

CITY OF NEWPORT BEACH SUPPLEMENTAL CITY COUNCIL STAFF REPORT

Agenda Item No. 18
July 13, 2004

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: City Manager's Office
Sharon Wood, Assistant City Manager
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SUBJECT: Marinapark Resort & Community Plan (PA 2003-218)
1700 West Balboa Boulevard

Final Environmental Impact Report
Fiscal Impact Analysis

APPLICANT: Marinapark LLC (Formerly Sutherland Talla Hospitality)

RECOMMENDATIONS:

1. Review the Final Environmental Impact Report (EIR) and receive public comments during the public hearing;
2. Review and comment on the draft fiscal impact analysis; and
3. Continue the public hearing to July 27, 2004.

DISCUSSION:

Environmental Impact Report:

The Planning Commission conducted a public hearing on the draft Final Environmental Impact Report (EIR) for this project on July 8, 2004. At the conclusion, the Commission adopted the attached Resolution, recommending that the City Council certify the EIR, with the Reduced Intensity alternative identified as the environmentally superior alternative.

Commission Discussion:

The Commission reviewed the statutory intent and purpose for preparing, circulating, and certifying an Environmental Impact Report, and focused their discussion on several areas of impact analysis included in the DEIR and in comments received during the public circulation period. These areas were traffic, revised dock plan, hazardous

materials, tidelands boundary, loss of recreation facilities, parking, alternatives to the project, land use compatibility, noise, and revised/additional mitigation measures. City staff and consultants summarized the analysis and conclusions in the DEIR and responded to Commission questions as each was introduced. This report highlights issues where information was clarified or added, or changes to the EIR were recommended.

Traffic

Staff noted that the trip generation rate used to analyze the proposed hotel was not the rate found in the Institute of Traffic Engineers (ITE) Manual, but a rate that had been developed by Austin Foust Associates, the traffic consultant, in a study of resort hotels. This rate is higher than ITE's resort hotel rate for peak hours, and therefore results in a more conservative traffic analysis than would have been the case using the ITE rate. The DEIR should be amended to cite the correct source for the trip generation rate.

The traffic consultant also noted that the traffic study assumed that only 24 mobile homes (those occupied by full-time residents) were occupied and generating traffic. The tables in the DEIR are correct; the text on page 5.5-3 should be amended to delete the reference to a "fully occupied mobile home park" and explain the assumption regarding 24 occupied units.

Alternatives

Because the DEIR found the proposed project to have less environmental impact than any of the alternatives except no project, it concluded that the project is the environmentally superior alternative. The City Attorney advised the Commission that CEQA requires the lead agency to identify an environmentally superior alternative among the alternatives to the project. Michael Houlihan of Michael Brandman Associates, who prepared the EIR, provided the Commission with a comparison of the Marine Recreation and Reduced Intensity alternatives. The DEIR shows that impacts from both alternatives would be less than significant, but the Reduced Intensity alternative would have less impact in the areas of traffic, air quality, noise, biological resources and water quality. Based on this analysis, he recommended that the Reduced Intensity alternative be identified as the environmentally superior one, and the Commission accepted the recommendation.

Public Comments:

Four pieces of written correspondence were received at or prior to the Planning Commission hearing, and they are attached to this report. Eight members of the public spoke at the hearing. In addition to commenting on the environmentally superior alternative and project impacts they would experience, public comments raised a few issues to which staff responded.

Employees

The DEIR states that the hotel will have 50 employees in total, but the project proponent has stated that there will be no more than 50 employees at any one time. In addition, existing luxury hotels in the region have a higher number of employees per guest room. Staff responded that hotel employees would work on varied schedules depending on work assignment (e.g., housekeeping vs. grounds maintenance), day of week, and whether there is a ballroom function. Therefore, there will not be shift changes involving all employees at the same time, which could have greater traffic and parking impacts. In addition, the small size of the proposed ballroom (3,600 square feet) was noted as a reason for a lower employee requirement than other hotels with larger conference and banquet facilities.

Alternatives

The Commission was asked to consider the Marine Recreation alternative as the environmentally superior one. Speakers also suggested that another alternative should be analyzed in the EIR, one that would be consistent with the existing General Plan but would not retain the mobile home park. The City Attorney advised that the Marine Recreation alternative accomplishes that because it is consistent with the existing General Plan and includes removal of the mobile home park.

Traffic

A question was raised regarding the impact of car rental activities at the hotel, and the City Attorney noted that such activity is not part of the project description, and would not be permitted without additional review. Another question was whether the use of taxis by hotel guests would change traffic impacts, and staff noted that the traffic counts done to establish the trip generation rate included all vehicles arriving and leaving the hotel.

Fiscal Impact Analysis:

The City's agreement with Sutherland Talla Hospitality requires that a fiscal impact analysis be prepared before the City Council certifies the EIR. Staff retained Applied Development Economics (ADE), the firm that is doing the fiscal impact work for our General Plan update, and they have analyzed the proposed project using the fiscal impact model that was developed for the General Plan work.

ADE's draft report is attached. It may be revised prior to the City Council hearing on July 27, based on comments from the Council and public at the meeting on July 13. To provide a complete understanding of impacts, the fiscal analysis includes revenue expected from rent on the property and costs to close the mobile home park. In the case of rental revenue, the analysis assumes the lease terms that have been developed

by the Council committee on lease negotiations, which will be discussed by the full Council in closed session on July 13. That discussion could result in amended terms, which will require revisions to the fiscal impact analysis. For closure of the mobile home park, the analysis assumes the costs suggested by a draft of the relocation impact report, which will not be finalized prior to July 27. For other costs and revenues, the analysis uses projections in the market study prepared by PKF Consulting for the project proponent and reviewed for the City by Keyser Marston Associates. Finally, cost and revenue factors developed for the fiscal impact model and reviewed by the General Plan Advisory and Update Committees and the Economic Development Committee were used for items not specifically projected for this project.

The fiscal impact analysis concludes that the current land uses generate positive net revenue of \$696,000 per year, which is attributable primarily to lease revenue. The projected impact of the project is positive net revenue of \$3,544,773 (in 2004 dollars) in year 4, when the project is stabilized. This positive impact is projected to increase for the five years after stabilization included in the analysis. For the project, rent would generate approximately half the net revenue, and transient occupancy tax would generate over \$1,000,000.

Submitted by:

Sharon Wood
Assistant City Manager

Attachments: 1. Planning Commission Resolution
2. Planning Commission Correspondence
3. Fiscal Impact Analysis