



Transient Occupancy Tax Sharing Agreement

Breakers Hotel & Spa

210 East Ocean Boulevard

October 1, 2019

Subject Property

- Privately-owned property located at 210 East Ocean Boulevard.
- Northwest of the Long Beach Convention Center.
- The 14-story building is situated on a 1.15-acre parcel.



Background



- Opened in 1926 as a luxury oceanfront resort.
- Operated as a senior housing facility from 1990 until 2015.
- Property has experienced extensive deferred maintenance and dilapidation.
- Purchased by Breakers Development, LLC (Pacific 6) for \$40.4 million in 2017.

The Project

Development includes:

- Conversion of existing historic building into a luxury hotel and spa.
- 185 rooms averaging 400 s.f.
- Full-service hotel with spa, dining and entertainment.
 - Over 10,000 s.f. of meeting space/ballroom.
 - Over 12,000 s.f. dedicated to food and beverage.
 - New full-service restaurant/bar.
 - Remodel of historic “SKY Room”.
 - New Signature rooftop bar and terrace.
 - Ground floor coffee shop and Jazz Club.
 - New beauty salon and spa.
 - New pool deck on the third floor.
 - Fitness center.
- Developer responsible for Victory Park improvements.
- Project is projected to create 500 temporary construction jobs and 240 permanent jobs.



Project Renderings



Projects Renderings



Project Renderings



Project Renderings



Project Renderings



Renderings of the proposed hotel



Project Renderings



Request for City Assistance

- Projected development cost of approximately \$135M, or \$729,000, per room.
- High costs of development due to adaptive re-use of historic building.
- City's consultant, Keyser Marston Associates, completed independent analysis of the construction costs and projected operating income.
- Projected economic feasibility gap of \$37.7M.

- Projected TOT to the City:
 - 20 Years - \$42.6M.
 - 30 Years - \$73.5M.

- TOT Sharing Agreement:
 - Developer will receive 80% of TOT received by the City, or approximately \$13M, over nine (9) year period (34% of the feasibility gap).
 - City will retain 20% of TOT during the 9 year assistance period.
 - Developer requirements:
 - Minimum Investment of \$70.7M for direct construction costs.
 - Minimum **AAA-rated, Four Diamond Hotel or greater, for a period of 20 years.**
 - Annually certifying a AAA-four Diamond rating.
 - Operating hotel flag equal to or greater than Preferred Hotels "flag".

Recommendations

Staff recommends that the City Council:

- Receive the supporting documentation into the record, conclude the public hearing regarding the economic subsidy in connection with a Transient Occupancy Tax Sharing Agreement, with Breakers Development, LLC, a California limited liability company, for the property at 210 East Ocean Boulevard, Assessor Parcel Number 7278-007-034, pursuant to California Government Code Section 53083; and
- Authorize the City Manager, or designee, to execute any and all documents necessary, including a Transient Occupancy Tax Sharing Agreement, with Breakers Development, LLC, a California limited liability company, or assignee, for the development of an upscale independent boutique hotel.

