



CITY OF LONG BEACH

R-17

DEPARTMENT OF DEVELOPMENT SERVICES

333 West Ocean Blvd., 3rd Floor, Long Beach, CA 90802 (562) 570-5237

March 4, 2014

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach
California

RECOMMENDATION:

Receive and file a presentation by members of the University of Southern California Lusk Center for the winning entry in the 2013 National Association for Industrial and Office Parks (NAIOP) Southern California Real Estate Challenge for the Seaport Marina Hotel site at 2nd Street and Pacific Coast Highway. (District 3)

DISCUSSION

On January 14, 2014, the City Council requested a presentation by the winning team of the 2013 National Association for Industrial and Office Park Southern California Real Estate Challenge.

The National Association for Industrial and Office Parks (NAIOP) is a leading professional association in the field of commercial real estate development. Each year, the Southern California chapter of NAIOP sponsors a real estate competition where top graduate teams from the Ziman Center for Real Estate at UCLA's Anderson School of Business and the Lusk Center at USC's Marshall School of Business and Price School of Public Policy compete against each other to design a financially feasible project for a high profile real estate site. The winning team earns bragging rights and the right to house the competition's trophy, the Silver Shovel, for the coming year.

The 2013 challenge focused on the 11-acre Seaport Marina site at the intersection of 2nd Street and Pacific Coast Highway. In the NAIOP competition, the students were asked to present the highest and best use for the site, taking into consideration local land use regulations, financial feasibility, and market feasibility. The winning proposal by USC, named Belmont Yards, suggested a mixed-use project for the site, including a hotel, residential apartments and retail and restaurant uses.

The USC team consisted of Stephen Anderson, Daniel Bertao, Nickolas D'Argenzio, Matthew Keipper and Christian Santos.

This matter was reviewed by Deputy City Attorney Gary Anderson and by Budget Management Officer Victoria Bell on February 21, 2014.

TIMING CONSIDERATIONS

City Council action on this matter is not time critical.

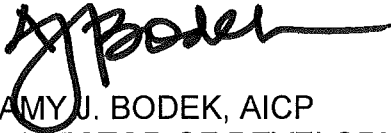
FISCAL IMPACT

There is no fiscal impact or local job impact as a result of the recommended action.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



AMY J. BODEK, AICP
DIRECTOR OF DEVELOPMENT SERVICES

AJB

P:\ExOfc\CC\2014\3.04.14 NAIOP challenge Belmont Yards.doc

Attachments: Exhibit A – January 14, 2014 City Council letter
Exhibit B – Belmont Yards Proposal

APPROVED:



PATRICK H. WEST
CITY MANAGER

R-4

Councilwoman Gerrie Schipske, RNP, JD, Fifth District

To: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

From: Councilwoman Gerrie Schipske, Fifth District *gs*

Date: January 14, 2014

Subject:	AGENDA ITEM: Presentation on Results of 2013 NAIOP Southern California Real Estate Challenge – Belmont Yards Proposal for 2 nd and Pacific Coast Highway
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Background: According to NAIOP, 2013 marked the sixteenth year of the UCLA vs. USC Real Estate Challenge sponsored by the NAIOP, the Commercial Real Estate Development Association. Top graduate student teams from the Ziman Center for Real Estate at UCLA’s Anderson School of Business and the Lusk Center at USC’s Marshall School of Business and Price School of Public Policy met to match creativity and real estate knowledge on a unique real estate site.

The 2013 subject site is the 11-acre location at the corner of Pacific Coast Highway and Second Street that has the potential to be one of the greatest development opportunities in the City of Long Beach. It is located at one of the busiest and more visible intersections in Long Beach. The site is the current location of the SeaPort Marina Hotel. The student teams developed the best land use, density, and building mass for the site as well as determine how the site can serve as a vital entry statement for the City of Long Beach.

One group of students produced “Belmont Yards” an “11 acre, multi-use development poised to become the next iconic waterfront neighborhood, exemplifying the health, sustainable, coastal lifestyle sought out by visitors, citizens and government alike and creating a vibrant pedestrian district linked to the water.” The plan recognizes the constraints and the sensitivities of SEADIP and addresses this on a dual track approval process.

The plan includes:

- A new link between the Marina and the corner of PCH and 2nd Street.
- A new link between adjacent retail centers.
- Ample active outdoor space.
- Street improvements and traffic mitigation.
- A culinary driven marina.
- A rate multifamily development.
- A waterside boutique hotel experience.
- An attempt to fill the retail voice.
- A Long Beach Gateway at the entrance.

Obviously, the owner of the property, the City and the Coastal Commission would have to approve this plan. But for one council meeting, let’s imagine what this exciting, innovative, and creative plan offers Long Beach.

Recommendation: By motion of the City Council, request the City Manager to arrange a presentation by the winning team of the 2013 NAIOP Southern California Real Estate Challenge.

Fiscal Impact: None.

Belmont Yards



2013 NAIOP Southern California Real Estate Challenge
Stephen Anderson | Daniel Bertao | Nicholas D'Argenzio | Matthew Keipper | Christian Santos



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THANK YOU ACKNOWLEDGEMENTS

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PROJECT AREA

The Project encompasses 11 acres bounded by 2nd Street on the north, Marina Dr. on the west, E. Pacific Coast Hwy on the East and a retail development (including Whole Foods) to the south. It is the current location of the Seaport Marina Hotel and the Shore Ultra Lounge. The boundaries are identified on the attached aerial.

OVERVIEW

The 11 acre site at the corner of Pacific Coast Highway and Second Street has the potential to be one of the greatest development opportunities in the City of Long Beach, while having the status as one of the most controversial corners in the city. This "trophy site" is positioned to be the iconic gateway into the City of Long Beach. The intersection is experienced by 45,000 northbound and southbound vehicles per day on Pacific Coast Highway and approximately 34,000 eastbound and westbound vehicles per day on Second Street. The development has the potential to serve both local and regional residents. Its unique position in the urban fabric provides opportunities for views and linkages to the Marina and Wetlands and the surrounding vibrant neighborhoods.

PROJECT GOALS

- Develop the best land use, density, and building mass for the site.
- Create a great retail environment with memorable public spaces.
- Capture the casual lifestyle character of Long Beach.
- Promote a pedestrian friendly district through enhanced linkages.
- Create welcoming points of arrival and convenient parking opportunities.
- Provide mobility options for walking pedestrians, bikes, bus, and boat transit.
- Embrace the water and wetlands visually and physically. Establish view corridors.
- Create a great entry statement for the City of Long Beach.
- Promote Sustainable practices.

COASTAL COMMISSION AND SEADIP

Generally, land use regulation for a development site, including permitted uses, density, size, height, setbacks, etc. is governed by the city's municipal code. Necessary discretionary land use approvals from the city might include conditional use permits, subdivision maps, code variances, and, if the project is over a threshold size, site plan review. Given its location close to the coast, the 2nd and PCH Site is subject to another level of regulation under the California Coastal Act, California Public Resources Code, Section 30000 et seq. (the "Coastal Act"). The Coastal Act sets up policies and procedures intended to protect "coastal resources". Coastal Act goals most relevant to the 2nd and PCH Site include the following:

- Maximizing shoreline public access and recreation;
- Maintaining visual resources (Views);
- Implementing good development design; and
- Increasing lower cost visitor accommodations.

2013 CHALLENGE STATEMENT



405 Freeway

Ocean/2nd St./
WestmInster

Pacific Coast Hwy

In order to achieve these goals, development in a Coastal Zone requires a Coastal Development Permit. If the city on the coast has adopted a “local coastal plan” or “LCP” that has been certified by the Coastal Commission, the coastal development permit could be issued by the city if it is consistent with that LCP. Any modification to the LCP would require approval of the Coastal Commission. The City of Long Beach adopted an LCP and the Coastal Commission certified it in 1980.

The Site is within the largest subarea of the LCP, known as South East Area Development Improvement Plan, or “SEADIP”. SEADIP sets forth numerous land use regulations, including the following:

- 30 foot height limit for residential; 35 foot height limit for non-residential uses

- 30% of the Site maintained as open space, including a 10 foot landscaped strip on all sides of the site
- Project shall include open space, bike and pedestrian trails
- Project shall be open and inviting to the public and public shall not be excluded from driveways, open space, bike and pedestrian trails
- Development shall be in harmony with character and quality of surrounding improvements

requirements are also City’ land use regulations. There is currently an initiative to amend and update SEADIP, a process which may take several years. In particular, the height limitations are perceived as too restrictive to permit meaningful development on expensive coastal land. Whether SEADIP’s height restrictions are amended through the City’s process or as a result of entitlements for a specific project, we can expect that many of the other requirements would remain in order to further the Coastal Act goals enumerated above.

The LCP, including SEADIP, has been incorporated as a General Plan Element in the City’s General Plan, and, accordingly, the above

THE QUESTION

You have been hired by the property owner to propose a redevelopment proposal that not only achieves the overall goals outlined above but also maximizes his/her long-term economic benefits. The owner wants you to provide a proposal that demonstrates the highest and best use of the property based on a sound real estate feasibility analysis. The owner is interested in a proposal that not only supports his/her goals but also the goals of the nearby residents, the community and the long term planning goals of the City of Long Beach and the Coastal Commission.

Please include/describe the following factors in your plan:

- Consider how the scope of your proposed project will impact the need for environmental review (EIR, Mitigated Negative Declaration or other.) Consider the trade-off between project scope and the chance of EIR challenges.
- Describe how your project will fit with the character of the community, contribute public space and provide for accessibility, highlight the nearby natural physical assets (wetlands), enhance the sustainable nature of the area, improve the quality of life of its residents, and maximize the value of the subject and surrounding properties.
- Suggestions of how city/county provided improvements to streetscapes, traffic lanes and overall infrastructure can enhance your proposal and the overall area.
- Suggestions on how the city could provide incentives to improve the feasibility of the project.
- Suggestions regarding variances to the existing zoning, SEADIP plans, and regulatory framework which might involve larger scaled buildings, reductions in parking or other suggestions, understanding that there must be a public process for their approval. Justify why City Council or the Coastal Commission will support your variances.
- An argument about why the end user(s) would be interested in your project at this location when compared to similar projects at alternative locations.
- An economic pro forma analysis with supportable and auditable underwriting assumptions including: a development schedule, contributed land value, all development costs, income and operating expenses, debt and equity structure, and exit cap rate.
- A general description of the design of the project including density, site plan, conceptual elevations, parking requirements, mix of uses, open space, setbacks, etc.

Long Beach has an upcoming Mayoral election next year, April 2014. 8 candidates are running for the position. One of the candidates, current councilmember Robert Garcia said, "why does Long Beach have to always settle? Think BIG ideas for Long Beach."

So apply his BIG idea thinking. What is your VISION for this amazing site?

ASSUMPTIONS

In preparing your proposal, you may make the following assumptions:

- The properties are in "as-is" condition; the existing structures can remain or be replaced. Removal of any existing structures improvements should be accounted for in your analysis.
- All offsite utilities are assumed to be in place and are connected to the curb along the main roadway.
- The property is environmentally clean and requires no remediation.
- The hotel is owned and controlled by the same entity that owns the land. The hotel is operational and does generate cash flow. However, there are no long term obligations related to the hotel and operations could be wound down within one year.

PROJECT SITE



EXECUTIVE SUMMARY



Existing



View from 2nd Street and Pacific Coast Highway towards the Marina - Connecting to the Water - Proposed

DEVELOPMENT SUMMARY

Site

Site Area 469,160 sf (11 acres)
Floor Area Ratio 1.42

Program

Retail 164,000 sf
Hospitality (80 Keys) 37,647 sf
Residential (300 Units) 300,000 sf
Total 501,647 sf
Central Plaza Open Space 34,150 sf
Retail Street Open Space 41,000 sf

Parking

Surface 201 spaces
Subterranean 708 spaces
Parking Share (281) spaces
Structured 450 spaces
Total 1,359 spaces

KEY FIGURES

Project Cost \$197,832,354
Stabilized NOI \$14,107,900
Return on Capital 7.13%
Unlevered Return 10.7%
Levered Return 21.6%
Levered Return on Equity 2.59x

VISION STATEMENT

Located at the crossroads of Los Angeles and Orange Counties, Belmont Yards is an 11 acre, multi-use development poised to become the next iconic waterfront neighborhood, exemplifying the healthy, sustainable, coastal lifestyle sought out by visitors, citizens and governments alike and creating a vibrant pedestrian district linked to the water.

THE PLACE

Over the past decades, Long Beach has undergone a transformation as residents have demanded further alternatives for great food, healthy living, and quality retail. Belmont Yards is the next logical step in this evolution.

Serving as both the keystone and the anchor of a new marina district, the project combines a mix of national and local shops, restaurants, waterside apartments, open spaces, and a boutique hotel to offer a new experience that is distinct from bar-driven 2nd street and the urban atmosphere of downtown. Belmont Yards is the place to enjoy a weekend trip to the farmer's market or that relaxing evening walk along the Pacific Ocean.

PROJECT SUMMARY
Belmont Yards is an outdoor, village-style, seaside community that celebrates the vitality of Long Beach. Key elements include:

- **A New Link between the Marina and the corner of PCH and 2nd Street** - A pedestrian retail street and cross-axis to create direct physical and visual access;

- **A New Link between Adjacent Retail Centers** - Design focused on cross-connections stitches together the adjacent retail centers;
- **Ample Active Outdoor Space** - A human scaled, community event driven space;
- **Street Improvements and Traffic Mitigation** - To provide strong cross connections;
- **A Culinary Driven Marina** - Permanent Farmer's Market, outdoor beer garden, and restaurant row along the marina;
- **A Rare Multifamily Development** - No significant waterfront apartments built in the last 30+ years;
- **A Waterside Boutique Hotel Experience** - An attractive opportunity for both visitors and residents to stay in Belmont Shore and experience the tastes of the neighborhood;
- **Filling the Retail Void** - National lifestyle retail brands paired with local food icons capitalize on pent up market demand;
- **Long Beach Gateway** - A community statement at the entrance to Long Beach and the marina;

ENTITLEMENT RISK MITIGATION

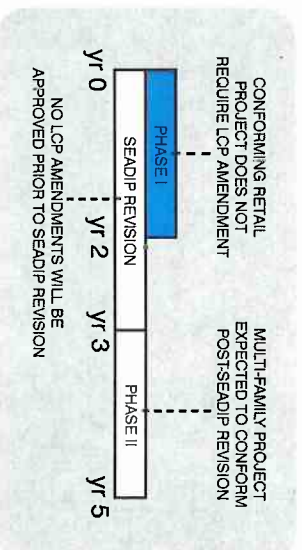
Entitlement risk is the greatest challenge to the Belmont Yards project as evidenced by the rejection of the 2011 redevelopment proposal at this site. Belmont Yards addresses the past and proposes a dual track approval process to balance risk with return.

The site is subject to the Southeast Area Development and Improvement Plan (SEADIP) section of the Local Coastal Plan (LCP) and allows only commercial projects less than 35 feet. Any nonconforming project requires a SEADIP amendment, which has proven to be costly and difficult. Additionally, SEADIP is under revision, and clear indications are that no amendments will be allowed to the current plan until the 3 year revision is completed.

With consideration of the owner's capital already invested in the site, Belmont Yards proposes to put it to work as soon as possible through a Phase I project that is consistent with SEADIP (mitigating risk), a strategy informed by Susan Hori, Land Use Attorney, Coastal Commission Specialist, and Partner at Manatt, Phelps, and Phillips, LLP who advised us that,

“SEADIP would allow you to build commercial retail uses...without al[an] LCP amendment.”

Informed by discussion with the City and the LCP revision consultant, Phase II of the project will begin post revision and anticipates that residential uses will be allowed at this time, avoiding the need for an amendment and further mitigating risk.



Two Phase Entitlement Schedule Mitigating Risk by Avoiding Amendments and Starting Now

MARKET ANALYSIS

The area's immediate vicinity features:

- Affluent Coastal Neighborhoods;
- A Dense Population;
- Wealthy Empty Nesters;
- Young, Creative Professionals;
- Proximity to LA and OC;
- A Supply Constrained Environment;
- Retail and Class-A Multi-Family Local and Regional Voids;
- 4 High End Grocers (Trader Joe's, Whole Foods, Gelson's, Ralph's Fresh Fare);
- High Grocer and Restaurant Sales;
- High Retail and Multi-Family Rents;
- High Traffic Counts;

The result is a clear and immediate demand for new retail and multi-family higher quality product.

FINANCIAL SUMMARY

Because the site is owned already, the primary financial objective is to maximize the contributed land value of the 2nd and PCH site through the development of its highest and best use, all while balancing the regulatory, political, and environmental constraints. We are pursuing a phased multi-use development consisting of Retail, Hospitality, and Multifamily product offerings.

Phase I - Retail	
Cost	93,468,279
Terminal Value	129,539,492
Profit	36,071,213
Phase II - Hotel	
Cost	18,290,100
Terminal Value	23,131,413
Profit	4,841,313
Phase II - Multifamily	
Cost	86,073,975
Terminal Value	119,968,006
Profit	33,294,031
Total	
Cost	197,832,354
Terminal Value	272,038,912
Profit	74,206,558

Our approach balances achieving the owner's return on land value with creating a project that is attractive to capital markets. Each asset can be financed and developed independently, yet benefit from the collective value created by the amenitized Belmont Yards project. Our analysis indicates that the best trade-off between addressing risk and harnessing potential yield is by pursuing a two-phased entitlement for Belmont Yards.

ENTITLEMENTS



View from Corner of 2nd Street and Marina Drive
Project Oriented to Activate Cross-Street Connections

SOUTHEAST AREA DEVELOPMENT AND IMPROVEMENT PLAN (SEADIP)

The Long Beach Local Coastal Plan (LCP) was adopted in 1980. SEADIP is the LCP Community Plan for the southeast section of Long Beach and encompasses the project site. In 2007, the City of Long Beach initiated an outreach process with community stakeholders to begin the process of updating the plan, as it no longer represents the City and Community's values.

Community Goals for revision of SEADIP:

- Restoration of Los Cerritos Wetlands
- Preservation of existing character
- Improved commercial options such as hotels and specialty retail
- Improved mobility for bikes and pedestrians
- The Seaport Marina Hotel (Project Site) was the most mentioned property in the plan that needed redevelopment.

In 2012, the Long Beach City Council voted to begin revising SEADIP so the plan reflects the community's land use outlook for the next 20 years. It is expected to be completed by 2016.

Conversations with the City, Coastal Commission, and land use attorneys have revealed that it is unlikely any development requiring an amendment to the current plan will be approved due to the fact that it is currently being revised.

ENTITLEMENT HISTORY - LESSONS LEARNED

Mid 1990's - 2005
Raymond Lin and Taki Sun Inc. purchase the Seaport Marina Hotel. Information is vague, but several attempts were made to develop the property.

2005
Lennar proposes to develop 425 for-sale residential units adjacent to 170,000 square feet of retail. The property was then sold back to Lin in 2007 due to a combination of entitlement issues having to do with necessary Local Coastal Plan amendments and the evolving recession.

2012
Seaport Marina LLC submitted plans in May 2012 to develop 280,000 square feet of retail and 28,000 square feet of office space, which is consistent with the existing LCP. Brokers have verified that the Seaport Marina Hotel is currently for-sale.



2009-2011
Cliff Ratkovich and David Malmuth propose a vertical project with 275 units of condominiums and 175,000 square feet of retail, requiring an amendment to the LCP. After receiving planning commission approval, the Long Beach City Council reversed the decision of the planners in December of 2011 citing the 12 story tower height variance as problematic and the desire to have SEADIP revised rather than spot zoning. The decision is viewed as a symbolic commitment to disallow any developments that require LCP amendments prior to the revision of SEADIP.

2013 - Lessons Learned
Two primary lessons should be taken from past attempts to entitle the property:

- It is unlikely that any project requiring an LCP amendment will be approved prior to the revision of SEADIP and
- Any proposed development must be in line with the prevailing belief that this is a special site that deserves a prominent and publicly focused project in line with the Coastal Commission's goal of promoting access to the waterfront.

NONCONFORMING DEVELOPMENT

Current zoning allows for commercial only use less than 35 feet. Nonconforming projects require plan amendments from Long Beach City Council and the California Coastal Commission.

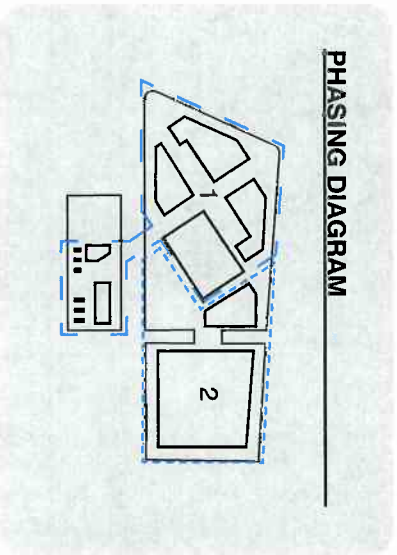
Minimum Amendment timeline:

- Environmental Impact Report 18 mo
 - SEADIP/LCP Amendment Process 12 mo
 - Coastal Development Permit (CDP) 4 yrs
- Total Time Required

COMMUNITY, COASTAL COMMISSION AND CITY OF LONG BEACH GOALS

- Improve visitor serving amenities and view corridors to the waterfront
- Unify the surrounding neighborhood
- Begin restoration of Los Cerritos Wetlands
- Address current traffic congestion
- Improve pedestrian and bicycle linkage to the waterfront
- Creation of a hotel for the area

PHASING DIAGRAM



TWO PHASE ENTITLEMENT STRATEGY

Phase I - Seize the Moment:

“SEADIP allows you to build commercial retail use without a LCP amendment or Coastal Commission approval”

- Susan Horí, Mannet, Phelps & Phillips, LLP

No developer over the last 20 years has been able to secure an approval for a nonconforming project on this site.

Taking this into account along with the fact that any amendment is unlikely to be approved by the Coastal Commission while SEADIP is being revised, Phase I of this project conforms to the current restrictions. This approach reduces the entitlement schedule from 4 years to 2 years and only City Council approval is necessary.

Phase I entitlement schedule:

• Community Outreach	6 mo
• EIR Certification and Development Agreement	18 mo
Total Time Required	2 yrs

Phase II - Think Big:

Entitlements for the Phase II residential portion of the project are to begin following the revision of SEADIP. Discussion with the City’s SEADIP consultant suggests that the residential uses will be permitted in the revision, avoiding an amendment that would require Coastal Commission approval and significantly reducing entitlement risk.

Phase II entitlement schedule:

• SEADIP Revisions	3 yrs
• Community Outreach	6 mo
• Site Plan Review, EIR Certification, and Development Agreement, and Coastal Development Permit	18 mo
Total Time Required	5 yrs

ADVANTAGES

The two phase strategies carries with it a few significant advantages:

- **Entitlement Risk Reduction** - Neither phase requires amendments to the LCP;
- **Start Now** - The ability to take advantage of current land use conditions instead of forecasting;
- **Leasing Risk Reduction** - Reduced due to expedited retail project timeline;
- **Cash sooner** - Cash flow begins 3 years earlier;
- **Appreciation** - The value of the phase II property is likely to go up after the development of phase I;
- **Optionality** - Phase II can be adjusted as necessary as market conditions change and phase I is realized;
- **Low Risk Attempt** - If phase I entitlement fails, no real loss occurs as any nonconforming development requires one to wait until after SEADIP is revised.

MARKET ANALYSIS



Seal Beach



Belmont Shore



Naples



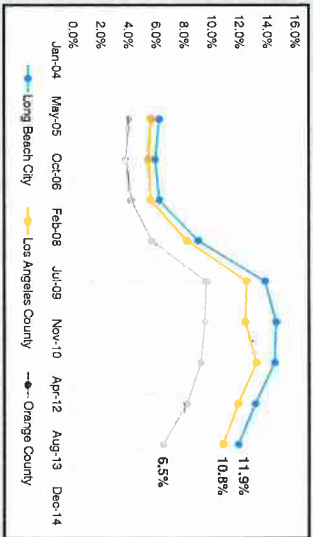
Bixby Knolls



Downtown Long Beach



Long Beach Grand Prix



Long Beach, Los Angeles, Orange County Unemployment

REGIONAL AND LOCAL EMPLOYMENT GROWTH

- **Strong Job Growth** - Unemployment is trending down in Long Beach, Orange County and Los Angeles.
- **Low Local Unemployment** - Though Long Beach as a whole has higher unemployment than Orange County and Los Angeles, an above average percentage of East Long Beach residents work outside Long Beach, resulting in a lower local unemployment rate.

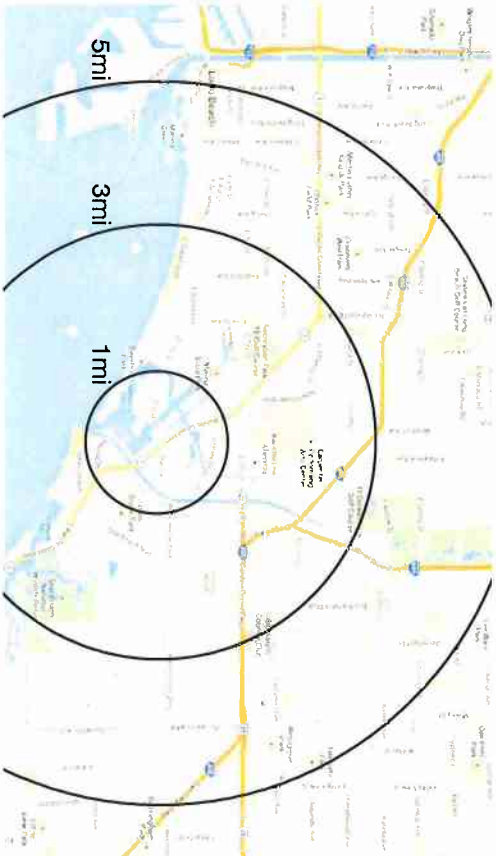
LONG BEACH ECONOMIC DRIVERS

Steadfast economic drivers provide stability:

- **Trade:** The Port of Long Beach is one of the world's busiest seaports supporting 30,000 jobs (one in eight within Long Beach) and is currently undergoing expansion.
- **Airport:** Long Beach Airport is the fifth largest regional airport with over 1.5M annual passengers.
- **Cal State Long Beach:** A public institution with approximately 34,000 students, #32 Best Regional College in the Country.
- **Regional Tourism:** Regional attractions include: Queen Mary, Convention Center, Performing Arts Center, Long Beach Grand Prix (200,000 annual visitors), and Aquarium of the Pacific.

	90803	15 Minute Drive	1-Mile	3-Mile	5-Mile
Population	33,423	581,332	13,706	115,918	352,492
Households	18,012	208,681	6,951	54,842	144,096
HH Size	1.85	2.66	1.97	2.06	2.40
Average HH Income	\$93,524	\$77,915	\$116,246	\$88,215	\$81,643
HH Income Distribution					
\$100k+	5,587	52,747	1,863	15,855	42,221
\$150k+	2,860	24,102	2,929	15,853	38,420
Median Age	44.1	37.6	50.5	40.7	36.8
Education Levels					
% Bachelor Degree	33%	21%	32%	29%	23%
% Advanced Degrees	25%	11%	27%	19%	14%
% Total 4 YR+ Degrees	55%	32%	59%	48%	37%
% Renter Occupied	44%	47%	35%	47%	48%
% Owner Occupied	56%	53%	65%	53%	52%
Race					
% White	81%	53%	84%	74%	61%
% Black	3%	7%	2%	5%	8%
% Asian	6%	18%	6%	9%	12%
% Hispanic	15%	30%	11%	18%	18%

Demographic Data



1, 3, 5 Mile Rings

DEMOGRAPHICS

Income levels vary but are generally high:

- Naples = Affluent and Older
\$16,000/yr = avg. household income
50.5 = median age
- Belmont Shore = upper, young families
\$105,000/yr - avg. household income
40 = median age
- Bluff Park = Singles + Young Professionals
\$75,000/yr avg. household income
36 = median age

Affluent households within a 15 minute drive:

- 52,000 households = over \$100,000/yr
- 24,100 households = over \$150,000/yr

High and steady population growth:

- 1-mile radius = 5.3% (4.1% historically)
- California's annual growth is 1%

REGIONAL OVERLAP

Strong regional draw benefits the site:

- East Long Beach is centrally located between Los Angeles and Orange County, serving as a convenient location for households requiring access to both counties.
- East Long Beach is seen as a relatively affordable coastal lifestyle option with a more casual atmosphere than Newport Beach.

"Belmont Shore brings the rest of Long Beach together with its sense of community."

-Karen Robbs Weeks, Long Beach Press Telegram

PRIZM LIFESTYLE SEGMENTATION

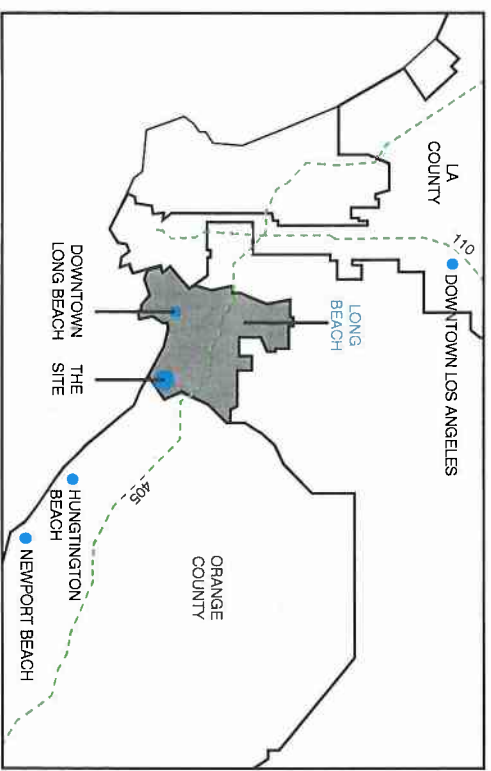
Prizm® Lifestyle Segmentation ranks consumer's socio-economic behavior in terms of level of income, home values, education, and occupation from highest to lowest (1-66). The following characterize the area:

- **(4) Young Digerati** - Urban, tech-savvy, fashionable, affluent, highly educated, and ethnically mixed
- **(7) Wealthy Older Mix** - Urban, high incomes, advanced degrees, and sophisticated and fashionable tastes
- **(16) Bohemian Mix** - Urban, liberal lifestyle, ethnically diverse, progressive
- **(26) The Cosmopolitans** - Educated, upper-mid, ethnically diverse, and urbane
- **(29) American Dreams** - Upper middle class, ethnically diverse, and multi-lingual.

THE TARGET MARKET

The market consists of a proud, highly educated local base that enjoys an active, healthy, outdoor lifestyle, shopping local, visiting the farmer's market, art walks, and frequenting Long Beach's many staple restaurants. The following are typical area profiles:

- Highly educated
- Upper middle class and wealthy families with children
- Upper middle class and wealthy empty nesters
- Young, professional couples
- Young, single professionals
- College students



Regional Overlap



REGIONAL MARKET COMPARISON

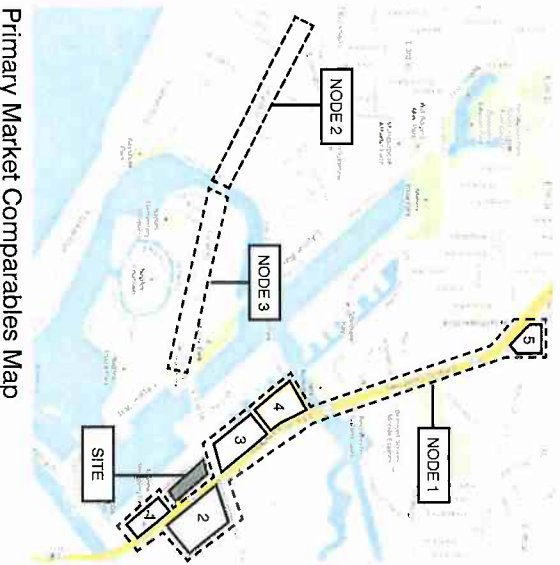
“Scarcity gives you tremendous market power.”

-Dr. Raphael Bostic, Judith & John Bedrosian Chair in Governance & the Public Enterprise at USC

	Retail GLA Per Capita	Avg Rent	Vacancy	YTD Deliveries
LA County	45 SF/Person	\$24.29	5.30%	667,020 SF
Orange County	42 SF/Person	\$22.36	5.40%	106,977 SF
Primary Market	29 SF/Person	\$42.94	3.30%	0 SF

Compared to LA and OC, the Primary Market (East Long Beach) has:

- **Stronger rent levels** (nearly double)
- **Lower vacancy levels** (200 bps lower)
- **Lower Retail GLA per capita**
- **Less future supply** of inventory keeping upward pressure on rents.



Primary Market Comparables Map

PRIMARY MARKET ANALYSIS

Node 1 - 2nd & PCH					
Property	GLA	Occupancy	Inline Shops NNN Rents	Restaurants NNN Rents	Anchors NNN Rents
1 Marina Shore	67,000	100%	\$33-\$72	\$48-\$72	\$23-\$28 (Old Leases)
2 Long Beach Marketplace	160,800	92%	Well located: \$48-\$70 Poorly located: \$24-\$30	\$36-\$60	\$30-\$6
3 Under Development	50,000	100%	-	-	\$36
4 Marina Pacifica	291,000	100%	\$33-\$72	\$48-\$60	\$18-\$40
Ralphs Fresh Fare, AMC, Barnes & Noble					
5 Ralphs Fresh Fare, CVS	76,000	100%	\$48-\$54	\$66	\$42
Bibby Village					
Total Range	644,800	98%	\$48-\$60	\$48-\$60	\$33-\$36

Node 1 Primary Market Comparables

PRIMARY ANALYSIS - NODE 1

The project site is located in Node 1 which is characterized by:

- **Strong Vehicular Access and Parking**
- **Low Vacancy** - Nearly 100% Occupancy
- **High Sales** - Estimated sales are \$400-\$500 PSF for inline shops & \$800-\$1,000 PSF for restaurants
- **High Restaurant Rent Levels** of \$42-\$60 PSF
- **Top Performers** - Many stores have reported to be top performers within their chain nationwide
- **Very High Sales for Niche Retailers** - Many have reported sales in the \$1,000-\$3,000 PSF range
- **High Grocery Demand** - Trader Joe's, Whole Foods, and Gelson's are adjacent and average 50% higher sales than the national average for each store
- **Strong growth in restaurant rents** within the previous three quarters by \$6-8 PSF/15-20% due to rapid growth in fast casual restaurant sector

Analysis indicated a strong retail market and high demand for new retail space of all types with strong vehicular access/parking.

Node 1 - 2nd Street & PCH Corridor	
Total GLA	644,800 SF
Occupancy	98%
Retail Rent Avg P/Yr NNN	\$44

Node 2 - 2nd Street - Belmont Shore	
Total GLA	226,257 SF
Occupancy	99%
Retail Rent Avg P/Yr NNN	\$42

Node 3 - 2nd Street - Naples	
Total GLA	82,140 SF
Occupancy	87%
Retail Rent Avg P/Yr NNN	\$38

PRIMARY ANALYSIS - NODES 2 AND 3

Second Street in Belmont Shore (Node 2) is characterized by:

- **Limited Parking**
 - **Limited Vehicular Visits**
 - Pedestrian oriented outdoor street retail
 - Restaurant dominated
 - **Lack of national soft goods and apparel retail**
 - **High restaurant rent** from \$48-\$55 PSF
 - **No tenant improvements** given by Landlords
- Second Street in Naples (Node 3) is characterized by:

- **Limited Parking**
- **Limited Vehicular Visits**
- **Avg restaurant rent** estimated to be \$42-\$48 PSF

REGIONAL SHOPPING VOID ANALYSIS

There is a 10-14 mile regional shopping void. The closest comparable centers are the Del Arno Fashion Center (Torrance), South Bay Galleria (Redondo Beach), South Coast Plaza (Costa Mesa), and Fashion Island (Newport Beach).

The result is that residents are leaving the trade area to shop elsewhere.

This is evidenced by the fact that the 90803 zip code is the source of 10% of all sales at South Coast Plaza's Nordstroms.

Anchor Tenants Void within Regional Trade Area

Anchor Tenant	Typical Distance	Nearest Store
Apple	7 Miles	8 Miles North @ Cerritos Mall
Portos	10 Miles	12 Miles North
Equinox	3 Miles	10 Miles SE @ Huntington Beach Pacific City - Under Development
Stone Brewery World Bistro	30 Miles	75 Miles SE
Urban Outfitters*	5 Miles	14 Miles NW & SE @ Del Arno & South Coast Plaza
Anthropologie*	7 Miles	14 Miles NW & SE @ Del Arno & South Coast Plaza
Crate & Barrel*	10 Miles	14 Miles NW & SE @ Del Arno & South Coast Plaza

*There is a 30 mile distance between the closest stores. The Subject Property is located directly in the middle.

"I've wanted to be at that site for 30 years."

-Michael Dene, Owner of Michael's Pizzeria (#1 Rated Pizza by Zagat)

TENANTING STRATEGY

All tenants mentioned below have been interviewed directly or via representative broker and have expressed interest in the site. Void analysis is consistent with targeted tenants.

Objectives:

- To attract customers that match the age-diverse, active, locally-focused, outdoor, creative, health-oriented, high-income but casual target market
- To create a complementary tenant mix in terms of national, regional, and local appeal as well as goods and services
- To provide a consistent population morning, day and night
- To create a vibrant restaurant district
- To sign tenants that activate the public/outdoor spaces
- To attract financially solid tenants that lower leasing risk, particularly concerning food

Target Tenants:

- Regional Apparel & Specialty Retailers** - Urban Outfitters, Apple, Crate & Barrel
Conversations with the leasing agent for the previous 2011 development confirms Apple had strong interest in the site.
- Specialty Food and Beverage** - Stone World Bistro Beer Garden, Porto's Bakery
These retailers should profit from excess special grocery demand in the area.
- Chef Driven Sit Down Restaurants** - True Food Kitchen, Michael's Steakhouse
Adds local credibility to the project. Can be located on the second floor.
- Cafes and Quick Service** - Aroma di Roma Coffee, Open Sesami, Mendocino Farms
- Fitness** - Equinox preferred, other national gyms have expressed interest, bike shop
Trade area void. Complements health oriented food. Locate on the second floor.
- Financial Services** - Charles Schwab, TD Ameritrade
Targetting high net worth baby boomers in the surrounding area.
- Permanent Farmer's Market**
Provides local good will. Hooks into weekend farmer's market. Outdoor-oriented.
- Boutique Hotel**
Provides alternative to downtown. Prized by locals. Tourist use. Appeals to City.

MULTI-FAMILY ANALYSIS

East Long Beach Submarket:

Characteristics of the multi-family market:

- **Infill Market** = Supply Constrained
- **Outdated Supply** - 95% of inventory built before 1989, 60% before 1979
- **Shrinking Supply** - Over the last 10 years more units have been lost to condo conversion than have been built.
- **Limited Parking** - Existing inventory has insufficient parking
- **Population Growth** - Over the last 10 years, net population has grown by 700/11.65% households in a 1 mile radius.
- **Significant Void** - There are no Class A rental apartments within a 3 mile radius
- **Strong Rents** - A survey of 3,089 Class A units in the greater East Long Beach area revealed an average rent of \$1,725, with a low of \$1,202 and high of \$2,340

Neighborhood Apartment Rental Survey:

The most comparable rental properties in terms of location and unit count are included below, these are predominately Class B/C properties with adjustments for ocean view (7%) mixed use retail amenities (2%) and new construction (2%).

Name	Address	1+1 \$	1+1 SF	1+1 \$/SF	2+2 \$	2+2 SF	2+2 \$/SF	Class	Year Built/Reno	Vacancy	
Archstone	333 1st Street	\$1,795	713	\$2.52	\$2,429	1,010	\$2.41	B	1970	2%	
Channel Point	5926 Bikby Village Dr	\$1,838	750	\$2.45	\$2,205	1,000	\$2.21	B	1986	1%	
Pathways	5980 Bikby Village Dr	\$1,736	660	\$2.63	\$2,587	1,018	\$2.54	B	1974/2008	2%	
Marina	5435 E Sorrento Dr	\$1,331	570	\$2.34	\$1,870	800	\$2.34	C	1949	0%	
	Averages	\$1,675	673	\$2.49	\$2,273	957	\$2.38	Class C/B		1%	
Project Rents w Views		\$1,850	700	\$2.64	\$2,500	960	\$2.60				
Project Rents w out Views		\$1,950	700	\$2.79	\$2,600	960	\$2.71				
										Average P/SF	\$2.69

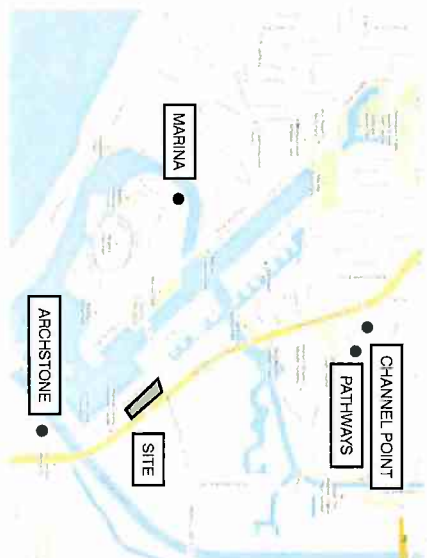
Multi-Family Comparables

Affordability:

In the 3 mile radius, there are approximately 6,026 renter households making \$75,600 per year or 33% of the Project's estimated rent. The average income in a 1 mile radius is even greater at \$160,000 allowing the project to be highly affordable for the community.

Conclusion:

Based on the desirable location of the property (affluent water-side community on the border of Los Angeles and Orange County), the characteristics of the submarket, and the lack of competition, there is a **strong demand for multi-family housing.**

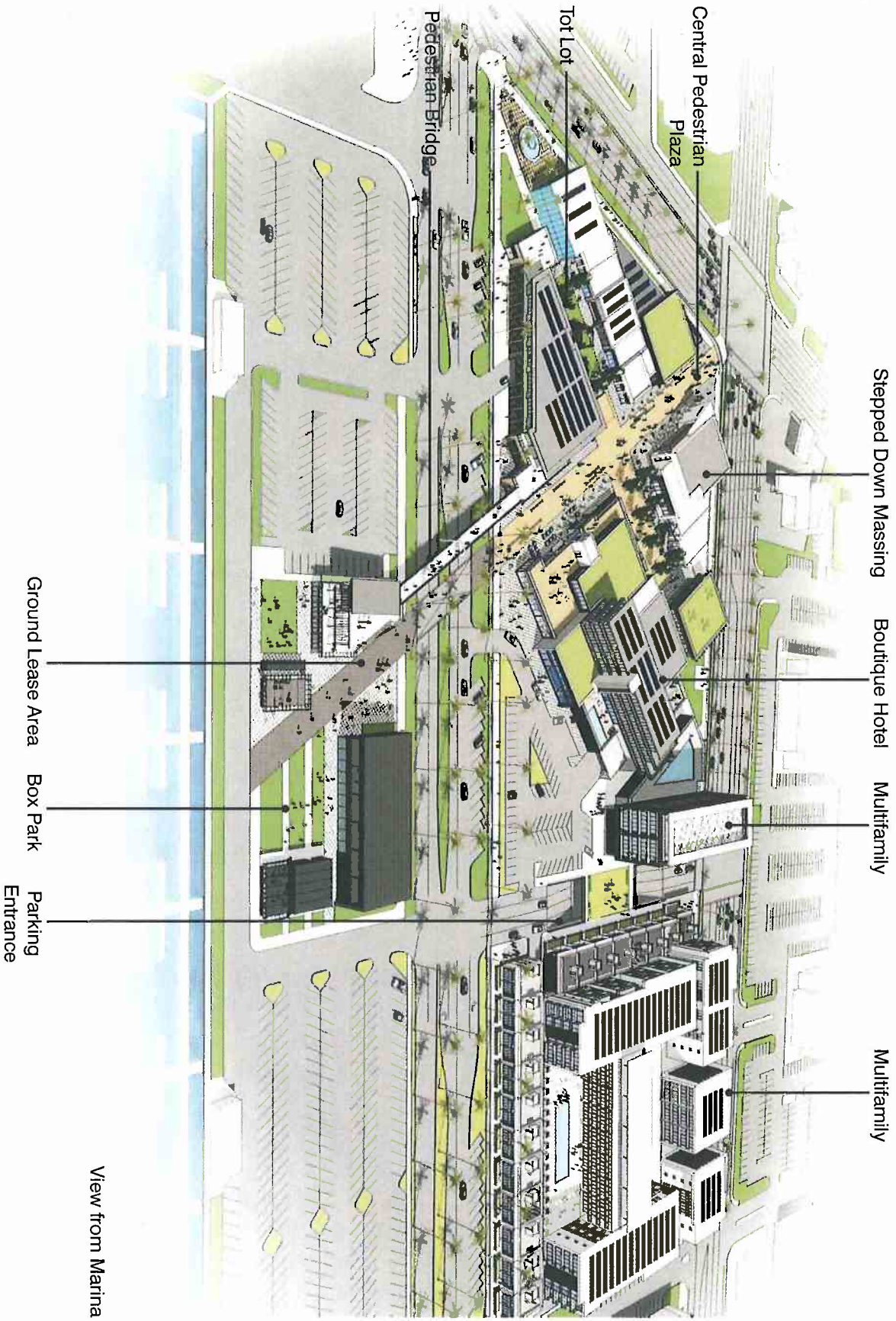


HOTEL MARKET ANALYSIS

After consulting PKF, EY and Hilton Worldwide regarding hotel feasibility, we determined that the market could support a lifestyle-focused limited service boutique hotel of 80 rooms. Manhattan Beach's renaissance over the last decade paired with the successful opening of the Shade Hotel (\$390 ADR, 95% Occupancy) are analogous to the progress occurring in and around Belmont Yards.

- Similar to the Shade's creation of a submarket, the Belmont Shore/Naples area has strong visitor appeal and no lodging options within walking/biking distance.
- Current market area hotels require a 10 minute drive and are achieving an average ADR of \$135 with 75% occupancy.
- The project's retail, food and beverage options will enhance the hotel's market appeal with over 50% of the rooms boasting gorgeous water view.

PROGRAM AND DESIGN

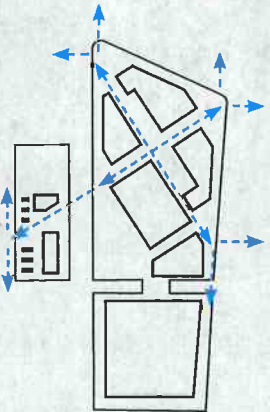


SITE PLANNING DIAGRAMS

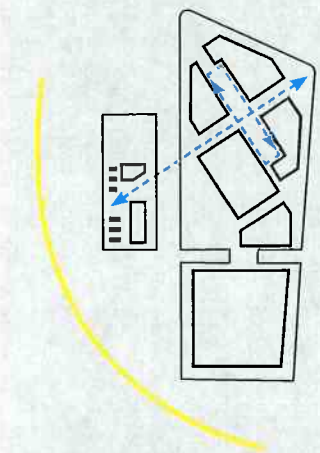
Phase I/Phase II



Physical/Visual Porosity + Cross-Connections



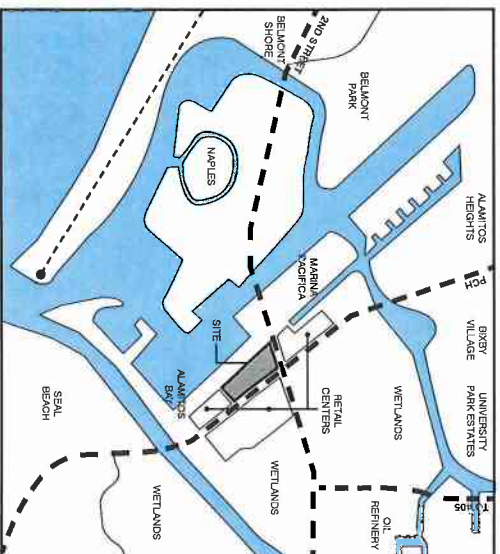
Internal Circulation + Views/Sunlight



SITE OVERVIEW

The site consists of 11 acres on the southwest corner of Pacific Coast Highway and 2nd Street. To the west of the project is Alamillos Bay, Naples Island and Belmont Shores. Adjacent to the property are several neighborhood retail centers, which include 2 movie theaters, several restaurant pads, 4 high-end grocery stores, a CVS, and other big box retailers.

Various bus lines connect to the site including the Long Beach Transit system as well as the Orange County Transportation Authority. The Aqua Bus water taxi connecting to downtown operates across Marina Drive and a city-owned parking lot. Several bike paths run along the site; however, they remain extremely disconnected and dangerous.



Context Map

SITE DESIGN OBJECTIVES

- To catalyze the development of vibrant, marina district that positively impacts the current and future neighborhood.
- To provide a casual town center experience unified around a central pedestrian plaza.
- To restore physical and visual connections to the marina, wetlands, and retail centers.
- To create an iconic entrance into the City of Long Beach.
- To promote sustainable practices and encourage healthy, active lifestyles.

SITE DESIGN CONCEPT

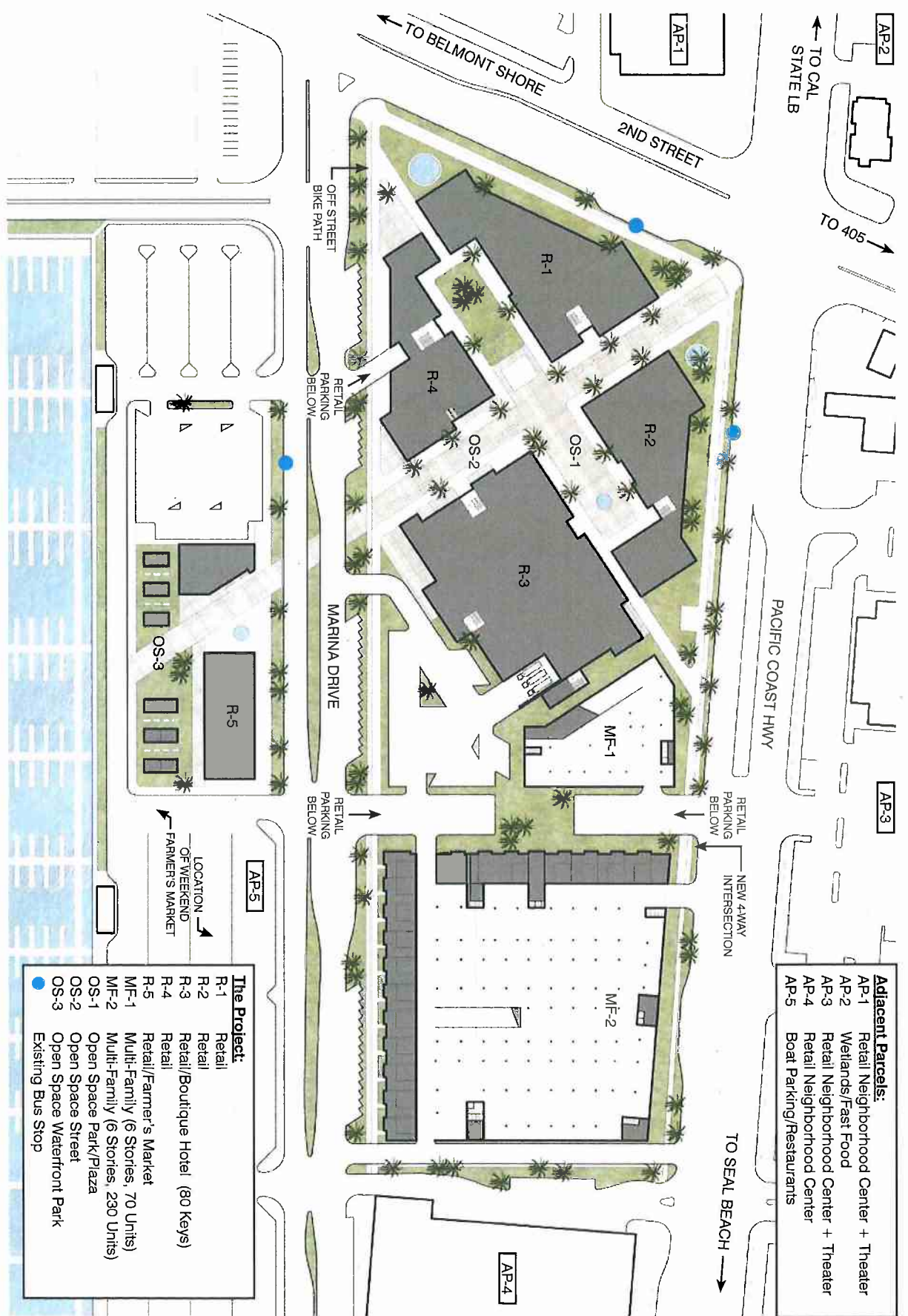
The site plan design is driven largely by two major urban design moves:

- The development of a pedestrian retail street oriented towards physically and visually linking the wetlands to the marina and;
- The design of a cross axis central plaza with a community driven program that is centripetally focused.

Other urban design elements include:

- The connection of popular bike routes with dedicated off-street bike lanes.
- Significant street improvements: the addition of angled parking, landscaped medians, and dedicated turning lanes to mitigate traffic.
- Sidewalk improvements and a new pedestrian bridge to the marina to increase walkability and connectivity to the water.
- The creation of park and green space (outdoor fireplaces and areas for children to play) to encourage community engagement.

THE SITE PROGRAM AND DESIGN



- Adjacent Parcels:**
- AP-1 Retail Neighborhood Center + Theater
 - AP-2 Wetlands/Fast Food
 - AP-3 Retail Neighborhood Center + Theater
 - AP-4 Retail Neighborhood Center
 - AP-5 Boat Parking/Restaurants

- The Project:**
- R-1 Retail
 - R-2 Retail
 - R-3 Retail/Boutique Hotel (80 Keys)
 - R-4 Retail
 - R-5 Retail/Farmer's Market
 - MF-1 Multi-Family (6 Stories, 70 Units)
 - MF-2 Multi-Family (6 Stories, 230 Units)
 - OS-1 Open Space Park/Plaza
 - OS-2 Open Space Street
 - OS-3 Open Space Waterfront Park
 - Existing Bus Stop

Site Plan

PROGRAM SUMMARY

Retail:

Rent Roll	Tenant	SF	\$/SF YR	TI / SF	LC	Term (Yr)
Anchor Retailers	Apparel	12,000	33	30	5.0%	10
	Apparel	12,000	33	30	5.0%	10
	Fitness	30,000	30	60	5.0%	20
	Specialty - Technology	6,000	30	80	5.0%	15
	Specialty - Home Goods	20,000	33	30	5.0%	10
	Specialty - Bakery	10,000	33	40	5.0%	15
Cafés	Café - Local	2,000	60	30	5.0%	7
	Café - Local	2,000	60	30	5.0%	7
	Coffee Shop - Local	2,000	60	20	5.0%	10
	Fast Casual Rest - Sandwiches	2,000	60	30	5.0%	10
	Fast Casual Rest - Specialty Burger	2,000	60	30	5.0%	10
	Wine Bar - Local / Jazz	2,000	60	30	5.0%	7
Shops	Bike Shop	2,000	60	20	5.0%	7
	Box Park Shops / Marina-serving	4,000	40	0	0.0%	1
	Financial Services - Retail Location	2,000	70	20	5.0%	10
	Misc. Small Shops (Avg: 1,500 SF Ea)	17,000	60	20	5.0%	5
	Salon/Spa - Local	2,000	60	20	5.0%	7
	Salon/Spa - Specialty	2,000	60	20	5.0%	7
Sit Down Restaurants	Food Anchor - Brewery & Beer Garden	10,000	39	50	5.0%	15
	Sit Down Restaurant 1 - Local	5,000	54	50	5.0%	10
	Sit Down Restaurant 2 - Local	8,000	54	50	5.0%	10
	Sit Down Restaurant 3 - Regional: Fresh Seafood	5,000	54	50	5.0%	10
	Sit Down Restaurant 4 - Regional: Healthy Food	5,000	54	50	5.0%	10
TOTAL / WTD AVG.		164,000	41.24	41	5.0%	11.7
Anchor Retailers		90,000	55%			
Cafés		12,000	7%			
Shops		29,000	18%			
Sit Down Restaurants		33,000	20%			

Multi-Family:

Apartment	Avg Size / Unit	Rent / SF	Rent / Mo	% Mix	# Apts
1+1	700.00	2.64	1,850	20%	60
2+2	960.00	2.60	2,500	20%	60
1+1 View	700.00	2.79	1,950	30%	90

Hotel:

Hospitality	Avg Size / Key	ADR	% Mix	# Keys	P Ratio
King	400	190	50%	40	1.0
DBI/Queen	400	190	50%	40	1.0
TOTAL / WTD AVG.	400	190	100%	80	1.0

PARKING SUMMARY

Use	Units / SF	Factor	Spaces Req
Retail	164,000	6.8	1,110
Hospitality	80	1.0	80
Multi-Family	300	1.5	450
Required Spaces			1,640
Less, Shared Parking (Retail + Hotel)			(281)
Net Required Spaces			1,359
Provided (Retail Subterranean)			708
Provided (Multi-Family Podium)			450
Provided (Surface)			201
Total Provided Spaces			1,359

RENT JUSTIFICATION

Retail rents are derived from comparable leases and feedback from active leasing brokers in the market. Average sales figures within the market and for each of the national retailer's store-wide sales were assessed to ensure sustainable tenant occupancy costs. Key anchor tenants were given higher rent concessions in the form of a slightly reduced rent from the market.

Retail Rent Projections - PSF	Proj. Sales PSF*	Occupancy Costs
Inline Shops	\$60	4.0%-13.0%
Restaurants	\$54-\$60	7.5%-8.5%
Anchor/Major Tenants	\$33-\$36	1.0%-8.0%

*Predominantly \$500 PSF and \$800 PSF for shops and restaurants, with strong performance from Specialty Retailers

Apartments: rents are derived from comparable rent levels for nearby Class B/C properties due to a lack of Class A projects. Adjustments were made for Bay Views (7%), New Construction (2%), and Mixed-Use Amenities (2%). Additionally, the building will be condominium mapped to provide flexible disposition options.

PROGRAM GOALS

The programming aims to create a vibrant multi-use neighborhood to meet the cultural, social, and physical needs of the surrounding context.

- **Create a place with a highly amenitized pedestrian "Retail Street"** pairing anchors such as Apple, Crate & Barrel and Equinox with the best of local icons such as Michael's of Naples and Stone Brewery.
- **Give the Farmers Market a permanent home** in an iconic "box park" composed of recycled shipping containers that pays homage to Long Beach's strong port and shipping history.
- **Serve visitors with an 80-room boutique hotel** catering to the casual local lifestyle, delivering fine dining to boat owners, leasing boat slips to host floating restaurants and provide visitor bay tours.
- **Create a neighborhood filled with public spaces.** Housing brings daily users to the site and harnesses the value created by the retail center and adjacent Whole Foods.

SUSTAINABILITY GOALS

Belmont Yards will strive to achieve the highest certification of LEED ND and address the following key components of the rating system: Smart Location & Linkage (SLL), Neighborhood Pattern & Design (NPD) and Green Infrastructure and Buildings (GIB).

- Wetland and water body conservation
- Residential, commercial and live-work units diversify land use that tends to reinforce a sense of neighborhood character.



DESIGN PRECEDENTS



Borneo-Sporenburg, Amsterdam

Definitive Cut through the Urban Fabric
Creating a View Corridor



Portofino Condominiums, Long Beach, CA

Local Seaside Mid-Century
Residential Design



Larimer Square, Denver, CO

Village Style, Small Scale Retail Experience
Focused on an Eventful and Active
Pedestrian Street



Boxpark, London, UK

Design for the Permanent Farmer's Market
Adjacent to the Marina that References the
Strong Port History of Long Beach through
the use of Shipping Containers

ARCHITECTURAL DESIGN ELEMENTS

Architectural design is focused on the creation of a village style, outdoor, coastal experience that captures the casual lifestyle character of Long Beach. Towards that end there is a concerted effort to provide a smaller scale experience with appropriately sized buildings, textured materials and overhangs/trellises to provide a sense of enclosure.

The material palette consists of dark stained wood, tan plaster, green walls and roofs, and integrally colored boardform concrete. Also included is the strong use of glass to provide transparency and depth.

ELEMENTS OF A PUBLIC SPACE

- Human scaled architecture and materials.
- Glazing and large openings to provide an indoor/outdoor feel.
- A mix of smaller and larger open spaces.
- Focused, centralized event space that is actively programmed.
- Parks with play structures.
- Double-sided program.
- Landscaping and shade throughout.
- Clear circulation.
- A variety of seating options including casual, incidental, and group oriented with tables.
- Proper lighting, in particular, overhead lighting of public spaces.
- Shading of various levels of porosity.
- Active water features providing white noise.
- Sustainable Landscaping.



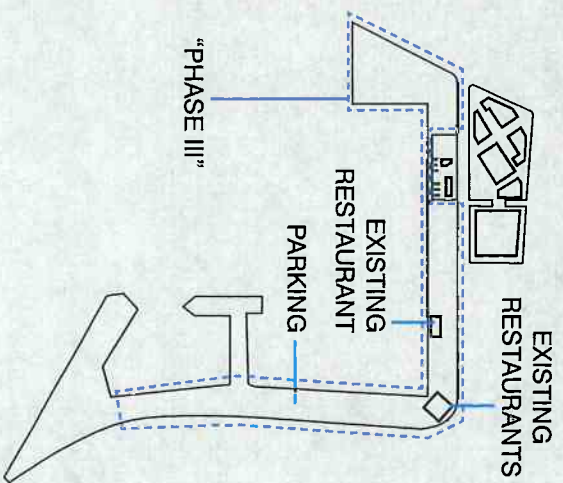
View of Central Plaza



View of Permanent Farmer's Market

**"PHASE III"
TOWARDS THE MARINA DISTRICT**

Belmont anticipates revisions to the current code and is designed to be the first step towards increased development of the marina. Discussions with the City, Coastal Commission, and SEADIP consultants indicate increased density for the area and an encouragement of publicly focused program. Towards that end, this project is designed to connect PCH to the marina in an explicit manner and programmed towards the public enjoyment of the water.



FINANCIAL ANALYSIS



View from 2nd Floor Restaurant towards Marina

Return on Investment	Retail	Hospitality	Multifamily	Portfolio
Unlevered IRR	10.2%	10.8%	11.9%	10.7%
Unlevered Equity Multiple	1.90	1.57	1.63	1.75
Levered IRR	20.1%	18.4%	26.5%	21.6%
Levered Equity Multiple	2.87	2.16	2.39	2.59

"Entitled retail and multifamily on the coast is very rare. Upon entitlements we would be very interested in both opportunities as a core asset focused investor."

-Nate Munson, AEW

FINANCIAL CLIMATE

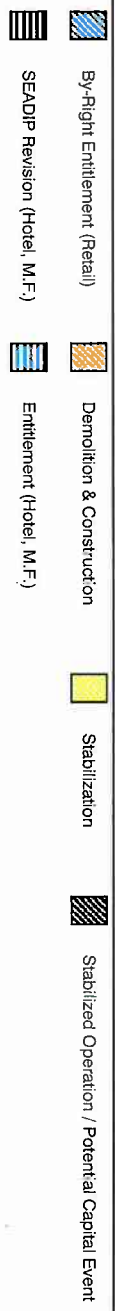
Despite a return to functioning capital markets, an uncertain economic outlook persists. Asset values have benefitted from large capital flows to core areas and high-quality property. Though we underwrite the Belmont Yards with some cap rate expansion, we feel that the quality of the project, location, and timing all suggest a favorable cap rate during the hold period.

RISK MITIGATION – PROJECT PHASING

The greatest risk facing this project is the uncertainty regarding the revision of SEADIP. According to our residual land value analysis, the total land value once entitled is \$29.6M, representing a \$4.6M premium over the present day scenario. If the landowner joint ventures with a developer and pursues vertical development, we estimate that venture to yield an additional \$31.7M for the landowner over the holding

period, for total upside potential of \$61.3M (3.41 EM).

While the SEADIP process is estimated to last 3 years, and the consensus is that a revised SEADIP will allow for greater density and mix of uses, these are both unknowns and risks. In order to mitigate this risk, we recommend moving forward with the by-right Retail portion of the site immediately, followed by the Hospitality

Development Schedule													
Timing:													
Project Year	1	2	3	4	5	6	7	8	9	10	11	12	
Calendar Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Phase I - Retail													
Phase II - Hotel & M.F.													
Legend													
Cash Flows to LAND OWNER:													
Option 1 - Contribute Land (90/10)		11,928,610	2,012,158	10,809,781	180,530	2,751,722	338,896	424,519	32,933,711	Total:			
Option 2 - Sell Entitled Land		15,200,000	14,400,000										61,379,927
Option 3 - Sell Unentitled Land	25,000,398												3,41x
													1,64x
													29,600,000
													1,39x
													25,000,398
													1,39x

FINANCIAL ANALYSIS

and Multifamily portions following the revision of SEADIP. Because we have phase the development, we retain some optionality as markets evolve. Additionally, by developing the retail component first, it is able to stabilize prior to the construction of the remaining phases, strengthening the overall appeal of the Hotel and Multifamily developments.

FINANCING & DISPOSITION STRATEGY

Each asset within the multi-use development will stand on its own with regards to ownership, financing, and construction in order to retain optionality. Following the entitlement and construction of each asset, refinancing the construction loan to a permanent loan will occur in the year following construction completion, allowing investors to benefit quickly from the property's increase in value. Upon stabilization, a capital event for each development within the project will remain on the table. This buy/sell decision will be

Equity Assumptions	Investor	Developer	IRR Hurdle
Pre Split (PP)	90%	10%	8%
Split #1	75%	25%	18%
Split #2	65%	35%	24%
Thereafter	50%	50%	-

Description	Retail	Hospitality	Multifamily
GLA / Keys / Units	164,000	80	300
Basis	PSF / Yr	ADR	PSF / Mo
Rate	\$ 42.00	\$ 190.00	\$ 2.70
Tenant Improvements	\$ 40,000	-	-
Leasing Commissions	5.0%	2.5%	3.0%
Rent Growth	3.0%	7.5%	9.7%
Stabilized Occupancy	95%	75%	97%
Development YOOC	7.25%	9.50%	6.50%
Development Spread	1.25	1.25	1.25
Disposition Cap Rate	6.00%	8.25%	5.25%
Years Held	7	2	2
Cost of Sale	2.00%	2.00%	2.00%

Debt Assumptions: Construction	Retail	Hospitality	Multifamily
LTC	65%	80%	65%
Rate Floor	5.00%	5.50%	5.25%
Fee	1.0%	1.0%	1.0%

Use	PROJECTED ABSORPTION			
	Total SF	Pre-leased %	Pre-leased SF	Lease-Up (Mo.)
Retail	164,000	55%	90,200	18
Hospitality	37,647	NA	NA	NA
Multifamily	300,000	0%	-	12
				25 Units

Debt Assumptions: Permanent	Retail	Hospitality	Multifamily
LTV	70%	70%	70%
Rate	5.25%	5.75%	5.50%
Amort. (Yrs)	30	30	30
Fee	1.0%	1.0%	1.0%

	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
RETAIL - Phase I									
Potential Gross Income	-	-	6,989,587	7,202,182	7,421,243	7,646,967	7,879,557	8,119,221	8,366,175
(Stabilization & Vacancy Loss)	-	-	(1,694,814)	(2,16,065)	(371,062)	(382,348)	(393,978)	(405,961)	(418,309)
(Cash Leakage)	-	-	(209,688)	(216,065)	(222,637)	(229,409)	(236,387)	(243,577)	(250,985)
Net Operating Income	-	-	5,085,085	6,561,961	6,827,544	7,035,210	7,249,193	7,469,684	7,696,881
HOSPITALITY - Phase II									
Potential Gross Income	-	-	-	-	-	5,612,014	5,753,934	5,899,442	6,048,629
(Stabilization & Vacancy Loss)	-	-	-	-	-	(1,766,110)	(907,854)	(508,103)	(520,566)
(Operating Expenses)	-	-	-	-	-	(3,367,209)	(4,78,696)	(3,452,360)	(3,539,665)
Net Operating Income	-	-	-	-	-	478,696	1,393,720	1,851,673	1,898,883
MULTIFAMILY - Phase II									
Potential Gross Income	-	-	-	-	-	8,354,127	8,608,226	8,870,054	9,139,845
(Stabilization & Vacancy Loss)	-	-	-	-	-	(2,761,246)	(1,80,773)	(186,271)	(191,937)
(Operating Expenses)	-	-	-	-	-	(2,506,298)	(2,582,468)	(2,661,016)	(2,741,953)
Net Operating Income	-	-	-	-	-	3,086,643	5,844,986	6,022,766	6,205,955
PORTFOLIO									
Net Operating Income	-	-	5,085,085	6,561,981	6,827,544	7,035,210	7,249,193	7,469,684	7,696,881
Development Costs	(48,296,551)	(42,842,810)	(2,328,918)	(62,507,598)	(37,766,015)	(4,090,461)	-	-	-
Proceeds from Sale	-	-	-	-	-	-	-	-	272,038,912
Unlevered Cashflow	(48,296,551)	(42,842,810)	2,756,167	(55,945,618)	(30,938,471)	6,510,088	14,487,898	15,344,123	287,840,631
Unlevered IRR	10.74%								
Unlevered EM	1.75								
Construction Loan	15,582,654	42,842,810	(58,425,463)	25,065,667	37,766,015	(62,831,682)	-	-	-
Permanent Loan	-	-	75,790,878	(5,022,240)	(5,022,240)	83,838,813	(11,098,934)	(11,098,934)	(164,636,007)
Levered Cashflow	(32,713,898)	-	20,121,582	(35,902,191)	1,805,303	27,517,218	3,389,964	4,245,189	123,204,624
Levered IRR	21.50%								
Levered EM	2.59								

Development Proforma

Sources	Retail	%	Hospitality	%	Multifamily	%	Portfolio	%
Developer (10%)	3,271,390	4%	731,604	4%	3,012,589	4%	7,015,583	4%
Equity Partner (90%)	29,442,508	32%	6,584,436	36%	27,113,302	32%	63,140,226	32%
Construction Lender	60,754,381	65%	10,974,060	60%	55,948,084	65%	127,676,525	65%
TOTAL	93,468,279	100%	18,290,100	100%	86,073,975	100%	197,832,354	100%
Uses	Retail	%	Hospitality	%	Multifamily	%	Portfolio	%
Land Allocation	15,200,000	16%	700,000	4%	13,700,000	16%	29,600,000	15%
Soft Costs	4,556,575	5%	1,403,529	8%	7,350,000	9%	13,310,104	7%
Hard Costs	33,133,000	35%	7,128,529	39%	40,645,000	47%	80,906,529	41%
Parking	26,851,500	29%	-	0%	6,300,000	7%	33,151,500	17%
Construction Period Interest	6,986,754	7%	2,222,247	12%	10,049,137	12%	33,497	10%
Construction Contingency	5,998,450	6%	712,853	4%	8,911	5%	15,648	6%
LEED-ND Certification	250,000	0%	100,000	1%	1,250	0%	833	0%
Coastal Loss of Rooms In-Lieu	-	0%	5,310,000	29%	141	0%	-	3%
Coastal Affordable In-Lieu	-	0%	600,000	3%	16	0%	-	0%
Affordable Housing In-Lieu	-	0%	-	0%	-	0%	-	0%
Wetlands Reutilization Fund	492,000	1%	112,941	1%	1,412	1%	2,185,338	1%
TOTAL	93,468,279	100%	18,290,100	100%	86,073,975	100%	197,832,354	100%

Sources and Uses

made amongst the partners and may manifest itself in the form of a sale, buyout by one party, or recapitalization. For illustrative purposes, a sale has been modeled 4 years following completion of Phase II. The decision to hold long-term for cash flow or sell for appreciation will ultimately be made by the partners, although it is likely that institutional equity would require an exit in accordance with its fund's goals. Cashing-out entitled land value to enter into a 90/10 JV agreement provides both a significant profit realization at the end of entitlements, as well as ongoing cash flow and appreciation (Option 1 - \$61.3M). Upon stabilization, the portfolio will produce approximately \$4M / year in free cash flow after debt service.

Given the recovery at this stage of the cycle, the landowner may wish to exit sooner than later

in order to pursue other investments. In order to accomplish this, the landowner may choose to sell his interest in the land entirely once entitlements are achieved (detailed in Option 2 - \$29.6M). If the landowner decides to sell his interest in the land now (Option 3 - \$25M), an estimated present value has been calculated, utilizing a discount rate commensurate with the risks associated with the SEADIP revision and entitlement process.

CONTRIBUTED LAND VALUE

In order to arrive at a contributed land value at the time of development, each product's proforma is modeled to a maximum land value in order to achieve a predetermined stabilized yield on cost (Retail: 7.25%, Hospitality: 9.50%, Multifamily: 6.50%). If the landowner chooses to stay in the

deal through a joint venture, and the contributed land value is greater than the landowner's 10% participating equity stake (90/10 deal), the equity partner will cash out the landowner in order to rebalance the capital stack.

RISK MITIGATION - ENTITLEMENT PERIOD BRIDGE LOAN

If Phase I is not approved prior to plan revision and the entitlement period is 5 years for Retail, Hospitality, and Multifamily, financing must be procured for this extended entitlement timeframe. By procuring a bridge loan sized according to the cash flow of the existing Seaport Marina hotel operations, the landowner will be in a stronger position with regards to equity capital needs. With an estimated annual cash flow of \$800K - \$1M, the hotel operations will support an interest-only

bridge loan of approximately \$5M-\$6M. Upon funding of each of the 3 construction loans, each development will absorb its pro-rata share of the entitlement expenses, allowing the bridge loan to be repaid. The landowner will be compensated for this carrying cost through either the contribution or sale of the entitled land. Sample terms for bridge loan are as follows:

- a. Term: 3 years + 2, 1-Year extensions
- b. Rate: 6%, I/O
- c. Debt Yield: 12%

WETLANDS RESTORATION FUND

After numerous meetings with the City of Long Beach, neighboring property owners, the Los Cerritos Wetlands Trust, and the public at large, we believe it is reasonable to assume that a revised SEADIP will encourage denser developments containing a mix of uses, coupled with a relaxed height limit. Given this change in intensity, mitigations will be necessary to accommodate new development and traffic in the area. In order to reinforce a strong commitment to the district, \$3 per constructed square foot has been contributed to a trust fund for the sole purpose of funding improvements to the Los Cerritos Wetlands and surrounding infrastructure; this represents a total project-level contribution of \$1.5M. These infrastructure improvements may include, but are not limited to:

- Wetlands Restoration
- Access & Education
- Traffic Mitigation

COASTAL COMMISSION – LOSS OF ROOMS / AFFORDABLE ROOMS

Coastal Commission has set the following fee precedents regarding hotel redevelopment projects:

- If the number of replacement keys is less than the number of existing keys, the Coastal Commission fee is \$30K / key

- If the replacement hotel is not deemed affordable, the Coastal Commission fee is \$30K / key, multiplied by 25%
- Belmont Yards anticipates replacing 80 of the existing 257 rooms of the SeaPort Marina Hotel, which is anticipated to cause a \$5.3M non-replacement fee, as well as a \$600K non-affordable fee by the Coastal Commission. The developer will attempt to make the argument that 160 of the current hotel rooms do not function as such, and do not produce TOT for the City of Long Beach. If successful, this reduction would directly benefit residual land value for the owner. Should the redevelopment not replace any of the 257 hotel rooms, Coastal Commission would likely levy a fee of \$7.7M.

Option 1: Contribute Entitled Land to 90/10 JV	Residual Land Value (Base Case)				Total
	Retail	Hospitality	Multifamily		
Cash Out (if Contributed 90/10)	11,928,610	(31,604)	10,687,411	22,584,417	
Future Participation Through Hold Per.	18,214,005	2,130,029	18,451,477	38,795,510	
Total Landowner Potential Profit	30,142,615	2,098,425	29,138,888	61,379,927	
Option 2: Sell Entitled Land to Developer	15,200,000	700,000	13,700,000	29,600,000	
Developed SF	164,000	37,647	300,000	501,647	
Option 3: Sell Land Today, As Is (Pre-Entitlements)					
Discount Rate		0.0%	8.0%	8.0%	
Entitlement Period (Years)		-	5.00	5.00	
NPV @ Present	15,200,000	476,408	9,423,990	25,000,398	

Residual Value - Base Case



View of Multi-Family Buildings from Marina

PROJECT BENEFITS



View of Hotel from Marina

PROJECT FISCAL BENEFIT ANALYSIS

Burdened by years of budget deficits and the loss of its redevelopment agency which generated nearly \$100M of revenue per year, Long Beach is in dire need of a new and significant revenue source.

According to the Long Beach Budget, the city has eliminated 770 full time employees over the last 7 years as a result of budget shortfalls. In addition, Long Beach has had to restructure its International Machinists, Police and Fire pension plans to prevent further budget deficits.

The fiscal benefit analysis below details projected property, sales, and TOT tax revenues from Belmont Yards.

Annual Project Fiscal Benefit to City of Long Beach				
Property Taxes	Stabilized Value	Taxes Paid	Long Beach Share	Transfer %
Hotel	20,400,000	204,000	26,520	13%
Retail	107,600,000	1,076,000	139,880	13%
Multifamily	101,700,000	1,017,000	132,210	13%
Total	\$ 229,700,000	\$ 2,297,000	\$ 298,610	13%
Sales and Transient Occupancy Taxes				
	Gross Sales	Taxes Paid	Long Beach Share	
Retail (8.75%)	160,000,000	14,400,000	144,000	1%
Hotel (12% TOT)	4,380,000	525,600	525,600	100%*
*50% of TOT revenue allocated to Long Beach Tourism Fund				
Total Annual Revenue for Long Beach			\$ 1,266,820	
TOT Revenue Comparison: New Boutique Hotel v. Existing Seaport Marina Hotel				
	Gross Revenue	Taxes Paid	% Increase	
Existing Seaport Marina Hotel	1,100,000	132,000		
New Boutique Hotel	4,380,000	525,600	398%	

We estimate the project will generate over \$1,266,000 of direct property, sales and transient oriented tax revenue to the City of Long Beach's general fund. The new boutique hotel itself will create a 390% increase in annual TOT revenues—a significant increase from what is being generated today.

The win-win combination of revenue creation for the City with a design conforming to the Local Coastal Plan should create a favorable approval process to mitigate entitlement risk.

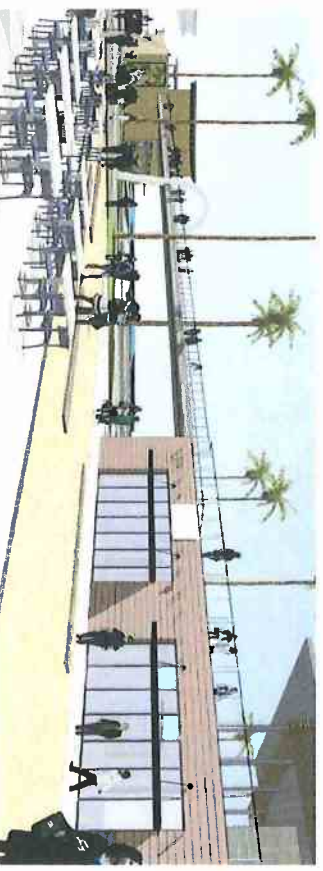
CREATING VALUE THROUGH A PUBLIC-PRIVATE PARTNERSHIP:

The City encourages a project that “thinks big”, “provides direct access to the water”, and improves connection between the adjacent shopping centers. A phased entitlement strategy that studies multiple options will implement SEADIP’s goal of increasing connectivity by improving the parking lots bifurcating Belmont Yards from the water.

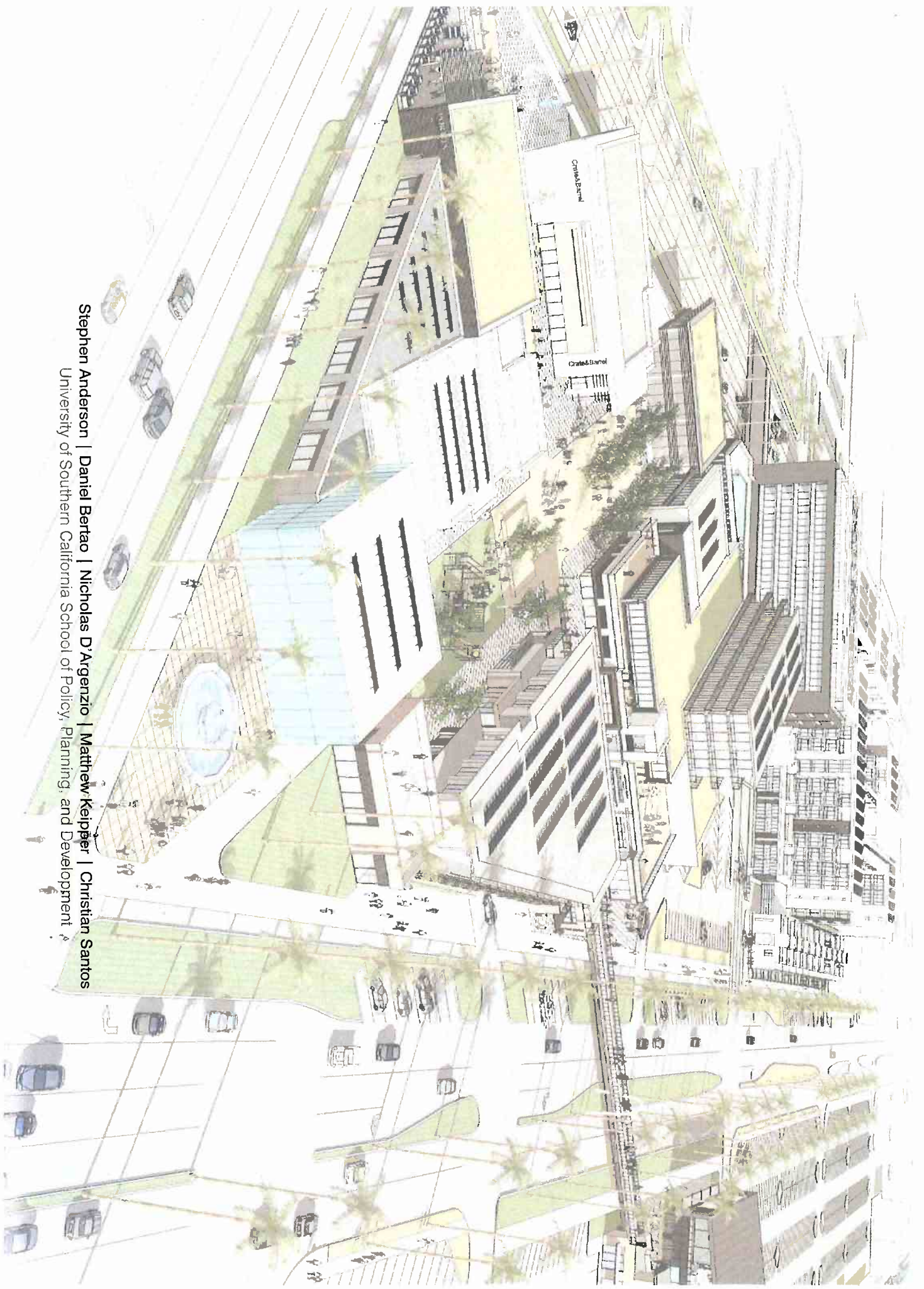
We propose linking the project to the water by ground leasing the City owned surface parking lots between the marina and Marina Drive to develop public space, restaurants, and a full service waterfront hotel. This will improve public access to the coast, better link the project to surrounding properties, and create a “front door” to Alamitos Bay.

Property that currently yields no municipal revenue will provide a fiscal benefit to a city in need of additional revenue sources. Most likely the City would issue an RFP to choose the developer/operator of the ground leased public land. Belmont Yards would be a logical potential operator because the collective project would connect adjacent parcels.

Operating the two separated parcels as one project would create an efficient shared parking solution that no other potential ground lessee could offer. Minimum parking required for boat owners would be preserved through a deed restriction. Costs of infrastructure improvements would be shared between the project and the City. Our goal is for investors, the community and the City to share in the fiscal benefits created by this public-private partnership.



View of Pedestrian Bridge over Marina Drive



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