



CITY COUNCIL STAFF REPORT

DATE: JULY 19, 2017

NEW BUSINESS

SUBJECT: EXTENSION OF THE HOTEL OPERATIONS INCENTIVE PROGRAM DEADLINE FOR COMMENCEMENT OF CONSTRUCTION OF THE VIRGIN HOTEL, LOCATED ON BLOCK B-1 OF THE DOWNTOWN PALM SPRINGS SPECIFIC PLAN, AT THE SOUTHEAST CORNER OF BELARDO ROAD AND THE EXTENSION OF E. ANDREAS ROAD WESTWARD, UNTIL DECEMBER 31, 2019

FROM: David H. Ready, City Manager

BY: Edward Z. Kotkin, City Attorney

SUMMARY

Developer Grit Development, LLC has requested an extension of the deadline for commencement of construction provided in the City's Hotel Operations Incentive Program ("Program"). The developer's project is the Virgin Hotel. The City allowed the transfer of an Operations Covenant, originally granted to the AC Marriott Hotel project on December 30, 2014, to the Virgin Hotel as follows. On May 4, 2016, this Council approved an Amended and Restated Operations Covenant ("Amended Covenant") granting the Virgin Hotel the Program's maximum benefit. Even the best hotel projects attracted to Palm Springs are on Program timelines for entitlement and development. The Program deadline for commencement of the entitled hotel Virgin's construction is December 31, 2017. Construction of the Virgin will not commence by that date, and the Developer views the extension requested as necessary if the project is to proceed.

RECOMMENDATION:

Approve an extension of the Hotel Operations Incentive Program deadline for commencement of construction for Virgin Hotel, located on Block B-1 of the Downtown Palm Springs Specific Plan, at the southeast corner of Belardo Road and the extension of E. Andreas Road westward, until December 31, 2019.

ITEM NO. 5.B.

STAFF ANALYSIS:

In 2005 and 2006, the City spent forty-five million dollars (\$45,000,000.00) to renovate and expand the Convention Center, and make it more competitive with similar-sized venues in the Western United States. In 2008, the City Council adopted the Hotel Operations Incentive Program, codified in Chapter 5.26 of the Palm Springs Municipal Code ("PSMC"), to help finance new hotels and the renovation of existing hotels in the City. Chapter 5.26. The program has worked, stimulating extensive investment in new and improved hotels. In 2008 hotel generated revenue to the City was approximately thirteen million dollars (\$13,000,000). For the current fiscal year, that revenue has increased to approximately twenty-nine million dollars (\$29,000,000). The Council has extended the program, which was originally set to expire at the end of December 2012, and extended program deadlines for projects on a case-by-case basis.

On May 4, 2016, this Council approved the Amended Covenant at the request of the owner of the hotel site, granting the Virgin Hotel the Program's maximum benefit, seventy-five percent (75%) of the adjusted transient occupancy tax revenue paid to the City of Palm Springs for a period of thirty (30) years, or up to a sum of fifty million dollars (\$50,000,000.00), whichever occurs first. In doing so, the Council acknowledged the Virgin Hotel as a future asset of the community consistent with the Program.

PSMC Section 5.26.020 states in relevant part that a "[n]ew hotel," "first class new hotel," and "comfort new hotel" means a hotel or first class hotel or comfort hotel that . . . is under construction prior to December 31, 2017." The developer of the Virgin Hotel has developed the Kimpton, set to open this autumn, prior to commencing work on the Virgin, and is now ready to proceed with its second significant downtown hotel project. That said, the Virgin's development will likely not be a rapid process.

Grit Development is mindful of the Virgin's important location, near the City's new downtown park, and next to the Kimpton, opening in the near future. The developer bases its anticipated schedule moving forward upon its recent experience in building the Kimpton, and requests that the City approve a two (2) year extension of the Program deadline for the commencement of construction of its "first class new hotel." Staff has engaged a consultant and undertaken extensive analysis of the economic benefit of the Virgin to the community, and recommends approval of the extension requested. The developer has outlined a process of proceeding from interior and construction documents, through plan check, putting this project out to bid, and commencing construction that it estimates will take as much as seventeen (17) months. The developer estimates that its upfront investment in this project, prior to pulling its first building permit, will be four million five hundred thousand dollars (\$4,500,000.00). The developer notes that this amount does not include funds already dedicated to property purchase, construction of an underground valet parking garage, costs of the project's entitlements, and defense costs

of a lawsuit now concluded. The developer is preparing to begin the development process, and seeking to protect its investment to date. Part of that preparation is this request. In requesting an extension of the Program deadline that affords it extra time to commence construction, the developer notes the economic and geo-political uncertainty of the present times.

In its communication to the City related to this request for an extension, the developer notes *(i)* the high value of the worldwide Virgin brand, with its established and successful sales and distribution power, its reputation for great customer service, and its vast social media presence, *(ii)* the nature of this project which it indicates will be a landmark building and asset to the community, *(iii)* the two hundred (200) new permanent jobs it indicates this project will bring, and *(iv)* and the additional tax revenue and tourist/visitor dollars that this project will bring to the City. The developer also explains that the new Palm Springs Virgin is a part of the brand's roll-out of a total of twelve to fifteen (12-15) hotels, and that Palm Springs will be the fourth (4th) U.S. location, expected to open in late 2020.

In explaining the unique nature of the Virgin, the developer provided the following comment:

Our new hotel in Palm Springs will be re-defining the hotel stay as a service/experience, not just a room. We will do this through a variety of signature elements which work together to foster a Virgin Hotel community and sense of through a variety of signature elements which work together to foster a Virgin Hotel community and sense of belonging and transform the traditional transient relationship between guest and hotel. Virgin Hotels will define its communal spaces by building on experience the brand has gained in operating award-winning Clubhouses around the world - unique spaces where our guests can, nourish and refresh themselves, meet other interesting people, get work done, or just enjoy the unique energy of Palm Springs.

While the developer has been professional, positive and optimistic in all of its statements to the City about moving forward with the Virgin Hotel, this project will not proceed without the Virgin receiving the benefit of the Program.

The Virgin and other aspects of the downtown project exist under a cloud as a consequence of the criminal complaint filed against the project's original owner and developer and a former Mayor. City staff would not recommend that the Council consider an extension of a deadline that confirms and extends a prior commitment to share adjusted transient occupancy tax rate revenue with that absent compelling reasons to do so. Accordingly, staff engaged the services of Keyser Marston Associates to evaluate the significance of the Virgin Hotel in downtown Palm Springs as an economic matter.

Keyser Marston's report, attached to this report as ATTACHMENT 1, provides the Council with insight into the positive economic impact of the Virgin Hotel in downtown Palm Springs, comprehensively analyzed in the context of a number of different scenarios. The report speaks for itself, but it is fair to summarize the report by stating that the full buildout of the downtown project, including the Virgin Hotel is preferable to any other potential scenario analyzed. The executive summary notes that "[i]f the project is delayed, the

potential revenues vary widely depending on whether the Virgin Hotel can still be developed.”

ALTERNATIVES:

Reject this extension of the City’s Hotel Operations Incentive Program deadline for commencement of construction for the Virgin Hotel.

Reject this extension of the City’s Hotel Operations Incentive Program deadline for commencement of construction for the Virgin Hotel under the terms recommended, but direct staff as to the terms under which the extension would be approved.

Reject this extension of the City’s Hotel Operations Incentive Program deadline for commencement of construction for the Virgin Hotel, but direct the staff to negotiate with the developer, and return to the Council, no later than the end of October 2017, with a second amended and restated operating covenant for the Virgin Hotel, pursuant to the City’s general and charter authority. This new covenant **(i)** would be considered at a public hearing and recorded against the property if approved by the Council, in accordance with the City’s general and charter authority, and **(ii)** would provide the Project with a newly negotiated rebate of adjusted transient occupancy tax revenue paid to the operator of the Virgin Hotel.

There is no guaranty or even indication that the developer would accept any of these alternatives and move forward to build the Virgin Hotel.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) DETERMINATION:

The extension of the City’s Hotel Incentive Program considered at this time is not a “project” for purposes of the California Environmental Quality Act (CEQA), as that term is defined by CEQA guidelines (Guidelines) section 15378. This action is organizational or administrative activity by the City of Palm Springs in furtherance of its police power, and will not result in a direct or indirect physical change in the environment, per section 15378(b)(5) of the Guidelines.

BUSINESS PRINCIPAL DISCLOSURE

A search of records available through the Secretary of State of California shows that as of May 2, 2017, the developer of the Virgin Hotel, Grit Development, LLC, was a company managed by a single manager, Michael Braun. The company name is new, with the prior name having been “Wessman Holdings, LLC.” Mr. Braun was a manager or member of Wessman Holdings as reflected in a Statement of Information filed with the Secretary of State on April 28, 2017. As of November 3, 2016, Wessman Holdings, LLC had more than one manager, and Mr. Braun was engaged as such at that time. Previously, as of October 25, 2015, Mr. Braun and John Wessman were both managers of Wessman Holdings, LLC. John Wessman filed the articles of organization of Wessman Holdings,

LLC on January 24, 2002.

The owner of the Virgin site is DTPS B 3, LLC, with articles of organization filed by John Wessman on April 1, 2015. Per a statement of information filed on May 4, 2017, Michael Braun is the manager or member of DTPS B 3, LLC. Palm Springs Promenade, LLC was the owner of the site at the time of the Amended Covenant, and according to information received from the developer, remains the majority owner of DTPS B 3, LLC. Also per the developer, other owners/members of DTPS B 3, LLC include Michael Braun, Grit Development, LLC, Octavio Fernandez, a trust affiliated with John Wessman, and Mr. Wessman himself as a retired passive owner.

Per an amendment to its articles of organization filed on January 4, 2017, Michael Braun became a member of Palm Springs Promenade, LLC, and there are other unnamed managers of the LLC. The most recent filing with the Secretary of State for Palm Springs Promenade, LLC on May 23, 2017 confirms that Michael Braun remains a manager or member. The owners of Palm Springs Promenade, LLC beyond DTPS B 3, LLC are John Wessman and his family.

FISCAL IMPACT:

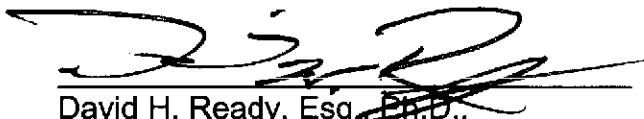
Extension of the Program to this project will affirm the hotel operator's entitlement to a rebate of seventy-five percent (75%) of the adjusted transient occupancy tax revenue for thirty (30) years or until the operator has been paid fifty million dollars (\$50,000,000), whichever event occurs first. The extensive revenue that staff anticipates the Virgin will generate is documented and analyzed in the Keyser Marston report attached to this report.



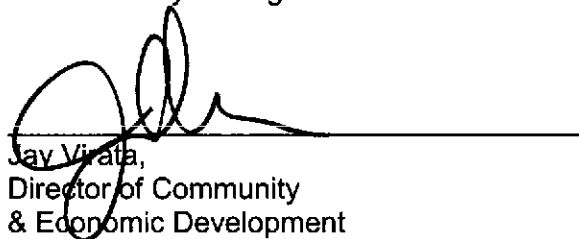
Edward Z. Kotkin,
City Attorney



Marcus L. Fuller, MPA, P.E., P.L.S.,
Assistant City Manager



David H. Ready, Esq., Ph.D.,
City Manager



Jay Virata,
Director of Community
& Economic Development

Attachments:

1. Keyser Marston Report



KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
Real Estate
Redevelopment
Affordable Housing
Economic Development

SAN FRANCISCO
A. Jerry Keyser
Timothy C. Kelly
Kate Earle Funk
Debbie M. Kern
Reed T. Kawahara
David Doezema

LOS ANGELES
Kathleen H. Head
James A. Rabe
Gregory D. Soo-Hoo
Kevin E. Engstrom
Julie L. Romey

SAN DIEGO
Paul C. Marra

To: David Ready, PhD, City Manger
City of Palm Springs

From: James Rabe

cc: Marcus Fuller, Assistant City Manager
Edward Kotkin, City Attorney

Date: July 13, 2017

Subject: Fiscal Review – Palm Springs Promenade

At your request, Keyser Marston Associates, Inc. (KMA) undertook a review and made projections of the key public revenues (property taxes, local sales taxes and transient occupancy taxes) that might be generated as a result of the development of the Downtown Palm Springs Project (the "Project") by Palm Springs Promenade, LLC, (Promenade) under various alternatives. The City of Palm Springs (City) requested this analysis to assist its decision-making process regarding completion of the Project under three potential scenarios: 1) by Promenade inclusive of the full development and occupancy of Blocks A, B, C, D, F and G, and the Kimpton and Virgin Hotels; 2) by Promenade excluding completion of interior tenant spaces of Blocks B and C retail buildings, excluding development of Blocks D, F, and G, and excluding the Virgin Hotel; and 3) by an Alternative Developer inclusive of the full development and occupancy of Blocks A, B, C, D, F and G, the Kimpton Hotel, but excluding the Virgin Hotel

As KMA understands the situation, Promenade entered into a Project Financing Agreement (the "PFA") with the City of Palm Springs on September 7, 2011. Pursuant to the terms and conditions of the PFA, the City agreed to pay Promenade: (1) an agreed fair market value price of \$32,000,000 for acquisition of certain real property interests defined as "Public Assets", including: new public streets, existing surface and underground parking facilities, and vacant land for future development; and (2) a fixed

price of \$11,000,000 for construction of all required public improvements as stipulated in the PFA.

EXECUTIVE SUMMARY

The Promenade is a mixed-use located in downtown Palm Springs. The former shopping mall that occupied the site has been demolished. The Promenade is currently under construction on Parcels A, B and C and portions of the development on these parcels have been completed.

Scope of Development

When the development of these parcels is complete, the development will have approximately:

- 77,400 square feet of street-oriented retail and restaurant space
- 16,400 square feet of office space
- 33 residential apartments
- 152-room Kimpton Hotel

The proposed development program for the entire project is approximately:

- 111,700 square feet of street-oriented retail and restaurant space
- 16,400 square feet of office space
- 30,000 square feet of grocery and gym/fitness space
- 121 residential units
- 153-room Kimpton Hotel
- 145-room Virgin Hotel

A more detailed breakout of the scope of development is provided in Summary Table 1.

Analysis

For this analysis KMA has considered three alternatives:

- **Proposed Development** – The project proceeds as currently envisioned to full buildout.
- **Reduced Development** – The project development ceases upon completion of the current activities on Blocks A, B and C.

- **Alternative Developer** – There is a significant delay in the completion of the project as Promenade either recapitalizes the project, or another developer acquires the assets and completes the project.

These alternatives provide a reasonable range of alternatives and financial outcomes for the City to consider in its evaluation and deliberation. An important consideration that is addressed in the Alternative Developer alternative, is that the Virgin Hotel might not go forward if the project is further delayed.

Promenade currently contemplates completing the project by 2024. The listing of when the various parcels are completed is shown in Summary Table 1. The Alternative Developer analysis examines a delayed project with the Virgin Hotel that is completed in 2026, and a further delayed project without the Virgin Hotel that is completed in 2027.

In preparing this analysis, KMA reviewed information provided by Promenade including: development costs, projected sales for the various retail and restaurant spaces, and hotel room rates and other sales at the hotels. KMA reviewed this information and also consulted outside third-party data sources as well as KMA's files for similar projects and uses. The assumptions used in the analysis were compiled from all of the above sources. Based on this data, KMA established an optimistic scenario and a conservative scenario for each of the alternatives discussed above.

In preparing this analysis, KMA took into account that some hotel stays will be "transferred" from existing hotels in the early years. Also, these hotels are subject to operating covenants that require a certain quality and allow for a rebate of 75% of the specified transient occupancy tax.

Summary of Results

The public revenues are shown in the lower half of Summary Table 2. To provide several perspectives, KMA has summarized the public revenues in one year of operation, the total revenues generated over a 30-year period, and the net present value of that 30-year revenue flow.

KMA has shown the projected key public revenues for 2021, the year after completion and opening of the Virgin Hotel. In 2021 for the Proposed Development alternative, the City is projected to receive between \$2,003,000 and \$2,144,000 in key public revenues. If development stops at completion of Blocks A, B and C, then public revenues are only \$1,410,000 to \$1,525,000, approximately \$600,000 less than the proposed project. The revenue reduction is similar if the project is delayed because the Virgin Hotel opens later.

Over the longer time period, the difference to the City between the Proposed Development and the Reduced Development gets larger. Over a 30-year term, the optimistic scenario of the Proposed Development provides \$111.8 million of revenues to the City. Over the same period, the optimistic scenario for the Reduced Development provides nearly \$63.3 million to the City, approximately \$48.5 million less. The differential is similar for conservative scenarios of these two alternatives; the Reduced Development generates \$42.5 million less (\$58.6 million versus \$101.1 million).

On a present value basis discounted at 7.0%, the Proposed Development is worth between \$37.6 million and \$41.4 million. The Reduced Development is worth \$22.8 million and \$24.7 million, a \$14.8 million to \$16.7 million differential.

If the project is delayed, the potential revenues vary widely depending on whether the Virgin Hotel can still be developed. If the Virgin Hotel and development on Blocks D, F and G are delayed by approximately two years, then the revenue reduction is only about \$5.7 million (\$111.8 million versus \$106.1 million). On a net present value basis, the difference is \$3.4 million (\$41.4 million versus \$38.0 million).

The differences are much larger if the Virgin Hotel is not built. In that case, the total revenues are only \$71.7 million versus \$101.1 million in the Conservative Scenario of the Proposed Development alternative, a reduction of \$29.4 million. On a net present value basis, the revenue loss is \$11.0 million (\$37.6 million versus \$26.6 million).

BACKGROUND

Promenade provided KMA with its current scope of development and its timeframes for moving forward with the Project. The City also provided the Specific Plan for the area as additional information. The overall scope of development and development timing is shown in Summary Table 1.

Proposed Project

The Promenade is a mixed-use development located in downtown Palm Springs. An enclosed shopping mall previously occupied the site. The shopping mall has been demolished, and Promenade has completed and/or nearly completed development on Blocks A, B and C of the Project. Only limited activity has occurred on Blocks D, F and G. The initial development on Blocks A, B and C consists of retail, residential and office uses in addition to a Kimpton Hotel. The scope of this initial development is shown below.

Street-oriented retail	56,121 square feet
Street-oriented restaurant	21,284 square feet
Office space	16,400 square feet
Residential	33 apartment units
Kimpton Hotel	153 rooms plus 7,000 square feet of retail and restaurant

Based on information provided by Promenade, the development on Blocks D, F and G will add additional retail and restaurant space, grocery store, gym/fitness facility, and additional residential units. A Virgin Hotel is planned for additional development on Block B. The total proposed scope of development is shown below.

Street-oriented retail	89,121 square feet
Street-oriented restaurant	22,534 square feet
Office space	16,400 square feet
Residential	88 apartment units and 33 units of condo or apartment
Kimpton Hotel	153 rooms plus 7,000 square feet of retail and restaurant
Grocery & Gym	30,000 square feet
Virgin Hotel	145 rooms plus 10,500 square feet of retail and restaurant

Development Alternatives

For purposes of evaluating what could happen to the development of the Project depending on City actions, KMA has considered three general alternatives.

- **Proposed Development** – Development of the Project proceeds as currently envisioned to full buildout, inclusive of the Kimpton and Virgin Hotels.
- **Reduced Development** – Development of the Project ceases upon completion of the current activities on Blocks A, B and C. The Virgin Hotel is not constructed.

- **Alternative Developer** – There is a significant delay in the completion of the Project as Promenade either recapitalizes the Project, or another developer acquires the assets and completes the Project. Under this scenario, the Virgin Hotel may or may not be constructed.

The Reduced Development alternative seems to have a low probability, but provides a useful lower bound on the revenue projections for the City. If payments to Promenade pursuant to the PFA were to end, it seems unlikely that development of the Project will stop. It is assumed that Promenade would attempt to “salvage” the Project by completion portions underway, and by attracting new capital to complete remaining portions. The Alternative Developer scenario is a more likely response whereby development of the Project is delayed, while Promenade pursues new capital, or Promenade enters into agreements with an alternative developer to complete the Project. One issue relates to the Virgin Hotel. The current agreement has start date obligations (which appear to have passed), which allow Virgin to leave the project. KMA has considered this delayed project completion with and without the Virgin Hotel.

Development Timing

Based on the information provided by Promenade, the development of Blocks A, B and C will be completed in 2017. The Virgin Hotel would be completed by 2020, and Blocks D, F and G completed between 2022 and 2024 as shown in Summary Table 1.

In the Alternative Developer alternative, if completion of the Project is not significantly delayed and Virgin Hotel remains in the Project, then KMA assumed that the Virgin Hotel would be completed by 2023 and Blocks D, F and G completed between 2024 and 2026. This is an overall two-year delay in project completion.

If the Project is delayed further and the Virgin Hotel is not constructed for any reason, then KMA assumed that Blocks D, F and G would be completed in 2026 and 2027. That is a four-year delay for Block D, and an overall three-year delay in the Project.

Key Assumptions

KMA has made a number of assumptions in preparing this analysis. The assumptions are based upon information provided by Promenade in addition to KMA's review of third party data sources such as International Council of Shopping Centers (ICSC), CBRE hotel data publications for the Coachella Valley, Smith Travel Research data for hotels in Palm Springs, and KMA's files for comparable commercial, hotel and mixed-use projects. KMA has assumed a 2.5% annual inflation rate.

For this analysis, KMA has set out an optimistic scenario and a conservative scenario in each alternative. The two scenarios establish a reasonable bound on the assumptions that underlie each alternative.

The key assumptions are shown in the upper half of Summary Table 2.

Taxable Sales

Promenade provided estimates of sales for the various retail tenants and tenant types for the project. Notwithstanding that Promenade's projections include sales obligations in the tenant leases, their projections seem aggressive for long-term projections of City revenues. KMA reviewed its files and ICSC data for sales productivity for non-anchor tenants in West Coast Malls. KMA's sales per square foot assumptions are shown below.

	<u>Optimistic Scenario</u>	<u>Conservative Scenario</u>
Street-oriented retail	\$900 per SF	\$800 per SF
Street-oriented restaurant	\$900 per SF	\$750 per SF
Grocery & Gym	\$275 per SF	\$200 per SF
Hotel commercial	\$800 per SF	\$700 per SF

These sales volumes are still quite high on a per square foot basis, but the space allocated to non-anchor tenants in malls and in this project is smaller than normal. Given typical gross sales volumes for these types of tenants, the sales per square foot are expected to be higher than normal.

For the office component of the project, KMA has assumed taxable sales of \$40 per square foot. Based on ICSC's most recent survey of office workers,¹ suburban office worker annual taxable spending during the day near work, amounts to approximately \$20 per square foot, approximately 50% of the KMA assumption. The other \$20 per square foot recognizes that a small number of office activities generate taxable sales.

Hotel Revenues

Promenade provided assumptions with respect to the projected room rates for the Kimpton Hotel and the Virgin Hotel. Both of these hotels are high quality hotels and are expected to be rated four-diamond by AAA. KMA also reviewed CBRE's projections on room rates and occupancy rates for the Coachella Valley in general, Palm Springs in particular, and Smith Travel Research data for four hotels in downtown Palm Springs.

¹ Office-Worker Retail Spending in a Digital Age, 2012

KMA has also evaluated several Kimpton Hotels in the last couple of years and that data was taken into account. The KMA estimates of Revenue per Available Room (Revpar) for the two hotels are shown below.

	Revpar – Optimistic <u>Scenario</u>	Revpar – Conservative <u>Scenario</u>
Kimpton Hotel	\$143.91	\$139.92
Virgin Hotel	\$156.64	\$149.03

Revpar is equal to total room revenues for the year divided by the number of rooms and the number of days in the year. It represents the average revenue per room per day for a hotel. In the general Palm Springs market, the Kimpton Revpars are reflective of an average daily rate between \$200 and \$205 per night. The Virgin Hotel average daily rate is between \$213 and \$223 per night.

ANALYSIS

KMA has projected the primary public revenues (property tax, sales tax and transient occupancy tax) for the six scenarios. The projections for each scenario are provided in Attachments A through F.

Attachment A	Proposed Development – Optimistic Scenario
Attachment B	Proposed Development – Conservative Scenario
Attachment C	Reduced Development – Optimistic Scenario
Attachment D	Reduced Development – Conservative Scenario
Attachment E	Alternative Developer – Optimistic Scenario
Attachment F	Alternative Developer – Conservative Scenario

Within each attachment, there are six or seven tables, depending on whether the scenario includes the development of the Virgin Hotel.

Table 1	Key City Public Revenues
Table 2	Allocation of Property Tax Revenues
Table 3	Sales Tax Revenues
Table 4	Transient Occupancy Tax
Table 5	Off-Site Visitor Spending – Kimpton Hotel

For the three scenarios that include a Virgin Hotel, Table 6 is titled, Off-Site Visitor Spending – Virgin Hotel.

The last table (Table 6 or 7 depending on the scenario) computes the transient occupancy tax (TOT) retained by the City. The two hotels meet the requirements of the City's hotel assistance program. Under the program, high quality hotels that meet the requirements are eligible to receive 75% of the specified TOT for a period of 30 years or a maximum rebate of \$50 million, whichever comes first.

Property Tax Revenues

Under the existing agreements, Promenade is required to build a high quality project. The buildings are Type 1 construction (steel frame), which is generally seen as a high rise construction technique. It is much more expensive than Type 5 wood frame construction. KMA has toured the site and reviewed Promenade's construction estimate. Based on other projects that KMA has reviewed, Promenade's current construction budget appears reasonable, and those values have been used in this analysis to estimate assessed value and property tax revenues.

The first phase of construction is estimated to have an assessed value at completion of \$111.3 million. If the full project is built out, the assessed value estimate is \$251.5 million. If the Virgin Hotel is not built, then the estimated assessed value at completion of the Project is \$184.0 million.

The City is allocated 22.69% of the 1.0% basic levy. At completion of the first phase, the assessed value of the Project is estimated at \$111.3 million, as shown in Table 2 of each Attachment. The local property tax would be \$1,113,400, of which the City would receive \$252,580. Assessed values and property tax revenues are assumed to increase at 2.0% per year.

As additional phases of the project come on line, the assessed value and property taxes will increase.

Sales Tax Revenues

Purchases at retail stores and restaurants are subject to the California sales tax. The sales tax remitted to by the City by the State is an amount equal to 1.0% of the amount of the purchases. This project will generate sales tax revenues from three sources, purchases at the stores and restaurants included in the project (including purchases in the hotels), purchases by visitors staying at the hotels and purchases by employees working in the stores, restaurants and office buildings. The employee purchases are assumed to be covered within the sales tax assumptions for each use.

The project at completion of the first phase has 101,350 square feet of space in the street-oriented retail and restaurant, and retail and restaurant space in the Kimpton Hotel generating taxable sales. As shown in Table 3 of the optimistic scenarios, the first year taxable sales from these uses are \$76.4 million (see Attachment A – Table 3A). In the conservative scenarios, the taxable sales from these uses are \$66.8 million (see Attachment B – Table 3B).

Taxable sales are also generated by the hotel guests. KMA has compiled data from a number of sources to estimate the allocation of each dollar spent by visitors to the hotels. This baseline spending factor is computed in Table 5 of each Attachment for the Kimpton Hotel and Table 6 for the Virgin Hotel (if included in the project). On average, visitors spend 24.2% of each dollar on food and beverage and 15.5% on retail purchases. KMA has also adjusted for sales that occur in the hotel, which have already been counted and an allowance for purchases that occur outside the City.

In the first year, purchases by visitors to the Kimpton Hotel in the optimistic scenarios amount to \$7.62 million (see Attachment A- Table 3A). As a result, total taxable sales are \$84.0 million and the local sales tax is \$840,000 in the optimistic scenarios. In the conservative scenarios, the total taxable sales amount to \$74.2 million and the sales tax revenues amount to \$742,100 (see Attachment B – Table 3).

Transient Occupancy Tax

The City collects a transient occupancy tax equal to 13.5% of the gross room revenues at hotels defined as "Group Meeting Hotel", defined as a hotel with at least 125 rooms, with meeting space for 125 people, and which reserves hotel rooms for group sales. Total room revenues and the gross TOT are calculated in Table 4 of each Attachment. It is assumed that it takes two years for the hotels to reach stabilized occupancy, so the revenues per available room in these years are lower than the stabilized room revenues discussed above in the Assumptions section. The revenues per room in the third year are higher due to effects of inflation.

In reviewing projections for hotel occupancy in the Coachella Valley and the Palm Springs area, the opening of the two hotels and the likely opening of a new Spa Hotel will "transfer" some visitor stays from existing hotels to these hotels. This is a short-term effect which KMA estimates will dissipate over the first five years of operation. KMA has assumed that the transfer is 10% for the first two years and 5% for next three years. In the first year, the gross TOT in the optimistic scenarios is \$812,700 (see Table 7 of Attachments A, C or E). The 10% transfer amount is \$81,300. For the conservative scenarios, the first year gross TOT is \$787,900 (see Table 7 in Attachments B, D or F).

As noted previously, the Kimpton and Virgin Hotels are being developed consistent with a City program that incentivizes the development of “First Class New Hotels”. Under the program, the City rebates 75% of the specified TOT for a period of up to 30 years, or until the developer receives \$50 million. The computations of the rebate and the remainder retained by the City are shown in Table 6 or 7 of each attachment. In the first year, the gross TOT in the optimistic scenarios is \$812,700. The 75% rebate to Promenade is \$546,300. Taking into account the approximately \$81,300 of TOT that was transferred from other hotels, the net TOT retained by the City in the first year is \$185,100 (see Attachment A - Table 7A).

SUMMARY OF RESULTS

The development of the Promenade will provide an increase in revenues to the City. For illustrative purposes, KMA has shown the projected key public revenues for 2021, the year after completion and opening of the Virgin Hotel, based on the current schedule. In addition, KMA estimates the total revenues over a 30-year period from 2018 through 2047, and the net present value of those revenues. The public revenues are shown in the lower half of Summary Table 2.

In 2021 for the Proposed Development alternative, the City is projected to receive between \$2,003,000 and \$2,144,000 in property tax, sales tax and TOT revenues. If development stops at completion of Blocks A, B and C, then public revenues are only \$1,410,000 to \$1,525,000, approximately \$600,000 less than the proposed project. The revenue reduction is similar if the project is delayed because the Virgin Hotel opens later. In comparison to the Reduced Development and Alternative Developer alternatives, in the Proposed Development alternative, property taxes are approximately \$156,000 greater, sales tax approximately \$200,000 higher, and TOT approximately \$240,000 higher.

Over the longer time period, the difference to the City between the Proposed Development and the Reduced Development gets larger. Over a 30-year term, the optimistic scenario of the Proposed Development provides \$111.8 million of revenues to the City. Over the same period, the optimistic scenario for the Reduced Development provides nearly \$63.3 million to the City, approximately \$48.5 million less. The differential is similar for conservative scenarios of these two alternatives; the Reduced Development generates \$42.5 million less (\$58.6 million versus \$101.1 million).

On a present value basis discounted at 7.0%, the Proposed Development is worth between \$37.6 million and \$41.4 million. The Reduced Development is worth \$22.8 million and \$24.7 million, a \$14.8 million to \$16.7 million differential.

If the project is delayed, the potential revenues vary widely depending on whether the Virgin Hotel can still be developed. If the Virgin Hotel and development on Blocks D, F and G are delayed by approximately two years, then the revenue reduction is only about \$5.7 million (\$111.8 million versus \$106.1 million). On a net present value basis, the difference is \$3.4 million (\$41.4 million versus \$38.0 million).

The differences are much larger if the Virgin Hotel is not built. In that case, the total revenues are only \$71.7 million versus \$101.1 million in the Conservative Scenario of the Proposed Development alternative, a reduction of \$29.4 million. On a net present value basis, the revenue loss is \$11.0 million (\$37.6 million versus \$26.6 million).

SUMMARY TABLE 1

KEY ASSUMPTIONS FOR ALTERNATIVES
 PALM SPRINGS PROMENADE - PUBLIC REVENUES
 PALM SPRINGS, CALIFORNIA

	Proposed Development		Reduced Development		Alternative Developer	
	Optimistic Scenario	Conservative Scenario	Optimistic Scenario	Conservative Scenario	Optimistic Scenario	Conservative Scenario
Scope of Development						
Street-oriented Retail SF	89,121	89,121	56,621	56,621	89,121	87,621
Street-oriented Restaurant SF	22,534	22,534	21,284	21,284	22,534	21,284
Grocery & Gym (SF)	30,000	30,000			30,000	30,000
Office (SF)	16,400	16,400	16,400	16,400	16,400	16,400
Kimpton Hotel (rooms)	153	153	153	153	153	153
Virgin Hotel (rooms)	145	145			145	
Hotel Commercial (SF)	17,500	17,500	7,000	7,000	17,500	7,000
Apartments (units)	88	88	33	33	88	88
Apartments/Condos (units)	33	33			33	33
Year of Completion						
Virgin Hotel	2020	2020			2023	
Block D	2022	2022			2024	2026
Block F	2023	2023			2025	2026
Block G	2024	2024			2026	2027
Development Cost/Value						
Blocks A, B, C	\$111,337,000	\$111,337,000	\$111,337,000	\$111,337,000	\$111,337,000	\$111,337,000
Virgin Hotel	\$67,590,000	\$67,590,000			\$67,590,000	
Block D	\$13,250,000	\$13,250,000			\$13,250,000	\$13,250,000
Block F	\$40,200,000	\$40,200,000			\$40,200,000	\$40,200,000
Block G	\$19,250,000	\$19,250,000			\$19,250,000	\$19,250,000
Total Cost/Value	\$251,627,000	\$251,627,000	\$111,337,000	\$111,337,000	\$251,527,000	\$184,037,000

SUMMARY TABLE 2

**SUMMARY OF ALTERNATIVES
PALM SPRINGS PROMENADE - PUBLIC REVENUES
PALM SPRINGS, CALIFORNIA**

	Proposed Development		Reduced Development		Alternative Developer	
	Optimistic Scenario	Conservative Scenario	Optimistic Scenario	Conservative Scenario	Optimistic Scenario	Conservative Scenario
Scope of Development - Key Public Revenue Generators						
Street-oriented Retail SF	89,121	89,121	56,621	56,621	89,121	87,621
Street-oriented Restaurant SF	22,534	22,534	21,284	21,284	22,534	21,284
Office SF	16,400	16,400	16,400	16,400	16,400	16,400
Hotel - Kimpton (Rooms)	153	153	153	153	153	153
Hotel - Virgin (Rooms)	145	145	0	0	145	0
Public Revenue Parameters (\$2017)						
Retail Sales/SF	\$900.00	\$800.00	\$900.00	\$800.00	\$900.00	\$800.00
Restaurant Sales /SF	\$900.00	\$750.00	\$900.00	\$750.00	\$900.00	\$750.00
Office Sales/SF (incl. worker purchases)	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00
Hotel - Kimpton Revpar - stabilized	\$143.91	\$139.92	\$143.91	\$139.92	\$143.91	\$139.92
Hotel - Virgin Revpar - stabilized	\$156.64	\$149.03			\$156.64	
Public Revenues - 2021						
City Property Taxes	\$424,420	\$424,420	\$268,030	\$268,030	\$268,030	\$268,030
City Sales Tax	\$1,146,700	\$1,022,500	\$932,100	\$826,100	\$932,100	\$826,100
Net City Transient Occupancy Tax (TOT)	<u>\$573,200</u>	<u>\$555,600</u>	<u>\$324,600</u>	<u>\$315,500</u>	<u>\$324,600</u>	<u>\$315,500</u>
Total	\$2,144,320	\$2,002,520	\$1,524,730	\$1,409,630	\$1,524,730	\$1,409,630
Public Revenues - 30 Years						
City Property Taxes	\$21,188,910	\$21,188,910	\$10,246,310	\$10,246,310	\$19,894,510	\$14,682,310
City Sales Tax	\$60,618,000	\$51,063,500	\$37,963,500	\$33,645,800	\$58,408,500	\$42,267,900
Net City Transient Occupancy Tax (TOT)	<u>\$29,974,800</u>	<u>\$28,839,300</u>	<u>\$15,133,000</u>	<u>\$14,711,500</u>	<u>\$27,777,200</u>	<u>\$14,711,500</u>
Total	\$111,781,710	\$101,091,710	\$63,342,810	\$58,603,410	\$106,080,210	\$71,661,710
Net Present Value @ 7.0%	\$41,436,900	\$37,565,100	\$24,680,200	\$22,827,600	\$37,971,300	\$26,629,800

Attachment A

Palm Springs Promenade
Public Revenue Analysis
Proposed Development Program

Optimistic Scenario

TABLE 1A

KEY CITY PUBLIC REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA

<u>Year</u> Allocation %	<u>Total</u> <u>Property</u> <u>Taxes</u> ¹	<u>City</u> <u>Property</u> <u>Taxes</u> ¹ 22.69%	<u>City</u> <u>Sales</u> <u>Taxes</u> ²	<u>Net</u> <u>City TOT</u> ³	<u>Total</u> <u>City</u> <u>Revenues</u>
2018	\$1,113,400	\$252,580	\$840,000	\$185,100	\$1,277,680
2019	1,135,600	257,610	877,500	229,900	1,365,010
2020	1,834,300	416,120	1,102,600	518,000	2,036,720
2021	1,870,900	424,420	1,146,700	573,200	2,144,320
2022	2,040,900	462,980	1,276,800	675,800	2,415,580
2023	2,483,700	563,430	1,512,400	754,200	2,830,030
2024	2,725,800	618,350	1,665,000	772,900	3,056,250
2025	2,780,400	630,740	1,706,600	858,800	3,196,140
2026	2,836,000	643,350	1,749,300	880,200	3,272,850
2027	2,892,700	656,220	1,793,000	902,300	3,351,520
2028	2,950,500	669,330	1,837,900	924,900	3,432,130
2029	3,009,600	682,730	1,883,800	947,900	3,514,430
2030	3,069,700	696,370	1,930,900	971,600	3,598,870
2031	3,131,100	710,300	1,979,200 ⁴	996,000	3,685,500
2032	3,193,800	724,520	2,028,700	1,020,900	3,774,120
2033	3,257,600	738,990	2,079,400	1,046,400	3,864,790
2034	3,322,800	753,780	2,131,400	1,072,500	3,957,680
2035	3,389,200	768,850	2,184,700	1,099,300	4,052,850
2036	3,457,000	784,230	2,239,300	1,126,800	4,150,330
2037	3,526,200	799,930	2,295,300	1,155,000	4,250,230
2038	3,596,700	815,920	2,352,600	1,183,800	4,352,320
2039	3,668,600	832,230	2,411,500	1,213,500	4,457,230
2040	3,742,000	848,880	2,471,700	1,243,800	4,564,380
2041	3,816,800	865,850	2,533,500	1,274,900	4,674,250
2042	3,893,200	883,180	2,596,900	1,306,800	4,786,880
2043	3,971,000	900,830	2,661,800	1,339,400	4,902,030
2044	4,050,500	918,870	2,728,300	1,372,900	5,020,070
2045	4,131,500	937,240	2,796,600	1,407,200	5,141,040
2046	4,214,100	955,980	2,866,500	1,442,400	5,264,880
2047	<u>4,298,400</u>	<u>975,100</u>	<u>2,938,100</u>	<u>1,478,400</u>	<u>5,391,600</u>
Total	\$93,404,000	\$21,188,910	\$60,618,000	\$29,974,800	\$111,781,710
NPV @ 7%	\$35,176,100	\$7,979,800	\$22,585,400	\$10,871,700	\$41,436,900

1. See Table 2

2. See Table 3

3. See Table 4

TABLE 2A

ALLOCATION OF PROPERTY TAX REVENUES
 PALM SPRINGS PROMENADE
 PALM SPRINGS, CALIFORNIA

<u>Year</u>	<u>Component Completed</u>	<u>Incremental Property Valuation</u>	<u>Assessed Valuation</u>	<u>Property Tax Base</u>	<u>City Allocation</u> ²
Allocation %					22.69%
2018	Blocks A,B,C	\$111,337,000	\$111,337,000	\$1,113,400	\$252,580
2019		\$0	113,563,700	1,135,600	257,610
2020	Virgin Hotel	\$67,590,000	183,425,000	1,834,300	416,120
2021		\$0	187,093,500	1,870,900	424,420
2022	Block D	\$13,250,000	204,085,400	2,040,900	462,980
2023	Block F	\$40,200,000	248,367,100	2,483,700	563,430
2024	Block G	\$19,250,000	272,584,400	2,725,800	618,350
2025		\$0	278,036,100	2,780,400	630,740
2026		\$0	283,598,800	2,836,000	643,350
2027		\$0	289,268,700	2,892,700	656,220
2028			295,054,100	2,950,500	669,330
2029			300,955,200	3,009,600	682,730
2030			306,974,300	3,069,700	696,370
2031			313,113,800	3,131,100	710,300
2032			319,376,100	3,193,800	724,520
2033			325,763,600	3,257,600	738,990
2034			332,278,900	3,322,800	753,780
2035			338,924,500	3,389,200	768,850
2036			345,703,000	3,457,000	784,230
2037			352,617,100	3,526,200	799,930
2038			359,669,400	3,596,700	815,920
2039			366,862,800	3,668,600	832,230
2040			374,200,100	3,742,000	848,880
2041			381,684,100	3,816,800	865,850
2042			389,317,800	3,893,200	883,180
2043			397,104,200	3,971,000	900,830
2044			405,046,300	4,050,500	918,870
2045			413,147,200	4,131,500	937,240
2046			421,410,100	4,214,100	955,980
2047			429,838,300	4,298,400	975,100
TOTAL				\$93,404,000	\$21,188,900

1. Project Value based on KMA review of developer costs to date and comparable projects
2. City share of property taxes provided by City staff.

TABLE 3A

**SALES TAX REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

<u>Year</u>	<u>Developed Commercial Square Footage</u>	<u>On Site Taxable Sales</u> ¹	<u>Kimpton Visitor Taxable Sales</u> ²	<u>Virgin Visitor Taxable Sales</u> ³	<u>City Sales Tax</u> 1.00%
Allocation %					
2018	101,305	\$76,371,000	\$7,626,400		\$840,000
2019	101,305	78,280,000	9,473,500		877,500
2020	114,555	91,662,000	10,697,300	\$7,896,800	1,102,600
2021	114,555	93,954,000	10,964,700	9,747,700	1,146,700
2022	144,555	105,409,000	11,238,800	11,034,300	1,276,800
2023	164,555	128,410,000	11,519,800	11,310,200	1,512,400
2024	175,555	143,101,000	11,807,800	11,593,000	1,665,000
2025	175,555	146,678,000	12,103,000	11,882,800	1,706,600
2026	175,555	150,345,000	12,405,600	12,179,900	1,749,300
2027	175,555	154,104,000	12,715,700	12,484,400	1,793,000
2028	175,555	157,957,000	13,033,600	12,796,500	1,837,900
2029	175,555	161,906,000	13,359,400	13,116,400	1,883,800
2030	175,555	165,954,000	13,693,400	13,444,300	1,930,900
2031	175,555	170,103,000	14,035,700	13,780,400	1,979,200
2032	175,555	174,356,000	14,386,600	14,124,900	2,028,700
2033	175,555	178,715,000	14,746,300	14,478,000	2,079,400
2034	175,555	183,183,000	15,115,000	14,840,000	2,131,400
2035	175,555	187,763,000	15,492,900	15,211,000	2,184,700
2036	175,555	192,457,000	15,880,200	15,591,300	2,239,300
2037	175,555	197,268,000	16,277,200	15,981,100	2,295,300
2038	175,555	202,200,000	16,684,100	16,380,600	2,352,600
2039	175,555	207,255,000	17,101,200	16,790,100	2,411,500
2040	175,555	212,436,000	17,528,700	17,209,900	2,471,700
2041	175,555	217,747,000	17,966,900	17,640,100	2,533,500
2042	175,555	223,191,000	18,416,100	18,081,100	2,596,900
2043	175,555	228,771,000	18,876,500	18,533,100	2,661,800
2044	175,555	234,490,000	19,348,400	18,996,400	2,728,300
2045	175,555	240,352,000	19,832,100	19,471,300	2,796,600
2046	175,555	246,361,000	20,327,900	19,958,100	2,866,500
2047	175,555	252,520,000	20,836,100	20,457,100	<u>2,938,100</u>
TOTAL					\$60,618,000

1. Taxable sales estimated at \$900 /SF for retail space, \$900 /SF for restaurant space, \$800 / SF for hotel commercial space and \$40 / SF for office space. Taxable sales estimates include employee spending during work hours.

2. See Table 5

3. See Table 6

TABLE 4A

**TRANSIENT OCCUPANCY TAX
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

Project Year	Kimpton Hotel Rooms	Revenue per Available Room ¹	Annual Room Revenues	Virgin Hotel Rooms	Revenue per Available Room ²	Annual Room Revenues	TOT Revenues ³
2018	153	\$107.80	\$6,020,000			\$0	\$812,700
2019	153	\$133.90	7,478,000			0	1,009,500
2020	153	\$151.20	8,444,000	145	\$123.75	6,549,000	2,024,100
2021	153	\$154.98	8,655,000	145	\$152.75	8,084,000	2,259,800
2022	153	\$158.85	8,871,000	145	\$172.90	9,151,000	2,433,000
2023	153	\$162.83	9,093,000	145	\$177.22	9,380,000	2,493,900
2024	153	\$166.90	9,320,000	145	\$181.65	9,614,000	2,556,100
2025	153	\$171.07	9,553,000	145	\$186.19	9,854,000	2,619,900
2026	153	\$175.35	9,792,000	145	\$190.85	10,101,000	2,685,600
2027	153	\$179.73	10,037,000	145	\$195.62	10,353,000	2,752,700
2028	153	\$184.22	10,288,000	145	\$200.51	10,612,000	2,821,500
2029	153	\$188.83	10,545,000	145	\$205.52	10,877,000	2,892,000
2030	153	\$193.55	10,809,000	145	\$210.66	11,149,000	2,964,300
2031	153	\$198.39	11,079,000	145	\$215.93	11,428,000	3,038,400
2032	153	\$203.35	11,356,000	145	\$221.33	11,714,000	3,114,500
2033	153	\$208.43	11,640,000	145	\$226.86	12,007,000	3,192,300
2034	153	\$213.64	11,931,000	145	\$232.53	12,307,000	3,272,100
2035	153	\$218.98	12,229,000	145	\$238.34	12,614,000	3,353,800
2036	153	\$224.46	12,535,000	145	\$244.30	12,930,000	3,437,800
2037	153	\$230.07	12,848,000	145	\$250.41	13,253,000	3,523,600
2038	153	\$235.82	13,169,000	145	\$256.67	13,584,000	3,611,700
2039	153	\$241.72	13,499,000	145	\$263.09	13,924,000	3,702,100
2040	153	\$247.76	13,836,000	145	\$269.66	14,272,000	3,794,600
2041	153	\$253.95	14,182,000	145	\$276.41	14,629,000	3,889,500
2042	153	\$260.30	14,537,000	145	\$283.32	14,995,000	3,986,800
2043	153	\$266.81	14,900,000	145	\$290.40	15,369,000	4,086,300
2044	153	\$273.48	15,272,000	145	\$297.66	15,754,000	4,188,500
2045	153	\$280.32	15,654,000	145	\$305.10	16,147,000	4,293,100
2046	153	\$287.32	16,046,000	145	\$312.73	16,551,000	4,400,600
2047	153	\$294.51	16,447,000	145	\$320.55	16,965,000	4,510,600
Total							\$93,721,400

1. KMA estimate based on review of developer information, other Kimpton Hotel and comparable hotel information and CBRE information for Coachella Valley.

2. KMA estimate based on review of developer information, comparable hotel information and CBRE information for Coachella Valley.

Revenue per available room is equal to total annual room revenues divided by the total number of rooms divided by 365 days

3. Based on City's 13.5% transient occupancy tax (TOT) rate.

TABLE 5A

**OFF SITE VISITOR SPENDING - KIMPTON GUESTS
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

				1	
I. <u>Expenditures of Hotel Guests</u>	<u>Stabilized Spending (\$)</u>	<u>Share of Total</u>			
Accommodations	\$9,583,940 ²	21.5%			
Food & Beverage	10,787,505	24.2%			
Retail Sales	6,887,064	15.5%			
Ground Transportation	2,050,517	4.6%			
Arts, Entertainment & Recreation	12,436,834	27.9%			
Other Purchases	<u>2,808,317</u>	<u>6.3%</u>			
Total Hotel Guest Expenditures	\$44,576,465	100.0%			
Total Non-Lodging Spending	\$34,992,525	78.5%			
				3	
II. <u>Non-Lodging Expenditures Subject to Sales Tax</u>	<u>Stabilized Spending (\$)</u>	<u>Subject to Sales Tax</u>	<u>Taxable Spending</u>		
Food & Beverage	\$10,787,505	50%	\$5,393,752		
Retail Sales	6,887,064	75%	5,165,298		
Ground Transportation	2,050,517	0%	0		
Arts, Entertainment & Recreation	12,436,834	5%	621,842		
Other Purchases	<u>2,808,317</u>	50%	<u>1,404,159</u>		
Total Non-Lodging Spending	\$34,970,237				
Total Non-Lodging Taxable Spending		36.0%	\$12,585,051		
				4	
III. <u>Net New Off-Site Taxable Sales</u>					
Total Off-Site Taxable Spending			\$12,585,051		
(Less) Transfers and Purchases Outside City			<u>(1,887,758)</u>		
Net New Off-Site Taxable Sales			\$10,697,300		
Sales Tax @ 1.0%			\$107,000		

¹ Estimates by KMA based on research by Palm Springs, Anaheim and Orange County Conventions Bureaus, CBRE and Dean Runyan Associates.

² Based on stabilized Year 3 market rate room revenues plus 13.5% TOT.

³ KMA assumption based on previous hotel experience.

⁴ Deduction of 15% of the stabilized merchandise sales, which are assumed to come from hotel guests.

TABLE 6A

OFF SITE VISITOR SPENDING - VIRGIN HOTEL
 PALM SPRINGS PROMENADE
 PALM SPRINGS, CALIFORNIA

I. <u>Expenditures of Hotel Guests</u>	Stabilized Spending (\$)	Share of Total			
Accommodations	\$9,885,911 ²	21.5%			
Food & Beverage	11,127,397	24.2%			
Retail Sales	7,104,061	15.5%			
Ground Transportation	2,115,125	4.6%			
Arts, Entertainment & Recreation	12,828,694	27.9%			
Other Purchases	<u>2,896,802</u>	<u>6.3%</u>			
Total Hotel Guest Expenditures	\$45,980,980	100.0%			
Total Non-Lodging Spending	\$36,095,070	78.5%			
II. <u>Non-Lodging Expenditures Subject to Sales Tax</u>	Stabilized Spending (\$)	Subject to Sales Tax	Taxable Spending		
Food & Beverage	\$11,127,397	50%	\$5,563,699		
Retail Sales	7,104,061	75%	5,328,046		
Ground Transportation	2,115,125	0%	0		
Arts, Entertainment & Recreation	12,828,694	5%	641,435		
Other Purchases	<u>2,896,802</u>	50%	<u>1,448,401</u>		
Total Non-Lodging Spending	\$36,072,079				
Total Non-Lodging Taxable Spending		36.0%	\$12,981,580		
III. <u>Net New Off-Site Taxable Sales</u>					
Total Off-Site Taxable Spending			\$12,981,580		
(Less) Transfers and Purchases Outside City			<u>(1,947,237) ⁴</u>		
Net New Off-Site Taxable Sales			\$11,034,300		
Sales Tax @ 1.0%			\$110,000		

¹ Estimates by KMA based on research by Palm Springs, Anaheim and Orange County Convention Bureaus, CBRE and Dean Runyan Associates.

² Based on stabilized Year 3 market rate room revenues plus 13.5% TOT.

³ KMA assumption based on previous hotel experience.

⁴ Assumes a deduction of 15% for transfers and sales taking place outside the City of Palm Springs

TABLE 7A

EFFECT OF TRANSIENT OCCUPANCY TAX REBATE
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA

Project Year	Room Revenues	----- Kimpton Hotel -----					----- Virgin Hotel -----					
		TOT	TOT Rebate	Pct. Transfer	Transfer ¹	Net TOT	TOT	TOT Rebate	Pct. Transfer	Transfer ¹	Net TOT	
2018	\$6,020,000	\$812,700	\$546,300	10.0%	\$81,300	\$185,100	\$0	\$0	\$0	\$0	\$0	
2019	7,478,000	1,009,500	678,600	10.0%	101,000	229,900	0	0	0	0	0	
2020	8,444,000	1,139,900	766,300	5.0%	57,000	316,600	6,549,000	884,100	594,300	10.0%	88,400	201,400
2021	8,655,000	1,168,400	785,400	5.0%	58,400	324,600	8,084,000	1,091,300	733,600	10.0%	109,100	248,600
2022	8,871,000	1,197,600	805,000	5.0%	59,900	332,700	9,151,000	1,235,400	830,500	5.0%	61,800	343,100
2023	9,093,000	1,227,600	825,200		0	402,400	9,380,000	1,266,300	851,200	5.0%	63,300	351,800
2024	9,320,000	1,258,200	845,800		0	412,400	9,614,000	1,297,900	872,500	5.0%	64,900	360,500
2025	9,553,000	1,289,700	866,900		0	422,800	9,854,000	1,330,300	894,300		0	436,000
2026	9,792,000	1,321,900	888,600		0	433,300	10,101,000	1,363,600	916,700		0	446,900
2027	10,037,000	1,355,000	910,900		0	444,100	10,353,000	1,397,700	939,500		0	458,200
2028	10,288,000	1,388,900	933,600		0	455,300	10,612,000	1,432,600	963,000		0	469,600
2029	10,545,000	1,423,600	957,000		0	466,600	10,877,000	1,468,400	987,100		0	481,300
2030	10,809,000	1,459,200	980,900		0	478,300	11,149,000	1,505,100	1,011,800		0	493,300
2031	11,079,000	1,495,700	1,005,400		0	490,300	11,428,000	1,542,800	1,037,100		0	505,700
2032	11,356,000	1,533,100	1,030,600		0	502,500	11,714,000	1,581,400	1,063,000		0	518,400
2033	11,640,000	1,571,400	1,056,300		0	515,100	12,007,000	1,620,900	1,089,600		0	531,300
2034	11,931,000	1,610,700	1,082,700		0	528,000	12,307,000	1,661,400	1,116,900		0	544,500
2035	12,229,000	1,650,900	1,109,800		0	541,100	12,614,000	1,702,900	1,144,700		0	558,200
2036	12,535,000	1,692,200	1,137,600		0	554,600	12,930,000	1,745,600	1,173,400		0	572,200
2037	12,848,000	1,734,500	1,166,000		0	568,500	13,253,000	1,789,200	1,202,700		0	586,500
2038	13,169,000	1,777,800	1,195,100		0	582,700	13,584,000	1,833,800	1,232,700		0	601,100
2039	13,499,000	1,822,400	1,225,000		0	597,400	13,924,000	1,879,700	1,263,600		0	616,100
2040	13,836,000	1,867,900	1,255,600		0	612,300	14,272,000	1,926,700	1,295,200		0	631,500
2041	14,182,000	1,914,600	1,287,000		0	627,600	14,629,000	1,974,900	1,327,600		0	647,300
2042	14,537,000	1,962,500	1,319,200		0	643,300	14,995,000	2,024,300	1,360,800		0	663,500
2043	14,900,000	2,011,500	1,352,200		0	659,300	15,369,000	2,074,800	1,394,700		0	680,100
2044	15,272,000	2,061,700	1,385,900		0	675,800	15,754,000	2,126,800	1,429,700		0	697,100
2045	15,654,000	2,113,300	1,420,600		0	692,700	16,147,000	2,179,800	1,465,300		0	714,500
2046	16,046,000	2,166,200	1,456,200		0	710,000	16,551,000	2,234,400	1,502,000		0	732,400
2047	16,447,000	2,220,300	1,492,600		0	727,700	16,965,000	2,290,300	1,539,600		0	750,700
Total	\$350,065,000	\$47,258,900	\$31,768,300		\$357,600	\$15,133,000	\$344,167,000	\$46,462,400	\$31,233,100		\$387,500	\$14,841,800

1. KMA assumption of room stays that would otherwise occur at other hotels in Palm Springs

Attachment B

Palm Springs Promenade
Public Revenue Analysis
Proposed Development Program

Conservative Scenario

TABLE 1B

KEY CITY PUBLIC REVENUES
 PALM SPRINGS PROMENADE
 PALM SPRINGS, CALIFORNIA

<u>Year</u> Allocation %	<u>Total</u> <u>Property</u> <u>Taxes</u> ¹	<u>City</u> <u>Property</u> <u>Taxes</u> ¹ 22.69%	<u>City</u> <u>Sales</u> <u>Taxes</u> ²	<u>Net</u> <u>City TOT</u> ³	<u>Total</u> <u>City</u> <u>Revenues</u>
2018	\$1,113,400	\$252,580	\$742,100	\$179,500	\$1,174,180
2019	1,135,600	257,610	776,800	223,300	1,257,710
2020	1,834,300	416,120	982,200	502,900	1,901,220
2021	1,870,900	424,420	1,022,500	555,600	2,002,520
2022	2,040,900	462,980	1,056,800	649,900	2,169,680
2023	2,483,700	563,430	1,264,200	725,800	2,553,430
2024	2,725,800	618,350	1,397,900	743,900	2,760,150
2025	2,780,400	630,740	1,432,800	825,900	2,889,440
2026	2,836,000	643,350	1,468,600	846,600	2,958,550
2027	2,892,700	656,220	1,505,300	867,700	3,029,220
2028	2,950,500	669,330	1,543,000	889,400	3,101,730
2029	3,009,600	682,730	1,581,500	911,500	3,175,730
2030	3,069,700	696,370	1,621,100	934,400	3,251,870
2031	3,131,100	710,300	1,661,600	957,800	3,329,700
2032	3,193,800	724,520	1,703,100	981,700	3,409,320
2033	3,257,600	738,990	1,745,700	1,006,300	3,490,990
2034	3,322,800	753,780	1,789,400	1,031,400	3,574,580
2035	3,389,200	768,850	1,834,100	1,057,200	3,660,150
2036	3,457,000	784,230	1,879,900	1,083,600	3,747,730
2037	3,526,200	799,930	1,926,900	1,110,600	3,837,430
2038	3,596,700	815,920	1,975,100	1,138,300	3,929,320
2039	3,668,600	832,230	2,024,500	1,166,800	4,023,530
2040	3,742,000	848,880	2,075,100	1,196,100	4,120,080
2041	3,816,800	865,850	2,127,000	1,225,900	4,218,750
2042	3,893,200	883,180	2,180,200	1,256,700	4,320,080
2043	3,971,000	900,830	2,234,700	1,288,100	4,423,630
2044	4,050,500	918,870	2,290,500	1,320,200	4,529,570
2045	4,131,500	937,240	2,347,800	1,353,300	4,638,340
2046	4,214,100	955,980	2,406,500	1,387,100	4,749,580
2047	<u>4,298,400</u>	<u>975,100</u>	<u>2,466,600</u>	<u>1,421,800</u>	<u>4,863,500</u>
Total	\$93,404,000	\$21,188,910	\$51,063,500	\$28,839,300	\$101,091,710
NPV @ 7%	\$35,176,100	\$7,979,800	\$19,118,400	\$10,466,900	\$37,565,100

1. See Table 2
 2. See Table 3
 3. See Table 7

TABLE 2B

**ALLOCATION OF PROPERTY TAX REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

<u>Year</u>	<u>Component Completed</u>	<u>Incremental Property Valuation</u> ¹	<u>Assessed Valuation</u>	<u>Property Tax Base</u>	<u>City Allocation</u> ²
Allocation %					22.69%
2018	Blocks A,B,C	\$111,337,000	\$111,337,000	\$1,113,400	\$252,580
2019		\$0	113,563,700	1,135,600	257,610
2020	Virgin Hotel	\$67,590,000	183,425,000	1,834,300	416,120
2021		\$0	187,093,500	1,870,900	424,420
2022	Block D	\$13,250,000	204,085,400	2,040,900	462,980
2023	Block F	\$40,200,000	248,367,100	2,483,700	563,430
2024	Block G	\$19,250,000	272,584,400	2,725,800	618,350
2025		\$0	278,036,100	2,780,400	630,740
2026		\$0	283,596,800	2,836,000	643,350
2027		\$0	289,268,700	2,892,700	656,220
2028			295,054,100	2,950,500	669,330
2029			300,955,200	3,009,600	682,730
2030			306,974,300	3,069,700	696,370
2031			313,113,800	3,131,100	710,300
2032			319,376,100	3,193,800	724,520
2033			325,763,600	3,257,600	738,990
2034			332,278,900	3,322,800	753,780
2035			338,924,500	3,389,200	768,850
2036			345,703,000	3,457,000	784,230
2037			352,617,100	3,526,200	799,930
2038			359,669,400	3,596,700	815,920
2039			366,862,800	3,668,600	832,230
2040			374,200,100	3,742,000	848,880
2041			381,684,100	3,816,800	865,850
2042			389,317,800	3,893,200	883,180
2043			397,104,200	3,971,000	900,830
2044			405,046,300	4,050,500	918,870
2045			413,147,200	4,131,500	937,240
2046			421,410,100	4,214,100	955,980
2047			429,838,300	<u>4,298,400</u>	<u>975,100</u>
TOTAL				\$93,404,000	\$21,188,900

1. Project Value based on KMA review of developer costs to date and comparable projects

2. City share of property taxes provided by City staff.

TABLE 3B

**SALES TAX REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

<u>Year</u>	<u>Developed Commercial Square Footage</u>	<u>On Site Taxable Sales</u> ¹	<u>Kimpton Visitor Taxable Sales</u> ²	<u>Virgin Visitor Taxable Sales</u> ³	<u>City Sales Tax</u>
Allocation %					1.00%
2018	101,305	\$66,816,000	\$7,393,400		\$742,100
2019	101,305	68,486,000	9,197,400		776,800
2020	114,555	80,166,000	10,399,600	\$7,652,100	982,200
2021	114,555	82,171,000	10,659,600	9,416,200	1,022,500
2022	144,555	84,255,000	10,926,100	10,497,800	1,056,800
2023	164,555	104,463,000	11,199,300	10,760,200	1,264,200
2024	175,555	117,279,000	11,479,300	11,029,200	1,397,900
2025	175,555	120,210,000	11,766,300	11,304,900	1,432,800
2026	175,555	123,215,000	12,060,500	11,587,500	1,468,600
2027	175,555	126,294,000	12,362,000	11,877,200	1,505,300
2028	175,555	129,451,000	12,671,100	12,174,100	1,543,000
2029	175,555	132,687,000	12,987,900	12,478,500	1,581,500
2030	175,555	136,004,000	13,312,600	12,790,500	1,621,100
2031	175,555	139,404,000	13,645,400	13,110,300	1,661,600
2032	175,555	142,889,000	13,986,500	13,438,100	1,703,100
2033	175,555	146,461,000	14,336,200	13,774,100	1,745,700
2034	175,555	150,123,000	14,694,600	14,118,500	1,789,400
2035	175,555	153,876,000	15,062,000	14,471,500	1,834,100
2036	175,555	157,723,000	15,438,600	14,833,300	1,879,900
2037	175,555	161,666,000	15,824,600	15,204,100	1,926,900
2038	175,555	165,708,000	16,220,200	15,584,200	1,975,100
2039	175,555	169,851,000	16,625,700	15,973,800	2,024,500
2040	175,555	174,097,000	17,041,300	16,373,100	2,075,100
2041	175,555	178,449,000	17,467,300	16,782,400	2,127,000
2042	175,555	182,910,000	17,904,000	17,202,000	2,180,200
2043	175,555	187,483,000	18,351,600	17,632,100	2,234,700
2044	175,555	192,170,000	18,810,400	18,072,900	2,290,500
2045	175,555	196,974,000	19,280,700	18,524,700	2,347,800
2046	175,555	201,898,000	19,762,700	18,987,800	2,406,500
2047	175,555	206,945,000	20,256,800	19,462,500	<u>2,466,600</u>
TOTAL					\$51,063,500

1. Taxable sales estimated at \$900 /SF for retail space, \$900 /SF for restaurant space, \$800 / SF for hotel commercial space and \$40 / SF for office space. Taxable sales estimates include employee spending during work hours.

2. See Table 5

3. See Table 6

TABLE 4B

**TRANSIENT OCCUPANCY TAX
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

Project Year	Kimpton Hotel Rooms	Revenue per Available Room ¹	Annual Room Revenues	Virgin Hotel Rooms	Revenue per Available Room ²	Annual Room Revenues	TOT Revenues ³
2018	153	\$104.50	\$5,836,000				\$787,900
2019	153	\$130.00	7,260,000				980,100
2020	153	\$147.00	8,209,000	145	\$119.90	\$6,346,000	1,964,900
2021	153	\$150.68	8,414,000	145	\$147.55	7,809,000	2,190,100
2022	153	\$154.44	8,625,000	145	\$164.50	8,706,000	2,339,700
2023	153	\$158.30	8,840,000	145	\$168.61	8,924,000	2,398,100
2024	153	\$162.26	9,061,000	145	\$172.83	9,147,000	2,458,100
2025	153	\$166.32	9,288,000	145	\$177.15	9,376,000	2,519,600
2026	153	\$170.47	9,520,000	145	\$181.58	9,610,000	2,582,600
2027	153	\$174.74	9,758,000	145	\$186.12	9,850,000	2,647,100
2028	153	\$179.11	10,002,000	145	\$190.77	10,096,000	2,713,200
2029	153	\$183.58	10,252,000	145	\$195.54	10,349,000	2,781,100
2030	153	\$188.17	10,508,000	145	\$200.43	10,608,000	2,850,700
2031	153	\$192.88	10,771,000	145	\$205.44	10,873,000	2,921,900
2032	153	\$197.70	11,040,000	145	\$210.57	11,145,000	2,995,000
2033	153	\$202.64	11,316,000	145	\$215.84	11,423,000	3,069,800
2034	153	\$207.71	11,599,000	145	\$221.23	11,709,000	3,146,600
2035	153	\$212.90	11,889,000	145	\$226.77	12,002,000	3,225,300
2036	153	\$218.22	12,187,000	145	\$232.43	12,302,000	3,306,000
2037	153	\$223.68	12,491,000	145	\$238.25	12,609,000	3,388,500
2038	153	\$229.27	12,804,000	145	\$244.20	12,924,000	3,473,300
2039	153	\$235.00	13,124,000	145	\$250.31	13,247,000	3,560,100
2040	153	\$240.88	13,452,000	145	\$256.56	13,579,000	3,649,200
2041	153	\$246.90	13,788,000	145	\$262.98	13,918,000	3,740,300
2042	153	\$253.07	14,133,000	145	\$269.55	14,266,000	3,833,900
2043	153	\$259.40	14,486,000	145	\$276.29	14,623,000	3,929,700
2044	153	\$265.88	14,848,000	145	\$283.20	14,988,000	4,027,900
2045	153	\$272.53	15,219,000	145	\$290.28	15,363,000	4,128,600
2046	153	\$279.34	15,600,000	145	\$297.54	15,747,000	4,231,800
2047	153	\$286.33	15,990,000	145	\$304.97	16,141,000	4,337,700
Total							\$90,178,800

1. KMA estimate based on review of developer information, other Kimpton Hotel and comparable hotel information and CBRE information for Coachella Valley.

2. KMA estimate based on review of developer information, comparable hotel information and CBRE information for Coachella Valley.

Revenue per available room is equal to total annual room revenues divided by the total number of rooms divided by 365 days

3. Based on City's 13.5% transient occupancy tax (TOT) rate.

TABLE 5B

**OFF SITE VISITOR SPENDING - KIMPTON GUESTS
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

	Stabilized Spending (\$)	Share of Total	
I. <u>Expenditures of Hotel Guests</u>			
Accommodations	\$9,317,215 ²	21.5%	
Food & Beverage	10,487,284	24.2%	
Retail Sales	6,695,394	15.5%	
Ground Transportation	1,993,451	4.6%	
Arts, Entertainment & Recreation	12,090,712	27.9%	
Other Purchases	<u>2,730,161</u>	<u>6.3%</u>	
Total Hotel Guest Expenditures	\$43,335,884	100.0%	
Total Non-Lodging Spending	\$34,018,669	78.5%	
II. <u>Non-Lodging Expenditures Subject to Sales Tax</u>			
	Stabilized Spending (\$)	Subject to ³ Sales Tax	Taxable Spending
Food & Beverage	\$10,487,284	50%	\$5,243,642
Retail Sales	6,695,394	75%	5,021,546
Ground Transportation	1,993,451	0%	0
Arts, Entertainment & Recreation	12,090,712	5%	604,536
Other Purchases	<u>2,730,161</u>	50%	<u>1,365,080</u>
Total Non-Lodging Spending	\$33,997,001		
Total Non-Lodging Taxable Spending		36.0%	\$12,234,803
III. <u>Net New Off-Site Taxable Sales</u>			
Total Off-Site Taxable Spending			\$12,234,803
(Less) Transfers and Purchases Outside City			<u>(1,835,221) ⁴</u>
Net New Off-Site Taxable Sales			\$10,399,600
Sales Tax @ 1.0%			\$104,000

¹ Estimates by KMA based on research by Palm Springs, Anaheim and Orange County Conventions Bureaus, CBRE and Dean Runyan Associates.

² Based on stabilized Year 3 market rate room revenues plus 13.5% TOT.

³ KMA assumption based on previous hotel experience.

⁴ Deduction of 15% of the stabilized merchandise sales, which are assumed to come from hotel guests.

TABLE 6B

**OFF SITE VISITOR SPENDING - VIRGIN HOTEL
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

I. <u>Expenditures of Hotel Guests</u>	Stabilized Spending (\$) ²	Share of Total ¹	
Accommodations	\$9,405,173	21.5%	
Food & Beverage	10,586,288	24.2%	
Retail Sales	6,758,601	15.5%	
Ground Transportation	2,012,270	4.6%	
Arts, Entertainment & Recreation	12,204,853	27.9%	
Other Purchases	<u>2,755,934</u>	<u>6.3%</u>	
Total Hotel Guest Expenditures	\$43,744,991	100.0%	
Total Non-Lodging Spending	\$34,339,818	78.5%	
II. <u>Non-Lodging Expenditures Subject to Sales Tax</u>	Stabilized Spending (\$) ²	Subject to Sales Tax ³	Taxable Spending
Food & Beverage	\$10,586,288	50%	\$5,293,144
Retail Sales	6,758,601	75%	5,068,951
Ground Transportation	2,012,270	0%	0
Arts, Entertainment & Recreation	12,204,853	5%	610,243
Other Purchases	<u>2,755,934</u>	50%	<u>1,377,967</u>
Total Non-Lodging Spending	\$34,317,946		
Total Non-Lodging Taxable Spending		36.0%	\$12,350,305
III. <u>Net New Off-Site Taxable Sales</u>			
Total Off-Site Taxable Spending			\$12,350,305
(Less) Transfers and Purchases Outside City			<u>(1,852,546) ⁴</u>
Net New Off-Site Taxable Sales			\$10,497,800
Sales Tax @ 1.0%			\$105,000

¹ Estimates by KMA based on research by Palm Springs, Anaheim and Orange County Convention Bureaus, CBRE and Dean Runyan Associates.

² Based on stabilized Year 3 market rate room revenues plus 13.5% TOT.

³ KMA assumption based on previous hotel experience.

⁴ Assumes a deduction of 15% for transfers and sales taking place outside the City of Palm Springs

TABLE 7B

EFFECT OF TRANSIENT OCCUPANCY TAX REBATE
 PALM SPRINGS PROMENADE
 PALM SPRINGS, CALIFORNIA

Project Year	Room Revenues	----- Kimpton Hotel -----					----- Virgin Hotel -----					
		TOT	TOT Rebate	Pct. Transfer	Transfer ¹	Net TOT	Room Revenues	TOT	TOT Rebate	Pct. Transfer	Transfer ¹	Net TOT
2018	\$5,836,000	\$787,900	\$529,600	10.0%	\$78,800	\$179,500	\$0	\$0	\$0		\$0	\$0
2019	7,260,000	980,100	658,800	10.0%	98,000	223,300	0	0	0		0	0
2020	8,209,000	1,108,200	745,000	5.0%	55,400	307,800	6,346,000	856,700	575,900	10.0%	85,700	195,100
2021	8,414,000	1,135,900	763,600	5.0%	56,800	315,500	7,809,000	1,054,200	708,700	10.0%	105,400	240,100
2022	8,625,000	1,164,400	782,700	5.0%	58,200	323,500	8,706,000	1,175,300	790,100	5.0%	58,800	326,400
2023	8,840,000	1,193,400	802,200		0	391,200	8,924,000	1,204,700	809,900	5.0%	60,200	334,600
2024	9,061,000	1,223,200	822,300		0	400,900	9,147,000	1,234,800	830,100	5.0%	61,700	343,000
2025	9,288,000	1,253,900	842,900		0	411,000	9,376,000	1,265,800	850,900		0	414,900
2026	9,520,000	1,285,200	863,900		0	421,300	9,610,000	1,297,400	872,100		0	425,300
2027	9,758,000	1,317,300	885,500		0	431,800	9,850,000	1,329,800	893,900		0	435,900
2028	10,002,000	1,350,300	907,700		0	442,600	10,096,000	1,363,000	916,200		0	446,800
2029	10,252,000	1,384,000	930,400		0	453,600	10,349,000	1,397,100	939,200		0	457,900
2030	10,508,000	1,418,600	953,600		0	465,000	10,608,000	1,432,100	962,700		0	469,400
2031	10,771,000	1,454,100	977,500		0	476,600	10,873,000	1,467,900	986,700		0	481,200
2032	11,040,000	1,490,400	1,001,900		0	488,500	11,145,000	1,504,600	1,011,400		0	493,200
2033	11,316,000	1,527,700	1,026,900		0	500,800	11,423,000	1,542,100	1,036,600		0	505,500
2034	11,599,000	1,565,900	1,052,600		0	513,300	11,709,000	1,580,700	1,062,600		0	518,100
2035	11,889,000	1,605,000	1,078,900		0	526,100	12,002,000	1,620,300	1,089,200		0	531,100
2036	12,187,000	1,645,200	1,106,000		0	539,200	12,302,000	1,660,800	1,116,400		0	544,400
2037	12,491,000	1,686,300	1,133,600		0	552,700	12,609,000	1,702,200	1,144,300		0	557,900
2038	12,804,000	1,728,500	1,162,000		0	566,500	12,924,000	1,744,700	1,172,900		0	571,800
2039	13,124,000	1,771,700	1,191,000		0	580,700	13,247,000	1,788,300	1,202,200		0	586,100
2040	13,452,000	1,816,000	1,220,800		0	595,200	13,579,000	1,833,200	1,232,300		0	600,900
2041	13,788,000	1,861,400	1,251,300		0	610,100	13,918,000	1,878,900	1,263,100		0	615,800
2042	14,133,000	1,908,000	1,282,600		0	625,400	14,266,000	1,925,900	1,294,600		0	631,300
2043	14,486,000	1,955,600	1,314,600		0	641,000	14,623,000	1,974,100	1,327,000		0	647,100
2044	14,848,000	2,004,500	1,347,500		0	657,000	14,988,000	2,023,400	1,360,200		0	663,200
2045	15,219,000	2,054,600	1,381,100		0	673,500	15,363,000	2,074,000	1,394,200		0	679,800
2046	15,600,000	2,106,000	1,415,700		0	690,300	15,747,000	2,125,800	1,429,000		0	696,800
2047	15,990,000	2,158,700	1,451,100		0	707,600	16,141,000	2,179,000	1,464,800		0	714,200
Total	\$340,310,000	\$45,942,000	\$30,883,300			\$347,200	\$327,680,000	\$44,236,800	\$29,737,200		\$371,800	\$14,127,800

1. KMA assumption of room stays that would otherwise occur at other hotels in Palm Springs

Attachment C

Palm Springs Promenade
Public Revenue Analysis
Reduced Development Program

Optimistic Scenario

TABLE 1C

**KEY CITY PUBLIC REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

<u>Year</u> <u>Allocation %</u>	<u>Total</u> <u>Property</u> <u>Taxes</u> ¹	<u>City</u> <u>Property</u> <u>Taxes</u> ¹ 22.69%	<u>City</u> <u>Sales</u> <u>Taxes</u> ²	<u>Net</u> <u>City TOT</u> ³	<u>Total</u> <u>City</u> <u>Revenues</u>
2018	\$1,113,400	\$252,580	\$840,000	\$185,100	\$1,277,680
2019	1,135,600	257,610	877,500	229,900	1,365,010
2020	1,158,400	262,790	909,300	316,600	1,488,690
2021	1,181,500	268,030	932,100	324,600	1,524,730
2022	1,205,100	273,380	955,400	332,700	1,561,480
2023	1,229,300	278,870	979,300	402,400	1,660,570
2024	1,253,800	284,430	1,003,700	412,400	1,700,530
2025	1,278,900	290,120	1,028,800	422,800	1,741,720
2026	1,304,500	295,930	1,054,600	433,300	1,783,830
2027	1,330,600	301,850	1,080,900	444,100	1,826,850
2028	1,357,200	307,880	1,107,900	455,300	1,871,080
2029	1,384,300	314,030	1,135,600	466,600	1,916,230
2030	1,412,000	320,320	1,164,000	478,300	1,962,620
2031	1,440,300	326,740	1,193,100	490,300	2,010,140
2032	1,469,100	333,270	1,223,000	502,500	2,058,770
2033	1,498,400	339,920	1,253,500	515,100	2,108,520
2034	1,528,400	346,720	1,284,900	528,000	2,159,620
2035	1,559,000	353,660	1,317,000	541,100	2,211,760
2036	1,590,200	360,740	1,349,900	554,600	2,265,240
2037	1,622,000	367,950	1,383,700	568,500	2,320,150
2038	1,654,400	375,300	1,418,300	582,700	2,376,300
2039	1,687,500	382,810	1,453,700	597,400	2,433,910
2040	1,721,200	390,460	1,490,100	612,300	2,492,860
2041	1,755,700	398,280	1,527,300	627,600	2,553,180
2042	1,790,800	406,250	1,565,500	643,300	2,615,050
2043	1,826,600	414,370	1,604,600	659,300	2,678,270
2044	1,863,100	422,650	1,644,700	675,800	2,743,150
2045	1,900,400	431,110	1,685,900	692,700	2,809,710
2046	1,938,400	439,730	1,728,000	710,000	2,877,730
2047	1,977,200	448,530	1,771,200	727,700	2,947,430
Total	\$45,167,300	\$10,246,310	\$37,963,500	\$15,133,000	\$63,342,810
NPV @ 7%	\$18,156,600	\$4,118,900	\$14,874,700	\$5,686,700	\$24,680,200

- 1. See Table 2
- 2. See Table 3
- 3. See Table 6

TABLE 2C

ALLOCATION OF PROPERTY TAX REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA

<u>Year</u>	<u>Component Completed</u>	<u>Incremental Property Valuation</u> ¹	<u>Assessed Valuation</u>	<u>Property Tax Base</u>	<u>City Allocation</u> ²
Allocation %					22.69%
2018	Blocks A,B,C	\$111,337,000	\$111,337,000	\$1,113,400	\$252,580
2019		\$0	113,563,700	1,135,600	257,610
2020	Virgin Hotel	\$0	115,835,000	1,158,400	262,790
2021		\$0	118,151,700	1,181,500	268,030
2022	Block D	\$0	120,514,700	1,205,100	273,380
2023	Block F	\$0	122,925,000	1,229,300	278,870
2024	Block G	\$0	125,383,500	1,253,800	284,430
2025		\$0	127,891,200	1,278,900	290,120
2026		\$0	130,449,000	1,304,500	295,930
2027		\$0	133,058,000	1,330,600	301,850
2028			135,719,200	1,357,200	307,880
2029			138,433,600	1,384,300	314,030
2030			141,202,300	1,412,000	320,320
2031			144,026,300	1,440,300	326,740
2032			146,906,800	1,469,100	333,270
2033			149,844,900	1,498,400	339,920
2034			152,841,800	1,528,400	346,720
2035			155,898,600	1,559,000	353,660
2036			159,016,600	1,590,200	360,740
2037			162,196,900	1,622,000	367,950
2038			165,440,800	1,654,400	375,300
2039			168,749,600	1,687,500	382,810
2040			172,124,600	1,721,200	390,460
2041			175,567,100	1,755,700	398,280
2042			179,078,400	1,790,800	406,250
2043			182,660,000	1,826,600	414,370
2044			186,313,200	1,863,100	422,650
2045			190,039,500	1,900,400	431,110
2046			193,840,300	1,938,400	439,730
2047			197,717,100	1,977,200	448,530
TOTAL				\$45,167,300	\$10,246,300

1. Project Value based on KMA review of developer costs to date and comparable projects

2. City share of property taxes provided by City staff.

TABLE 3C

**SALES TAX REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

<u>Year</u>	<u>Developed Commercial Square Footage</u>	<u>On Site Taxable Sales</u> ¹	<u>Kimpton Visitor Taxable Sales</u> ²	<u>Virgin Visitor Taxable Sales</u>	<u>City Sales Tax</u> 1.00%
Allocation %					
2018	101,305	\$76,371,000	\$7,626,400		\$840,000
2019	101,305	78,280,000	9,473,500		877,500
2020	101,305	80,237,000	10,697,300	\$0	909,300
2021	101,305	82,243,000	10,964,700	0	932,100
2022	101,305	84,299,000	11,238,800	0	955,400
2023	101,305	86,406,000	11,519,800	0	979,300
2024	101,305	88,566,000	11,807,800	0	1,003,700
2025	101,305	90,781,000	12,103,000	0	1,028,800
2026	101,305	93,050,000	12,405,600	0	1,054,600
2027	101,305	95,376,000	12,715,700	0	1,080,900
2028	101,305	97,760,000	13,033,600	0	1,107,900
2029	101,305	100,204,000	13,359,400	0	1,135,600
2030	101,305	102,709,000	13,693,400	0	1,164,000
2031	101,305	105,277,000	14,035,700	0	1,193,100
2032	101,305	107,909,000	14,386,600	0	1,223,000
2033	101,305	110,607,000	14,746,300	0	1,253,500
2034	101,305	113,372,000	15,115,000	0	1,284,900
2035	101,305	116,206,000	15,492,900	0	1,317,000
2036	101,305	119,111,000	15,880,200	0	1,349,900
2037	101,305	122,089,000	16,277,200	0	1,383,700
2038	101,305	125,141,000	16,684,100	0	1,418,300
2039	101,305	128,270,000	17,101,200	0	1,453,700
2040	101,305	131,477,000	17,528,700	0	1,490,100
2041	101,305	134,764,000	17,966,900	0	1,527,300
2042	101,305	138,133,000	18,416,100	0	1,565,500
2043	101,305	141,586,000	18,876,500	0	1,604,600
2044	101,305	145,126,000	19,348,400	0	1,644,700
2045	101,305	148,754,000	19,832,100	0	1,685,900
2046	101,305	152,473,000	20,327,900	0	1,728,000
2047	101,305	156,285,000	20,836,100	0	<u>1,771,200</u>
TOTAL					\$37,963,500

1. Taxable sales estimated at \$900 /SF for retail space, \$900 /SF for restaurant space, \$800 / SF for hotel commercial space and \$40 / SF for office space. Taxable sales estimates include employee spending during work hours.

2. See Table 5

TABLE 4C

**TRANSIENT OCCUPANCY TAX
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

Project Year	Kimpton Hotel Rooms	Revenue per Available Room ¹	Annual Room Revenues	Virgin Hotel Rooms	Revenue per Available Room ²	Annual Room Revenues	TOT Revenues ³
2018	153	\$107.80	\$6,020,000				\$812,700
2019	153	\$133.90	7,478,000				1,009,500
2020	153	\$151.20	8,444,000	0	\$0.00	\$0	1,139,900
2021	153	\$154.98	8,655,000	0	\$0.00	0	1,168,400
2022	153	\$158.85	8,871,000	0	\$0.00	0	1,197,600
2023	153	\$162.83	9,093,000	0	\$0.00	0	1,227,600
2024	153	\$166.90	9,320,000	0	\$0.00	0	1,258,200
2025	153	\$171.07	9,553,000	0	\$0.00	0	1,289,700
2026	153	\$175.35	9,792,000	0	\$0.00	0	1,321,900
2027	153	\$179.73	10,037,000	0	\$0.00	0	1,355,000
2028	153	\$184.22	10,288,000	0	\$0.00	0	1,388,900
2029	153	\$188.83	10,545,000	0	\$0.00	0	1,423,600
2030	153	\$193.55	10,809,000	0	\$0.00	0	1,459,200
2031	153	\$198.39	11,079,000	0	\$0.00	0	1,495,700
2032	153	\$203.35	11,356,000	0	\$0.00	0	1,533,100
2033	153	\$208.43	11,640,000	0	\$0.00	0	1,571,400
2034	153	\$213.64	11,931,000	0	\$0.00	0	1,610,700
2035	153	\$218.98	12,229,000	0	\$0.00	0	1,650,900
2036	153	\$224.46	12,535,000	0	\$0.00	0	1,692,200
2037	153	\$230.07	12,848,000	0	\$0.00	0	1,734,500
2038	153	\$235.82	13,169,000	0	\$0.00	0	1,777,800
2039	153	\$241.72	13,499,000	0	\$0.00	0	1,822,400
2040	153	\$247.76	13,836,000	0	\$0.00	0	1,867,900
2041	153	\$253.95	14,182,000	0	\$0.00	0	1,914,600
2042	153	\$260.30	14,537,000	0	\$0.00	0	1,962,500
2043	153	\$266.81	14,900,000	0	\$0.00	0	2,011,500
2044	153	\$273.48	15,272,000	0	\$0.00	0	2,061,700
2045	153	\$280.32	15,654,000	0	\$0.00	0	2,113,300
2046	153	\$287.32	16,046,000	0	\$0.00	0	2,166,200
2047	153	\$294.51	16,447,000	0	\$0.00	0	2,220,300
Total							\$47,258,900

1. KMA estimate based on review of developer information, other Kimpton Hotel and comparable hotel information and CBRE information for Coachella Valley.

2. KMA estimate based on review of developer information, comparable hotel information and CBRE information for Coachella Valley.

Revenue per available room is equal to total annual room revenues divided by the total number of rooms divided by 365 days

3. Based on City's 13.5% transient occupancy tax (TOT) rate.

TABLE 5C

**OFF SITE VISITOR SPENDING - KIMPTON GUESTS
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

		1	
I. <u>Expenditures of Hotel Guests</u>	Stabilized Spending (\$)	Share of Total	
Accommodations	\$9,583,940 ²	21.5%	
Food & Beverage	10,787,505	24.2%	
Retail Sales	6,887,064	15.5%	
Ground Transportation	2,050,517	4.6%	
Arts, Entertainment & Recreation	12,436,834	27.9%	
Other Purchases	<u>2,808,317</u>	<u>6.3%</u>	
Total Hotel Guest Expenditures	\$44,576,465	100.0%	
Total Non-Lodging Spending	\$34,992,525	78.5%	
II. <u>Non-Lodging Expenditures Subject to Sales Tax</u>	Stabilized Spending (\$)	Subject to Sales Tax ³	Taxable Spending
Food & Beverage	\$10,787,505	50%	\$5,393,752
Retail Sales	6,887,064	75%	5,165,298
Ground Transportation	2,050,517	0%	0
Arts, Entertainment & Recreation	12,436,834	5%	621,842
Other Purchases	<u>2,808,317</u>	50%	<u>1,404,159</u>
Total Non-Lodging Spending	\$34,970,237		
Total Non-Lodging Taxable Spending		36.0%	\$12,585,051
III. <u>Net New Off-Site Taxable Sales</u>			
Total Off-Site Taxable Spending			\$12,585,051
(Less) Transfers and Purchases Outside City			<u>(1,887,758) ⁴</u>
Net New Off-Site Taxable Sales			\$10,697,300
Sales Tax @ 1.0%			\$107,000

¹ Estimates by KMA based on research by Palm Springs, Anaheim and Orange County Conventions Bureaus, CBRE and Dean Runyan Associates.

² Based on stabilized Year 3 market rate room revenues plus 13.5% TOT.

³ KMA assumption based on previous hotel experience.

⁴ Deduction of 15% of the stabilized merchandise sales, which are assumed to come from hotel guests.

TABLE 6C

EFFECT OF TRANSIENT OCCUPANCY TAX REBATE
 PALM SPRINGS PROMENADE
 PALM SPRINGS, CALIFORNIA

Project Year	Room Revenues	TOT	----- Kimpton Hotel -----		Transfer ¹	Net TOT
			TOT Rebate	Pct. Transfer		
2018	\$6,020,000	\$812,700	\$546,300	10.0%	\$81,300	\$185,100
2019	7,478,000	1,009,500	678,600	10.0%	101,000	229,900
2020	8,444,000	1,139,900	766,300	5.0%	57,000	316,600
2021	8,655,000	1,168,400	785,400	5.0%	58,400	324,600
2022	8,871,000	1,197,600	805,000	5.0%	59,900	332,700
2023	9,093,000	1,227,600	825,200		0	402,400
2024	9,320,000	1,258,200	845,800		0	412,400
2025	9,553,000	1,289,700	866,900		0	422,800
2026	9,792,000	1,321,900	888,600		0	433,300
2027	10,037,000	1,355,000	910,900		0	444,100
2028	10,288,000	1,388,900	933,600		0	455,300
2029	10,545,000	1,423,600	957,000		0	466,600
2030	10,809,000	1,459,200	980,900		0	478,300
2031	11,079,000	1,495,700	1,005,400		0	490,300
2032	11,356,000	1,533,100	1,030,600		0	502,500
2033	11,640,000	1,571,400	1,056,300		0	515,100
2034	11,931,000	1,610,700	1,082,700		0	528,000
2035	12,229,000	1,650,900	1,109,800		0	541,100
2036	12,535,000	1,692,200	1,137,600		0	554,600
2037	12,848,000	1,734,500	1,166,000		0	568,500
2038	13,169,000	1,777,800	1,195,100		0	582,700
2039	13,499,000	1,822,400	1,225,000		0	597,400
2040	13,836,000	1,867,900	1,255,600		0	612,300
2041	14,182,000	1,914,600	1,287,000		0	627,600
2042	14,537,000	1,962,500	1,319,200		0	643,300
2043	14,900,000	2,011,500	1,352,200		0	659,300
2044	15,272,000	2,061,700	1,385,900		0	675,800
2045	15,654,000	2,113,300	1,420,600		0	692,700
2046	16,046,000	2,166,200	1,456,200		0	710,000
2047	<u>16,447,000</u>	<u>2,220,300</u>	<u>1,492,600</u>		<u>0</u>	<u>727,700</u>
Total	\$350,065,000	\$47,258,900	\$31,768,300		\$357,600	\$15,133,000

1. KMA assumption of room stays that would otherwise occur at other hotels in Palm Springs

Attachment D

Palm Springs Promenade
Public Revenue Analysis
Reduced Development Program

Conservative Scenario

TABLE 1D

KEY CITY PUBLIC REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA

<u>Year</u> <u>Allocation %</u>	<u>Total</u> <u>Property</u> <u>Taxes</u> ¹	<u>City</u> <u>Property</u> <u>Taxes</u> ¹ 22.69%	<u>City</u> <u>Sales</u> <u>Taxes</u> ²	<u>Net</u> <u>City TOT</u> ³	<u>Total</u> <u>City</u> <u>Revenues</u>
2018	\$1,113,400	\$252,580	\$742,100	\$179,500	\$1,174,180
2019	1,135,600	257,610	776,800	223,300	1,257,710
2020	1,158,400	262,790	806,000	307,800	1,376,590
2021	1,181,500	268,030	826,100	315,500	1,409,630
2022	1,205,100	273,380	846,800	323,500	1,443,680
2023	1,229,300	278,870	868,000	391,200	1,538,070
2024	1,253,800	284,430	889,700	400,900	1,575,030
2025	1,278,900	290,120	911,900	411,000	1,613,020
2026	1,304,500	295,930	934,700	421,300	1,651,930
2027	1,330,600	301,850	958,100	431,800	1,691,750
2028	1,357,200	307,880	982,000	442,600	1,732,480
2029	1,384,300	314,030	1,006,600	453,600	1,774,230
2030	1,412,000	320,320	1,031,700	465,000	1,817,020
2031	1,440,300	326,740	1,057,500	476,600	1,860,840
2032	1,469,100	333,270	1,084,000	488,500	1,905,770
2033	1,498,400	339,920	1,111,100	500,800	1,951,820
2034	1,528,400	346,720	1,138,800	513,300	1,998,820
2035	1,559,000	353,660	1,167,300	526,100	2,047,060
2036	1,590,200	360,740	1,196,500	539,200	2,096,440
2037	1,622,000	367,950	1,226,400	552,700	2,147,050
2038	1,654,400	375,300	1,257,100	566,500	2,198,900
2039	1,687,500	382,810	1,288,500	580,700	2,252,010
2040	1,721,200	390,460	1,320,700	595,200	2,306,360
2041	1,755,700	398,280	1,353,700	610,100	2,362,080
2042	1,790,800	406,250	1,387,600	625,400	2,419,250
2043	1,826,600	414,370	1,422,300	641,000	2,477,670
2044	1,863,100	422,650	1,457,800	657,000	2,537,450
2045	1,900,400	431,110	1,494,300	673,500	2,598,910
2046	1,938,400	439,730	1,531,600	690,300	2,661,630
2047	<u>1,977,200</u>	<u>448,530</u>	<u>1,569,900</u>	<u>707,600</u>	<u>2,726,030</u>
Total	\$45,167,300	\$10,246,310	\$33,645,600	\$14,711,500	\$58,603,410
NPV @ 7%	\$18,156,600	\$4,118,900	\$13,180,900	\$5,527,800	\$22,827,600

1. See Table 2

2. See Table 3

3. See Table 6

TABLE 2D

ALLOCATION OF PROPERTY TAX REVENUES
 PALM SPRINGS PROMENADE
 PALM SPRINGS, CALIFORNIA

<u>Year</u>	<u>Component Completed</u>	<u>Incremental Property Valuation</u> ¹	<u>Assessed Valuation</u>	<u>Property Tax Base</u>	<u>City Allocation</u> ²
Allocation %					22.69%
2018	Blocks A,B,C	\$111,337,000	\$111,337,000	\$1,113,400	\$252,580
2019		\$0	113,563,700	1,135,600	257,610
2020	Virgin Hotel	\$0	115,835,000	1,158,400	262,790
2021		\$0	118,151,700	1,181,500	268,030
2022	Block D	\$0	120,514,700	1,205,100	273,380
2023	Block F	\$0	122,925,000	1,229,300	278,870
2024	Block G	\$0	125,383,500	1,253,800	284,430
2025		\$0	127,891,200	1,278,900	290,120
2026		\$0	130,449,000	1,304,500	295,930
2027		\$0	133,058,000	1,330,600	301,850
2028			135,719,200	1,357,200	307,880
2029			138,433,600	1,384,300	314,030
2030			141,202,300	1,412,000	320,320
2031			144,026,300	1,440,300	326,740
2032			146,906,800	1,469,100	333,270
2033			149,844,900	1,498,400	339,920
2034			152,841,800	1,528,400	346,720
2035			155,898,600	1,559,000	353,660
2036			159,016,600	1,590,200	360,740
2037			162,196,900	1,622,000	367,950
2038			165,440,800	1,654,400	375,300
2039			168,749,600	1,687,500	382,810
2040			172,124,600	1,721,200	390,460
2041			175,567,100	1,755,700	398,280
2042			179,078,400	1,790,800	406,250
2043			182,660,000	1,826,600	414,370
2044			186,313,200	1,863,100	422,650
2045			190,039,500	1,900,400	431,110
2046			193,840,300	1,938,400	439,730
2047			197,717,100	<u>1,977,200</u>	<u>448,530</u>
TOTAL				\$45,167,300	\$10,246,300

1. Project Value based on KMA review of developer costs to date and comparable projects
 2. City share of property taxes provided by City staff.

TABLE 3D

**SALES TAX REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

<u>Year</u> Allocation %	<u>Developed Commercial Square Footage</u>	<u>On Site Taxable Sales</u> ¹	<u>Kimpton Visitor Taxable Sales</u> ²	<u>Virgin Visitor Taxable Sales</u>	<u>City Sales Tax</u> 1.00%
2018	101,305	\$66,816,000	\$7,393,400		\$742,100
2019	101,305	68,486,000	9,197,400		776,800
2020	101,305	70,199,000	10,399,600	\$0	806,000
2021	101,305	71,954,000	10,659,600	0	826,100
2022	101,305	73,752,000	10,926,100	0	846,800
2023	101,305	75,596,000	11,199,300	0	868,000
2024	101,305	77,486,000	11,479,300	0	889,700
2025	101,305	79,423,000	11,766,300	0	911,900
2026	101,305	81,409,000	12,060,500	0	934,700
2027	101,305	83,444,000	12,362,000	0	958,100
2028	101,305	85,530,000	12,671,100	0	982,000
2029	101,305	87,668,000	12,987,900	0	1,006,600
2030	101,305	89,860,000	13,312,600	0	1,031,700
2031	101,305	92,107,000	13,645,400	0	1,057,500
2032	101,305	94,410,000	13,986,500	0	1,084,000
2033	101,305	96,770,000	14,336,200	0	1,111,100
2034	101,305	99,189,000	14,694,600	0	1,138,800
2035	101,305	101,669,000	15,062,000	0	1,167,300
2036	101,305	104,211,000	15,438,600	0	1,196,500
2037	101,305	106,816,000	15,824,600	0	1,226,400
2038	101,305	109,486,000	16,220,200	0	1,257,100
2039	101,305	112,223,000	16,625,700	0	1,288,500
2040	101,305	115,029,000	17,041,300	0	1,320,700
2041	101,305	117,905,000	17,467,300	0	1,353,700
2042	101,305	120,853,000	17,904,000	0	1,387,600
2043	101,305	123,874,000	18,351,600	0	1,422,300
2044	101,305	126,971,000	18,810,400	0	1,457,800
2045	101,305	130,145,000	19,280,700	0	1,494,300
2046	101,305	133,399,000	19,762,700	0	1,531,600
2047	101,305	136,734,000	20,256,800	0	<u>1,569,900</u>
TOTAL					\$33,645,600

1. Taxable sales estimated at \$900 /SF for retail space, \$900 /SF for restaurant space, \$800 / SF for hotel commercial space and \$40 / SF for office space. Taxable sales estimates include employee spending during work hours.

2. See Table 5

TABLE 4D

**TRANSIENT OCCUPANCY TAX
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

Project Year	Kimpton Hotel Rooms	Revenue per Available Room ¹	Annual Room Revenues	Virgin Hotel Rooms	Revenue per Available Room ²	Annual Room Revenues	TOT Revenues ³
2018	153	\$104.50	\$5,836,000				\$787,900
2019	153	\$130.00	7,260,000				980,100
2020	153	\$147.00	8,209,000	0	\$0.00	\$0	1,108,200
2021	153	\$150.68	8,414,000	0	\$0.00	0	1,135,900
2022	153	\$154.44	8,625,000	0	\$0.00	0	1,164,400
2023	153	\$158.30	8,840,000	0	\$0.00	0	1,193,400
2024	153	\$162.26	9,061,000	0	\$0.00	0	1,223,200
2025	153	\$166.32	9,288,000	0	\$0.00	0	1,253,900
2026	153	\$170.47	9,520,000	0	\$0.00	0	1,285,200
2027	153	\$174.74	9,758,000	0	\$0.00	0	1,317,300
2028	153	\$179.11	10,002,000	0	\$0.00	0	1,350,300
2029	153	\$183.58	10,252,000	0	\$0.00	0	1,384,000
2030	153	\$188.17	10,508,000	0	\$0.00	0	1,418,600
2031	153	\$192.88	10,771,000	0	\$0.00	0	1,454,100
2032	153	\$197.70	11,040,000	0	\$0.00	0	1,490,400
2033	153	\$202.64	11,316,000	0	\$0.00	0	1,527,700
2034	153	\$207.71	11,599,000	0	\$0.00	0	1,565,900
2035	153	\$212.90	11,889,000	0	\$0.00	0	1,605,000
2036	153	\$218.22	12,187,000	0	\$0.00	0	1,645,200
2037	153	\$223.68	12,491,000	0	\$0.00	0	1,686,300
2038	153	\$229.27	12,804,000	0	\$0.00	0	1,728,500
2039	153	\$235.00	13,124,000	0	\$0.00	0	1,771,700
2040	153	\$240.88	13,452,000	0	\$0.00	0	1,816,000
2041	153	\$246.90	13,788,000	0	\$0.00	0	1,861,400
2042	153	\$253.07	14,133,000	0	\$0.00	0	1,908,000
2043	153	\$259.40	14,486,000	0	\$0.00	0	1,955,600
2044	153	\$265.88	14,848,000	0	\$0.00	0	2,004,500
2045	153	\$272.53	15,219,000	0	\$0.00	0	2,054,600
2046	153	\$279.34	15,600,000	0	\$0.00	0	2,106,000
2047	153	\$286.33	15,990,000	0	\$0.00	0	2,158,700
Total							\$45,942,000

1. KMA estimate based on review of developer information, other Kimpton Hotel and comparable hotel information and CBRE information for Coachella Valley.
2. KMA estimate based on review of developer information, comparable hotel information and CBRE information for Coachella Valley.
Revenue per available room is equal to total annual room revenues divided by the total number of rooms divided by 365 days
3. Based on City's 13.5% transient occupancy tax (TOT) rate.

TABLE 5D

**OFF SITE VISITOR SPENDING - KIMPTON GUESTS
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

	Stabilized Spending (\$)	Share of Total		
I. Expenditures of Hotel Guests				
Accommodations	\$9,317,215 ²	21.5%		
Food & Beverage	10,487,284	24.2%		
Retail Sales	6,695,394	15.5%		
Ground Transportation	1,993,451	4.6%		
Arts, Entertainment & Recreation	12,090,712	27.9%		
Other Purchases	<u>2,730,161</u>	<u>6.3%</u>		
Total Hotel Guest Expenditures	\$43,335,884	100.0%		
Total Non-Lodging Spending	\$34,018,669	78.5%		
II. Non-Lodging Expenditures Subject to Sales Tax				
	Stabilized Spending (\$)	Subject to Sales Tax	Taxable Spending	
Food & Beverage	\$10,487,284	50%	\$5,243,642	
Retail Sales	6,695,394	75%	5,021,546	
Ground Transportation	1,993,451	0%	0	
Arts, Entertainment & Recreation	12,090,712	5%	604,536	
Other Purchases	<u>2,730,161</u>	50%	<u>1,365,080</u>	
Total Non-Lodging Spending	\$33,997,001			
Total Non-Lodging Taxable Spending		36.0%	\$12,234,803	
III. Net New Off-Site Taxable Sales				
Total Off-Site Taxable Spending			\$12,234,803	
(Less) Transfers and Purchases Outside City			<u>(1,835,221) ⁴</u>	
Net New Off-Site Taxable Sales			\$10,399,600	
Sales Tax @ 1.0%			\$104,000	

¹ Estimates by KMA based on research by Palm Springs, Anaheim and Orange County Conventions Bureaus, CBRE and Dean Runyan Associates.

² Based on stabilized Year 3 market rate room revenues plus 13.5% TOT.

³ KMA assumption based on previous hotel experience.

⁴ Deduction of 15% of the stabilized merchandise sales, which are assumed to come from hotel guests.

TABLE 6D

EFFECT OF TRANSIENT OCCUPANCY TAX REBATE
 PALM SPRINGS PROMENADE
 PALM SPRINGS, CALIFORNIA

Project Year	Room Revenues	TOT	----- Kimpton Hotel -----		Transfer ¹	Net TOT
			TOT Rebate	Pct. Transfer		
2018	\$5,836,000	\$787,900	\$529,600	10.0%	\$78,800	\$179,500
2019	7,260,000	980,100	658,800	10.0%	98,000	223,300
2020	8,209,000	1,108,200	745,000	5.0%	55,400	307,800
2021	8,414,000	1,135,900	763,600	5.0%	56,800	315,500
2022	8,625,000	1,164,400	782,700	5.0%	58,200	323,500
2023	8,840,000	1,193,400	802,200		0	391,200
2024	9,061,000	1,223,200	822,300		0	400,900
2025	9,288,000	1,253,900	842,900		0	411,000
2026	9,520,000	1,285,200	863,900		0	421,300
2027	9,758,000	1,317,300	885,500		0	431,800
2028	10,002,000	1,350,300	907,700		0	442,600
2029	10,252,000	1,384,000	930,400		0	453,600
2030	10,508,000	1,418,600	953,600		0	465,000
2031	10,771,000	1,454,100	977,500		0	476,600
2032	11,040,000	1,490,400	1,001,900		0	488,500
2033	11,316,000	1,527,700	1,026,900		0	500,800
2034	11,599,000	1,565,900	1,052,600		0	513,300
2035	11,889,000	1,605,000	1,078,900		0	526,100
2036	12,187,000	1,645,200	1,106,000		0	539,200
2037	12,491,000	1,686,300	1,133,600		0	552,700
2038	12,804,000	1,728,500	1,162,000		0	566,500
2039	13,124,000	1,771,700	1,191,000		0	580,700
2040	13,452,000	1,816,000	1,220,800		0	595,200
2041	13,788,000	1,861,400	1,251,300		0	610,100
2042	14,133,000	1,908,000	1,282,600		0	625,400
2043	14,486,000	1,955,600	1,314,600		0	641,000
2044	14,848,000	2,004,500	1,347,500		0	657,000
2045	15,219,000	2,054,600	1,381,100		0	673,500
2046	15,600,000	2,106,000	1,415,700		0	690,300
2047	<u>15,990,000</u>	<u>2,158,700</u>	<u>1,451,100</u>		<u>0</u>	<u>707,600</u>
Total	\$340,310,000	\$45,942,000	\$30,883,300		\$347,200	\$14,711,500

Attachment E

Palm Springs Promenade
Public Revenue Analysis
Alternative Developer Program

Optimistic Scenario

TABLE 1E

KEY CITY PUBLIC REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA

<u>Year</u> <u>Allocation %</u>	<u>Total</u> <u>Property</u> <u>Taxes</u> ¹	<u>City</u> <u>Property</u> <u>Taxes</u> ¹ 22.69%	<u>City</u> <u>Sales</u> <u>Taxes</u> ²	<u>Net</u> <u>City TOT</u> ³	<u>Total</u> <u>City</u> <u>Revenues</u>
2018	\$1,113,400	\$252,580	\$840,000	\$185,100	\$1,277,680
2019	1,135,600	257,610	877,500	229,900	1,365,010
2020	1,158,400	262,790	909,300	316,600	1,488,690
2021	1,181,500	268,030	932,100	324,600	1,524,730
2022	1,205,100	273,380	955,400	332,700	1,561,480
2023	1,905,200	432,200	1,181,300	603,800	2,217,300
2024	2,075,800	470,900	1,227,300	661,000	2,359,200
2025	2,519,300	571,510	1,366,500	765,900	2,703,910
2026	2,762,200	626,610	1,620,000	785,100	3,031,710
2027	2,817,400	639,130	1,784,100	804,600	3,227,830
2028	2,873,700	651,910	1,828,700	891,300	3,371,910
2029	2,931,200	664,950	1,874,500	913,500	3,452,950
2030	2,989,800	678,240	1,921,300	936,500	3,536,040
2031	3,049,600	691,810	1,969,400	959,900	3,621,110
2032	3,110,600	705,650	2,018,600	983,800	3,708,050
2033	3,172,800	719,760	2,069,100	1,008,400	3,797,260
2034	3,236,300	734,160	2,120,800	1,033,700	3,888,660
2035	3,301,000	748,840	2,173,800	1,059,500	3,982,140
2036	3,367,100	763,830	2,228,200	1,085,900	4,077,930
2037	3,434,400	779,100	2,283,900	1,113,000	4,176,000
2038	3,503,100	794,690	2,341,000	1,140,900	4,276,590
2039	3,573,100	810,570	2,399,500	1,169,600	4,379,670
2040	3,644,600	826,790	2,459,500	1,198,800	4,485,090
2041	3,717,500	843,320	2,520,900	1,228,700	4,592,920
2042	3,791,800	860,180	2,584,000	1,259,400	4,703,580
2043	3,867,700	877,400	2,648,600	1,290,800	4,816,800
2044	3,945,000	894,930	2,714,800	1,323,100	4,932,830
2045	4,023,900	912,830	2,782,700	1,356,200	5,051,730
2046	4,104,400	931,090	2,852,200	1,390,100	5,173,390
2047	4,186,500	949,720	2,923,500	1,424,800	5,298,020
Total	\$87,698,000	\$19,894,510	\$58,408,500	\$27,777,200	\$106,080,210
NPV @ 7%	\$31,778,600	\$7,209,100	\$21,113,000	\$9,649,300	\$37,971,300

1. See Table 2

2. See Table 3

3. See Table 7

TABLE 2E

ALLOCATION OF PROPERTY TAX REVENUES
 PALM SPRINGS PROMENADE
 PALM SPRINGS, CALIFORNIA

<u>Year</u>	<u>Component Completed</u>	<u>Incremental Property Valuation</u>	<u>Assessed Valuation</u>	<u>Property Tax Base</u>	<u>City Allocation</u>
Allocation %					22.69%
2018	Blocks A,B,C	\$111,337,000	\$111,337,000	\$1,113,400	\$252,580
2019		\$0	113,563,700	1,135,600	257,610
2020		\$0	115,835,000	1,158,400	262,790
2021		\$0	118,151,700	1,181,500	268,030
2022		\$0	120,514,700	1,205,100	273,380
2023	Virgin Hotel	\$67,590,000	190,515,000	1,905,200	432,200
2024	Block D	\$13,250,000	207,575,300	2,075,800	470,900
2025	Block F	\$40,200,000	251,926,800	2,519,300	571,510
2026	Block G	\$19,250,000	276,215,300	2,762,200	626,610
2027		\$0	281,739,600	2,817,400	639,130
2028			287,374,400	2,873,700	651,910
2029			293,121,900	2,931,200	664,950
2030			298,984,300	2,989,800	678,240
2031			304,964,000	3,049,600	691,810
2032			311,063,300	3,110,600	705,650
2033			317,284,600	3,172,800	719,760
2034			323,630,300	3,236,300	734,160
2035			330,102,900	3,301,000	748,840
2036			336,705,000	3,367,100	763,830
2037			343,439,100	3,434,400	779,100
2038			350,307,900	3,503,100	794,690
2039			357,314,100	3,573,100	810,570
2040			364,460,400	3,644,600	826,790
2041			371,749,600	3,717,500	843,320
2042			379,184,600	3,791,800	860,180
2043			386,768,300	3,867,700	877,400
2044			394,503,700	3,945,000	894,930
2045			402,393,800	4,023,900	912,830
2046			410,441,700	4,104,400	931,090
2047			418,650,500	4,186,500	949,720
TOTAL				\$87,698,000	\$19,894,500

1. Project Value based on KMA review of developer costs to date and comparable projects
 2. City share of property taxes provided by City staff.

TABLE 3E

**SALES TAX REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

<u>Year</u>	<u>Developed Commercial Square Footage</u>	<u>On Site Taxable Sales</u> ¹	<u>Kimpton Visitor Taxable Sales</u> ²	<u>Virgin Visitor Taxable Sales</u> ³	<u>City Sales Tax</u> 1.00%
2018	101,305	\$76,371,000	\$7,626,400		\$840,000
2019	101,305	78,280,000	9,473,500		877,500
2020	101,305	80,237,000	10,697,300		909,300
2021	101,305	82,243,000	10,964,700		932,100
2022	101,305	84,299,000	11,238,800		955,400
2023	114,555	98,710,000	11,519,800	7,896,800	1,181,300
2024	114,555	101,178,000	11,807,800	9,747,700	1,227,300
2025	144,555	113,514,000	12,103,000	11,034,300	1,366,500
2026	164,555	138,283,000	12,405,600	11,310,200	1,620,000
2027	175,555	154,104,000	12,715,700	11,593,000	1,784,100
2028	175,555	157,957,000	13,033,600	11,882,800	1,828,700
2029	175,555	161,906,000	13,359,400	12,179,900	1,874,500
2030	175,555	165,954,000	13,693,400	12,484,400	1,921,300
2031	175,555	170,103,000	14,035,700	12,796,500	1,969,400
2032	175,555	174,356,000	14,386,600	13,116,400	2,018,600
2033	175,555	178,715,000	14,746,300	13,444,300	2,069,100
2034	175,555	183,183,000	15,115,000	13,780,400	2,120,800
2035	175,555	187,763,000	15,492,900	14,124,900	2,173,800
2036	175,555	192,457,000	15,880,200	14,478,000	2,228,200
2037	175,555	197,268,000	16,277,200	14,840,000	2,283,900
2038	175,555	202,200,000	16,684,100	15,211,000	2,341,000
2039	175,555	207,255,000	17,101,200	15,591,300	2,399,500
2040	175,555	212,436,000	17,528,700	15,981,100	2,459,500
2041	175,555	217,747,000	17,966,900	16,380,600	2,520,900
2042	175,555	223,191,000	18,416,100	16,790,100	2,584,000
2043	175,555	228,771,000	18,876,500	17,209,900	2,648,600
2044	175,555	234,490,000	19,348,400	17,640,100	2,714,800
2045	175,555	240,352,000	19,832,100	18,081,100	2,782,700
2046	175,555	246,361,000	20,327,900	18,533,100	2,852,200
2047	175,555	252,520,000	20,836,100	18,996,400	<u>2,923,500</u>
TOTAL					\$58,408,500

1. Taxable sales estimated at \$900 /SF for retail space, \$900 /SF for restaurant space, \$800 / SF for hotel commercial space and \$40 / SF for office space. Taxable sales estimates include employee spending during work hours.

2. See Table 5

3. See Table 6

TABLE 4E

**TRANSIENT OCCUPANCY TAX
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

Project Year	Kimpton Hotel Rooms	Revenue per Available Room ¹	Annual Room Revenues	Virgin Hotel Rooms	Revenue per Available Room ²	Annual Room Revenues	TOT Revenues ³
2018	153	\$107.80	\$6,020,000				\$812,700
2019	153	\$133.90	7,478,000				1,009,500
2020	153	\$151.20	8,444,000				1,139,900
2021	153	\$154.98	8,655,000				1,168,400
2022	153	\$158.85	8,871,000			0	1,197,600
2023	153	\$162.83	9,093,000	145	\$123.75	6,549,000	2,111,700
2024	153	\$166.90	9,320,000	145	\$152.75	8,084,000	2,349,500
2025	153	\$171.07	9,553,000	145	\$172.90	9,151,000	2,525,000
2026	153	\$175.35	9,792,000	145	\$177.22	9,380,000	2,588,200
2027	153	\$179.73	10,037,000	145	\$181.65	9,614,000	2,652,900
2028	153	\$184.22	10,288,000	145	\$186.19	9,854,000	2,719,200
2029	153	\$188.83	10,545,000	145	\$190.85	10,101,000	2,787,200
2030	153	\$193.55	10,809,000	145	\$195.62	10,353,000	2,856,900
2031	153	\$198.39	11,079,000	145	\$200.51	10,612,000	2,928,300
2032	153	\$203.35	11,356,000	145	\$205.52	10,877,000	3,001,500
2033	153	\$208.43	11,640,000	145	\$210.66	11,149,000	3,076,500
2034	153	\$213.64	11,931,000	145	\$215.93	11,428,000	3,153,500
2035	153	\$218.98	12,229,000	145	\$221.33	11,714,000	3,232,300
2036	153	\$224.46	12,535,000	145	\$228.86	12,007,000	3,313,200
2037	153	\$230.07	12,848,000	145	\$232.53	12,307,000	3,395,900
2038	153	\$235.82	13,169,000	145	\$238.34	12,614,000	3,480,700
2039	153	\$241.72	13,499,000	145	\$244.30	12,930,000	3,567,900
2040	153	\$247.76	13,836,000	145	\$250.41	13,253,000	3,657,000
2041	153	\$253.95	14,182,000	145	\$256.67	13,584,000	3,748,400
2042	153	\$260.30	14,537,000	145	\$263.09	13,924,000	3,842,200
2043	153	\$266.81	14,900,000	145	\$269.66	14,272,000	3,938,200
2044	153	\$273.48	15,272,000	145	\$276.41	14,629,000	4,036,600
2045	153	\$280.32	15,654,000	145	\$283.32	14,995,000	4,137,600
2046	153	\$287.32	16,046,000	145	\$290.40	15,369,000	4,241,000
2047	153	\$294.51	16,447,000	145	\$297.66	15,754,000	4,347,100
Total							\$87,016,600

1. KMA estimate based on review of developer information, other Kimpton Hotel and comparable hotel information and CBRE information for Coachella Valley.

2. KMA estimate based on review of developer information, comparable hotel information and CBRE information for Coachella Valley.

Revenue per available room is equal to total annual room revenues divided by the total number of rooms divided by 365 days

3. Based on City's 13.5% transient occupancy tax (TOT) rate.

TABLE 5E

**OFF SITE VISITOR SPENDING - KIMPTON GUESTS
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

	Stabilized Spending (\$)	Share of Total	
I. Expenditures of Hotel Guests			
Accommodations	\$9,583,940 ²	21.5%	
Food & Beverage	10,787,505	24.2%	
Retail Sales	6,887,064	15.5%	
Ground Transportation	2,050,517	4.6%	
Arts, Entertainment & Recreation	12,436,834	27.9%	
Other Purchases	<u>2,808,317</u>	<u>6.3%</u>	
Total Hotel Guest Expenditures	\$44,576,465	100.0%	
Total Non-Lodging Spending	\$34,992,525	78.5%	
II. Non-Lodging Expenditures Subject to Sales Tax			
	Stabilized Spending (\$)	Subject to Sales Tax	Taxable Spending
Food & Beverage	\$10,787,505	50%	\$5,393,752
Retail Sales	6,887,064	75%	5,165,298
Ground Transportation	2,050,517	0%	0
Arts, Entertainment & Recreation	12,436,834	5%	621,842
Other Purchases	<u>2,808,317</u>	50%	<u>1,404,159</u>
Total Non-Lodging Spending	\$34,970,237		
Total Non-Lodging Taxable Spending		36.0%	\$12,585,051
III. Net New Off-Site Taxable Sales			
Total Off-Site Taxable Spending			\$12,585,051
(Less) Transfers and Purchases Outside City			<u>(1,887,758) ⁴</u>
Net New Off-Site Taxable Sales			\$10,697,300
Sales Tax @ 1.0%			\$107,000

¹ Estimates by KMA based on research by Palm Springs, Anaheim and Orange County Conventions Bureaus, CBRE and Dean Runyan Associates.

² Based on stabilized Year 3 market rate room revenues plus 13.5% TOT.

³ KMA assumption based on previous hotel experience.

⁴ Deduction of 15% of the stabilized merchandise sales, which are assumed to come from hotel guests.

TABLE 6E

**OFF SITE VISITOR SPENDING - VIRGIN HOTEL
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

I. Expenditures of Hotel Guests	<u>Stabilized Spending (\$)</u>	<u>Share of Total</u>	
Accommodations	\$9,885,911 ²	21.5%	
Food & Beverage	11,127,397	24.2%	
Retail Sales	7,104,061	15.5%	
Ground Transportation	2,115,125	4.6%	
Arts, Entertainment & Recreation	12,828,694	27.9%	
Other Purchases	<u>2,896,802</u>	<u>6.3%</u>	
Total Hotel Guest Expenditures	\$45,980,980	100.0%	
Total Non-Lodging Spending	\$36,095,070	78.5%	
II. Non-Lodging Expenditures Subject to Sales Tax	<u>Stabilized Spending (\$)</u>	<u>Subject to Sales Tax</u>	<u>Taxable Spending</u>
Food & Beverage	\$11,127,397	50%	\$5,563,699
Retail Sales	7,104,061	75%	5,328,046
Ground Transportation	2,115,125	0%	0
Arts, Entertainment & Recreation	12,828,694	5%	641,435
Other Purchases	<u>2,896,802</u>	50%	<u>1,448,401</u>
Total Non-Lodging Spending	\$36,072,079		
Total Non-Lodging Taxable Spending		36.0%	\$12,981,580
III. Net New Off-Site Taxable Sales			
Total Off-Site Taxable Spending			\$12,981,580
(Less) Transfers and Purchases Outside City			<u>(1,947,237) ⁴</u>
Net New Off-Site Taxable Sales			\$11,034,300
Sales Tax @ 1.0%			\$110,000

¹ Estimates by KMA based on research by Palm Springs, Anaheim and Orange County Convention Bureaus, CBRE and Dean Runyan Associates.

² Based on stabilized Year 3 market rate room revenues plus 13.5% TOT.

³ KMA assumption based on previous hotel experience.

⁴ Assumes a deduction of 15% for transfers and sales taking place outside the City of Palm Springs

TABLE 7E

EFFECT OF TRANSIENT OCCUPANCY TAX REBATE
 PALM SPRINGS PROMENADE
 PALM SPRINGS, CALIFORNIA

Project Year	Room Revenues After Transfer	----- Kimpton Hotel -----					----- Virgin Hotel -----					
		TOT	TOT Rebate	Pct. Transfer	Transfer ¹	Net TOT	Room Revenues After Transfer	TOT	TOT Rebate	Pct. Transfer	Transfer ¹	Net TOT
2018	\$6,020,000	\$812,700	\$546,300	10.0%	\$81,300	\$185,100	\$0	\$0	\$0		\$0	\$0
2019	7,478,000	1,009,500	678,600	10.0%	101,000	229,900	0	0	0		0	0
2020	8,444,000	1,139,900	766,300	5.0%	57,000	316,600	0	0	0		0	0
2021	8,655,000	1,168,400	785,400	5.0%	58,400	324,600	0	0	0		0	0
2022	8,871,000	1,197,600	805,000	5.0%	59,900	332,700	0	0	0		0	0
2023	9,093,000	1,227,600	825,200		0	402,400	6,549,000	884,100	594,300	10.0%	88,400	201,400
2024	9,320,000	1,258,200	845,800		0	412,400	8,064,000	1,091,300	733,600	10.0%	109,100	248,600
2025	9,553,000	1,289,700	866,900		0	422,800	9,151,000	1,235,400	830,500	5.0%	61,800	343,100
2026	9,792,000	1,321,900	888,600		0	433,300	9,380,000	1,266,300	851,200	5.0%	63,300	351,800
2027	10,037,000	1,355,000	910,900		0	444,100	9,614,000	1,297,900	872,500	5.0%	64,900	360,500
2028	10,288,000	1,388,900	933,600		0	455,300	9,854,000	1,330,300	894,300		0	436,000
2029	10,545,000	1,423,600	957,000		0	466,600	10,101,000	1,363,600	916,700		0	446,900
2030	10,809,000	1,459,200	980,900		0	478,300	10,353,000	1,397,700	939,500		0	458,200
2031	11,079,000	1,495,700	1,005,400		0	490,300	10,612,000	1,432,600	963,000		0	469,600
2032	11,356,000	1,533,100	1,030,600		0	502,500	10,877,000	1,468,400	987,100		0	481,300
2033	11,640,000	1,571,400	1,056,300		0	515,100	11,149,000	1,505,100	1,011,800		0	493,300
2034	11,931,000	1,610,700	1,082,700		0	528,000	11,428,000	1,542,800	1,037,100		0	505,700
2035	12,229,000	1,650,900	1,109,800		0	541,100	11,714,000	1,581,400	1,063,000		0	518,400
2036	12,535,000	1,692,200	1,137,600		0	554,600	12,007,000	1,620,900	1,089,600		0	531,300
2037	12,848,000	1,734,500	1,166,000		0	568,500	12,307,000	1,661,400	1,116,900		0	544,500
2038	13,169,000	1,777,800	1,195,100		0	582,700	12,614,000	1,702,900	1,144,700		0	558,200
2039	13,499,000	1,822,400	1,225,000		0	597,400	12,930,000	1,745,600	1,173,400		0	572,200
2040	13,836,000	1,867,900	1,255,600		0	612,300	13,253,000	1,789,200	1,202,700		0	586,500
2041	14,182,000	1,914,600	1,287,000		0	627,600	13,584,000	1,833,800	1,232,700		0	601,100
2042	14,537,000	1,962,500	1,319,200		0	643,300	13,924,000	1,879,700	1,263,600		0	616,100
2043	14,900,000	2,011,500	1,352,200		0	659,300	14,272,000	1,926,700	1,295,200		0	631,500
2044	15,272,000	2,061,700	1,385,900		0	675,800	14,629,000	1,974,900	1,327,600		0	647,300
2045	15,654,000	2,113,300	1,420,600		0	692,700	14,995,000	2,024,300	1,360,800		0	663,500
2046	16,046,000	2,166,200	1,456,200		0	710,000	15,369,000	2,074,800	1,394,700		0	680,100
2047	16,447,000	2,220,300	1,492,600		0	727,700	15,754,000	2,126,800	1,429,700		0	697,100
Total	\$350,065,000	\$47,258,900	\$31,768,300		\$357,600	\$15,133,000	\$294,504,000	\$39,757,900	\$26,726,200		\$387,500	\$12,644,200

1. KMA assumption of room stays that would otherwise occur at other hotels in Palm Springs

Attachment F

Palm Springs Promenade
Public Revenue Analysis
Alternative Developer Program

Conservative Scenario

TABLE 1F

**KEY CITY PUBLIC REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

<u>Year</u> Allocation %	<u>Total</u> <u>Property</u> <u>Taxes</u> ¹	<u>City</u> <u>Property</u> <u>Taxes</u> ¹ 22.69%	<u>City</u> <u>Sales</u> <u>Taxes</u> ²	<u>Net</u> <u>City TOT</u> ³	<u>Total</u> <u>City</u> <u>Revenues</u>
2018	\$1,113,400	\$252,580	\$742,100	\$179,500	\$1,174,180
2019	1,135,600	257,610	776,800	223,300	1,257,710
2020	1,158,400	262,790	806,000	307,800	1,376,590
2021	1,181,500	268,030	826,100	315,500	1,409,630
2022	1,205,100	273,380	846,800	323,500	1,443,680
2023	1,229,300	278,870	868,000	391,200	1,538,070
2024	1,253,800	284,430	889,700	400,900	1,575,030
2025	1,278,900	290,120	911,900	411,000	1,613,020
2026	1,839,000	417,180	1,129,900	421,300	1,968,380
2027	2,068,300	469,200	1,268,100	431,800	2,169,100
2028	2,109,600	478,570	1,299,800	442,600	2,220,970
2029	2,151,800	488,140	1,332,300	453,600	2,274,040
2030	2,194,900	497,920	1,365,600	465,000	2,328,520
2031	2,238,800	507,880	1,399,700	476,600	2,384,180
2032	2,283,500	518,020	1,434,700	488,500	2,441,220
2033	2,329,200	528,380	1,470,600	500,800	2,499,780
2034	2,375,800	538,960	1,507,300	513,300	2,559,560
2035	2,423,300	549,730	1,545,000	526,100	2,620,830
2036	2,471,800	560,730	1,583,700	539,200	2,683,630
2037	2,521,200	571,940	1,623,200	552,700	2,747,840
2038	2,571,600	583,370	1,663,800	566,500	2,813,670
2039	2,623,100	595,060	1,705,400	580,700	2,881,160
2040	2,675,500	606,940	1,748,100	595,200	2,950,240
2041	2,729,000	619,080	1,791,800	610,100	3,020,980
2042	2,783,600	631,470	1,836,600	625,400	3,093,470
2043	2,839,300	644,100	1,882,500	641,000	3,167,600
2044	2,896,100	656,990	1,929,500	657,000	3,243,490
2045	2,954,000	670,120	1,977,800	673,500	3,321,420
2046	3,013,100	683,530	2,027,200	690,300	3,401,030
2047	<u>3,073,300</u>	<u>697,190</u>	<u>2,077,900</u>	<u>707,600</u>	<u>3,482,690</u>
Total	\$64,721,800	\$14,682,310	\$42,267,900	\$14,711,500	\$71,661,710
NPV @ 7%	\$23,911,300	\$5,424,300	\$15,677,600	\$5,527,800	\$26,629,800

1. See Table 2

2. See Table 3

3. See Table 6

TABLE 2F

**ALLOCATION OF PROPERTY TAX REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

<u>Year</u>	<u>Component Completed</u>	<u>Incremental Property Valuation</u> ¹	<u>Assessed Valuation</u>	<u>Property Tax Base</u>	<u>City Allocation</u> ²
Allocation %					22.69%
2018	Blocks A,B,C	\$111,337,000	\$111,337,000	\$1,113,400	\$252,580
2019		\$0	113,563,700	1,135,600	257,610
2020		\$0	115,835,000	1,158,400	262,790
2021		\$0	118,151,700	1,181,500	268,030
2022		\$0	120,514,700	1,205,100	273,380
2023		\$0	122,925,000	1,229,300	278,870
2024		\$0	125,383,500	1,253,800	284,430
2025		\$0	127,891,200	1,278,900	290,120
2026	Block D and F	\$53,450,000	183,899,000	1,839,000	417,180
2027	Block G	\$19,250,000	206,827,000	2,068,300	469,200
2028			210,963,500	2,109,600	478,570
2029			215,182,800	2,151,800	488,140
2030			219,486,500	2,194,900	497,920
2031			223,876,200	2,238,800	507,880
2032			228,353,700	2,283,500	518,020
2033			232,920,800	2,329,200	528,380
2034			237,579,200	2,375,800	538,960
2035			242,330,800	2,423,300	549,730
2036			247,177,400	2,471,800	560,730
2037			252,120,900	2,521,200	571,940
2038			257,163,300	2,571,600	583,370
2039			262,306,600	2,623,100	595,060
2040			267,552,700	2,675,500	606,940
2041			272,903,800	2,729,000	619,080
2042			278,361,900	2,783,600	631,470
2043			283,929,100	2,839,300	644,100
2044			289,607,700	2,896,100	656,990
2045			295,399,900	2,954,000	670,120
2046			301,307,900	3,013,100	683,530
2047			307,334,100	<u>3,073,300</u>	<u>697,190</u>
TOTAL				\$64,721,800	\$14,682,310

1. Project Value based on KMA review of developer costs to date and comparable projects

2. City share of property taxes provided by City staff.

TABLE 3F

**SALES TAX REVENUES
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

<u>Year</u>	<u>Developed Commercial Square Footage</u>	<u>On Site Taxable Sales</u> ¹	<u>Kimpton Visitor Taxable Sales</u> ²	<u>Virgin Visitor Taxable Sales</u>	<u>City Sales Tax</u> 1.00%
Allocation %					
2018	101,305	\$66,816,000	\$7,393,400		\$742,100
2019	101,305	68,486,000	9,197,400		776,800
2020	101,305	70,199,000	10,399,600	\$0	806,000
2021	101,305	71,954,000	10,659,600	0	826,100
2022	101,305	73,752,000	10,926,100	0	846,800
2023	101,305	75,596,000	11,199,300	0	868,000
2024	101,305	77,486,000	11,479,300	0	889,700
2025	101,305	79,423,000	11,766,300	0	911,900
2026	151,305	100,933,000	12,060,500	0	1,129,900
2027	162,305	114,446,000	12,362,000	0	1,268,100
2028	162,305	117,307,000	12,671,100	0	1,299,800
2029	162,305	120,240,000	12,987,900	0	1,332,300
2030	162,305	123,246,000	13,312,600	0	1,365,600
2031	162,305	126,327,000	13,645,400	0	1,399,700
2032	162,305	129,485,000	13,986,500	0	1,434,700
2033	162,305	132,722,000	14,336,200	0	1,470,600
2034	162,305	136,040,000	14,694,600	0	1,507,300
2035	162,305	139,441,000	15,062,000	0	1,545,000
2036	162,305	142,927,000	15,438,600	0	1,583,700
2037	162,305	146,500,000	15,824,600	0	1,623,200
2038	162,305	150,163,000	16,220,200	0	1,663,800
2039	162,305	153,917,000	16,625,700	0	1,705,400
2040	162,305	157,765,000	17,041,300	0	1,748,100
2041	162,305	161,709,000	17,467,300	0	1,791,800
2042	162,305	165,752,000	17,904,000	0	1,836,600
2043	162,305	169,896,000	18,351,600	0	1,882,500
2044	162,305	174,143,000	18,810,400	0	1,929,500
2045	162,305	178,497,000	19,280,700	0	1,977,800
2046	162,305	182,959,000	19,762,700	0	2,027,200
2047	162,305	187,533,000	20,256,800	0	<u>2,077,900</u>
TOTAL					\$42,267,900

1. Taxable sales estimated at \$900 /SF for retail space, \$900 /SF for restaurant space, \$800 / SF for hotel commercial space and \$40 / SF for office space. Taxable sales estimates include employee spending during work hours.

2. See Table 5

TABLE 4F

**TRANSIENT OCCUPANCY TAX
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

Project Year	Kimpton Hotel Rooms	Revenue per Available Room ¹	Annual Room Revenues	Virgin Hotel Rooms	Revenue per Available Room ²	Annual Room Revenues	TOT Revenues ³
2018	153	\$104.50	\$5,836,000				\$787,900
2019	153	\$130.00	7,260,000				980,100
2020	153	\$147.00	8,209,000	0	\$0.00	\$0	1,108,200
2021	153	\$150.68	8,414,000	0	\$0.00	0	1,135,900
2022	153	\$154.44	8,625,000	0	\$0.00	0	1,164,400
2023	153	\$158.30	8,840,000	0	\$0.00	0	1,193,400
2024	153	\$162.26	9,061,000	0	\$0.00	0	1,223,200
2025	153	\$166.32	9,288,000	0	\$0.00	0	1,253,900
2026	153	\$170.47	9,520,000	0	\$0.00	0	1,285,200
2027	153	\$174.74	9,758,000	0	\$0.00	0	1,317,300
2028	153	\$179.11	10,002,000	0	\$0.00	0	1,350,300
2029	153	\$183.58	10,252,000	0	\$0.00	0	1,384,000
2030	153	\$188.17	10,508,000	0	\$0.00	0	1,418,600
2031	153	\$192.88	10,771,000	0	\$0.00	0	1,454,100
2032	153	\$197.70	11,040,000	0	\$0.00	0	1,490,400
2033	153	\$202.64	11,316,000	0	\$0.00	0	1,527,700
2034	153	\$207.71	11,599,000	0	\$0.00	0	1,565,900
2035	153	\$212.90	11,889,000	0	\$0.00	0	1,605,000
2036	153	\$218.22	12,187,000	0	\$0.00	0	1,645,200
2037	153	\$223.68	12,491,000	0	\$0.00	0	1,686,300
2038	153	\$229.27	12,804,000	0	\$0.00	0	1,728,500
2039	153	\$235.00	13,124,000	0	\$0.00	0	1,771,700
2040	153	\$240.88	13,452,000	0	\$0.00	0	1,816,000
2041	153	\$246.90	13,788,000	0	\$0.00	0	1,861,400
2042	153	\$253.07	14,133,000	0	\$0.00	0	1,908,000
2043	153	\$259.40	14,486,000	0	\$0.00	0	1,955,600
2044	153	\$265.88	14,848,000	0	\$0.00	0	2,004,500
2045	153	\$272.53	15,219,000	0	\$0.00	0	2,054,600
2046	153	\$279.34	15,600,000	0	\$0.00	0	2,106,000
2047	153	\$286.33	15,990,000	0	\$0.00	0	2,158,700
Total							\$45,942,000

1. KMA estimate based on review of developer information, other Kimpton Hotel and comparable hotel information and CBRE information for Coachella Valley.

2. KMA estimate based on review of developer information, comparable hotel information and CBRE information for Coachella Valley.

Revenue per available room is equal to total annual room revenues divided by the total number of rooms divided by 365 days

3. Based on City's 13.5% transient occupancy tax (TOT) rate.

TABLE 5F

**OFF SITE VISITOR SPENDING - KIMPTON GUESTS
PALM SPRINGS PROMENADE
PALM SPRINGS, CALIFORNIA**

	Stabilized Spending (\$)	Share of Total	Taxable Spending
I. Expenditures of Hotel Guests			
Accommodations	\$9,317,215 ²	21.5%	
Food & Beverage	10,487,284	24.2%	
Retail Sales	6,695,394	15.5%	
Ground Transportation	1,993,451	4.6%	
Arts, Entertainment & Recreation	12,090,712	27.9%	
Other Purchases	<u>2,730,161</u>	<u>6.3%</u>	
Total Hotel Guest Expenditures	\$43,335,884	100.0%	
Total Non-Lodging Spending	\$34,018,669	78.5%	
II. Non-Lodging Expenditures Subject to Sales Tax			
Food & Beverage	\$10,487,284	50%	\$5,243,642
Retail Sales	6,695,394	75%	5,021,546
Ground Transportation	1,993,451	0%	0
Arts, Entertainment & Recreation	12,090,712	5%	604,536
Other Purchases	<u>2,730,161</u>	50%	<u>1,365,080</u>
Total Non-Lodging Spending	\$33,997,001		
Total Non-Lodging Taxable Spending		36.0%	\$12,234,803
III. Net New Off-Site Taxable Sales			
Total Off-Site Taxable Spending			\$12,234,803
(Less) Transfers and Purchases Outside City			<u>(1,835,221) ⁴</u>
Net New Off-Site Taxable Sales			\$10,399,600
Sales Tax @ 1.0%			\$104,000

¹ Estimates by KMA based on research by Palm Springs, Anaheim and Orange County Conventions Bureaus, CBRE and Dean Runyan Associates.

² Based on stabilized Year 3 market rate room revenues plus 13.5% TOT.

³ KMA assumption based on previous hotel experience.

⁴ Deduction of 15% of the stabilized merchandise sales, which are assumed to come from hotel guests.

TABLE 6F

EFFECT OF TRANSIENT OCCUPANCY TAX REBATE
 PALM SPRINGS PROMENADE
 PALM SPRINGS, CALIFORNIA

Project Year	Room Revenues After Transfer	TOT	----- Kimpton Hotel -----		Transfer ¹	Net TOT
			TOT Rebate	Pct. Transfer		
2018	\$5,836,000	\$787,900	\$529,600	10.0%	\$78,800	\$179,500
2019	7,260,000	980,100	658,800	10.0%	98,000	223,300
2020	8,209,000	1,108,200	745,000	5.0%	55,400	307,800
2021	8,414,000	1,135,900	763,600	5.0%	56,800	315,500
2022	8,625,000	1,164,400	782,700	5.0%	58,200	323,500
2023	8,840,000	1,193,400	802,200		0	391,200
2024	9,061,000	1,223,200	822,300		0	400,900
2025	9,288,000	1,253,900	842,900		0	411,000
2026	9,520,000	1,285,200	863,900		0	421,300
2027	9,758,000	1,317,300	885,500		0	431,800
2028	10,002,000	1,350,300	907,700		0	442,600
2029	10,252,000	1,384,000	930,400		0	453,600
2030	10,508,000	1,418,600	953,600		0	465,000
2031	10,771,000	1,454,100	977,500		0	476,600
2032	11,040,000	1,490,400	1,001,900		0	488,500
2033	11,316,000	1,527,700	1,026,900		0	500,800
2034	11,599,000	1,565,900	1,052,600		0	513,300
2035	11,889,000	1,605,000	1,078,900		0	526,100
2036	12,187,000	1,645,200	1,106,000		0	539,200
2037	12,491,000	1,686,300	1,133,600		0	552,700
2038	12,804,000	1,728,500	1,162,000		0	566,500
2039	13,124,000	1,771,700	1,191,000		0	580,700
2040	13,452,000	1,816,000	1,220,800		0	595,200
2041	13,788,000	1,861,400	1,251,300		0	610,100
2042	14,133,000	1,908,000	1,282,600		0	625,400
2043	14,486,000	1,955,600	1,314,600		0	641,000
2044	14,848,000	2,004,500	1,347,500		0	657,000
2045	15,219,000	2,054,600	1,381,100		0	673,500
2046	15,600,000	2,106,000	1,415,700		0	690,300
2047	15,990,000	2,158,700	1,451,100		0	707,600
Total	\$340,310,000	\$45,942,000	\$30,883,300		\$347,200	\$14,711,500

1. KMA assumption of room stays that would otherwise occur at other hotels in Palm Springs