



REQUEST FOR PROPOSALS # [REDACTED]-16
FOR A
HOTEL DEVELOPMENT OPPORTUNITY
PARKVIEW SITE
MANHATTAN BEACH, CALIFORNIA



INVITATION

On February 12, 2016, the City of Manhattan Beach ("City") published a Request for Qualifications ("RFQ") for a hotel development opportunity for an approximately 3.4-acre portion of City-owned property located at the southeast corner of Parkview Avenue and Village Drive ("Site"). Your development team is one of three development teams that have been selected to receive an invitation to respond to a Request for Proposals (RFP) for the Site.

The RFP is the second step in a three-phased process that can be described as follows:

1. The City received and evaluated responses to the RFQ, and on June 27, 2016 selected a short list of three development teams to proceed to the RFP phase of the process.
2. This invitation to submit a response to the RFP is the second phase of the process. The submittal requirements are detailed in Section IV of the RFP.
3. As the third stage of the process, the City intends to enter into an Exclusive Negotiations Agreement (ENA) with the selected development team for the purpose of negotiating the terms of a long-term ground lease.

The following deadlines apply to this RFP:

Activity	Date
RFP Release Date	June 27, 2016
Any questions related to the RFP must be submitted via email to: Andy Sywak asywak@citymb.info The subject line for all communications should be "Parkview RFP". The City will post questions and answers at http://www.citymb.info .	June 27 – August 22, 2016
Responses to the RFP must be sent to: City Clerk's Office City of Manhattan Beach 1400 Highland Avenue Manhattan Beach, California 90266	September 27, 2016 - by 3 PM

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I. SITE DESCRIPTION

The approximately 3.4-acre City-owned Site is located at the southeast corner of Parkview Avenue and Village Drive, and it is currently improved with a surface parking lot. An aerial view of the Site is presented below.



The City also owns adjoining land that is improved with tennis courts and athletic fields. The City-owned properties are adjacent to the Manhattan Village shopping center, the Manhattan Beach Country Club and a senior citizen housing complex. Notably, the Manhattan Beach Marriott hotel, which includes 25,000 square feet of meeting space, is located to the east of the country club.

An easement exists on the Site to provide access to the senior citizen housing complex and the City-owned tennis courts and athletic fields. The creation of a successful hotel development plan will require a high degree of sensitivity and collaboration with the residents and businesses adjacent to the site, especially the senior citizen housing complex, throughout the process.

The Site was formerly used by Chevron Oil as a tank farm. The City is in the process of preparing a Phase I Soil Assessment and will provide a final copy to the selected development team prior to entering into an ENA.

II. DEVELOPMENT PARAMETERS

The Site is located in a Planned Development (“PD”) zone, and the development standards are established through a PD Plan that must be approved by the Planning Commission and the City Council. The City’s primary objectives for the Site’s development are as follows:

- 1. The City has a preference for the development of a high-quality lifestyle hotel with up to 150 rooms. The inclusion of restaurant and bar/lounge space, and a small meeting room component are also desired.**
- 2. The Site is encumbered with a requirement to provide 234 parking spaces to the Manhattan Village Mall and the Manhattan Beach Country Club. The scope of development must include the code required parking to serve the proposed project plus 234 replacement-parking spaces.**
- 3. The proposed project will need to incorporate a road that provides access to the adjacent senior citizen housing complex.**
- 4. The project must be developed in timely fashion, at a reasonable risk to the City, while simultaneously assuring high-quality design, and superior long-term operation.**

III. GROUND-LEASE PARAMETERS

The City plans to convey the Site to the selected development team in the form of a long-term ground lease. The City has identified several basic terms that they will require to be included in the transaction, which can be summarized as follows:

- 1. The City’s fee interest in the Site represents the senior lien on the property. The City will not subordinate its fee interest in the Site.**
- 2. The City will agree to an initial ground-lease term of 55 years. Respondents that wish to propose to extend the term with option periods should detail the length of the extension and the financial terms to be applied during the option periods.**
- 3. Ground-Rent Payments:**

- a. The ground lease will be structured on a triple-net basis.
 - b. The City is seeking a minimum base rent that will be subject to periodic scheduled increases.
 - c. Percentage rent revenue is expected to represent the primary source of ground-rent revenue to be produced by the project. Percentage rents must be based on agreed upon percentages of the gross revenues produced by room sales; food and beverage sales; and other pertinent revenue streams generated by the project.
4. The City will have a reasonable right to approve any assignment of the ground lease, as well as any changes in the hotel flag or operator. This may also include an obligation to pay a transfer fee to the City.
5. The project will be subject to possessory interest tax obligations.
6. The City will not pay commissions to real estate brokers as part of this transaction.

IV. GOOD FAITH DEPOSIT

If a development team is selected to enter into an ENA as a result of this RFP process, the selected development team will be required to submit a good faith deposit in the amount of \$50,000 prior to the commencement of negotiations. The funds will be used by the City to offset any administrative, legal and/or consultant costs associated with reviewing the proposal and negotiating a potential ground lease.

The City will track deductions from the good faith deposit. The City staff time will be charged at a fully burdened rate based on an established cost allocation process. Work undertaken by the contract City Attorney and the City's consultants will be billed at their standard hourly rates. In addition, any technical studies commissioned by the City will be paid for using the good faith deposit.

If all the funds in the good faith deposit account are spent before the ground-lease negotiations are completed, the development team will be required to make an additional deposit. The deposit amount will be based on the City's estimate of the additional costs that will be incurred. In the event funds from the good faith deposit remain unspent once a ground-lease is executed, the unspent funds will be returned to the development team.

V. SUBMITTAL REQUIREMENTS

Summary

The response format being requested by the City is detailed in the following sections of this RFP. The submission of a concise, professional, and complete response to the RFP will facilitate the City's evaluation of the responses, and will be indicative of the level of the respondent's commitment to the desired project. Any questions that arise during preparation of a submittal should be addressed only to Andy Sywak, Economic Vitality Manager (asywak@citymb.info).

Responses to this RFP shall not exceed a total of 30 pages, excluding drawings and financial analyses. The response must be printed one-sided, using a minimum font size of 11. Respondents must submit one unbound original hard copy, ten bound hard copies, and one digital PDF file (on CD or flash drive). Responses received by e-mail and/or fax will not be accepted.

The submittal must be enclosed in a sealed envelope or box. The face of the envelope/box must be reference "PARKVIEW RFP", and the name and address of the respondent. Submittals must be addressed to:

City Clerk's Office
City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, California 90266

Submittals must be received by the City no later than September 27, 2016 at 3:00 PM. Submittals received after this due date and time will not be accepted. Delivery of the RFP response to the specified location by the prescribed time and date is the sole responsibility of the respondent.

Components of the RFP Response

To facilitate the City's review of the RFP responses, please organize your submittal in the following order:

Transmittal Letter

The submission must include a transmittal letter that identifies the development team name, and provides contact information for the person with authority to negotiate on behalf of the team. The transmittal letter may also provide any other general information that the proposer wishes to include regarding the response to the RFP. The transmittal must be signed and dated by the respondent.

Development Program

For this section of the RFP response, please provide the following information:

1. Please provide a narrative description of the proposed development scope including the building square footage and height; the number of rooms; the number and type of parking spaces; the food, beverage and meeting facilities; and any other amenities proposed to be provided.
2. If available, identify the proposed hotel operator and/or flag. If an operator and/or flag has not yet been identified, illustrate the quality level being proposed by identifying existing projects that can be considered comparable to the proposed project.
3. Submit conceptual drawings of the development plan that illustrate:
 - a. The physical layout of the development;
 - b. The proposed height, massing, parking, open space and any other site amenities;
 - c. The approximate configuration of buildings and other elements, and relationship to the surrounding uses; and
 - d. The manner in which access will be provided to the adjacent senior citizen housing complex and athletic fields.
4. Local stakeholders and community members will wish to provide extensive input into the development process. Please describe the development team's community engagement plan.

5. Provide a preliminary schedule of performance outlining the estimated time for each step of the development process, including a summary timeline or other graphic representation of the development process. The schedule should cover the period starting with the commencement of the planning and entitlement process through the opening of the hotel for business. Highlight major milestones and activities that will take place over the course of the development process.

Financial Information

This section of the RFP calls for an explanation of the financial assumptions on which the proposal is based, and the benefits the City can anticipate receiving. Please refer to the procedure for designating information as confidential or proprietary that is presented in Section VIII of this RFP.

Ground-Lease Terms and Conditions

Please identify proposed terms and conditions for the key ground-lease terms presented in the following table. Please be advised that any and all terms provided as part of your submittal are only meant to assist the City in the evaluation process. The actual ground-lease agreement between the selected development team and the City will be negotiated during the ENA process.

Ground-Lease Term:	Identify the length of the base ground-lease term, and any requested option periods.
Commencement of Ground-Rent Payments:	Identify the trigger(s) for the commencement of base-rent payments.
Base Rent:	Identify the amount of the base rent payments due during the construction period. Identify the amount of the base rent payment due during the first year of the project's operation. Describe the timing and the mechanism used to determine the amount of the future increases in the base rent.
Percentage Rent:	Identify the trigger(s) for the commencement of percentage rent payments. Identify the proposed

	percentages of room revenues; food and beverage revenues; and other revenues.
Fair Market Adjustment of Base Rent:	Identify the adjustment timing and the mechanism used to make the adjustment.
Capital Repairs and Replacements	<p>Identify the proposed annual contributions to a reserve fund that will be used to fund future capital repairs.</p> <p>Identify the timeframes proposed for refurbishing the hotel throughout the ground-lease term.</p>

Business Plan

Please provide a business plan that includes the following information:

- 1. Identify the structure under which the respondent proposes to operate the hotel, such as a management agreement with an outside operator, or under the direct auspices of a member of the development team that is responding to this RFP.**
- 2. Describe the market segments that will be targeted for the proposed hotel, and the marketing strategies that will be employed.**

Financing Plan

Please provide a construction period sources and uses of funds statement and a permanent sources and uses of funds statement for the proposed scope of development. In addition, please include the following information:

- 1. The construction loan underwriting terms;**
- 2. The permanent loan underwriting terms; and**
- 3. The expected stabilized return on any equity to be invested in the project, and the threshold internal rate of return (IRR) on the equity investment.**

Please describe any financial responsibilities and/or obligations that the development team is proposing that the City accept.

Pro Forma Analysis

Submit a pro forma analysis that includes a construction cost estimate and a cash flow projection for the first 10 years of the project's operation. The pro forma analysis will only be used as a tool to assist the City in evaluating the ground-lease terms being proposed by the development team.

Please provide a summary that will assist the City in understanding the assumptions applied in the financial analysis. Also, please identify any assumptions that are critical to the economic viability of the project.

Design and Construction Schedule

Please provide an estimated entitlement and construction schedule for the project, including an estimated timeline for project submittal and anticipated construction phasing.

Estimated Construction Costs

Please provide a construction cost estimate that includes as much detail as possible broken down into the following components:

- 1. Direct construction costs:**
 - a. Site-work costs;**
 - b. Parking costs;**
 - c. Building costs; and**
 - d. Furniture, Fixtures & Equipment Costs.**
- 2. Indirect/soft costs:**
 - a. Architecture, engineering and consulting fees;**
 - b. Public permits and fees costs;**
 - c. Developer Fee; and**
 - d. Other indirect/soft costs.**

3. **Financing costs:**
 - a. **Construction period interest costs; and**
 - b. **Construction and permanent loan origination fees.**

Cash Flow Projection

Please provide the following information in the 10-year cash flow projection:

1. **Revenues**
 - a. **Annual room revenues:**
 - i. **Average occupancy rate; and**
 - ii. **Average daily room rate.**
 - b. **Annual food and beverage revenues.**
2. **Operating expenses:**
 - a. **Distributed Expenses;**
 - b. **Undistributed expenses; and**
 - c. **Fixed expenses.**
3. **Ground-lease payments:**
 - a. **Base payments; and**
 - b. **Percentage rent payments.**

VI. RFP EVALUATION CRITERIA

The following RFP evaluation criteria will be used to select a development team to move on to the ENA process for the purpose of negotiating the terms of a long-term ground lease for the Site:

1. **Compliance with the RFP requirements pertaining to:**

- a. The scope of development;
 - b. The requirement to provide 234 replacement parking spaces; and
 - c. The provision of an access easement to the existing senior citizen housing complex.
2. The overall quality of the proposed project design and the proposed hotel operator and flag.
3. The market and financial feasibility of the proposed development scope.
4. The direct fiscal benefits anticipated to be received by the City, which for evaluation purposes will be made up of the ground-lease payments, transient occupancy tax revenues and possessory interest taxes.
5. The timeline for development.
6. The quality and completeness of the RFP response.

VII. PROPOSAL EVALUATION PROCESS

All submitted proposals will be evaluated by a panel consisting of City staff and consultants. The proposals will be assessed in accordance with the defined RFP Evaluation Criteria. As part of the process, the evaluation panel reserves the right to request additional information or clarifications from respondents, and to allow the respondents to correct errors and/or omissions in submissions.

The evaluation panel may ask the respondents to participate in an interview process. The development teams may also be required to make a presentation to the City Council to explain the design, development and operational aspects of the proposed project.

The projected schedule for the three-phased developer selection process is presented in the following table:

Activity	Date
RFP Release Date	June 27, 2016

Period in Which Questions May be Posed to the City	June 27 – August 22, 2016
City Responds to Questions	As received
Deadline to Submit RFP Responses	September 27, 2016 - by 3 PM
Interviews with Respondents to the RFP (if needed)	October 10 through October 15, 2016
Development Teams' Presentations to the City Council (if needed)	October __, 2016
Announcement of Preferred Developer	November __, 2016 – subject to City Council approval
90-Day ENA Period Begins	Upon City Council Approval

The City may amend this schedule at any time. Written notice of any changes to the schedule will be provided to all respondents to the RFP.

In the event the negotiations between the selected development team and the City are progressing towards a ground-lease agreement, the City Manager has the discretion to extend the 90-day ENA period. If, at the end of the 90-day ENA period, the City Manager determines that the negotiations cannot be concluded successfully, the City will enter into an ENA with the development team that finished second in the evaluation process.

VIII. DECLARATIONS AND ADDITIONAL INFORMATION

Confidential and Proprietary Information

All submissions in response to this RFP are considered confidential until the City makes a selection, at which time the proposals will become public information and will be available to the public for review. However, the City understands that proposals submitted in response to this RFP may contain confidential and/or proprietary financial information that the respondent does not want used or disclosed for any purpose other than the evaluation of the submittal.

Respondents must clearly designate any part of the proposal that contains confidential or proprietary information as “CONFIDENTIAL” in order to claim protection from disclosure. Any portion of the proposal that a respondent requests exemption from disclosure must be easily separable from the submittal package to facilitate review of the non-confidential portion of the proposal. Any RFP response that is marked as CONFIDENTIAL in its entirety may be rejected without further consideration or recourse.

The City will take reasonable measures to hold in confidence all proposal contents marked as CONFIDENTIAL, but shall not be liable for the release of any information when required by law or court order. If the City and a development team enter into a ground-lease agreement, the agreement will be a public document, and no part of the agreement can be designated as CONFIDENTIAL.

The City’s Rights Pertinent to this RFP

1. The City reserves the right to reject all submittals for any legally permissible reason without indicating the reasons for rejection.
2. The City is under no obligation to award this project to the development team offering the most advantageous financial benefit to the City. The RFP Evaluation Criteria shall be used as the basis for the evaluation of the proposals.
3. The City shall have sole authority in determining the responsiveness of any proposal submitted in response to this RFP. The City shall also have the sole authority to determine the extent to which exceptions to the RFP specifications affect the responsiveness of the respondent to the RFP requirements.
4. The City reserves the right to amend this RFP by addendum. The City is bound only by what is expressly stated in this RFP and any authorized written addenda. Any addenda will be posted at <http://www.citymb.info>.
5. The City reserves the right to withdraw this RFP at any time without prior notice, and makes no representation that any agreement will be awarded to any respondent. Additionally, the City expressly reserves the right to postpone opening responses to this solicitation for its own convenience, and/or to waive any informality or irregularity in the responses received.

6. **The City accepts no financial responsibility for any costs incurred by the respondent during any phase of the selection process. All submittals shall become the property of the City and may be used in any way deemed appropriate.**

Respondent Responsibilities

1. **The respondent understands that the information provided in this RFP is intended solely to assist the respondent in preparing a submittal. To the best of the City's knowledge, the information provided is accurate. However, the City does not warrant such accuracy, and any errors or omissions subsequently will not invalidate this RFP.**
2. **The respondent to this RFP shall not offer any gratuities, favors or anything of monetary value to any official, employee, or agent of the City for the purpose of influencing consideration of this RFP.**
3. **From the date this RFP is distributed, and throughout the evaluation and selection process, Andy Sywak is respondent's only point of contact for any and all matters pertaining to this RFP. Respondents shall not contact any other City personnel, consultants engaged by the City, Planning Commissioners or City Council members for matters regarding this RFP until the conclusion of the selection process. Unauthorized contact of this nature is cause for disqualification from the RFP process.**
4. **The respondent must comply with the requirements imposed by all applicable federal, state and local laws, including those pertaining to conflict of interest. All members of the responding development team must disclose any and all circumstances that could give rise to any potential conflict of interest or appearance thereof with its participation in the project with the City, and its agents, representatives and consultants.**
5. **The respondent shall not discriminate on the basis of race, gender, religion, national origin, ethnicity, sexual orientation, age, or disability in the solicitation, selection, hiring, or treatment of subcontractors, vendors, or suppliers.**