy Class ADR for July/August 2019 = <b>\$100</b> .								
2019 Santa Monica Low-Cost Rate would be <b>\$148</b> , as the implied 2019 STR Economy Class ADR.								
2021 Santa Monica Low-Cost Rate would be <b>\$151</b> , as the implied 2021 Economy Class ADR.								
1. Used Best Available Rate, one adult, one night, no pre-payment discount, no premiums or other discounts.								
source: Expedia, trivago, tripadvisor, Kayak.com, hotels.com, individual sites								
2. ADR Factor correlates 2019 Summer STR ADRs with 2021 Summer rack rates.								
3. The Sure Stay was formerly the Travelodge.								

Table 1 shows that for the four economy class motels (two in Santa Monica and two in El Segundo) within the area that report to STR, their actual achieved ADRs for calendar year 2019 (pre-Covid), as reported by STR, represent 98% of their weighted average Rack Rates for 2021.

Table 1 also shows the average 2021 Rack Rates for all eight of the economy motels in the City that were identified by OTA research (including those in the STR Participation List that do not report their performance to STR, as well as those excluded from the STR Participation List, but listed in the OTAs) – resulting in an estimated average economy motel rate for Santa Monica in 2021 of \$151.

Table 1 also shows the application of the 98% ADR Factor to the average 2019 Rack Rates for all eight of the economy motels within the City that were identified – resulting in an estimated average economy motel rate for Santa Monica in 2019 of \$148.

This Santa Monica specific low-cost ADR of \$148 is 14% higher than the low-cost 2019 ADR across the state of \$130 (75% of the statewide ADR for the 2019 peak season July-August).



Therefore, for all of the Low-Cost lodging analysis, discussions and feasibility associated with the redevelopment of the Miramar Hotel, we recommend a \$148 (2019 dollars rate - uninflated) or \$151 (2021 dollars rate – uninflated) be utilized, based on my methodology.

## **2. Hotel-Specific Operating Cost per Room Night (Pre- and Post-Redevelopment)**

The cost structure of the Miramar Hotel, like any other hotel, consists of a combination of fixed costs and variable costs. This memorandum attempts to analyze the variable component of the Hotel's cost structure in two ways: (i) a multi-variate statistical analysis analyzing 38 months of actual operating history, and (ii) a ground-up analysis by the Owner's hotel asset management team.

### **(i) Multi-Variate Statistical Analysis**

The variable operating costs of a hotel consist of those costs associated with providing a room for a night and those costs associated with providing ancillary service, such as Food & Beverage or Spa services. Thus, total operating costs can be expressed as a formula,

$$Y=B_0+B_1*X_1+B_2*X_2$$

#### **Where:**

Y = dependent variable - Hotel Operating Expenses Each Month Jan 2017 through Feb 2020 Adjusted to December 2019 Dollars

B<sub>0</sub> = Coefficient Estimate of Fixed Monthly Operating Expenses for Hotel in 2019 Dollars

B<sub>1</sub> = Coefficient Estimate of Incremental Operating Expenses in 2019 Dollars per Room Night Occupied

X<sub>1</sub> = Actual Monthly Room Nights Occupied Jan 2017 through Feb 2020

B<sub>2</sub> = Coefficient Estimate of Incremental Operating Expenses per Dollar of Hotel Non-Room Revenues

X<sub>2</sub> = Actual Monthly Hotel Non-Room Revenues in 2019 Dollars

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Applying statistical analysis methods to monthly historical operating data from January 2017 through February 2020 (right before the onset of COVID-19) produced three coefficient estimates. One coefficient represents the estimated fixed expenses incurred per month to operate the Hotel; one represents the estimated incremental operating expenses incurred by the Hotel for each additional room night sold (variable expenses as a function of occupancy); and one represents the estimated incremental operating expenses incurred by the hotel for each additional dollar of revenues generated by the Hotel from sources other than room sales such as restaurant sales and spa sales.

The results of the regression analysis indicate that the incremental cost incurred by the existing Hotel for each room night sold is \$340.61, stated in December 2019 dollars, or more than double the indicated Santa Monica-specific low-cost lodging rate estimated with my analysis above. Therefore, even for the existing Hotel operation (without accounting for any of the significant redevelopment costs or risks), the low-cost rate is not financially feasible, as it would result in a loss of \$193 per room per night (\$341 less \$148 = \$193). In the world of hospitality finance, hotel valuations and profitability metrics are based on net operating income, and the room rate and room

profits are a significant and substantial driver of any hotel's net operating income. This type of low-cost rate reduction in a full-service, fully amenitized hotel has a substantial multiplier impact on the overall profitability and economic analysis for a full-service hotel operation and full-service hotel development.

The analysis indicates that if the Hotel is obligated to sell rooms at an artificially low nightly rate, for the Hotel to break even on those rooms, the average nightly rate charged under the existing Hotel's current operating cost structure and rate/quality positioning must be at least \$340.61, stated in December 2019 dollars adjusted for inflation as provided in the following paragraph.

The historical monthly data were adjusted to account for inflation based on a combination of: 1) actual observed escalations in wages and benefits paid by the Hotel to its hourly wage earners (which have historically increased faster than broader market inflation due to the Hotel's union agreement with Unite HERE Local 11); and 2) the trend in the monthly consumer price index for the western United States as reported by the Bureau of Labor Statistics (applied to all the Hotel's revenues and all the Hotel's operating expenses other than the wages and benefits paid by the Hotel to its hourly employees).

The "goodness of fit" (or predictability) of the regression model is relatively strong, as measured by its R-Squared (coefficient of determination) and as shown in Figure 1 on the following page. The estimates for the model's fixed and variable expense coefficients are deemed statistically significant at a 95% level of confidence, and thus, are concluded to be appropriately used for estimation. What the R-square and confidence level results indicate in layman's terms is that the \$340.61 estimate of the incremental costs currently incurred by the Hotel per room night occupied reasonably reflects the actual operating cost profile of the existing Hotel.

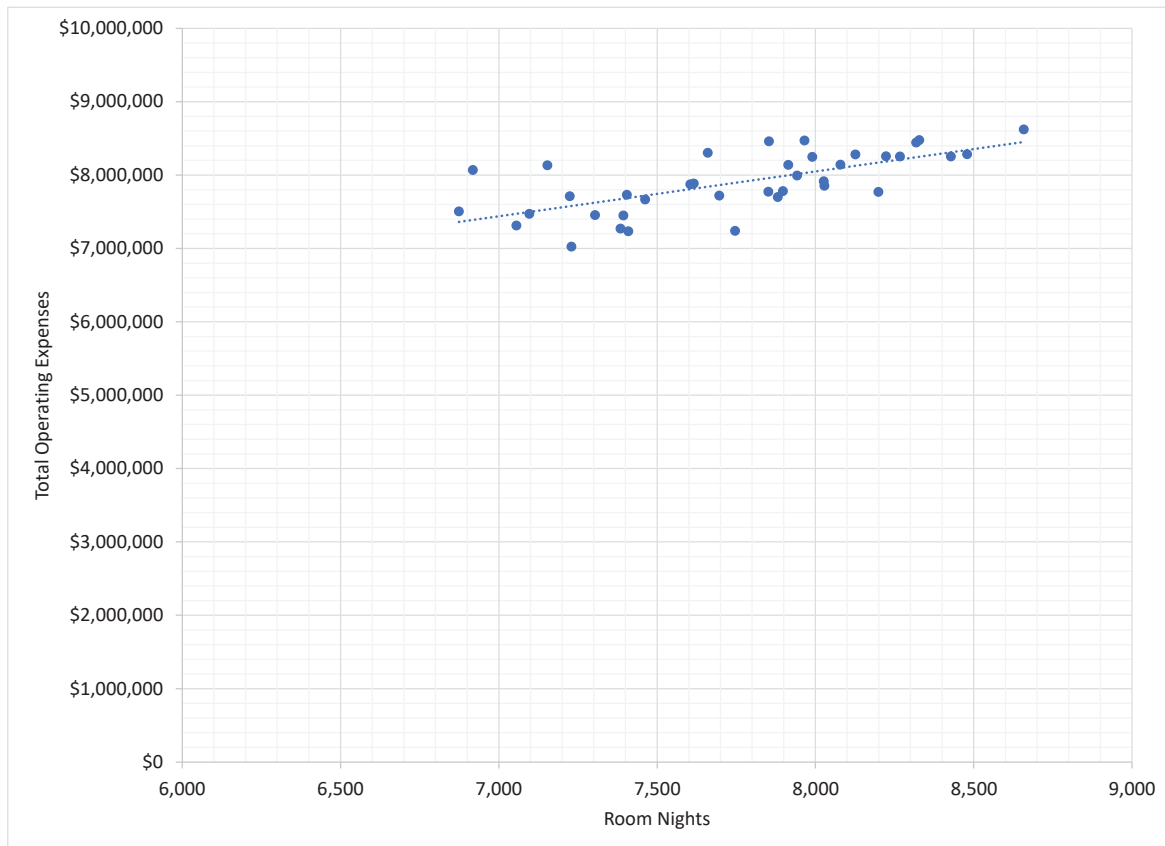
Table 2 summarizes the regression results. The table shows that the Hotel incurs estimated fixed operating expenses on average of about \$1,693,097 a month (excluding land and financing costs), stated in December 2019 inflation-adjusted dollar terms. The table further shows that for each dollar of revenue generated by the Hotel from the sale of food & beverage, spa, and other services (excluding the sale of rooms) the Hotel is expected to incur an average of 40.7 additional cents of operating expenses (i.e., the incremental operating expenses are 40.7% of those incremental revenues), all else being equal. Finally, the table shows that each room night occupied in the Hotel is expected to cost the Hotel an additional \$340.61 in operating expenses. The fact that for each of the three coefficients the t-statistic is greater than 1.96 is the basis for concluding significance at a 95% level of confidence. An R-Squared of .66 indicates a fairly strong goodness of fit of the model to the data – R-Squared ranges from 0 to 1.0 with 1.0 representing perfect correlation.

Table 2

Metric	Other Revenue	Occupancy	Fixed Costs
Coefficients	40.7%	\$ 340.61	\$ 1,693,097
Standard Error	9.1%	\$ 64.69	\$ 493,793
R-Squared	0.66	173,393	N/A
t-stat	4.5	5.3	3.4

Appendix B contains additional back-up and analysis associated with the linear regression analysis on the existing Hotel operation. Figure 1 below illustrates the relationship indicated by the historical financial data for the Hotel between the Hotel's operating expenses and its occupancy. Specifically, the figure shows that as one moves from left to right on the graph from a lower to higher occupancy the operating costs incurred by the Hotel increase. The upward slope of the line that best fits the data points shown (the 38 months of operating expense, room night and non-room revenue data for the Hotel) represents the incremental operating cost attributable to each additional room night sold by the Hotel. This slope, as measured by the regression analysis, is \$340.61 of operating expenses per room night sold.

Figure 1





Taking into consideration the results of the existing Hotel analysis, it is also critical to highlight the metrics discussed above in the context of the proposed redeveloped Miramar Hotel. The proposed redevelopment and market repositioning of the Hotel will result in a substantial increase in the Hotel's operating expenses driven by the substantial increases in room sizes, levels of service and hotel amenities. The increased operating expenses will also result from the continued escalation of hourly worker pay scales and benefits incorporated into (i) the union agreement with Unite HERE Local 11 and (ii) compliance with the City of Santa Monica's housekeeping ordinance, which limits the total amount of guest room square footage that can be serviced daily by one housekeeping staff member.

In order to evaluate the average incremental additional operating expenses that the redeveloped Miramar Hotel will incur for each room night sold, I reran the regression analysis for the existing Hotel. This revised regression analysis calibrated the historical financial data used for that existing Hotel analysis to account for the projected average increase in revenues and operating expenses (excluding inflation) between the actual operating expenses incurred by the Hotel per occupied room night historically and those projected for the future, following the redevelopment of the Hotel. Projecting the incremental operating expenses that the redeveloped Miramar Hotel would incur in fiscal year 2025/2026, when the hotel is anticipated to re-open, increases operating expenses per room night from \$340.61 in the existing Hotel to \$471.49 in 2019 dollars for the redeveloped Hotel – an increase of approximately 38% (see Table 3). The sizable increase is the result of the range of factors noted above once the Hotel is redeveloped and repositioned that will substantially increase the Hotel's operating expenses. This compares to my Santa Monica-specific \$148 low-cost lodging rate, resulting in a loss of \$323.49 per room per night in the redeveloped Hotel (\$471 less \$148 = \$323), again not taking into consideration land acquisition costs, financing cost or the significant development costs associated with the redevelopment.

This creates a completely infeasible economic operating structure when considering the substantial impact on the overall Project's profitability that is discussed in further detail in the Section below.

Table 3

<b>Metric</b>	<b>Other Revenue</b>	<b>Occupancy</b>	<b>Fixed Costs</b>
Coefficients	37.7%	<b>\$ 471.49</b>	\$ 2,343,672
Standard Error	8.4%	\$ 89.54	\$ 683,533
R-Squared	0.66	240,020	N/A
<b>t-stat</b>	<b>4.5</b>	<b>5.3</b>	<b>3.4</b>

Appendix C contains additional back-up and analysis associated with the linear regression analysis on the redeveloped Hotel operation.

(ii) Ground Up Analysis

In addition to the statistical regression analysis noted above, we also worked in conjunction with the existing Hotel's asset management and operations team to evaluate the actual rooms costs, on a per occupied room basis, in the Hotel's operation in 2019. This ground up rooms cost analysis was completed as an additional step to confirm the validity of our statistical regression analysis with the actual rooms operating costs for the existing Hotel in 2019. The results, which are summarized in the Table 4 below, further validates the operating cost per room night of \$341.

Using existing Hotel total rooms operating costs from 2019, each category of costs to service a room were identified along with their total actual operating expenses in 2019. For each of these categories (except Management Fees and FF&E Reserves), the total costs for each category were then allocated based on the total number of occupied rooms in 2019 (90,582) to arrive at an actual cost per occupied room for each of the identified room cost categories. Since Management Fees and FF&E Reserves are both calculated as a percentage of rooms revenue, these cost per occupied room are lower on a per occupied room night based on the lower cost ADR (\$148).

As shown in the table below, the actual 2019 operating data reflects a \$346 per night operating cost per room – very similar to the statistical regression analysis of \$341 per night.

Table 4

**Existing Miramar Hotel Cost to Service a Room  
Based on 2019 P&L**

**Assumptions:**

Occ rms	90,582
Actual ADR	\$448.00
Affordable ADR	\$148.00

		2019	2019 Actual Per Occupied Room Rooms expenses	2019 Estimated Affordable Lodging Costs Per Occupied Room
	Allocation Methodology	Total room expenses		
Management Salaries and Wages	Total Costs / Occ. Rms	\$ 509,071	\$ 5.62	\$ 5.62
Hourly Salaries and Wages	Total Costs / Occ. Rms	\$ 4,085,248	\$ 45.10	\$ 45.10
Supplemental Costs - Sick Pay, Vacation Pay, Etc.	Total Costs / Occ. Rms	\$ 643,132	\$ 7.10	\$ 7.10
Union Benefits	Total Costs / Occ. Rms	\$ 2,670,357	\$ 29.48	\$ 29.48
Other Expenses - Rooms Operating Costs	Total Costs / Occ. Rms	\$ 4,070,755	\$ 44.94	\$ 44.94
Telephone Expenses	Total Costs / Occ. Rms	\$ 328,813	\$ 3.63	\$ 3.63
Mini Bar Expenses	Total Costs / Occ. Rms	\$ 90,582	\$ 1.00	\$ 1.00
Administrative and General Expenses	Total Costs / Occ. Rms	\$ 6,284,609	\$ 69.38	\$ 69.38
Sales and Marketing Expenses	Total Costs / Occ. Rms	\$ 5,409,181	\$ 59.72	\$ 59.72
Engineering and Maintenance Expenses	Total Costs / Occ. Rms	\$ 2,338,413	\$ 25.82	\$ 25.82
Utilities Expenses	Total Costs / Occ. Rms	\$ 1,227,379	\$ 13.55	\$ 13.55
Property Taxes	Total Costs / Occ. Rms	\$ 1,452,335	\$ 16.03	\$ 16.03
Insurance Expenses	Total Costs / Occ. Rms	\$ 1,123,818	\$ 12.41	\$ 12.41
Mgmt. fees 4%	(ADR x Occ Rms) * %	\$ 1,623,229	\$ 17.92	\$ 5.92
FF&E Reserves 4%	(ADR x Occ Rms) * %	\$ 1,623,229	\$ 17.92	\$ 5.92
<b>Total</b>		<b>\$ 33,480,152</b>	<b>\$ 369.61</b>	<b>\$ 345.61</b>

### **3. Overall Project Feasibility:**

A thorough Project feasibility analysis was performed by the City's independent financial consultant, HR&A, based on an extensive amount of supporting documentation confidentially provided to HR&A and MR&A by the Owner (who has owned and operated the Miramar Hotel since 2006, and thus has extensive, first-hand knowledge of the existing Hotel operation). This feasibility analysis was completed for the City's Planning Commission and City Council hearings on the Project, based on the Owner's financial model provided confidentially to HR&A for their analysis. This financial model indicated a profit margin (after the City negotiated a community benefit package with a value estimated by the Owner at over \$128 million) well below a market-level rate of return for a redevelopment project of the complexity and risk of the Project and approaching a negative profit margin threshold. The Owner is not a developer and is willing to accept a low profit margin because of its long-term vision for the property and legacy ownership investment strategy. During the hearing, Paul Silvern with HR&A Advisors was asked about even a minimal reduction to the proposed number of residential condos. When Mr. Silvern was asked by Planning Commissioner Richard McKinnon during the September 2, 2020 Planning Commission hearing as to what effect removing condominiums would have on the financial feasibility of the Project, Mr. Silvern responded that "...removing as few as ten of the condominiums would take all profit out of the project."<sup>2</sup>

Similar to this analysis on the residential component of the proposed redevelopment, I evaluated the scenario that 51 of the proposed 312 hotel rooms would be limited to a \$151 (current dollars) average daily rate – as compared to the projected redeveloped Hotel's \$713 (current dollars) average daily rate. The conclusion, is that not only would all of the profit be taken out of the Project, but it would also result in a loss of well over \$100 million to the Owner, clearly making this option financially infeasible and unfinanceable.

### **4. Operational Considerations**

In a project like the Miramar, where average room rates for a typical room will be in the \$700 plus per night range, the presence of an on-site offering of 51 rooms at only \$151 would be an operational and marketing disaster. The resulting scenario would be an unprecedented market condition where the sophisticated on-line reservation systems would take full competitive advantage of this unique market discount opportunity. These low-cost room nights would be offered at the significant discount but would not actually provide low-cost lodging to those that the Coastal Commission is trying to serve and create access to the coast for. Instead, these rooms would go to those that have the resources and on-line capability to monopolize the purchase of the rooms for their clients/customers because of the deep discount on room rates at a full-service, fully amenitized resort hotel. Without the ability to ask or verify income levels, the availability of low-

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<sup>2</sup> Planning Commission Hearing. September 2, 2020. 2:13:31.



cost rooms would be exploited by the most sophisticated on-line users, and would not benefit the intended guests.

Additionally, in these type of full-service resort hotels like the Miramar, there are substantial other daily expenditure channels (other than room rate) that would discourage low-cost visitors from booking this type of product. These costs include overnight parking, which at the existing hotel is \$36 per night and at nearby City of Santa Monica parking structures is \$25 per night, and resort fees (a mechanism to recover the expense of providing ancillary resort services like beach programs, complementary bicycles, fitness room, etc.), together already half of the proposed Santa Monica specific low-cost rate. Additional on-site amenities for a full-service, fully amenitized resort hotel and food and beverage outlets are also not in line from a pricing/quality level with economy hotels or hostels, and thus there seems to a very strong misalignment on the application of on-site affordable lodging guests at a full-service resort like the Miramar.

### **Conclusion:**

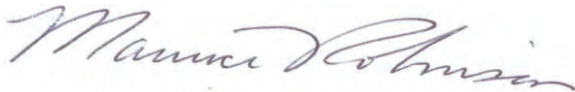
The detailed analysis noted above and attached illustrates the complete financial infeasibility of incorporating on-site affordable lodging into the proposed Miramar redevelopment project. In my professional opinion, the concept of including 25% on-site affordable lodging, mixed in with a full-service, fully amenitized, market-rate, union serviced resort hotel, is not financially viable, and not something that can be commercially financed and executed in new hotel development in Santa Monica. Particularly a project like the Miramar where an extensive community benefit package has also been negotiated and included in the Project's overall economics. This opinion is based on my extensive knowledge of the hospitality finance market and hotel development in California and my work effort with HR&A on the Project's feasibility analysis during the City approval hearings.

As I have in the past, I look forward to engaging with the Coastal staff on our analysis, and specifically our expertise in hospitality finance, broadly, to discuss this issue robustly. In closing, I also wanted to note the applicability of on-site affordable lodging in this Project does not appear to me to align with the goal and the mission of the Coastal Commission regarding affordable lodging in the Coastal Zone.

I would suggest and have indicated as such in various other communications to the Coastal Commission, that a far better solution to meet the Commission's objectives of affordable lodging is with off-site locations dedicated to providing affordable lodging. These off-site opportunities are extremely difficult to execute because of the excessive land cost in the Coastal Zone in Southern California. Thus, the development of off-site low-cost lodging could be more financially viable by way of partnerships with public agencies, non-profits, or quasi-public agencies as a means to potentially secure property at more feasible cost or pursuing adaptive re-use and long-term lease structures on existing commercial/retail spaces. My understanding is that the Owner is evaluating several off-site options, and if any prove feasible, we look forward to discussing in

further detail with you and your staff. Or, in the alternative, engaging in a dialogue on the appropriate contribution towards affordable lodging that the Owner would pay to provide funds that could be used to subsidize economy hotel developers, hostel developers or camp-site developers to build and operate low-cost overnight accommodations. This contribution amount could vary widely depending on the type of low-cost accommodations associated with the contribution and what impact the redeveloped Miramar actually has on low-cost lodging. This approach will avoid creating the unprecedented market conditions and misalignment noted above. In previous communications to Coastal Staff in 2015, I had suggested how mitigation fees could help to adequately subsidize the development of low-cost hotels, including detailed information on the role that debt financing plays into development project costs and the appropriate fees taking debt financing into account, and I would be happy to re-engage in this analysis with the Coastal Staff, when and if appropriate.

I hope that this memo and evaluation has been helpful. If you have any additional questions, please do not hesitate to contact me at [Maurice@mauricerobinson.com](mailto:Maurice@mauricerobinson.com) or 310-640-9656.

A handwritten signature in dark ink, appearing to read "Maurice Robinson". The signature is fluid and cursive, with the first name "Maurice" being more prominent than the last name "Robinson".

R. Maurice Robinson, ISHC, CRE, ASA

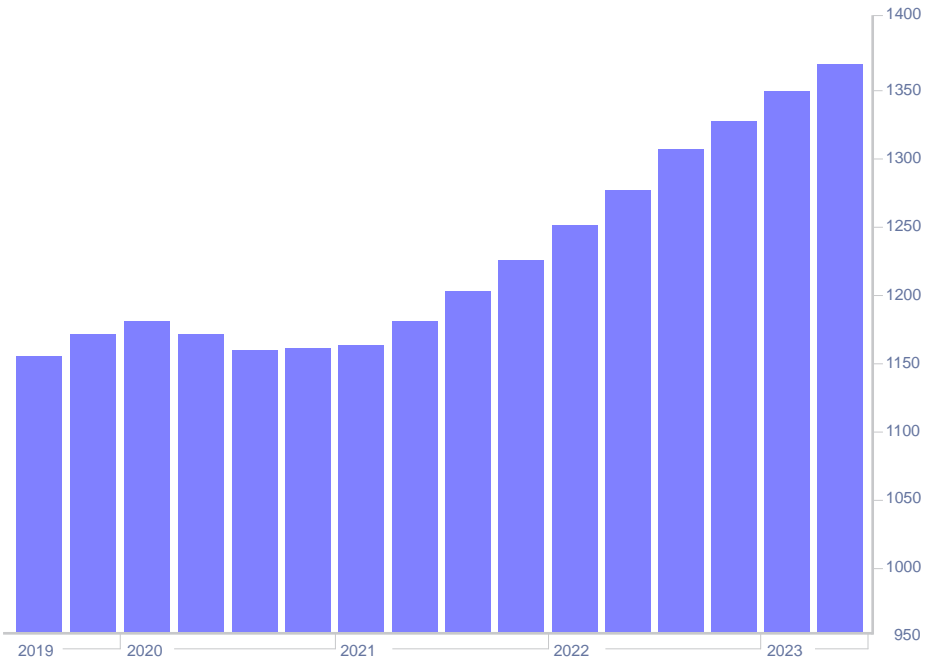
# Exhibit 6 – 2023 Turner Building Cost Index

## Turner Building Cost Index

2023 Second Quarter Forecast

“Certain geographic regions are experiencing robust markets as large industrial, data center, and energy-related projects move forward. These regions are experiencing above average increases in wage rates. Promoting job opportunities in growing markets and offering attractive work environments for the work force alleviates some of the pressure in a tight labor market.”

Attilio Rivetti  
Vice President



Ronald Reagan Washington National Airport  
Washington, D.C.

Quarter	Index	△%
2nd Quarter 2023	1365	1.19
1st Quarter 2023	1349	1.28
4th Quarter 2022	1332	1.60
3rd Quarter 2022	1311	2.18

Year	Average Index	△%
2022	1295	8.0
2021	1199	1.9
2020	1177	1.8
2019	1156	5.5
2018	1096	5.6
2017	1038	5.0
2016	989	4.8
2015	943	4.5
2014	902	4.4
2013	864	4.1
2012	830	2.1
2011	812	1.6
2010	799	-4.0

The Turner Building Cost Index is determined by the following factors considered on a nationwide basis: labor rates and productivity, material prices and the competitive condition of the marketplace.