




Office of the City Manager

ACTION CALENDAR

October 23, 2007

To:  Honorable Mayor and Members of the City Council

From:  Phil Kamlarz, City Manager

Submitted by: Michael Caplan, Manager, Office of Economic Development

Subject: Contract: Carpenter And Company, Downtown Hotel Consulting

RECOMMENDATION

Accept funds up to \$50,000 from Carpenter and Company, the developers of the proposed Downtown Hotel and Conference Center at the Northeast Center and Shattuck, to be used to pay for project-related consultation services including financial feasibility analysis and review of possible mechanisms to provide tax abatement or other subsidies to render the project feasible; and to direct the City Manager to negotiate and execute a sole source contract with Keyser Marston and Associates ("Keyser Marston") for consultation services (time and materials) to implement this work in an amount not to exceed \$50,000.

FISCAL IMPACTS OF RECOMMENDATION

Funds to be received from Carpenter and Company will be deposited into a General Fund revenue account and will be appropriated into expenditure budget code 010-8703-465-3038. The appropriation will be included in a future General Fund Amendment to the Annual Appropriations Ordinance.

CURRENT SITUATION AND ITS EFFECTS

Carpenter and Company, the developers of the proposed Downtown hotel and conference center proposed for the Northeast corner of Center and Shattuck, have recently determined that there is an approximately \$30 million gap between estimated project costs and the projected revenues necessary to make the project financially feasible. The developers are committed to proceeding with the project and believe that they may be able to reduce this gap by nearly half through creative measures including value engineering. But even so they will still need to find creative ways to fully close this gap. One way to do this would be to partner with the City to rebate some portion of the Transient Occupancy Tax generated by the hotel in its early years of operation. Such a public/private partnership approach is very commonly used to make large hotel projects feasible.

Because of the project's complexity and the need for specialized knowledge to review projected costs, revenues, and assess partnering options and structures, the City needs to hire a firm that has extensive experience with hotel projects of this type. Staff recommends that the City execute a sole source contract with Keyser Marston. Keyser Marston specializes in doing feasibility assessments of hotel projects, have excellent knowledge of the local hotel market, and have worked with cities all over the Bay Area and throughout the U.S. to structure successful public/private partnership arrangements

BACKGROUND

City staff realized earlier this year that the City would need the assistance of a specialized hotel consulting firm to assist with assessing any deal negotiated with Carpenter and Company. Carpenter and Company has recently agreed to provide the City with funds to retain a qualified consultant team of our choice in an amount up to \$50,000. This summer City staff interviewed firms specializing in hotel consultation and concluded that Keyser Marston would provide valuable expertise and local market knowledge to assist the City in doing the necessary assessment.

RATIONALE FOR RECOMMENDATION

The City needs expertise in assessing financial feasibility and potential revenue impact of the type of large hotel/conference center project that is currently being proposed. Solid financial assessment and knowledge of industry standards will assist the City in negotiating a fair deal that protects the City's financial interests.

ALTERNATIVE ACTIONS CONSIDERED

None

CONTACT PERSON

Michael Caplan, Office of Economic Development, 981-2490

Attachments

1. Resolution

RESOLUTION NO. ##,###-N.S.

CONTRACT: CARPENTER AND COMPANY, DOWNTOWN HOTEL CONSULTING

WHEREAS, Carpenter and Company, the developers of the proposed Downtown hotel and conference center proposed for the Northeast corner of Center and Shattuck, have recently determined that there is an approximately \$30 million gap between estimated project costs and the projected revenues necessary to make the project financially feasible; and

WHEREAS, The developers are committed to proceeding with the project but will need to work with the City to find creative ways to close this gap; and

WHEREAS, There are a number of ways this may be done including partnering with the City to rebate some portion of the Transient Occupancy Tax generated by the hotel in its early years of operation; and

WHEREAS; the project's complexity and the need for specialized knowledge to review projected costs, revenues, and assess partnering options and structures, necessitates that the City hire a firm that has extensive experience with hotel projects of this type; and

WHEREAS; City staff has determined that Keyser Marston Associates specializes in doing feasibility assessments of hotel projects, has excellent knowledge of the local hotel market, and has worked with cities all over the Bay Area and throughout the U.S. to structure successful private/public partnership arrangements.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City shall accept up to \$50,000 from Carpenter and Company, the developers of the proposed Downtown Hotel and Conference Center at the Northeast Center and Shattuck, to be used to pay for consultation services related to financial feasibility analysis and structuring a successful public/private partnership arrangement that may include the rebate of some future Transient Occupancy Tax revenues.

BE IT FURTHER RESOLVED that the City Manager is authorized to negotiate and execute a sole source contract and any amendments with Keyser Marston and Associates for consultation services (time and materials) in an amount not to exceed \$50,000.

