

Council Meeting of
October 16, 2012

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

**SUBJECT: City Manager – Approve Request for Proposal (RFP) Scope of Work
for an in-depth Torrance Conference Center Market Feasibility
Analysis**

RECOMMENDATION

Recommendation of the City Manager that the City Council review and approve the Request for Proposal (RFP) Scope of Work for an in-depth Torrance Conference Center Market Feasibility Analysis.

Funding

Funding is available in the Economic Development Reserve Account.

BACKGROUND AND ANALYSIS

In anticipation of the closing of the Torrance Borders Bookstore in late 2011, the City obtained the services of PKF Consulting to assist with evaluating the potential development of the site as a conference center. PKF consulting conducted a preliminary analysis of the potential market demand which provided the City an overview of the opportunity to develop a conference center in Torrance (Attachment A). PKF's preliminary recommendations stated that the Torrance group market segment appears to be underserved due to lack of meeting and event facilities to accommodate larger events in the area. Based on this recommendation, staff shared the report findings with Your Honorable Body and requested that an in-depth Conference Center Market Feasibility Analysis be conducted to determine the long-term development goals and demands for a Torrance Conference Center.

Since the preliminary analysis in late 2011, City staff visited the Riverside Convention Center to gain a perspective on overall center operations, staffing needs, funding structure and the economic development impacts to the community. Staff also reached out to other agencies such as City of Santa Clarita and the Ontario Convention Center to obtain copies of similar requests for proposals.

The proposed in-depth feasibility study includes all of the major scope of services required in order to provide the City with data related to market demand, economic, demographic, and destination market analysis. Other key components of the in-depth study will include emphasis on determining market trends, review of existing facilities and lost business, as well as demand projection. Lastly, the analysis will include hotel room utilization based on the range of current rooms (i.e., high end, middle range, entry market) and future demand.

Staff anticipates the completion of the proposal process and full report by Spring 2013. Upon approval of the proposed scope of work, the City will issue a request for proposal (RFP) and will return to the City Council with its award recommendations for the selected firm. Staff anticipates the in-depth feasibility study to cost approximately \$30,000 with funding from the City's Economic Development Reserve Fund.

Respectfully submitted,

LeROY J. JACKSON
CITY MANAGER

By 
Mary Giordano
Assistant City Manager

CONCUR:


LeRoy J. Jackson
City Manager

- Attachments: A) Preliminary Analysis prepared by PKF Consulting in September 2011
B) Proposed Request for Proposal (RFP) Scope of Work for an in-depth Torrance Conference Center Market Feasibility Analysis



September 20, 2011

Ms. Mary Giordano
Assistant City Manager
City of Torrance
3031 Torrance Boulevard
Torrance, CA 90503-2970

Dear Ms. Giordano:

Pursuant to your request, we have completed our preliminary analysis of the potential market demand and facilities recommendations for a proposed conference center to be located in the City of Torrance, California. This report summarizes and presents our preliminary findings, conclusions, and recommendations for the proposed conference center.

In developing our preliminary conclusions, we reviewed and analyzed the overall strength of the lodging market in the Torrance/South Bay area, and interviewed various hotel managers in the area to evaluate the scope and depth of demand that has the potential to utilize the proposed facility. We analyzed the number of rooms available in the market and the current proportion of demand segmentation to determine whether there is unsatisfied group demand due primarily to insufficient meeting and events facilities.

It should be noted that we have not conducted a full study of potential market demand for the proposed Center. Our preliminary findings are based upon the scope described in this letter report and our general knowledge of the Southern California lodging and conference market. Our findings are codified in this letter report format and are for your internal use in determining, on a preliminary basis, the potential market demand for a conference center in the city of Torrance. The results expressed within this letter are subject to the attached Statement of Assumptions and Limiting Conditions.

INTRODUCTION

The City of Torrance is in the preliminary stages of evaluating the development of a conference center to be located at 3700 Torrance Boulevard, in the space formerly occupied by the Borders Bookstore. PKF Consulting was retained by the City of Torrance to conduct a preliminary analysis of potential demand and the market feasibility of the proposed development. In our analysis, we reviewed historical economic, demographic, and tourism indicators for the overall market area, and assessed the strength of the Torrance lodging market. Based on our general knowledge of the market and interviews with hotel managers, we developed preliminary conclusions in regards to the potential support for the proposed development.

Our preliminary conclusions are:

- The Torrance group segment is underserved by approximately 35,000 to 55,300 room nights based on the total amount of occupied room nights in 2010. For a commercial market like Torrance, it would be expected that 20 to 25 percent of room night demand would be generated by the group segment. Currently, the group segment accounts for only 11.0 percent of room nights demand in the market;
- The main reason the group segment is underrepresented in this market is the lack of meeting facilities to accommodate large events;
- The Average Daily Rate (ADR) in Torrance has been historically lower than that of neighboring markets due to the large amount of room nights generated through the contracts segment, which brings in a lower rate. The overall Torrance market can benefit from replacing some of the lower priced contract room nights with higher priced group room nights;
- The proposed site is adequate for the conference center purpose due to its size and strategic location within walking distance to two full-service hotels, and several limited service hotels, assuming that the building can hold at least 20,000 square feet of net rentable space;

The following text provides background for the foregoing conclusions.

ECONOMIC OVERVIEW

The purpose of an economic overview is to determine whether the overall economic environment of an area appears capable of supporting the development of a conference center/meeting space facility. Past economic and demographic data provide an indication of the future economic potential of a market area, as a proposed facility is largely dependent upon local economic conditions. The paragraphs that follow present an economic profile of the Torrance area including population, employment, and tourism.

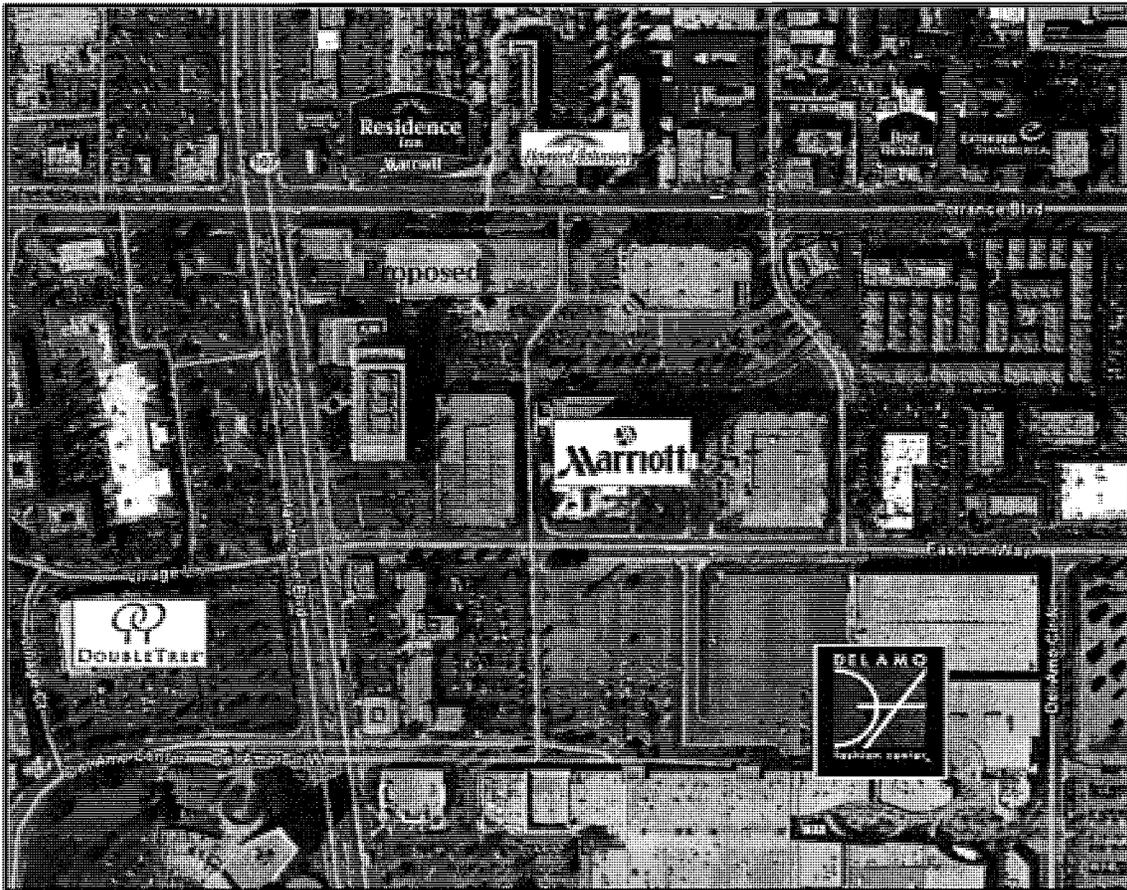
- The City of Torrance, located in the area of Los Angeles County known as South Bay, is the eighth largest city in Los Angeles County in regards to population and the 33rd largest city in California. According to the 2010 US Census, the population of Torrance is 148,965 with a peak daytime population of 203,111. From 2000 to 2010, Torrance had a population increase of 5.4 percent, higher than Los Angeles County's 3.1 percent. According to the US Census Bureau, the 2009 median household income for Torrance was \$74,550.
- Education-health, manufacturing, and professional management sectors are the largest industries in the area's labor market. As of July 2011, the City of Torrance's unemployment rate was 6.7 Percent, lower than the State's unemployment rate of 12.4 percent.

- The automotive and aerospace industries have played a vital role in the local economy of Torrance over the years. Although aerospace presence in the city has declined, large automotive manufacturers remain present in the city due to its proximity to both the deep water ports and the airports. Traditionally, automotive employers have provided more stability to the commercial office market in the city than has the aerospace industry. Toyota and American Honda are amongst the automotive companies headquartered in Torrance, and are two of the top three employers in the city.

Although having experienced slow growth over the last few years, the outlook for the City of Torrance seems favorable. The presence of the automotive industry as well as employment in the education and manufacturing sectors, have contributed to the favorable growth in the City of Torrance. Furthermore, the economy of the South Bay area has a very healthy balance, with its strengths in international trade, technology (both software and hardware), and a growing presence of telecommunications and entertainment activity. Additional positive factors are the expansions at both ports of Long Beach and Los Angeles, and the Alameda Corridor. These projects will insure that Southern California remains one of the World's major international trade centers. An additional asset for the South Bay area is its location along Santa Monica Bay, offering a number of recreational options. Overall, the regional economy of the South Bay area appears stable with modest growth expected for the future.

SITE DESCRIPTION

The proposed location of the conference center is the space formerly occupied by the Borders Bookstore at 3700 Torrance Boulevard in Torrance, California. The site encompasses approximately 3.67 acres of land with an existing 36,779 square foot building.



The subject fronts Torrance Boulevard, a highly transited road that runs east-west, connecting the cities of Carson, Torrance, and Redondo Beach. The site is bordered to the north by Torrance Boulevard, across which is the Residence Inn by Marriott Hotel, to the south by the Marriott Torrance Hotel and office buildings, to the east by retailer Sports Authority, and to the west by a Robbins Brothers jewelry store, followed by Hawthorne Boulevard. Approximately one-quarter mile southeast is the Doubletree by Hilton Hotel. Also to the south of the proposed site, less than half a mile, is the Del Amo Fashion Center, the largest mall in the Western United States and 14th largest mall in the United States. The fashion center features over 240 retailers, nine restaurants, and an 18-screen movie theater.

The proposed site has easy access to the San Diego Freeway (Interstate 405) via Hawthorne Boulevard, and to the Harbor Freeway (Interstate 110), through Torrance Boulevard. Both freeways are approximately four miles from the site. The site is located approximately ten miles southwest of Los Angeles International Airport and 16 miles northeast of Long Beach Airport. The beach can be easily accessed through Torrance Boulevard and is approximately two miles west of the site.

CITY OF TORRANCE HOTEL MARKET ANALYSIS**Supply and Demand Analysis**

The first step in our analysis was to identify the Torrance lodging market. The City's hotel market includes fourteen hotels totaling 2,642 rooms. There are three full-service hotels with the remaining supply consisting of focused service, limited-service and extended stay hotels. We have divided the hotel supply into two categories based on proximity to the proposed location and size. Group 1 is comprised of those properties with 150 rooms or more, that are located within proximity of the site. Group 2 are the remaining properties that make up the entire Torrance hotel supply. The following table details the historical Torrance lodging supply during the 2006-2011 period.

		Torrance Lodging Market Historical Supply					
		2006	2007	2008	2009	2010	2011
Map Code	Group 1						
1	Torrance Marriott South Bay	487	487	487	487	487	487
2	Doubletree Torrance	367	367	367	367	367	367
3	Residence Inn Torrance	248	248	248	248	248	248
4	Miyako Hybrid Hotel					208	208
5	Courtyard Torrance/Palos Verdes	149	149	149	149	149	149
	<i>Total Group 1 Supply</i>	1,251	1,251	1,251	1,251	1,459	1,459
	<i>% Change</i>	N/A	0.0%	0.0%	0.0%	16.6%	0.0%
	Group 2						
	Holiday Inn Torrance	329	329	329	329	329	329
	Homestead Suites	139	139	139	139	139	139
	Courtyard Torrance/South Bay	151	151	151	151	151	151
	Extended Stay	122	122	122	122	122	122
	Days Inn	92	92	92	92	92	92
	Ramada	88	88	88	88	88	88
	Best Western	66	66	66	66	66	66
	Howard Johnson	52	52	52	52	52	52
	<i>Total Group 2 Supply</i>	1,183	1,183	1,183	1,183	1,183	1,183
	<i>% Change</i>	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
	Total Market Supply	2,434	2,434	2,434	2,434	2,642	2,642
	% Change	N/A	0.0%	0.0%	0.0%	8.5%	0.0%

Source: PKF Consulting

Rooms supply in the Torrance market has remained fairly flat over the last five years, with only one addition to supply in 2010 with the opening of the Miyako Hybrid Hotel, which generated an 8.5 percent increase in the overall rooms supply. Group 1, which has a total of 1,459 hotel rooms, is composed of the five hotels that we believe would generate the bulk of demand for the proposed conference because of their larger room count and market orientation. Therefore, we have placed more focus on these as they are a good representative sample of the market's performance. The Marriott, Doubletree, and Residence Inn are within walking distance of the site. The Miyako and Courtyard Torrance/Palos Verdes are located within an easy drive and have been included in Group 1 due to their size and likelihood to generate or accommodate group demand.

It is important to note that the Howard Johnson, Best Western, and Extended Stay hotels are located within walking distance of the site and, although these have not been included in Group 1 due to their size, they would also benefit from the additional group demand in the market due to compression. Compression is a term used in the hotel industry to describe a situation in which excess demand is forced out of one area and into another. Compression is created by events that generate significant demand for hotel rooms. Increased group demand in the Torrance market would create compression of both group and contracts room nights into these properties.

Following is a description of each of the hotels in Group 1 and a map indicating their locations.

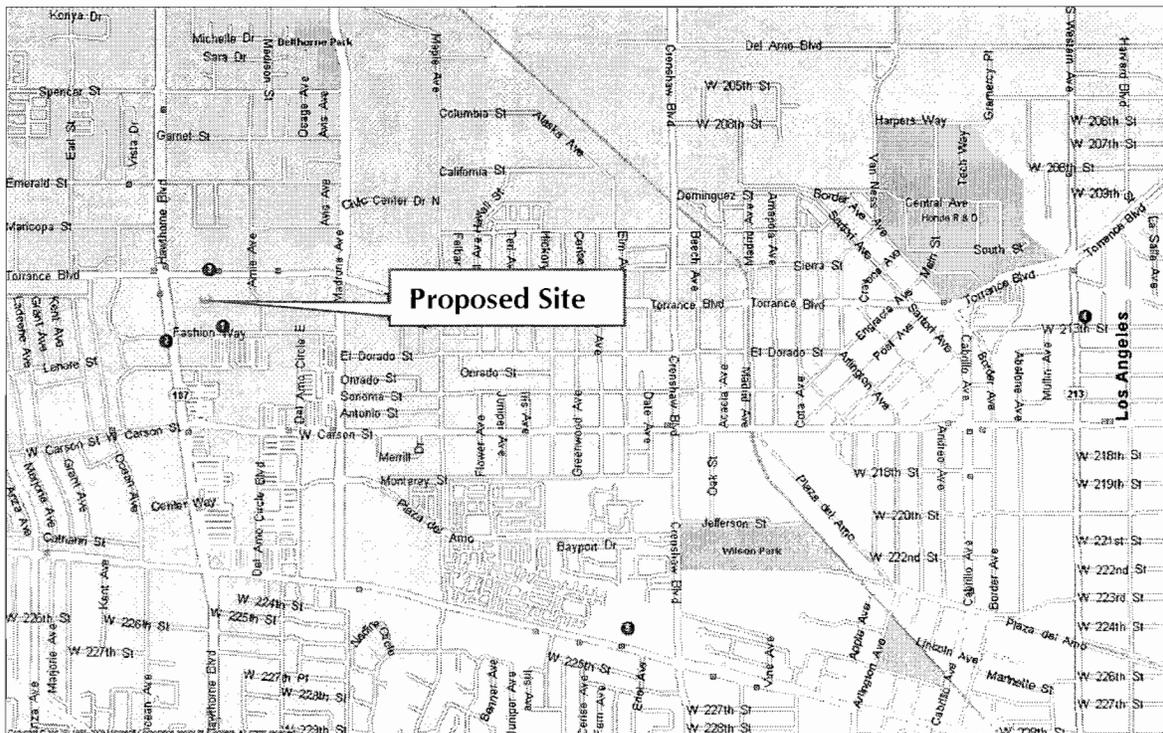
Torrance Lodging Market Supply

The following paragraphs are a brief description of the Torrance hotel market supply, including the market's most recent addition.

- The 487-room **Torrance Marriott South Bay** is located at 3635 Fashion Way, directly behind the proposed site. The Torrance Marriott opened in 1985 and has one restaurant, a lobby bar and lounge, and 26,414 square feet of flexible meeting and event facilities. Guest amenities include an outdoor swimming pool and whirlpool, fitness center, Starbucks marketplace, in-room dining, cable television with premium channels and pay-per-view, concierge services, wireless internet for a fee, and a full-service business center.
- The **Doubletree Hotel Torrance**, located at 31333 Hawthorne Boulevard, was originally built in 1974 as a Holiday Inn and later rebranded to Hilton in 1996. In 2007, the hotel became a Doubletree, at which point the public spaces were renovated. The hotel is a full-service property offering 367 guestrooms, a three-meal restaurant, a Café open for breakfast and lunch, and 16,000 square feet of flexible meeting and event facilities. Guest amenities include an outdoor pool and whirlpool, fitness center, complimentary brunch on Sundays, full-service business center, in-room dining, complimentary high speed internet access, and cable television with premium channels and pay-per-view. The Doubletree is within walking distance to the proposed site, approximately a quarter of a mile.
- The **Residence Inn Torrance** is located directly across the proposed site at 3701 Torrance Boulevard. Street West. The 248-room extended-stay hotel has an outdoor swimming pool and whirlpool, a fitness center, and 750 square feet of meeting space. All guestrooms offer a full kitchen, a pull-out sofa, wired and wireless internet access, and cable television with premium channels and pay-per-view. Other amenities include complimentary breakfast buffet, coffee in lobby, and evening reception.
- The **Miyako Hybrid Hotel**, located at 21381 S Western Avenue, is the most recent addition to the market. The full-service hotel, which opened in December

2009, features 208 rooms, a three-meal restaurant, a Japanese Spa, and 4,600 square feet of meeting space. Guest amenities include a fitness center, complimentary wired and wireless internet, refrigerator in all guestrooms, alarm clock with I-Pod docking, shuttle service, complimentary parking, and a full-service business center. Miyako is located approximately three miles east of the proposed site.

- The 149-room **Courtyard Torrance/Palos Verdes** is located at 2633 Sepulveda Boulevard. The hotel offers a restaurant open for breakfast and lunch, 1,200 square feet of meeting space, a fitness center, and an outdoor pool and whirlpool. Other amenities include complimentary parking, complimentary high speed internet access, and cable television. The Courtyard Palos Verdes is located approximately two miles southeast of the proposed site.



HOTEL ROOMS DEMAND

Demand for hotel rooms is categorized in three ways:

- Demonstrated Demand:** the demand already captured at competitive hotels.
- Induced Demand:** the demand that does not presently seek accommodations in the competitive market, but could be persuaded to do so through marketing efforts, room rates, facilities, services, and amenities.

- **Unsatisfied Demand:** the demand that seeks accommodations in the market but is not satisfied due to one of a number of factors: sell-outs during peak season; lack of a particular type of accommodation; lack of meeting space; or high room rates.

Supply and Demand for Lodging Facilities

The aggregate average annual available and occupied rooms, resulting occupancy levels, average daily room rate, and REVPAR (revenue per available room) for the Torrance lodging market from 2006 to 2010 and year-to-date comparisons for 2010 and 2011 through July, are presented in the following table.

Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2006	456,615	N/A	359,093	N/A	78.6%	\$115.30	N/A	\$90.67	N/A
2007	456,615	0.0%	359,938	0.2%	78.8	124.02	7.6%	97.76	7.8%
2008	456,615	0.0	350,738	-2.6	76.8	126.19	1.8	96.93	-0.8
2009	456,615	0.0	326,170	-7.0	71.4	107.25	-15.0	76.61	-21.0
2010	532,535	16.6	407,636	25.0	76.5	107.28	0.0	82.12	7.2
CAAG	3.9%		3.2%			-1.8%		-2.4%	
7/10 ytd	532,535	N/A	423,513	N/A	79.5%	\$105.85	N/A	\$84.18	N/A
7/11 ytd	532,535	0.0%	427,077	0.8%	80.2%	109.04	3.0%	87.45	3.9%

Source: PKF Consulting

As noted in the preceding table, hotel rooms supply remained flat for four of the last five years. In 2010 there was a 16.6 percent growth in rooms supply with the opening of the 208-room Miyako Hybrid Hotel.

Demand for hotel rooms as measured by occupied room nights saw a decline in 2008 and 2009 of 2.6 percent and 7.0 percent, respectively. The economic downturn played a major part in this decline as corporate travel, which makes up a large portion of demand in this market, was severely restricted during this period of time.

Average daily rates (ADR) in the Torrance lodging market decreased at a compound annual rate of 1.8 percent between 2006 and 2010. In 2007, ADR increased by 7.6 percent, followed by a smaller increase of 1.8 percent in 2008. ADR was negatively impacted mostly in 2009, when it suffered a 15.0 percent decrease. In 2010 ADR growth remained flat. Year-to-date through July 2011, average daily rate is up by 3.0 percent from the same period last year.

RevPAR (Revenue per available room) provides a succinct indication of how well a hotel is performing by combining the paid occupancy and average daily rate achieved within the Torrance hotel market. Over the last five years RevPAR decreased at a compound annual rate of 2.4 percent. As with ADR, RevPAR was mostly affected in 2009, when it suffered a 21.0 percent decrease, fueled by large drops in both occupancy and ADR. RevPAR growth year-to-date through July is showing signs of recovery with a 3.9 percent increase from the same period last year.

It is important to note that the ADR in the Torrance/South Bay region has been historically lower than neighboring submarkets, due in part to the large amount of room nights that are generated through contracts/airline crew. For instance, the Long Beach market achieved an ADR of \$124.52 in 2010, a 16.1 percent higher rate than the Torrance market. The following section explains in more detail the sources of room night demand for the Torrance hotel market.

Sources of Demand

Demand for lodging facilities usually comprises three market segments: corporate, leisure and group. The Torrance hotel market also has a large number of room nights derived from contracts/crew. Therefore, we have included contracts as a separate segment. Based on interviews conducted in the market, the demand captured in Torrance is derived primarily from the commercial/corporate segment, followed by contracts, and to a lesser extent the leisure and group segments. Following is a table summarizing the mix of demand for the Torrance market in 2010 and a brief description of how these segments relate to the Torrance lodging market.

Competitive Market 2010 Mix of Demand		
Market Segment	Room Nights	Ratio
Corporate	172,200	42%
Leisure	70,700	17
Contract	118,200	29
Group	46,500	11
Total	408,000	100%

Source: PKF Consulting

Corporate Market Segment

The corporate market segment consists of individual business travelers visiting the area for business meetings or client calls. This segment is typically the highest rated segment in a commercial market such as Torrance. The corporate/commercial segment represents the largest demand source for the competitive supply, representing 42.0 percent of the total occupied rooms for 2010, or 172,200 room nights of captured demand.

Leisure Demand Segment

The leisure segment consists of travelers who visit the Torrance area for recreational purposes. This segment is comprised of a significant amount of domestic weekend travel and some international travel from the Pacific Rim and Europe. In 2010, the leisure segment accounted for 17.0 percent of total demand, or approximately 70,700 room nights.

Group Demand Segment

The group market segment consists of room nights generated from corporate, association, and social meetings. In this market, demand consists of meetings for sales and marketing teams, small conferences, educational sessions, social events, and fraternal meetings. The group meeting segment represents the smallest demand source for the competitive supply, accounting for only 11.0 percent of the total occupied room nights in 2010.

Contract/Airline Crew Demand Segment

The contract segment consists of cruise crew members as well as flight attendants and crew who need to stay overnight between trips. The crew segment comprises a relatively large portion of the demand in the competitive supply, accounting for 29.0 percent of demand in 2010, or 118,200 room nights. Hoteliers in the South Bay area feel that this segment is hurting their rates and that replacing a portion of these room nights with group room nights would be beneficial to the overall positioning of the market.

OVERVIEW OF MEETING FACILITIES

The Torrance market has a total of approximately 48,964 square feet of meeting and event facilities within the hotels. The following table summarizes the available facilities.

Torrance Hotels Meeting/Events Facilities (Square Feet)	
Torrance Marriott South Bay	26,414
Doubletree Torrance	16,000
Residence Inn Torrance	750
Miyako Hybrid Hotel	4,600
Courtyard Torrance/Palos Verdes	1,200
Total Available Meeting/Events Facilities	48,964
<i>Source: PKF Consulting</i>	

The largest ballroom in the market is that of the Marriott Hotel at 11,000 square feet. Besides the hotel facilities, the Torrance Civic Center provides an additional 4,300 square feet of space in a multi-purpose room, as well as an outdoor plaza, a recreational center, and a 500-seat theater. However, these facilities are not in optimal conditions and are not large enough to generate significant business.

PRELIMINARY RECOMMENDATIONS

Based on our preliminary analysis, the Torrance group market segment appears to be underserved due to the lack of meeting and event facilities to accommodate larger events in the area. The group demand that should be generated in this type of market, which is approximately 20.0 to 25.0 percent of total occupied room nights, is currently not being achieved due to insufficient meeting facilities. Hotels have been turning away and/or not soliciting significant group business since, although they have rooms capacity to accommodate larger groups, they do not have enough facilities for the events to take place.

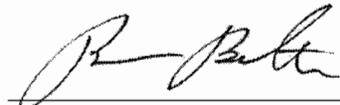
The Torrance/South Bay area is well positioned to generate a higher volume of group demand due to its commercial orientation and proximity to the ports and airports. The addition of a conference center in the proposed space would be beneficial to the overall market by allowing hotels to generate the group demand that is characteristic of this type of market. By increasing group room nights, some of the lower priced contract/crew nights may be replaced, bringing in a higher Average Daily Rate for the market that is comparable to that currently achieved in neighboring markets.

The proposed site is very well located to serve as a conference center due to its proximity to two branded full-service hotels, with other hotels within walking distance. The conference center should be able to hold a minimum of 20,000 square feet of net rentable space. Facilities should include a ballroom, break-out rooms, banquet space, pre-function space, and back-of-the house space. Outdoor space should also be considered to take advantage of the great weather that is characteristic of the region.

We appreciate the opportunity of working on this assignment and look forward to answering any questions you may have regarding our findings and conclusions presented herein.

Sincerely,

PKF Consulting



By Bruce Baltin
Senior Vice President

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This report is made with the following assumptions and limiting conditions:

Economic and Social Trends - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

Information Furnished by Others - In preparing this report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Hidden Conditions - The consultant assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject property more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Hazardous Materials - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimated in this report is predicated on the assumption that no such material or substance is present on or in the subject property or in such proximity thereto that it would cause a loss in value. The consultant assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Zoning and Land Use - Unless otherwise stated, the projections were formulated assuming the hotel to be in full compliance with all applicable zoning and land use regulations and restrictions.

Licenses and Permits - Unless otherwise stated, the property is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

Engineering Survey - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

Subsurface Rights - No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

(continued)

Maps, Plats and Exhibits - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

Legal Matters - No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

Right of Publication - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of the consultant, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with proper written qualification and only in its entirety for its stated purpose.

Testimony in Court - Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal, unless such arrangements are made a reasonable time in advance of said hearing. Further, unless otherwise indicated, separate arrangements shall be made concerning compensation for the consultant's time to prepare for and attend any such hearing.

Archeological Significance - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

Compliance with the American Disabilities Act - The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We assumed that the property will be in direct compliance with the various detailed requirements of the ADA.

Definitions and Assumptions - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

Dissemination of Material - Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, news media or other public means of communication without the prior written consent and approval of the consultant(s).

Distribution and Liability to Third Parties - The party for whom this report was prepared may distribute copies of this appraisal report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

Use in Offering Materials - This report, including all cash flow forecasts, market surveys and related data, conclusions, exhibits and supporting documentation, may not be reproduced or references made to the report or to PKF Consulting in any sale offering, prospectus, public or private placement memorandum, proxy statement or other document ("Offering Material") in connection with a merger, liquidation or other corporate transaction unless PKF Consulting has approved in writing the text of any such reference or reproduction prior to the distribution and filing thereof.

Limits to Liability - PKF Consulting cannot be held liable in any cause of action resulting in litigation for any dollar amount which exceeds the total fees collected from this individual engagement.

Legal Expenses - Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.

TORRANCE CONFERENCE CENTER MARKET STUDY

REQUEST FOR PROPOSAL

INTRODUCTION

The City of Torrance is seeking proposals from consultants or firms interested conducting a comprehensive market study to examine the potential for a conference center located in Torrance.

The purpose of this study is to analyze existing conference, meeting and hotel space inclusive of a banquet facility to seat 1,200 to 1,500 in Torrance and surrounding communities alongside market and industry trends and other factors to determine whether a new facility is feasible, and if so, the appropriate size and location of such facility along with any necessary support facilities.

The study should also provide estimates of capital and operating costs, as well as potential market demand and revenues. Previous economic development studies may be used for reference; however, the City of Torrance seeks a comprehensive analysis and recommendations reflective of current facts and conditions, as well as future planning considerations with respect to the project.

SCOPE OF SERVICES

Task 2.1 - Project Orientation, Initial Fieldwork

As part of the project orientation, the consultant will meet with City staff to confirm goals of the study and other contextual issues related to the project. The consultant will also:

- Obtain general background information and data from City of Torrance and other appropriate sources.
- Tour Old Torrance, Hawthorne Blvd. corridor, site of the Transit Center, the airport and other key areas of the city.
- Interview stakeholders, and meet with the local officials, community leaders, and others as appropriate.
- Perform other fieldwork as necessary.
- Gather and analyze information related to existing convention, conference, meeting and function space along with support facilities including hotel accommodations.
- Review available economic, demographic, and financial studies for the Hawthorne Blvd. area and other relevant areas.
- Analyze previous reports that have been prepared regarding community master plans or planned facilities.

Task 2.2 - Economic, Demographic, and Destination Market Analysis

The consultant will evaluate the economic and demographic aspects of Torrance and the city's position as a destination for group visitors. These aspects may include business travelers, leisure and sports visitors, concert-goers, airline personnel, automobile industry visitors and those visiting the area for meetings, events, conferences and conventions. The consultant will also summarize key demand generator trends and comment on the overall growth prospects for the market. This analysis will provide a realistic assessment of the area's strengths, weaknesses, opportunities and threats. Among the data gathered and analyzed will be:

- Geographic attributes, accessibility, and transportation links.
- Trends in population growth and income.
- Major employers and any significant future changes.

- Analysis of business and commercial development that may affect the performance of conference and hotel related activity.
- Cores of economic activity.
- Retail destinations.
- Profile of public assembly and other meeting facilities.
- Arts, culture, and entertainment assets and activity.
- History and expected future trends for conferences.
- General trends, with special emphasis on major conference demand generators.

The analysis will provide implications for future development of public assembly facilities, such as those proposed.

Task 2.3 - Meeting Industry Trends

The consultant will profile the meetings and conference industry and discuss changes and trends affecting existing and proposed conference facilities. For this task, the consultant will provide the following:

- **Industry definitions.** The consultant will present a description of event and facility types and illustrate the multifaceted nature of the industry. The definitions will profile the market from the smallest to largest facility type, and facility quality levels from low quality to high quality. The consultant will also profile event types, including, but not limited to fairs, trade shows, consumer shows, association-based events, and conventions.
- **Industry growth.** The consultant will profile growth in both the supply of convention space as the well as the demand for such space and discuss implications for future demand in the area.
- **Trends.** The consultant will discuss the trends in the convention industry, show location choice and other matters with implications for the proposed convention/convention center.
- **Analysis.** Explain how industry data from sources will be analyzed to account for a more conservative industry outlook.

Task 2.4 - Review of Existing Meeting Facilities and Lost Business

The consultant will conduct a review of existing facilities in Torrance, their performance and implications for a new conference center with banquet facility. The consultant will also review:

- **Current and past business.** An analysis will be conducted of the market's current bookings at local hotels and future business to understand trends in market absorption, maximum practical capacity and un-accommodated business.
- **Lost business reports.** Review will be provided of lost potential business and the reasons behind the lost business, such as lack of available dates, lack of space or other items that may indicate the need for a new facility. Lost business reports may indicate other deficiencies either in the destination and support facilities (such as hotels), meeting rooms and banquet facilities.

Task 2.5 - Analysis of Comparable and Competitive Facilities

The consultant will analyze the existing facilities that serve the meetings and event market in the region. The analysis will include:

- Detail on the existing offerings in the market and their suitability for meetings, conventions, conferences, and training in the region.

- Identification of gaps in the market and discern whether new or expanded facilities would fill these gaps or merely serve to duplicate existing space or provide additional unneeded facilities.
- Identification of peer markets. The focus should be on similarly-situated communities that have recently opened or expanded conference facilities.
- Interviews of managers of existing facilities to collect additional information on facility trends, and development of case study data about these facilities.
- Summary of meetings venues in the market and region, including review of potential developments.
- Review of local tourism or destination marketing programs to determine demand.
- Summary of the consultant's experience in comparable and competing markets, along with identification of what critical factors the City should address in order to continually be successful in the conference center market.
- Advantages and disadvantages of Torrance market/sites versus nearest competitors.

Task 2.6 - Recommendations

The consultant will analyze specific information that will allow it to determine what conference product the market will be able to absorb, if any, over the next five to ten years. Understanding the competitive market, the consultant will make recommendations regarding significant facets of any recommended facility, including:

- Location(s) ranked by suitability and competitive strengths.
- Number, size, quality and type of function rooms (exhibit halls, ballrooms, breakout meeting rooms, board rooms, amphitheatre/lecture halls, special event rooms or spaces, and others as appropriate), based on optimal event footprints.
- Number, size and quality of food and beverage outlets, and other amenities.
- Pricing for facility rental.
- Phasing for future expansions.
- Describe in detail how Market Capture Rate is calculated.

The consultant will also include recommendations in this task related to marketing and operational approaches to maximize event and revenue activity. This should include a discussion of public and private management of conference center activities.

Task 2.7 - Demand Projection

Based on the facility improvements recommended and market penetration analysis, the consultant will forecast market demand by market segment/type of event for the proposed facility for a ten year period. The consultant will also develop demand projections addressing the number of events, number of event days, number of attendees, and the amount of space to be utilized for the following types of events:

- Conventions/Conferences
- Trade shows
- Local expositions
- Corporate meetings
- Assembly events
- Public/consumer shows/local events
- Banquets
- Meetings
- Regional Organizations
- Educational Institutions

The demand projections will also categorize events and attendance by origin (local, regional, national) and segment (such as association, corporate, and others). The consultant will also:

- Analyze the expected seasonality of demand for the various types of attendees and segments, based on experience in comparable markets and facilities as well as industry research.
- Estimate the number of hotel room nights that will result from the facility for its first ten years of operation.

Task 2.8 - Hotel Market Analysis

A. Market Overview: The consultant will analyze the local hotel supply to determine the need and potential demand for additional hotel facilities to support any convention facility expansion recommendations. The analysis will include:

- Overview of US lodging industry performance and trends.
- Profile of the local and regional lodging market, including number, size and quality of hotels and performance trends.
- Additions to supply in and around Torrance and relevant surrounding areas.
- Character of supply.
- Existing hotel occupancy, monthly room night demand, average daily rate (ADR), and Revenue per Available Room (RevPAR),
- Performance by year and month.
- Demand segmentation and diversification efforts.
- Meeting and function space availability within hotels.
- Seasonality.
- Un-accommodated demand.
- Demand type/market mix.
- Hotel room utilization based on the range of current rooms (i.e. high end, middle range, entry market) and future demand.

B. Recommended Hotel Products: In this task, the consultant will analyze specific information that will allow it to determine what hotel product the market will be able to absorb, if any, and which would be most appropriate to support any proposed convention facility expansion recommendations. The consultant will also analyze and discuss potential sites as well as suggest timing.

Understanding the competitive hotel market, the consultant will make recommendations regarding significant facets of any recommended hotels, including:

- Number and type of sleeping rooms,
- Amount, size and quality of meeting, ballroom and other function spaces,
- Number, size and quality of food and beverage outlets,
- Services and amenities.
- Forecast of utilization by type of hotel night generating event and event size for a potential conference center.
- Impact of increased inventories of hotel rooms in the marketplace and likeliness that hotel operators will be able to generate significant increases in average daily rates.

Task 2.9 - Site Size Analysis

The consultant should evaluate potential size and sites with regard to proximity to other hotels and to demand generators, such as existing and proposed conference facilities, cultural attractions, office buildings, restaurants and sports amenities.

When researching sites, the consultant will consider:

- Access and visibility,
- Site size and ability,
- Adjacent buildings and uses,
- Walk-ability and proximity to other demand generators,
- Proximity to other hotels.
- Comparisons to competing facilities

Task 2.10 - Financial Projection

Based on the projection of demand and by applying a number of assumptions regarding facility rental rates and other factors, the consultant will prepare a financial projection, which includes the following:

- Estimated revenues for ten years of operations. Expenses directly related to the facility will also be projected for the period. The demand profile, experience with other similar facilities, and data from the existing facilities will be used to model the operating revenues and costs of the facility and will be incorporated into the business plan. The model will generate a pro-forma operating statement that includes the revenue and expense items, including the following:
 - Revenues: space and equipment rentals, reimbursed expenses, catering, sponsorships and advertising, telecommunications, audio/visual, decorating, electrical, and other income,
 - Direct operating expenses: wages and salaries, contract services, utilities, maintenance and repair, supplies and other expenses,
 - Unallocated expenses: administrative salaries, employee benefits, advertising and promotion, general and administrative, professional services, insurance, maintenance reserves, and other expenses.
- One-time and recurring revenue opportunities and expenses should be considered. The results will be presented with full discussion of assumptions and projections.
- Provide a projection of the annual surplus or subsidy needed for each of the ten years in the period.
- Provide a pro forma for a possible hotel development component of a conference center.

Task 2.11 - Preliminary Development Cost Estimate

The consultant will analyze development costs for similar conference center developments, review the recommended facility components, review construction cost data for current materials, and make projections for the total development cost for the facility, including:

- Land acquisition costs, if any
- Infrastructure and land preparation costs
- Hard construction costs

- Furniture, fixtures and equipment costs
- Soft costs
- Provide specific examples of development cost breakdowns for existing facilities in the region.

The study will aid the City of Torrance in making decisions about financing developments of new conference center facilities or of facility expansions proposed.

SECTION 3 – REQUIRED PROPOSAL CONTENT

3.1 - General Requirements

Following is a list of the information required to be provided by the proposer. A proposal that does not provide all of the information requested below may be subject to **rejection**. Provide the information in the same order in which it is requested. Your proposal must contain sufficient information to assure City of Torrance of its accuracy, however, proposers are requested to keep their submissions to the shortest length possible consistent with addressing each information request completely.

All proposals must contain a complete description of the approach to be taken by the consultant team to the proposed project, and discussion of any salient issues or concerns that must be addressed in the study. In addition, proposals must include the following:

- A. Name, address, telephone number, email address and website of the firm (lead) submitting the proposal.
- B. Names, contact information and qualifications of individuals employed by the firm who will participate in the conduct of the study and their individual responsibilities.
- C. The name of one or more individuals authorized to represent the consultant in its dealings with City of Torrance.
- D. Names, contact information and qualifications of any professional firms other than the lead firm, or individuals other than those employed by the lead firm and not listed in (B) above who will be a part of the consulting team.
- E. Detailed information on qualifications and past experience of the firms and individuals who will participate in the conduct of the study including experience and past performance on similar projects, professional staff, and number of years in business, and proposed and current contract obligations.
- F. A cost proposal based upon a maximum fee broken down separately for each of the tasks listed under the Scope of Services, indicating the individuals responsible for each, the projected number of hours of work, and the appropriate hourly rate of each. The cost proposal should include an estimate of any and all additional expenses anticipated.