CITY OF BERKELEY

Parks Recreation & Waterfront

Waterfront Specific Plan for the City of Berkeley Public Tidelands Area

Supporting Infrastructure, Revenue, Parking, and Sea Level Rise Studies (as of March 2023)

The following studies were produced as part of *Waterfront Specific Plan* (formerly "Berkeley Marina Area Specific Plan") process, with the exception of the "Berkeley Marina Sea Level Rise AB 691 Assessment Study". These studies are not final and continue to be updated by City staff, Hargreaves Jones, and the consultants associated with each study.

The *Waterfront Specific Plan* process began in the spring of 2020, just as the global pandemic emerged, which extended the anticipated duration of the effort and has required several updates and revisions to data and analysis included in these documents. These studies have informed the development of the *Waterfront Specific Plan* to date, and will continue to be referenced and revised as this process continues.

Final versions will be released in coordination with the final *Waterfront Specific Plan* – following an upcoming environmental review process, further community and stakeholder engagement, and ongoing City Council review.

1. **Infrastructure Assessment *DRAFT*** (May 2021)
   Hargreaves Jones, Moffatt & Nichol, Nelson\Nygaard, Bkf Engineering

2. **Existing Amenities and Operations Assessment *DRAFT*** (March 2021)
   Keyser Marston Associates

3. **Implementation Strategy *DRAFT*** (April 2021)
   Keyser Marston Associates

4. **Hotel Food and Beverage Revenue Potential *DRAFT*** (September 2022)
   Keyser Marston Associates

5. **Dredging Needs Technical Memo *DRAFT*** (April 2021)
   Moffatt & Nichol

6. **Slip Mix Study *DRAFT*** (August 2022)
   Moffatt & Nichol

7. **Parking & Mobility Framework *DRAFT*** (January 2022)
   Nelson Nygaard

8. **Berkeley Marina Sea Level Rise AB 691 Assessment Study *DRAFT*** (August 2019)
   NCE

KEYSER MARSTON ASSOCIATES

REVISED DRAFT ASSESSMENT
REVENUE GENERATING POTENTIAL
AND FINANCIAL FEASIBILITY OF
NEW HOTEL AND FOOD AND BEVERAGE DEVELOPMENT
WITHIN THE BERKELEY MARINA AREA

Prepared for:

City of Berkeley

Prepared by:

Keyser Marston Associates, Inc.

As a subconsultant to Hargreaves Jones

September 22, 2022

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I. INTRODUCTION

This report has been prepared as part of the effort to develop a Specific Plan for the Berkeley Marina Area that is being led by Hargreaves Jones. The focus of the report is an assessment of the feasibility and revenue-generating potential of new hotel and food and beverage development opportunities within the Berkeley Marina Area. The development concepts are based on the findings of the market analysis prepared by Keyser Marston Associates in 2021 that evaluated development opportunities for the Marina over a 20-year horizon and a preliminary evaluation of the revenue-generating capacity of a range of potential new real estate developments and activities. These analyses indicated that there is market support for up to 200 new hotel rooms and 12,000 square feet of new food and beverage facilities within the Marina Area.

Another important revenue-enhancing opportunity that has been identified for the Marina Area is to reconfigure the marina's slips to accommodate larger vessels. The economics of reconfiguring the slips is addressed in a separate report prepared by Moffatt & Nichol.

II. SUMMARY OF FINDINGS AND CONCLUSIONS

Revenue Generating Potential

Based on market trends over the next 20 years, new hotel and restaurant development could potentially generate approximately $930,000 of annual new ground lease revenue to the Marina Fund. As shown in Exhibit 1, it is estimated that 200 new hotel rooms could annually generate approximately $723,000 of new ground lease revenue and 11,000 square feet of new food and beverage space could annually yield over $207,000 of new ground lease revenue.

These new developments would also generate transient occupancy tax (hotel tax) and sales tax revenues that are currently deposited into the City's General Fund. As shown below, it is estimated that these developments would annually generate approximately $1.77 million of new tax revenues to the City of Berkeley. Through the City's budget process, some of this revenue could be re-directed to the Marina Area to help cover a portion of annual operating and maintenance costs.

All revenue estimates summarized in Exhibit 1 are preliminary and do not reflect specific development proposals, site-specific constraints or offsite infrastructure requirements, such as water and sewer. These infrastructure constraints will be evaluated in subsequent phases of the planning process.

Exhibit 1. Estimated Annual Lease Revenues and Tax Revenues to be Generated by new Hotel and Food and Beverage Developments

Development Concept	Hotel	Food & Beverage	Total Hotel, Food & Beverage
Illustrative Land Area	2.70 ac	0.83 ac	3.52 ac
Illustrative Program	200 rooms	11,000 sf	
Annual Revenues $000			
Annual Lease Revenue	$723	$207	$930
Annual Tax Revenue	$1,687	$79	$1,766
Total Annual Revenue	$2,410	$286	$2,696
Annual Revenues Per Acre $000			
Lease Revenue /Acre	$268	$250	$264
Annual Tax Revenue/ Acre	$625	$95	$501
Total Annual Revenue/Acre	$893	$346	$765

Source: Keyser Marston Associates, Inc. (order-of-magnitude estimate)

Locational Factors

Existing developed land at the Berkeley Marina, comprised of leased land and surface parking, represents the most likely location for future selective development in the Marina Area because these existing sites do not encroach on parkland and open space. The following locational factors specific to developed sites will affect the magnitude and timing of net new revenues generated by new commercial development:

- *Existing lease and fee revenues* – If new development replaces existing, revenue-generating uses, the loss of existing revenues would partially offset revenues to the Marina Fund from new development. Discontinuing existing uses would potentially reduce the revenues provided by new hotel and restaurant development by 40% to 50% based on a comparison of the average revenues per acre supported by new and existing uses. It is possible that new development will be able to co-locate with existing uses and thus avoid the loss of current fee and lease revenues.

- *Replacement parking* – If new development replaces public parking, net new revenues will be reduced by the cost to replace existing parking spaces, if replacement spaces are needed to meet aggregate parking demand in the Marina Area. The lowest-cost option to provide replacement parking is to expand surface parking elsewhere in the Marina Area. However, there might not be enough available land to accommodate both new development and replacement parking while protecting parkland, open space, and other public amenities. Structured parking allows for more efficient use of land than surface parking but is financially untenable in most cases due to high construction costs.

- *Leases* – Most developed land in the Marina Area is currently leased or marketed for lease to private tenants under short-term and long-term agreements. Sites with short-term leases would be easier for selective new development than sites with long-term leases, such as the DoubleTree Hotel at 66 years.

III. EVALUATION OF REVENUE GENERATING CAPACITY AND FINANCIAL FEASIBILITY OF NEW DEVELOPMENT

A. Hotel Development

Existing Uses

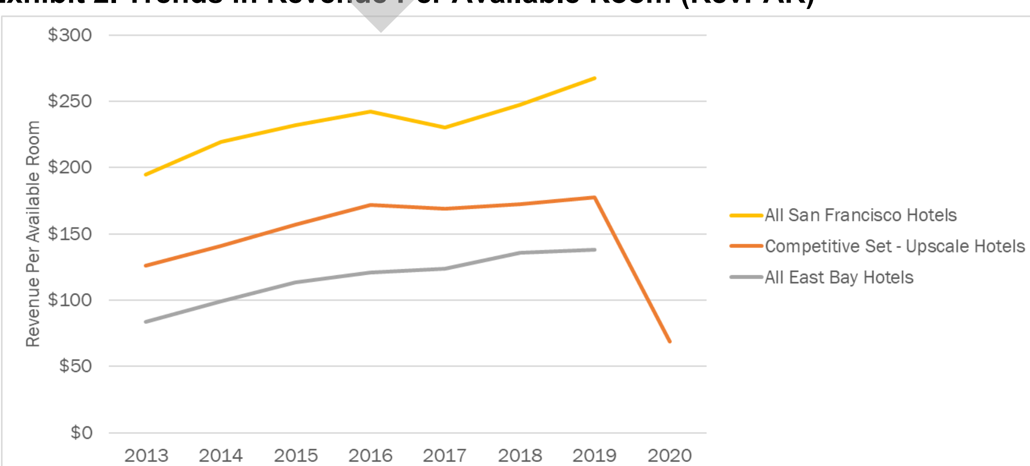
Built in 1972, the Berkeley Marina DoubleTree by Hilton is the largest hotel in the City of Berkeley, with 378 guestrooms on 14 acres leased from the City until 2080. The DoubleTree is an upscale, full-service hotel, with abundant event space, a restaurant, and a variety of amenities for guests. Demand segmentation is estimated to be 55% leisure, 22% corporate, 21% meetings and groups, and 2% government, according to financial filings.

Market Trends

Alameda County's hotel inventory totals approximately 18,500 rooms. Another 1,500 hotel rooms are currently under construction, exceeding the 1,400 rooms built in the prior decade. Upscale hotels in downtowns and along the I-880 corridor represent most of the county's recent hotel development activity. The only recent hotel project in Berkeley is Residence Inn Berkeley, a 331-room extended stay hotel that opened in 2021 in Downtown Berkeley.

The room rates of upscale hotels in the East Bay, including the DoubleTree and most recently built hotels, are approximately 15% greater than the average of all East Bay hotels, but are well below average room rates of San Francisco hotels. Upscale hotels in the East Bay that compete with the DoubleTree averaged nearly 6% annual growth in revenue per available room from 2013 to 2019. Based on data reported to the City and investors, the DoubleTree's revenue growth has generally kept pace with the competitive set of nearby upscale hotels.

Exhibit 2. Trends in Revenue Per Available Room (RevPAR)



2020 data only available for competitive set of upscale hotels. Sources: STR, CBRE, City of Berkeley

The COVID-19 pandemic has severely impacted the global hotel industry. In the Bay Area, hotel occupancy rates remain well below 50%, one year since the pandemic began. Financing for new hotel projects has evaporated due to increased economic uncertainty. Forecasts prepared by the San Francisco Airport and Visit California predict that travel and tourism to the Bay Area might not fully recover until 2024-2026.

Prior to the pandemic, Alameda County had a substantial pipeline of nearly 3,000 proposed hotel rooms, in addition to projects already under construction. Some developers might delay or reconsider their proposals if occupancy remains weak in the coming years. Other developers might move forward based on the expectation that market conditions will improve by the time their project is completed.

Despite near-term challenges, the Marina Area is a strong and proven location for hotel development, with the potential to attract an additional hotel within the 20-year planning horizon.

An upscale, select-service hotel is the most likely development opportunity, based on recent market trends. Select-service hotels typically range from 120 to 200 rooms and provide more limited meeting space and dining options than a full-service hotel like the DoubleTree. Most select-service hotels are affiliated with a large, national hotel chain. The design of select-service hotels varies by brand. Classic brands (such as Courtyard by Marriott) follow more uniform design standards. Lifestyle and soft brands (such as Hotel Indigo by IHG) tend to have more flexible design standards that allow for a stronger connection to the local context. Lifestyle and soft brands are a growing segment of select-service hotels and might be more compatible with the Marina Area than a classic brand. A current trend among the large hotel chains is to develop a “dual brand” hotel, which is comprised of two compatible products, such as a traditional hotel with an extended stay hotel, within one structure. The dual brand concept affords cost savings through a shared lobby and restaurant facilities.

Exhibit 3. Estimated Net New Hotel Development Potential in Marina Area (20 Years)

Type	Lower Estimate	Upper Estimate
Upscale, Select-service	120 rooms	200 rooms

Source: Keyser Marston Associates (order-of-magnitude estimate)

While a smaller boutique hotel would complement the Marina Area’s natural setting, boutique hotels represent a fraction of the local market and none of the hotel projects completed in the county over the last 10 years. Boutique hotels are typically less than 150 rooms and are either operated independently or affiliated with a small chain. The design of boutique hotels is unique and often connects to the local context, even more so than a lifestyle or soft brand hotel. Bay Area examples include the Graduate in Downtown Berkeley and Cavallo Point Lodge in Sausalito. Newer boutique hotels tend to be priced at the top of the market in order to support the cost of personalized service. Identifying a developer for a boutique hotel would likely be more challenging than for a conventional hotel affiliated with a large franchise. While there are fewer boutique hotels, the waterfront location and views of the Berkeley Marina make a boutique hotel a realistic opportunity for the Berkeley Marina Area.

Financial Feasibility and Supported Ground Lease Revenue to the Marina Fund

Given the range of opportunities for the Berkeley Marina, KMA has modeled the financial feasibility of 200 rooms, which is the upper end of the demand range identified by the market study. The two hundred rooms could be contained in an upper scale select service hotel, a “dual brand offering, or a combination of a select service hotel and a boutique hotel. The feasibility analysis is presented in Table 1.

As shown, the hotel prototype consists of 200 rooms, 2,500 square feet of meeting space, 1,000 square feet of restaurant seating and 180 surface parking spaces. Development costs are estimated to approximate $60 million, or $299 per room. Based on room rates in the Bay Area, it is estimated that the hotel would command an average daily rate of $225 per night. Based on the assumption that a stabilized return on cost of 9% would be required for investment, it is estimated that the hotel would support an annual ground lease of $723,000 per year, or $268,000 per acre of land.

A new hotel with structured parking requires less land area than a surface-parked hotel, but is unlikely to afford a ground lease payment to the Marina Fund due to the high cost of structured parking. Therefore, it is a less feasible opportunity for the Marina.

Annual Tax Revenues to the City of Berkeley

Two hundred hotel rooms would annually generate approximately $1.7 million of transient occupancy (hotel) tax and sales tax revenues to the City of Berkeley’s General Fund, or $625,000 per acre.

B. Food and Beverage Development

Existing Uses

The Marina Area contains three active restaurants—Skates on the Bay, Hana Japan, and the Berkeley Boathouse at the DoubleTree—that occupy more than 20,000 square feet of total building area. All are upscale, fine dining restaurants with table service. In addition to full-service restaurants, the bait shop offers light food and coffee, as does a small market/ snack stand inside of the DoubleTree Hotel.

Market Trends

The Marina trade area benefits from strong food and beverage spending potential. Residents and visitors within a 20-minute drive of the Berkeley Marina are estimated to support nearly $870 million in annual spending at restaurants and other food and beverage facilities. Marina Area restaurants currently capture a 1% share of total demand in the trade area, based on existing, pre-pandemic sales of approximately $11 million per year.

Local spending in Berkeley and nearby commercial districts has increasingly focused on experiences, benefitting food and beverage sales, which outpaced other retail categories in Berkeley from 2015 to 2019. At the same time, rising operating costs have put pressure on restaurant margins, a challenge now compounded by the economic impacts of the COVID-19 pandemic, which cut local restaurant sales by more than half in 2020.

National restaurant trends suggest a shift toward less formal dining as well as alternative, lower cost formats. Sales at fast casual restaurants, which do not provide table service, grew at nearly three times the rate of fine dining sales during the five years preceding the Covid-19 pandemic, based on data for larger chains. Another growing trend is experimentation with alternative formats such as outdoor dining and food trucks, which allow food and beverage businesses to limit their real estate costs and create a unique experience for customers.

The Marina Area's waterfront setting makes it an attractive location for food and beverage uses. Over the next 20 years, the Marina Area has the potential to capture an additional $2 million to $8 million in local food and beverage spending, based on future growth in the Marina's trade area. This level of sales would support an additional 4,000 to 12,000 square feet of new food and beverage uses, focused primarily on quick and casual options not currently available in the Marina Area. The upper-end estimate of development potential is conditioned on growth of complementary uses, including a new hotel and large-scale ferry service, to enhance demand.

Exhibit 4. Estimated Net New Food & Beverage Development Potential in Marina Area (20 Years)

Type	Lower Estimate	Upper Estimate
Upscale / Fine Dining	0 SF	4,000 SF
Casual Dining	3,000 SF	5,000 SF
Café / Market	1,000 SF	3,000 SF
Total Square Feet	**4,000 SF**	**12,000 SF**
Net New Sales	$2 million	$8 million

Source: Keyser Marston Associates

Net new development potential does not include the potential to activate vacant food and beverage spaces at 199 Seawall drive and 235 University Avenue. These existing spaces represent another opportunity to increase food and beverage sales in the Marina Area. 199 Seawall Drive, which was occupied by a full-service restaurant until 2018, boasts 25,000 square feet of restaurant and banquet space as well as a large commercial kitchen. The City is seeking a new tenant for the building. 235 University Avenue offers 3,400 square feet of space. While this space is included in Hana Japan's lease, the restaurant does not ordinarily occupy the ground floor, except for temporary outdoor dining introduced during the pandemic. The lease agreement with the City requires Hana Japan to make improvements to the ground floor and identify a subtenant.

Financial Feasibility and Supported Ground Lease Revenue to the Marina Fund

KMA has modeled the financial feasibility of three types of food and beverage facilities: 1) a beer garden concept with 1,500 square feet of indoor space and 3,500 square feet of outdoor dining pavilions; 2) a café with 1,000 square feet of indoor space and 2,000 square feet of outdoor dining; and 3) a 3,000 square foot upscale restaurant. These three concepts total 11,000 square feet, which is within the development range identified by the market study over a 20-year horizon and allows for additional food and beverage within new hotel developments. The beer garden and the café would be casual dining facilities that offer unique, fun environments. They may offer attractions, such as live music and games. Outdoor dining allows restaurants to generate more sales to support the high cost of indoor facilities including commercial kitchens, HVAC systems, and restaurant finishes and furnishings. Development of fully indoor restaurants is likely to be more financially challenging and may result in a reduced ground lease payment to the Marina Fund. The upscale restaurant is assumed to offer finer fixtures and finishes, which results in higher construction costs that are somewhat offset by more expensive menu offerings. The feasibility analyses of the concepts are presented in Table 2.

As shown, development costs of the beer garden are estimated to total $1.6 million, or $328 per square foot (including the pavilions area). It is estimated that the beer garden would annually generate $3.3 million of sales and support a monthly lease rate of $1.92 per square foot. Based on the assumption that a stabilized return on cost of 7% would be required to secure financing and equity, it is estimated that the beer garden would support annual ground lease payments of $110,000 per year, or $293,000 per acre of land.

Development costs of the café are estimated to approximate $890,000, or $297 per square foot (including the pavilions area). It is estimated that the cafe would annually generate $1.6 million of sales and support a monthly lease rate of $1.75 per square foot. Based on the assumption that a stabilized return on cost of 7% would be required to secure financing and equity, it is estimated that the restaurant would support annual ground lease payments of $45,000 per year, or $199,000 per acre of land.

Development costs of the upscale restaurant are estimated to approximate $2.1 million, or $687 per square foot. It is estimated that the restaurant would annually generate $3 million of sales and support a monthly lease rate of $4.00 per square foot. Based on the assumption that a stabilized return on cost of 7% would be required to secure financing and equity, it is estimated that the restaurant would support annual ground lease payments of $52,000 per year, or $230,000 per acre of land.

The three food and beverage concepts are estimated generate a combined total of $207,000 of ground lease revenue per year, or $250,000 per acre.

Annual Tax Revenues to the City of Berkeley

It is estimated that the restaurants would annually generate a combined total of $79,000 of new sales tax revenue to the City's General Fund, which translates into $95,000 per acre.

C. Locational Factors

Developed land, including leased land and surface parking, represents the most likely location for future development because sites do not encroach on parkland and open space. If new development replaces existing, revenue-generating uses, net new revenues to the Marina Fund will be reduced by the loss of existing revenues. If new development replaces public parking, net new revenues will be reduced by the cost to replace existing parking spaces, if required to meet aggregate parking demand in the Marina Area. Finally, the terms of existing leases will determine when leased sites can be redeveloped most efficiently.

Leases

The Marina Area contains approximately 32 acres of developed land used for public and private buildings, fee-based boating services such as dry boat storage, and surface parking lots (excluding parking reserved for slip holders). Surface parking comprises approximately 40% of the total developed land area and serves the broader public in addition to revenue-generating land uses.

Nearly 60 percent of the 32 acres of developed land in the Marina Area is currently leased or marketed for lease to private tenants. Another 10 percent of developed land is comprised of nonexclusive surface parking that is required to meet the estimated peak parking demand of current and prospective private tenants. The remaining 30 percent of developed land consists of surface parking that serves the broader public as well as publicly operated uses such as dry boat storage.

Figure 1: Developed Sites in the Berkeley Marina Area

Source: Keyser Marston Associates (order-of-magnitude estimate)

Existing uses on developed land in the Marina Area are projected to generate approximately $2.6 million in annual revenues by 2025, assuming commercial tenants return to their pre-pandemic performance and the City identifies a market-rate tenant for the vacant building at 199 Seawall Drive. Revenues from existing uses are projected to average approximately $100,000 per acre of developed land, excluding land dedicated to public buildings and surface parking that exceeds estimated onsite parking demand of commercial tenants.

Exhibit 5. Annual Marina Fund Revenues Generated by Existing Uses, FY 2025 Projection

	Gross Ac.(1)	Public Share of Parking(2)	Net Ac.(1)	FY 25 Rev. $000s	$/ Acre ($000s) Gross	$/ Acre ($000s) Net
1) Marine Center	4.5	--	4.5	$96	$21	$21
2) Boat Launch/ Dry Storage	3.7	--	3.7	$247	$68	$68
3) Doubletree Hotel ✦	12.0	--	12.0	$1,326	$111	$111
4) Southern Core	3.4	53%	1.8	$393	$117	$223
5) Skates/ N Lot	2.0	45%	1.1	$294	$150	$273
6) Yacht Club/ O Lot ✦	1.0	69%	0.4	$20	$20	$43
7) 199 Seawall/ Seawall Lot – with a new restaurant tenant	3.5	56%	1.9	$184	$52	$95
8) South Cove / West Lot	1.4	60%	0.9	$32	$23	$35
9) South Cove / East Lot	0.9	100%	---	$0	$0	---
Total, Developed Sites	**32.3**		**26.3**	**$2,592**	**$80**	**$99**
Excl. Long-Term Leases	19.3		13.8	$1,246	$65	$90

Source: City of Berkeley, Keyser Marston Associates (order-of-magnitude estimate)

✦ indicates more than 20 years remaining on lease

(1) Gross acreage is the sum of surface parking lots, leased land, and land used for public facilities. Net acreage excludes land used for public facilities and the share of surface parking lots that exceeds the estimated parking demand of onsite commercial tenants (see note 2).

(2) Indicates share of surface parking that exceeds the estimated peak parking demand of onsite commercial tenants, used in calculation of net acreage (see note 1).

The City will have more flexibility to introduce new development on leased land after existing leases expire. While most lease agreements in the Marina Area are set to expire within the next 10 years, agreements with the Berkeley Yacht Club and DoubleTree Hotel do not expire until 2056[1] and 2080, respectively. The Skates' lease expires is anticipated to expire in 2042[2]. On these two sites, new development within the 20-year planning horizon is conditioned on cooperation with existing tenants.

If new development in the Marina Area displaces existing uses, the loss of revenues from existing uses would offset a portion of the revenues generated by new development. It is possible that new development will be able to co-locate with existing uses, and thus avoid the loss of existing fee and lease revenues. The Specific Plan land use alternatives will consider the development capacity of opportunity sites and the ability to introduce new development while retaining or enhancing existing uses.

Replacement Parking

The Specific Plan will consider the aggregate parking demand of new and existing uses and recommend a parking management strategy for the Marina Area that meets the needs of all user groups who rely on public parking lots. If development occurs on existing parking lots, new development may need to replace all or a portion of the existing spaces. A 2018 parking management study found that peak demand for parking in centrally located lots represents 85% of spaces on the weekend and over 90% of spaces on weekdays.

Revenue estimates presented in this report assume that new development concepts provide enough parking to meet peak parking demand internal to the project, but do not account for the cost of providing replacement parking[3]. The cost of replacing existing public parking has the potential to reduce the revenues that the Marina Fund would realize from new development. The lowest-cost option to provide replacement parking is to expand surface parking elsewhere in the Marina Area. However, there might not be enough land available to accommodate both new development and replacement parking while protecting parkland, open space, and other public amenities.

Parking structures allow for more efficient use of land than surface parking but require a significant capital investment. The cost to build parking structures are estimated to range from $40,000 to $60,000 per space. To justify the cost of replacing surface parking spaces in a garage, new development would need to generate revenues of at least $400,000 per acre, assuming replacement of all existing spaces. Providing full replacement parking in a structured garage will be financially challenging.

[1] The expiration date assumes that a 10-year lease extension option is exercised.
[2] The expiration date assumes that a 10-year lease extension option is exercised.
[3] It is not anticipated that existing parking spaces will need to be replaced.

Exhibit 6. Minimum Lease Revenues Per Acre Needed to Support Cost of Replacing Existing Parking in a Structured Garage

	Replace 100% of Spaces	Replace 50% of Spaces	Replace 25% of Spaces
Low: $40K per space	$400,000/acre	$200,000/acre	$100,000/acre
High: $60K per space	$610,000/acre	$305,000/acre	$150,000/acre

Source: Keyser Marston Associates (order-of-magnitude estimate)

In downtown Berkeley, the City has used parking fees to recover the cost of building structured parking. Assuming parking fees of $200 per month, the net operating income of structured parking in the Marina Area would support 40% to 60% of amortized capital costs. However, parking fees should not be the sole justification for redeveloping surface lots in the Marina Area and replacing spaces in a structured garage, since the City of Berkeley has the option of capturing this same revenue stream without new investment by charging parking fees at existing surface lots.

Table 1
Estimate of Annual Revenue Generated by New Hotel Development
Financial Feasibility Analylsis of Potential New Real Estate Development at the Berkeley Marina Area over 20-Year Horizon
Berkeley, CA

	Hotel with Surface Parking	
A. Conceptual Program		
Land Area	2.70 acres	
Hotel Rooms	200 rooms	
Meeting SF	2,500 SF	
Food & Beverage SF	1,000 SF	
Parking Ratio/ Type	0.9 /key	
Parking Type	Surface	
Average Daily Rate	$225 /room	
Hotel Occupancy	85%	
B. Real Estate Pro Forma	**Total ($000s)**	**Per Room ($000s)**
Total Development Costs	$59,330	$297
Gross Hotel Revenues	$15,872	$79
(less) Hotel OpEx	($9,810)	($49)
NOI Before Ground Lease	$6,062	$30
(less) Ground Lease	($723)	($4)
NOI After Ground Lease	$5,339	$27
Return on Cost (ROC)	9.0%	meets target
Income Gap @ 9% ROC	$0	$0
C. City Revenue Potential	**Total ($000s)**	**Per Acre ($000s)**
Annual Lease Revenues	$723	$268
Annual TOT Revenues	$1,675	$621
Annual Sales Tax Revenues	$12	$4
(less) Annual Income Gap	$0	$0
Total Revenues	$2,410	$893

Source: Keyser Marston Associates, Inc.

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Table 2
Estimate of Annual Revenue Generated by New Food and Beverage Development
Financial Feasibility Analylsis of Potential New Real Estate Development at the Berkeley Marina Area over 20-Year Horizon
Berkeley, CA

	Beer Garden		**Café / Market**		**Upscale / Fine Dining**	
A. Conceptual Program						
Land Area	0.38 acres		0.23 acres		0.23 acres	
Indoor SF	1,500 SF		1,000 SF		3,000 SF	
Outdoor SF	3,500 SF		2,000 SF		0 SF	
Total SF	5,000 SF		3,000 SF		3,000 SF	
Parking Ratio/ Type	5.6 /KSF		5.6 /KSF		5.6 /KSF	
Parking Type	Surface		Surface		Surface	
B. Real Estate Pro Forma	**Total ($000s)**	**$/SF**	**Total ($000s)**	**$/SF**	**Total ($000s)**	**$/SF**
Total Development Costs	$1,640	$328	$890	$297	$2,060	$687
NOI (from NNN Rent)	$115	$23	$62	$21	$144	$48
Return on Cost	7.0%		7.0%		7.0%	
C. Operator Pro Forma	**Total ($000s)**	**$/SF**	**Total ($000s)**	**$/SF**	**Total ($000s)**	**$/SF**
Total Restaurant Sales	$3,300	$660	$1,600	$533	$3,000	$1,000
Occupancy Cost % of Sales	7.4%		7.4%		7.4%	
Occupancy Costs	$244	$49	$118	$39	$222	$74
NNN Base Rent	$115	$23	$62	$21	$144	$48
NNN Operating Expenses	$19	$4	$11	$4	$26	$9
Ground Lease	$110	$22	$45	$15	$52	$17
D. Annual City Revenue Potential	**Total ($000s)**	**$000/Acre**	**Total ($000s)**	**$000/Acre**	**Total ($000s)**	**$000/Acre**
Annual Lease Revenues	$110	$293	$45	$199	$52	$230
Annual Sales Tax Revenues	$33	$88	$16	$71	$30	$133
Total Revenues	$143	$380	$61	$270	$82	$363

Source: Keyser Marston Associates, Inc.

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