

CAAWP Presentation to Waterfront Work Group

November, 2011



CAAWP Proposal – Positive for Economy

CAAWP’s proposals help improve tourism revenues and allow existing hotels, which are not at maximum occupancy, to benefit.

The city’s plan to allow 450 new hotel rooms increases hotel room supply by 16%. Demand would have to increase by a similar amount or else existing hotel ADRs and RevPARs will decline, as seen in 2009.

–Should existing hotel revenue decline, so will the City’s tax revenues from them.

Basic tenet of economics – supply and demand are inversely related.

Year	Occupancy	ADR	% change ADR	RevPar	% change RevPar	Supply	% change Supply	Demand	% change Demand	Revenue
2004	79.4%	\$150.64		\$119.60		403,690		320,495		\$48,280,455
2005	81.3%	\$163.47	8.5%	\$132.91	11.1%	403,690	-	328,217	2.4%	\$53,654,708
2006	76.0%	\$180.52	10.4%	\$137.15	3.2%	403,690	-	306,712	-6.6%	\$55,366,322
2007	73.4%	\$191.20	5.9%	\$140.25	2.3%	379,398	-6.0%	278,311	-9.3%	\$53,211,708
2008	74.9%	\$197.99	3.6%	\$148.23	5.7%	408,800	7.7%	306,048	10.0%	\$60,594,544
2009	74.1%	\$187.67	-5.2%	\$138.99	-6.2%	444,538	8.7%	329,227	7.6%	\$61,784,435

Source: Smith Travel Research, as displayed in W-ZHA LLC 2/10/2011 memo to City

CAAWP Proposal – Positive for Economy

CAAWP's proposals would boost Alexandria's current hotel occupancy of 70% by eliminating new hotel room development while providing increased cultural, historical and parkland amenities for tourists.

The City's plan promotes 3-4 new hotels, when even the Washington Post's own expert determined hotels were not financially viable at the Robinson Terminal sites given the inherent challenges of the waterfront location:

"...if the City were to impose a requirement for a hotel or other lodging use on either Robinson Terminal site in Alexandria, then the site would have no value." (Source: Mannon study)

CAAWP Proposal – Positive for Economy

CAAWP’s proposals increase the amount of historical and cultural amenities along the waterfront – the main attractions for tourists...an important source of revenues.

We estimate new local revenues and increased tax revenues of over \$13 million and \$800,000, respectively, just from one small museum. (Source: http://www.americansforthearts.org/pdf/information_services/research/services/economic_impact/national_findings_summary_report.pdf)

Top Tourist Activities in Alexandria

Visiting Museums	32%
Visting Historic Sites	30%
Shopping	21%
Fine Dining	18%
Visiting Art Galleries	16%
Visting Old Homes and Mansions	12%

Source: <http://visitalexandriava.com/media-pr/fact-sheet/>

CAAWP Proposal - Financial Alternatives

CAAWP presents four alternatives for the City to consider as a starting point for further analysis.

Key innovative idea – allow the main property owners – who are willing sellers - to subdivide the parcels. This approach benefits everyone:

–**Property owners** – the sum of the parts is greater than the whole

–**The City** – increased tax revenues from a diverse set of developers/ businesses (lower developer risk). Additionally, opportunity to acquire waterfront land at historically low financing rates...and secure it for the public forever.

–**Developers and small businesses** – the opportunity to acquire or lease prime real estate next to City-owned, protected waterfront parkland

–**Residents** – free access to the waterfront for all...with less dense development

CAAWP Proposal - Financial Alternatives

CAAWP has identified multiple funding sources for the acquisition of waterfront land.

This is an unprecedented investment opportunity for current and future generations.

Sources include:

•Municipal Bonds – historically cheap financing

–Similarly rated municipalities are issuing at historically low interest rates of just 3% (source: <http://fixedincome.fidelity.com/fi/FICorpNotesDisplay?name=MUNIBD>)

–Recent recovery in bond issuance nationwide (source: Wall Street Journal 11/3/2011 - <http://online.wsj.com/article/SB10001424052970204621904577014333017322856.html>)

•Grants

–Federal, State and Local

–See handout

•Public-Private Partnerships

–Successfully achieved by other cities

•Private Donors

–Family foundations supporting the arts, the environment and waterfront preservation

Scenarios	City's Plan	Alternative Plan Buy all Land	RTS & RTN	RTS & RTN-E (excludes RTN-W)	RTS & RTN-E PLUS 1 Duke Street
Revenue Potential					
Net New Redevelopment RE Taxes (net of current taxes)	\$2,213,054	\$326,797	\$326,797	\$326,797	\$326,797
Sales Taxes from Retail	\$83,633	\$135,000	\$135,000	\$135,000	\$135,000
Meals Taxes	\$701,960	\$700,000	\$700,000	\$700,000	\$700,000
Sales Tax and BPOL from Restaurants	\$210,588	\$210,000	\$210,000	\$210,000	\$210,000
Transient Lodging Tax (Hotel Room Tax)	\$1,154,636	\$199,290	\$199,290	\$199,290	\$199,290
Hotel Sales Tax and BPOL	\$217,635	\$38,435	\$38,435	\$38,435	\$38,435
Museum Admission Revenues	\$0	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
Additional Revenues from Increased Tourism/Museum	\$0	\$807,184	\$807,184	\$807,184	\$807,184
Total Revenues	\$4,581,506	\$4,916,706	\$4,916,706	\$4,916,706	\$4,916,706
Note: total revenues for City plan excluding all hotels	\$3,290,678				
Estimated Costs					
City 15% for General City services of New Development	\$687,226	\$310,862	\$310,862	\$310,862	\$310,862
Capital Improvements	\$44,278,198		\$24,278,198	\$24,278,198	\$24,278,198
Land Acquisition	\$0	\$97,000,000	\$30,535,570	\$24,901,580	\$25,912,761
Flood Mitigation	\$6,790,247	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Museum	\$0	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Annual City Cost to Operate Museum		\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
Park Development Expenses	\$7,000,000		\$20,000,000	\$20,000,000	\$20,000,000
Annual Interest expense on Municipal Bond	\$2,350,227	\$4,165,600	\$3,424,985	\$3,199,626	\$3,240,073
Total Costs	\$61,105,898	\$136,976,462	\$94,049,615	\$88,190,265	\$89,241,893
Funding Sources					
Municipal Bond	\$58,755,671	\$136,976,462	\$89,049,615	\$83,190,265	\$84,241,893
Grants		(\$5,000,000)	-\$5,000,000	-\$5,000,000	-\$5,000,000
Public Private Partnership					
Sale of Land - Proceeds to partially retire debt		(\$22,860,000)			
Total Debt	\$58,755,671	\$109,116,462	\$89,049,615	\$83,190,265	\$84,241,893
Difference Between City Plan and CAWP plans		\$50,360,791	\$30,293,944	\$24,434,594	\$25,486,222
Debt:Revenue Ratio	12.82	22.19	18.11	16.92	17.13

Note - capital improvement for alt plans = City total LESS park development expenses, below
Note - City's assessment of \$97 million includes acquisition, demolition, build out