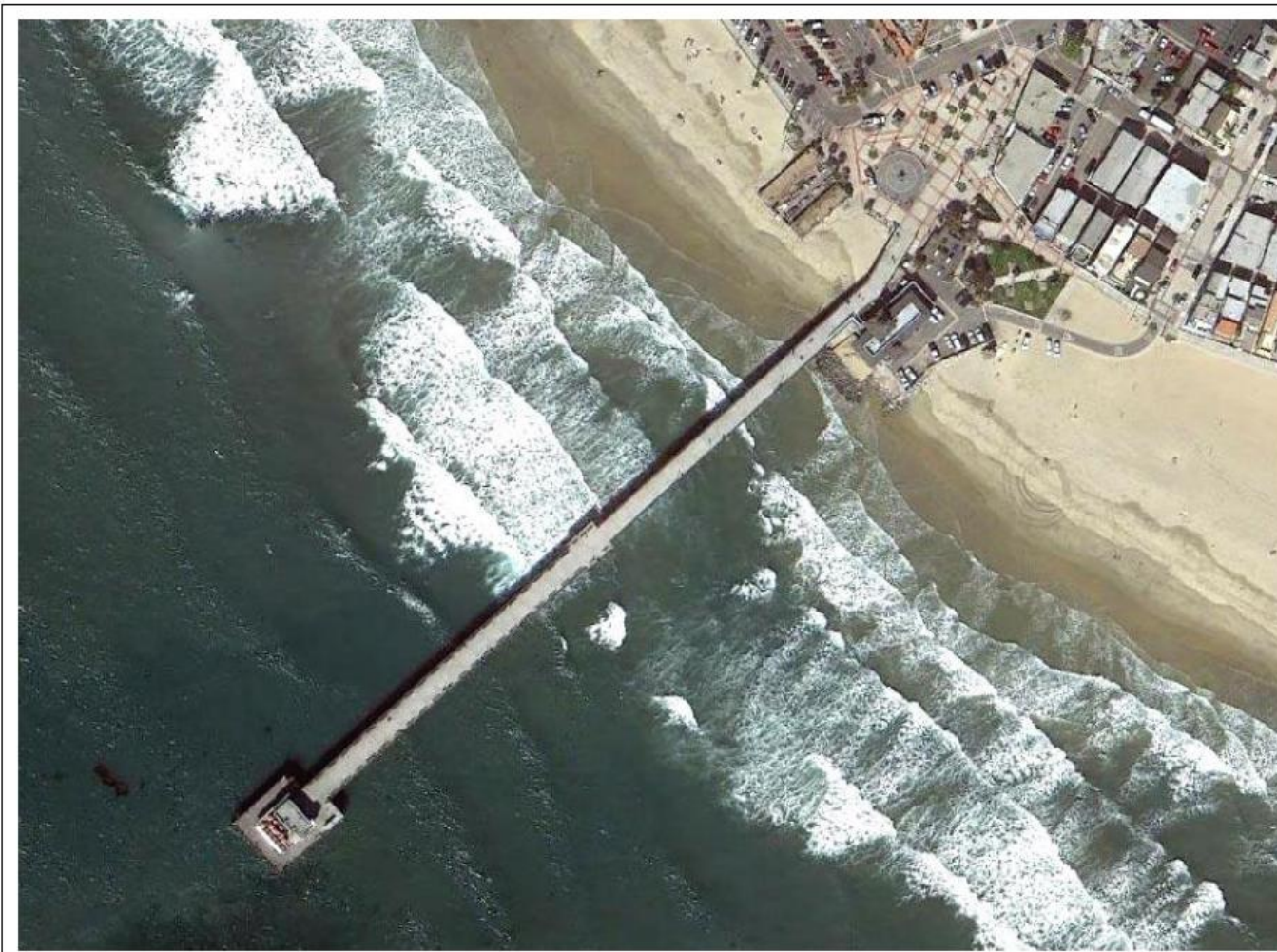


City of Newport Beach

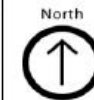
Newport Pier:
Economic Evaluation & Highest/Best Use
Presented to
City Council
November 26, 2013



1 Newport Pier



NEWPORT PIER



Options to Consider



- Remodel
- Replace
- Remove

Background

- Assessment of building and systems identified major utility, accessibility, and refurbishment work is required prior to re-tenanting building
- Anticipated repair costs \pm \$400,000.
- Tenant Improvement Cost, Approx \$150,000.



Problems



Layer of standing water seen here



More views of roof



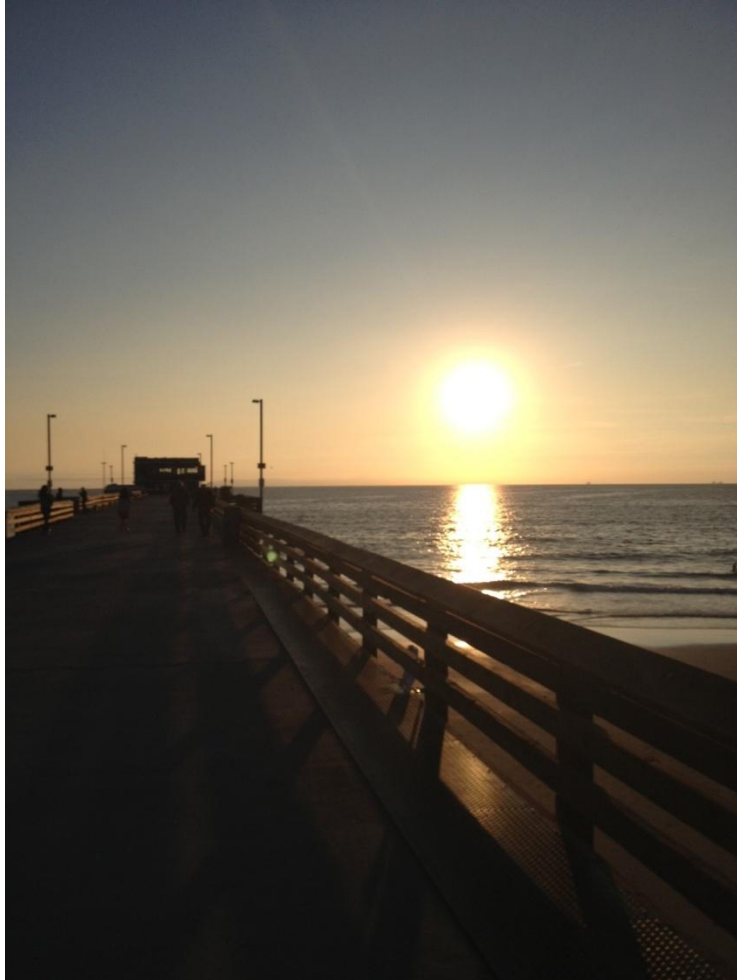
View of ceiling stain kitchen



View of rotten trim

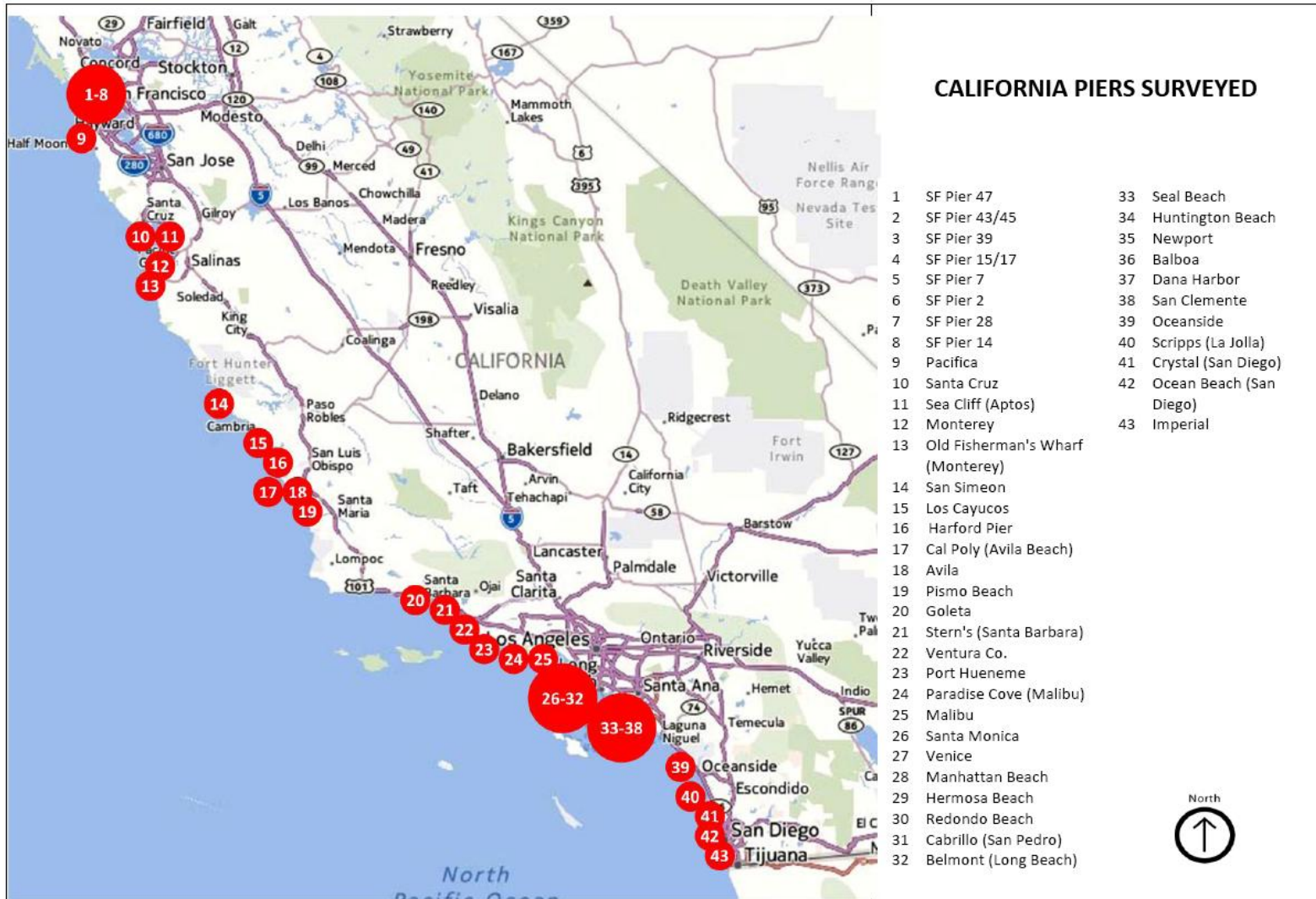


Economic Study



- Engaged GRC Assoc. to Survey piers in California.
- Comparison of business uses and revenue.
- Determine highest and best use.

Economic Study Scope



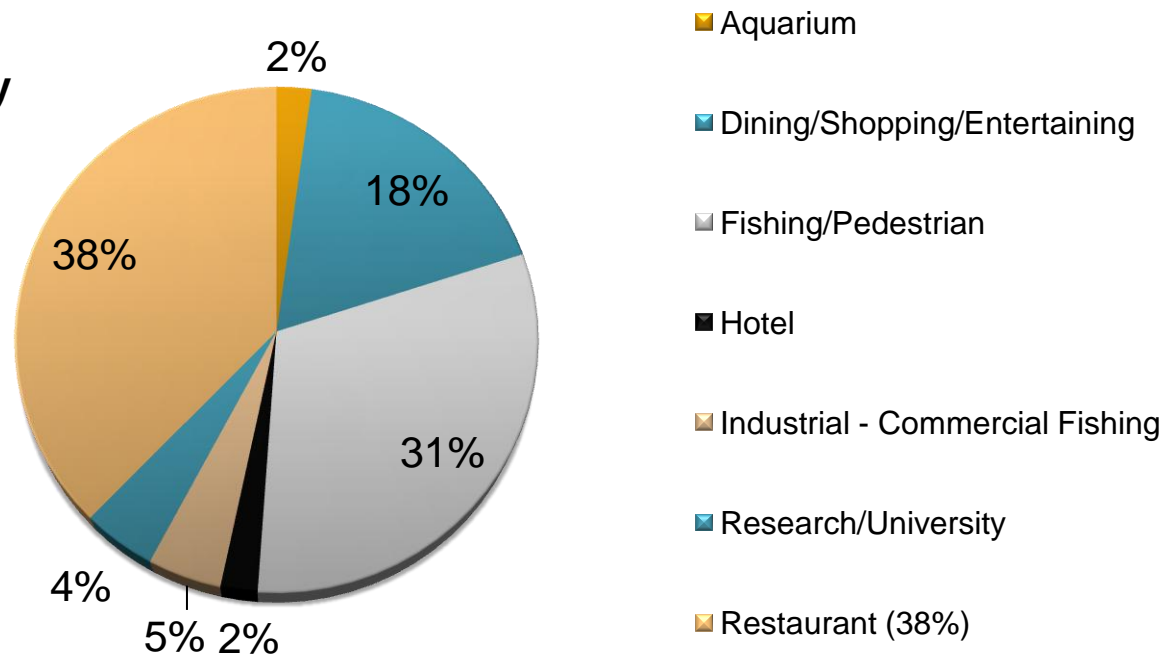
Pier Uses

- Pier Uses include:
 - Recreation (fishing/pedestrian)
 - Restaurants (snack shop, fast food, full-service)
 - Entertainment and Retail (bait, other retail)
 - Research, aquarium, museum, education
 - Industrial
 - Commercial fishing
 - Rental cottages



Retail Study

Use of Piers by Primary Category



- Restaurant is most common type of business located on pier
- Vacancy at piers is rare, 4 spaces since November 2012:
 - Newport Pier – lease expired
 - Seal Beach Pier – lease dispute with Ruby’s Diner, closed after 25 years
 - Malibu Pier – Ruby’s Diner closed, lease with new tenant pending
 - Harford Pier – café closed after summer season

Comparable Piers

- Selection of 13 piers with comparable demographic data (including population, race-ethnicity, median age, median household income, and average household size)
 - Newport Pier
 - Balboa Pier
 - Huntington Beach Pier
 - Seal Beach Pier
 - San Clemente Pier
 - Manhattan Beach Pier
 - Malibu Pier
 - Santa Monica Pier
 - Oceanside Pier
 - Ocean Beach Pier
 - Imperial Beach Pier
 - Pismo Beach Pier
 - Pacifica Municipal Pier

Summary of Retail Categories

- Restaurants have highest annual taxable sales per store (within one-quarter mile radius of selected comparable piers)

Summary of Major Retail Categories
One-Quarter Mile Radius of the 13 Selected Piers

Major Retail Category	Number of Retail Stores	Average Annual Taxable Sales Per Store
Restaurants	305	\$911,092
Food Stores	42	\$727,036
General Merchandise	5	\$511,280
Apparel	166	\$371,163
Other Retail	543	\$169,571
Furniture and Appliances	68	\$75,281
Total Retail	1,129	\$432,398

Source: GRC Associates, Inc., September 2013

Retail Study

Average Annual Taxable Sales Per Restaurant
One-Quarter Mile Radius of the 13 Selected Piers

Piers	Number of Restaurants	Average Annual Taxable Sales Per Restaurant
Santa Monica Pier	7	\$3,480,171
Manhattan Beach Pier	51	\$1,304,125
Newport Pier	20	\$1,246,750
Huntington Beach Pier	43	\$1,151,772
Pismo Beach Pier	16	\$1,068,863
San Clemente Pier	16	\$938,950
Seal Beach Pier	19	\$635,895
Oceanside Pier	27	\$626,715
Malibu Pier	7	\$611,029
Ocean Beach Pier	52	\$600,360
Balboa Pier	30	\$408,317
Imperial Beach Pier	11	\$259,818
Pacifica Pier	6	\$136,450
Average		\$926,637



[Restaurant size, type, and concentration of alcohol licenses within one-quarter mile radius of pier contributes to the variation between Newport and Balboa Piers' average annual taxable sales.]

Per Capita Retail Sales

Summary of Per Capita Taxable Retail Sales - 2011

NAICS Retail Category	California	Orange County	City of Newport Beach
Motor Vehicle and Parts Dealers	\$1,419	\$1,896	\$5,863
Food Services and Drinking Places	1,457	1,788	4,619
Clothing and Clothing Accessories Stores	788	1,039	2,752
General Merchandise Stores	1,283	1,566	1,987
Gasoline Stations	1,470	1,584	1,667
Food and Beverage Stores	628	653	1,174
Bldg. Matrl. and Garden Equip. and Supplies	694	744	533
Furniture and Home Furnishings Stores	247	298	505
Electronics and Appliance Stores	381	761	*
Health and Personal Care Stores	274	293	*
Sporting Goods, Hobby, Book, and Music Stores	282	361	*
Miscellaneous Store Retailers	457	544	*
Nonstore Retailers	82	151	*
Total Per Capita Retail Sales	\$9,463	\$11,679	\$20,785

* Data not available due to small sample size and confidentiality-Source: State Board of Equalization, August 2013

Economic Evaluation

- Highest/Best use based is a RESTAURANT.
- A full service restaurant at the pier location would have an annual taxable sales of \$1.2M to \$1.6M, or \$300 to \$400 sf/year.
- With rent at 7% of gross sales or \$2.25 sf/month, estimated revenue to the City is \$102,000 to \$112,000/year.

Possible Next Steps For Remodel

1. Solicit proposals from qualified restaurant tenants.
2. Contribute funds to the project. Limit the City's contribution to approximately 50% of project cost or a high of \$300,000.
3. Selection of tenant will be based on:
 - a) Qualification/Experience
 - b) Credit Worthiness
 - c) City's Contribution
 - d) Theme/Menu

Estimated Financials Remodel

City's Investment -	(\$300,000)	(\$200,000)	(\$100,000)
Total Revenue (10-Year):	\$1,067,480	\$1,067,480	\$1,067,480
Net Present Value (NPR):	\$747,940	\$847,940	\$947,940
Return on Investment (ROI):	256%	434%	967%
Internal Rate of Return (IRR):	30%	45%	84%

Replace

Approx. Cost to Replace\$1,800,000

Challenges

1. Coastal Commission Approval.
2. Lost revenue until building is built.
3. 10-Years: NPV (519,000); ROI -28%; IRR -5%

Benefits

1. Opportunity for pier maintenance.

Remove

Approx. Cost to Remove\$50,000

Challenges

1. Coastal Commission Approval

Benefits

1. Larger pier area for fishermen and the public;
2. Possible use of gourmet food trucks;
3. More room for special events;
4. Opportunity for pier maintenance.

Options



- Remodel ?
- Replace ?
- Remove ?

Questions?
