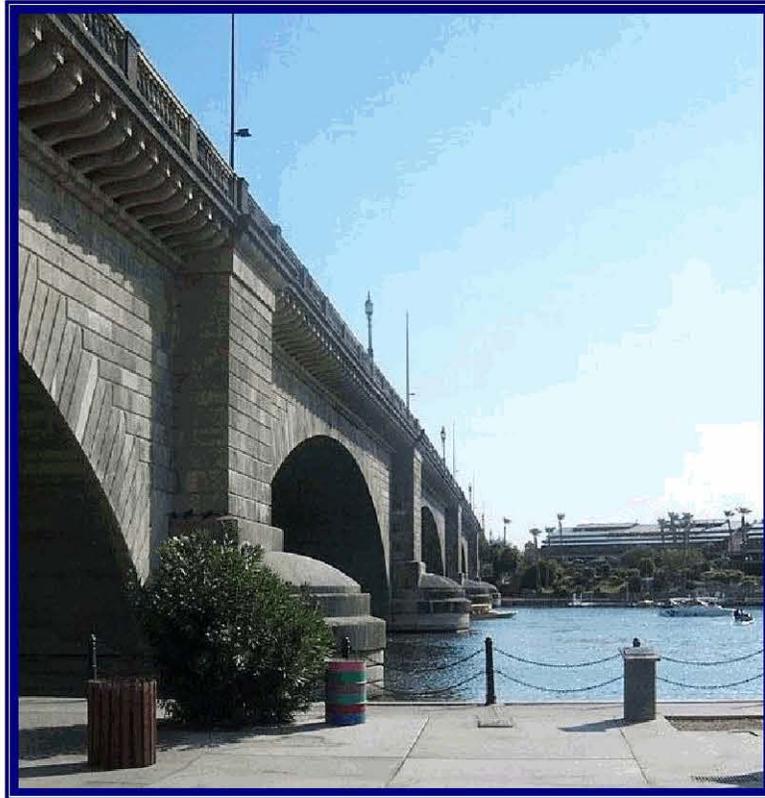


BRIDGEWATER CHANNEL REDEVELOPMENT AREA



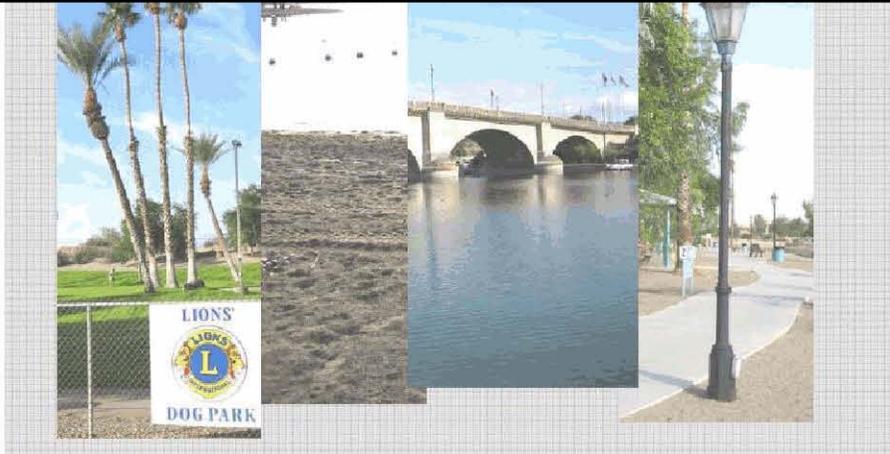
FINANCIAL ANALYSIS OF 2006 PLAN AND ALTERNATIVE PLAN

PREPARED BY

SWIGER CONSULTING, INC.
Stroudsburg, Pennsylvania

January 2008

BRIDGEWATER CHANNEL REDEVELOPMENT AREA



Bridgewater Channel Redevelopment Plan
Lake Havasu City, Arizona

University of Arizona Planning Degree Program, Fall 2006

PART 1 – ANALYSIS OF 2006 PLAN

PREPARED BY

SWIGER CONSULTING, INC.

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BRIDGEWATER CHANNEL REDEVELOPMENT AREA

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**Bridgewater Channel Area
Redevelopment Plan Analysis
University of Arizona Plan – Fall, 2006**

Background

The “Bridgewater Channel Redevelopment Plan” prepared by the Planning Degree Program students at the University of Arizona in the Fall of 2006 is a comprehensive examination of and plan for the redevelopment of the underperforming Bridgewater Channel area of Lake Havasu City. The planning effort of the students was systematic and involved public participation, significant research efforts, and the development of detailed plans for each of the eight study areas. The plan that emerged from these efforts addressed each of the planning areas in detail and included maps, schematics and other representations of the concepts involved.

The plan reflected the views of the participants at the public meetings and the public’s general desire to enhance the City’s park system and maintain and improve access to the City’s beaches and shoreline. The plan also correctly identified a number of ways in which the City could enhance the parks and the access. There was a particular emphasis upon connectivity, parking and public space, as well as attention given to ambiance and atmosphere and the plan described an extensive system of parks, open spaces and amenities. However, there has been some thought that though the plan was quite specific in many areas and provided many details and a phasing for the development of the area, it did not provide a solid economic basis for undertaking the projects it described.

While some of these items involved public-private partnerships, many were cost items to the City, developed without significant consideration to the economic resources necessary to make them feasible. The purpose of this analysis is four-fold from our perspective:

- ⇒ to assess the costs of the proposed development plan,
- ⇒ to provide the City with an economic basis for deciding about the various components of this plan,
- ⇒ to present some development options, especially ones that would generate greater revenues for the City, to consider, and
- ⇒ to provide a framework for evaluating new development proposals for the area.

Existing Plan - Commentary

Please note that the current plan is a solid and thorough planning effort and deals with a wide range of issues and concerns in a thoughtful fashion. This assessment of the existing redevelopment plan focuses on the economic reality of that plan and its financial viability and impact upon the City. This analysis is not meant to disparage the earlier effort but to supplement or amend that plan from a financial perspective.

The University of Arizona plan notes the importance of sales tax revenues and the value of tourism to the local and regional economy in the first chapter. Indeed, the document states that “the purpose of this Redevelopment Plan is to direct development and spur economic growth . . .” Further, the first stated goal is to “Increase activity that will generate economic development”, and two objectives under that goal are to “increase the length of stay of tourists” and to “Get people out of their boats”. The plan does provide for a number of commercial centers and for mixed use developments in some areas, but in many respects does not fully reflect the City’s future land use planning, the aims and objectives of both economic development and tourism efforts, and the City and the State Lands Department desire to maximize land use and revenue streams from future development.

The existing plan incorporated the comments and ideas put forward by residents attending open public meetings on the subject of Bridgewater Channel Redevelopment. There was general consensus at these meetings was that the

area was underperforming and that changes and improvements were necessary. However, the citizen recommendations for park and open space uses came to dominate in the planning process and other goals and objectives fell to the wayside. The types, pattern, and intensity of development recommended in the current plan do not address the earlier stated aims for economic development and growth and revenue generation to support these amenity improvements. Some of the concepts presented in the plan, such as the family area proposed for Study Area 8, are very good, but represent a large public investment. To the extent possible, it is preferable to secure private investment to provide such opportunities. At the same time the plans for the State controlled lands did not address the State Lands Department requirement to maximize revenue generation for the State. In many of the study areas the percentage of open space is very high and the cost of the improvements will entail significant public expense. The recommended development on the State properties will have little appeal to the State simply because they do not aggressively address revenue generation. Thus, in terms of revenue generation the study overlooked its own objectives.

It should also be noted that the properties in the Channel Area represent the City's best opportunity to capture the tourist/vacationer dollar. The Channel is a popular and well-know attraction for boaters, and this area should be enhanced with a variety of opportunities to come ashore and purchase food, goods, souvenirs, and services. Boaters quite often moor in the Channel to take advantage of the beaches and there are docks for those wishing to make a longer stay. The need is for attractions and places for them to come ashore and shop and eat. While the shoreline should be open and accessible, development opportunities close to the shore should be emphasized.

The City is seeking to become an even better recognized vacation, meeting, and convention center. The opportunity exists in the Channel area to create a destination that would include hotels, resorts, convention facilities, and shopping

and dining venues with scenic mountain and water views as well as access to the Channel and the Bridge. The study area is compact and its relatively intense development with moderate-rise (3-5 story) structures, linked by walking paths or shuttles, would create an attractive and economically viable area that would still recognize the park and open space needs of both the City residents and visitors.

The need for more intense development is driven not only by City and State desires to generate revenue, but by the developers' need to obtain a return on investment. Land prices have risen sharply in recent years and anecdotal information suggests that commercial sites may cost as much as \$500,000 per acre in the City. This price will be reflected in any lease arrangements made with the State Lands Department. Thus, the development of a one-story structure covering only a modest percentage of the available site for commercial or hotel use, for example, will have a difficult time generating a profit for the developer or operator. Higher Floor Area Ratios are necessary, as are multi-story structures, in order to make a project financially viable, let alone attractive.

The existing plan does not recognize the City's anticipated or desired uses for the undeveloped properties on the Island or in Study Area 3. The plan's emphasis is upon public uses and open space for these study areas, which are primarily State Lands properties. The Future Land Use Map in the General Plan shows an emphasis upon Resort, Resort Related, and Commercial uses on the land and in Area 3 with Park and Open Space along the Channel itself.

The existing plan also notes office uses for a number of the developments on the Island. However, the General Plan also designates land on the Island for Resort, Resort-related, and Commercial uses; the intention is not for office type uses, which would not likely be economically viable as the emphasis of activity and development is upon tourists and other visitors. Thus, in some areas and some instances, the plan flies in the face of intended, long-term uses.

A viable and ultimately successful redevelopment plan will recognize 1) the economic and financial needs of the City, the State and the developer, 2) the needs and aims of the City's residents, 3) the City's longer term economic and tourism development goals, and 4) the characteristics of and opportunities presented by the sites and features of the Channel area.

The following section of this report analyzes the proposed uses for each of the Study Areas in terms of the type of development, the extent or intensity of development, and the cost (public and private investment) and potential revenue generated by the proposed uses.

FINANCIAL ANALYSIS - OVERVIEW

The attached spreadsheet presents the various development recommendations from the existing plan and shows an estimated cost of that plan element. The point of this presentation is to provide an order of magnitude of expense, and, as will be discussed later, some idea of the economic impact of this development. The spreadsheet allocates the expenditures to either public or private sector investment. The spreadsheet also presents these figures as if all of this development had taken place simultaneously, as opposed to taking over a decade. These figures are approximations and estimates based upon the information presented and assumptions for costs based upon recent experience in this region.

The total investment for the projects in the eight areas was slightly over \$239,000,000. The majority of these funds, \$202.8 million, were invested by the private sector in study areas three, four, five and six. The public sector investment required to execute this plan was \$36.2 million. Though this figure is 15.1 percent of the total investment, it still amounts to an expenditure of \$3.6 million each year over the decade of development. Public sector investment in

areas one and two, which are privately owned, was minimal, but public sector investment in area eight, also privately owned was over \$5.0 million.

The existing plan created over 351,000 square feet of retail and restaurant space as well as 84,000 square feet of office space. The allocation between the two types of use can vary as the preferred use was not explicit in some instances or, the use designation deferred pending an assessment of market needs at the time of development. The plan does provide for approximately 140 townhouse units in area three and places a resort with timeshare casitas in area five. That development envisions a small main house and fifty-six casita units.

The plan does stress the idea of connectivity, including many walking paths, bike trails, a bridge to connect the mainland to the island, and a floating walkway to ensure that area six has pedestrian connection to the remainder of the study area. In addition to the walkway expenditure, the plan results in slightly over \$2 million for the pedestrian bridge and a conservative estimate of \$800,000 for the floating walkway.

Some of these projects will generate additional revenue for the City. Based upon a conservative figure of sales per square foot and the City's current two percent sales tax rate, the developments shown will generate \$2,161,000 in additional sales tax revenues each year for a total of \$21 million over the decade. The development projects described will result in \$202 million in new structures, though the plan does not address any significant development at the Queens Bay resort and only rehabilitates the English Village. The new construction will yield properties with an Assessed Value of approximately \$49 million resulting in \$331,000 in additional property taxes for the City each year. However, over the ten year period the additional tax revenue generated, \$24.3 million, does not cover the cost of the publicly funded improvements.

An analysis of each of the eight study areas follows.

Study Area One – the English Village

As Area One is privately owned, the plan recommendations center upon private investment to refurbish or update the English Village and restore it as a productive and active part of the City and the economy. The demolition of two of the structures and the renovation (or demolition) of one other is recommended with the idea creating dining and shopping locations for tourists. Though the plan was not specific about the size of the replacement structures, it appears that the plan calls for the creation or renovation of 41,000 square feet of dining and shopping and another 41,000 square feet of second floor office space.

For purposes of this analysis it is assumed that the area is producing no revenue for the City and that the storage structure (Building Number 4) is turned into a revenue producing site. The City will participate in the renovation process to the extent of assisting with the repairs to the Visitor Center and in relocating the Carousel. Significant attention is paid to maintaining the English Village atmosphere with improvements to the walkways and fountain area and the relocation of the Carousel to the area, all of which are relatively costly items.

In this scenario, returning the area to one of activity will cost an estimated \$13.9 million, but will involve only \$105,000 of City revenue. The revenues generated by this investment will be approximately \$285,000 per year.

Study Area Two – The Queens Bay Resort and Timeshares

This property also is privately owned and the plan makes few recommendations for the area except to improve walkways, add a bike path and generally improve public access as well as to make improvements to the parking area. The bicycle path and walkway improvements will cost an estimated \$250,000 of public expenditure. The cost of the enhancements to the parking area would be borne

by the property owner and will cost an estimated \$250,000, but not add appreciably to the Assessed Value of the property.

The costs of these improvements are negligible and the revenue impact is nil.

Study Area Three- Queens Bay Golf Course

The plan envisions private sector investment in housing, shopping and office space and a public-private partnership for the construction of a parking facility. The commercial structure is described as 20,000 square feet of retail, office and residential, which for this analysis is treated as commercial or retail. Townhouse residential development is planned for the some seven acres of the site. The parking structure will be jointly financed by the developer and the City with the developer owning and operating the structure and the City collecting both taxes and some part of the parking revenue.

However, the plan calls for significant public expenditure for the desert garden, a community center, a beach, and a pedestrian bridge connecting Area Three to Area Seven on the island. The analysis assumes that these improvements are funded completely with public resources. There is also an allowance of \$1.0 million for road realignment in the area; this figure may be low because it does not include costs for utilities in particular.

The projected private sector investment is over \$58.0 million and the public sector investment is estimated at \$14.7 million or 20 percent of the total investment.

The revenue to the City includes sales tax, property tax, and an allowance for parking revenue. The City would benefit from the existence of the Community Center, which would have a variety of uses and certainly draw residents to the area. However, the costs for these improvements are much higher than the

revenue generated by the private sector investment recommended; indeed, over ten years the revenues would amount to approximately \$2.0 million, while the costs are estimated at \$14.7 million. Further, large amounts of space are left undeveloped; assuming that the parking facility covers seven acres, and the community center two acres, the total development comes to approximately nineteen acres of the total 53 acres in the study area.

Study Area Four – Undeveloped State Trust Land

This 5 acre parcel is vacant except for occasional use as parking on its northwestern edge. The plan calls for a parking structure to be constructed in part to meet existing demand for parking for the beaches and to support a significant retail complex on the site, a three-story 126,000 square foot retail and office complex. This analysis assumes that the City will construct the parking structure while the developer will be responsible for the commercial development.

Though the private sector investment will be \$34.6 million, the public investment will be \$6.75 million because of the construction of the parking. This figure is only 16 percent of the total, but is a significant expenditure, which will not be recouped on the basis of sale and property tax collections over the decade following the construction. City revenues are expected to be \$319,000 per year or approximately \$3.2 million over the decade, far less than the development costs.

Study Area Five – Undeveloped State Trust Land

The existing plan has this tract, an estimated 41.5 acres, developed as a resort with a parking area on the northwest corner of the site and a public facility, a lookout tower, on the southeast portion of the tract. The resort, a private sector investment of \$15.2 million, will include 56 casita-type timeshare units for visitors

and a modest main house, apparently to include a restaurant, offices and a gift shop for the facility. The parking lot is recommended for public funding, though it could be a developer requirement. This analysis has the City developing the lot as well as the lookout tower and other walkway items at a total cost of \$4.2 million. Over ten years, the sales and property tax revenues from the resort would approximate the cost of the public improvements described.

Study Area Six – New Bridge and Road Area

The City has acquired the property for the new bridge to the island and plans are being developed for this structure, which is expected to be completed in 2012. The general configuration for the bridge and road has been established, so the plan reflects the amount and location of land available for development with a high degree of certainty.

The current plan proposes a mixed use building, office, retail, and dining, of some 159,000 square feet as well as a neighborhood market of 29,000 square feet. The private sector investment for these two structures will be \$63.7 million.

The plan calls for a community pavilion on the site as well as parking to be paid for from public funds. This analysis assumes site improvements and tenting for the pavilion, but no permanent structure. The pavilion will cost \$1.26 million and the parking about \$765,000 making the total cost slightly over \$2.0 million.

The description of the mixed use development is not specific and this analysis assumes that the total space is used for retail and this generates the maximum amount of sales tax revenue. In this instance, the revenues generated by the development over a decade will well exceed the public sector expenditure.

Study Area Seven – London Bridge Beach

This area is an existing public park with a number of features and amenities. The plan calls for the enhancement of the current facilities with the addition of a number of amenities, the estimated cost of which will be \$1.275 million. The key addition is the construction of a pedestrian bridge to link the island to the mainland, a key recommendation relative to the connectivity issue. This bridge will cost an estimated \$2.1 million. There is no revenue generated from this area.

Study Area Eight – Kingsview II Area

This area is privately owned and consists of two tracts, one of which is a condominium development on the west end of the area and the other a vacant tract abutting the English Village. The proposed development includes walkways from the condominiums to the English Village, the development of a family recreation area, and the development of dining retail and office space on a significant part of the tract.

As described in the plan, the proposed private sector investment would amount to some 60,000 square feet of space at a cost of \$16.5 million. The public sector investment in the family area and the walkways would be just over \$5.0 million, including \$800,000 for the floating walkway to connect Study Area Six to Area Four in front of the condominium complex where waterway access is not available.

The revenue generated by the proposed commercial project would be \$392,000 per year and over a decade would not cover the cost of the public sector improvements.

2006 PLAN FINANCIAL ANALYSIS

Area	Improvement	Estimated Cost Public	Estimated Cost Private	Retail - Rest.Sq. Footage	Total Investment
Area One					
The English Village					
Deteriorated commercial district					
Private Ownership	1) Walkway Enhancements		\$13,440		\$13,440
	2) Gathering Area/Fountain		\$375,000		\$375,000
	3) Increased Shade		\$315,000		\$315,000
	4) Building Restoration or Demolition		\$175,000		\$175,000
	4A) 41,000 SF Rest/Retail		\$11,275,000	82000	\$11,275,000
	5) Open Air Market		\$98,000	2800	\$98,000
	6) Improve Visitor Center	\$40,000	\$255,000		\$295,000
	7) Relocate Carousel	\$65,000	\$420,000		\$485,000
	8) Paving Improvements		\$840,000		\$840,000
	9) Landscaping & Public Art		\$85,500		\$85,500
	SUBTOTAL	\$105,000	\$13,851,940		\$13,956,940
Area Two					
London Bridge Resort					
Operating resort and timeshares					
Some retail and office operations					
Private Ownership	1) Improve walkways	\$250,000			\$250,000
	2) Improve parking area		\$250,000		\$250,000
	SUBTOTAL	\$250,000	\$250,000		\$500,000
Area Three					
Golf Course					
Beginner 9-hole course	1) Desert Garden	\$550,000			\$550,000
State Trust Land	2) Walkway Enhancements	\$1,500,000			\$1,500,000
Lease expires 2013	3) Pedestrian Bridge			see area 7	\$0
	4) Beach	\$2,025,060			\$2,025,060
	5) Commercial Space - 20,000 sf		\$6,000,000	20000	\$6,000,000
	6) Housing - R-4 Zoning		\$50,400,000		\$50,400,000
	7) Community Center	\$7,000,000			\$7,000,000
	8) Parking Structure	\$1,900,000	\$2,000,000	60000	\$3,900,000
	9) Public Art	\$750,000			\$750,000
	10) Road Realignment	\$1,000,000			\$1,000,000
	SUBTOTAL	\$14,725,060	\$58,400,000		\$73,125,060
Area Four					
Undeveloped Acreage					
Five Vacant Acres					
State Land Trust Lease expires in 2015	1) Walkway Improvements	\$500,000			\$500,000
	2) Parking Structure	\$6,000,000			\$6,000,000
	3) Mixed-use Structure- retail office space		\$34,650,000	42000 84000	\$34,650,000
	4) Landscaping	\$250,000			\$250,000
	SUBTOTAL	\$6,750,000	\$34,650,000		\$41,400,000

2006 PLAN FINANCIAL ANALYSIS

Area	Improvement	Estimated Cost Public	Estimated Cost Private	Total Investment
Area Five				
Undeveloped State Trust Land				
State Land Trust Lease	1) Casita Resort		\$1,375,000 2000	\$1,375,000
	Timeshares		\$13,860,000 50400	\$13,860,000
expires in 2015	2) Parking	\$2,750,000		\$2,750,000
	3) Lookout Point Structure	\$1,195,771		\$1,195,771
	4) Walkways	\$199,920		\$199,920
	5) Vegetative Wall	\$79,495		\$79,495
	SUBTOTAL	\$4,225,186	\$15,235,000	\$19,460,186
Area Six				
Parcel Created by Proposed Bridge and Road Alignment				
13.5 Vacant Acres	1) Parking	\$764,750		\$764,750
State Land Trust Lease	2) Mixed-use Structure-		\$55,650,000	\$55,650,000
expires in 2015	159,000 sf		159000	
	3) Neighborhood Market		\$8,057,000 29300	\$8,057,500
	4) Community Pavilion	\$1,260,000		\$1,260,000
	5) Proposed Bridge/Right-of-Way and Utility Easement			
	SUBTOTAL	\$2,024,750	\$63,707,000	\$65,732,250
Area Seven				
London Bridge Beach				
17.31-Acre Park				
Public Park and Dog Park				
City Owned	1) Pedestrian Bridge	\$2,100,000		\$2,100,000
	2) Community Sports Field	\$275,000		\$275,000
	3) Amphitheater	\$500,000		\$500,000
	4) Parking Enhancements	\$500,000		\$500,000
	SUBTOTAL	\$3,375,000	\$0	\$3,375,000
Area Eight				
Kings 11 and Adjacent Parcels				
6.3 Acres Vacant Parcel				
Second Parcel Developed				
Both Privately owned	1) Family Area	\$3,750,000		\$3,750,000
	2) Mixed-use Structure		\$16,500,000 60000	\$16,500,000
	3) Shaded Seating	\$500,000		\$500,000
	4) Floating Walkway	\$800,000		\$800,000
	SUBTOTAL	\$5,050,000	\$16,500,000	\$21,550,000
		\$36,504,996	\$202,593,940	
			GRAND TOTAL	\$239,099,436

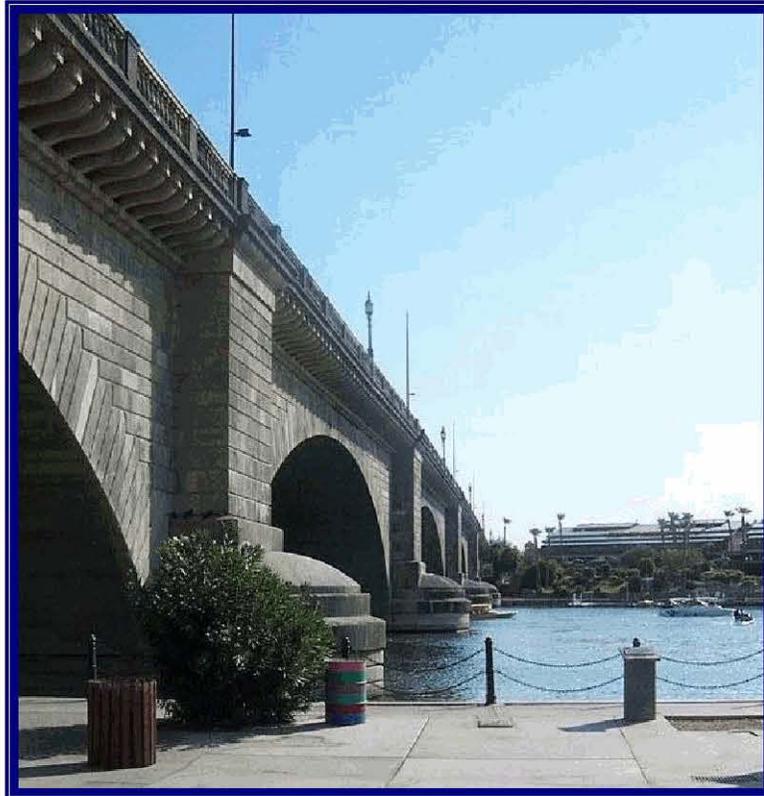
2006 PLAN FINANCIAL ANALYSIS

% Public Investment	ADDITIONAL							
	Sales Tax Revenue	Property Tax Revenue	Total City Revenue					
0.00%	\$0	\$0	\$0	160 ft				
0.00%	\$0	\$0	\$0	restore fountain; removal of 2 buildings;terracing;re-sodding				
0.00%	\$0	\$0	\$0	vegetation;man-made structures				
0.00%	\$0	\$0	\$0	2 buildings to be torn down ; 1 remodeled or torn down - p.79-80				
0.00%	\$492,000	\$21,983						
0.00%	\$16,800	\$191	\$16,991	10 tents covering 2,800 square feet				
13.56%	\$0	\$0	\$0	repair the facility				
13.40%	\$0	\$0	\$0	Carousel \$400,000; est to move\$30,000; est. repair \$50,000; build enclosure				
0.00%	\$0	\$0	\$0	120,000 sq feet				
0.00%	\$0	\$0	\$0	2,100 sq ft of landscaping				
0.75%	\$508,800	\$22,174	\$530,974					
	\$0	\$0	\$0	see page 89				
0.00%	\$0	\$0	\$0	see page 86-90				
50.00%	\$0	\$0	\$0					
100.00%	\$0	\$0	\$0	2 acres with native plants and identifying signs.				
100.00%	\$0	\$0	\$0	benches; larger seating areas; landscaping; shade structures; lighting; trashcan				
	\$0	\$0	\$0	multi-use walkway/bikeway 4,600 ft	pedestrian bridge between Areas 3 & 7.			
100.00%	\$0	\$0	\$0	walkway & beach. Vending; area for seating/shade structures. Public restroom				
0.00%	\$120,000	\$11,698	\$131,698	mixed-use 20,000 square feet; p.100				
0.00%	\$0	\$40,108	\$40,108	7 acres mix of condominiums and townhomes - R-4 = 10-20 units/A.				
100.00%	\$0	\$0	\$0	15,000-20,000 square foot				
48.72%	\$25,000	\$3,899	\$28,899	\$15,000-\$20,000 per parking space				
100.00%	\$0	\$0	\$0	landscape area				
100.00%	\$0	\$0	\$0	on map pg 94				
20.14%	\$145,000	\$55,706	\$200,706					
100.00%	\$0	\$0	\$0	lights and benches; enhanced landscaping				
100.00%	\$0	\$0	\$0	145 or 290 ft. structure; est 400 parking spaces; cost between \$7.5-\$8.2 million.				
0.00%	\$252,000	\$67,557	\$319,557	two or three story structure approximately 42,000 square feet per floor.				
	\$0	\$0	\$0					
100.00%	\$0	\$0	\$0	remove tamarisk; adding trees				
16.30%	\$252,000	\$67,557	\$319,557					

2006 PLAN FINANCIAL ANALYSIS

% Public Investment									
0.00%	\$12,000	\$2,681	\$14,681	5,000 sf main house w/ restaurant and shop					
0.00%	\$0	\$27,023	\$27,023	56 units of 900 sf each - single story					
100.00%	\$0	\$0	\$0	adjacent to w/ walking path; large lot on northwest corner 4.7 A; small lot 0.07 A.					
100.00%	\$0	\$0	\$0	0.7 acres 30 foot height restriction					
100.00%	\$0	\$0	\$0	2,380 additional feet of walkway;					
100.00%	\$0	\$0	\$0	1,223 square feet					
21.71%	\$12,000	\$29,704	\$41,704						
100.00%	\$0	\$0	\$0	109,250 square feet					
0.00%				159,000 square feet					
	\$954,000	\$108,501	\$1,062,501						
0.00%	\$175,800	\$15,709	\$191,509	29,300 square feet					
100.00%	\$0	\$0	\$0	84,000 square feet - see page 126					
				200 square feet					
				Not estimated - unclear					
				50 square feet					
3.08%	\$1,129,800	\$124,210	\$1,254,010						
100.00%	\$0	\$0	\$0	see page 133					
100.00%	\$0	\$0	\$0	basketball or volleyball court; bocce ball court or horseshoe pit					
100.00%	\$0	\$0	\$0	seat around 100 people est cost between \$330,000 and \$360,000					
100.00%	\$0	\$0	\$0	landscaping					
100.00%	\$0	\$0	\$0						
	\$0	\$0	\$0	0.5 acres Splash Park; Jungle Gyms Modeled after English Landmarks					
	\$360,000	\$32,170	\$392,170	adjacent to the Family Area			assume 60,000 sf rest & retail		
	\$0	\$0	\$0	planting trees					
	\$0	\$0	\$0	see page 44-46					
	\$360,000	\$32,170	\$392,170						
15.27%	\$2,407,600	\$331,522							
			\$2,482,130						

BRIDGEWATER CHANNEL REDEVELOPMENT AREA



PART 2 ALTERNATIVE PLAN AND FINANCIAL ANALYSIS

PREPARED BY

SWIGER CONSULTING, INC.

Stroudsburg, Pennsylvania

January 2008

BRIDGEWATER CHANNEL REDEVELOPMENT AREA PART 2 – REVISED PLAN

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Executive Summary of Development Potential

The development/redevelopment of the Bridgewater Channel area offers Lake Havasu City a unique opportunity to enhance its reputation as a tourist destination and convention center. The study area itself is compact and walkable, provided that the cross Channel pedestrian bridge, linking area three and the island, is installed. The facilities recommended in this proposal meet a variety of aims and needs.

First, development along these lines meets the expressed needs of residents for additional, accessible beach and public space, as well as additional shopping and dining opportunities. This development also furthers the City's objective of becoming a major regional tourist and convention destination. At the same time development of the types described will be economically viable and attractive for developers and businesses as well as for the State Land Department, which is obligated to maximize revenues from their properties. Finally, these developments will generate additional revenues for the City in the form of increased sales and property tax streams.

This study estimated that retail sales would average about \$300 per square foot and sales tax revenues were estimated on that basis. Property tax revenues were estimated at current rates, and revenues from parking structures or lots were based on an allowance figure. The result is an order of magnitude figure, not a precise calculation.

What does emerge though, is that this development will yield over 496,000 square feet of retail, dining and commercial space across the study area, as well as a 90,000 square foot exhibition center and a 10,000 square foot theater/exhibition area; over 1,000 additional hotel rooms in two convention-oriented facilities; 454,000 square feet of residential or timeshare space; and 40,500 square feet of casita/resort space. The residential space would provide

approximately 300 dwelling units in a mixed use setting, which would provide a market base for the commercial and eating establishments.

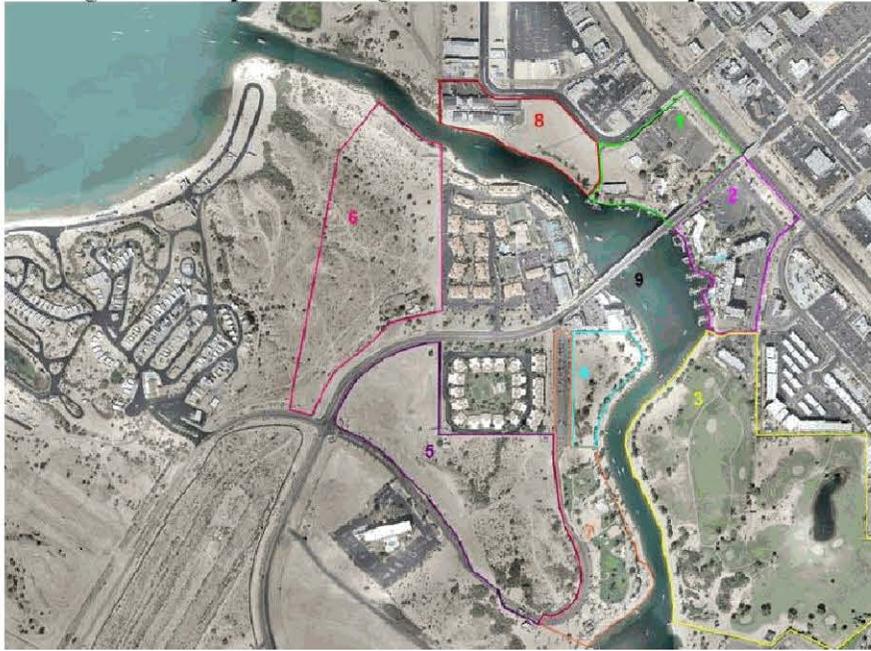
This development will result from over \$386,600,000 in private investment and \$28,100,000 in public investment (assuming the creation of the new Riverwalk channel and the bridge to the newly created island/beach). Thus, municipal investment represents only 6.78 percent of the total investment and private investment will be over fourteen times that of the public investment in the total program.

The return on this investment in the form of increased sales tax and property tax revenues will be an estimated \$5.0 million per year, 86 percent of which will come from increased sales tax revenues. Thus, the investment would pay for itself in six years if all of this took place at one time. However, the process will likely be spread over a longer period, very likely a decade or more, because of the magnitude of the undertaking, market conditions, and market acceptance.

The Table below summarizes the current situation for each of the eight study areas, the University of Arizona development proposals for each area, and the revised development proposal with the amount of investment for each shown.

The map below, taken from the University of Arizona plan, shows the eight study areas. These definitions are used in both the U of A plan and this analysis. Individual maps accompany the analysis of individual study areas.

Figure I.1: Map of the Bridgewater Channel Redevelopment Area



Source: adapted from www.gis.mohave.co.az

STUDY AREA SYNOPSIS

STUDY AREA	EXISTING CONDITION	U OF A PROPOSAL	U OF A INVESTMENT	REVISED PLAN	REVISED INVESTMENT
Eight - Kingsview	Vacant Property – Existing Condos	Family Park + Private sector multi-use building	Public - \$5MM Private - \$16.5MM	Hotel and shopping dining	Public - \$0.0MM Private - \$25.7MM
One – English Village	Deteriorated Commercial Area	Refurbish Village	Public - \$250,000 Private- \$18.8MM	Clear Area Retail dining and residential	Public - \$46,000 Private – 63.3MM
Two – Queens Bay Resort	Active Resort and Commercial	Improve Walkways	Public - \$250,000 Private - \$250,00	New retail and residential	Public - \$250,000 Private - \$13.8MM
Three – Golf Course	Active Golf Course State Land	Park/Open space plus Housing – Commercial	Public - \$14.7MM Private - \$58.4MM	New Beach Riverwalk complex, hotel, spa, footbridge to island and parking	Public - \$25.4MM Private - \$157.0MM
Seven – Park	Municipal Park	Bridge and park improvements	Public – \$3.375MM	Park improvements	Public – \$1.625MM Private - \$0.0MM
Four – Undeveloped Acreage	5 Vacant Acres State Land	Walkway, parking structure and retail/office bldg	Public - \$6.75MM Private - \$34.7MM	Retail Building and parking	Public - \$217,000 Private - \$10.6MM
Five – Undeveloped	Undeveloped Land State Land	Resort Timeshares and public space	Public - \$4.25MM Private - \$15.2MM	Resort Convention Center and Exhibition Building	Public - \$0.0MM Private - \$82.3MM
Six – New Bridge	Vacant Land State Land	Mixed Use and market plus parking and public space	Public - \$5.0MM Private - \$63.7MM	Retail and Gas Station Parking	Public - \$560,000 Private - \$33.6MM
TOTAL			Public - \$36.5MM Private - \$202.5MM		Public - \$28.1MM Private _ \$402.6MM

The development of area three is the lynchpin of this program – it is a large accessible site with the potential to provide 1) the hotel/convention venues desired, 2) the shopping/dining opportunities, and 3) the connection between the mainland and the island sites. Successful development here will provide the basis for further development. As noted, this State Land property is currently in

productive use and it may be impractical to buy this lease out before the 2013 expiration date. However, we recommend that planning be started and developer interest ascertained soon because of the scale of this project.

Development/redevelopment of areas one, two, and eight are in the hands of the private sector owners, as are the uses to which they will put those sites. Our proposals are intended only to provide some frame of reference for the uses, costs and revenues that might be expected. The timing is up to the owners.

Development of areas four and five will depend upon the success and timing of activities and the successes in the other areas, in our estimation. While it is possible to construct the retail space described for area four or to develop the casita resort or convention hotel in area five, such development will more than likely follow from demands created by successes elsewhere. Though these lands are currently under lease from the state, there is minimal economic activity on them and the early termination or buyout of those leases may well be practical, and indeed, productive.

However, the development in area six will occur with the completion of the new bridge. The uses envisioned in this plan spring naturally from the location of the site and the needs of travelers coming to the island.

At the same time, the completion of the new bridge may drive development especially in area five in a different direction. It is not difficult to see a demand for additional shopping, fast food dining, and motel development occurring in this area in response to market demands that emerge before resort and convention center demands. For this reason the City may want to focus development efforts in this area in the near term in order to ensure the desired outcomes.

The impact of the new bridge should be carefully assessed in relationship to longer-term development issues and aims on the Island.

BRIDGEWATER CHANNEL REDEVELOPMENT AREA

REVISED PLAN – FALL 2007

Introduction and Objectives

The City requested that **SWIGER CONSULTING** develop alternative scenarios for the development/redevelopment of the Bridgewater Redevelopment study areas after a review and analysis of the existing plan.

The firm was advised that the City was willing to consider alternative approaches to the development/redevelopment of the areas. Increased density of development is logical and may even be necessary to promote development of properties owned by the State Land Department, which is charged with maximizing revenues to the State. For this reason more intense development is necessary to cover fixed costs (land acquisition or lease) by having a larger number of units.

The General Plan currently does not permit any new residential development on the Island. After some consideration of the issue, we opted to recommend a mixed development with mid- or high-rise residential units in the study areas (see box on following page) on the Island. These sites are too valuable because of their location and visibility along the Channel to be used for low density, detached residential purposes. Use as resorts, hotels, or commercial space capitalizes, perhaps including residential units, capitalizes upon their proximity to the water and the formation of a tourist-oriented district, which in turn generates significant sales tax income for the City – a much greater income than from residential property tax revenues.

Because of its size, the Island can accommodate a range of development alternatives. For the long-term, we suggest considering a regional theme park or in-door water park with lodging facilities. Mid-rise condominium or apartment buildings on the interior portions of the Island are a very realistic prospect, meeting the developer's need for return on investment because of land and construction costs. We would also suggest the development of residential communities with associated marina facilities, a concept that works well for up-scale development in the US and abroad. The implementation of these uses would require an amendment to the General Plan.

This firm was advised in the course of the study that the English Village study area had received a General Plan Amendment, now classifying the area as "Resort-Related Mainland". This designation permits up to 80 percent of the area to be used for residential purposes. We have adjusted our plan and calculations to reflect this change.

Thus, after a thorough review of the existing materials, a review of the "Land Development Proposal" prepared by Fire Chief Mueller, inclusion of the factors described above, and discussions with City staff, our firm developed an alternative plan that incorporates features from the existing plan, the innovations presented in the Chief's plan, and ideas and concepts from our knowledge and experience.

The objective of this plan is to present concepts and uses that, as noted in the analysis section of this report, create a more intense and economically viable development of the study area. These recommendations will create opportunities for the City to achieve its tourism and resort development and economic development objectives (City Council Goals 2 and 7) and at the same time address the needs and concerns of City residents for parks, open space, and beach and waterfront access (City Council Goal 6). The mix of uses and activities will make the development or redevelopment of the several study areas

attractive to developers, to the State Land Department, and to the City on an economic basis. The stated emphasis of development in the Bridgewater area and the Island in general is upon recreation and tourism and this is the focus of the following set of recommendations. The plan proposed here emphasizes resort and hotel development, the creation of attractions for tourists, opportunities for shopping and dining for boaters, as well as beaches, shopping and dining for City residents. Residential development is incorporated in instances where it appears to be a logical and viable use.

Key Themes and Assumptions

There are several overall themes that underlie this revised plan.

First, this plan endorses the concept of **connectivity** stressed in the earlier plan. The entire study area is compact. The earlier plan called for a system of walkways, bike paths and bridges that tied the areas together and enabled tourists and residents to move easily from one attraction or area to another. A rough calculation indicates that, including the new bridge connecting the old golf course to the existing park, the riverfront walk would be about one and one-half miles. The addition of other proposed trails and walkways would make the system about three miles in length.

This connectivity is important to the revised plan, which capitalizes upon the compactness of the area. Visitors, whether tourists, residents or boaters on the shore, can move quickly and easily from a proposed resort or convention center to a shopping or dining area and then on to a beach or recreation area.

This plan provides a somewhat different use for Study Area Six, the Island area at the foot of the new bridge, and, because of this downplays the need for connectivity to this area. For this reason the floating walkway recommended in the earlier study is eliminated. A more detailed discussion is provided in the description of Study Area Six below.

The second theme is that of **differentiation**. The Bridgewater Channel Area is one of three commercial focal points in the City, and should complement, not compete with, the other two. The City is working on the revitalization of the Downtown area and at the same time the new Mall is being constructed to the north along Route 95. The Bridgewater area is first and foremost a tourist and recreation area and the retail and dining venues there should focus on those tourist and visitor markets. Establishments in the Channel area typically cannot, and should not, compete directly against the types of establishments found in the other two locations. In some categories, such as clothing outlets, Channel area stores could not compete well against the size of stores and range of options presented at the Mall. In other instances, art galleries for example, competition from Channel area stores might inhibit development of such establishments in Downtown or vice versa.

One side note, related to both differentiation and connectivity, is that as the three areas develop, the City and the merchants might consider creating a shuttle service between the three areas so that visitors and residents can visit all three areas and take advantage of the different activities and venues across the City.

The third theme is that this plan **does not incorporate office uses** as a major use in any of the proposed projects. The Island in particular is intended for resort and recreation uses, and having offices there is, in our estimation, not desirable or logical. To the extent that there are offices in any of the facilities recommended, they would be those of recreation or resort-related businesses, such as timeshare sales offices, the offices of travel or tour operators, office space for shop owners who required space outside their place of business or perhaps an accountant whose clientele was tourist-oriented businesses.

The preferred venue for professional services such as investment advisors, engineers, attorneys, or advertising agencies would be the Downtown, where they could contribute to the economic revitalization of that area. We recognize

that the case can be made for integrating services for City residents with the Channel area through office space uses in some of the Study Areas. However, the plan recommended here is intended to attract residents both for recreation and for dining and shopping.

Several key assumptions underlie this plan. The projects put forward here are conceptual – a market analysis will be required for each project in each study area to determine the actual viability of that development. The results of a market analysis will determine the actual size of a project and the ideas described here may be altered by market conditions and demand. For example, this plan might propose a nine-story hotel for a site; a market analysis might well show a demand for only a five-story facility. Alternatively, a study at the time of development might show that a mixed-use building with a substantial residential component is more viable than a hotel. Our tax revenue projections will be based upon the uses and structures described here.

Projections of tax revenues to the City entail a number of assumptions as well. Based upon research from several sources concerning retail sales per square foot, this study estimated that retail sales would average about \$300 per square foot. This figure is used consistently across this model. This study did not project tax revenues for hotels because of the complexity of rate structures, occupancy rates, and other such factors. Revenue from hotels was expressed as a conservative allowance figure; actual revenues may be higher. Also, no attempt was made to estimate revenue flowing from the hotel tax revenues to the Convention and Visitors Bureau and the Partnership for Economic Development. Property tax revenues were estimated at current rates, and revenues from parking structures or lots were based on an allowance figure. The result is an order of magnitude figure, not a precise calculation.

Please note that where specific names of restaurants, stores, or other outlets are mentioned, there is no endorsement of or requirement for those brands; rather,

the names are provided to give a concrete and clear example of the type of establishment intended. The figures presented here are approximations and estimates based upon the information available and assumptions for costs based upon recent experience in this region. They are intended to provide an idea of the impact of these developments, and are not definitive figures.

Revised Plan Overview

Narrative descriptions of each of the study areas follow. Each description will outline the types of development envisioned and the approximate square footage, parking requirements, and other key features of the project. These details will be reflected in the financial analysis in the accompanying spreadsheet.

The description below follows a path from the north on the mainland side south along the mainland across the channel to the London Bridge Beach and then north on the Island terminating at the area in which the new bridge to the Island will end. In broad terms the Kingsview area will be a family-oriented area of moderate priced shops and dining, transitioning into the higher-end, revamped English Village area, featuring shopping and dining venues as well as a theater or exhibition facility. Passing under the London Bridge itself, a pedestrian will enter the Queens Bay Resort area which will maintain the same upscale ambiance, transitioning into the Riverwalk-type area which will include both beachfront area, shopping and dining, as well as a convention hotel and day spa facility. The new pedestrian bridge across the Channel will lead to the existing park facility and beaches but quickly transition to the resort/convention center/exhibition building to the north and west or lead along the shoreline to another family-oriented shopping area and the existing Agave Inn. The area at the end of the new bridge will be commercial in nature, serving boaters and tourists.

STUDY AREA EIGHT – KINGSVIEW II AREA

Uses – Shopping, Casual Dining, Family Entertainment, and Hotel

Description

This area is approximately 6.3 acres in area bordered to the northwest by the condominium development and to the south by the English Village area. The property is privately owned, though the City owns a 35 foot wide walkway along the Channel and this walkway is well maintained. As these properties are privately owned, the following are suggestions that coordinate with the overall aims of this project.

A moderate-price, five-floor, 125-room hotel with meeting and conference facilities is recommended for the part of the vacant tract facing London Bridge Road. A facility of this size will require a parking area of about one acre to the side and rear of the building in addition to space for the building, landscaping and buffering on the condominium side of the lot.

The area is intended as a casual, family oriented area and the development of a 12,000 square foot shopping/dining structure, running parallel to the Channel is proposed. The shops could include souvenir, gift and novelty stores, as well as casual dining restaurants such as Senor Frog's or Dick's Last Resort, and ice cream stores or juice bars. The developer could put in a children's play area that would include small fountains, squirting pulses of water and a small stage for entertainment. The structure would feature accessibility from either the Channel or the road side and have a number of archways to permit moving from one side to the other without going through a store or restaurant.

A second, small open entertainment and vending area could be placed at the southern end of the shopping structure. This outdoor market could be used to sell items such as drinks, small souvenirs, and t-shirts at times of heavy traffic.

We recognize that there are restrictions on the number of docks permitted in the Channel area and concerns about mooring vessels at many points in the Channel. However, we recommend that if possible some docks be established in this area or an area for mooring vessels be designated in order to attract boaters. These would be docks only for short-term use by visiting boaters.

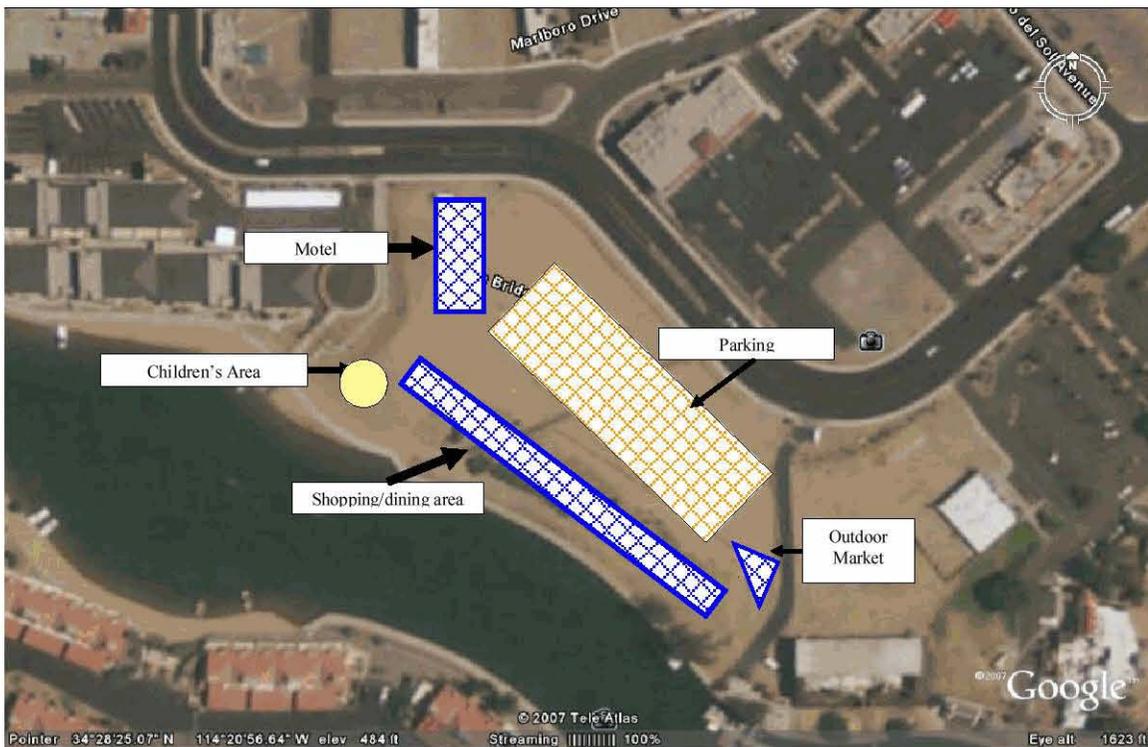
Zoning

The hotel will require CR zoning, while C-1 zoning is recommended for the shopping/dining area.

Timing

As this property is privately held, development could be initiated at any time. Coordination with the redevelopment of the adjacent English Village would be best in order to develop a critical mass of activity and business opportunity. The illustration below shows the location and extent of these developments.

LOCATION OF RECOMMENDED IMPROVEMENTS
Area Eight – Kingsview II



Financial Impacts

The implementation of these improvements will require a private sector investment of approximately \$25.7 million, including \$10.5 million for the motel and \$4.2 million for the main shopping area. The recommended mooring facilities will cost an estimated \$6.0 million, which in this model is designated as private investment.

Obtaining the permission to relocate or create additional mooring space will likely require the assistance of the City. The City may wish to financially assist in this endeavor, or even be responsible for it, in which case the facility would generate a direct revenue stream, likely greater than that created through taxes.

Assuming that all of the investment is undertaken by the private sector and municipal investment is zero or minimal, the project will generate \$152,000 per year in additional revenues once the project is complete.

STUDY AREA ONE – THE ENGLISH VILLAGE

Uses – Shopping, Dining, Entertainment

Description

The earlier study focused on refurbishing or restoring the English Village. Our recommendations assume the demolition of the existing structures, but retaining the English theme and capitalizing upon the presence of the London Bridge. However, the new model will provide a more contemporary set of attractions. Since the area is privately owned, this plan can only make recommendations about uses that are consistent with the overall aims of the City and other aspects of this plan. The owner has recently received a General Plan Amendment, designating the area as Resort-Related Mainland, permitting up to 80 percent development as residential. Market conditions will drive the mix of development

in the area, though the City, through its zoning and development review processes, can also influence the nature of development.

The entire area is approximately 7.5 acres of land in this study area. Our proposal is first to develop a large, and, preferably, high-end shopping and dining area. The size and scale of the development would be dependent upon a detailed market analysis, developer interest, and the City's success in establishing itself as a destination for conventions and tourists. This would provide a place for convention attendees and tourists to visit, an attraction for boaters, and a place for residents to come for shopping and dining. The building facades could maintain the English motif, though not necessarily to the degree described in the earlier plan. The project could build around the fountain and entrance way, even if this entailed relocating these features.

In terms of connectivity, the area should be connected along the Channel as it is now and there should be a walkway to provide easy access to the London Bridge, as noted in the earlier plan.

The core of the suggested redevelopment is the demolition of the existing structures and the construction of a two-story shopping and dining structure (or structures) with a footprint of 50,000 square feet. The first story would be primarily retail featuring English/Irish/Scottish stores such as Burberry, Waterford, and Wedgwood. Other specialty shops featuring perfumes, cigars, coffee and tea, and jewelry would add to the offerings. Restaurants, such as steak houses and seafood establishments would be mingled in and some located on the second floor. We would suggest that some space be allowed for banks and travel-related businesses such as American Express or travel and tour operations. The exact layout and location of the structure or structures will be determined by the owner/developer. Depending upon budget, design and space consideration, and preferences, the area could be made resemble the Haymarket area and the Burlington Arcade in London.

The amended designation for the area permits the construction of residential units. We recommend the construction of a six-story mixed use structure with retail on the first floor and 100 residential units on the floors above. This building should be located in the northern and western portions of the site to permit easy resident and service access. The first floor stores should include a convenience store and some services to provide residents with some level of food and domestic supply shopping and necessary services and amenities. The 100 units could be approximately 2,000 square feet each, and the structure would have a footprint of about 50,000 square feet.

The parking requirements for retail and restaurant use as well as the 100 residential units will necessitate a parking facility of about three acres, an area close to the area remaining after the construction of the buildings. The construction of a small parking deck for the residents might be considered or a separate, restricted lot could be set aside for them. The parking area will need to be resurfaced in any event. The illustration below locates these features.

The City is seeking to become a tourist convention destination and the development of attractions is a part of that effort. We recommend that the area on the western side of the Village be developed with some type of attraction or at least exhibition area. For example, a 10,000 square foot exhibition hall, properly laid out and organized, could be used to house touring art and cultural exhibits or other presentation, such as the recent exhibition, "Bodies – The Exhibition", which has appeared in various locations across the nation and internationally. Alternatively, the developer could create a building for an attraction such as a wax museum, or a Ripley's Believe It Or Not attraction.

A more attractive, but more capital intensive project, would be an IMAX theater. Though these facilities have a six-story screen, it is possible to mitigate this height by constructing some of the theater below ground level as is the case at

the Grand Canyon theater. A 500-seat facility would require approximately an acre for parking, which could be accommodated on the street side of the structure. The theater could feature the typical IMAX productions, feature showings of British-focused films, or one developed around the Bridge itself.

Whatever the precise use of this western part of the Village tract, this placement creates a transition from the family and entertainment oriented area to the more upscale shopping and dining that are the hallmarks of revitalized English Village. Indeed, the transition could be aided by the placement of a pub-style restaurant on the corner of the shopping structure closest to the theater/exhibition area.

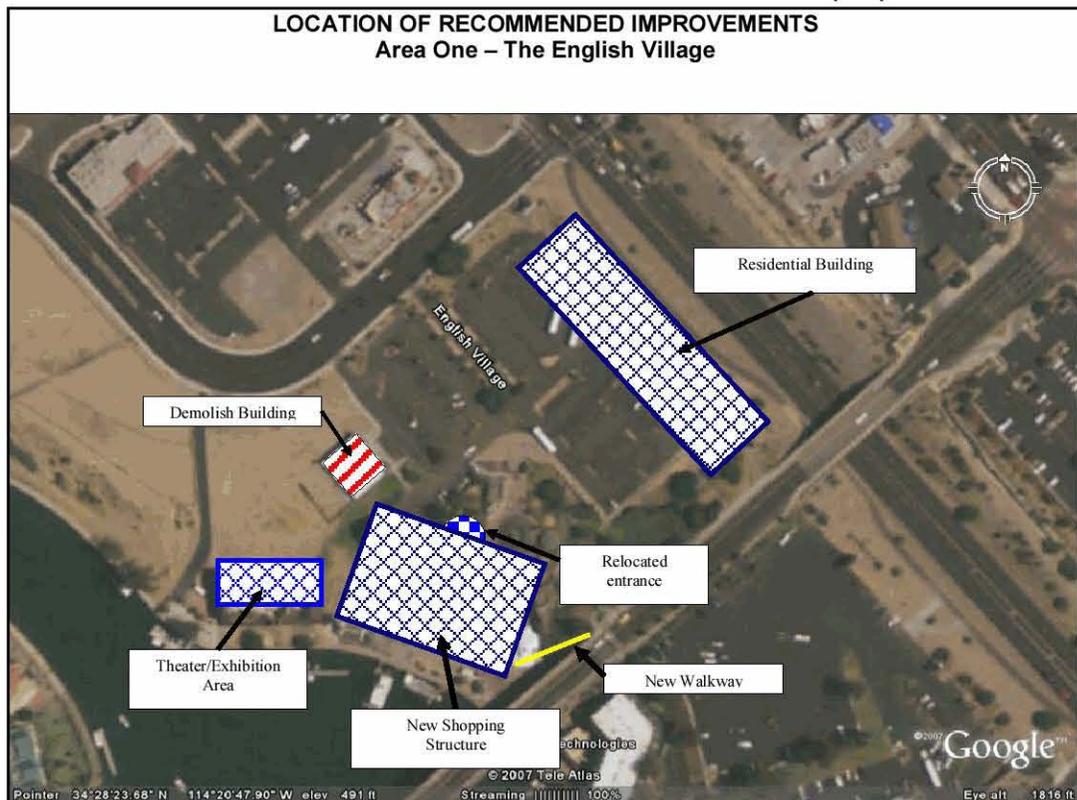
Zoning

The new Mixed Use zoning will permit the retail, restaurant, and residential uses.

Timing

As this property is privately held, development could be initiated at any time.

The illustration below shows the location and extent of these proposed facilities.



Financial Impacts

We recognize that the English Village is privately owned and that plans for its revitalization are being developed. The ideas set forth here are intended to provide some idea of the types of development that could be undertaken and the impacts of such development. We have not had any contact with the owner and have only a sketchy idea of the owner's plans for the site.

The concept set forth here capitalizes upon the history and location of the site and carries forward the tradition of the site as a tourist attraction. However, the ideas set forth here modernize the attraction, make it more upscale and more attractive to tourists, convention attendees, and other visitors. The heart of the project is a significant retail/dining area with an English theme. An exhibition facility, museum or theater will create additional interest in the site.

Residential development can be accommodated at the site and makes economic sense for the owner/developer. Sale of the condominium units is appealing to the developer, while the City benefits from the tourist attraction aspect of the development and the sales tax revenue this generates. This mix of tourism and residential uses is not uncommon, but it does require some thought and planning. Residents will need some level of services, and while close to the tourist attractions, they will not necessarily want to be a part of them. Thus, we placed the residential development on the edge of the revitalized Village.

There is little research on the topic, but it appears that the percentage of residential development that is viable in a tourist area varies with the nature of the area. Significant tourist attractions, such as historic sites or theme parks, typically are not desired areas for residential development. However, in many cases, residential neighborhoods and areas can be located in or close to tourist areas with little conflict or problem. This appears to be the case in the English Village area, and a high percentage of land could be allocated for residential development while maintaining a tourist-oriented economy.

As the spreadsheet demonstrates, the greatest part of investment will be from private sector, and this investment will yield significant returns in both sales and property tax revenues. The estimated incremental revenue will be close to one million dollars per year.

Development along the lines suggested here makes a transition from the more family-oriented development in area eight and merges well with the resort located in area two. The revitalized English Village also will serve as a destination for visitors to other parts of the Channel area described below.

STUDY AREA TWO – QUEENS BAY RESORT

Uses – Resort/Hotel and Timeshare Units

Description

The Queens Bay Resort Condominiums complex is a privately owned property located east of the Channel and south of the London Bridge. The site is built out and contains the resort and its amenities, the timeshare units, but some retail and office space, as well as the parking and docks. The City has a walkway easement along the Channel, and these are in good repair.

The owners of the Resort are planning and redesigning the commercial, retail and office space portions of the property, and are expected to include a residential element. In light of recent growth and the proposed redevelopment of surrounding areas, the owners will want to continue upgrading and expanding the facility. We understand that the owner of the site is contemplating the demolition of the three-story commercial structure at the Resort, replacing it with a five-story, mixed use facility. Such development would maintain the resort/tourist nature of the area, but add a residential element.

This plan proposes the five-story building mentioned above, with the first floor being shops and restaurants and upper floors residential. The footprint will be approximately the same size (13,500 sf) as the current structure and is estimated to generate the same retail and property tax revenues for the commercial portion as the current use. The addition of approximately 54,000 sf of residential space (36 units of 1,500 sf each) will add to the residential base of the area and increase property tax revenues. The new residential units will require 72 parking spaces which can be accommodated in the space available on site.

An alternative to placing the residential units on the channel is the construction of a building on the northeast portion of the site. It appears that a structure of approximately 450 feet by 75 could be located parallel to the highway. This arrangement would separate the residential units from the tourist area and enable the developer to provide services to the residents through the use of first floor retail space. Indeed, this footprint could provide roughly twenty units per floor so that a six-story structure could provide retail and 100 dwelling units. This option is included on the overview and in the spreadsheet analysis.

The Channel Walkway should be upgraded per the earlier plan. The multi-use path on Swanson Avenue in front of the Resort should be implemented with provision made to facilitate pedestrian traffic to the restaurants located nearby.

The property is privately owned, the owners are planning changes and improvements, and in light of these circumstances, we have no other recommendations for this area.

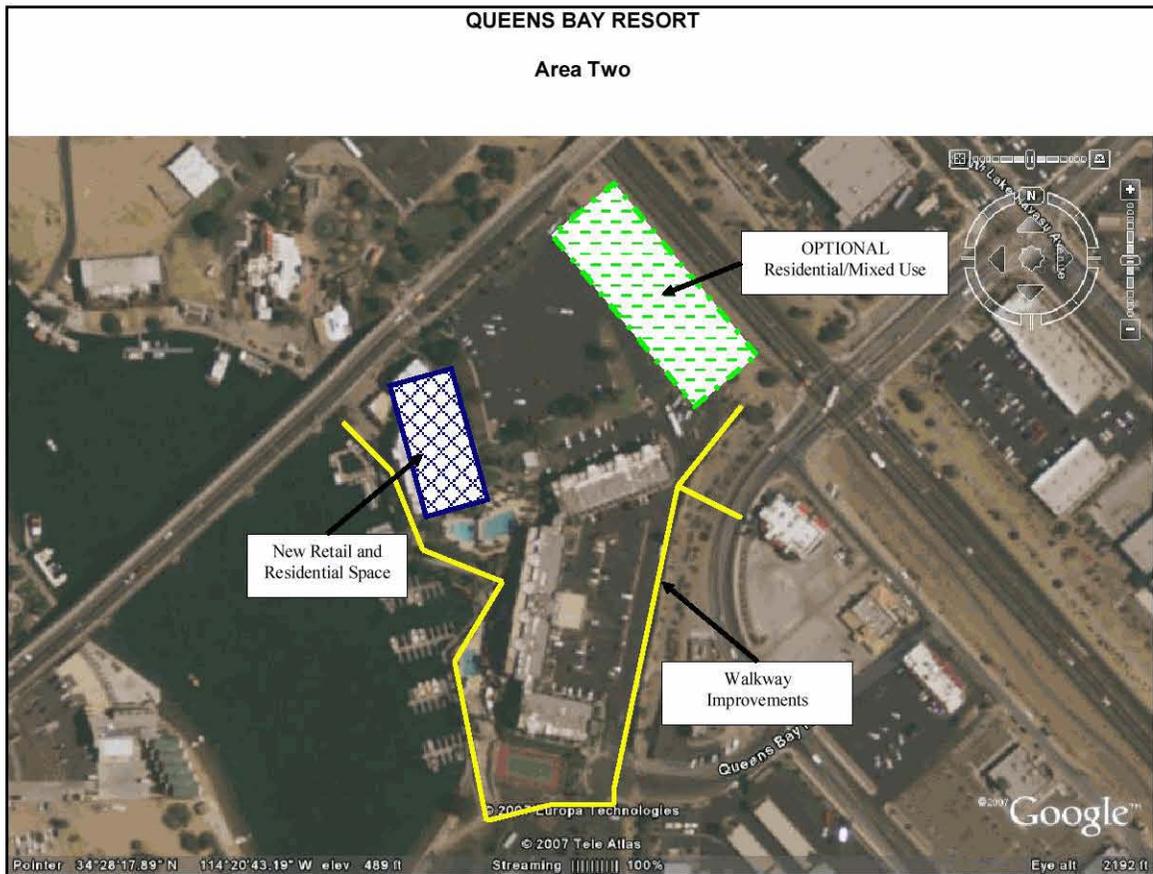
Zoning

The current Mixed Use zoning should be kept for this area.

Timing

As this property is privately held development could be initiated at any time.

The illustration below shows the location and extent of the proposed development.



Financial Impacts

The greatest part of investment in these improvements will be by the private sector. The municipal costs of the walkway improvements are \$250,000, but the City will derive additional revenues from the proposed new residential units on the site. The primary purpose of the improved walkways is to ensure that visitors and residents can easily and safely walk through the Channel area and connect to areas just outside the area. There are a number of restaurants along Swanson that can be accessed from the resort/village area and which would add to the overall attractiveness and variety of the Channel.

STUDY AREA THREE – QUEENS BAY GOLF COURSE

Uses – Beach, Shopping/Dining Area, Resort, Day Spa

Description

Study area three is a large area of 53 acres currently under lease from the State Land Trust as a golf course until 2013. The terrain is flat overall with a small lake located on the eastern side of the tract. The Queens Bay Resort timeshare units are located to the north of the tract, there is a residential complex to the east, and the City's Rotary Park with a parking area, is located on the lakeshore to the south. Street access may be obtained from Harrah Way and Smoketree Avenue South.

All parties agree that this tract represents an excellent opportunity for development, the only differences being in the intensity of that development. The first plan included the development of a City beach on the site and the proposal from Fire Chief Mueller went further to recommend the creation of an island beach, extensive shopping and the development of a resort, a convention center and a shopping area, as well as some residential units. Our proposal builds from these ideas.

The creation of a new beach on the mainland side of the Channel is an excellent idea and will meet the residents' needs for additional and accessible recreation area, and at the same time provide additional recreational opportunities for boaters and tourists. The creation of an island adds to the attraction for boaters and doubles the amount of beachfront area for all parties. The new island is to be connected to the mainland by two footbridges, one on each end of the island, and a vehicular bridge. The later will be used for emergency services and to service the two concession stand buildings to be constructed on the new island. These structures will have dressing rooms and restroom facilities in addition to selling drinks and snack food items.

A Riverwalk complex is one of the keys to the development of this area, and borrows from the well-known San Antonio Riverwalk, though there are numerous other models such as Augusta, Georgia; Pueblo, Colorado; and Fort Lauderdale, Florida. Our plan envisions a four-story structure or series of structures that will parallel the new channel. The first floor will emphasize retail outlets and casual dining, the second floor will feature shops (sporting goods, golf, jewelry) and more formal dining venues. The top two floors are to be used for residential units, whether owner-occupied or timeshare units. A modest outdoor amphitheater area on the southern end of the complex would be used for concerts and performances.

A broad, public walkway along the new channel would be a development requirement, but would allow for outdoor dining. The roadway connection to the new island would cross the Riverwalk, but given the low volume of traffic, the roadway will not be a problem for pedestrians. The eastern side of the development could be well landscaped and also used for outdoor dining. This development would create approximately 200,000 square feet of retail and dining space as well as another 200,000 square feet of residential space, some 125 units.

This plan also proposes a 30,000 square foot Day Spa to be located between the Riverwalk and the existing lake on the site. This facility would be an attraction for City residents, the larger region and for tourists and convention attendees. The Day Spa could be an independently owned establishment or it could be operated by the resort.

The need for a hotel is addressed by the development of a 500-room resort on the southern portion of the site. This facility would have conference and meeting rooms, a restaurant, tennis courts and a swimming pool. In addition, the facility would offer cabanas in a screened area adjacent to the lake. The resort grounds would be separated from the park area with appropriate buffers and fencing,

though the resort would be open to the amphitheater area and connected to the walkway system. We recommend that the facility be associated with a nationally recognized name (Hilton, Marriott, Hyatt) and be run by an experienced firm, both to ensure the quality of the operation and to obtain maximum exposure and advertising.

We recommend a 500-room facility as this will be large enough to handle regional conventions and meetings and to larger accommodate local events. However, the facility will not be so large that it will not be financially viable. Such operations typically require a seventy percent occupancy rate and a steady flow of events to maintain themselves. A larger facility might not prove to be economically viable. Again, market conditions may indicate a larger or smaller facility.

Parking requirements for these developments would be met by constructing a three-story parking deck east of the Riverwalk complex and south of the Queens Bay timeshare building, with the entrance from Harrah Way. This parking would serve the Riverwalk and the Day Spa. We envision a public-private partnership for the construction of the parking facility. The operation of the facility could be either the City or a private entity, but we anticipate the City obtaining a revenue stream from the facility.

The entrance lanes to the parking facility would serve as the connector to the vehicular bridge to the new beach area.

Parking for the resort would be provided by a parking lot off Smoketree Avenue South and a three-story parking structure adjacent to the lot. This structure would be the responsibility of the developer.

The City would connect the existing park to the walkway system with a new walkway. The City would be responsible for the construction of the bridge from

the new island beach across the Channel to area seven, though the developer would be responsible for the construction of the footbridges to the new beach. The cost of the new channel and the vehicular bridge would be shared by the City and the developer.

This aspect of the development is an important addition to the overall plan, creating a destination for tourists, an important shopping and dining venue for tourists and convention attendees, a recreation and shopping attraction for boaters, and a destination for residents in the beach area and the spa. Connected to the English Village and the family entertainment areas to the north, the area will have easy pedestrian access to the Island itself via the new bridge, and residents and area visitors will have access from either Smoketree or Harrah Way (via Swanson).

Zoning

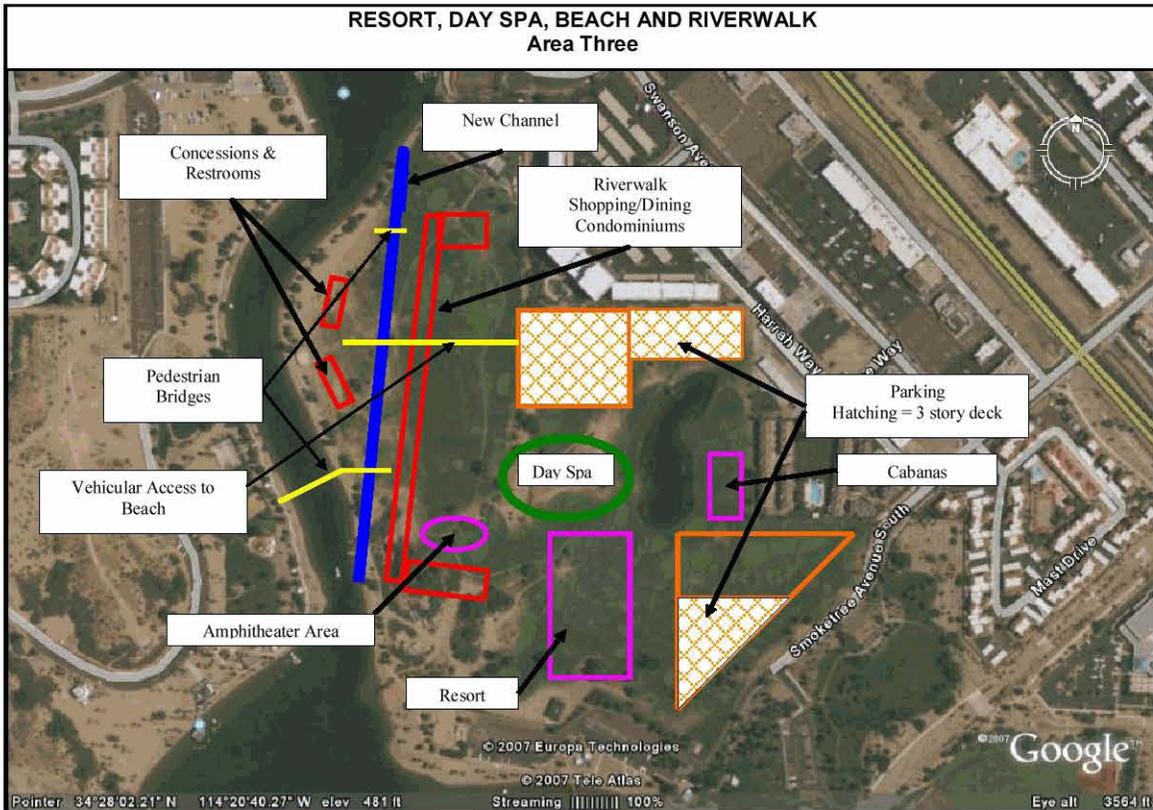
The M-U zoning is recommended for the bulk of this area, as it will permit the mixed use development and the resort/hotel use. The beach area concessions will require a C-1 zoning in order to sell food and drink.

Timing

The current lease does not expire until 2013. As the site is currently in active use as a golf course, the idea of buying out the current lease should be explored if a developer for such project appears. However, this buyout may not be practical as the course is active and is producing revenue for the lessee.

It would be wise to start promoting development concepts in the near future, as a project of this size will require extensive planning, market studies, and negotiation.

The aerial photo below locates the features described for the area.



Financial Impacts

The development of Area Three represents the heart of the development of the broader study area. This large, accessible and visible tract of land can serve as the center of growth efforts and as base for continued development. The creation of a beach on this site will meet a need expressed by City residents while enhancing the City's attractiveness to tourists and other visitors. The construction of the pedestrian bridge connecting the site to the island will create the continuous pedestrian flow envisioned in the earlier plan. At the same time the shopping and hotel venues described will add to the City's tax base and sales tax revenue stream.

The projects described above create a major tourist/convention destination and call for a large public investment. The new channel, new beach and bridge connecting the new island to the mainland will cost over \$25 million, almost one-half of which is for the vehicle bridge to the new island/beach. This structure is necessary both the service the operations on the new island and to provide emergency services. Indeed, the plan proposed here allocates one-half of the cost of the new beach and approximately one-quarter of the cost of the vehicular bridge to private investment, though the pedestrian bridge across the Channel and the smaller pedestrian bridges to the new island are public expenditures. Even with allocating some costs to the private sector, the City may expect to spend over \$25 million in support of this development.

Private investment will total over \$157 million dollars, but will create a tourist/convention attraction of considerable size. We include residential development on the Riverwalk complex in this instance, though these residences are more likely to be timeshare units than year-round residences. The model here is the San Antonio Riverwalk, though there are other smaller-scale venues in Fort Lauderdale, FL; and Pueblo, CO, for example. We recommend that the City seek a developer who will bring a national chain hotel to the project – as mentioned, a Marriott, Hyatt or Sheraton facility will result in additional national and international exposure as well as creating a high level of consumer confidence. The Day Spa and cabana facilities create additional opportunities for revenue generation.

The City can expect almost \$2 million per year in additional revenue from this development, once complete. Much of this will result from sales tax revenues.

It is possible to complete this development without creating the new channel and constructing the bridge. This would save almost \$26 million, most of it City expenditures. The new beach could still be created, the pedestrian bridge to the island constructed and the other facilities put in place and still have a very viable

and attractive development. The new channel and larger beachfront area are strong tourist attractions, and provide additional opportunities to attract boaters. However, the City has to decide on the degree to which it wishes to commit resources to the project.

STUDY AREA SEVEN – LONDON BRIDGE BEACH

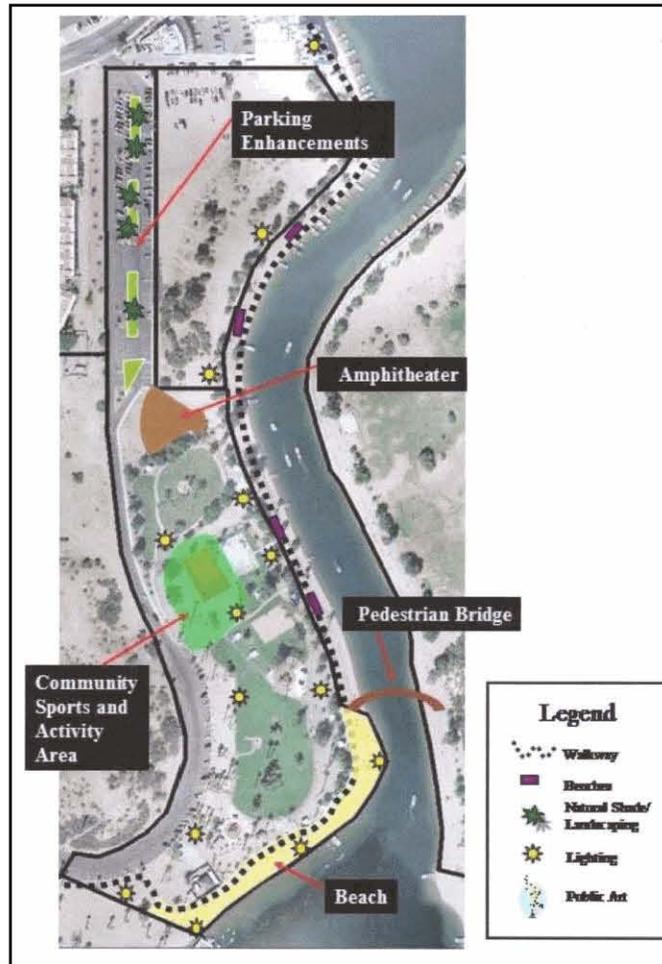
Uses – Public Park, Beach, and Dog Park

Description

This area is a public park located on the Island, accessible via McCulloch Boulevard. The park includes picnic areas and armadas, the Lion's Dog Park, a beach along the Channel and the lake itself, as well as activity areas for volleyball, horseshoes and other sports, and a concrete basketball area. This development covers much of the park area.

The original plan, based on public recommendations and suggestions, addressed only a few improvements. For the sake of making a consistent comparison, we have included those improvements in this analysis.

The illustration below, copied for the earlier plan, shows those improvements and the spreadsheet includes their costs in the calculations.



Financial Impacts

The City will generate no additional revenue from any of these improvements, which may be developed at any time the City desires. The total cost of these improvements, which will provide additional public beach area, will be \$1,625,000.

STUDY AREA FOUR – STATE LAND TRUST PARCEL

Uses – Shopping, dining, open market, limited office

Description

This area is approximately 5 acres lying just south of the Island side of the London Bridge, south of the Agave Inn and east of a small residential development. The site is directly on the Channel and looks across the Channel to the proposed Riverwalk.

The proposed uses for this area include the development of a 40,000 square foot retail and restaurant area, the creation of an open market area on the northern edge of the site and the paving of approximately one acre of the site adjacent to the existing parking area to serve the added need for parking.

The open market area will provide space for vendors in carts or stalls to sell food items, souvenirs and novelties, in part as a means to attract boaters on weekends, holidays and during special events. The space can also serve as a venue for outdoor entertainment such as musicians, jugglers, or other performers for special occasions.

The new building on the site would parallel the course of the Channel and provide space for retail outlets such as ethnic food items, cigar stores, and tourist oriented items. Small restaurants, delis, ice cream stores and juice bars would be encouraged, again with the idea of attracting boaters to moor and come ashore for such items and refreshment. Some sort of casual eating establishment or a Tiki bar might serve as the anchor for the northeastern corner of the building, attracting pedestrians crossing the London Bridge, from the Inn, from the park to the south, and boaters. This facility would enhance the opportunities for the shops on the beachfront at the Agave Inn as well. The building could also house some limited office space for timeshare sales, tour and recreation operators, as well as retail outlets for items such as water skis, outdoor equipment, and related goods.

We recommend that the structure be constructed so that a second floor could be added easily at some point in the future. The initial structure is intended to meet present demand, but when market demand increases a second floor for shops, doubling the current available space, could be developed.

The new building will generate additional demand for parking. The triangular area indicated on the graphic below will provide the space necessary for approximately 160 cars, complementing the parking already available from the Boulevard. The developer should be responsible for paving this lot as it is required parking for the new building.

The entire development would be undertaken by the developer, who would also provide the Channel walkway.

However, we do recommend that the City repave or upgrade the existing lot that serves the Beach Park to make a consistent, high quality appearance.

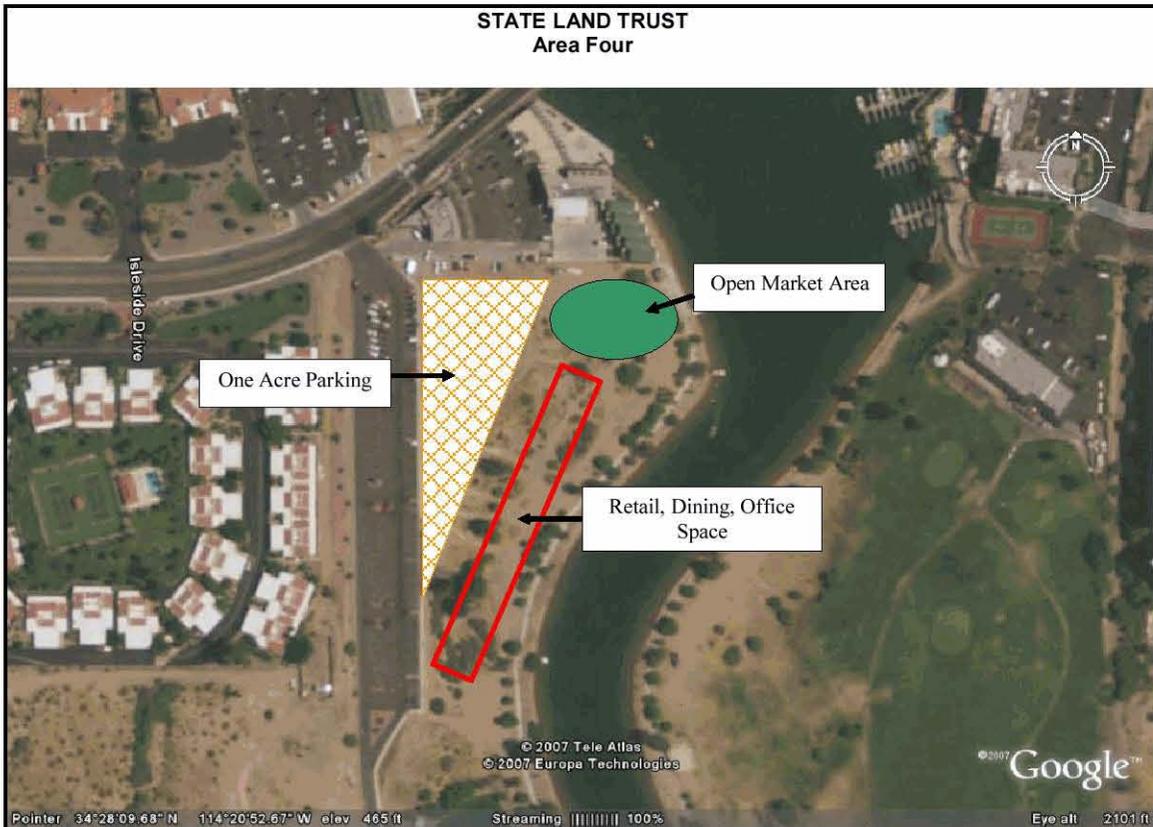
Zoning

We recommend that the area be zoned C-1 to permit restaurants serving alcohol, as well as the retail functions.

Timing

Though the current lease does not expire until 2015, we recommend that the City seek a developer for this area in the near future. The current leaseholder has not developed the site and a buyout might be practical. The project is relatively straightforward in terms of design and construction. It fits well into the City's plans and, having access and visibility from the Channel and the Bridge, as well as traffic from nearby facilities, could create a critical mass of shopping opportunities that the five or six Agave Inn shops did not possess.

The visual below shows the approximate size and location of the features described.



Financial Impacts

This area is intended as a casual shopping, dining and service area. Already well connected to the other study areas and very accessible from the Boulevard, the plan envisions the development of a retail center and parking improvements and expansion. The private investment will total over \$10 million and the City improvements are expected to cost slightly over two hundred thousand dollars. The increased revenues will likely come to one-quarter million dollars, but the area will provide a variety of goods and services focused on boaters and help build a critical mass of retail outlets on this side of the Channel.

STUDY AREA FIVE – STATE LAND TRUST PARCEL

Uses – Convention Center, Casita Resort

Description

This area is approximately 42 acres and is irregularly shaped. It lies south of McCulloch Boulevard and a small residential development. Access to the site is possible from McCulloch Boulevard in the north and Beachcomber Boulevard circles the southern portion of the site, tying back to the existing parking area near the Agave Inn. The site has no Channel frontage, lying behind the London Bridge Beach.

A convention center and exhibition building are proposed for the southern portion of the area. The convention center is a 500-room facility with a restaurant, meeting and conference space, and full amenities. The building should be distinctive, having an atrium in the center or some other feature. It would be located in the southern portion of the site inside the curve of Beachcomber Boulevard. The building would be screened from the roadway, but access would be available to the east to permit guests to go to the park, the beach and the walkway system.

The convention center facility would be accompanied by an Exhibition Building of some 90,000 square feet. This size building would enable the City to attract a number of larger sized meetings, trade shows or conventions. The building could be divided to accommodate smaller events or multiple events. Access to the center and the exhibition building would be from the Boulevard.

A two-story parking structure on the eastern side of the site will provide parking for convention center guests and exhibition attendees. The structure would have 900 parking spaces.

The casita resort concept provides a different type attraction and this plan recommends that 45 such units be located in the northern portion of the site in

the arc formed by McCulloch Boulevard. The site should be screened from the roadway and access would be from the entrance to the convention facility on Beachcomber Boulevard. The Main House, including a small restaurant and gift shop would be centrally located and parking would be provided at each casita as well as space near the Main House. The casita area would be joined to the convention center area by a walkway, so that visitors could easily get to the dining and shopping venues by foot.

The entire project would be undertaken by a developer.

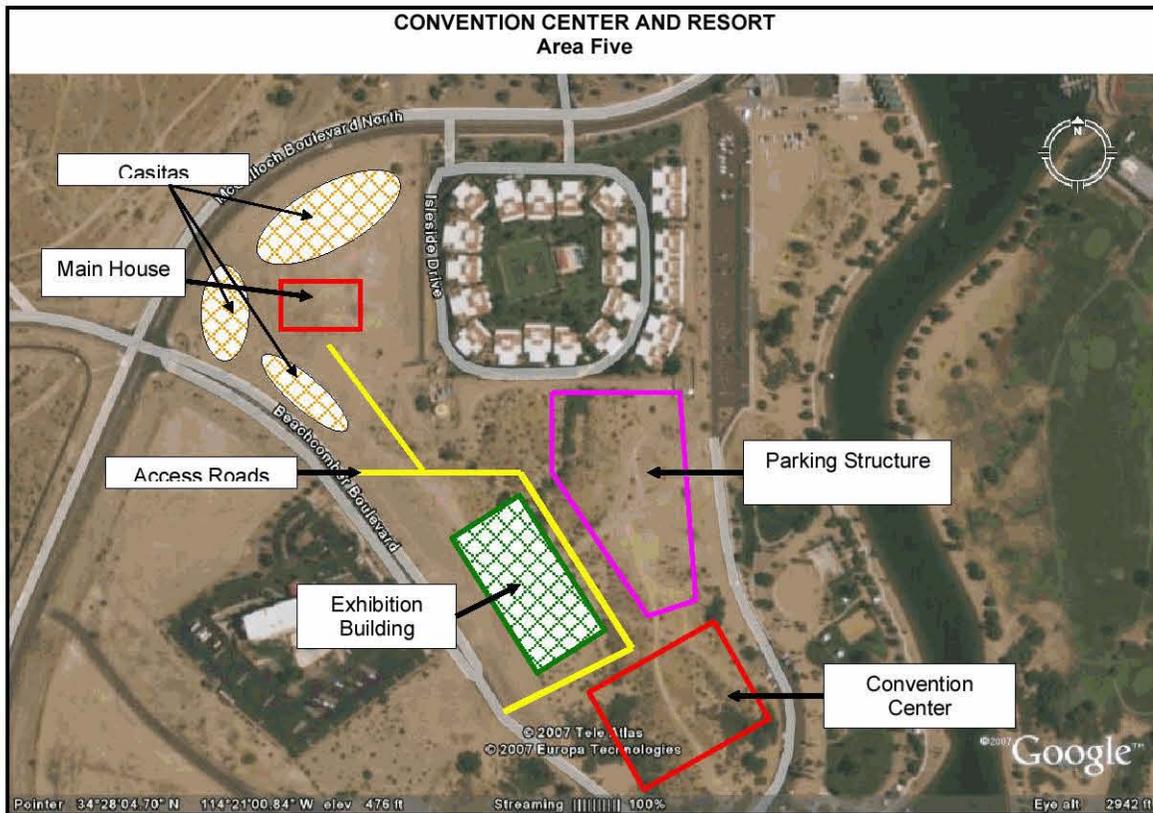
Zoning

We recommend that the area be zoned M-U to permit restaurants serving alcohol, as well as the retail functions.

Timing

Though the current lease does not expire until 2015, we recommend that the City seek a developer for this area in the near future. The current leaseholder has not developed the site and a buyout might be practical. This is a significant project which will require market studies and significant planning and investment. This development would most likely benefit from development in area four as well as the development of the Riverwalk area. The success of these projects would show the market demand and the viability of the City as a convention location.

The visual on the following page shows the approximate size and location of the features described.



Financial Impacts

The development of this area represents an important step in establishing the City as a destination for conventions and large-scale meetings with the creation of a convention center hotel and an exhibition building. In this scenario, there is no public investment – the developer will be responsible for over \$80 million in the hotel, exhibition hall, parking structure and access roads on the site. The new facility will capitalize upon access via the new bridge and the connection to shopping in the immediate area as well as across the Channel via the new pedestrian bridge. Visitors to the convention center will have easy access to the shopping, dining and activities on the other side of the Channel, while those staying on the mainland will have easy access to the convention center area.

The casita resort concept from the earlier study provides another tourist venue for the City, though it will be necessary to provide proper screening from McCulloch and Beachcomber Boulevards. This resort can be developed at any point in the process, as it is independent of the convention center.

The development of this area will generate an estimated \$848,000 in additional revenue for the City with no municipal investment.

STUDY AREA SIX – NEW BRIDGE PARCEL

Uses – Retail Sales and Service Station

Description

This 13.5 acre parcel is bounded to the north by the Channel to the south by McCulloch Boulevard and to the east by a residential development. The property for the new bridge to the Island has been acquired by the City and plans for construction are under way. The bridge will cross the Channel land to the west of the residential area and the roadway will curve slightly to the west feeding into McCulloch Boulevard at the intersection with Beachcomber Boulevard. In addition to the bridge there is a utility right-of-way to the east of the new alignment. The new bridge is expected to be completed by 2012.

The new bridge and roadway make the parcel a lengthy one with relatively little depth. Also, the site is somewhat isolated from the rest of the Channel development areas by the presence of the residential development to the east as well as the roadway itself, which will be heavily traveled, especially on weekends, holidays and during special events. In light of these factors we choose to treat this area as a distinct area, not an integral part of the Channel walkway corridor.

The location and anticipated volume of traffic make this an ideal place to establish retail outlets providing a range of goods for boaters and vacationers. We recommend that the bridge and roadway be designed to accommodate an exit lane that would enter the site near its widest point and that traffic be directed into the area so that those pulling a boat do not have to make a sudden and sharp turn immediately off the highway. The shopping area would be a long one-story building of approximately 1350 feet, with a depth of 60 feet, providing

81,000 square feet of store space. The stores could include a deli, an ice cream shop a donut or coffee and pastry store, sporting goods and supplies, as souvenirs and t-shirts. Other tourist related businesses might include desert tour and helicopter tour operators.

The parking area would be in front of the buildings, running from the northern extremity to the southern end, where it would feed into a service station.

The narrow, southern end of the tract will be wide enough to accommodate a service station per the City's zoning code. The station will serve boaters and tourists and be in an excellent and visible location.

Because of the narrowness of the site, it will be necessary to develop a new street behind the new building in order to service the stores without creating traffic issues in the parking lot. The new street will run approximately 2,500 feet behind the building and also providing the service station with access from all four sides. The street could be continued around the northern end of the building to the parking lot to provide another exit if desired.

This project will be undertaken by a developer. We recommend that the street created to serve the building be paid for in part by the developer with the City contributing to a substantial part of the cost.

Zoning

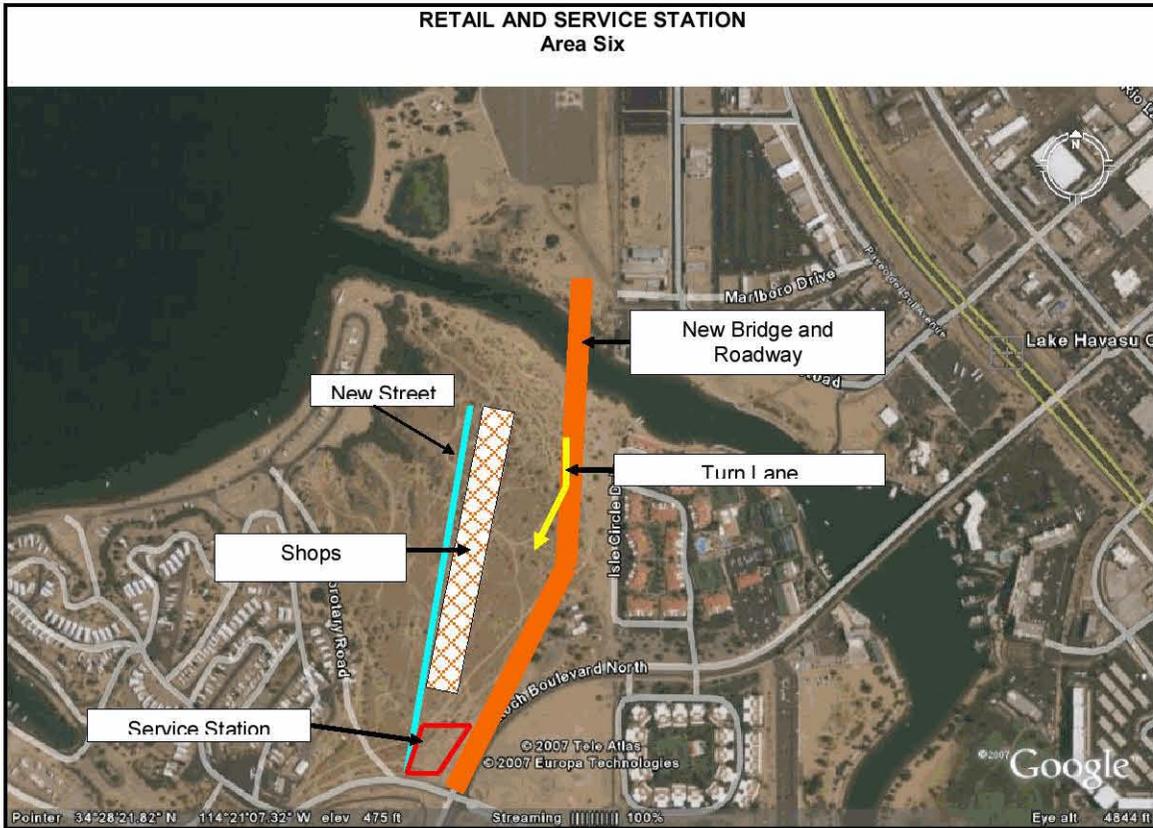
We recommend that the area be zoned C-1 or C-2 to permit a wide range of uses, including the service station.

Timing

The current lease does not expire until 2015, though the bridge construction will be complete by 2012. As the property is undeveloped at this time and the market

will be there in 2012, we recommend that the City encourage development as soon as the construction is complete or nearing completion.

The visual below shows the size and location of the features described.



Financial Impacts

The primary function of this development is to provide goods and services to boaters and other visitors to the island. To that end the emphasis is upon retail outlets and the service station, some \$33.6 million in private investment. In order to provide service to this narrow strip of storefronts, we recommend that the City create a street along the rear of the site at a cost of approximately \$560,000. We estimate that this investment will pay for itself within a year of completion with the increased sales and property taxes.

BRIDGEWATER CHANNEL AREA REDEVELOPMENT AREA
REVISED PLAN

Area	Improvement	Estimated Cost Public	Estimated Cost Private	Total Investment
Area One				
The English Village				
Deteriorated commercial district			Retail/Rest. Square Footage	
Private Ownership	1) Walkway Enhancements	\$48,000		\$48,000
	2) Relocate Fountain		\$8,000	\$8,000
	3) Demolition of 4 Buildings		\$300,000	\$300,000
	4) Construct Exhibition Area/Museum		\$4,500,000 10,000	\$4,500,000
OPTIONAL	4A) IMAX Est.		\$7,500,000 10,000	\$7,500,000
	5) 100,000 sf retail/dining		\$25,000,000 100,000	\$25,000,000
	6) Mixed use Bldg.			
	- 200,000 sf residential		\$26,250,000 200,000	\$26,250,000
	- 25,000 sf retail/office		\$6,250,000 25,000	\$6,250,000
	6) Parking		\$1,010,000	\$1,010,000
	SUBTOTAL	\$48,000	\$63,318,000	\$63,366,000
Area Two				
London Bridge Resort				
Operating resort and timeshares				
Some retail and office operations				
Private Ownership	1) Improve walkways	\$250,000	\$200,000	\$450,000
	2) Improve parking area	\$0	\$500,000	\$500,000
	3) Demolish existing structure		\$234,000	\$234,000
	4) Construct new building			
	- 13,500 sf retail		\$3,375,000 13500	\$3,375,000
	- 36 residential units		\$9,450,000 54,000	\$9,450,000
	5) Parking for new residential		\$94,500 13000	\$94,500
	OPTIONAL RESIDENTIAL			
	100 Residential units		\$26,250,000 150000	\$31,500,000
	- 25,000 sf retail/office		\$6,250,000 25,000	\$4,375,000
	SUBTOTAL	\$250,000	\$13,853,500	\$14,103,500
Area Three				
Golf Course				
Beginner 9-hole course	1) Construct New Channel	\$7,500,000		\$7,500,000
State Trust Land	2) Create Beach and Facilities	\$2,100,000	\$2,100,000	\$4,200,000
	3) Roadway & Vehicle Bridge	\$10,000,000	\$3,452,000	\$13,452,000
Lease expires 2013	4) 2 Pedestrian Bridges fm Riverwalk area	\$960,000		\$960,000
	5) Pedestrian Bridge to Area 7	\$2,100,000		\$2,100,000
	6) Riverwalk complex - 200,000 sf retail		\$50,000,000 200,000	\$50,000,000
	200000 residential		\$35,000,000 200,000	\$35,000,000
	7) 30,000 sf Day Spa		\$9,300,000 30,000	\$9,300,000
	8) 500 room resort hotel		\$40,000,000	\$40,000,000
	Cabana area for hotel		\$5,000,000	\$5,000,000
	9) 3 story Parking Structure	\$2,750,000	\$3,000,000	\$5,750,000
	10) Parking area for resort		\$6,650,000	\$6,650,000
	11) Connect Park to Channel		\$90,000	\$90,000
	12) Amphitheater		\$2,500,000	\$2,500,000
	SUBTOTAL	\$25,410,000	\$157,092,000	\$182,502,000
Area Four				
Undeveloped Acreage				
Five Vacant Acres State Land Trust Lease expires in 2015	1) Building for Retail		\$10,350,000 40,000	\$10,350,000
	2) Parking lot		\$304,920	\$304,920
	3) Repave parking lot	\$217,800		\$217,800
	SUBTOTAL	\$217,800	\$10,654,920	\$10,872,720
Area	Improvement	Estimated Cost Public	Estimated Cost Private	Total Investment

BRIDGEWATER CHANNEL AREA REDEVELOPMENT AREA
REVISED PLAN

0.00%	\$45,000	\$5,118	\$50,118	7,500 sf main house w/ restaurant and shop
0.00%	\$243,000	\$21,715	\$264,715	45 units of 900 sf each - single story
0.00%	\$0	\$0	\$0	1,000 feet, lighted and landscaped
0.00%	\$0	\$18,425	\$18,425	2-story for 900 cars
0.00%	\$200,000	\$71,067	\$271,067	500 rooms, conference facilities, 4 story atrium
0.00%	\$200,000	\$43,868	\$243,868	90,000 sf single story
0.00%	\$688,000	\$160,193	\$848,193	
% Public Investment	Sales Tax Revenue	Property Tax Revenue	Total City Revenue	
0.00%	\$0	\$595	\$595	One acre lot
0.00%	\$486,000	\$55,274	\$541,274	81,000 square feet one floor
	\$150,000	\$9,749	\$159,749	250' by 250' area - # pumps ???
100.00%	\$0	\$0	\$0	street parallel to building - no curb on building site - utilities provided from here
1.64%	\$636,000	\$65,617	\$701,617	
100.00%	\$0	\$0	\$0	basketball or volleyball court, bocce ball court or horseshoe pit
100.00%	\$0	\$0	\$0	seat around 100 people est cost between \$330,000 and \$360,000
100.00%	\$0	\$0	\$0	landscaping
100.00%	\$0	\$0	\$0	
0.00%	\$30,000	\$20,472	\$50,472	Moderate price motel with meeting rooms
0.00%	\$72,000	\$8,189	\$80,189	retail and shopping facing Channel
0.00%	\$0	\$975	\$975	Children's play area w/ fountain assume 60,000 sf rest & retail
0.00%	\$0	\$8,774	\$8,774	paved area for vendors and amusements
0.00%	\$0	\$11,698	\$11,698	
0.00%	\$102,000	\$50,108	\$152,108	
6.78%	\$4,257,000	\$699,629		
			\$4,956,629	

