



KEYSER MARSTON ASSOCIATES™  
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

**MEMORANDUM**

ADVISORS IN:  
REAL ESTATE  
REDEVELOPMENT  
AFFORDABLE HOUSING  
ECONOMIC DEVELOPMENT

**To:** Walter Kieser, Managing Principal  
Economic & Planning Systems

**From:** Jerry Keyser and Reed Kawahara

**Date:** December 18, 2009

**Subject:** CBIZ Financial Analysis Submittal for Old Mammoth Place

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Pursuant to our discussions with you and Town staff, this memorandum presents Keyser Marston Associates' (KMA's) financial analysis of the Old Mammoth Place project as required by the Town of Mammoth Lakes' CBIZ policy. As specified in the CBIZ policy, the owner of a property requesting density upgrades must submit a financial analysis to the Town that estimates the value of the community benefits generated by the proposed project relative to the potential economic benefits accruing to the owner as a result of the density upgrades.

Overall, the following are our fundamental conclusions from the analysis:

- The value of the community benefits (physical benefits only, not including fiscal/economic benefits) generated by the project is projected to surpass the projected economic benefits to the property owner as a result of the zoning upgrades by the significant multiple of 10.3.
- The proposed project is highly responsive to the Town's vision, goals and policies as enumerated in the General Plan, the North Old Mammoth Road District Plan (NOMRDP), and the Clearwater Specific Plan.

**I. CBIZ Policy**

The Community Benefits/Incentive Zoning (CBIZ) policy was adopted by the Town of Mammoth Lakes on August 5, 2009. The intent of the policy is to provide regulations for the granting of discretionary development incentives to property developers to encourage the provision of certain community benefits or amenities.

In Section A.1, the policy lists the following objectives (summarized):

- a. To enhance the function of the town as a successful year-round resort community, in accordance with the Town of Mammoth Lakes General Plan and Community Vision, and related implementing documents;
- b. To provide facilities and amenities to increase the recreation and leisure, social, community character, mobility and environmental amenities available to Mammoth Lakes' residents and visitors, beyond those ordinarily achievable through the Town's other Codes, policies and regulations;
- c. To ensure that the granting of development incentives provides desired benefits and amenities to the community, commensurate with the financial incentive conferred to an applicant in the form of additional land value or development profit;
- d. To provide a clearly defined review process for evaluation of proposed incentives and the public benefits offered, including opportunity for public review and comment.

In evaluating applications, Section D.2 of the policy specifies that the following criteria are to be considered (not including PAOT, which has previously been analyzed):

- a. The value of the benefits offered relative to incentives being sought;
- b. The economic and/or intrinsic value of the proposed community benefit to the town as compared with the economic value of the proposed development incentives to the applicant;
- c. The way in which the proposed amenities will fulfill the Vision, Goals and Policies of the General Plan, and the conformance of the proposed project with the General Plan or applicable community planning documents, and that a reasonable nexus exists between the community benefit and the incentive granted.

Finally, in Section D.4 the policy states that prior to granting of a use permit, preliminary map or preliminary site plan based on an incentive proposal, the Planning Commission shall conduct a public hearing on the incentive proposal, and shall make findings "that the proposal would reflect a fair financial balance of costs and benefits to the applicant and the Town".

## **II. Town of Mammoth Policy Goals and Foundational Documents**

The Town's goals for development of the downtown, including the subject property, include:

- Further the Town's role as a destination resort community in order to achieve a sustainable year-round economy;
- Improve pedestrian activity and provide gathering places and interaction in a vibrant mix of retail, tourist accommodations, residential housing and workforce housing;
- Create retail that shifts away from the traditional strip mall pattern.

These goals are outlined in these key documents:

- The Neighborhood and District Character Element of the General Plan
- The North Old Mammoth Road District Plan (NOMRDP)
- The Clearwater Specific Plan

Appendix B of this memorandum includes a listing of some of the policies and goals contained in the above documents. The Town also commissioned the firm of ERA, Economic Research & Associates (in 2007) to provide Development Strategies recommendations. In doing so, ERA spoke to the desirability of creating new projects of sufficient scale "to move Mammoth noticeably up the global competitive ladder."

## **III. Responsiveness of Proposed Project to Town Policy Goals**

The currently proposed Old Mammoth Place mixed use development responds directly to the scale recommendation of ERA noted above and incorporates many of the programmatic elements the Town seeks. The proposed project would further the Town's overall vision for the downtown area of Mammoth Lakes.

Also, the proposed project will fall under the umbrella of the EIR for the Clearwater Specific Plan, which has already been completed and certified. The Town EIR consultant is preparing a conformance analysis for the use permit and tentative tract map.

## **IV. Application of CBIZ Policy to Subject Property**

The subject 6.1-acre property is owned by Mr. Jim Demetriades and is located in downtown Mammoth Lakes bounded by Old Mammoth Road on the east, Sierra Nevada

Road on the south, Laurel Mountain Road on the west, and the Mammoth Mall shopping center on the north. Current improvements on the property include the Rodeway Inn, a 159-room motel/hotel built in the early 1970's, and two free-standing retail/restaurant buildings totaling approximately 12,000 square feet which are currently vacant. Parking for the project is provided in a surface parking lot.

Consistent with the Town's goals and vision for the property, Mr. Demetriades is proposing to redevelop the property with Old Mammoth Place, a mixed use project which contains numerous community benefits identified in the CBIZ policy, and which will change the image and environment of downtown Mammoth Lakes by creating a "there there." The project's components are a 488 room hotel, a 9,500 sq.ft. conference center, a 4,500 sq.ft. spa and wellness center, 40,000 sq.ft. of retail and restaurant uses, workforce housing, a pocket park, multiple hardscaped public plazas and underground parking serving all the uses on site (See Diagram 1).

In order to achieve this development program, which would implement the Town's goals and vision, the landowner, pursuant to existing zoning and CBIZ, is requesting the maximum allowable density of 80 rooms per acre rather than the base density of 40 rooms per acre. The requested scale of project will allow incorporation of the retail and public amenity elements that will provide a new vibrancy for downtown. The requested increase is consistent with CBIZ policy.

CBIZ policy requires that there be an identification and valuation of the incremental community benefits from a project with increased density in comparison to a "base case" without the density increase. The logical base case is for the owner to expand the existing limited service, economy lodging Rodeway Inn to 244 rooms (40 rooms per acre as permitted by existing zoning on the 6.1 acre property), to undertake a limited upgrade of the existing facility consistent with an economy motel, and to reopen the two existing restaurants, (one of which is reopening in December 2009). Diagram 2 illustrates how the base case might be planned. The base case is a surface parking solution. It is a relatively low cost, low risk, practical alternative where the additions can be built incrementally as the market justifies. For these reasons, in previous discussions with Town staff, it was agreed that the expanded Rodeway Inn is the most appropriate Base Case for the purposes of the CBIZ analysis.

## **V. Identification of Community Benefits**

The following is an explanation of the community benefits that have been quantified in this analysis. As specified in Section B.1 of the CBIZ policy community benefits are defined as "facilities, amenities, and project features". We interpret this to mean that the

term “community benefit” means only those *physical* amenities and features included in the proposed project and not other benefits such as fiscal and economic benefits (although these benefits are discussed in the following section). For purposes of the analysis, we only quantified the portion of the community benefit that would not otherwise be required by existing codes and land use regulations of the Town or otherwise be needed for market reasons.

The following are the community benefits included in this analysis and quantified. The metric used to quantify the benefit is stated in each case.

1. Outdoor plazas and public open spaces – Includes the proposed Old Mammoth Square, Market Commons, The Grove, and Cascade Park (see the attached site plan). The River Terrace area is not included as a community benefit because it is the location of the hotel pool area and will largely be an amenity for hotel users. The metric used to quantify this benefit is the estimated development cost of these facilities.
2. New mid-block connector and widening of Old Mammoth Road – The proposed project will include a new mid-block connector road and a widening of Old Mammoth Road, both of which are listed as community benefits in the Clearwater Specific Plan. The metric used to quantify this benefit is the estimated development cost of these facilities.
3. Retail/restaurant space – Recent market studies prepared for the Town (for example by EPS and ERA) have indicated a lack of high-quality specialty retail space in Mammoth Lakes. The proposed project will address this need by including 40,000 square feet of retail and restaurant space. KMA’s evaluation, however, indicates that the retail/restaurant component of the proposed project will not generate sufficient market returns. Based on the amount of restaurant space at the Westin project, KMA estimates that approximately 8,000 square feet of retail/restaurant space is needed in the proposed project as an on-site amenity for the hotel. The 32,000 square foot balance of space is included in the project to address the community’s desire to further activate this area of the Town. The metric used to quantify this community benefit is an estimate of the financial feasibility gap of this incremental retail/restaurant space, excluding the cost of the underground parking, which is separately quantified as described next.
4. Meeting/conference space – Sizing meeting/conference space in Mammoth Lakes is difficult because of the Town’s remote location and limited commercial air service (historically none). As a result, the prudent investor would build a minimal meeting/conference space, consistent with targeting condo/hotel

purchasers as the key to financial feasibility rather than the overnight hotel market. The prudent investor (The Westin exemplifies the prudent investor approach) would only produce as much meeting/convention space as was necessary to satisfy the occasional user group, and only occasional use of the space can be expected.

Accordingly, it is estimated that at most the prudent investor would build one third (3,100 square feet) of the approximately 9,500 square feet of conference facilities in the proposed project. The balance of 6,400 square feet is purely to benefit the community in seeking to achieve its goal of attracting more meetings/conferences to the Town, thereby enhancing visitor activity in the midweek and shoulder seasons. The metric used to quantify this benefit is the estimate of development cost of the community benefit conference space.

5. Underground parking (retail/restaurant) – Underground parking is listed in the Clearwater Specific Plan as a community benefit. The metric used to quantify this benefit is the full construction cost of the underground stalls serving the retail/restaurant uses.
6. Underground parking (balance of uses) – For the balance of the underground parking stalls in the proposed project, the community benefit is quantified by applying the cost differential between the underground parking and a less expensive above-ground parking structure.

In addition to those benefits we have quantified, there are others where we have not quantified the benefit but the benefits deserve recognition. These are:

1. Dedication of mid-block connector and Old Mammoth Road ROW – The proposed project will be dedicating to the Town the mid-block connector road and a 10 foot right-of-way along the length of Old Mammoth Road. Although the cost of installing the roads is quantified as a community benefit in item #2, we are not quantifying the value of the dedications.
2. Spa and Wellness Center – The project includes an approximately 4,500 square foot spa and wellness center that will be open to the public. However, we are not quantifying the value of this benefit.
3. Green Features – Understand the project will seek LEED certification and is currently being conceived to include a variety of green features including solar arrays on the roof. However, we are not quantifying the value of this benefit.

A more complete description of all community benefits is presented in Appendix A.

## VI. Other Benefits

In addition to the physical amenities described above, the proposed project will generate significant fiscal and economic benefits to the Town in the form of tax revenues and jobs. These benefits are not explicitly recognized as a “community benefit” in the CBIZ policy. However, Section 2.a of the policy notes that one of the criteria to be evaluated in the application is “the value of the benefits offered relative to incentives being sought, including proposed community benefits...” We interpret this to mean that in addition to the “community benefits”, defined as the physical amenities and features included in the proposed project, the value of other benefits may also be considered as well.

1. Direct TOT, property taxes, and sales taxes generated by the project – The incremental benefit generated by the proposed project is the amount of taxes above what would be produced in the Base Case 244-room scenario.
2. Induced sales tax and TOT – This is an estimate of the amount of Town-wide sales tax and TOT that are “induced” by development of the proposed project. It is assumed that the 244-room hotel without the magnitude of retail/restaurant space and public amenities would not induce any additional sales tax or TOT. The estimate of induced sales tax and TOT was based on the report “Real Estate Market Outlook and Development Strategy Recommendations” prepared for the Town of Mammoth Lakes by ERA dated October 2007.
3. Permanent on-site jobs created and wages earned – This is an estimate of the permanent on-site jobs created by the project above and beyond what a smaller 244-room hotel would produce. Moreover, a larger, higher quality hotel will both produce higher quality jobs and have an improved likelihood of producing work for the underemployed within the community.

## VII. Approach to Financial Analysis

Section A.1.c of the CBIZ policy states that the following is one of the policy’s objectives: “To ensure that the granting of development incentives provides desired benefits and amenities to the community, commensurate with the financial incentive conferred to an applicant in the form of additional land value or development profit.” In the case of the subject property, the applicant is the land owner and the identification of the ultimate developer of the project is unknown at this time. Therefore, the approach we have taken to measure the economic benefit to the applicant is to estimate the added value to the

land. The land residual analysis, as described in Appendix C and in the following section, explicitly takes into consideration an estimate of potential builder profit to take risk/attract capital for development (utilizing the low end of industry standards). A glossary of terms is included in Appendix D.

### **VIII. Findings of Financial Analysis**

As specified in the CBIZ policy, an applicant is to submit “sufficient financial evaluation and analysis, information, and evidence to allow for a reasonable assessment of the value of the benefits offered relative to incentives being sought.” KMA first estimated the land value of the property under the Base Case land use scenario compared to an estimate of the land value with the proposed project. Second, KMA estimated the dollar value of the various community benefits previously described. The analysis is included in Tables 1 and 2 attached, and is described below. The metrics used in the financial analysis are common in the industry in analyzing the economics of real estate projects, estimating land values, and quantifying fiscal and economic benefits.

#### Table 1: Residual Land Value Scenarios

Table 1 analyzes the supportable land value under both the Base Case scenario assuming base zoning and under the proposed project with 488 rooms. The land value under the Base Case was based on the estimated economics of expanding the Rodeway Inn to include a total of 244 rooms, a re-opening of the two existing restaurant buildings, and all surface parking. It is estimated that the land value under this scenario is approximately \$5.99 million, or \$982,000 per acre. Key assumptions consistent with this estimate are that the remodeled and expanded Rodeway Inn will achieve a \$140 average daily rate (ADR) and 60% occupancy rate and that triple net restaurant rents will be in the range of \$27 per square foot per year (please note that a listing of the various sources of data and assumptions used in the financial analysis is included in Appendix E).

The supportable land value under the proposed project is likely at or near the maximum that will likely be achievable when there is both a recovery in the overall economy and a very healthy recovery in the local real estate market. Perhaps the best “comp sale” for hotel condominium units is the Westin Monache adjacent to the Village at Mammoth, even though it is recognized that the units in the Westin have a superior location adjacent to the gondola and were built and sold at or near the height of the market a few years ago. Top end sale prices of the studio units at the Westin (at 480 square feet) were reportedly in the range of \$560,000, or \$1,170 per square foot. The studio hotel rooms in the proposed project are smaller at about 400 square feet. Assuming a \$990 per square foot sale price, or 15% off the price at the Westin, the average studio unit

price in the proposed project would be nearly \$400,000. After taking into account the costs to develop the project and the economics of the retail/restaurant and workforce housing units, the resulting supportable land value, or “residual” land value, in a normalized real estate market is in the range of \$8.53 million, or \$1.40 million per acre. Thus, based on the various financial assumptions contained in Table 1 and Appendix E, the land value increase accruing to the property owner from the requested density increase is perhaps in the range of \$2.54 million (\$8.53 million for the proposed project less \$5.99 million for the Base Case).

The conclusion from this analysis is that significant improvement is needed in the real estate market in order to achieve the land value projected. The primary reason for this is that current market prices and rents are far below those necessary to support the high cost of construction for this type of mixed-use project including the underground parking and public amenities.

#### Table 2: Value of Community Benefits vs. Land Value Increase

Table 2 contains the analysis of the community benefits generated by the proposed project and the extent to which those benefits would be above and beyond what would otherwise be required by existing codes, would be required by the market, and would be produced under the Base Case. As previously described in Section IV of this memorandum, these benefits include the various physical amenities and features of the project (public plazas and open spaces, retail and restaurants, and conference facilities, etc.).

As shown on Table 2, the dollar value of the physical benefits included in the proposed project is estimated at \$26.2 million (in 2009 dollars). Since none of these physical benefits would exist in the Base Case situation, all \$26.2 million of value from these physical benefits are “incremental” benefits to the community. Measured in terms of a ratio, the \$26.2 million in incremental physical benefits is 10.3 times the potential \$2.54 million land value increase to the property owner. Again, all sources of data and assumptions are summarized in Appendix E.

The estimated direct fiscal and economic benefits from the project are also shown on Table 2. It is estimated that the TOT taxes, property taxes paid to the Town, and sales taxes paid to the Town will total approximately \$2.92 million per year. These tax revenues are about \$1.87 million higher per year than are projected to be generated under the Base Case.

It is recognized that the fiscal and economic benefits noted above do not take into account the potential fiscal costs of the project such as police and fire services. Such an

analysis would require a more detailed fiscal impact study of the costs of the Town's services and the incremental services required by the proposed project. Nonetheless, we would expect that a project of this nature would produce significant net fiscal benefits to the Town after taking into consideration its incremental service costs. In addition, it is noted that the proposed project includes workforce housing units in satisfaction of the Town's workforce housing requirements. The proposed project will also need to meet its CEQA mitigation requirements, and will pay impact fees to the Town to mitigate other impacts generated by the project.

Finally, the proposed project would also produce other community benefits such as both construction and permanent jobs as well as the potential for "induced" TOT and sales tax revenues Town-wide. KMA estimated the potential induced TOT and sales tax revenues based on an extrapolation from the calculations included in the Real Estate Outlook and Development Strategy report prepared for the Town of Mammoth Lakes by ERA dated October 2007.

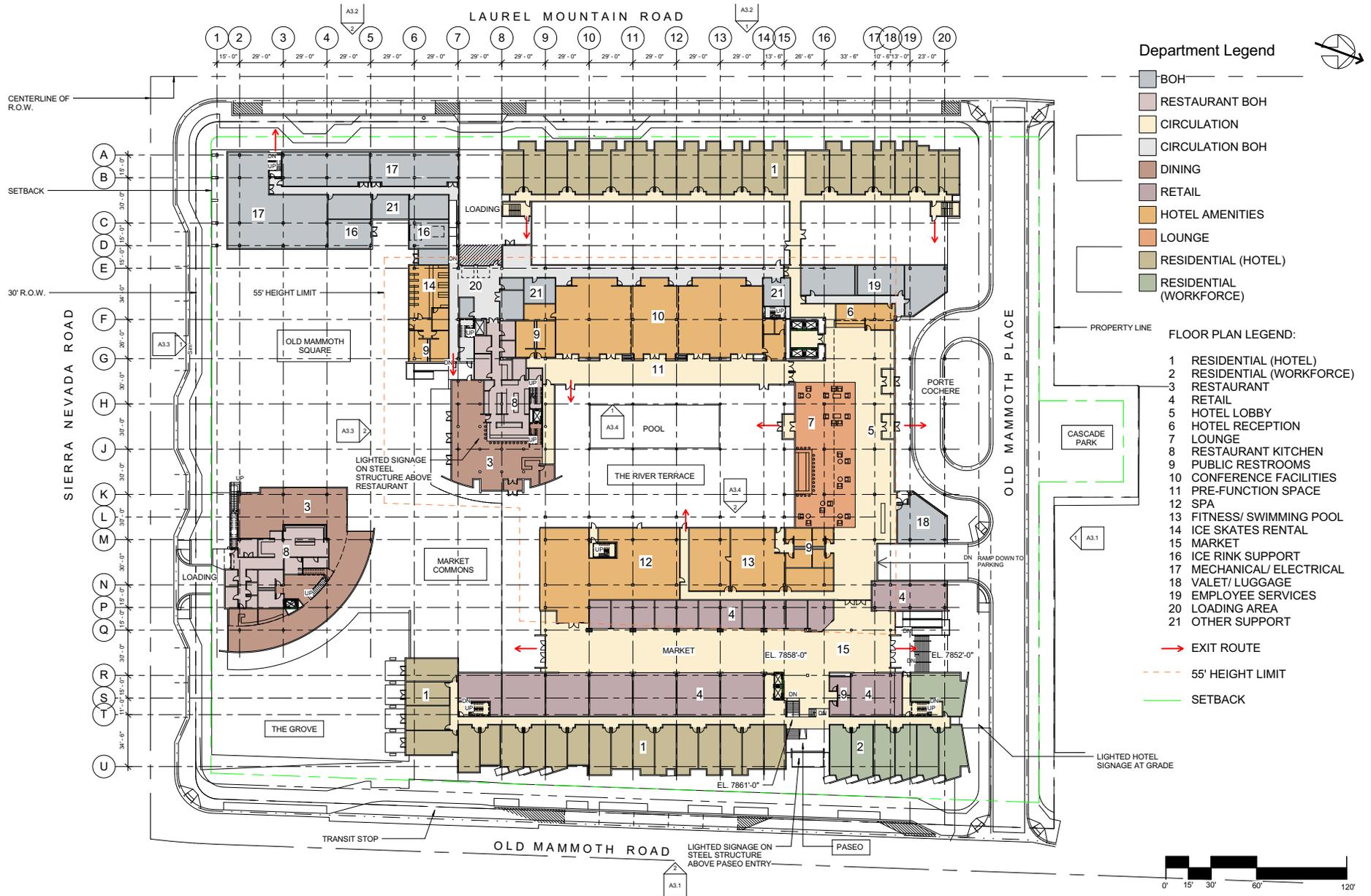
## **IX. Conclusions**

In summary, the proposed 488-room Old Mammoth Place project is consistent with the Town's policy guidelines with respect to its physical amenities and the Town's desire to create a pedestrian-oriented public gathering place, and a mix of uses. The project's scale and mix will create a "there there" and further the Town's goal of promoting Mammoth Lakes as a year-round resort community (particularly by encouraging mid-week business and more activity in the shoulder seasons).

The financial analysis described in this memorandum indicates that the proposed project will create significant physical amenities above and beyond what would be required by the Town's existing codes and regulations and will produce fiscal and economic benefits substantially in excess of what would be produced by the lower density Base Case.

More specifically, KMA's projections indicate that the value of the physical/community benefits generated by the proposed project will exceed the potential increased land value by a multiple of approximately 10.3. If the fiscal and economic benefits from the project are also included as a community benefit, there is significantly more incremental value to the Town.

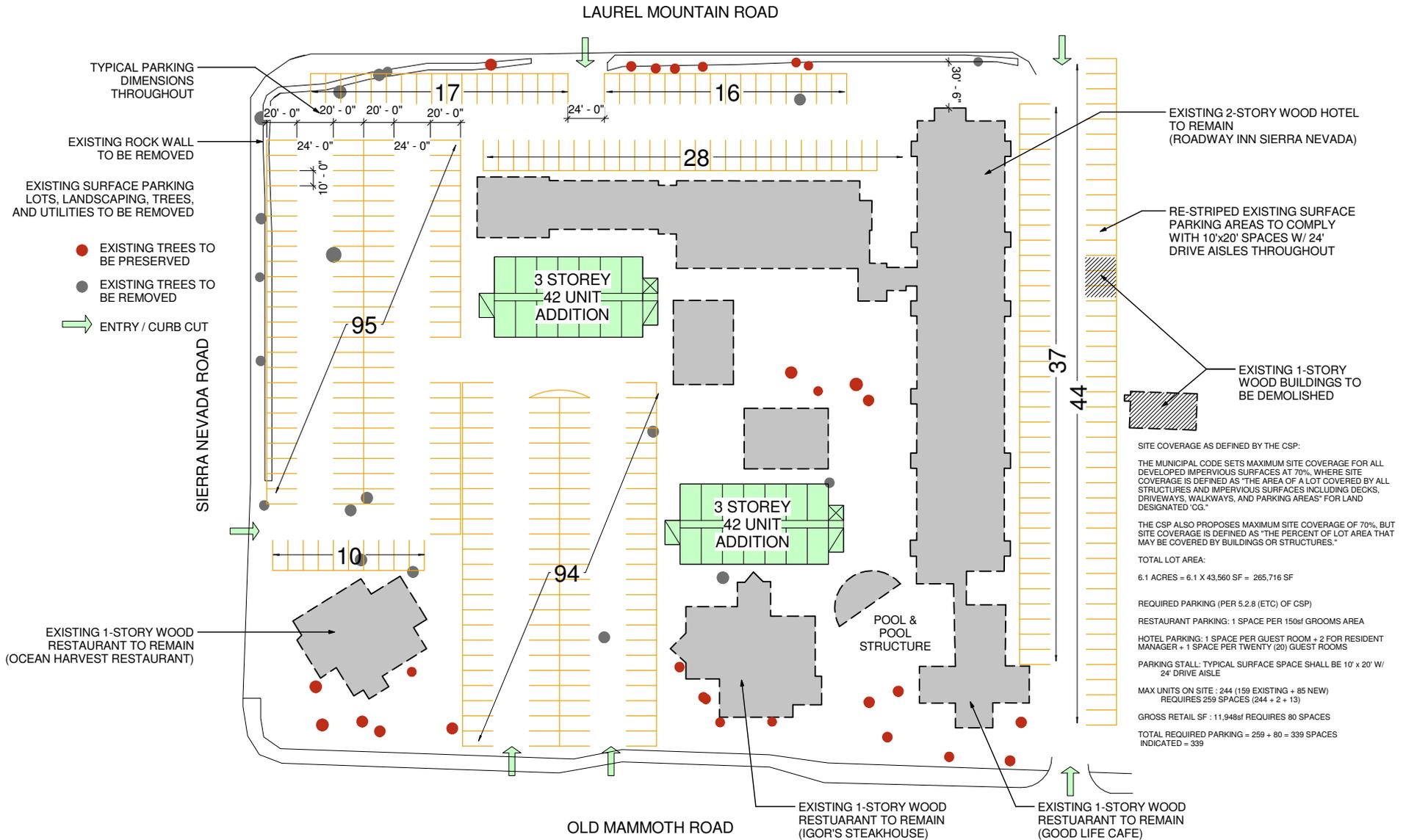
DIAGRAM 1



FIRST FLOOR PLAN  
8.25.09

OLD MAMMOTH PLACE  
Mammoth Lakes, CA

# DIAGRAM 2



ALTERNATE SITE DEVELOPMENT PLAN  
10.30.09

**OLD MAMMOTH PLACE**  
Mammoth Lakes, CA

**METRIC MAMMOTH LLC**

269 South Beverly Drive, Suite No. 576, Beverly Hills, CA 90212

**SEVERY REALTY GROUP**

127 El Paseo, Santa Barbara, California 93101

**BSA ARCHITECTS**  
BULL STOCKWELL ALLEN

A1.5

Table 1.  
Residual Land Value Scenarios  
Old Mammoth Place CBIZ Submittal

	Rodeway Expansion (Base Case)		Proposed Project (488-Rooms)	
<b>I. Program</b>				
Site Size	6.10 acres		6.10 acres	
Density	40.0 rooms/acre		80.0 rooms/acre	
Hotel Rooms	244 rooms		488 rooms	
<u>Gross Building Area (estimated)</u>				
Hotel	95,600 sf		196,664 sf	
Retail/Restaurant	12,000 sf		40,000 sf	
Conference/Banquet Space	NA		10,000 sf	
Spa and Wellness Center	NA		5,000 sf	
Workforce Housing	NA		8,800 sf	
Common Areas	incl. above		94,536 sf	
Gross Building Area (estimated)	107,600 sf		355,000 sf	
Net Building Area (NSF)(estimated)	86,100 sf		259,500 sf	
<b>II. Project Value at Completion</b>	<u>Per NSF</u>	<u>Total</u>	<u>Per NSF</u>	<u>Total</u>
Capitalized Value of Hotel	\$328	\$28,216,000		
Capitalized Value of Retail	\$43	\$3,732,000	\$60	\$15,675,000
Hotel Condominium Sales		NA	\$750	\$194,733,000
Workforce Unit Sales		NA	\$8	\$2,160,000
Total Project Value	\$371	\$31,948,000	\$819	\$212,568,000
<b>III. Development Costs</b>	<u>Per NSF</u>	<u>Total</u>	<u>Per NSF</u>	<u>Total</u>
Directs	\$187 <sup>1</sup>	\$16,140,000	\$447	\$116,085,000
Hotel FF&E	\$28	\$2,440,000	\$28	\$7,320,000
Retail Tenant Improvements	\$3	\$300,000	\$8	\$2,000,000
Total Directs	\$219	\$18,880,000	\$483	\$125,405,000
Indirects & Financing	\$55	\$4,720,000	\$121	\$31,351,000
Condo Sales/Marketing/Commissions		NA	\$60	\$15,579,000
Builder Profit to Take Risk/Attract Capital <sup>2</sup>	\$27	\$2,360,000	\$122	\$31,697,000
Total Development Costs	\$302	\$25,960,000	\$786	\$204,032,000
<b>IV. Residual Land Value</b>		<u>Total</u>		<u>Total</u>
Total Project Value		\$31,948,000		\$212,568,000
(Less) Development Costs		(\$25,960,000)		(\$204,032,000)
Residual Land Value		\$5,988,000		\$8,536,000
Per Acre (rounded)		\$982,000		\$1,399,000
Per Land Sq. Ft.		\$23		\$32

<sup>1</sup> Direct costs include approximately \$350 per net sq. ft. for new construction and approximately \$95 per net sq. ft. for rehab.

<sup>2</sup> Low end of industry standards

Note: See Appendix E for a summary of assumptions and sources of information.

Table 2.  
Value of Community Benefits vs. Land Value Increase  
Old Mammoth Place CBIZ Submittal

				Rodeway Expansion (Base Case)	Proposed Project (488-Rooms)	Incremental over Base Case	
<b>I. Potential Land Value Increase</b>							
Total Land Value (Table 1)				\$5,988,000	\$8,536,000	\$2,548,000	
Per Acre				\$981,600	\$1,399,300	\$417,700	
<b>II. Value of Community Benefits (as interpreted to mean "physical benefits")</b>							
Outdoor plazas/open space	58,705 sf	\$100 /sf			\$5,871,000	\$5,871,000	
Mid-block connector and Old Mammoth Rd. widening	21,880 sf	\$100 /sf			\$2,188,000	\$2,188,000	
Retail/restaurant space (gap/owner subsidy)	32,000 sf				\$2,570,000	\$2,570,000	
Meeting/conference space	6,400 sf	\$400 /sf			\$2,560,000	\$2,560,000	
Underground parking stalls (retail)	200 stalls	\$40,000 /stall			\$8,000,000	\$8,000,000	
Underground parking stalls (balance of uses)	254 stalls	\$20,000 /stall			\$5,080,000	\$5,080,000	
Dedication of Old Mammoth ROW					not quantified		
Dedication of mid-block connector					not quantified		
Spa and Wellness Center					not quantified		
Total				\$0	\$26,269,000	\$26,269,000	
Ratio to Potential Land Value Increase						10.3	
<b>III. Value of Other Benefits</b>							
<u>Direct Fiscal Benefits to Town (per year)***</u>							
Direct TOT taxes	13%	\$140	\$185	60%	\$973,000	\$2,570,000	\$1,597,000
Direct Property taxes	0.1%				\$33,000	\$210,000	\$177,000
Direct Sales taxes	1.0%	\$350	/sf		\$42,000	\$140,000	\$98,000
Total Direct Fiscal Benefits (per year)					\$1,048,000	\$2,920,000	\$1,872,000
<u>Induced Town-wide Sales Tax &amp; TOT</u>							
					\$0	\$3,203,000	\$3,203,000
<u>Permanent on-site jobs created</u>							
Hotel	0.75	1.00	/room		183	488	305
Retail/restaurant	200	400	sf/empl		60	133	73
Total					243	621	378
Hotel wages earned (per year)	\$22,900				\$4,191,000	\$11,175,000	\$6,984,000
Retail/restaurant wages earned (per year)	\$20,700				\$1,242,000	\$2,753,000	\$1,511,000
Total					\$5,433,000	\$13,928,000	\$8,495,000
<b>***Direct Fiscal Benefits to Town (capitalized value of annual above)</b>							
Direct TOT taxes					\$16,217,000	\$42,833,000	\$26,616,000
Direct Property taxes					\$550,000	\$3,500,000	\$2,950,000
Direct Sales taxes					\$700,000	\$2,333,000	\$1,633,000
Total Direct Fiscal Benefits					\$17,467,000	\$48,666,000	\$31,199,000
Ratio to Potential Land Value Increase							12.2

Note: See Appendix E for a summary of assumptions and sources of information.

**APPENDIX A**  
**PROGRAM SUMMARY OF OLD MAMMOTH PLACE COMMUNITY BENEFITS**

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**1. Outdoor plazas and public open spaces**

The quality of the open spaces between the buildings is consistent with the overarching objective to create animated and inviting public spaces at Old Mammoth Place that provide community wide use and enjoyment opportunities. In lieu of developing one large events plaza, the idea emerged to create a variety of distinctive outdoor spaces, each with a different scale and character, with some more active and others more contemplative. These various public spaces offer unique but complimentary programming opportunities to offer a lively mix of activities and pedestrian attractors throughout the year. The land plan defines five primary outdoor public spaces that, in the aggregate, encompass almost 1.5 acres.

Cascade Park

This outdoor area totals 4,885SF and is located on the north side of the proposed new mid-block connector roadway, Old Mammoth Place, and is envisioned as a landscaped pocket park modeled after popular Redwood Park in downtown San Francisco. This landscaped park features a water fountain and is dedicated to rest and relaxation.

The larger outdoor spaces at Old Mammoth Place are integrated within the building complex. These are threaded together by the pleasant and animating sounds of cascading water, as a river runs through the heart of the project flowing from its “headwaters” at the hotel pool terrace in a southeasterly direction toward the corner of Old Mammoth Road and Sierra Nevada Road. This dramatic water element is envisioned as flowing throughout the year, with the objective of it being sufficiently warm during the winter months through an environmentally sensitive geothermal heat source.

Market Commons

The river flows southerly from the hotel pool terrace toward an iconic one-story restaurant building on the south side of the site adjacent to Sierra Nevada Road. The river runs along and defines the western edge of the “Market Commons”, the expansive public terrace just outside the enclosed festival marketplace. This 13,705SF plaza would serve as the venue for the large seasonal Christmas tree and is sized to accommodate a variety of events including farmers’ markets, art shows, craft fairs, and other programmed activities.

The Grove

Threading its way through Old Mammoth Place the river continues on its sculptural course and completes its journey across the project site as it flows toward a pond at “The Grove” located near the southeast corner of the site. Distinct from the finely detailed hardscaping of the Market Commons, The Grove takes on a much more natural and contemplative

character taking its cues from the adjacent stand of mature pine trees. The Grove encompasses 14,910SF.

### Old Mammoth Square

Across the river from the Market Commons is “Old Mammoth Square”, which at 25,205SF is largest of the outdoor public spaces or “living rooms”. The model for this richly detailed plaza is the renovated Union Square in San Francisco, whose recent “face lift” has reenergized this aging icon and become hugely popular with locals and tourists alike. Located on the southern periphery of the site, Old Mammoth Square enjoys outstanding southern exposure and Sherwin views. Grassy amphitheater style seating areas will provide abundant outdoor lounging and congregation opportunities.

As at Union Square, the generous proportions of Old Mammoth Square allow for a number of concurrent activities and provide outstanding event programming flexibility including car shows, seasonal ice skating, musical performances and other cultural events such as the venerable Mammoth Jazz Jubilee. Another prominent feature on this plaza will be a playful interactive fountain for children. Two restaurants will flank the plaza with their outdoor café style seating and rooftop terraces defining its edges.

## **2. New mid-block connector and widening of Old Mammoth Road**

The revitalization of the Old Mammoth Road commercial corridor is largely dependent on the creation of a vibrant and pedestrian friendly streetscape on this strategically located Rodeway Inn property. As such, careful attention has been paid to designing this aspect of the project. The streetscape will be significantly redefined and be appropriately recaptured by the pedestrian realm utilizing several design solutions.

Currently, the six acre Rodeway Inn property is part of a “superblock” that runs between Sierra Nevada Road and Tavern Road. The current configuration is not conducive to promoting pedestrian connectivity. This superblock will be broken up by way of installation of a new east/west roadway, “Old Mammoth Place”, along the north property line that will become a dedicated public right-of-way encompassing 16,720SF. This new connector road will not only increase the porosity of the proposed project but also mitigate the need for any vehicular curb cuts along the entire remaining Old Mammoth Road frontage providing the benefit of convenient and safe pedestrian circulation as all vehicles will enter the property from this new roadway.

The widening of Old Mammoth Road is accomplished by the landowner’s grant to the Town of a 10 foot wide right-of-way along the subject parcel’s entire eastern edge. This enlarged roadway corridor footprint allows for the development of a more expansive and pedestrian friendly streetscape along Old Mammoth Road.

### **3. Retail/Restaurant space**

The synergistic mixed-use program for Old Mammoth Place includes almost 40,000SF of commercial space, exclusive of the planned 4,500SF health and wellness spa and approximately 9,600SF banquet/conference/meeting space component. Consistent with the findings and recommendations of earlier studies commissioned by the Town of Mammoth Lakes, the aggregation of a pedestrian friendly commercial component on the Old Mammoth Road corridor is seen as vitally important to recasting the downtown commercial district away from the existing car-centric character to a vibrant social center for the entire community. The subject property's large size and strategic location provides a significant opportunity for the creation of a real sense of place that is sorely lacking today and that is critically necessary to allow Mammoth Lakes to realize its potential.

Similar to the thinking behind the design of the public plazas and parks, the commercial component at Old Mammoth Place rejects the "one size fits all" approach to planning. Rather, the commercial program is comprised of several distinct but complimentary elements.

As mentioned above, two restaurant buildings totaling slightly over 17,350SF define and frame Old Mammoth Square. These two signature restaurants enjoy outstanding solar orientation and Sherwin views, which will explain the popularity of their roof top terraces during prime summer and fall color months.

The balance of the retail/food & beverage space is accommodated in two adjacent retail streets that enjoy excellent visibility and include pedestrian circulation patterns that are most beneficial to the various tenants. The Old Mammoth Road streetscape is defined by 9,300SF of commercial space that fronts an expansive sidewalk (up to 32 feet wide) that is intended to conveniently accommodate outdoor café seating, landscaped areas, bicycle parking, signage, and expansive pedestrian lanes.

The balance of the commercial program totals just over 10,300SF and is contained in an enclosed and soaring two-story skylit atrium space similar to the acclaimed Ferry Building in San Francisco. This ground level retail/restaurant "street" is easily accessed from the underground parking garage as well as the Market Commons and enjoys immediate visibility and access from the expansive sidewalk along Old Mammoth Road.

Relative to the orientation of the commercial program along the two retail spines, it is worth noting that Old Mammoth Place enjoys tremendous flexibility in accommodating tenant requirements both large (as large as 6,000SF) and small (as diminutive as 200SF). The physical ability to effectively provide small retail spaces should bode particularly well for locally owned businesses that are understandably price sensitive relative to overall occupancy costs.

#### **4. Meeting/conference space**

The meeting/conference component is over 9,500SF in size and is thoughtfully designed to provide state-of-the-art facilities that are positioned to effectively compete for the group business trade to the benefit of the entire community of Mammoth Lakes. Designed for marketing and operational success, the program features divisible meeting space that offers acoustical integrity, pre-function space, and direct adjacency to kitchen and other back-of-house functions. Unlike other meeting venues in Town, the meeting space at Old Mammoth Place enjoys high ceilings (over 20 feet) in a column free configuration.

#### **5. Underground parking**

To the aesthetic benefit of the community, parking for Old Mammoth Place is out of sight as it is located in a underground facility that serves to free up the site for use as expansive public plazas and landscaped parks. The approximately 160,000SF underground parking garage is in direct response to the planning objectives of the Town of Mammoth Lakes as set forth in the General Plan, North Old Mammoth Road District Plan, and Clearwater Specific Plan, which encourage the redevelopment of the downtown commercial district away from its historic strip mall development pattern which is anything but pedestrian friendly. Access to the underground parking garage at Old Mammoth Place is off of the new east/west connector road planned for the north side of the subject property, which mitigates the need for any curb cuts along Old Mammoth Road, which reinforces the quality and safety of the pedestrian experience on the vibrant streetscape envisioned for that strategically important commercial corridor.

The underground parking garage will, of course, provide convenient parking protected from the elements. The facility will include 450 stalls and have an overall capacity of 620 vehicles given the comprehensive valet parking service that will be part of the overall property management program at Old Mammoth Place. There will be a designated commercial parking area that provides visitors to Old Mammoth Place with convenient access to the shops, restaurants, and on-site public amenities. Hotel guests will enjoy the ease of hotel drop-off at the porte-cochere with the attentive valet parking staff taking care of their luggage and parking needs.

Appendix B  
 Summary of Goals and Policies of Foundational Documents  
 Old Mammoth Place CBIZ Submittal

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<u>Goal/Policy</u>	<u>Applicable to Old Mammoth Place</u>
<u>NOMRDP (economic and tourism related)</u>	
▪ Shift away from traditional strip mall development pattern	√
▪ Improve pedestrian activity and provide gathering places and opportunities for interaction in a vibrant mix of retail, residential housing, tourist accommodations, and workforce housing	√
▪ Animate the area with street oriented retail that results in a pleasing pedestrian-oriented streetscape	√
▪ Provision of events plazas and courts	√
▪ Encourage vibrancy and activity throughout the day and evening through all four seasons	√
▪ Promote mid-block pedestrian access	√
▪ Provide walk-to neighborhood parks and other communal destinations	√
<u>NOMRDP (programming opportunities)</u>	
▪ Meeting and conference facilities	√
▪ Performance venues and cinema theaters	√ (performance venues)
▪ Retail and entertainment uses	√
▪ An indoor four season field house, skating rink, and swimming facility	Outdoor skating rink
▪ Golf and tennis facilities	
▪ In-town state-of-the-art Nordic Ski center facility	
▪ Equestrian facilities	

Appendix B (continued)  
 Summary of Goals and Policies of Foundational Documents  
 Old Mammoth Place CBIZ Submittal

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<u>Goal/Policy</u>	<u>Applicable to Old Mammoth Place</u>
▪ Open space	√
▪ Plazas and special events areas	√
▪ Arts, culture and heritage facilities	√
▪ Public parking facilities	√
▪ Workforce housing	√
▪ Child and infant care facilities	√
 <u>Clearwater Specific Plan (pp. 16 and 24)</u>	
▪ Plaza/outdoor recreation space for public events, fairs, etc.	√
▪ A vibrant pedestrian streetscape/retail experience	√
▪ Underground parking	√
▪ Transit stop and shelter improvements	√
▪ Pedestrian connectivity/mid-block connectors	√
▪ Meeting and conference space	√
▪ Street widening and new sidewalks to achieve “complete streets”	√
▪ Dedication of property for purposes of improving public rights-of-way	√
 <u>General Plan</u>	
▪ Support development of facilities that contribute to destination resort visitation (policy E.3.C)	√

Appendix B (continued)  
Summary of Goals and Policies of Foundational Documents  
Old Mammoth Place CBIZ Submittal

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<b><u>Goal/Policy</u></b>	<b><u>Applicable to Old Mammoth Place</u></b>
▪ Provide an overall balance of uses, facilities and services to further the Town's role as a destination resort community (policy L.5)	√
▪ Create well designed and significant public spaces to accommodate pedestrians and encourage social interaction and community activity (policy C.2.A)	√
▪ Provision of pedestrian oriented streetscape and animated public events plazas (p. 24)	√
▪ Promote activity and animation during the day and evening throughout the year (p. 24)	√
▪ Walk-to neighborhood parks or other destination venues (p. 24)	√

**APPENDIX C**  
**DESCRIPTION OF FINANCIAL ANALYSIS AND KEY TERMS**

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Real estate financial analysis is conducted by use of a pro forma. The pro forma is a financial statement which either reflects gross income, operating expenses and projected net operating income of a future project, based on specified assumptions, or projected sales price.

Where there are projections of net operating income (NOI), such projections are then generally converted to capitalized value. The method is to divide the net operating income by a capitalization rate. The capitalization value is then compared to total project development cost before land, including developer risk adjusted profit, to determine the residual land value. The residual land value is the estimate of the amount a rational buyer would pay for the land, given the market potential of the land and development costs.

Residual land value analysis is typically done in a “static” fashion with a single summary listing of project costs and revenues, i.e., does not include a “time series” analysis. Residual land value analysis, in addition to reflecting project costs and revenues, assumes a reasonable return to a developer given the type of project and what would be required to attract investment capital.

Residual land value analysis can be augmented with a time series analysis, i.e., discounted cash flow analysis, which requires many more assumptions than the residual analysis. KMA and EPS have concurred that the use of Residual Land Value Analysis in cases such as the CBIZ because it reflects the value back to the land from the identification of use being considered and it is the landowner making the application. It also has the merit of being relatively simple to construct, requires limited project specific assumptions, and relies more on industry standard assumptions and market comparable information.

**Appendix D**  
**Glossary of Terms**  
**Old Mammoth Place CBIZ Submittal**

ADR (Average Daily Rate) – The average hotel room rate; calculated as the total annual room revenue generated by a hotel divided by the total number of occupied room nights in a given period of time.

Capitalized Value – A method of estimating the value today of a projected future income stream; often achieved by applying a capitalization rate.

Developer Profit – Amount of profit realized or projected to be realized by a Developer from a real estate development project.

Developer Risk – Amount of risk to a Developer of developing a real estate project; includes entitlement risk, construction cost risk, and market/lease-up risk.

Economic Benefits – Benefits from a real estate project that extend to the broader community including creation of jobs and spending at local businesses.

Fiscal Benefits – Economic benefits from a project to be received by the Town government including property taxes, sales taxes, and transient occupancy taxes (TOT).

Induced Benefits – Benefits expected result from a project but that are not directly produced by the project itself. For example, visitors to a project will likely spend money elsewhere in Town (i.e. not only at the project itself) for such activities as skiing, shopping, and eating. Also, if a project is successful in making the Town more of a desirable destination, the project could attract new visitors to the Town that would not otherwise have come. These types of benefits are considered to be *induced* by the project.

Pro forma Analysis – A financial projection of a real estate development project including estimates of development costs and future income and operating expenses.

Residual Land Value – A method of estimating the land value supported by a proposed real estate project. The land value is equal to the difference between the estimated value of the project at completion and the costs to develop the project including a reasonable profit.

Static Pro forma – A pro forma that is based on the economics of a real estate project at a single moment in time. A static pro forma is a simpler method of analyzing a project's economics than a time series pro forma (see definition below).

Time Series Pro forma – A pro forma that is based on the economics of a real estate project over multiple months or years. A time series pro forma is a more complex method of analyzing a

**Appendix D**  
**Glossary of Terms**  
**Old Mammoth Place CBIZ Submittal**

project than a static pro forma (see definition above) due to the need to make many more assumptions including the phasing of development costs, rates of absorption, and rates of inflation and appreciation.

Triple Net Rent – A form of rent (typically for retail and restaurant tenants) in which the tenant pays rent as well as pays (or reimburses the landlord) for such expenses as taxes, utilities, insurance and maintenance.

Appendix E  
Summary of Financial Assumptions  
Old Mammoth Place CBIZ Submittal

Line Item		Assumptions
<b>Table 1: Rodeway Expansion Scenario</b>		
1	Income	\$140 ADR, 60% occupancy rate, operating expenses at 65% of hotel income; retail/restaurant rents at \$27 NNN and 5% vacancy rate.
2	Project Value	9% cap rate for hotel, 8% cap rate for retail/restaurant estimated by KMA based on Q2 2009 cap rates for the Los Angeles area as reported by Real Estate Research Corporation (RERC); assumes 3% for cost of sale.
3	Development costs	Hotel remodel and expansion costs at approximately \$30,000 and \$140,000 per room respectively; \$10,000/room FF&E; \$25 per sq. ft. retail/restaurant TI's; indirects and financing costs at 25% of direct; developer profit and risk at 10% of cost.
<b>Table 1: Proposed 488-unit Project</b>		
1	Hotel condominium sales	Assumes a "normalized" or "recovered" real estate market; sales prices at almost \$400,000 per unit or \$990 per sq. ft. which is equal to 15% less than the per sq. ft. studio prices at the Westin project
2	Value of Retail/Restaurant	Assumes \$33 per sq. ft. NNN rents; 5% vacancy rate; 8% cap rate.
3	Workforce housing unit sales	KMA understands that the Town's Workforce housing policy is currently being reviewed for possible modifications. We have estimated the sale price of these 3-bedroom units at \$270,000 based on 120% of AMI for a 4-person household.
4	Development costs	Approximately \$325 per gross sq. ft. estimated based on a poured in place concrete building, plus \$15,000 per room FF&E, plus \$50 per sq. ft. for retail/restaurant TI's; indirects and financing costs at 25% of direct costs
5	Sales/marketing/commissions	Estimated based on 8% of gross hotel condominium sales prices
6	Builder Profit to take Risk/ Attract Capital	Estimated based on 15% of gross hotel condominium sales prices plus 10% of cost for retail/restaurant. This is on the low end of industry standards.
<b>Table 2: Community Benefits</b>		
1	Outdoor plazas/open space and cost of mid-block connector and Old Mammoth Road widening	Cost estimated at \$100 per sq. ft.

Appendix D (continued)  
 Summary of Financial Assumptions  
 Old Mammoth Place CBIZ Submittal

Line Item	Assumptions
2	Retail/restaurant space (gap/owner subsidy) Feasibility gap based on \$33 NNN rents, 5% vacancy rate, 10% ROI, and costs estimated at \$250 per sq. ft. (excluding parking) plus \$65 per sq. ft. for TI's plus 25% for indirects and financing. Note: parking costs for retail separately accounted for below.
3	Meeting/conference space Cost estimated at \$400 per sq. ft.
4	Underground parking spaces – retail Cost estimated at \$40,000 per stall; number of stalls assumes five stalls per 1,000 sq. ft.
5	Underground parking spaces – non-retail spaces Estimated cost differential between underground parking stalls at \$40,000 per stall and an above ground structure at \$20,000 per stall.
6	Direct TOT taxes Assumes \$140 and \$185 ADR for Rodeway expansion and proposed project respectively; 60% average occupancy, 13% TOT rate, 6% cap rate based on ERA report (October 2007)
7	Direct property taxes For Rodeway expansion, value based on 9.5% cap rate; for proposed project, based on estimated condominium sales plus retail/restaurant at 9% cap rate; estimated 0.10% rate for property taxes and assessments (portion paid to Town).
8	Direct sales taxes Assumes \$350 per sq. ft. in taxable sales
9	Induced town-wide sales tax and TOT Extrapolation of ERA estimate related to a new downtown retail Town Center from Real Estate Outlook and Development Strategy report dated October 2007. ERA estimated 10% Town-wide induced sales tax and TOT from a new 270,000 sq. ft. Town Center retail project. Retail component of proposed project at 40,000 sq. ft. is 14.8% of 270,000 sq. ft. Calculation is: 10% increase in Town-wide 2006 sales tax and TOT (\$1,297,000) x 14.8% ÷ 6% cap rate.
10	Permanent on site jobs created Based on industry rules of thumb, assumes 0.75 employees per hotel room for Rodeway expansion (limited service hotel) and 1.0 employee per hotel room for proposed project (full service hotel). For restaurant/retail, assumes one employee per 200 sq. ft. for restaurant and one employee per 400 sq. ft. for retail; assumes all restaurants for Rodeway expansion and 50/50 split between restaurant and retail for proposed project.
11	Wages earned Based on average hourly wages as provided by contacts at the Westin