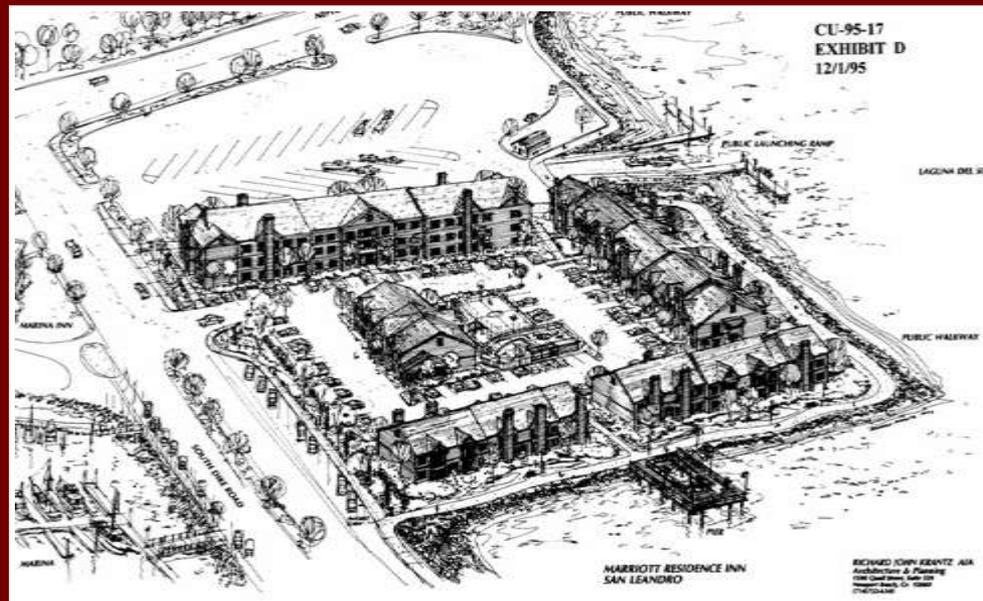


Economic Development Overview 1995-present

Shoreline Development
Citizens Advisory Committee
January 21, 2009

Residence Inn by Marriott 1995-1997

- Project: 120 room hotel, no restaurant or meeting facilities
- Location: Boatworks site



Residence Inn (continued)

- Status: Agreement negotiated, entitlements approved, ground lease approved by Council
- Hurdle: Developer unable to obtain financing
- Lesson Learned: The hotel market is volatile

SF Bay Conference Center 1996-98

- Project: High quality state-of-the-art 20,850 SF conference center, 200 room hotel, restaurant, lounge, fitness center and pool
- Location: Blue Dolphin site



SF Bay Conference Center (continued)

- Status: Agreement negotiated, entitlements approved, ground lease and a \$15m loan to developer approved by Council
- Hurdle: Developer unable to obtain financing at peak of conference center/ hotel market



SF Bay Conference Center (continued)

■ Lessons Learned:

- A full-service hotel must be in an urban downtown, major employment center or travel destination
- San Leandro is a secondary market
- Competition influences development
- A conference center could work given proximity to airport and Bay Area location
- The conference center was too large and high-end (positioned to compete with the Claremont and Lafayette Park) and did not meet the design standards of brand hotels
- Hotels are a high risk investment

San Leandro Marina: Evaluation of Market Opportunities

2000 Study

- Report developed by Sedway Group- Real Estate and Urban Economics in 2000
- Conclusions included:
 - The existing businesses are successful despite minimal advertising
 - Additional uses will add to the critical mass and make the Marina a more attractive destination

Evaluation of Market Opportunities

(continued)

2000 Study

- One or two additional restaurants would likely receive market support (ethnic and brewery/restaurant)
- The greatest potential for additional hotel rooms lies in a mid-range, full-service product that offers meetings space and golf packages
- The most appropriate site for a hotel would be the Blue Dolphin site



Evaluation of Market Opportunities

(continued)

2000 Study

- Marina Boulevard will require aesthetic and functional upgrades and improvements to make the Marina an attractive destination
- The loss of the visual activity associated with the Marina harbor could negatively affect the performance of the existing and future businesses

Hotel RFQ for Boatworks Site 2000

- 8 proposals were received
- All potential developers were interviewed by staff
- Most proposals did not meet criteria, due to
 - Low quality of hotel
 - Inclusion of residential development
 - Interest in the master development approach
 - Interest in purchasing property

RFQ Lead to Discussions with Three Hotel Developers

- Community Development Resources, Inc. proposed a Crown Plaza, full-serve conference facility with health club
- Hospitality on the Green proposed a 130 room hotel with a covered colonnade connection to the golf course. Golf course development included a restaurant and club house, 16 casitas and 8 duplexes
- The Beacon Group proposed an independent hotel without a restaurant or meeting facility (similar to the Marina Inn)

Developer Discussions (continued)

- Hurdles: Unable to obtain financing due to devastation of the hotel industry after 9-11 and collapse of conference center market after dot.com bust
- Lessons Learned:
 - A hotel may need public financing assistance
 - The hotel and conference center market is volatile
 - Developers are interested in developing the entire Shoreline Study area, as opposed to developing site by site

Market & Economic Feasibility of Lodging and Related Developments

- Report developed by PKF Consulting in 2002
- Conclusions included:
 - A 200-room, full-service, conference-style, destination hotel is market-justified
 - Main restaurant seating for 200
 - Separate water-oriented restaurant for 75
 - 17,500 sq. ft. of meeting space
 - Fitness center and indoor swimming pool
 - City financial contribution in 2002 dollars was a subsidized ground lease of \$3m for the site and \$13m for development
 - Annual TOT revenue in 2002 dollars of \$1m
 - Only one hotel is viable and the Blue Dolphin site is preferred

Market & Economic Feasibility of Lodging and Related Developments (continued)

- 225-seat, full service restaurant with private banquet rooms is also market justified
- The restaurant could be built on either the Boatworks site or the site to the North of El Torito
- No financial contribution to a restaurant facility would be required
- Annual lease income in 2002 dollars of \$165k



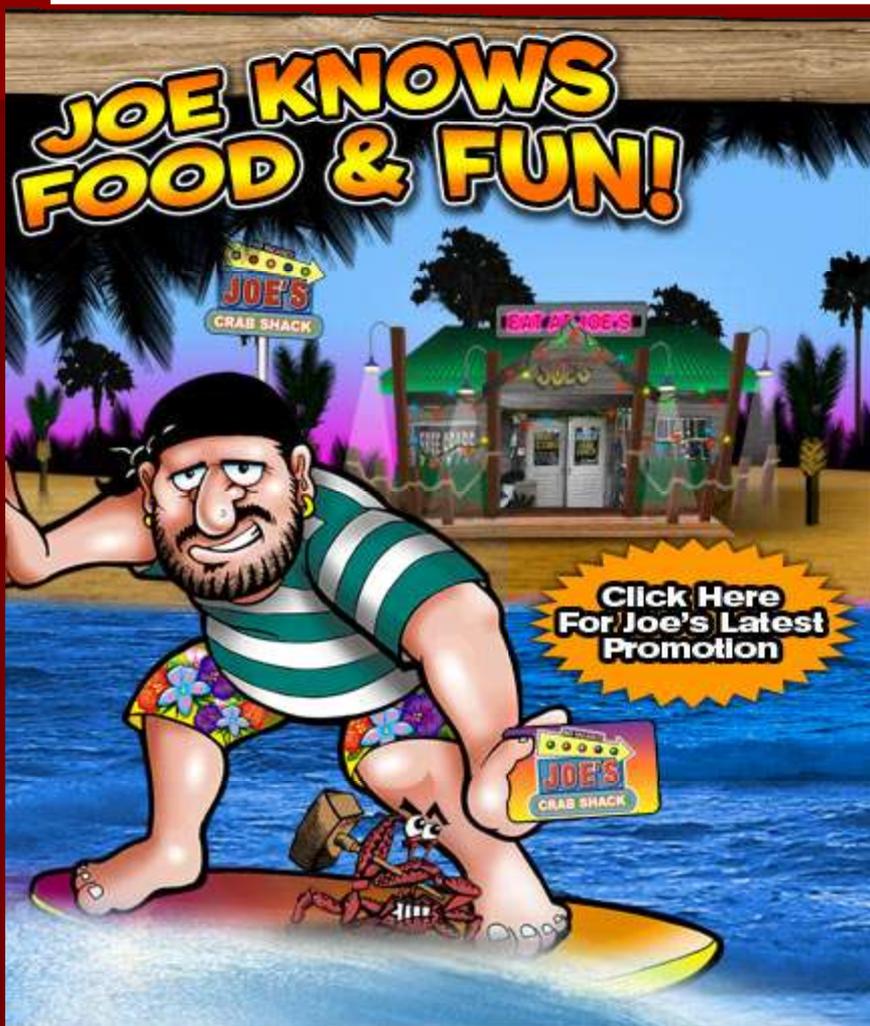
2002
Study

Connections Plan 2003

- The Connections Plan was developed in 2003, during a time when the hotel and restaurant industries were suffering, to lay the groundwork for future development



Landry's Restaurants 2003



- Project: Joe's Crab Shack, a restaurant/bar
- Location: Blue Dolphin site
- Status: City not interested in a "peanuts on the ground" eating and drinking establishment
- Hurdle: Landry's was not interested in placing a more formal restaurant, such as their Chart House brand

Restaurant Broker 2004

- Project: City contracted with preeminent Bay Area restaurant broker, Paul Stanners, who negotiated with two quality restaurateurs- E&O Trading Company and Faz
- Location: Blue Dolphin site
- Status: E&O considered for restaurant and 100 person banquet facility due to better financing, more staying power, history of quality development and image as an up and coming restaurateur



Restaurant Broker 2004 (continued)

- Hurdle: E&O required investment of \$2.5m (\$1m in infrastructure improvements and \$1.5m to build restaurant shell). The City was unable to justify the General Fund expenditure given constrained City revenue and increasing expenditures (City was cutting programs & services in 2004-05)
- Lessons Learned:
 - Some mid-level chain concepts may require little or no City investment (rent based on performance only)
 - Premium dining establishment can be attracted on a build-to-suit basis (City builds shell & infrastructure) and will pay guaranteed market rent
 - Marina Ad Hoc Committee wanted restaurant with better name recognition