



**REQUEST FOR QUALIFICATIONS #1063-16
FOR A
HOTEL DEVELOPMENT OPPORTUNITY
PARKVIEW SITE
MANHATTAN
BEACH,
CALIFORNIA**



INVITATION

The City of Manhattan Beach ("City") is pleased to announce 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"). The City is seeking statements of qualifications, and a brief narrative description of a preliminary development concept, from qualified development teams with the vision, resources, and expertise to develop an approximately 150-room high-quality lifestyle hotel on the Site ("RFQ").

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

1. The City will evaluate the responses to the RFQ, and will select a short list of no more than three development teams. The selection will be based on the team's qualifications and a written narrative of the team's vision for the development of the Site.
2. The short-listed development teams will be asked to respond to a Request for Proposals ("RFP"). At the RFP stage, the short-listed teams will be required to identify a hotel operator and flag; submit preliminary design drawings; provide a pro forma analysis; and describe the proposed ground-lease terms.
3. At the completion of the RFP evaluation 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 the RFQ:

Activity	Date
RFQ Release Date	February 12, 2016
Any questions related to the RFQ must be submitted via email to: Bruce Moe bmoe@citymb.info The subject line for all communications should be "Parkview RFQ." The City will post questions and answers at http://www.citymb.info .	February 16 through March 11, 2016
Responses to the RFQ must be sent to: City Clerk's Office City of Manhattan Beach 1400 Highland Avenue Manhattan Beach, California 90266	March 29, 2016 at 3 PM

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Attachment A: PKF Consulting USA Hotel Market Analysis

AREA OVERVIEW

South Bay

The South Bay region of Los Angeles County is bounded by the Santa Monica Bay at the west, the Los Angeles International Airport at the north, and the Los Angeles and Long Beach Ports at the south. The South Bay includes 15 incorporated cities, including the coastal cities of Manhattan Beach, Hermosa Beach, Redondo Beach and El Segundo.

The major transportation routes that serve the South Bay are the Century Freeway (I-105), the San Diego Freeway (I-405), the Riverside Freeway (SR 91) and the Harbor Freeway (I-110). The region is also served by the Green Line light rail that runs along the median of the Century Freeway, and terminates in Redondo Beach.

PKF Consulting USA (PKF) prepared an analysis of the market potential for hotel development on the Site, which can be found in Attachment A. As part of that analysis, PKF described the characteristics of the South Bay hotel market area as follows:

1. In 2015, existing hotels generated an average daily room rate of \$156. PKF projects the average daily room rate to increase by 6.5% in 2016.
2. PKF estimates that the existing hotels achieved an approximately 84% occupancy rate in 2015. The average occupancy rate is projected to increase by approximately 2.0% in 2016.

The South Bay market area office inventory currently totals nearly 32 million square feet, with concentrations in aerospace, global telecommunications, information technology, biomedical research, entertainment services and international trade. The Space and Missile Systems Center in El Segundo provides over 60,000 jobs in Los Angeles County.

The residents in the South Bay coastal areas provide an affluent, highly educated labor force. South Bay schools are among the highest ranking in the nation, which in turn has catalyzed the residential housing markets.

City of Manhattan Beach

The City of Manhattan Beach encompasses approximately 3.9 square miles of land area. Manhattan Beach is bordered by El Segundo on the north and Hermosa Beach on the south. Los Angeles International Airport is located approximately three miles to the north of Manhattan Beach.

The Manhattan Beach residential population totals approximately 36,000 people, and it is one of the most affluent communities in the United States with a median annual household income of

over \$130,000. There are a mix of established residential neighborhoods in the city, with a current median home price of approximately \$2.2 million.

Manhattan Beach provides visitors with opportunities to enjoy a multitude of leisure activities, including approximately 2.1 miles of beachfront and 54 acres of parks. With an ideal climate of nearly 290 sunny days per year, and warmer winters and cooler summers than surrounding areas, Manhattan Beach is attractive to all lifestyles. Visitors to the South Bay currently account for upwards of 75% of restaurant sales in the region.

Manhattan Beach offers a diverse mix of shopping opportunities and a vibrant business environment. The major commercial areas in Manhattan Beach are located in the downtown and along Rosecrans Avenue and Sepulveda Boulevard. The two largest employers in the city are Northrop Grumman and Kinecta Federal Credit Union; the remaining private sector employers in the top 10 are major retailers, Marriott, and Tecolote Research. It is anticipated that the Manhattan Beach business economy will continue to grow, with a focus on technology, telecommunications and the entertainment industry.

The City has approved a Capital Improvement Plan to be implemented over a five-year period. By the end of 2016, the City anticipates spending approximately \$21 million on road and bridge improvements; parking facilities and the improvement of city facilities.

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 on the following page.



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 and the Manhattan Beach Country Club. Notably, the Manhattan Beach Marriott hotel, which includes 25,000 square feet of meeting space, is located to the east of the country club.

It is important to note that there is an existing senior housing complex on the southwest side of the subject parcel. Further, an access easement exists for the housing on the proposed location. Any development will require a high degree of sensitivity and collaboration with the senior housing community throughout the process.

DEVELOPMENT OPPORTUNITY

It is anticipated that a high-quality lifestyle hotel with up to 150 rooms can be developed on the Site. PKF estimates that a prospective hotel could achieve a stabilized occupancy rate of 80% and an average daily room rate of \$220 (in 2015 dollars).

The Site is located in a PD zone, and the development standards are established through a PD Plan that must be approved by the Planning Commission and the City Council. In addition, the Site is encumbered by the following:

1. A requirement to provide 234 parking spaces to the Manhattan Village Mall and the Manhattan Beach Country Club; and
2. An easement for a road that provides access to an adjacent senior-citizen housing project.

The City's primary objectives for the Site's development are as follows:

1. The project must be implemented in timely fashion, at a reasonable risk to the City, while simultaneously assuring high-quality design, and superior long-term operation.
2. The project must be designed in a manner that adheres to the encumbrances imposed on the Site.
3. The City intends to convey the Site to the selected development team in the form of a long-term ground lease. The City anticipates that the development will produce both a base rent component and a percentage rent component.

MINIMUM BUSINESS TERMS

The following section of this RFQ identifies the minimum business terms that will be required by the City. Respondents to the RFQ are required to affirmatively agree to abide by these minimum business terms, or to identify any requested modifications to these terms. Any requested modifications must be accompanied by an explanation of why the modification is required, and an identification of alternative ways to address the issue.

Scope of Development

1. The City has a preference for the development of a high-quality lifestyle hotel. Provision of restaurant and bar/lounge space, and a small meeting component are also desired.
2. The project must include 234 replacement-parking spaces in addition to the parking spaces required to serve the proposed hotel development.
3. Access to the existing senior-citizen housing project must be preserved.

Ground Lease Terms

1. The City will agree to an initial ground-lease term of 55 years. Extension options will be the subject of negotiations during the ENA process.
2. 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.

3. Ground-Rent Payments:
 - a. The City is seeking a minimum base rent that will be subject to periodic scheduled increases.
 - b. 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 hotel.
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 a transfer fee to the City from such changes.

Miscellaneous Terms

1. The project will be subject to possessory interest tax obligations.
2. The City will not pay commissions to real estate brokers in this phase of this transaction.

SUBMITTAL REQUIREMENTS

Summary

The response format being requested by the City is detailed in the following sections of this RFQ. The submission of a concise, professional, and complete response to the RFQ will help the City identify the most qualified development teams, 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 Bruce Moe (bmoe@citymb.info).

Respondents must demonstrate the experience, resources, and expertise needed to design, develop and operate a successful project. Past design and development experience, especially with similar projects, will be critical in evaluating the RFQ responses. Current financial capacity, access to funding sources and the ability to complete the project in a timely manner will also be important factors in determining the most qualified RFQ responses.

Responses to this RFQ shall not exceed a total of 30 pages, including any appendices, 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 RFQ", 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 March 29, 2016 at 3:00 PM. Submittals received after this due date and time will not be accepted. Delivery of the RFQ response to the specified location by the prescribed time and date is the sole responsibility of the respondent.

RFQ Response Components

Transmittal Letter

The submission must include a transmittal letter, on official letterhead, that provides contact information for the person with authority to negotiate on behalf of the development team. The letter must also include an affirmative statement that the respondent agrees to the minimum business terms identified in the RFQ.

The respondent must certify that the RFQ response and exhibits are true and correct. Unsigned and/or undated submissions will not be accepted.

Development Team

Identify the developer and other key members of the development team, including the project lead for day-to-day management of the project, and the key consultants that will be responsible for implementing the project. Provide a succinct narrative describing the role and relevant expertise of each of the firms and key individuals that would be involved in the project's implementation.

Proposed Conceptual Development Scope

Provide a one-page narrative that describes the development concept that is envisioned for the Site. As part of this description, identify any responsibilities proposed to be imposed on the City. At the respondent's discretion, up to one graphic such as a conceptual site plan may also be provided.

Experience

Provide descriptions of at least three projects and no more than five projects that the respondent has undertaken within the past five years that are directly analogous to the project being proposed for the Site. Each description should include the following information:

1. The project's name and location.
2. Development Scope:
 - a. The name of the hotel operator;
 - b. A project description that identifies the hotel's square footage, the number of hotel rooms, and the completion date;
 - c. A description of the quality level, market mix and amenities provided at the project; and
 - d. Photographs of the project.
3. Financial Characteristics:
 - a. The structure of the land conveyance, i.e., ground lease or fee sale;
 - b. The total development costs;
 - c. A breakdown of the debt and equity funds used to finance the project; and
 - d. Contact information for the lenders and equity investors.
4. A description of the role the respondent and other team members played in the development and operation of the project.
5. Public Sector Contact:
 - a. Provide contact information for a representative of the jurisdiction in which the project is located including telephone number and email address
 - b. Indicate whether or not the project was undertaken as a public/private partnership. If so, describe the responsibilities accepted by the public sector partner.

Financial Capacity

Provide evidence of the development team's financial ability to undertake and successfully complete the proposed project including the following:

1. Financial Statements:
 - a. If available, submit audited financial statements for the past two years for each developer entity that is part of the development team.

- b. If audited financial statements are not available, provide documented evidence of prior development transactions in which substantially all of the funding was obtained by the respondent. This information should include letters from the project lenders that identify the size of the loans and the repayment terms, and letters from the equity investors that identify the investment amounts and summaries of the transaction terms.
2. Provide a statement identifying the threshold rate of return requirement anticipated to be imposed on the proposed project. The threshold can be presented as a stabilized return on total investment or an Internal Rate of Return (IRR) on total investment.
3. List and explain any litigation or disputes any member of the development team is involved in that could result in a financial settlement that has a materially adverse effect on the ability of the development team to complete the proposed project.
4. Provide a statement detailing whether or not any member of the development team has ever filed for bankruptcy or had projects that have been declared in default or foreclosed upon. If the answer is 'yes', to any of these questions, list the dates and describe the circumstances.

The City recognizes the sensitive nature of the financial capacity information that is requested in this RFQ. Therefore, respondents are only required to submit one copy of the requested financial capacity information, and it should be submitted in a separate envelope that is marked "CONFIDENTIAL", and that is addressed to:

Mr. Quinn Barrow, City Attorney
City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, California 90266

SELECTION PROCESS AND EVALUATION CRITERIA

Selection Process

The selection process will be divided into the following three phases:

1. The City will evaluate the responses to the RFQ, and will select a short list of no more than three development teams to move on to the RFP stage of the selection process.
2. The short-listed development teams will be asked to respond to a RFP that requires the teams to provide more detailed information about the proposed project. This will include

identifying a hotel operator and flag; creation of preliminary design drawings; preparation of a pro forma analysis; and a description of the proposed ground-lease terms.

3. At the completion of the RFP evaluation process, the City intends to enter into an ENA with the selected development team for the purpose of negotiating the terms of a long-term ground lease.

RFQ Evaluation Criteria

The following RFQ evaluation criteria will be used to select the short list of development teams that will be invited to respond to the RFP for the Site:

1. The respondent's agreement to abide by the minimum business terms identified in this RFQ.
2. The development team's proven experience in the successful financing, design, construction, and operation of hotels of a similar scope and scale.
3. Financial capacity to undertake a project of the proposed magnitude.
4. Overall quality of the development team.
5. Experience with long-term ground leases and other similar public/private development agreements with public sector entities.
6. Quality and completeness of the RFQ response.

DEVELOPER SELECTION SCHEDULE

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

Activity	Date
RFQ Release Date	February 12, 2016
Last Day to Submit Questions to the City	March 11, 2016
City Responds to Questions	As received
Deadline to Submit RFQ Responses	March 29, 2016 – 3:00 PM
Announcement of Short-listed Development Teams	April 28, 2016
RFP Issued to Short-listed Development Teams	May 11, 2016
Deadline to Submit RFP Responses	August 11, 2016
Announcement of Preferred Developer	September 21, 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 RFQ.

DECLARATIONS AND ADDITIONAL INFORMATION

The City's Rights Pertinent to this Solicitation

1. The City reserves the right to reject all submittals for any legally permissible reason without indicating the reasons for rejection.
2. The City reserves the right to amend this RFQ by addendum. The City is bound only by what is expressly stated in this RFQ and any authorized written addenda. Any addenda will be posted at <http://www.citymb.info>.
3. 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.

Withdrawal of Solicitation

The City reserves the right to withdraw this RFQ 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.

Confidentiality

All submittals in response to this RFQ are considered confidential until the City makes a selection, at which time the submittals will become public information and available to the public for review. However, the financial capacity information portion of each submittal will be treated as confidential, and will not be available for public review at any time.

Examination of Solicitation

The respondent understands that the information provided in this RFQ 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 RFQ.

Conflict of Interest

Respondents must comply with the requirements imposed by all applicable federal, state and local laws, including those pertaining to conflict of interest. All members of responding development teams 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.

Nondiscrimination Policy

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. The respondent shall provide equal opportunity for subcontractors to participate in subcontracting opportunities. The respondent understands and agrees that violation of this clause shall be considered a material breach of this contract and may result in contract termination or other sanctions.

ATTACHMENT A
PKF CONSULTING USA HOTEL MARKET ANALYSIS