



DEPARTMENT OF COMMUNITY DEVELOPMENT

PLANNING DIVISION

DATE: March 3, 2016
TO: Planning Commission
FROM: Sheri Bermejo, Planning Division Manager
SUBJECT: Hotel Development Opportunity at Southwest Corner of South Myrtle Avenue and West Huntington Drive

At their meeting of March 1, 2016, the City's Successor Agency authorized the issuance of a Request for Qualifications (RFQ) for a hotel development opportunity at the southwest corner of South Myrtle Avenue and West Huntington Drive (102-132 Huntington Drive and 1109 South Myrtle Avenue). The staff report relating to the RFQ process is attached to this memorandum. As the Commission may be aware, this subject land was once owned by the former Monrovia Redevelopment Agency (MRA). The Successor Agency has owned this land since the dissolution of the MRA, and the City will need to eventually sell the property in accordance with State law.

Over the last several years the City has conducted several market studies to determine the highest and best use for the subject site. As indicated in the attached staff report, these market studies determined that a hotel use may be the most appropriate and economically viable use for the site. The RFQ process will allow the City to thoroughly assess the hotel market potential, as well as provide the opportunity to review quality development proposals.

The subject site is located within the South Myrtle Avenue (Cross Roads District) General Plan Development Overlay. It is also designated Business Enterprise (BE) on the Zoning Map. A hotel use is not currently a permitted use within the BE zone. However, the City's General Plan Policy 7.5 encourages future commercial land uses along West Huntington Drive that are compatible with the newer, sub-regional commercial uses that have been recently developed in the area. A hotel use is a qualified sub-regional use and is consistent with the vision of the City's General Plan. If the Successor Agency Board ultimately approves an Exclusive Negotiating Agreement (ENA) with the recommended developer, the Planning Division will bring the required General Plan and Zoning land use amendments and appropriate entitlements to the Commission for their review and consideration. Staff will provide a brief overview of this matter during the Planning Commission meeting.



SUCCESSOR AGENCY AGENDA REPORT



DEPARTMENT: Administration

MEETING DATE: March 1, 2016

PREPARED BY: Lauren Vasquez, Deputy City Manager

AGENDA LOCATION: SA AR-1

TITLE: Authorization to Issue a Request for Qualifications for a Hotel Development Opportunity at the Southwest Corner of South Myrtle Avenue and West Huntington Drive

OBJECTIVE: To obtain Agency Board authorization to release a Request for Qualifications (RFQ) soliciting responses from qualified development firms to construct a hotel project at the southwest corner of South Myrtle Avenue and West Huntington Drive.

BACKGROUND: Between 2002 and 2005, the City's former Redevelopment Agency (RDA) acquired six adjacent connected parcels (Project Site) located at the southwest corner of South Myrtle Avenue and West Huntington Drive (102 – 132 West Huntington Drive and 1109 South Myrtle Avenue). Given the dissolution of the RDA, the identified properties in question are now owned by the Successor Agency and the City is required to dispose of the parcels through a coordinated sale process.

Over the years, the City has considered a number of different potential development opportunities at the Project Site. For a variety of timing, economic, and financial reasons, none of those prior options resulted in a successfully executed project. However, during the past year, the City has conducted additional research and analysis to assess the most viable development options for the location in question. Based on that assessment, there appear to be strong brand possibilities for a hotel use to be constructed and operated at the Project Site.

ANALYSIS: Prior to developing the recommendation to pursue a hotel use on the Project Site, staff conducted extensive market research to determine the viability of different development options. That assessment considered different potential uses, including office, retail, and commercial development possibilities. The analysis determined that current market based rents are not sufficient to allow for the development of a new office complex at the Project Site. Furthermore, the appraised valuation of the Project Site has priced out any retail / commercial based uses.

However, when assessing the regional hotel market, it does appear that a hotel use on the Project Site would be an economically viable development option. Within a five mile radius of the proposed project site, there are seven hotels operating a total of 1,099 hotel rooms across the Select Service, Full Service, and Extended Stay categories. In 2015, the overall occupancy rate for those seven hotels was 83.1%, while the average daily rate per room rose to \$134 / night. These fundamentals point to the viability of hotel expansions in the area, which is further evidenced by the two hotel development projects underway in Arcadia that will add a total of 210 new hotel rooms to our region.

Based on market research that has been conducted, even with the new hotel projects currently being developed in Arcadia, staff believes that the opportunity exists for the City to attract a developer that will acquire the Project Site and develop a hotel use at the location. Furthermore, given the current hotel brands operating in the area, the Project Site offers strong possibilities for attracting a hotel franchise not currently operating in the area.

SA AR-1

In order to assess the viability of developing a hotel use project, staff recommends that the Agency Board authorize the distribution of a RFQ soliciting responses from qualified development firms to construct a hotel at the Project Site. Attached to this report for review and consideration (Attachment A) is a copy of the RFQ that has been developed which includes a detailed description of the property, property tax information, a project viability assessment, and local hotel market performance data.

Staff recommends utilization of a RFQ process for this particular project. The assessment framework will require responding firms to provide responses that articulate the qualifications of their company, background information on each development team, a demonstration of financial capacity to execute the project, and an assessment from each respondent articulating a vision / development approach for the project site.

After the close of the RFQ process, staff will thoroughly assess the responses provided by each firm and coordinate interviews with the most qualified development teams. Based on that review, staff would then propose that the Agency Board approve an Exclusive Negotiating Agreement (ENA) with a recommended developer, and during the term of the ENA, the City would work with the selected team to coordinate specific details related to the proposed hotel development at the Project Site. That overall plan would then be presented for Agency Board consideration and final approval. It is also important to note that staff will be interfacing with the Planning Commission in March 2016 to discuss land use related issues associated with the Project Site.

Based on this proposed development process framework, the tentative timeline for the overall project includes the following:

- RFQ Submittal Deadline
 - March 24, 2016
- Interviews w/ Selected Firms
 - March 28, 2016 through April 8, 2016
- Notification of Assessment Results
 - Week of April 11, 2016
- Successor Agency Consideration of ENA
 - April 19, 2016
- Tentative Project Development Period for Proposed Hotel Use w/ Selected Firm
 - From approval of ENA through mid-summer 2016
- Tentative Successor Agency Review and Consideration of Proposed Hotel Project Deal
 - Late Summer 2016

ENVIRONMENTAL IMPACT: None.

FISCAL IMPACT: None.

OPTIONS: The following options are presented for consideration:

1. Authorize the issuance of the attached Request for Qualifications (RFQ) for a Hotel Development Opportunity at the southwest corner of South Myrtle Avenue and West Huntington Drive.
2. Do not authorize the issuance of the attached Request for Qualifications (RFQ) for a hotel development opportunity at the southwest corner of South Myrtle Avenue and West Huntington Drive and provide staff with additional direction.

RECOMMENDATION: Staff recommends that the Agency Board select Option 1, thereby approving the proposed RFQ for a hotel development opportunity at the southwest corner of South Myrtle Avenue and West Huntington Drive.

AGENCY BOARD ACTION REQUIRED: If the Agency Board concurs, the appropriate action would be a motion to approve the issuance of the Request for Qualifications for a hotel development opportunity at the southwest corner of South Myrtle Avenue and West Huntington Drive and authorize the Executive Director to coordinate the developer assessment process as outlined in this staff report.