

ITEMS THAT WERE HANDED OUT TO THE CRA COMMISSONERS AT THE 5/5/2010 CRA Meeting.

MEMORANDUM

TO: CRA Members
FROM: Tony Otte, CRA Director
DATE: May 4, 2010
RE: Update on Hotel Project at CRA Florida Ave property

The CRA Attorney Mark Hall and I had a phone conference with the hotel developer and his attorney yesterday. Points of our discussion are as follows:

- a. The purchase price for the CRA property is \$500,000 to be paid at closing. The purchase price is the value listed in the "Summary Appraisal Report" dated March 22, 2010 by Heffington & Associates;
- b. Economic Incentives, to be paid upon Certificate of Occupancy:
 - i. Up to \$86,500 (the estimated cost of construction) for the provision of electrical power to the businesses to the east of the project that are currently served by the overhead line traversing the CRA property;
 - ii. The easement required by the Utilities Commission for the electrical service described above is 3,400 square feet. An incentive of \$21,420 is proposed, representing 50% of the value of the easement (3,400 x \$12.60 x .5);
 - iii. Payment of one-half of the impact fees: \$325,000. The developer would be allowed to recapture his \$325,000 from the TIF payments for this project. If there is any amount of TIF left after the developer's reimbursement, the CRA would be reimbursed that amount.

It is estimated that the TIF payment will be approximately \$150,000 per year, with TIF payments estimated to begin on November, 2012 (This statement estimates that the CRA revenue stream will not change, and that the construction of the hotel will be completed by the end of calendar year 2011 to be listed on the tax roll on January 1, 2012.). If that estimate is accurate, the CRA would be reimbursed \$125,000 of its \$325,000 for impact fees from TIF funds.

Parking: The hotel developer shall reimburse the City for the current parking leases on the CRA property in the amount of \$8,400 (\$500 recent annual parking space valuation) - \$150 (current valuation) per space, x 24 spaces = \$8,400).

I plan to bring a Purchase and Sale Agreement forward at the June 2 CRA meeting; and at the June 8 City Commission meeting.

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Sent via Email

April 29, 2010

Mr. Tony Otte
CITY OF NEW SMYRNA BEACH
210 Sams Avenue
New Smyrna Beach, FL 32168

06-11579.07RRR

SUBJECT: Additional Services for the New Smyrna Beach CRA - Financial Review of Hotel Proposal on the Flagler Avenue Site in New Smyrna Beach, Florida.

Dear Mr. Otte:

We are writing to you in reference to our financial review of the hotel proposal for the Flagler Avenue site in New Smyrna Beach, Florida.

We understand the City of New Smyrna Beach put out an RFP for two pieces of property on Flagler Avenue within the CRA. The city received a proposal for a Hampton Inn and Suites to be developed on the site by Premiere Development Group. The City has been carefully evaluating the proposal prior to moving forward, and as part of that review has asked RCLCO to analyze the likely financial performance of the proposed hotel to ensure that the proposed project is legitimate and a good use of CRA funds.

With that in mind, RCLCO has completed the following scope of work:

- 1) Reviewed materials related to the proposal including the proposal from the developer, the RFQ, and related project files.
- 2) Consulted with industry experts (RCLCO has colleagues that specialize in hotel development industry) regarding the proposal, assumptions, and financing.
- 3) Reviewed and analyzed Smith Travel data for the area relative to historical and current to hotel performance, in terms of average daily rates (ADR), and occupancy, and compared results of the analysis to information provided by Premiere Development Group.
- 4) Prepared our own market assumptions and other data inputs necessary to construct a pro forma financial model for the proposed development. Our revenue assumptions for the analysis were based on our market analysis results above, and we reviewed cost information provided by Premiere Development Group and third party sources.
- 5) Evaluated the likely financial performance of the proposed development via discounted cash flow analysis. Compared the financial performance of both our market-based numbers and the assumptions on performance provided to us by Premiere Development Group.

Findings and Conclusions

RCLCO's financial model indicates that a hotel like that proposed by Premiere in the CRA should be financially feasible under today's market conditions, based on our understanding of the demand for hotel rooms in the area, the cost to build and operate a hotel in New Smyrna Beach and the anticipated room rates, occupancy rates, and expenses associated with such an enterprise. Using generally "market rate" assumptions the financial model shows positive cash flow for the hotel. Our analyses indicated the likelihood of positive returns on the equity in the range typically desired by private investors, which is required for the project to be deemed financially feasible.

Current State of the Hotel Market

- Although hotels have been one of the commercial real estate segments most severely impacted by the recession, most hotel industry experts believe the lodging business has already begun a slow recovery, more so for transient business than group
- Demand fundamentals are improving, and there is not a lot of new product in the pipeline, which should facilitate the recovery
- Smith Travel Research expects that occupancies in 2010 will be flat, and that RevPAR (revenue per available room) will drop by 3.2% due to continued weakness in group business
- Smith Travel's forecasts vary by market segment, with economy class properties expected to perform the worst in the near term, with RevPAR down 6.7%; mid-scale properties without big food and beverage operations are projected to perform the best
- In 2011 occupancy rates are expected to increase 2%, with RevPAR increasing 4.2%

In general, we believe a hotel is a good opportunity in the CRA. New Smyrna Beach has historically benefitted from strong tourism demand due to its location on the Atlantic Coast, beach recreation, and laid back charm. Although tourism demand fell during the recent recession it is expected to continue to bounce back over the next several years. There is only one branded, major hotel in New Smyrna Beach (Holiday Inn). Most of the hotel supply up and down the coast from New Smyrna Beach was built in the early 1980's. The 22 year-old Holiday Inn property reportedly attracts 65% of its business from leisure traveler; its average daily rate is estimated at \$115; although they would not disclose occupancy levels, average occupancy levels in the market area are about 65% (per Smith Travel Data). The average daily rate among the nine hotel properties surveyed for this assignment is \$101 (ADR for New Smyrna Beach's competitive set hotels in surrounding coastal area).

The lack of new hotel supply in New Smyrna and the surrounding areas is positive for the development of a new hotel in CRA generally and for the above referenced Flagler Avenue property. Due to lack of supply most visitors to New Smyrna Beach stay in a condo or timeshare; probably due to the minimal hotel supply in the area. The Visitors Bureau reports unmet demand for hotels with event space serving both leisure and business guests. According to a statistical demand forecast up to 400 new hotel rooms are potentially supportable within Volusia County in the over the 10 years, and New Smyrna Beach is well-positioned to capture a share of this growth in demand.

Proposed Hotel

Premiere Development Group, based in Charleston, SC, proposes a limited service hotel be developed in the CRA, to be affiliated with the Hampton Inn brand, comprised of 67,575 square feet of building area for 112 rooms, 62 parking spaces, 1,250 square feet of meeting space, outdoor pool, exercise room, business center. It will be the first significant new hotel development in New Smyrna Beach since 1988. The hotel will be situated on three parcels, one purchased from a private owner for \$2,350,000, and the two subject property parcels currently owned by the City of New Smyrna Beach, a few blocks from the beach. Developer's assumptions include the property being managed by a professional management company at the standard 3%

of revenues management fee, developer to pay Hilton Hotels Corporation a 4% of rooms revenue royalty fee plus a 4% of rooms revenue marketing assessment, along with reservations fees paid to Hilton.

The City's properties are two contiguous lots, 207 and 215 Florida Avenue, New Smyrna Beach, in the commercial corridor behind the Flagler Avenue historic retail district, within walking distance of restaurants, shopping and beach recreation. Parcel 207 is approximately 18,300 square feet in size, and Parcel 215 is approximately 21,380; Pomeroy's appraisal estimated market value of 207 at \$256,000, 215 at \$299,000, for total of \$555,000 as of July 2009, while Diversified Property Specialists appraised the combined properties at \$1,150,000. We also understand there is a recent appraisal closer to the Pomeroy estimate.

Financial Model

As stated earlier, RCLCO's financial model indicates that a hotel like that proposed by Premiere in the CRA should be financially feasible under today's market conditions, based on our understanding of the costs to build and operate a hotel in New Smyrna Beach and the anticipated room rates, occupancy rates, and expenses associated with such an enterprise.

Although RCLCO has not reviewed Premiere Development's financial model for the property, RCLCO has prepared a financial model for a hypothetical hotel on the same property being considered by Premiere. The model was prepared using two sets of assumptions; those developed by RCLCO in the course of our work for the City of New Smyrna Beach and those gleaned from conversations with Premiere Development and reviews of other hospitality studies completed for this market area.

We assumed that the hotel would open in 2012, be comprised of 112 rooms, at an initial ADR of \$124 per night and occupancy of 63%. We assumed based on current market data and the expected market recovery that the ADR could be increased to \$147 per night by 2017, and that occupancies would improve to 71%. We assumed a construction budget of \$11,300,000, plus interest on the construction loan and loan origination fees of \$1,276,160. The construction budget assumes a development fee of 3%. We assumed based on developer's input that the interest rate on the loans would be 6.95%, comprised of a combination of SBA 504 loan at 5% and conventional financing at 8% amortized over 20 years, with the balance of costs being provided by equity investors. Operating expenses were estimated by major expense category on a percentage basis, at about 70% overall of revenue from operations. We assumed the cost of the land to be the land already purchased from a third party for \$2,350,000 plus land purchased from the City of New Smyrna Beach at the value of the lowest appraisal and at an average of the appraisal values. In both cases our analyses indicated the likelihood of positive investment returns on the equity in the range typically desired by private investors, though the higher the land value, the lower the return. Using these generally "market rate" assumptions the financial model shows positive cash flow for the hotel, as an indication of financial feasibility.

We prepared a second analysis, this time using the developers slightly more optimistic assumptions about achievable ADR and occupancy, which obviously results in a slightly better financial outcome. Again, we assumed that the hotel would open in 2012, be comprised of 112 rooms, but in this case at an initial ADR of \$127 per night and occupancy of 63%, with ADR increased to \$156 per night by 2017, at occupancy of 74%. We assumed the same construction budget of \$11,300,000, including a development fee of 3%. The model assumes interest on the construction loan and loan origination fees of \$1,276,160, interest rate on the loans at 6.95%, comprised of a combination of SBA 504 loan at 5% and conventional financing at 8% amortized over 20 years, with the balance of costs being provided by equity investors. Operating expenses were estimated by major expense category on a percentage basis, at about 70% overall of revenue from operations. We assumed the cost of the land to be the land already purchased from a third party for \$2,350,000 plus land purchased from the City of New Smyrna Beach at the value of the lowest appraisal and at an average of the appraisal values. In both cases our analyses indicated the likelihood of positive investment returns on the equity in the range typically desired by private investors, though the higher the land value, the lower the return. Using these generally

"market rate" assumptions the financial model shows positive cash flow for the hotel, as an indication of financial feasibility.

We also received a number of letters from real estate and hospitality industry professionals indicating their confidence in David Swentor and Premiere Development. These have been forwarded to you separately.

We appreciate the opportunity to be of service to the City of New Smyrna Beach and look forward to working with you again in the future.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gregg T. Logan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gregg T. Logan
Managing Director

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RICHARD W. FERNANDEZ, P.E.
MARK A. HAMPTON, P.E.
BRAD T. BLAIS, P.E.
DAVID A. KING, P.E.
ANDREW M. GIANNINI, P.E.

Quentin L. Hampton Associates, Inc.
Consulting Engineers
P.O. DRAWER 290247
PORT ORANGE, FLORIDA 32129-0247

TELEPHONE: (386) 761-8810
FAX: (386) 761-3977
EMAIL: qha@qha.com

May 3, 2010

Khalid Reshiedat, P.E.
Public Works Director
City of New Smyrna Beach
210 Sams Avenue
New Smyrna Beach, FL 32168

**CITY OF NEW SMYRNA BEACH
FLAGLER AVENUE SEAWALL, BOARDWALK AND PARKING AREA
SCOPE OF SERVICES AND FEE ESTIMATE**

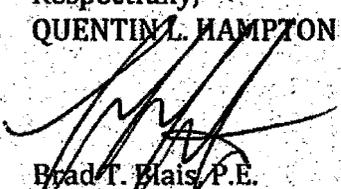
Dear Khalid,

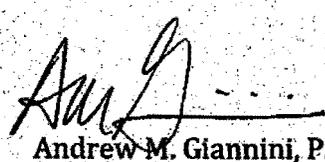
In accordance with your request, we are pleased to offer the enclosed Scope of Services and Engineering Fee Estimate for the above referenced project. As discussed, the scope of services covers professional services associated with preparing surveys, field investigations, plans, specifications and bidding assistance for improvements to the Flagler Ave. seawall, boardwalk, restrooms and parking areas.

The City desires to contract for professional services necessary to rehabilitate the seawall, upgrade the boardwalk, repair/replace the breezeway, replace the restrooms and improve the parking lot. Our scope includes surveys, planning, meetings, bid documents and bidding assistance for the above referenced improvements. We have engaged David Dacar, AIA to serve as the architect. A copy of the proposal from Williamson Dacar Associates accompanies this submittal. Other sub-consultant allowances are also included for survey and geotechnical investigations.

Please review the attached and if acceptable, forward to the appropriate parties for approval. Thank you for this opportunity to be of service to the City of New Smyrna Beach. If you have additional questions; do not hesitate to call.

Respectfully,
QUENTIN L. HAMPTON ASSOCIATES, INC.


Brad T. Blais, P.E.
Vice President


Andrew M. Giannini, P.E.
Project Engineer

BTB/AMG:ah/el

CRA meeting May 5, 2010 - Old Business – B. Flagler Ave. Boardwalk: Scope of work for project design

**SCOPE OF SERVICES AND FEE ESTIMATE
FLAGLER AVENUE SEAWALL, BOARDWALK AND PARKING AREA
CITY OF NEW SMYRNA BEACH**

General – This scope of services and Fee Proposal is in conformance with the Continuing Services Agreement between the City of New Smyrna Beach (City) and Quentin L. Hampton Associates, Inc. (QLH).

A meeting was held with City staff and the CRA Director to determine the scope of required improvements at the Flagler Avenue Boardwalk and Parking Area. It was determined that the City desires to: rehabilitate the seawall, restore the breezeway, replace the restrooms and upgrade all of the parking areas. Based upon a preliminary review of the required project components, the estimated total construction cost is approximately \$1.7 M.

Scope of Work – QLH will address the following project components:

1. Seawall Assessment and Design – Evaluate the depth and general condition of existing seawall and make recommendations for repair. Prepare plans and specifications for seawall repairs and upgrades. Address handicap access, aesthetic upgrades and lighting.

2. Boardwalk and Breezeway Assessment and Restoration:

Phase 1 - Evaluate structural and architectural elements of existing breezeway. This includes determining the remaining 'useful life' of wood structure and identifying necessary structural and electrical components necessary to restore the breezeway. Prepare a cost benefit analysis as a basis for determining whether to rehabilitate the existing structure or demolish and replace. The breezeway evaluation should address roofing, coatings, fasteners, lighting, electrical and related code compliance issues.

Phase 2 – Provide plans and specifications for the required work to the boardwalk and pavilion structure as determined from the Phase 1 survey. The plans shall include basic architectural and structural engineering design as may be required, including electrical, lighting, and video security layout. New walkways to interface between this area and the parking lot shall be included in the design.

3. Establish Annual Maintenance Budget - Prepare an itemized annual maintenance cost estimate for the City to use as a budgeting tool to facilitate future maintenance of the boardwalk and related facilities.
4. Replace Restroom and Storage Facilities – Prepare demolition and construction plans for new restroom facilities to replace the existing restrooms. Plans should include all disciplines including structural, architectural, mechanical, electrical and utility plans.
5. Parking Area Upgrades and Utility Design – Prepare conceptual and final construction plans for improvements to the parking areas. Improvements will include landscape islands, drive aisles and delineation of parking spots. Address drainage issues and evaluate the potential for creating a skateboarding area using pre-manufactured equipment.

6. Site Plan Approval and Permitting – Obtain all requisite site plan approvals from the CRA and planning department. Assist the City in obtaining all requisite ACOE and/or FDEP permits.
7. Bidding Services – Provide bidding services to include plan distribution, pre-bid meeting, answer contractor questions during the bid period, issue addenda, attend bid opening, evaluate bidder's qualifications and prepare award recommendation.
8. Meetings and Presentations – Attend up to (3) design meetings with City staff, (2) CRA meetings and (2) City Commission meetings. Prepare presentations and cost estimates as necessary at each of the referenced meetings. Prepare agendas and meeting minutes of all meetings.

Exclusions – The following work activities are not included in this scope of work:

- Phase 1 and Phase 2 Environmental Assessments
- Property acquisition, easements and/or legal services
- Construction phase services
- Permit Application Fees

Proposed Fees – QLH and WDA will complete the work for estimated fees as follows:

Item	Task Description	Est. Fee
1	Seawall Assessment and Design	\$48,560
2	Boardwalk & Breezeway Assessment & Restoration	\$33,820
3	Establish Annual Maintenance Budget	\$2,500
4	Replace Restroom and Storage Facilities	\$35,240
5	Parking Area Upgrades and Utility Design	\$40,380
6	Site Plan Approval and Permitting	\$14,500
7	Bidding Services	\$3,500
8	Meetings and Presentations	\$12,600
9	Allowances (Geotechnical -\$7,500, Survey-\$5,000, Printing-\$1,000)	\$13,500
Total Estimated Fees		\$204,600

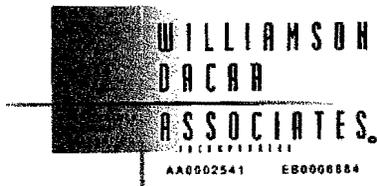
QLH fees are to be billed on a lump sum basis. Billing of allowances items are to be billed on an actual out-of-pocket cost basis or actual hours expended based on applicable hourly rates in effect at the time of work.

The terms outlined above are hereby agreed to

City of New Smyrna Beach

Pamela Brangaccio, City Manager

Date



May 1, 2010

Mr. Brad T. Blais, P.E.
Quentin L. Hampton & Associates Consulting Engineers, Inc.
P. O. Drawer 290247
Port Orange, Florida 32129-0247

Re: Flagler Avenue Seawall, Boardwalk and Parking Area Improvements, New Smyrna Beach, Florida

Dear Brad:

Williamson Dacar Associates, Inc. (WDA) in association with Quentin L. Hampton & Associates Consulting Engineers, Inc. (QLH) would be pleased to provide the required architectural, structural engineering and MEP services for the above referenced project as further described below.

As per our recent meeting, it is my understanding that the scope of services for this project is to be in conformance with the continuing services agreement between your firm (QLH) and the City of New Smyrna Beach, and the scope of work of this project is to include repairs and renovations to the Flagler Avenue boardwalk area, its public rest rooms, parking area, and seawall. Sheet S-1 is attached showing the general area of the project's scope of work.

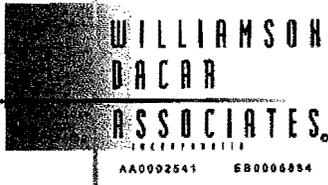
Williamson Dacar Associates' scope of service for this project shall consist of the required architectural and structural and MEP engineering design and summary reports and presentation materials, preparation of plans and specifications for permitting, bidding assistance, and standard construction administration for the various components of the project as described below.

The project shall be divided into two major parts. Phase I shall provide an investigative and quantitative survey to determine the existing conditions of the components of the project and to better define the scope of work required for Phase II of the project, such as whether to repair or replace any specific structure or associated component parts. Phase II shall utilize the information obtained from Phase I to be incorporated into final construction documents.

PHASE I: A/E/MEP INVESTIGATIVE ANALYSIS OF BUILDING/STRUCTURAL ELEMENTS
(QLH shall provide all data pertaining to any testing or subsoil investigations, as may be required)

1. Seawall:
 - Determine the depth of the existing seawall.
 - Evaluate the general conditions as to repair or encasement of the wall with a new structure.
2. Pavilion Boardwalk and Pavilion Structure:
 - Determine the remaining life of the wood structure with proper repairs versus its complete replacement. This evaluation shall address all structural components and claddings, electrical components, etc. and determine the relative cost ratio of repairs versus replacement.
3. Adjacent Rest Room Facilities (south of the boardwalk):
 - Determine the condition and quantities of the physical facility (# of toilets, showers, size, etc.)
 - Provide an estimate of the remaining life of the existing components with ADA, EPA, etc. considerations.
 - Determine the relative cost ratio of required repairs versus replacement with new.

Continued . . .



Quentin L. Hampton & Associates Consulting Engineers, Inc.
Re: Flagler Avenue Seawall, Boardwalk and Parking Area Improvements
May 1, 2010
Page 2 of 2

4. Storage Building (adjacent to existing rest rooms):
 - Determine the condition of the existing facility, including the building structure and integral systems (electrical, mechanical, etc.)
 - Provide an estimate of the remaining life of the existing components and any code compliance issues that may exist.
 - Determine the relative cost of repairs versus replacement with new.

PHASE II: CONSTRUCTION DOCUMENTATION – Architectural, Structural and MEP Engineering only

1. SEAWALL: WDA shall provide plans and specifications for the work required on the seawall. The basic design shall provide for a new handicap access ramp to the beach, including handrails and “sea turtle approved” lighting. Ramp design shall take into consideration storm surge effects from the ocean and shall be designed to resist such hydraulic forces.
2. BOARDWALK AND PAVILION STRUCTURE: WDA shall provide plans and specifications for the required work to the boardwalk and pavilion structure as determined from the Phase I survey. The plans shall include basic architectural and structural engineering design as may be required, including electrical, lighting, and video security layout. New walkways to interface between this area and the parking lot shall be included in the design.
3. ADJACENT REST ROOMS AND STORAGE FACILITIES: WDA shall provide plans and specifications for work in these areas as required and as derived from the results of the Phase I survey.

Upon completion of the approved construction documents, WDA shall develop a maintenance plan with a current estimated budget in order to provide the City of New Smyrna Beach with a guide for required scheduled maintenance for the newly finished structures and facilities.

WDA shall provide support services and assistance in conjunction with QLH during plan review and permitting and bidding processes with respect to their architectural, structural and MEP design work, including meetings and presentations applicable to their scope of work.

Williamson Dacar Associates, Inc. would appreciate the opportunity to work with Quinton L. Hampton and Associates on this project for the City of New Smyrna Beach.

Cordially,

David W. Dacar, RA, EI
WILLIAMSON DACAR ASSOCIATES, INC.

Attachment

203 South Pine Street, New Smyrna Beach, FL 32169
Ph. #386-428-3148 / FAX 386-428-1334 / williamsondacar.biz