



Information Item

Date: May 17, 2016

To: Mayor and City Council
From: Andy Agle, Director of Housing and Economic Development
Subject: Bergamot Advisory Committee Recommendations

Introduction

This report presents the Bergamot Advisory Committee recommendations for the revitalization of the City-owned Bergamot Station Arts Center (Arts Center). Staff is currently analyzing the recommendations, the developer's financial projections, and the Council-adopted Guidelines for the Arts Center, with the intent to prepare a staff report for Council's consideration later this year.

Background

Bergamot Station Arts Center is located at 2525 Michigan Avenue and consists of City-owned land and private land. The City-owned portion of the site consists of approximately five acres with five buildings totaling approximately 62,000 square feet and is currently occupied by approximately 27 small, creative business tenants, including art galleries, designers, a non-profit theatre company, and a café. The tenants sublease from Bergamot Station Ltd., which leases the Arts Center from the City for \$528,000 per year. The current lease, with options, expires on December 31, 2017. The master lessee of Bergamot Station Ltd. also owns the adjacent 1.3 acres of land which constitutes the privately owned portion of Bergamot Station Arts Center, which contains additional art galleries and previously housed the Santa Monica Museum of Art before they relocated. In 1989, the City purchased the public portion of the property with transit funds with the goal of serving future transit needs in Santa Monica and providing a source of revenue for the Big Blue Bus (BBB). Recognizing the impending opening of

the Exposition (Expo) light rail line, with a stop immediately adjacent to the Arts Center, the City began the process of envisioning the future of the Arts Center in 2011.

On [September 9, 2014](#), Council authorized exclusive negotiations with Worthe Real Estate Group (Worthe Group) for the revitalization of the City-owned portion of Bergamot Station Arts Center and directed staff to develop a recommendation on the formation of a Bergamot Advisory Committee (Advisory Committee) to participate in shaping the conceptual design of the project. The exclusive negotiation agreement with the Worthe Group is set to expire on July 1, 2017.

On [February 10, 2015](#), Council approved the creation of an eleven-member Bergamot Advisory Committee including representatives of the Bergamot Station Gallery and Cultural Association, Santa Monica Neighborhood Council, Arts Commission, Chamber of Commerce and Santa Monica Travel and Tourism (see Attachment A). Council also adopted a set of guidelines for the revitalization of the City-owned Bergamot Station Arts Center property, and defined the role of the Advisory Committee. The Advisory Committee held its inaugural meeting on April 15, 2015 and subsequently met fourteen times over the past year with a final meeting on April 18, 2016. Staff from the Housing and Economic Development Department staffed the Advisory Committee and Jeff Worthe and his team from the Worthe Group also attended all meetings and participated throughout the process.

It was initially estimated that the Advisory Committee would need to meet for six to nine months in order to complete the assignment of recommending the mix of uses for a conceptual project for the Arts Center. On [February 9, 2016](#), Council authorized an extension of service for the Advisory Committee to complete its assignment until April 2016. For purpose of transparency and access to the public meetings, staff established a website for the project at www.smgov.net/Bergamot and a dedicated webpage for the Advisory Committee, which is accessible from the Bergamot website, and contains all Committee's agendas, meeting minutes, audio recordings,

and handouts. Additionally, an email list was established to notify interested parties of the monthly meetings.

Discussion

To facilitate the Advisory Committee’s efforts, staff produced a matrix that listed the key categories related to project deliverables, as well as the Advisory Committee comments and motions made at each meeting (see Attachment B).

The Advisory Committee reviewed the Worthe Group’s original proposal, (which included a hotel in response to the City’s planning efforts and request for proposal) and discussed the merits of the proposed square footage, type of uses, and locations on site.

The Advisory Committee’s recommendations include the following:

- Increase the amount of arts-related space to ensure that Bergamot remains a safe harbor for the fine arts.
- Increase the amount of space for restaurant(s) and adjacent community center with locational recommendations.
- Reduce the amount of space proposed for “creative” office, coupled with dedication of some space for arts-related commercial uses.
- Reduce the size and proposed operations of a bike center facility, to be located within a shared parking facility.

Land Use/ Activity	Worthe Original Proposal Square footage	BAC Recommendation Square footage
Gallery, Nonprofit, and Cultural Uses (“GNCs”)	61,600	65,700
Restaurant/Cafe	5,000	7,000
Creative Office	44,000	30,000
Museum	21,100	21,100
Community Space	2,000	4,000
Bike Center	4,600	600
Arts-Related Commercial Use	n/a	9,000
Hotel	80,000	n/a
Total	220,300	137,400

The Advisory Committee also provided input on the construction phasing, infrastructure, site improvements, parking, and arts management strategy. In particular, the report recommends construction be phased and commence only after a new shared parking facility is built, or sufficient offsite parking is available to serve Arts Center visitors and tenants on an interim basis. Retaining existing tenants was also deemed of utmost priority. The Committee had initially voted in support of a hotel, later rescinded its support, and was ultimately unable to reach consensus on a potential hotel within the mix of uses at the Arts Center. The financial analysis of the recommendations will include an evaluation of the impact of a potential hotel. Because the Advisory Committee was tasked with evaluating future revitalization of the Arts Center, current property management issues such as parking, were not part of the discussion.

The Advisory Committee concluded its efforts by adopting a Bergamot Advisory Committee Recommendation Report (BAC Report) that summarizes its efforts, analysis, and recommendations, as well as the positions of the minority vote (see Attachment C). Staff is currently evaluating the Advisory Committee's recommendations relative to the Council-adopted guidelines and the City's efforts to revitalize the Arts Center. In addition, the City's financial consultant, Keyser Marston and Associates, is analyzing the developer's updated financial projections. Staff is expecting to complete the analysis and provide formal recommendations to Council later this year.

Prepared By: Jason Harris, Economic Development Manager

Attachments

- A. Bergamot Advisory Committee Members
- B. Summary of BAC Approved Motions and Discussion Points
- C. Bergamot Advisory Committee Recommendation Report

Attachment A

Bergamot Advisory Committee Members

Bergamot Arts Center Tenant Representatives

- Charles Duncombe, City Garage (Non-profit tenant representative)
- Jeffery Gordon, Writer's Boot Camp
- Lois Lambert, Gallery of Functional Art / Lois Lambert Gallery
- William Turner, William Turner Gallery (Co-Chair)

Santa Monica Neighborhood Council Representatives

- Laurence Eubank, Wilshire/Montana Neighborhood Coalition
- Diana Gordon, North of Montana Association
- Maria Loya, Pico Neighborhood Association
- Mary Marlow, Ocean Park Association (Co-Chair)

Arts Commission Representative

- Michael Myers, Arts Commission/The Ruskin Group Theater

Chamber of Commerce Representative

- Carl Hansen, Santa Monica Chamber of Commerce

Santa Monica Travel and Tourism Representative

- Richard Peterson, Santa Monica Convention & Visitors Bureau

ATTACHMENT B
Summary of BAC Approved Motions and Discussion Points

KEY DELIVERABLES PER FEBRUARY 10TH 2015 COUNCIL MEETING					
Meeting Date	Parking Management Strategy	Construction Phasing of improvements	Mix of Uses + Final Urban Design + Site Management Strategy	Infrastructure + overall Site improvements	Arts Center Management Plan
9/25/2015		Phased construction to minimize impacts to tenants	Increase amount of art-related use space to include market-rate arts-related uses (additional 9,000 SF)	BSBCA Bergamot Signage (along Olympic Blvd - B Building) important short-term site improvement	Preserve fine arts focus = overall site remains desirable for fine art galleries
		Potential for new office space in corner of site to be built early on + then used temporarily for the galleries to minimize construction impacts during renovation of existing buildings (i.e. construction mitigation)	Performing Arts Space/Center: Requires ground floor access for ADA/loading/fire requirement for audience/performances	Bergamot bike center amenities shouldn't include showers/lockers, only bike parking	BSBCA would like a list of tenants to be retained and their spatial needs
		Hotel – jobs, revenue to support rest of site/property & programming - won't happen until after construction Phase 1 (estimated 7-8 years out)	Performing Arts Space/Center: Admin & storage on 2 nd floor would be ok.		The need for Public Relations campaign to notify public that Bergamot will be open throughout Construction.
			Center of Bergamot site is focal point + community area. Flexible space for community arts fairs/book fair/Farmers Mkt + large events		
			Hotel – jobs, revenue to support subsidized rents and arts center programming		
			Bergamot Café – patio communal space, gathering area, ideal location in center of Bergamot, serves as commissary for events, loading/unloading considerations		
			Importance of merging public space with outdoor, specifically outdoor performance space		
			Creative office tenants – Film/production companies, needed to offset the rent. Potential for market rate galleries instead		
10/26/2015	Phased development to tie in with timing for City Yards shared parking - can't add new uses until we can park it	Phased development to tie in with timing for City Yards shared parking	Preference to locate additional space for galleries @ SE corner (+4,100 in Gallery space added to D Bldg in motion)	Per BSGCA: Public bathrooms	Berg II tenant retention goal/relocate to Berg. I once all Berg I tenants have been sited
	Interim (pre Parking Structure) management of free parking to ensure it benefits Bergamot tenants + visitors	Worthe recommends "Butler-style building" – pre-fab – easy + quicker construction option. Ties in with existing buildings/character.	Important for café/restaurant to be close to the open/event space.	Per BSGCA: parking lot paving, security and Michigan Avenue entrance Kiosk	Re: Tenant retention, there is not enough ground space on Berg I site to include all Berg II tenants
	more parking onsite will lead to less open space, preference for offsite parking at City Yards	New building -- prioritize SE corner "infill"	Need for museum to have Café/restaurant space; frees up some of "A" building area (existing or new) ground floor space for galleries.	Per BSGCA: Landscaping, better/more lighting, and bike racks and bike-sharing amenities	Re: Tenant retention - need to think what could be located to upper levels e.g. Writers Boot Camp 2nd floor
	Retain existing parking until alternate parking is built.		Bergamot site affordable for arts and a "safe harbor" for cultural arts for the community	Per BSGCA: Flood protection and septic tank repair	A museum is a priority of Council and Arts Commission.
	Per BSGCA: No removal of surface parking until offsite (City Yards) parking is completed		Push to reduce creative office space square footage and replace with other arts-related uses that can pay market rate rents.		Goal to retain Berg I + II tenants
	Per BSGCA: Removal of parking in center of lot is permissible		Hotel can include community space plus public exhibition and/or gallery space		Per BSGCA: Plan and cultivate a monthly Sunday Series Art Walk that opens the campus to the community and to families who may access Bergamot locally or through new Expo line station at Bergamot.
			Motion 1 Approved: 61,600 SF minimum for galleries and non-profit art and cultural uses		Per BSGCA: create annual summer programs like Theater and Art Camp supported by the larger events spaces and directed in alliance with cultural tenants and galleries volunteering their expertise.
			Motion 2 Approved: 600 sf for a bike facility, to be located on periphery of property		Per BSGCA: Make room for diverse ownership of at least one gallery as new space allows and to empower access of new fine art voices as galleries become available.
		Motion 3 Approved: 3,500-5,000 sf enclosed restaurant space, centrally located. Consider potential for adding flexible, adjacent community space that could be utilized for food prep/event catering.		Per BSGCA: create an annual music festival that supports local artists to develop a layer of tiers in the community to educate the next generation of fine artists.	

ATTACHMENT B
Summary of BAC Approved Motions and Discussion Points

		7,000 sf for restaurant w/ catering facilities + food prep is Worthe recommendation		
		Food Service for Expo Station		
		Food/restaurant services needed for Bergamot Station Arts Center include event catering/commissary, nighttime and weekend hours once site is activated.		
		outdoor dining/community space important		
		Worthe proposal: 133,000 sf open space		
		Open space could "share" w/ delivery access for galleries, restaurant		
		Open space to be near restaurant/café AND flexible community space		
		Per BSGCA: Public space and restaurant/café in center of Bergamot I site		
	Worthe Group: 6-7 years before City Yards shared parking structure completed. Worthe Group would assume management of the site in January 2018	Worthe Group: Prioritize existing tenants into available space (especially if they are currently located in a building that will not be preserved)	Approval of Art-related uses – 9k sq. ft. (Upper floor of D building)	Worthe Group: Prioritize existing tenants into available space (tenant-retention plan)
	Worthe Group response to importance of maintaining delivery access to tenants is: We will make it work when needed and parking will disappear when not needed to allow for active community space.	Worthe Group: Development team loses money until hotel gets built; but it's a critical part to economic viability of project.	Community space – indoor/outdoor flexible design with hardscape	Potential for a Bergamot marketing committee to help coordinate + plan events w/ all tenants
		Worthe Group: "T" building will serve as temporary/short-term occupancy for Berg tenants until the hotel construction starts. Once hotel construction starts, "T" Building will need to be demolished.	20,000-25,000 sq. ft. of open space adjacent to the Community Space to be used as "outdoor" community space	SMMoA – City subsidized museum for many years; Council desire to bring them back to Bergamot
			Motion 1 Approved: to support the H building as proposed by Revised Worthe proposal with a maximum of 4,000 square feet of enclosed community space with up to 5,000 square feet of open space connecting with the community space.	
			Potential market rate, art-related uses: Examples include talent agencies, writers, graphic designers, Jazz Bakery-type of businesses Galleries @ 65,700 sq. ft. = "Galleries + non-profit cultural arts"	
			Motion 2 Approved: to approve Building "C" w/ no more than 30,000 square feet devoted to creative office space + support Building "D" w/ at least 9,000 square feet of art-related uses on the 2nd floor. The ground floor of Buildings "C" and "D" shall be devoted to art galleries + non-profit uses.	
			Motion 3 Approved: The development should provide to galleries, non-profit cultural and creative arts a minimum of 65,700 sq. ft. Priority to be offered to existing and present Berg 1, followed by Berg 2 tenants, if and when space at Berg 1 site is/becomes available.	Motion 3 Approved: The development should provide to galleries, non-profit cultural and creative arts a minimum of 65,700 sq. ft. Priority to be offered to existing and present Berg 1, followed by Berg 2 tenants, if and when space at Berg 1 site is/becomes available.
			Worthe Group: to make the development feasible, the upper floors need to be market rate uses.	First priority to Berg I tenants who will be impacted by any building demolition.
			Motion 4 Approved: to set a minimum square footage of 21,100 for the museum space, accepting the revised design by the Worthe team, to include 12,100 square feet below grade and 10,000 square feet to be split into two buildings on the ground floor, allowing for a sightline from the Bergamot Expo Station.	
			Motion 5 Approved: to allocate up to 7,000 square footage for retail/restaurant uses, allocating a majority of the square footage to the center of Bergamot (Building "G" in the Worthe proposal), with a portion of the remaining square footage being allocated to the Museum building.	

11/16/2015

ATTACHMENT B
Summary of BAC Approved Motions and Discussion Points

			Restaurant/bar/café retail space brings opportunity to activate site + attract Expo commuters early am/lunchtime/after work		
12/14/2015	Motion 1 Approved: To protect sufficient onsite parking for existing Bergamot tenants until there is comparable alternative parking as part of the development, with the exceptions of landscaping, open space and site modification.		Worthe Group reasons for a hotel on Bergamot: Hotel will generate at least 50% of baseline revenues needed to support the Site (i.e., subsidize gallery rents); hotel will create high-paying, local-preference union jobs to support local economy and residents; Bergamot hotel rates will be lower than Downtown Santa Monica and Ocean Avenue hotel rates; and will cater to business clientele as well as visitors taking Expo Line.		
			City reasons for a hotel at Bergamot: Both Bergamot Area Plan and LUCE identify a hotel as a compatible use for Bergamot; lower traffic impacts of hotel vs. office; generates "off-hour" activity to support galleries/site + does not compete or add to daytime traffic + parking demand; citywide market demand w/ high occupancy rates year-round (85%) + high average daily rates (in the mid-\$200's) both support the need for additional hotels in the area; and the hotel will help attract much-needed food and beverage services to the Site.		
			Worthe Group: With no hotel, we'd need to replace with something else to fund below-market rents for galleries, as well as site improvements and funding and staffing cultural programming.		
			Any hotel at Bergamot should focus and support local artists and have interesting architecture. The hotel should support and activate the Bergamot Arts Center at times when businesses are closed (i.e., weeknights and weekends)		
			Motion 2 Approved: to vote on hotel mix of uses, size and location in January meeting.		
1/13/2016	Hotel employee parking → All hotel parking, including employee parking would be located in the hotel garage (underneath hotel, access via 26 th St)		Worthe Group: Revised hotel at 82,900 sq. ft., reduced ground floor site area, increases open space/connectivity to site, 100-105 rooms – suite mix, room size variables; ground floor uses incl. restaurant & additional art space; Tier 2 development with potential for roof activities. Worthe estimates hotel closer to 65' total height, with 15' ground floor height + 10' upper floors height.	Worthe Team: The construction improvements proposed by the BGSCA are estimated to cost approximately \$225,000.	Reference to Bergamot Arts Center Mgmt Plan --public events, will draw people to the site; hotel operator can work w/ BAC Program Mgr.
			Hotel access via 26 th Street		Worthe Team: Asked BAC to review the draft arts center management framework for next meeting's discussion. It's a broad framework, will evolve over time with City/CCS annual performance requirements and BGSCA input.
			Hotel restaurant → Proposed hotel would include 3k – 5k sf restaurant w/bar &/or roof bar (e.g. Shangri La roof bar with view) with goal it'd be flexible space so BAC galleries could potentially use for openings/events		
			Hotel employee parking → All hotel parking, including employee parking would be located in the hotel garage (underneath hotel, access via 26 th St)		
			Hotel total floors → Worthe Team response: Previously 7, now proposed for 6 floors, including restaurant + GNC space at ground floor		
			Motion 1 Approved: BAC to accept a Tier 2 hotel as part of the mix of uses. (Passes 6/4)		
2/2016			Worthe Group: Proposed hotel footprint same area as "T" bldg. Two hotel options for consideration:		
			Option 1 (as proposed above) is 65 feet, 6 floors, 100 rooms, utilizing same footprint land area as "T" building.		
			Option 2: 55 feet, 5 floors, 100 rooms with a larger foot print (see PowerPoint slides), resulting in less open space on the Site.		

**ATTACHMENT B
Summary of BAC Approved Motions and Discussion Points**

2/2			Motion 1 Approved: Rescind/nullify + render void the prior approved motion of a Tier 2 hotel.		
3/23/2016	Motion 5 Approved: to to negotiate with the Worthe Team to reserve as much onsite (surface) parking as necessary for GNCs to		Motion 1 Tie-vote/Not approved: to accept hotel as proposed by the Worthe Group, with 100 rooms at six-stories with galleries on ground floor.	Motion 4 Approved: to prioritize access to existing and new buildings as site and infrastructure improvements are made.	
			Motion 2 Approved: to dedicate from the existing 65,700 GNC space, two separate 3,000 square-foot, non-profit spaces for performing arts uses AND to prioritize leasing to City Garage for one of the two shared spaces.	Motion 6 Approved: to accept the infrastructure and site improvements as discussed in the BAC meeting.	
			Motion 3 Approved: to support Jeff Stupler to first right of refusal to run an expanded restaurant and kiosk at Bergamot.		
4/18/2016	See Motion 1 under "Mix of Uses" regarding parking pricing	Motion 4 Approved: to revise the BAC report with the following amendments - add 'Economic Hardship with a possible rent reduction based on sales tax figures reported to the City' under the 'Construction Mitigation' section; add 'Historic District' as an 'Unresolved Issue' under the appropriate section of the BAC report; and add specific introductory language to the BAC report and post the report to the City's BAC webpage.	Motion 1 Approved: the Worthe Team, BSGCA and City are to meet to reach agreement on method of determining rent subsidies for galleries and non-profits, in addition to determining daily/weekend parking pricing and other parking issues for GNCs and visitors.		Motion 3 Approved: to develop an Arts Center Management Strategy that covers two aspects of programming: (A) event programming to be overseen by an Arts Center Manager as proposed by the Worthe Group and to be selected by a steering committee comprised of representatives from the BSGCA, the Worthe Group, City staff (Cultural Affairs Division), and select community members and (B.) that there be a steering committee comprised of representatives of the BSGCA and the Worthe Group to curate the composition of tenants at Bergamot.
			Motion 2 Approved: that a distinction between Bergamot non-profit rental rates being the most subsidized, with the exception of the Museum space, from all other Uses rental rates.		
			Motion 5 Approved: to approve the BAC report and all of the recommendations in it, including all discussed and agreed to at April 18, 2016 BAC meeting, and for City staff to include the report in all future public hearings regarding Bergamot, including but not limited to the Planning Commission and City Council hearings, and to post the report on the City's Bergamot webpage.		

Bergamot Advisory Committee (BAC)

**Report and Recommendations for
The Bergamot Art Center**

April 18, 2016

Attachment C

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Bergamot Advisory Committee Report and Recommendations for Bergamot Art Center

OVERVIEW

A. The Reputation and Success of the Bergamot Art Center

The Bergamot Art Center is essentially an unplanned place that evolved over time from abandoned warehouses and tumbleweeds into an arts mecca. The concentration of warehouse buildings rehabbed and occupied by so many art galleries and creative businesses has forged a unique place. Bergamot's extraordinary success and reputation has helped burnish Santa Monica's reputation as a world class arts city while the hundreds of thousands of annual visitors have also contributed to our City's economic vitality.

Adding to what makes Bergamot special is the fact that, like all great public spaces, it is very accessible and it offers a place to gather, walk around and look at art in a comfortable, open-air setting with easy parking. Its varied cultural events draw large crowds year round from in and beyond the greater Los Angeles community.

B. Only the City-Owned Part of the Bergamot Art Center Is Slated for Development

As viewed by visitors, the Bergamot Art Center includes both City-owned land and private land. The public land – over 5 acres – was purchased by the City in 1989 with transit funds and is leased to Bergamot Station Ltd. (Wayne Blank) under a ground lease that expires December 31, 2017. The Big Blue Bus is entitled to receive the ground lease revenues generated from the site. The City is entitled to receive the sales and other taxes generated from the site, which are dedicated to the City's general fund.

There are approximately 30 for profit art galleries, a few non profits such as City Garage Theatre and the Bergamot Café located in five repurposed warehouse buildings. This is the part of the Bergamot Art Center that is subject to redevelopment. Currently, these Bergamot tenants pay an estimated annual rent of \$1.4 million to Bergamot Station Ltd. under their subleases; Bergamot Station Ltd. pays \$528,000 in annual rent to the City under the current ground lease; and those funds are then transferred to the Big Blue Bus ("BBB") for transit use.

Our Committee referred to this 5-acre site as "Bergamot" or "Bergamot I" throughout our discussions. There is also an additional approximately 2 acres of privately-owned property (owned by Wayne Blank) that adjoins the site from Michigan Avenue. It houses another 10 or more art galleries and an additional 10 or more creative businesses (e.g., Hiromi Paper, Writers Boot Camp). We referred to it as "Bergamot II" in our discussions.

Unfortunately, the City does not own or control "Bergamot II" so that the entire 7 acres could be thoughtfully redeveloped as one site. Beyond expressing the hope that some future outcome would unify the ownership and enable both Bergamot I and II to remain arts-centered, our Committee was limited to a recommendation that existing Bergamot II gallery, nonprofit and cultural businesses ("GNCs") be given priority, at subsidized rents, to relocate to Bergamot I in the future if space were available and they chose to do so.

C. Our Advisory Committee Members, Goals and Overall Recommendations

Our Committee – the Bergamot Advisory Committee – was the brainchild of the Neighborhood Council, representing Santa Monica’s neighborhood associations, and the Bergamot arts businesses who formed the Bergamot Station Gallery Cultural Association (“BSGCA”) to represent all of the creative businesses at Bergamot (Bergamot I and II) in shaping Bergamot’s future.

In September 2014, the City Council selected a developer and agreed to the formation of an advisory committee to take an in depth review of a specific development proposal from that developer, with the developer at the table, and then make recommendations to the Council about the project. The Council established some guidelines for us. See Exhibit 1.

As a result, our 11-member Bergamot Advisory Committee formed and has held monthly meetings with the Worthe Group (“Worthe”), the developer selected by the City, to discuss Bergamot’s redevelopment. The Neighborhood Council and BSGCA each selected 4 representatives; and the Council also asked the Chamber, the Travel and Tourism Board and the Arts Commission to each select its respective representative.¹

Our Committee began its work in April 2015. It was important to us that the Bergamot Art Center retain its essence and valuable arts reputation and that these assets be preserved and enhanced through changes to the site. Of equal importance is the community’s desire to maintain the unique character that defines Bergamot, as residents expressed repeatedly in community meetings throughout the LUCE and Bergamot Area Plan planning process. Under the Bergamot Area Plan, Bergamot was included in an Arts Conservation District and the floor area ratio (FAR) for future development was restricted to 1.0 – one times the parcel size, the lowest in the City.

The project being proposed by Worthe is on public land: It requires extraordinary scrutiny and transparency to assure that the City’s and the community’s expressed expectations are met. Under the Bergamot Area Plan, new development, including compatible commercial uses, should “complement and contribute to the economic vitality, sustainability and continuation of the Bergamot art center’s activities and cultural identity.” (See Bergamot Area Plan, Policy LU2.2 and LU2.3 at p.79; new uses could include galleries, museums, performance venues, education, cafes and restaurants, a hotel, and limited creative office space).

In addition, Worthe proposes a project in multiple construction phases under a **55-year ground lease with the City** (with two possible 10-year extensions until 2093). Prior to adding new uses to the site in Phase 1, Worthe and/or the City would develop a parking garage adjacent to the

¹ The members selected by the Neighborhood Council were asked to serve as community stakeholders, not as individual neighborhood association representatives. The role of the City in our Committee discussions was limited to representatives responding to questions, directly or via presentations as to specific planning, infrastructure, lease or related issues. Staff assigned to us helped us formulate our agendas, took notes and prepared the minutes summarizing our discussions, and prepared a key deliverables chart to guide our discussions and record our recommendations. Their work was appreciated and it also enabled every member of our Committee to fully participate in the discussions. For more information about the process, audiotapes of our discussions, agendas, notes, minutes and handouts see:

http://www.smgov.net/Departments/HED/Economic_Development/Space_and_Opportunities/Bergamot_Station_Advisory_Committee.aspx

site. During Phase 1, five new buildings, housing more galleries, arts related, and non profit spaces, a museum, a community center, restaurant and commercial office space would be built, as discussed in detail below. Subsequently, Phase 2 would add a 6-story hotel with ingress and egress from 26th Street. This phasing is intended to “minimize displacement and disruption to the fine art galleries and other creative businesses on the Site,” as the City Council directed. See Exhibit 1.

If both Phases 1 and 2 of the project were built, there would be approximately **three acres of open space** (131,000 square feet) in and around the existing and planned buildings. This would include a central area of the site that would no longer be used for parking due to a new parking facility Worthe and/or the City would build first (before Phase 1) on City Yards property directly across the street from the main Bergamot entrance on Michigan Avenue for the use of Bergamot businesses, visitors, and City employees.

A Committee majority supports and recommended the Phase 1 build-out as the result of our changes, but we are at a crossroads over constructing the hotel Worthe proposes for Phase 2, as discussed below. If both phases are built, Worthe estimates that the City (Big Blue Bus) would receive \$50 million dollars under a 55-year ground lease; over the same time period, the City would receive approximately \$33.2 million in estimated sales taxes and fees and also collect approximately \$125 million in transit occupancy taxes (TOT). Worthe estimates \$260 million in its net profits (based on positive net cash flows starting in 2051 - year 34 of the lease once its capital balance is zero) through 2072. If only Phase 1 were built (no hotel) the ground lease payments to the Big Blue Bus remain \$50 million; the City’s sales taxes and fees are about \$26.2 million; and Worthe’s net profits are about \$105 million by 2072. See Exhibits 7(a) and (b); 9(a) and (b); and 12.

D. Summary of Changes Recommended to the Initial Worthe Proposal for Phase 1

Construction at Bergamot is scheduled to occur in two, distinct, non-overlapping phases, only **after a new parking facility is built** adjacent to the site or unless there is sufficient off-site parking on an interim basis (such as the pending permit for a parking garage on land owned by the Kardashians adjacent to Bergamot I).

Our Committee viewed retaining the existing, successful **gallery, nonprofit, and cultural uses (“GNCs”)** businesses and ensuring that Bergamot remain a safe harbor for the fine arts for the next 50 years as essential. In fact, we asked Worthe to increase the amount of arts-related square footage relative to the commercial office space proposed for the southeast area of the site. We did not want to see new buildings with non-arts uses dominate the site or take away from the way Bergamot feels today.

This arts-focused approach is consistent with action taken by our City Arts Commission in August 2014 when it discussed various proposals to redo Bergamot. The Commission affirmed the need to retain the existing galleries and expand the arts uses with rent subsidies, maintain a certain amount of open space, and explore various parking options. It also called for “re-examining the amount of collateral uses, such as the hotel and creative office.” September 9, 2014 Bergamot City Council report, p.6 (<http://www.smgov.net/departments/council/agendas/2014/20140909/s2014090908-A.htm>)

Expo Activation of the Site: Starting in May, the new Expo station at Bergamot is anticipated to greatly increase community and visitor activity at Bergamot. The City estimates 3400 people a day will use this stop. We were very supportive of building a new **museum** next to the station,

which could make coming to Bergamot via Expo for “a day of arts and culture” convenient. The right, financially viable museum would draw visitors to Bergamot, increase exposure to the existing arts businesses, and enable more coordinated arts-related events than currently exists now that the Santa Monica Museum of Art (SMMoA) has left Bergamot Station. Further, we recommended reconfiguring the proposed museum’s 2-story design by placing about half of the building below ground and splitting the above ground building into two separate wings to enable Bergamot to remain visible from Olympic Boulevard.

Triggering greater community involvement with Bergamot through a new **community center** was also important to us because Santa Monica is subsidizing the arts by keeping the GNC rents lower than market rates now and in the future. We recommended a new, centrally-sited community center that would offer a wide variety of free art programs and workshops, film and music events (both indoors and outdoors) to draw residents and visitors to Bergamot.

Taking these things together, in Phase 1 of the project, **the total arts-related uses on the site would be increased to about 100,000 square feet from 60,000 square feet (95,800 plus a community center space of 4,000). That’s a 60% increase in arts and cultural uses** and associated programming that we believe can be added to enhance the arts without compromising the site’s integrity.

The rest of the buildings in Phase 1 are for **commercial** uses, at market rate rents, including a café, a full-service restaurant and creative office space. We recognized the need for some new commercial uses with market rate rents to help pay the increase in the ground lease, enable more arts uses on the site, and partially offset the historically lower (below-market) rents for the existing Bergamot GNC tenants.

We recommended allocating 7,000 square feet in total to two different locations for restaurant and café uses. **The Bergamot Café** indoor/outdoor operation would relocate adjacent to the museum building to accommodate a 2,000 square foot café and a “grab-n-go” operation and the remaining 5,000 square feet would be a full service, sit-down restaurant with catering facilities and capabilities located within the center of the site.

We recommended that the amount of “**creative**” **office space** proposed be reduced from the 44,000 square feet Worthe initially proposed to 30,000 square feet to better accommodate the site.

As to certain aspects of development that the Committee recommended for Phase 1, BSGCA representatives, in consultation with their members, expressed a different perspective and concerns as to parking pricing, sufficient parking on and off-site; the necessity to demolish part of Building “A” to enable commercial office space; and their members’ ability to survive multi-year construction. These issues are explained by the BSGCA in Exhibit 13.

Our Committee supports ongoing discussions with the City, Worthe, and the BSGCA to work through these issues, including construction mitigation proposals as the project plans are finalized in the DDA.

E. Summary of Discussions Regarding Worthe’s Hotel for Phase 2

We considered the hotel proposal last for two reasons: 1) It was proposed to be built after Phase 1 with a 2022 anticipated opening; and 2) its proposed location in the western portion of

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the site, accessed from 26th Street, appeared to be the only realistic location for it, given Bergamot's limited site access.

The hotel that Worthe proposes to build remains the most controversial aspect of the entire project and we were unable to achieve consensus. The initial proposal Worthe submitted to the City's Evaluation Committee called for a 7-story, art-centric 83,000 square-foot hotel, with 120 guest rooms, a roof top bar, restaurant, conference rooms, a gym, art uses on the ground floor and a subterranean parking garage with 106 spaces for guests and employees. The height was the maximum 86 feet (a Tier 3 under the Bergamot Area Plan).

The City's Evaluation Committee was concerned about the hotel design. The September 9, 2014 staff report states: *"The selection panel expressed concerns about whether the proposed hotel design complements its surroundings. While the inclusion of the Site's original design firm is valued, the selection panel felt that the proposal did not add to or diversify the Site's overall design potential and circulation objectives in a way that would be beneficial to help usher Bergamot Station into a new phase of operations."*

Several Committee members and various members of the public at community meetings about Bergamot have echoed these sentiments – that as designed, the hotel felt "corporate," "plunked down" or not integrated with the existing buildings or respecting the character of the site.

In addition to the design issue, some Committee members were concerned about the overall scope and scale of development and whether it was too much. (The 2/10/15 City staff report and recommendations to the City Council on Bergamot noted that when the Council selected Worthe as the developer, *"Council expressed concern regarding the overall scope and scale of development included in its (and the other) proposals"* and encouraged *"more creative license on the part of Worthe and the Advisory Committee in developing solutions to satisfy the goals..."* See February 10, 2015 Staff report, page 3: <http://www.smgov.net/departments/council/agendas/2015/20150210/s2015021008-A.htm>

In December, after discussing the initial hotel design and raising key questions and noted concerns, the Committee asked Worthe to return with a smaller, boutique hotel design of 80 rooms and 4-5 stories and to report if it was financially feasible.

At our January meeting Worthe came back with a proposal to eliminate one story, thereby reducing the hotel height to 6 stories, 70,800 square feet, with a height between 65 feet to a maximum of 75 feet and 100-105 total guest rooms. Worthe mistakenly described this to us as a "Tier 2" hotel height under the Bergamot Area Plan.

After discussing Worthe's presentation, the Committee voted to recommend "a Tier 2" hotel at Bergamot. After the meeting, some Committee members reviewed the Bergamot Area Plan maximum height for Tier 2, expressed concern to Worthe that what Worthe had represented was not correct, and asked City staff to clarify the maximum heights for a Tier 2 hotel at the next Committee meeting.

At our February meeting, City staff informed the Committee that a Tier 2 hotel could not exceed 60 feet under the Bergamot Area Plan, (which meant that the hotel the Committee had approved was actually a Tier 3 project). Worthe explained that he erroneously had said "Tier 2" when describing the proposal, but reiterated the reasons for keeping the hotel at 6-stories. He told us that additional reductions in the hotel height or room count would not be financially feasible. Worthe also stated that if the minimum first floor heights in the Bergamot Area Plan

could be reduced from the 15-foot ground floor requirement for this project in the DDA, it would lower the height further from 65 feet.

The Committee voted to rescind and nullify the previous motion recommending “a Tier 2” hotel on the basis of ambiguity. After further discussion of the hotel Worthe was proposing, a motion to re-vote on the hotel was withdrawn until Worthe submitted revised pro formas for Phase 1 and Phase 2 net cash flows to determine the respective profitability of each Phase, as to the City and Worthe.

At our March meeting Worthe provided us with the financial breakdown we requested, which included the changes we had recommended in Phase 1. For Phase 1 (no hotel) from 2018-2072, Worthe estimates that the City (Big Blue Bus) would receive \$50 million dollars in ground lease payments, the City itself would receive \$26.2 million in estimated sales taxes and fees, and Worthe estimates its net profits at about \$105 million by 2072.

For Phase 2, with the hotel, the ground lease payments to the Big Blue Bus would stay the same at \$50 million over the lease term, and the City’s sales taxes and fees would go up from \$26.2 million to \$33.2 million. In addition, the City would collect approximately \$125 million in transit occupancy taxes or TOT. Worthe estimates its net profits would exceed \$260 million by 2072.²

The Committee then voted on Worthe’s 6-story/100 room hotel with art galleries on the ground floor and deadlocked 5/5 with one Committee member absent. Following the meeting, the missing Committee member reviewed all of the information provided, listened to the meeting audiotape and joins with the 5 Committee members who voted against the hotel proposal.

1. Reasons to Recommend a Hotel at Bergamot:

The Committee members advocating for the inclusion of the hotel in Phase 2 of the project consider the hotel to be: a catalyst for new jobs, locally hired employees and an overall positive impact to the economy of Santa Monica. This would be realized through retail tax, tourism and occupancy tax as outlined in this report. The hotel would provide Bergamot Station a core venue to accommodate visiting artists, gallery goers, musicians and performers that would participate in seasonal events, festivals and programs at the redesigned Bergamot Station, the galleries, stage space and museum.

And currently, with 76.3% of Santa Monica visitors not utilizing a car to traverse our community, the opening of the Metro Expo Light Rail station will encourage those visitors and hotel guests to access the best of Santa Monica directly from the station adjacent to Bergamot Station; while also taking in the eclectic and unique arts & culture experiences that only Bergamot Station can offer.

² Worthe calculates its net projects by applying its annual net cash flows to its capital balance year-by-year. From 2051-2072, Worthe estimates \$260 million in net profits or \$17.2 million in 2016 dollars. See Exhibits 7(a)-(c), Keyser Marston Public Revenue Estimates and Developer Returns, revised by Worthe; Exhibits 8(a) and (b), Worthe revised revenues and construction and financing costs; Exhibits 9(a) and (b) (Worthe updated pro formas, capital balances and net cash flows for Phases 1 and 2; and Exhibit 12 (Worthe 4/16 calculation of City revenue through the lease term).

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Further, the 2014 Santa Monica hotel occupancy rate of 85.84% represents the continued demand for our destination by tourists and business travelers alike.

Conversely, new hotel development is ongoing in the greater Los Angeles area. The various convention & visitors bureaus around the region have reported (as of December 2015) that collectively there are 8,500+ hotel rooms to be built over the next four to five years. The majority of this new inventory will be in the Downtown Los Angeles area and Hollywood; with numerous hotel room allocations clustered in convention hotel projects.

As the Bergamot Station proposed hotel project is slated to be low-rise, arts centric and community focused for dining, events and convenience for visiting family, friends and relatives, the location will be complemented by the local creative use office space adjacent to Bergamot; also supporting less traffic and commuting business travelers conducting business at those office and corporate headquarter locations.

2. Reasons to Oppose a Hotel at Bergamot at this Time:

Background:

The Committee members who oppose the hotel were concerned about its size and overall design as “corporate,” not “boutique,” out of scale with the surrounding warehouse buildings, feared that it would overdevelop the site to the detriment of Bergamot as an Art Center, and potentially threaten the economic survival of the GNCs.

The fundamental issue of whether a hotel made sense at Bergamot was a big part of our discussions. Roughly a third of our meetings included discussions about Worthe’s proposals for a hotel and issues arising from them. This was partly due to the fact that the City Council did not specify a hotel as part of the mix of uses as had been the case with “a museum” and “additional non-profit cultural uses.” The Council guidelines for future city revenues for the Big Blue Bus (BBB) are open-ended:

In addition to uses that would support “a consistent revenue source for the BBB,” through annual ground lease payments of \$622,000, increasing over time, the Committee was to consider uses that would “generate additional municipal revenues that could be used to supplement BBB funds.” See Exhibit 1.

While City planning anticipates a public/private partnership for a hotel on the site, many who attended a community meeting about Bergamot or who were surveyed disagree. See May 7, 2014 *Santa Monica Daily Press*, “Residents, artists question Bergamot station development” (audience members vocal in questioning why a hotel was part of the mix of uses): <http://smdp.com/residents-artists-question-bergamot-station-development/134378>

At that community meeting, a city survey was handed out, asking 9 questions, including a specific question about how important/likely or unimportant/unlikely participants would use

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hotel services, rooms, meeting rooms or event venue. Of the 42 respondents, 32 or 76.19% said a hotel was the least important and not likely to use/attend. See staff report, Attachment A:

<http://www.smgov.net/departments/council/agendas/2014/20140909/s2014090908-A-1.pdf>

During May, the City also asked the community, via its Bergamot website, to comment on the three developer proposals. Many of the two dozen respondents disapproved of siting a hotel at Bergamot or building it on public land. See staff report, Attachment B:

<http://www.smgov.net/departments/council/agendas/2014/20140909/s2014090908-A-2.htm>

Our specific issues and concerns relating to the hotel:

- **There is a perceptible shift in Santa Monica as to what the public believes is the appropriate use of public land for new development and the nexus to the public good that should be shown** -- the case has not been made that hotel TOT revenue that would go into the City's General Fund is a sufficient basis (or nexus) to justify building a hotel at Bergamot; in other words, just because a hotel would generate the most revenue for the City doesn't *ipso facto* make it the right use of City land; and there is also the broader question of whether the City, which would own an aging hotel once the lease expires, should be in the hotel business;
- **Under LUCE, the City has multiple hotels approved or pending** with full discretion to use those TOT revenues for transit or other purposes without building a hotel on public land at Bergamot to generate more TOT;
- **The City does not share in the additional revenues from building the hotel on public land** (other than TOT and sales taxes) -- it all goes to Worthe under its proposal;
- **The Improvements to Bergamot Art Center in Phase 1 and the revenues that are projected are sufficient to meet the City's guidelines and fund Bergamot over the next 55 years without Phase 2 (the hotel);** our review of Worthe's cash pro formas for Phase 1 shows that Phase 1 is sufficiently profitable to the City to achieve the guidelines for consistent, ongoing BBB revenues; subsidize the GNCs; make needed site improvements; generate enough revenue to support a new museum, community center, and robust programming; and turn a profit for Worthe;
- **The Bergamot Art Center Would Not Benefit from Hotel-Generated Revenue:** our review of Worthe's cash flow pro formas and submission financing information for Phase 2 show that the loans, the hotel revenue, expenses and net operating income are independent of Phase 1. The resulting annual positive net cash flows and revenues to the City or Worthe are not expected to subsidize Bergamot in the future or to be reinvested into Bergamot or the arts. The City would get the TOT for the General Fund and Worthe would get the net profits. For these reasons, we respectfully disagree with the September 7, 2014 staff report

at page 13 to the Council stating that adding a hotel would help “*underwrite . . . a museum building, open space, transit amenities, community arts and cultural programming, and the ability to continue to provide below-market rents for galleries and cultural uses while investing necessary improvements in the Site*” (including the creative office does this);

- **An insufficient case was made as to the viability of an art-centric hotel outside the downtown** for business or tourist clientele and/or hipsters; we did not have access to any market study or other objective information that would justify giving such a valuable entitlement to a developer to build it on public land (or possibly transfer an entitlement to another developer downstream);
- **Activation of Bergamot will already occur** from the volume of anticipated Expo station ridership together with the Phase 1 mix of new arts and commercial uses intended to activate the site, (*i.e.*, restaurant, commercial offices, museum, and a steady program of arts and cultural events); building a hotel to further “activate” the site is an insufficient justification when weighed against all of the other countervailing issues;
- **There is a construction “tipping point”** beyond which the existing GNC tenants’ businesses cannot reasonably be expected to survive – the present plan calls for a hotel in Phase 2 after Phase 1 is completed, adding 2 more years to a 3-year construction plan to first build a parking garage off-site, followed by 5 new buildings on-site; taking both Phases together virtually the entire site around the existing, preserved GNC buildings will constitute an ongoing, highly impactful construction zone;
- **The hotel’s architectural concept is not a “boutique” hotel as envisioned in the Bergamot Area Plan; rather, it is an oversized corporate, “barrier” building that would overshadow the site** and be at odds with the understated human scale of the open space and buildings on the site; (By contrast, see BAP, p. 79 - photograph of a boutique hotel that “respects the character of its surroundings” -- the Hotel Healdsburg, a 3-story/55-room luxury hotel); While Worthe did propose to reduce the height of the hotel from 7 to 6 stories in response to Committee and community concerns about the height, it did not resolve these design and compatibility issues;
- **The siting of a hotel with ingress and egress from 26th Street is a serious, intractable problem** - this narrow one-way, two-lane street cannot accommodate the traffic it has now. Traffic will be further impacted by delays for Expo trains as well as the new development proposed for Phase 1; and Worthe and our Committee recognized that there was no other location on-site where a hotel could be built due to the limited access from Michigan Avenue which dead ends into Bergamot;
- **The adverse environmental impacts of a 100-room hotel – water, electricity, blocking solar shadows, infrastructure and increased traffic congestion may be significant for this already seriously congested area** – we understand that a project Environmental Impact

Report (EIR) will be prepared if the City moves forward with a DDA with Worthe; hotels are among the highest commercial users of water and electricity. Bergamot historically has had low usage of both. In addition, the failure of the City to require that Michigan Avenue be extended as shown in LUCE means that all of the new recommended uses at Bergamot and events programming will continue to generate traffic headaches for those who drive there with no solutions in sight; and

- **Approvals of a hotel or any additional uses other than the five new buildings in Phase 1, should be deferred for at least 10 years (5 years for Phase 1 construction and 5 years to evaluate Bergamot’s resurgence);** otherwise the potential for overdevelopment of Bergamot, the loss of the established arts community there, and the loss of what Bergamot represents to Santa Monica could be irreversible.

Bergamot is one of the City’s most valued public assets: Careful City stewardship is essential to protect it and enable it to flourish as an Arts Center. For all of these reasons, 6 Committee members believe that it is premature to approve a hotel in concept at Bergamot at this time. We recommend that the City not enter into negotiations with Worthe for a hotel as Phase 2 of Bergamot or include it as a mix of uses in the DDA.

F. Helping the GNCs Survive Multi-Year Construction Impacts

The galleries have expressed concern about the potential impact that construction could have on their operations. To help reduce these concerns, the proposed construction is phased to minimize the impacts on tenants. We believe there may be some additional ways that the City could assist the tenants in dealing with the construction impacts, based on experience the City gained during the Pier reconstruction project. It could include the following:

- Assistance with an outreach and marketing campaign that would:
 - Communicate that “Bergamot is Open” during construction
 - Using prominent signage, social media, email.
 - Provide an up-to-date access strategy, explaining how gallery patrons can best access Bergamot during different phases of construction (parking options, Expo, etc.).
- Rent reductions for the GNCs during the time period of significant construction activity if the sales tax revenue generated from the site or other relevant information reported to the City during the multi-year construction falls significantly below expected levels. We recommend that the City include language in its ground lease with Worthe that requires Worthe to “pass thru” such rent reductions to the respective, impacted GNCs.

G. Our Specific Recommendations for the Project

An aerial view of Bergamot Art Center is shown in Exhibit 2. The initial “before” concept for the Bergamot Art Center is shown in Exhibits 3(a) and (b); a comparison of the “before” and “after” concepts is reflected in Exhibits 4(a) and (b). These exhibits all contain conceptual renderings.

Our recommendations to Worthe and the City for the Bergamot Art Center are:

- Comparable, adjacent parking to code of not less than 561 shared parking spaces built offsite to replace the existing surface parking at Bergamot for its existing and new businesses and visitors (211 spaces) and City Yards employees (350 spaces) before Phase I construction begins (or satisfied on an interim basis elsewhere such as at the pending, adjacent Kardashian garage project; the entrance to the Bergamot parking garage would be located directly across from the main Bergamot Art Center entrance on Michigan Avenue;
- Preservation of the majority of the existing industrial warehouse buildings known as A, B, E, and F to protect Bergamot’s character, and demolishing only part of Building “A” in order to accommodate a new arts-related Building (“D”) and commercial “creative office” space (“C”);
- Retention of existing Bergamot tenants who would be temporarily displaced by construction by relocating short-term elsewhere on the site, and later moving to finished space thereafter, if they choose to remain; and priority for existing arts tenants on the adjacent private property on Michigan Avenue (Bergamot II) to relocate to the City-owned part of Bergamot (Bergamot I), at subsidized rents, in the future if there is space and they would like to do so;
- Substantial increase in arts and cultural spaces (ground floor, new buildings “C” and “D);” both restricted to art gallery, non profit, and cultural uses (“GNCs”) on the first floor, such as City Garage Theatre, Building Bridges Art Foundation, and the Sculpture Foundation, enabling them to fit well with Bergamot’s one-story arts scene; and allocating at least 6,000 square feet of the total 65,700 square feet of GNC space to two separate 3,000 square feet spaces for non profit performing arts with City Garage Theatre given priority as to future programming and use of the space;
- Recognition of the importance and interactive impact of a new museum (Building “M”) near Expo to add to Bergamot’s art center reputation, increase its success, and enable more arts-related events interacting with Bergamot’s existing “GNC” businesses and the community (the museum partner to be determined before it is built);
- Creation of a centrally-sited community center (Building “H”) a 4,000-square-foot multipurpose facility centrally sited, designed with a fluid connection between inside and out with up to 5,000 square feet of connecting open space, for indoor/outdoor activities, such as community art exhibits, workshops, film and music events and other events free to the community; for large-scale events, its new location, adjacent to the relocated Bergamot Café, could also serve, as needed as an overflow food venue;

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- Development of an arts center management plan and budget of \$270,000 for a full-time program director (\$70,000) with an additional \$200,000 a year for programming and marketing for a wide range of arts events and activities; an annual plan to be determined by a steering committee comprised of the dedicated Bergamot program director, BSGCA representatives, members of the community and the City's Cultural Affairs Division (not programmed solely by our City's Cultural Affairs Division); See Exhibit 5 (Worthe Arts Center Management Plan). Any revenue from private events would be reinvested into the budget. The steering committee would also make recommendations as to the tenant mix for new GNC tenants when space becomes available.
- Relocation of the Bergamot Café and new full-service restaurant (Building "G") To enable new construction, the Bergamot Café which presently occupies approximately 2,000 square feet would need to relocate to a similar size location adjacent to the new museum building for a café and "grab-n-go" kiosk. In addition, a new, 5,000 square foot full service restaurant with catering capabilities would be centrally sited with indoor/outdoor dining to add to visitor's overall experience with Jeff Stuppler, owner of Bergamot Café to be given priority for operating the restaurant, in addition to the Café;
- New construction: a three-story Building "C" for market rate commercial "creative offices," restricted to 30,000 square feet, with an additional 15,000 ground floor uses reserved for the "GNCs" (30% reduction in office space from the initial proposal) and a new two-story Building "D" with 9,000 square feet of "GNC" ground floor space and 9,000 square feet of arts-related uses at market rates; (Note: Unlike the existing warehouse buildings, these new buildings will not be scattered randomly throughout the site. They would be built in the southeast corner of the site abutting Agensys on the east and the south property line of Bergamot in a reverse "L," designed to complement the existing strong industrial identity of Bergamot under the Bergamot Area Plan);
- Deferred maintenance and infrastructure improvements – site upgrades such as better public restrooms, lighting, plumbing, pavement and landscaping to be more attractive and inviting to visitors who, once they arrive, tend to spend time at Bergamot. Worthe estimates spending up to \$200,000 a year once the new buildings are built in Phase 1. See Exhibit 6 for an illustrative list of improvements. Worthe also estimates \$1 million in tenant improvements to existing buildings (See Exhibits 6 and 8(b));
- Preservation of open space in the central portions of the site and in and around existing buildings to keep the open air campus feel and the special experience of wandering around Bergamot to discover the arts. There will be approximately 131,000 square feet of public open space in a central area and scattered throughout the property. If Phase 2 is not built, there will be even more open space; and
- Reduction and relocation of the bike center from a 4,600-square-foot space to a 600-square-foot facility on the periphery of the site or in the adjacent parking garage to be built by Worthe on the City Yards property across from the main entrance to Bergamot that abuts a proposed bike path. (Note: This is due to the close proximity of bike spaces at Agensys; 488 bike spaces at the Papermate site across the street, and a nearby Breeze bike share on Olympic; this also enabled the space that would have been used as a bike center to be used instead for a new community center).

The Committee's recommendations are all based upon self-reported financial information Worthe included either in its initial 2014 project submission to the City or that it updated and provided to aid us in our discussions. (See Exhibits 7- 9).

The end result is that much of the site remains one story, including the remaining industrial buildings, as well as the single-story profile of a new museum building (by placing about half of its square footage below grade). Both the "new" Bergamot Café and the community center also would be one story. Removing surface parking except as necessary for gallery and restaurant delivery needs, and turning the surface lot into landscaped public open space will keep the campus feel of Bergamot while enhancing outdoor events and dining.

H. The Increase in Revenues to the BBB, City and Worthe from Phases I and 2

1. Phase 1 Revenues

Current GNC Revenues

Selling art is pretty much a marginal economic activity. This means that to survive financially, galleries have to go where the rents are economically viable to their business. Fortunately for Santa Monica, a nucleus of diverse art galleries, nonprofit, and cultural tenants ("GNCs") have been attracted to Bergamot since it opened in 1996. They have been able to remain because of the relatively modest rents Bergamot offered for industrial space that wasn't new and didn't offer amenities like air conditioning, modern bathrooms, or leak-proof roofs.

The for profit galleries on Bergamot I currently pay anywhere from about \$1.35 to \$2.14 per square foot. The non profit and cultural tenants pay about \$1.00 to \$1.50 per square foot. This information comes from a 2013 Bergamot Rent Roll as well as financial information Worthe submitted to the City in 2014 in structuring proposed rent subsidies in connection with a new ground lease. These rents may have increased since then.

In 2013, Bergamot Station Ltd. (Wayne Blank) collected approximately \$1.4 million in rent revenues from these "GNC" tenants. After ground lease and operating expenses, that year's annual positive net cash flow was approximately \$600,000.

In January 2018, under a new ground lease Worthe is proposing to the City the payments would increase to \$700,000 a year (an increase of \$180,000 a year, with 5-year increases payable to the Big Blue Bus).³

Presently, two different rent subsidy formulas have been proposed for the GNC tenants. Under a fixed formula Worthe initially proposed to the City, the for profit galleries would pay approximately \$2.09 per square foot (a 35% discount based upon an estimate of \$3.09 per square foot market rate for arts-related space); the non profits, such as City Garage Theatre and a new museum would pay \$1.24 per square foot (a 60% discount).

³ Worthe and City staff have advised us that none of the ground lease terms or rent subsidy formulas have been negotiated. If these assumptions change, it could affect the revenue assumptions that we reviewed as the basis for our recommendations. We recommend that BSGCA representatives meet with the City and Worthe, to arrive at mutually agreeable sublease terms to memorialize in the ground lease. As to non profits, except the museum, those discussions should include the maximum subsidies to enable their survival in the long term.

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The BSGCA proposed a second formula that is based on the existing GNC subleases and a 2014 Memorandum of Understanding and Addendum signed by Worthe. It would be a continuation of current GNC rents and rent increases tied to the Consumer Price Index (CPI), not calculated as a discount or percentage from market rents. (The current aggregate average of \$1.74 per square foot includes common area maintenance charges for existing GNCs with with some GNC tenants paying a higher or lower rent rate). Worthe's updated pro formas use the BSGCA rent formula. See, e.g., Exhibit 9(a).

Both formulas represent an ongoing subsidy to existing and possibly future "GNC" tenants. This would enable businesses to remain or to newly establish themselves based upon a long-term commitment of below market rents. We did not discuss the rent that Bergamot Café is paying or would likely pay for the new space. The proposed community center and the separate bike facility would not pay rent.

When our Committee recommended that "existing" Bergamot I and II tenants receive rent subsidies, we did not address whether "future" GNC tenants not presently occupying space at Bergamot I or II, would be entitled to the same rent subsidies. It remains unclear if there is any reason for the Committee to have distinguished between existing and future GNC tenants in our recommendations. Worthe has indicated it is up to the City to decide this.

Once that decision is made, we believe the City ground lease agreement should require Worthe to provide the City with all Bergamot tenant sublease and annual rent rolls to ensure that the project remains affordable to those GNCs that are subsidized for the duration of the ground lease to verify that the agreed upon subsidized GNC rates remain in effect. Previously, City staff recommended that at least 75,000 square feet of GNC uses remain subsidized and be so monitored. In fact, our Committee has recommended that even more than that amount be subsidized as discussed above (65,700 square feet of GNC, and a minimum of 21,100 square feet for a museum).

New Market Rate Tenant Revenues

Under the Worthe rent formula, new commercial "creative office" tenants occupying 30,000 square feet in Building "C" would pay commercial market rates of \$4.00 per square foot. The new arts-related tenants occupying 9,000 square feet in Building "D," would pay a market rate of \$3.09 for arts-related uses.⁴

Comparing BBB, City, and Worthe Revenues in Phase 1

Under the Worthe proposal, beginning in 2018 the annual ground lease payments to the City (Big Blue Bus) would increase from \$528,000 to \$700,000, increasing thereafter by 1%, annually compounded, every 5 years, totaling approximately \$50 million over the 55-year lease term. Once Phase 1 construction is finished, without constructing a hotel in 2022, the City's annual sales, tax and license revenues are estimated at \$454,837 a year or \$26.2 million over the lease term. (See Exhibit 7(a), Keyser Marston Public Revenue Estimates, as revised by Worthe; See Exhibit 12, Worthe 4/16 calculation of City revenue through the lease term).

⁴ This category of "arts-related" uses has yet to be defined under the Disposition and Development Agreement ("DDA") but it is something different than the existing rent-subsidized GNC" tenants on Bergamot I and II.

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For Phase 1, after the first 5-year stabilization period, Worthe has gradually increasing annual positive net cash flows, after paying the ground lease and debt service (interest payments), resulting in approximately \$150 million over the entire 55-year lease term. Worthe estimates net profits of \$105 million (Worthe estimates its net profits for Phase 1 by deducting the annual positive net cash flow year by year from the total capital costs for Phase 1 with net profits beginning in 2050 and continuing through 2072).

Worthe and the Committee agree that the City's independent economic consultant will need to scrutinize this project's finances, including all revenue, income, and expense reimbursements, Worthe's return on equity, internal rate of returns, and relevant financial practices and metrics based on industry standards.

2. Comparing BBB, City and Worthe Revenues Adding a Hotel in Phase 2

Adding a hotel use to the project mix greatly enhances City revenues because of the hotel transient occupancy taxes or TOT. If a hotel were built in Phase 2, the City would receive TOT of approximately \$1 million a year, beginning in 2022 (the hotel's first year of operation), increasing annually to \$4.7 million in 2072, and totaling approximately \$125 million by 2072. See Exhibit 12.

The City's sales taxes and fees would go up from \$26.2 million in Phase 1 to approximately \$33.2 million (\$545,147, increasing annually to \$755,121 in 2072, totaling \$33.2 million by 2072). The ground lease payments owed to the Big Blue Bus would stay the same, totaling about \$50 million in 2072.

Building a hotel in Phase 2 is also profitable for Worthe. Adding the hotel annual positive net cash flows to those in Phase 1, after paying the ground lease and debt service (interest payments), results in an initial \$2 million in annual positive cash flows to Worthe once the hotel is built by year 5, increasing to over \$15 million annually by 2072. These stabilized increasing positive net cash flows total over \$350 million over the lease term (2022 – 2072). Worthe estimates net profits of \$260 million by 2072. (See Exhibit 8, Revised Revenues, and Exhibit 9(b) updated pro forma and cash flow projections).

The City's independent consultant used a RevPAR figure of \$215 (average occupancy rate and average daily room rate) in its analysis. (See Exhibit 7(b). These projections will likely go up before a hotel is built in 2022, increasing TOT to the City, and hotel revenues, positive cash flow, and net profits to Worthe. (See Exhibit 9(b) – hotel revenues shown in 2022). In 2014 the average occupancy rate for Santa Monica hotels was 85.84%, the average room rate was \$308.25 per night, and the RevPAR rate was \$258. The hotel being proposed is slated to be one step below the luxury hotel rate in Santa Monica although the September 9, 2014 staff report called for a "mid-priced hotel." While the expenses of running a hotel are variable, based upon occupancy levels, staffing requirements and related guest services, an incremental increase in room rates and/or occupancy rates would flow to the hotel operator and to Worthe's bottom line.

3. Unknown Parking Garage Costs and Revenues

As to parking revenues from a new shared parking garage, nothing has been determined as to who pays for the garage, the rates for City employee spaces (350), or Bergamot tenants and visitor spaces (211). Both the City and Worthe recognize that daily pricing needs to be more

than \$2 per day to discourage daily Expo parking.⁵ Free surface parking at Bergamot has been a factor in its success so pricing, sufficient parking for gallery businesses, and valet or other options for senior citizens and the disabled all need to be resolved. This is included in our list of unresolved issues at the end of this report. Once this information is known, it will need to be factored into the overall project costs and revenues before this project is approved.

I. Unresolved Issues for the City, Worthe, the Committee and the Community

- Changes to the Project as Recommended if Bergamot I and II Were Both Owned by the City or all or some portion of it or adjacent land was purchased by Worthe before Phase 1 or 2 was undertaken;
- Possible Relocation of the Proposed Hotel to Adjacent Property – if the City or Worthe were to acquire adjacent property before the building of a hotel in Phase 2 of the project, could the hotel be relocated off-site instead of at Bergamot?
- Site Improvements before 2018 when a new ground lease is in effect to spruce up the site, add landscaping and better paving, modern restrooms, etc.;
- Clarification of rent subsidy formulas for existing and future GNC tenants (i.e., whether the same subsidy would apply to all or some other formula for new GNCs);
- Hardship Mitigation Strategies to help GNCs survive multi-year construction impacts on their businesses, including marketing, signage, and temporary rent reductions provided by Worthe to the GNCs during the time period of significant construction activity if the sales tax revenue generated from the site or other relevant information reported to the City during the multi-year construction falls significantly below expected levels;
- Clarification of the extent of tenant improvements proposed for existing buildings A, B, E and F – the level of renovation could trigger building to code and whether that would result in unforeseen changes to the existing buildings, displace the current GNC tenants during the process, and cost increases that could negatively impact rent subsidies, forcing existing GNC tenants out;
- Shared Parking Facility for Bergamot Art Center and City Yards Employees - costs of construction and who pays for it; the number of spaces dedicated to City Yards employees; free or discounted parking for City Yards employees; Worthe proposal that the City, or City Yards employees pay 65% of the market rate of \$200 per month for parking for 350 City Yards employees; cost and sufficient number of parking spaces for Bergamot I and II tenants and visitors; valet or other on-site parking for elderly or disabled; and daily parking rate to discourage daily Expo parking;
- Further Survey of City Yards Employees – to determine how many of them live in Santa Monica, their driving patterns and potential off-site parking, with shuttles or vans to Bergamot to decrease vehicular traffic at peak hours;
- Hotel Parking – should a hotel located adjacent to a transit stop have fewer guest and employee parking spaces than the 1:1 ratio of room to parking space currently proposed? (Worthe to explore with the City);
- Inconsistency between LUCE and BAP over Extension of Michigan Avenue to Stewart Street (LUCE calling for a street extension; the BAP only a pedestrian/bike path – see

⁵ The City has floated various scenarios, ranging from \$12/day for Bergamot tenants and visitors or \$150 per month to \$0 - \$30 a month for City employees. Worthe has proposed that City Yards employees pay 65% of a market rate of \$200 a month for parking in the event Worthe pays for 100% of the costs of the entire garage (versus City Yards paying their pro rate share and Worthe paying their pro rata share).

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- attached Exhibits 10(a) and (b)); and whether a reverse 1-lane approach through the City Yards site without moving buildings could work while restricting overuse of Stewart;
- Possible Street Extension through City Yards other than extending Michigan Avenue to Stewart (from the southern area abutting the freeway) to help alleviate the limited street access in and out of Bergamot, particularly with daily increase in employees, guests, and night and weekend visitors who will drive to programmed events);
 - Agensys “tombstone” and additional barrier placed above ground on the westerly lot line that abuts Bergamot that impedes ingress and egress to Bergamot, including in an emergency – is this permitted under Agensys’ Development Agreement?
 - Security Gates at Bergamot to prevent Expo riders and adjacent workers from parking at Bergamot;
 - Drop-offs/Pick-ups for Expo Riders convenient to the 26th Street station;
 - Increased Marketing for Bergamot to counter the public perception, following the departure of SMMoA, or during construction of Phases 1 or 2 that Bergamot may be closed or closing;
 - Better Signage for Bergamot on Building “B” adjacent to Expo tracks – see Exhibit 11 as an example;
 - Determination of the Project FAR: The project FAR may actually be less than 1.0 if the hotel is 70,800 square feet and the square footage of the portion of the museum building that would be below grade is not counted towards the FAR. If it isn’t included, Worthe has said that he will not try to use that approximately 12,100 square feet elsewhere on the site to reach the maximum 1.0. If the City and Worthe fail to agree to a reduced FAR under the Disposition and Development Agreement (“DDA”), Worthe has agreed to return to our Committee to discuss adding that square footage elsewhere;
 - Investigation/Determination as to appropriateness of Bergamot as a historic district, as requested to the Landmarks Commission at its April meeting, including when the buildings were built, their use and their association with the rail line;
 - Authorization by the City Council to enable the Bergamot Advisory Committee to Reconvene to discuss (a) material changes to the project that our Committee did not review or consider but which are proposed in the DDA; or (b) changed circumstances, such as the unification of Bergamot I and II if such changes would impact the Committee recommendations and result in substantial changes to the project.

CONCLUSION

From the beginning, our Committee operated as an independent body of diverse stakeholders with diverse opinions. Our job was to preserve what makes Bergamot unique and balance expectations among the various entities, including the City, BBB, Worthe, BSGCA, and the widespread community of residents and visitors among whom Bergamot has earned its well-deserved reputation for fine arts and cultural programming excellence. We made these recommendations to the best of our ability, based on the information we were given, to enable Bergamot to thrive as an extraordinary arts and cultural center for many years to come.

Our recommendation to scale back the amount of commercial office space was based on discussions with Worthe as well as self-reported revised pro formas and revenue estimates and other materials we requested that Worthe readily provided. In looking at the City’s economic goals and hearing from Ed King of the BBB as to its future revenue expectations, there was concern as to the amount of new commercial uses (office and hotel) proposed to be added to the site in order to achieve them. We also believed that the proposed museum and bike center needed to be rethought; and, in the case of the museum, to have less of a visual impact to

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retain the existing sightline into Bergamot from the Expo station and 26th Street heading south toward Bergamot.

While a majority of the Committee was able to support Phase 1 based on our changes, there was a split vote and we did not reach a majority to recommend the hotel as proposed for the site for the reasons indicated in this report.

Our group, Worthe and City staff expended approximately 40 hours in public discussions about Bergamot and Worthe's development proposals. Worthe elected to prepare two physical scale models of the site, a "before" representing its initial concept; and an "after," reflecting both the changes recommended by our Committee as well as the hotel that ultimately was not agreed upon.

Committee members, especially our two co-chairs, expended many more hours with City staff to prepare agendas and presentations for the meetings. Individual Committee members also spent additional time to better understand the physical and economic aspects of the site, the various development proposals, and to research and follow up on issues raised at our meetings.

This significant time commitment with a developer and the affected stakeholder community **before** conceptual plans for a site are finalized under an ENA is unusual and appreciated. We were able to try to resolve or mitigate concerns, including impacts from the Expo station projected ridership on Bergamot; GNC tenant retention during and after development; the appropriate scale of development given Bergamot's existing character, site capacity, and infrastructure limitations; and the impacts of new development on the surrounding community.

Thank you for establishing this Committee as constituted, and enabling us to serve as arts, business, and resident stakeholders in discussing our views about this vital community asset that is Bergamot.

Dated: April 21 2016



William Turner, Co-Chair



Mary Marlow, Co-Chair

LIST OF EXHIBITS

- Exhibit 1 City Council Guidelines for Bergamot
- Exhibit 2 Aerial view of Bergamot Art Center
- Exhibit 3(a) Worthe initial development concept for Bergamot from re:envisionbergamot:station proposal, p. 43
- Exhibit 3(b) Worthe initial summary of key facts and figures for redeveloping Bergamot
- Exhibit 4(a) Revised concepts for Bergamot following Bergamot Advisory Committee review
- Exhibit 4(b) Before” and “after” renderings of Bergamot
- Exhibit 5 Worthe arts center management plan (draft)
- Exhibit 6 Bergamot infrastructure improvements (draft)
- Exhibit 7(a) Keyser Marston public revenue estimates revised by Worthe (4/16 without hotel)
- Exhibit 7(b) Keyser Marston public revenue estimates revised by Worthe (4/16 with hotel)
- Exhibit 7(c) Worthe update costs, lease and developer return assumptions – Phase 1 and Phase 2 (2/16)
- Exhibit 8(a) Worthe revised revenues chart (comparison of 2015 to 2016 estimates)
- Exhibit 8(b) Worthe update construction costs and financing – Phase 1 and 2
- Exhibit 9(a) Worthe revised financial pro forma and cash flow projections for Phase 1
- Exhibit 9(b) Worthe revised financial pro forma and cash flow projections for Phase 2
- Exhibit 10(a) LUCE street map showing Michigan Avenue extension to Stewart Street
- Exhibit 10(b) Bergamot Area Plan street map (no extension of Michigan Avenue)
- Exhibit 11 Signage and lighting illustration for Building “B”
- Exhibit 12 Worthe 4/16 calculation of City revenue through the lease term
- Exhibit 13 BSGCA Memo, MOU and Addendum

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Bergamot Station Advisory Committee Role, Key Deliverables + Council Guidelines
In the Feb. 10th Council action to establish the Role of the Advisory Committee and Guidelines for the revitalization of Bergamot were established by the City Council.

Role of the Advisory Committee: To work with the Worthe Group to refine the conceptual plan for the Site, including the evaluation and identification of an appropriate mix of uses for the Site, and to review, comment upon, and make recommendations regarding the important, yet currently undefined, key deliverables for the Site, including:

1. **Parking management strategy** (short-term and longer-term), including the appropriate amount and location(s) of parking, with consideration for the complexity of siting a major parking resource adjacent to an Expo station;
2. **Construction phasing** of improvements;
3. **Final urban design and site management strategy** that complements the community and arts uses, and connections to the Expo station;
4. **Infrastructure and overall Site improvements;** and
5. The elements of an **Arts Center management plan**, including tenant retention and recruitment efforts, marketing, and strategies to incorporate additional cultural uses and activities.

Guidelines for the revitalization of the city-owned Bergamot Station Arts Center property:

1. The project shall seek to minimize displacement and disruption to the fine art galleries and other creative businesses on the Site.
2. The project shall incorporate space for additional non-profit cultural uses.
3. The project shall support the Expo Station and bus integration through amenities and services, including consideration of facilities such as public restrooms.
4. The project shall incorporate a permanent home for a museum or other significant cultural institution that can demonstrate the ability to finance tenant improvements and ongoing operations while providing a cultural experience that benefits the Santa Monica community. Preference for a long term lease of the space shall be given to the Santa Monica Museum of Art..
5. The Site has customarily generated \$622,000 of annual ground rent. The project shall maintain and increase that ground rent amount over time in order to provide a consistent revenue source for the Big Blue Bus.
6. The project shall generate additional municipal revenues that could be used to supplement Big Blue Bus funds.

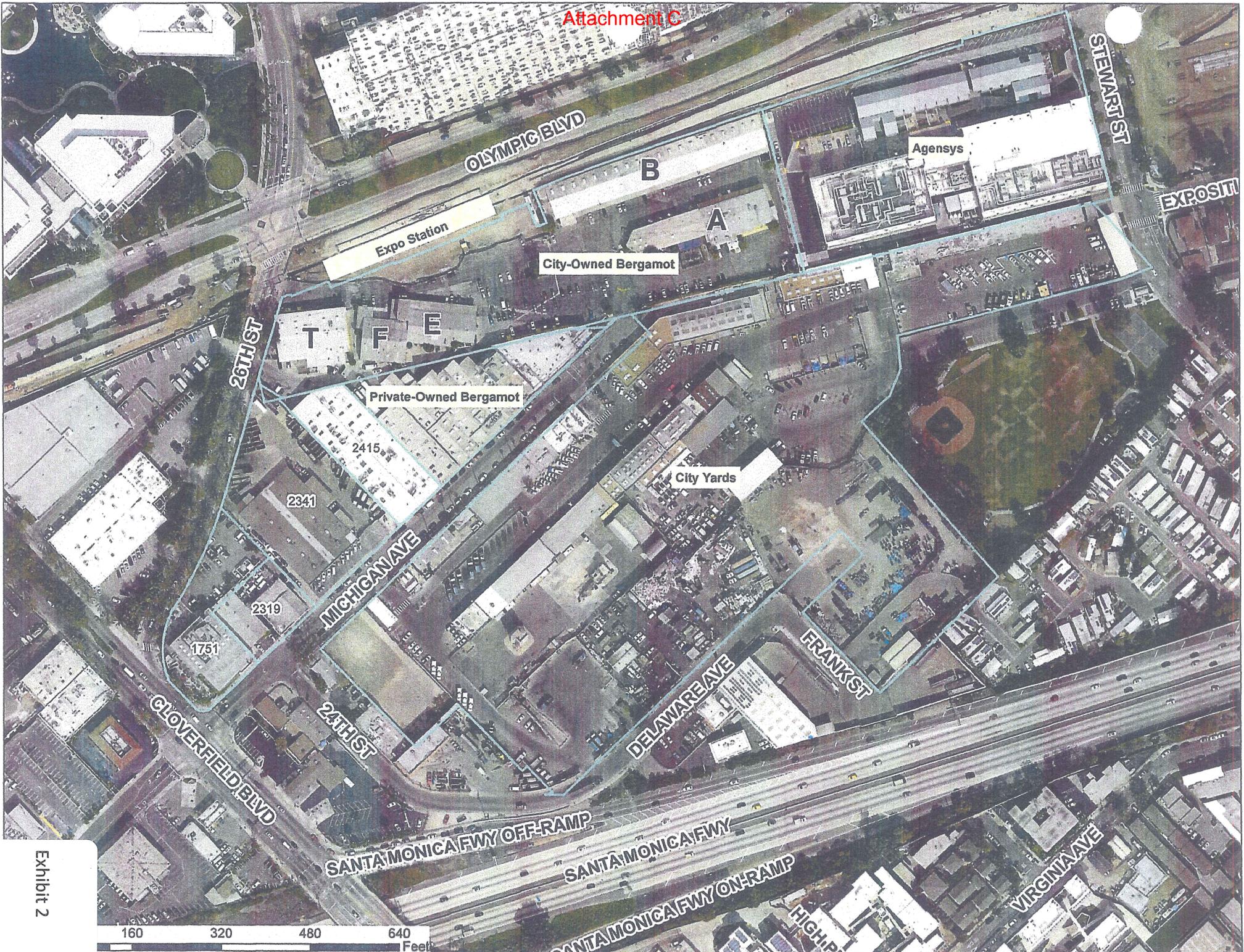
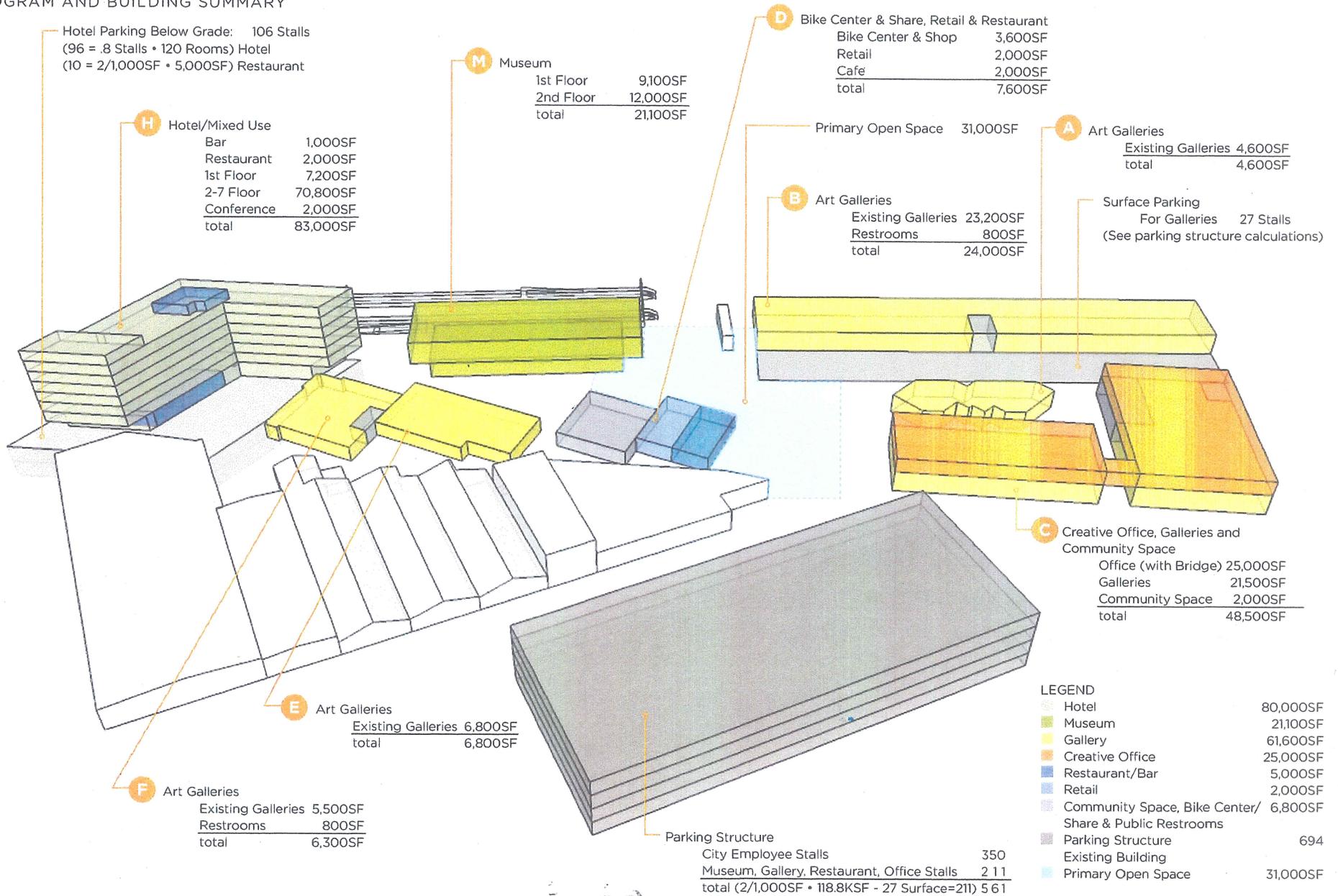


Exhibit 2

PROGRAM AND BUILDING SUMMARY



Bergamot Station LTD / Worthe

Proposal Summary — Bergamot Station Arts Center

Key Facts and Figures:

<u>Total Bldg Gross Sq Ft</u>	221,300
Subsidized arts space	82,700
Non-profit (incl. museum)	21,100
For-profit gallery	61,600
Hotel	80,000
Restaurant/Café/Bar	5,000
Creative office	44,000
Retail	2,000
Amenities (Community Space), Restrooms, Bike Center)	7,600

Public Open Space Sq Ft 31,000

<u>Total Parking</u>	383
Subterranean	356
Surface	27

Building Preservation Sq Ft
3 buildings, 41,500

Elevation and Massing

Hotel stories	7
Museum, office stories	2
Gallery stories	1
FAR	0.9

Development Team:

Worthe Real Estate Group, *developer*; Wayne Blank, *Arts Curator + advisor*; Frederick Fisher and Partners, LLC, *architect*; The Office of James Burnett, *landscape architect*; SBE Hotel Group, *hotel operator*; Community Arts Resources, *arts programming*; Looking, *brand identity consultant*.



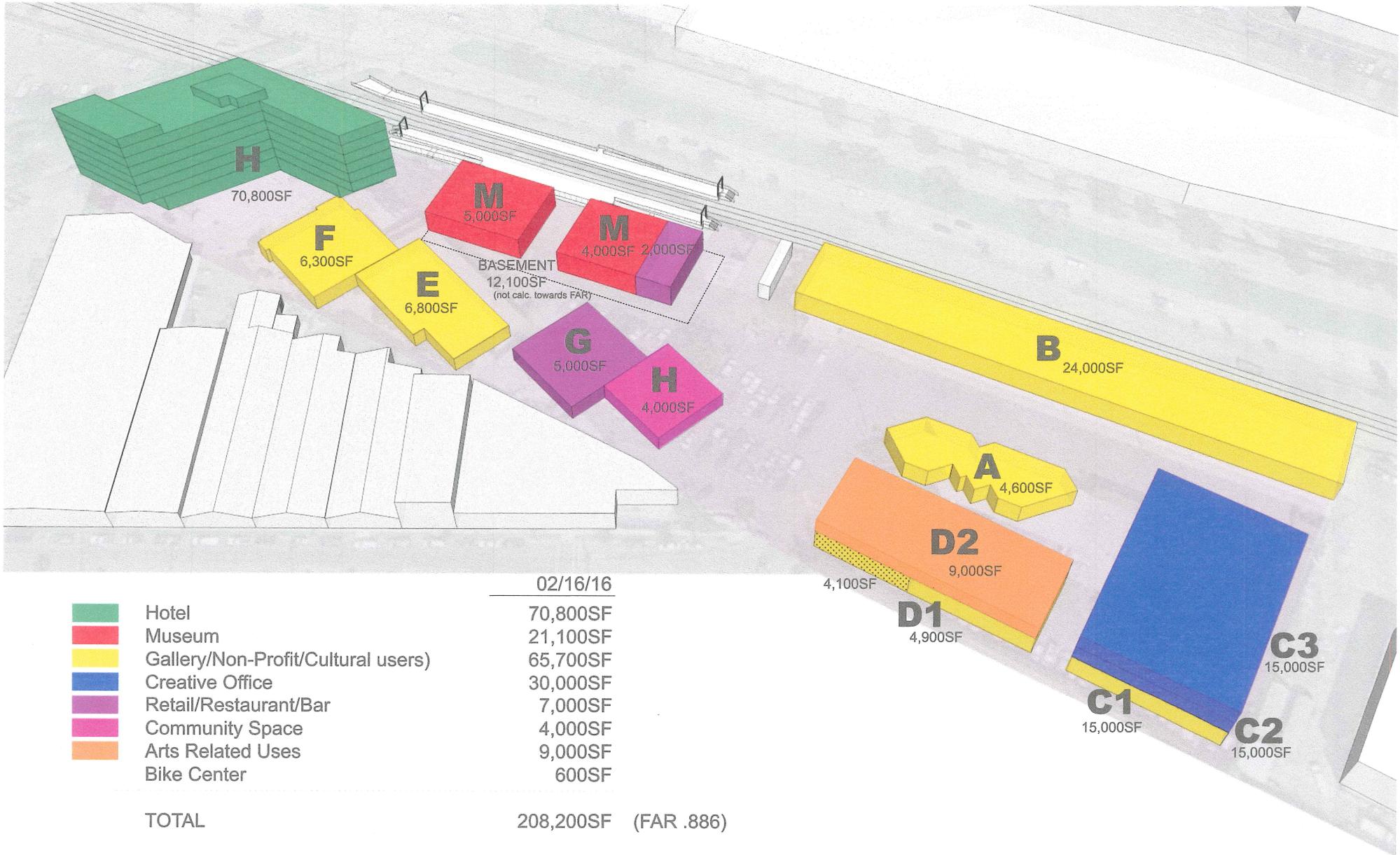
Proposal Summary: The developer possesses a unique understanding of the site, having collaborated with the founder and original architect of the current Bergamot Station Arts Center. As proposed, the design maximizes preservation of the existing warehouse buildings. Disruption to current tenants is minimized in an effort to retain as many galleries as possible. The development team envisions a new building for the Santa Monica Museum of Art, with museum activities spilling out into the surrounding public plaza and courtyards. A new 120-room hotel is located in the site's northwest corner, envisioned as an "upscale Redbury" concept, while two creative office buildings occupy the southeast. Two small buildings constructed in the central public plaza will contain retail space, a bike center and a café. In keeping with the existing design aesthetic, newly constructed buildings will feature corrugated metal siding, exposed steel and permeable concrete. Approximately 40% of the Site area will be utilized for surface parking and deliveries for the galleries, with the remaining parking spaces located under the hotel and creative office developments. An appointed site curator will coordinate event development and marketing, with oversight from the development group.

Public Objectives and Economics: As proposed, the project offers subsidized space to the art galleries and museum. Three existing buildings are preserved for the galleries in effort to retain the existing tenants, and new facilities are being added for the museum, office, hotel and retail. Total development costs are anticipated to be approximately \$80.4 million. The developer proposes an initial \$700,000 annual ground lease payment to the City with 1% annual increase compounded every 5 years. During the construction phase, the developer will work with an arts resource consultant to develop a governance structure and management plan, and to hire a site curator. The developer estimates an annual program budget of \$70,000 per year to support marketing and events. Arts Center tenants and non-profit and community groups utilizing the Center will be expected to contribute to their own marketing and event-related costs, thereby contributing to the overall arts center programming and activities.

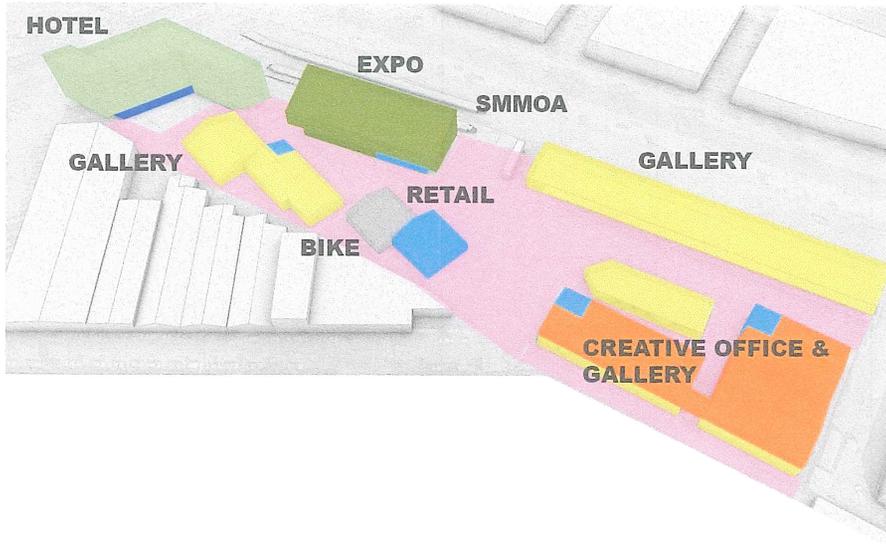


Proposal summary sheet prepared by City staff for informational purposes.

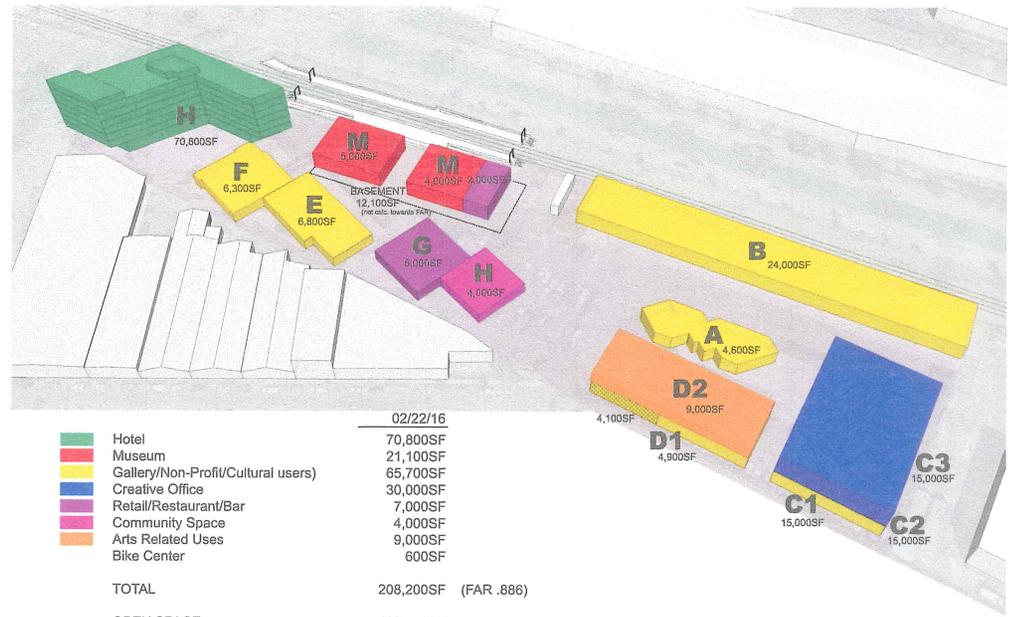
Attachment C



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■ HOTEL	80,000SF	■ RETAIL	2,000SF
■ MUSEUM	21,100SF	■ COMMUNITY SPACE, BIKE CENTER & RESTROOMS	6,800SF
■ GALLERY	61,600SF	■ OPEN SPACE	131,000SF
■ CREATIVE OFFICE	44,000SF		
■ RESTUARANT / BAR	5,000SF		



■ Hotel	70,800SF	
■ Museum	21,100SF	
■ Gallery/Non-Profit/Cultural users)	65,700SF	
■ Creative Office	30,000SF	
■ Retail/Restaurant/Bar	7,000SF	
■ Community Space	4,000SF	
■ Arts Related Uses	9,000SF	
■ Bike Center	600SF	
TOTAL	208,200SF	(FAR .886)
OPEN SPACE	133,750SF	

DRAFT

Bergamot Arts Center Management Plan

The Arts Center Management Plan will be crafted to be consistent with the expectations contained in the Bergamot Area Plan for the Arts Center.

Those expectations are:

- Cultural Beacon, Anchor to Broader Bergamot Area Plan, Extended Hours with more activity at night (*three expectations*)

The activation of the Arts Center to attract a wider range of residents will be accomplished by the programming of the space, the enhanced food service options and creating a landscaped open space that is unique to the area and an environment in which people will enjoy spending time.

The programming of the project will take many forms and will need to continually evolve to meet the interests of the community. These elements will include both arts related programming (community art workshops for both children and adults, coordination of a quarterly event around multiple gallery openings, artist-in-residence program...) and broader community based content (lecture series, documentary film program, music events e.g., Dudamel's Youth Orchestra Los Angeles). We envision a number of events each week at Bergamot. There will be both public events and private events. The goal is for all public events to be available at no cost to the community, although it may not always be something we can achieve based on the particular content.

- Provide Attractions to Complement EXPO

The new public restrooms, enhanced food elements, accessible and enjoyable landscape environment and bike related amenities will all serve the EXPO ridership.

- Mix of Uses

We have developed a plan with a broad mix of uses including a hotel, increased arts related space, restaurants, community center and creative office space.

- Annual Plan

A plan will be submitted annually to the City of Santa Monica detailing the events, content and frequency proposed for the coming year. The plan will also discuss the efforts for community outreach and the marketing plan for the programming. In addition to the broader community, a focus will be made for the adjacent neighborhoods as well as the Santa Monica

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Unified District. This plan will be implemented by the Developer with the assistance of third party groups. The Developer will provide a full-time dedicated employee to manage the programming as well as additional funding for the events themselves, and the marketing of them to increase community awareness and participation. This effort will be supported by a steering committee composed of project tenants, members of the community and City staff. The goal of the Steering Committee is to represent a broad view of ideas and interests for the Plan.

DRAFT

Bergamot Infrastructure Improvements

All of the infrastructure improvements suggested by the BSGCA are consistent with either what we have already discussed, or intend to address once we step into the lease with the City.

They are:

- Public Bathrooms
- Parking Lot Security
- Parking Kiosk
- Lot Pavement (for the areas that will remain surface parking)
- Lighting
- Landscaping
- Bike Racks/Share
- Flood Protection
- Septic Tank Repair (i.e., working plumbing infrastructure)
- Solar Paneling

<u>NO HOTEL</u>	<u>WORTHE 4/16 *</u>	<u>WORTHE - 2014</u>	<u>26 STREET TOD PARTNERS LLC</u>	<u>KOR / RETHINK</u>
I. <u>Proposed Ground Rent</u>				
Base Ground Rent	\$700,000	\$700,000 ¹	\$750,000	\$1,000,000
II. <u>Transient Occupancy Tax Revenue</u>				
Number of Rooms	0	120	93	125
RevPAR ²	\$0	\$215	\$215	\$215
Transient Occupancy Tax Rate	0.0%	14.0%	14.0%	14.0%
Estimated TOT Revenue	\$0	\$1,318,380	\$1,021,745	\$1,373,313
III. <u>Sales Tax Revenue (3)</u>				
Gallery SF	65,700	61,600	45,000	40,000
Gallery Sales Per SF	\$200	\$200	\$200	\$200
Restaurant SF	7,000	5,000	16,265	16,656
Restaurant Sales Per SF	\$600	\$600	\$600	\$600
Retail SF	0	2,000	20,000	0
Retail Sales Per SF	\$300	\$300	\$300	\$300
City Sales Tax Share	1.25%	1.25%	1.25%	1.25%
Estimated Sales Tax Revenue	\$216,750	\$199,000	\$309,488	\$224,920
IV. <u>Possessory Interest Tax Revenue</u>				
Ground Lease Payment	\$700,000	\$700,000	\$750,000	\$1,000,000
Capitalized Value @ 7.50%	\$9,333,000	\$9,333,000	\$10,000,000	\$13,333,000
City Share of Property Taxes	0.14%	0.14%	0.14%	0.14%
Estimated Possessory Interest Revenue	\$13,001	\$13,001	\$13,930	\$18,573
V. <u>Property Tax Revenue</u>				
Estimated Assessed Value	\$38,295,539	\$84,165,350	\$92,032,617	\$110,020,376
City Share of Property Taxes	0.14%	0.14%	0.14%	0.14%
Estimated Property Tax Revenue	\$53,614	\$117,242	\$128,201	\$153,258
VI. <u>Utility User Tax Revenue</u>				
Number of Resident Equivalents	226	226	241	263
Utility User Tax Per Resident Equivalent	\$265	\$265	\$265	\$265
Estimated Utility User Tax Revenue	\$59,797	\$59,797	\$63,985	\$69,589
VII. <u>Business License Revenue</u>				
Retail/Gallery Gross Receipts	\$17,340,000	\$15,920,000	\$24,759,000	\$17,993,600
Retail Business License Rate Per \$1,000	\$1.25	\$1.25	\$1.25	\$1.25
Estimated Retail/Gallery Business License Revenue	\$21,675	\$19,900	\$30,949	\$22,492
Creative Office Gross Receipts	\$18,000,000	\$26,400,000	\$24,733,200	\$32,727,600
Professional Business License Rate	\$5.00	\$5.00	\$5.00	\$5.00
Estimated Creative Office Business License Revenue	\$90,000	\$132,000	\$123,666	\$163,638
VIII. <u>Total Estimated Annual Public Revenue</u>	\$1,154,837	\$2,559,320	\$2,441,963	\$3,025,782

* Worthe - 4/16 is assuming to be Year 2022

1 The Developer offers to share 50% of any retail and restaurant rents that are above \$2.01 per square foot of gross building area. If the retail/restaurant rents are set at \$4.00 per square foot of gross building area, this would result in an additional \$84,000 annually.

2 RevPAR equates to the revenue generated per available room. This estimate takes into account the occupancy rate and average daily rate.

<u>HOTEL</u>	<u>WORTHE 4/16 *</u>	<u>WORTHE - 2014</u>	<u>26 STREET TOD PARTNERS LLC</u>	<u>KOR / RETHINK</u>
I. <u>Proposed Ground Rent</u>				
Base Ground Rent	\$700,000	\$700,000 ¹	\$750,000	\$1,000,000
II. <u>Transient Occupancy Tax Revenue</u>				
Number of Rooms	100	120	93	125
RevPAR ²	\$208	\$215	\$215	\$215
Transient Occupancy Tax Rate	14.0%	14.0%	14.0%	14.0%
Estimated TOT Revenue	\$1,064,758	\$1,318,380	\$1,021,745	\$1,373,313
III. <u>Sales Tax Revenue (3)</u>				
Gallery SF	68,700	61,600	45,000	40,000
Gallery Sales Per SF	\$200	\$200	\$200	\$200
Restaurant SF	9,000	5,000	16,265	16,656
Restaurant Sales Per SF	\$600	\$600	\$600	\$600
Retail SF	0	2,000	20,000	0
Retail Sales Per SF	\$300	\$300	\$300	\$300
City Sales Tax Share	1.25%	1.25%	1.25%	1.25%
Estimated Sales Tax Revenue	\$239,250	\$199,000	\$309,488	\$224,920
IV. <u>Possessory Interest Tax Revenue</u>				
Ground Lease Payment	\$700,000	\$700,000	\$750,000	\$1,000,000
Capitalized Value @ 7.50%	\$9,333,000	\$9,333,000	\$10,000,000	\$13,333,000
City Share of Property Taxes	0.14%	0.14%	0.14%	0.14%
Estimated Possessory Interest Revenue	\$13,001	\$13,001	\$13,930	\$18,573
V. <u>Property Tax Revenue</u>				
Estimated Assessed Value	\$85,124,136	\$84,165,350	\$92,032,617	\$110,020,376
City Share of Property Taxes	0.14%	0.14%	0.14%	0.14%
Estimated Property Tax Revenue	\$119,174	\$117,242	\$128,201	\$153,258
VI. <u>Utility User Tax Revenue</u>				
Number of Resident Equivalents	226	226	241	263
Utility User Tax Per Resident Equivalent	\$265	\$265	\$265	\$265
Estimated Utility User Tax Revenue	\$59,797	\$59,797	\$63,985	\$69,589
VII. <u>Business License Revenue</u>				
Retail/Gallery Gross Receipts	\$19,140,000	\$15,920,000	\$24,759,000	\$17,993,600
Retail Business License Rate Per \$1,000	\$1.25	\$1.25	\$1.25	\$1.25
Estimated Retail/Gallery Business License Revenue	\$23,925	\$19,900	\$30,949	\$22,492
Creative Office Gross Receipts	\$18,000,000	\$26,400,000	\$24,733,200	\$32,727,600
Professional Business License Rate	\$5.00	\$5.00	\$5.00	\$5.00
Estimated Creative Office Business License Revenue	\$90,000	\$132,000	\$123,666	\$163,638
VIII. <u>Total Estimated Annual Public Revenue</u>	\$2,309,905	\$2,559,320	\$2,441,963	\$3,025,782

* Worthe - 4/16 is assuming to be Year 2022

1 The Developer offers to share 50% of any retail and restaurant rents that are above \$.201 per square foot of gross building area. If the retail/restaurant rents are set at \$.400 per square foot of gross building area, this would result in an additional \$84,000 annually.

2 RevPAR equates to the revenue generated per available room. This estimate takes into account the occupancy rate and average daily rate.

3 This assumes approximately 4,000 sf of restaurant space and 3,000 sf of gallery space anticipated inside the hotel.

Attachment C

**REVISED WORTHE 2016 PROJECT VS. ATTACHMENT C
BERGAMOT STATION ARTS CENTER DEVELOPMENT SUMMARY TABLE 1 DEVELOPER-REPORTED FIGURES
SANTA MONICA, CALIFORNIA**

	WORTHE 2/16	WORTHE - 2014	26 STREET TOD PARTNERS LLC	KOR / RETHINK
I. Gross Building Area (GBA) (SF)				
Museum	21,100	21,100	20,000	20,000
Gallery/G.N.C	65,700	61,600	45,000	40,000
Hotel	70,800	80,000	68,777	75,298
Creative Office	30,000	44,000	41,222	54,546
Restaurants/Bars	5,000	5,000	16,265	16,656
Retail	2,000	2,000	20,000 ^{1B}	0
Other Cultural	0	7,600	10,000	17,500
Community Space	4,000	0	0	0
Arts Related Uses	9,000	0	0	0
Bike Center	600	0	0	0
Total Gross Building Area	208,200	221,300	201,264	224,000
FAR	0.93	0.99	0.99	1.00
II. Parking Space Allocation				
Surface Parking Spaces	27	27	55	0
Podium Parking Spaces	0	0	0	0
Subterranean Parking Spaces	356	356	387	380
Total Parking Spaces	383	383	442	380
III. Total Development Costs	\$80,237,662	\$84,165,350	\$92,032,617	\$110,020,376
Per SF GBA	\$385.39	\$380.32	\$415.94	\$491.16
IV. Museum Construction Costs	\$2,870,174	\$2,870,174^{1A}	\$7,000,000^{2B}	\$12,740,190^{1C}
V. Stabilized Lease Rates (/SF/Month) (2014 Dollars)				
Assumed Market Rate Rent	\$3.09	\$3.09	\$4.00	\$3.90
Museum (40% Market Rate)	\$1.24	\$1.24	\$1.60	\$0.00 ^{2C}
Cultural Uses				
Non-Profit (40% of Market Rate)	\$1.24	\$1.24	\$1.60	\$1.56
For-Profit (65% of Market Rate)	\$1.74	\$2.01	\$2.60	\$2.54
Theatre (40% of Market Rate)	\$1.24	\$1.24	\$1.60	\$0.00
Creative Office	\$4.00	\$4.00	\$4.00	\$3.90
Retail	\$2.01	\$2.01	\$4.25	n/a
Restaurant/Bar	\$2.01	\$2.01	\$4.25	\$4.92
VI. Hotel Assumptions				
Number of Rooms	100	120	93	125
Stabilized Average Daily Rate (2014 Dollars)	\$208	\$208	\$293	\$248
Stabilized Occupancy Rate	75%	75%	72%	83%
Hotel Class		Upscale Redbury	Select Service	star lifestyle hotel
VII. Developer Return Assumptions				
First Stabilized Year	2022	2020	2019	2021
Total Development Costs	\$80,237,662	\$84,165,350	\$92,032,617	\$110,020,376
Stabilized Net Operating Income (After Ground Lease Pmt)	\$5,019,730	\$6,305,477	\$7,372,388	\$7,969,743
Estimated Return on Cost (After Ground Lease Pmt)	6.26%	7.49%	8.01% ^{3B}	7.24%

^{1A} The museum costs include core and shell. The museum tenant will be required to pay for tenant improvements and FF&E.

^{1B} This space is for art and design-related space, gallery space and showroom space. It is assumed these uses will generate sales tax and be non-subsidized.

^{2B} The museum will be delivered turnkey. The museum costs include: core, shell, tenant improvements and FF&E costs.

^{3B} The Developer's cash flow escalates the ground rent payments on an annual basis. The ground rent equals \$795,675 in 2019 (stabilized year). This ground rent payment was used to calculate the return on cost (After Ground Lease Payment).

^{1C} The museum costs include core and shell. The museum tenant will be required to pay for tenant improvements and FF&E.

^{2C} The museum tenant will not be charged rent.

Attachment C
2/15

2/16

<u>Use</u>	<u>SF</u>	<u>Revenue</u>	<u>SF</u>	<u>Revenue</u>
Hotel	80,000 SF	\$3,614,255	70,800 SF	\$2,388,043
Creative Office	44,000 SF	\$2,112,000	30,000 SF	\$1,440,000
G.N.C.	61,600 SF	\$1,485,792	65,700 SF	\$1,471,008
Arts Related Uses			9,000 SF	\$333,720
Museum	21,100 SF	\$313,968	21,100 SF	\$313,968
Retail/Restaurant/Bar	7,000 SF	\$168,840	7,000 SF	\$168,840
Community Space	2,000 SF	\$0	4,000 SF	\$0
Bike Center	4,600 SF	\$0	600 SF	\$0
Totals	220,300 SF	\$7,694,855	208,200 SF	\$6,115,579

Attachment C

Bergamot Station Financial Analysis

1. Sources and Uses of Funds Statement - 2. Development Proforma

WORTHE UPDATE

Description	Phase 1												Phase 2		
	Per New Use Outline	Museum	G.N.C.	Creative Office	G.N.C.	Arts Related Uses	G.N.C.	Retail/Restaurant /Bar	Retail/Restaurant /Bar	Community Space	Bike Center	Hotel	Total Phase 1	Building H Hotel	Total Project
	Parking Structure	Building M Museum	Building C1 Art Galleries	Building C2 + C3 Office	Building D1	Building D2	Ex. Buildings A B E F	Building M. Café	Building G	Building H	Site Work & Landscaping	Building X			
Square Feet (1)	175,481	21,100	15,000	30,000	9,000	9,000	41,700	2,000	5,000	4,000		600	137,400	70,800	208,200
Hard Costs															
General Construction Fee 4%	\$6,137,894	\$1,920,100	\$1,365,000	\$2,730,000	\$945,000	\$945,000	\$500,400	\$182,000	\$455,000	\$364,000	\$1,100,000		\$16,644,394	\$27,505,517	\$44,149,911
	\$245,516	\$76,804	\$54,600	\$109,200	\$37,800	\$37,800	\$20,016	\$7,280	\$18,200	\$14,560	\$44,000		\$665,776	\$1,100,221	\$1,765,996
Total Hard Costs	\$6,383,410	\$1,996,904	\$1,419,600	\$2,839,200	\$982,800	\$982,800	\$520,416	\$189,280	\$473,200	\$378,560	\$1,144,000		\$17,310,170	\$28,605,737	\$45,915,908
Soft Costs															
Permits	\$0	\$54,663	\$38,860	\$77,720	\$23,316	\$23,316	\$50,000	\$5,181	\$12,953	\$10,363	\$50,000		\$346,373	\$400,000	\$746,373
Legal	\$50,000	\$27,332	\$19,430	\$38,860	\$11,658	\$11,658	\$0	\$2,591	\$6,477	\$5,181	\$0		\$173,187	\$100,000	\$273,187
Architect / Engineering	\$200,000	\$100,000	\$100,000	\$120,000	\$60,000	\$60,000	\$50,000	\$12,000	\$22,222	\$17,778	\$100,000		\$842,000	\$750,000	\$1,592,000
Signage Package	\$125,000	\$0	\$17,442	\$27,778	\$29,605	\$8,333	\$25,000	\$1,852	\$4,630	\$3,704	\$50,000		\$293,343	\$50,000	\$343,343
Project Contingency 10%	\$792,886	\$255,625	\$187,162	\$364,105	\$129,916	\$127,420	\$75,719	\$24,743	\$60,945	\$48,756	\$157,676		\$2,224,953	\$3,931,312	\$6,156,265
Developer Fee 5%	\$377,565	\$121,726	\$89,125	\$173,383	\$61,865	\$60,676	\$36,057	\$11,782	\$29,021	\$23,217	\$75,084		\$1,059,501	\$1,691,852	\$2,751,354
Hotel Related Costs													\$0	\$3,784,217	\$3,784,217
Total Soft Costs	\$1,545,451	\$559,346	\$452,019	\$801,846	\$316,360	\$291,404	\$236,776	\$58,149	\$136,248	\$108,998	\$432,760		\$4,939,357	\$10,707,382	\$15,646,739
Leasing Costs (2)															
Tenant Improvements	\$0	\$0	\$1,500,000	\$3,000,000	\$900,000	\$900,000	\$1,042,500	\$200,000	\$500,000	\$400,000	\$0		\$8,442,500	\$0	\$8,442,500
Leasing Commissions	\$0	\$200,000	\$94,524	\$434,592	\$86,650	\$204,455	\$525,552	\$29,554	\$73,886	\$0	\$0		\$1,649,214	\$0	\$1,649,214
Total Leasing Costs	\$0	\$200,000	\$1,594,524	\$3,434,592	\$986,650	\$1,104,455	\$1,568,052	\$229,554	\$573,886	\$400,000	\$0		\$10,091,714	\$0	\$10,091,714
Financing Costs															
Construction Loan Legal / Title / Closing	\$49,033	\$17,045	\$21,435	\$43,756	\$14,136	\$14,710	\$14,379	\$2,950	\$7,318	\$5,489	\$9,751		\$200,000	\$300,000	\$500,000
Construction Loan Financing Fees	\$57,523	\$19,996	\$25,146	\$51,333	\$16,583	\$17,256.89	\$16,869	\$3,460	\$8,585	\$6,439	\$11,439		\$234,632	\$286,913	\$521,545
Total Financing Costs	\$106,555	\$37,041	\$46,581	\$95,089	\$30,719	\$31,967	\$31,249	\$6,410	\$15,903	\$11,928	\$21,190		\$434,632	\$586,913	\$1,021,545
Total Project Costs excl. Interest	\$8,035,417	\$2,793,291	\$3,512,724	\$7,170,727	\$2,316,529	\$2,410,626	\$2,356,493	\$483,394	\$1,199,237	\$899,486	\$1,597,950		\$32,775,873	\$39,900,032	\$72,675,905
Construction Loan Interest (3)	\$814,269	\$283,058	\$355,962	\$726,646	\$234,746	\$244,281	\$238,795	\$48,985	\$121,525	\$91,149	\$161,928		\$3,321,345	\$4,240,412	\$7,561,757
Total Project Costs	\$8,849,686	\$3,076,349	\$3,868,686	\$7,897,373	\$2,551,275	\$2,654,907	\$2,595,288	\$532,378	\$1,320,762	\$990,636	\$1,759,878		\$36,097,218	\$44,140,444	\$80,237,662
Financing / Construction Loan (3) 65%	\$5,752,296	\$1,999,627	\$2,514,646	\$5,133,292	\$1,658,329	\$1,725,689	\$1,686,937	\$346,046	\$858,495	\$643,913	\$1,143,921		\$23,463,192	\$25,935,021	\$49,398,213
Equity Required 35%	\$3,097,390	\$1,076,722	\$1,354,040	\$2,764,081	\$892,946	\$929,217	\$908,351	\$186,332	\$462,267	\$346,723	\$615,957		\$12,634,026	\$18,205,424	\$30,839,450
Construction Timeline (Months) (4)	12	12	12	12	12	12	12	12	12	12	12		12	24	
Start Dates	1/1/19	1/1/20	1/1/20	1/1/20	1/1/20	1/1/20	1/1/20	1/1/20	1/1/20	1/1/20	1/1/20		1/1/20	1/1/21	

Notes

- (1) Total SF does not include Parking Structure SF.
- (2) The Tenant Improvements are estimated at \$100 PSF. They include Restrooms, HVAC Duct Work, electrical and demising walls.
- (3) Leasing Commissions are calculated at 6% of the total lease payment.
- (3) Construction Financing is based on a 65% LTC at 7% Interest Rate for 24 months.
- (4) Construction Timeline is based on a Jan. 1, 2019 start date with the parking structure starting first.

Attachment C

Bergamot Station Financial Analysis

6.7 & 8. Operating Proforma & Cash Flow Projections

WORTHE UPDATE - 3/14/2016 NO HOTEL

Base Rental Revenue	Sq. Feet	Initial Stabilization Period												2017-2037											
		2018 Year 1	2019 Year 2	2020 Year 3	2021 Year 4	2022 Year 5	2023 Year 6	2024 Year 7	2025 Year 8	2026 Year 9	2027 Year 10	2028 Year 11	2029 Year 12	2030 Year 13	2031 Year 14	2032 Year 15	2033 Year 16	2034 Year 17	2035 Year 18	2036 Year 19	2037 Year 20				
Building A G.N.C	4,600	\$96,048	\$97,969	\$99,928	\$101,927	\$103,965	\$106,045	\$108,166	\$110,329	\$112,536	\$114,786	\$117,082	\$119,424	\$121,812	\$124,248	\$126,733	\$129,268	\$131,853	\$134,490	\$137,180	\$139,924				
Building B G.N.C	24,000	\$501,120	\$511,142	\$521,365	\$531,793	\$542,428	\$553,277	\$564,343	\$575,629	\$587,147	\$598,885	\$610,862	\$623,080	\$635,541	\$648,252	\$661,217	\$674,442	\$687,930	\$701,689	\$715,723	\$730,037				
Building C																									
C1 G.N.C	15,000	\$0	\$0	\$0	\$0	\$313,200	\$319,464	\$325,853	\$332,370	\$339,018	\$345,798	\$352,714	\$359,768	\$366,964	\$374,303	\$381,789	\$389,425	\$397,213	\$405,158	\$413,261	\$421,526				
C2 Creative Office	15,000	\$0	\$0	\$0	\$0	\$730,000	\$734,400	\$749,088	\$754,070	\$773,351	\$794,938	\$810,837	\$827,054	\$843,595	\$860,467	\$877,676	\$895,230	\$913,134	\$931,397	\$950,025	\$969,025				
C3 Creative Office	15,000	\$0	\$0	\$0	\$0	\$730,000	\$734,400	\$749,088	\$754,070	\$773,351	\$794,938	\$810,837	\$827,054	\$843,595	\$860,467	\$877,676	\$895,230	\$913,134	\$931,397	\$950,025	\$969,025				
Building D																									
D1 G.N.C	2,900	\$0	\$0	\$0	\$0	\$60,552	\$61,768	\$62,998	\$64,258	\$65,543	\$66,854	\$68,191	\$69,555	\$70,946	\$72,365	\$73,813	\$75,289	\$76,795	\$78,330	\$79,897	\$81,495				
D1 G.N.C - Community Theatre	2,000	\$0	\$0	\$0	\$0	\$59,760	\$60,355	\$60,962	\$61,582	\$62,219	\$62,873	\$63,543	\$64,229	\$64,931	\$65,658	\$66,409	\$67,185	\$67,986	\$68,812	\$69,663	\$70,539				
D1 G.N.C - Market	4,100	\$0	\$0	\$0	\$0	\$196,800	\$200,738	\$204,751	\$208,846	\$213,023	\$217,283	\$221,629	\$226,061	\$230,583	\$235,194	\$239,898	\$244,696	\$249,590	\$254,582	\$259,673	\$264,867				
D2 Arts Related Uses	9,000	\$0	\$0	\$0	\$0	\$833,720	\$840,394	\$847,202	\$854,146	\$861,229	\$868,454	\$875,823	\$883,339	\$891,006	\$898,826	\$906,803	\$914,939	\$923,238	\$931,702	\$940,336	\$949,149				
Building E G.N.C	6,800	\$141,984	\$144,824	\$147,720	\$150,675	\$153,688	\$156,762	\$159,897	\$163,095	\$166,357	\$169,684	\$173,078	\$176,539	\$180,070	\$183,671	\$187,345	\$191,092	\$194,914	\$198,812	\$202,788	\$206,844				
Building F G.N.C	6,300	\$131,544	\$134,175	\$136,888	\$139,596	\$142,387	\$145,265	\$148,140	\$151,103	\$154,125	\$157,207	\$160,351	\$163,558	\$166,830	\$170,166	\$173,570	\$177,044	\$180,582	\$184,193	\$187,877	\$191,635				
Building G Retail / Restaurant / Bar	5,000	\$0	\$0	\$0	\$0	\$120,600	\$123,012	\$125,472	\$127,982	\$130,541	\$133,152	\$135,815	\$138,531	\$141,302	\$144,128	\$147,011	\$149,951	\$152,950	\$156,009	\$159,129	\$162,311				
Building H Community Space	4,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
Building M																									
M1 Museum	21,100	\$0	\$0	\$0	\$0	\$313,968	\$320,247	\$326,652	\$333,185	\$339,849	\$346,646	\$353,579	\$360,651	\$367,864	\$375,221	\$382,725	\$390,380	\$398,187	\$406,151	\$414,274	\$422,560				
M2 Retail / Restaurant / Bar	2,000	\$0	\$0	\$0	\$0	\$48,240	\$49,205	\$50,189	\$51,193	\$52,217	\$53,261	\$54,326	\$55,413	\$56,521	\$57,651	\$58,804	\$59,980	\$61,180	\$62,404	\$63,652	\$64,925				
Building X Bike Center	600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
Building A To Be Demolished	8,587	\$179,297	\$182,882	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
Building T To Be Demolished	11,214	\$234,148	\$238,831	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
Total Rental Revenue (1)	137,400	\$1,284,141	\$1,309,824	\$905,872	\$923,990	\$3,799,309	\$3,875,296	\$3,952,801	\$4,031,857	\$4,112,455	\$4,194,745	\$4,278,639	\$4,364,212	\$4,451,496	\$4,540,526	\$4,631,337	\$4,723,964	\$4,818,443	\$4,914,811	\$5,013,108	\$5,113,370				
Occupancy	85% (Hotel Separate Occupancy)	\$1,091,520	\$1,113,350	\$769,991	\$785,391	\$3,229,413	\$3,294,001	\$3,359,881	\$3,427,079	\$3,495,620	\$3,565,533	\$3,636,843	\$3,709,580	\$3,783,772	\$3,859,447	\$3,936,636	\$4,015,369	\$4,095,676	\$4,177,590	\$4,261,142	\$4,346,365				
Op. Ex. Escalation (Expense Reimbursement) (2)		\$497,266	\$486,433	\$582,831	\$600,198	\$694,814	\$713,716	\$693,175	\$713,208	\$734,082	\$755,315	\$777,173	\$799,676	\$822,844	\$846,953	\$871,508	\$896,788	\$922,814	\$949,609	\$977,461	\$1,005,463				
Parking Income (3)																									
City Firms		\$0	\$532,350	\$532,350	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$564,770	\$564,770	\$564,770	\$564,770	\$564,770	\$581,713	\$581,713	\$581,713	\$581,713	\$581,713	\$599,165	\$599,165			
Bergamot Station Employees		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
Bergamot Visitors (Validation)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
Total Parking Income		\$0	\$532,350	\$532,350	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$564,770	\$564,770	\$564,770	\$564,770	\$564,770	\$581,713	\$581,713	\$581,713	\$581,713	\$581,713	\$599,165	\$599,165			
Effective Gross Revenue		\$1,548,786	\$2,132,533	\$1,885,172	\$1,955,910	\$4,492,547	\$4,516,037	\$4,601,377	\$4,688,608	\$4,794,473	\$4,885,618	\$4,978,787	\$5,074,027	\$5,171,386	\$5,288,114	\$5,389,858	\$5,493,870	\$5,600,204	\$5,708,913	\$5,837,768	\$5,981,392				
Operating Expense																									
Cleaning		\$36,226	\$37,313	\$79,516	\$81,901	\$84,358	\$86,899	\$89,496	\$92,145	\$94,846	\$97,595	\$100,394	\$103,243	\$106,142	\$110,089	\$113,971	\$117,797	\$120,565	\$123,286	\$127,060	\$131,428				
Repair & Maintenance		\$65,000	\$66,950	\$200,000	\$206,000	\$212,180	\$218,545	\$225,102	\$231,855	\$238,810	\$246,075	\$253,650	\$261,545	\$269,768	\$278,329	\$287,237	\$296,494	\$306,109	\$316,182	\$326,714	\$337,763				
Utilities		\$191,271	\$197,009	\$202,920	\$209,007	\$215,277	\$221,735	\$228,388	\$235,239	\$242,297	\$249,563	\$257,037	\$264,720	\$272,623	\$280,848	\$289,505	\$297,994	\$306,934	\$316,322	\$326,159	\$336,045				
Roads & Grounds		\$14,000	\$30,000	\$30,000	\$31,827	\$32,742	\$33,765	\$34,778	\$35,822	\$36,896	\$38,000	\$39,143	\$40,327	\$41,551	\$42,815	\$44,119	\$45,463	\$46,847	\$48,271	\$49,735	\$51,239				
Parking		\$47,700	\$49,131	\$50,605	\$52,123	\$53,687	\$55,297	\$56,956	\$58,665	\$60,425	\$62,238	\$64,105	\$66,028	\$68,009	\$70,049	\$72,151	\$74,315	\$76,544	\$78,841	\$81,206	\$83,642				
Security		\$85,860	\$88,436	\$91,089	\$93,822	\$96,636	\$99,533	\$102,521	\$105,597	\$108,763	\$112,020	\$115,369	\$118,810	\$122,446	\$126,178	\$129,997	\$133,904	\$137,900	\$141,987	\$146,165	\$150,536				
Management Fee (4)		\$46,464	\$60,976	\$86,505	\$98,017	\$112,976	\$131,481	\$148,041	\$163,048	\$176,834	\$189,834	\$202,594	\$215,654	\$228,544	\$241,704	\$254,664	\$267,944	\$281,004	\$294,364	\$308,124	\$322,284				
Administrative		\$137,500	\$141,625	\$145,874	\$150,350	\$155,057	\$159,995	\$165,165	\$170,568	\$176,205	\$182,078	\$188,188	\$194,535	\$201,120	\$207,949	\$215,024	\$222,349	\$229,924	\$237,749	\$245,824	\$254,149				
Arts Center Management		\$270,000	\$278,100	\$286,443	\$295,016	\$303,887	\$313,000	\$322,394	\$332,066	\$342,028	\$352,289	\$362,851	\$373,724	\$384,909	\$396,404	\$408,209	\$420,324	\$432,749	\$445,484	\$458,529	\$471,884				
Insurance		\$205,511	\$211,126	\$217,760	\$224,513	\$232,085	\$239,778	\$247,611	\$255,694	\$264,027	\$272,610	\$281,443	\$290,526	\$299,859	\$309,442	\$319,275	\$329,358	\$339,691	\$350,274	\$361,107	\$372,190				
Total Operating Expenses		\$914,532	\$973,667	\$1,165,661	\$1,200,397	\$1,309,627	\$1,347,431	\$1,386,350	\$1,426,416	\$1,468,163	\$1,510,629	\$1,554,346	\$1,599,353	\$1,645,688	\$1,693,906	\$1,745,016	\$1,798,576	\$1,854,629	\$1,913,219	\$1,984,923	\$2,011,725				
Net Operating Income		\$634,254	\$1,158,867	\$719,511	\$733,513	\$3,182,920	\$3,168,606	\$3,215,027	\$3,262,191	\$3,326,308	\$3,374,988	\$3,424,441	\$3,474,674	\$3,525,698	\$3,594,208	\$3,664,842	\$3,737,294	\$3,811,575	\$3,888,694	\$3,968,645	\$4,051,665				
Capital Costs	50.10' sq. ft.	\$13,740	\$14,152	\$14,577	\$15,014	\$15,464	\$15,928	\$16,406	\$16,898	\$17,405	\$17,928	\$18,465	\$19,019	\$19,590	\$20,178	\$20,783	\$21,406	\$22,049	\$22,710	\$23,391	\$24,093				
Net Cash Flow Before Land Lease Payment		\$620,514	\$1,144,715	\$704,934	\$718,499	\$3,107,455	\$3,152,678	\$3,198,620	\$3,245,293	\$3,308,903	\$3,357,061	\$3,405,975	\$3,455,655	\$3,506,108	\$3,574,030										

Attachment C

Bergamot Station Financial Analysis

5, 7 & 8. Operating Proforma & Cash Flow Projections

WORTHY UPDATE - 3/14/2016 NO HOTEL

Base Rental Revenue	Sq. Feet	Project Cash Flows																				
		2013										Stabilized Occupancy										
		Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40	
Building A	G.N.C.	4,600	\$142,722	\$145,577	\$148,488	\$151,458	\$154,487	\$157,577	\$160,728	\$163,943	\$167,214	\$170,542	\$173,928	\$177,373	\$180,877	\$184,441	\$188,064	\$191,746	\$195,487	\$199,287	\$203,145	
Building B	G.N.C.	24,000	\$744,638	\$759,531	\$774,721	\$790,116	\$806,020	\$822,140	\$838,583	\$855,355	\$872,462	\$889,911	\$907,710	\$925,864	\$944,381	\$963,269	\$982,534	\$1,002,185	\$1,022,228	\$1,042,673	\$1,063,526	
Building C	G.N.C.	15,000	\$479,956	\$486,556	\$493,327	\$500,273	\$507,399	\$514,707	\$522,201	\$529,885	\$537,762	\$545,838	\$554,115	\$562,597	\$571,281	\$580,166	\$589,251	\$598,536	\$608,021	\$617,705	\$627,588	
Building D	G.N.C.	15,000	\$988,406	\$1,008,174	\$1,028,337	\$1,048,904	\$1,069,882	\$1,091,280	\$1,113,105	\$1,135,367	\$1,158,075	\$1,181,236	\$1,204,861	\$1,228,958	\$1,253,537	\$1,278,608	\$1,304,180	\$1,330,264	\$1,356,869	\$1,384,007	\$1,411,687	
Building E	G.N.C.	2,900	\$83,125	\$84,787	\$86,483	\$88,213	\$89,977	\$91,777	\$93,612	\$95,484	\$97,394	\$99,342	\$101,329	\$103,355	\$105,422	\$107,531	\$109,682	\$111,875	\$114,113	\$116,395	\$118,723	
Building F	G.N.C.	2,000	\$40,854	\$41,671	\$42,525	\$43,415	\$44,222	\$45,106	\$46,008	\$46,929	\$47,867	\$48,824	\$49,801	\$50,797	\$51,813	\$52,849	\$53,906	\$54,984	\$56,084	\$57,206	\$58,350	
Building G	G.N.C.	6,300	\$195,467	\$199,377	\$203,364	\$207,432	\$211,580	\$215,812	\$220,128	\$224,531	\$229,021	\$233,602	\$238,274	\$243,039	\$247,900	\$252,858	\$257,915	\$263,073	\$268,333	\$273,702	\$279,176	
Building H	Community Space	4,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Building I	Museum	21,100	\$431,011	\$439,631	\$448,424	\$457,392	\$466,540	\$475,871	\$485,388	\$495,096	\$504,998	\$515,098	\$525,400	\$535,908	\$546,626	\$557,558	\$568,710	\$580,084	\$591,685	\$603,519	\$615,590	
Building J	Retail / Restaurant / Bar	2,000	\$66,223	\$67,548	\$68,899	\$70,277	\$71,682	\$73,116	\$74,578	\$76,070	\$77,591	\$79,143	\$80,726	\$82,340	\$83,987	\$85,667	\$87,380	\$89,128	\$90,910	\$92,728	\$94,583	
Building K	Bike Center	600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Building L	To Be Demolished	8,587	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Building M	To Be Demolished	11,214	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Total Rental Revenue (1)		137,400	\$5,215,638	\$5,319,950	\$5,426,349	\$5,534,876	\$5,645,574	\$5,758,485	\$5,873,655	\$5,991,128	\$6,110,951	\$6,233,170	\$6,357,833	\$6,484,900	\$6,614,490	\$6,746,683	\$6,881,923	\$7,019,561	\$7,159,953	\$7,302,152	\$7,449,215	
Occupancy	85% (Hotel Separate Occupancy)		\$4,433,292	\$4,521,958	\$4,612,397	\$4,704,645	\$4,798,738	\$4,894,713	\$4,992,607	\$5,092,459	\$5,194,308	\$5,298,194	\$5,404,158	\$5,512,241	\$5,622,486	\$5,734,936	\$5,849,635	\$5,966,627	\$6,085,960	\$6,207,679	\$6,331,833	\$6,458,469
Op. Ex. Escalation (Expense Reimbursement) (2)			\$1,035,109	\$1,065,207	\$1,096,201	\$1,128,385	\$1,161,238	\$1,195,062	\$1,229,887	\$1,265,741	\$1,302,638	\$1,340,595	\$1,380,676	\$1,420,865	\$1,462,146	\$1,504,545	\$1,549,073	\$1,594,721	\$1,642,470	\$1,692,303	\$1,744,215	\$1,798,299
Parking Income (3)			\$599,165	\$599,165	\$599,165	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$635,654	\$635,654	\$635,654	\$635,654	\$654,723	\$654,723	\$654,723	\$654,723	\$674,365
Total Parking Income			\$599,165	\$599,165	\$599,165	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$635,654	\$635,654	\$635,654	\$635,654	\$654,723	\$654,723	\$654,723	\$654,723	\$674,365
Effective Gross Revenue			\$6,067,559	\$6,186,350	\$6,307,768	\$6,450,169	\$6,577,115	\$6,706,914	\$6,839,633	\$6,975,340	\$7,112,900	\$7,274,793	\$7,419,888	\$7,568,260	\$7,719,986	\$7,894,504	\$8,093,176	\$8,315,443	\$8,561,391	\$8,831,381	\$9,126,418	\$9,449,215
Operating Expense			\$135,371	\$139,432	\$143,615	\$147,923	\$152,361	\$156,932	\$161,640	\$166,488	\$171,483	\$176,628	\$181,927	\$187,385	\$192,999	\$198,776	\$204,706	\$210,800	\$217,069	\$223,514	\$229,237	
Net Operating Income			\$3,997,354	\$4,055,915	\$4,113,361	\$4,189,400	\$4,254,640	\$4,316,790	\$4,379,860	\$4,443,857	\$4,527,704	\$4,592,803	\$4,659,236	\$4,727,530	\$4,796,294	\$4,884,814	\$4,995,540	\$5,027,258	\$5,099,976	\$5,179,700	\$5,267,779	\$5,348,536
Capital Costs	\$0.10 / sq. ft.		\$24,816	\$25,560	\$26,327	\$27,117	\$27,931	\$28,769	\$29,632	\$30,521	\$31,436	\$32,379	\$33,351	\$34,351	\$35,382	\$36,443	\$37,536	\$38,661	\$39,827	\$41,034	\$42,282	
Net Cash Flow Before Land Lease Payment			\$3,972,538	\$4,030,355	\$4,089,033	\$4,166,283	\$4,226,709	\$4,288,021	\$4,350,228	\$4,413,337	\$4,495,588	\$4,560,524	\$4,626,386	\$4,693,179	\$4,760,913	\$4,840,371	\$4,930,004	\$4,988,596	\$5,060,133	\$5,132,683	\$5,225,332	\$5,300,021
City of Santa Monica Land Lease (5)			\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$897,702	\$897,702	\$897,702	\$897,702	\$897,702	\$943,494	\$943,494	\$943,494	\$943,494	\$943,494	\$991,622	\$991,622	\$991,622	\$991,622	
Net Cash Flow Before Debt Service			\$3,118,405	\$3,176,222	\$3,234,900	\$3,312,150	\$3,372,576	\$3,390,319	\$3,432,526	\$3,515,634	\$3,597,885	\$3,662,822	\$3,682,891	\$3,749,685	\$3,817,418	\$3,904,877	\$3,974,510	\$3,996,974	\$4,066,531	\$4,141,061	\$4,233,910	\$4,308,399
Annual Debt Service (6)			\$1,597,110	\$1,597,110	\$1,597,110	\$1,597,110	\$1,597,110	\$1,597,110	\$1,597,110	\$1,597,110	\$1,597,110	\$1,597,110	\$1,597,110	\$1,597,110	\$1,597,110	\$1,597,110						
Net Cash Flow to Ownership			\$1,521,295	\$1,579,112	\$1,637,790	\$1,715,040	\$1,775,466	\$1,793,209	\$1,835,416	\$1,918,524	\$2,000,775	\$2,065,712	\$2,065,712	\$2,152,575	\$2,240,708	\$2,330,764	\$2,330,764	\$2,330,764	\$2,330,764	\$2,330,764	\$2,330,764	\$2,330,764
Capital Balance (7)			(\$21,207,180)	(\$19,628,069)	(\$17,990,278)	(\$16,275,239)	(\$14,499,773)	(\$12,700,564)	(\$10,851,148)	(\$8,932,624)	(\$6,931,848)	(\$4,866,137)	(\$2,780,355)	(\$72,780)	\$1,782,780	\$3,565,560	\$5,348,340	\$7,131,120	\$8,914,900	\$10,700,680	\$12,490,460	\$14,280,240

Notes
 (1) Revenue Assumptions are based on 85% occupancy for Phase I.
 (2) Revenue Assumptions are based on 75% occupancy for Phase II.
 (3) Op Ex Reimbursement is expected to be 50% of Op Ex because of limitations on recapture of CAMs in MOU.
 (4) Parking Structure will charge \$50 City Yards employees 65% of Market Rate.
 (5) Market Rate for parking is assumed at \$200 per month.
 (6) Management Fee is 3% of Revenue.
 (7) Land Lease Payments are based on the team's proposal.
 (8) Phase I and II construction financing is based on a 6% LTC at 7% Interest Rate for 2 years.
 (9) Phase I and II permanent financing is based on a 70% LTC at 5% Interest Rate for 10 years, 7% thereafter.
 (10) Capital Balance reflects all capital costs and project cash flow (both negative and positive).

net profits



Attachment C

Bergamot Station Financial Analysis
6.7 & 8. Operating Proforma & Cash Flow Projections

WORTHE UPDATE - 3/14/2016 NO HOTEL

		2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072
		Year 41	Year 42	Year 43	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49	Year 50	Year 51	Year 52	Year 53	Year 54	Year 55
Base Rental Revenue	Sq. Feet															
Building A	G.N.C	4,600	\$12,078	\$16,319	\$20,646	\$25,059	\$29,560	\$34,151	\$38,834	\$43,511	\$48,188	\$52,865	\$57,542	\$62,219	\$66,896	\$71,573
Building B	G.N.C	24,000	\$1,106,493	\$1,128,623	\$1,151,195	\$1,174,219	\$1,197,703	\$1,221,657	\$1,246,091	\$1,271,012	\$1,296,433	\$1,322,353	\$1,348,809	\$1,375,785	\$1,403,300	\$1,431,366
Building C																
C1	G.N.C	15,000	\$68,893	\$65,671	\$66,704	\$67,998	\$69,558	\$70,389	\$71,497	\$72,887	\$74,555	\$76,393	\$78,301	\$80,280	\$82,329	\$84,449
C2	Creative Office	15,000	\$1,468,719	\$1,498,093	\$1,528,055	\$1,558,016	\$1,587,979	\$1,617,942	\$1,647,905	\$1,677,868	\$1,707,831	\$1,737,794	\$1,767,757	\$1,797,720	\$1,827,683	\$1,857,646
C3	Creative Office	15,000	\$1,468,719	\$1,498,093	\$1,528,055	\$1,558,016	\$1,587,979	\$1,617,942	\$1,647,905	\$1,677,868	\$1,707,831	\$1,737,794	\$1,767,757	\$1,797,720	\$1,827,683	\$1,857,646
Building D																
D1	G.N.C	2,900	\$123,519	\$125,990	\$128,509	\$131,080	\$133,701	\$136,375	\$139,103	\$141,885	\$144,722	\$147,617	\$150,569	\$153,581	\$156,652	\$159,785
D1	G.N.C - Community Theatre	2,000	\$60,707	\$61,921	\$63,160	\$64,423	\$65,711	\$67,025	\$68,366	\$69,733	\$71,128	\$72,551	\$74,002	\$75,482	\$76,991	\$78,531
D1	G.N.C - Market	4,100	\$40,150	\$40,979	\$41,768	\$42,622	\$43,542	\$44,523	\$45,559	\$46,640	\$47,768	\$48,943	\$50,165	\$51,435	\$52,754	\$54,122
D2	Arts Related Uses	9,000	\$68,075	\$69,366	\$70,724	\$72,149	\$73,637	\$75,180	\$76,779	\$78,435	\$80,148	\$81,918	\$83,745	\$85,629	\$87,570	\$89,569
Building E	G.N.C	6,800	\$313,506	\$319,776	\$326,172	\$332,695	\$339,349	\$346,136	\$353,059	\$360,120	\$367,323	\$374,669	\$382,162	\$389,806	\$397,602	\$405,554
Building F	G.N.C	6,300	\$290,454	\$296,263	\$302,189	\$308,233	\$314,397	\$320,685	\$327,099	\$333,641	\$340,314	\$347,120	\$354,062	\$361,144	\$368,366	\$375,734
Building G	Retail / Restaurant / Bar	5,000	\$246,010	\$250,931	\$255,949	\$261,068	\$266,290	\$271,615	\$277,048	\$282,589	\$288,240	\$294,005	\$299,888	\$305,883	\$311,991	\$318,214
Building H	Community Space	4,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Building M																
M1	Museum	21,100	\$640,459	\$653,269	\$666,334	\$679,661	\$693,254	\$707,119	\$721,261	\$735,686	\$750,400	\$765,408	\$780,716	\$796,331	\$812,257	\$828,502
M2	Retail / Restaurant / Bar	2,000	\$98,404	\$100,372	\$102,380	\$104,427	\$106,516	\$108,646	\$110,819	\$113,035	\$115,296	\$117,602	\$119,954	\$122,353	\$124,800	\$127,296
Building X	Bike Center	600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Building A	To Be Demolished	8,587	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Building T	To Be Demolished	11,214	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Rental Revenue (1)		137,400	\$7,750,163	\$7,950,166	\$8,063,270	\$8,224,535	\$8,388,026	\$8,556,806	\$8,727,942	\$8,902,501	\$9,080,551	\$9,262,162	\$9,447,406	\$9,636,354	\$9,829,081	\$10,025,662
Occupancy	85% (Hotel Separate Occupancy)		\$6,587,639	\$6,719,391	\$6,853,779	\$6,990,855	\$7,130,672	\$7,273,285	\$7,418,751	\$7,567,126	\$7,718,469	\$7,872,838	\$8,030,285	\$8,190,901	\$8,354,719	\$8,521,813
Op. Ex. Escalation (Expense Reimbursement) (2)			\$1,841,686	\$1,895,825	\$1,951,163	\$2,008,654	\$2,067,532	\$2,128,154	\$2,190,574	\$2,254,844	\$2,321,337	\$2,389,475	\$2,459,634	\$2,531,873	\$2,606,255	\$2,683,170
Parking Income (3)			\$674,165	\$674,365	\$674,365	\$694,596	\$694,596	\$694,596	\$694,596	\$694,596	\$715,434	\$715,434	\$715,434	\$715,434	\$715,434	\$736,897
Total Parking Income			\$674,165	\$674,365	\$674,365	\$694,596	\$694,596	\$694,596	\$694,596	\$694,596	\$715,434	\$715,434	\$715,434	\$715,434	\$715,434	\$736,897
Effective Gross Revenue			\$9,105,690	\$9,289,382	\$9,479,307	\$9,694,105	\$9,892,800	\$10,096,036	\$10,303,921	\$10,516,566	\$10,735,240	\$10,957,747	\$11,185,362	\$11,418,207	\$11,656,407	\$11,899,880
Operating Expense			\$3,683,372	\$3,791,251	\$3,902,326	\$4,017,308	\$4,135,063	\$4,256,309	\$4,381,148	\$4,509,688	\$4,642,674	\$4,778,950	\$4,919,267	\$5,063,746	\$5,212,510	\$5,366,340
Net Operating Income			\$5,422,318	\$5,498,131	\$5,576,981	\$5,676,797	\$5,757,736	\$5,839,727	\$5,922,773	\$6,006,873	\$6,112,566	\$6,198,797	\$6,286,095	\$6,374,462	\$6,463,898	\$6,554,540
Capital Costs	\$0.10/ sq. ft		\$44,820	\$46,165	\$47,550	\$48,976	\$50,446	\$51,959	\$53,518	\$55,123	\$56,777	\$58,480	\$60,235	\$62,042	\$63,903	
Net Cash Flow Before Land Lease Payment			\$5,377,497	\$5,451,966	\$5,529,432	\$5,627,820	\$5,707,291	\$5,787,768	\$5,869,255	\$5,951,754	\$6,035,788	\$6,120,316	\$6,206,360	\$6,293,919	\$6,383,017	
City of Santa Monica Land Lease (5)			\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	
Net Cash Flow Before Debt Service			\$4,335,292	\$4,409,761	\$4,487,227	\$4,585,616	\$4,665,086	\$4,746,400	\$4,829,888	\$4,915,549	\$5,003,583	\$5,093,811	\$5,186,155	\$5,280,714	\$5,377,412	
Annual Debt Service (6)			\$4,335,292	\$4,409,761	\$4,487,227	\$4,585,616	\$4,665,086	\$4,746,400	\$4,829,888	\$4,915,549	\$5,003,583	\$5,093,811	\$5,186,155	\$5,280,714		
Net Cash Flow to Ownership			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Capital Balance (7)			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	

Notes
(1) Revenue Assumptions are based on 85% occupancy for Phase I.
(2) Revenue Assumptions are based on 75% occupancy for Phase II.
(3) Op Ex Reimbursement is expected to be 50% of Op Ex because of limitations on recapture of CAMs in MOU.
(4) Parking structure will charge (\$50) City Yards employees 65% of Market Rate.
(5) Market Rate for parking is assumed at \$200 per month.
(6) Management Fee is 3% of Revenue.
(7) Land Lease Payments are based on the team's proposal.
(8) Phase I and II construction financing is based on a 6.5% LTC at 7% interest rate for 2 years.
(9) Phase I and II permanent financing is based on a 7.0% LTV at 5% interest rate for 10 years, 7% thereafter.
(10) Capital Balance reflects all capital costs and project cash flow (both negative and positive).

net profits (\$105M)

Attachment C

Bergamot Station Financial Analysis

6, 7 & 8. Operating Proforma & Cash Flow Projections

WORTHE UPDATE - 3/14/2016 WITH HOTEL

Base Rental Revenue	Sq. Feet	Initial Stabilization Period																					
		2018 Year 1	2019 Year 2	2020 Year 3	2021 Year 4	2022 Year 5	2023 Year 6	2024 Year 7	2025 Year 8	2026 Year 9	2027 Year 10	2028 Year 11	2029 Year 12	2030 Year 13	2031 Year 14	2032 Year 15	2033 Year 16	2034 Year 17	2035 Year 18	2036 Year 19	2037 Year 20		
Building A G.N.C.	4,600	\$96,048	\$97,969	\$99,828	\$101,927	\$103,948	\$106,045	\$108,166	\$110,329	\$112,536	\$114,786	\$117,082	\$119,424	\$121,812	\$124,248	\$126,733	\$129,268	\$131,853	\$134,490	\$137,180	\$139,924		
Building B G.N.C.	24,000	\$501,120	\$511,142	\$521,365	\$531,793	\$542,428	\$553,277	\$564,343	\$575,629	\$587,147	\$598,895	\$610,882	\$623,080	\$635,541	\$648,252	\$661,217	\$674,442	\$687,930	\$701,689	\$715,723	\$730,037		
Building C																							
C1 G.N.C.	15,000	\$0	\$0	\$0	\$0	\$313,200	\$319,464	\$325,853	\$332,370	\$339,018	\$345,798	\$352,714	\$359,768	\$366,964	\$374,303	\$381,789	\$389,425	\$397,213	\$405,158	\$413,261	\$421,526		
C2 Creative Office	15,000	\$0	\$0	\$0	\$0	\$720,000	\$734,400	\$749,088	\$764,070	\$779,351	\$794,938	\$810,837	\$827,054	\$843,595	\$860,467	\$877,676	\$895,230	\$913,134	\$931,397	\$950,025	\$969,025		
C3 Creative Office	15,000	\$0	\$0	\$0	\$0	\$720,000	\$734,400	\$749,088	\$764,070	\$779,351	\$794,938	\$810,837	\$827,054	\$843,595	\$860,467	\$877,676	\$895,230	\$913,134	\$931,397	\$950,025	\$969,025		
Building D																							
D1 G.N.C.	2,900	\$0	\$0	\$0	\$0	\$60,552	\$61,768	\$62,998	\$64,258	\$65,543	\$66,864	\$68,219	\$69,595	\$70,994	\$72,416	\$73,861	\$75,329	\$76,820	\$78,334	\$79,871	\$81,431		
D1 G.N.C. - Community Theatre	2,000	\$0	\$0	\$0	\$0	\$39,740	\$40,355	\$40,962	\$41,562	\$42,157	\$42,747	\$43,332	\$43,912	\$44,487	\$45,057	\$45,622	\$46,182	\$46,737	\$47,287	\$47,832	\$48,372		
D1 G.N.C. - Market	4,100	\$0	\$0	\$0	\$0	\$196,800	\$200,750	\$204,751	\$208,846	\$212,923	\$217,039	\$221,139	\$225,264	\$229,399	\$233,549	\$237,699	\$241,849	\$245,999	\$250,149	\$254,299	\$258,449		
D2 Arts Related Uses	9,000	\$0	\$0	\$0	\$0	\$833,720	\$840,394	\$847,202	\$854,146	\$861,229	\$868,443	\$875,783	\$883,339	\$891,006	\$898,786	\$906,674	\$914,671	\$922,777	\$930,892	\$939,021	\$947,164		
Building E G.N.C.	6,800	\$141,984	\$144,824	\$147,720	\$150,675	\$153,688	\$156,762	\$159,897	\$163,093	\$166,357	\$169,684	\$173,078	\$176,539	\$180,070	\$183,671	\$187,345	\$191,092	\$194,914	\$198,812	\$202,788	\$206,844		
Building F G.N.C.	6,300	\$131,544	\$134,175	\$136,858	\$139,596	\$142,387	\$145,235	\$148,140	\$151,103	\$154,125	\$157,207	\$160,351	\$163,558	\$166,830	\$170,166	\$173,570	\$177,041	\$180,582	\$184,193	\$187,777	\$191,435		
Building G	5,000	\$0	\$0	\$0	\$0	\$120,600	\$123,012	\$125,472	\$127,982	\$130,541	\$133,152	\$135,815	\$138,531	\$141,302	\$144,128	\$146,991	\$149,895	\$152,850	\$155,859	\$158,919	\$162,031		
Building H Retail / Restaurant / Bar	4,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
Building M																							
M1 Museum	21,100	\$0	\$0	\$0	\$0	\$313,968	\$320,247	\$326,652	\$333,185	\$339,849	\$346,646	\$353,579	\$360,651	\$367,864	\$375,221	\$382,725	\$390,380	\$398,187	\$406,151	\$414,274	\$422,560		
M2 Retail / Restaurant / Bar	2,000	\$0	\$0	\$0	\$0	\$48,240	\$49,205	\$50,189	\$51,193	\$52,217	\$53,261	\$54,326	\$55,413	\$56,521	\$57,651	\$58,804	\$59,980	\$61,180	\$62,404	\$63,652	\$64,925		
Building X Bike Center	600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
Hotel	70,800	\$0	\$0	\$0	\$0	\$11,784,614	\$12,118,152	\$12,502,297	\$12,877,366	\$13,263,667	\$13,661,597	\$14,071,445	\$14,493,588	\$14,928,398	\$15,376,248	\$15,837,535	\$16,312,662	\$16,801,041	\$17,303,103	\$17,828,285	\$18,366,044		
Building A To Be Demolished	8,587	\$179,297	\$182,882	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Building T To Be Demolished	11,214	\$234,148	\$238,831	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Total Rental Revenue (1)	208,200	\$1,284,141	\$1,309,824	\$905,872	\$923,990	\$15,583,923	\$16,013,448	\$16,455,098	\$16,909,223	\$17,376,181	\$17,856,342	\$18,350,085	\$18,857,801	\$19,379,893	\$19,916,774	\$20,468,872	\$21,036,625	\$21,620,484	\$22,220,914	\$22,838,934	\$23,474,414		
Occupancy	85% (Hotel Separate Occupancy)	\$1,091,520	\$1,113,350	\$769,991	\$785,391	\$15,014,027	\$15,432,153	\$15,862,178	\$16,304,444	\$16,759,307	\$17,227,130	\$17,708,289	\$18,203,169	\$18,712,168	\$19,235,695	\$19,774,172	\$20,326,031	\$20,891,718	\$21,483,693	\$22,096,427	\$22,706,409		
Op. Ex. Escalation (Expense Reimbursement) (2)		\$457,266	\$486,433	\$52,831	\$600,198	\$834,275	\$858,561	\$883,365	\$909,310	\$936,068	\$963,359	\$991,459	\$1,020,391	\$1,050,180	\$1,081,109	\$1,112,689	\$1,145,204	\$1,178,683	\$1,213,154	\$1,248,912	\$1,285,457		
Parking Income (3)		\$0	\$532,350	\$532,350	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321		
City Yards		\$0	\$532,350	\$532,350	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321		
Bergamot Station Employees		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Bergamot Visitors (Validation)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Total Parking Income		\$0	\$532,350	\$532,350	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321	\$548,321		
Effective Gross Revenue		\$1,546,786	\$1,132,533	\$1,885,172	\$1,993,910	\$16,396,622	\$16,893,055	\$17,294,064	\$17,762,075	\$18,260,145	\$18,755,259	\$19,264,518	\$19,786,330	\$20,327,118	\$20,898,518	\$21,468,574	\$22,036,948	\$22,608,114	\$23,278,560	\$23,934,505	\$24,591,031		
Operating Expense																							
Cleaning		\$36,226	\$37,313	\$79,516	\$81,901	\$84,358	\$86,889	\$89,496	\$92,181	\$94,946	\$97,795	\$100,728	\$103,754	\$106,863	\$110,069	\$113,371	\$116,772	\$120,275	\$123,883	\$127,600	\$131,428		
Repair & Maintenance		\$65,000	\$66,950	\$200,000	\$206,000	\$212,180	\$218,545	\$25,102	\$231,855	\$238,810	\$245,975	\$253,354	\$260,955	\$268,783	\$276,847	\$285,152	\$293,707	\$302,518	\$311,593	\$320,941	\$330,570		
Utilities		\$191,271	\$197,009	\$200,920	\$209,607	\$215,277	\$221,736	\$228,988	\$235,239	\$242,297	\$249,168	\$255,952	\$262,744	\$269,547	\$276,364	\$283,196	\$290,046	\$296,916	\$303,807	\$310,720	\$317,664		
Roads & Grounds		\$14,000	\$30,000	\$30,000	\$31,827	\$33,782	\$35,765	\$37,778	\$39,822	\$41,906	\$44,030	\$46,204	\$48,428	\$50,702	\$53,026	\$55,400	\$57,824	\$60,298	\$62,822	\$65,396	\$68,020		
Parking		\$47,700	\$49,131	\$50,605	\$52,123	\$53,687	\$55,297	\$56,956	\$58,665	\$60,425	\$62,238	\$64,106	\$66,030	\$68,010	\$70,048	\$72,145	\$74,291	\$76,487	\$78,734	\$81,031	\$83,378		
Security		\$85,660	\$88,436	\$91,089	\$93,822	\$96,636	\$99,535	\$102,521	\$105,597	\$108,765	\$112,028	\$115,389	\$118,850	\$122,416	\$126,089	\$129,871	\$133,772	\$137,794	\$141,937	\$146,201	\$150,586		
Management Fee (4)		\$46,464	\$69,976	\$56,555	\$58,017	\$491,899	\$505,171	\$518,822	\$532,862	\$547,304	\$562,146	\$577,391	\$593,040	\$609,194	\$625,854	\$643,021	\$660,694	\$678,874	\$697,561	\$716,755	\$736,456		
Administrative		\$137,500	\$141,625	\$145,874	\$150,250	\$154,757	\$159,400	\$164,182	\$169,108	\$174,181	\$179,406	\$184,789	\$190,326	\$196,032	\$201,904	\$207,941	\$214,151	\$220,542	\$227,213	\$234,065	\$241,107		
Arts Center Management		\$270,000	\$278,100	\$286,443	\$295,036	\$303,887	\$313,004	\$322,394	\$332,066	\$342,028	\$352,289	\$362,857	\$373,741	\$384,958	\$396,504	\$408,399	\$420,651	\$433,271	\$446,269	\$459,657	\$473,447		
Insurance		\$205,111	\$211,126	\$217,600	\$224,413	\$231,578	\$239,100	\$247,084	\$255,526	\$264,433	\$273,804	\$283,648	\$293,975	\$304,794	\$316,104	\$327,914	\$340,234	\$353,064	\$366,414	\$380,294	\$394,614		
Total Hotel Expenses		\$0	\$0	\$0	\$0	\$9,396,571	\$9,678,468	\$9,968,822	\$10,267,887	\$10,575,923	\$10,893,201	\$11,219,997	\$11,556,597	\$11,903,295	\$12,260,394	\$12,628,205	\$13,007,052	\$13,397,263	\$13,799,181	\$14,213,157	\$14,638,551		
Total Operating Expenses		\$914,532	\$973,667	\$1,165,061	\$1,200,397	\$11,065,120	\$11,395,589	\$11,735,953	\$12,086,507	\$12,468,058	\$12,879,920	\$13,307,915	\$13,759,379	\$14,200,654	\$14,652,612	\$15,119,460	\$15,599,460	\$16,093,488	\$16,603,888	\$17,130,288	\$17,673,466		
Net Operating Income		\$634,254	\$1,138,867	\$719,911	\$793,513	\$5,331,502	\$5,443,445	\$5,556,111	\$5,675,568	\$5,822,0													

Attachment C

Bergamot Station Financial Analysis

6.7 & 8. Operating Performance & Cash Flow Projections

WORTHY UPDATE - 3/14/2016 WITH HOTEL

Base Rental Revenue	Sq. Feet	Project Cash Flows																			
		2018										Stabilized Occupancy									
		Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Building A	G.N.C.	4,600	\$142,722	\$145,577	\$148,432	\$151,287	\$154,142	\$157,000	\$160,278	\$163,445	\$167,222	\$170,566	\$173,978	\$177,457	\$181,006	\$184,619	\$188,219	\$191,805	\$195,377	\$198,946	\$202,519
Building B	G.N.C.	24,000	\$744,638	\$759,531	\$774,721	\$790,216	\$806,020	\$822,140	\$838,583	\$855,355	\$872,462	\$889,911	\$907,710	\$925,864	\$944,381	\$963,269	\$982,534	\$1,002,185	\$1,022,238	\$1,042,673	\$1,063,526
Building C	G.N.C.	15,000	\$429,956	\$438,956	\$447,927	\$456,873	\$465,799	\$474,707	\$484,201	\$493,885	\$503,763	\$513,838	\$524,115	\$534,597	\$545,289	\$556,195	\$567,318	\$578,655	\$590,228	\$602,043	\$614,084
C2	Creative Office	15,000	\$988,406	\$1,008,174	\$1,028,337	\$1,048,904	\$1,069,882	\$1,091,280	\$1,113,105	\$1,135,367	\$1,158,075	\$1,181,236	\$1,204,861	\$1,228,958	\$1,253,537	\$1,278,608	\$1,304,180	\$1,330,264	\$1,356,869	\$1,384,007	\$1,411,687
C3	Creative Office	15,000	\$988,406	\$1,008,174	\$1,028,337	\$1,048,904	\$1,069,882	\$1,091,280	\$1,113,105	\$1,135,367	\$1,158,075	\$1,181,236	\$1,204,861	\$1,228,958	\$1,253,537	\$1,278,608	\$1,304,180	\$1,330,264	\$1,356,869	\$1,384,007	\$1,411,687
Building D	G.N.C.	2,900	\$83,125	\$84,787	\$86,488	\$88,233	\$89,977	\$91,777	\$93,612	\$95,484	\$97,394	\$99,342	\$101,329	\$103,355	\$105,422	\$107,531	\$109,682	\$111,875	\$114,113	\$116,395	\$118,727
D1	G.N.C. - Community Theatre	2,900	\$40,854	\$41,671	\$42,505	\$43,355	\$44,222	\$45,106	\$46,008	\$46,929	\$47,867	\$48,824	\$49,801	\$50,797	\$51,813	\$52,849	\$53,906	\$54,984	\$56,084	\$57,206	\$58,350
D1	G.N.C. - Market	4,100	\$70,164	\$72,568	\$74,109	\$75,700	\$77,344	\$79,044	\$80,804	\$82,624	\$84,504	\$86,444	\$88,444	\$90,504	\$92,624	\$94,804	\$97,044	\$99,344	\$101,704	\$104,124	\$106,604
D2	Arts Related Uses	9,000	\$458,126	\$467,289	\$476,634	\$486,167	\$495,890	\$505,808	\$515,924	\$526,248	\$536,781	\$547,524	\$558,477	\$569,640	\$581,013	\$592,596	\$604,489	\$616,692	\$629,215	\$642,058	\$655,231
Building E	G.N.C.	6,800	\$210,981	\$215,004	\$219,504	\$224,484	\$229,924	\$234,824	\$239,192	\$244,028	\$248,332	\$253,104	\$257,352	\$262,076	\$267,276	\$272,952	\$279,104	\$285,732	\$292,840	\$300,428	\$308,504
Building F	G.N.C.	6,300	\$195,467	\$199,377	\$203,364	\$207,432	\$211,584	\$215,812	\$220,128	\$224,532	\$229,024	\$233,604	\$238,272	\$243,039	\$247,904	\$252,868	\$257,932	\$263,096	\$268,360	\$273,724	\$279,188
Building G	Retail / Restaurant / Bar	5,000	\$165,558	\$168,669	\$172,246	\$175,691	\$179,205	\$182,789	\$186,445	\$190,174	\$193,978	\$197,857	\$201,814	\$205,851	\$209,968	\$214,167	\$218,450	\$222,819	\$227,276	\$231,821	\$236,458
Building H	Community Space	4,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Building M	Museum	21,100	\$431,011	\$439,631	\$448,424	\$457,392	\$466,540	\$475,871	\$485,388	\$495,096	\$504,998	\$515,098	\$525,400	\$535,908	\$546,626	\$557,558	\$568,710	\$580,084	\$591,685	\$603,519	\$615,590
M2	Retail / Restaurant / Bar	2,000	\$66,223	\$67,548	\$68,899	\$70,277	\$71,682	\$73,116	\$74,578	\$76,070	\$77,591	\$79,143	\$80,726	\$82,340	\$83,987	\$85,667	\$87,380	\$89,128	\$90,910	\$92,728	\$94,583
Building X	Hotel	70,800	\$18,910,846	\$19,478,171	\$20,062,516	\$20,664,392	\$21,284,233	\$21,922,853	\$22,580,539	\$23,257,955	\$23,955,693	\$24,674,364	\$25,414,595	\$26,177,093	\$26,962,344	\$27,771,214	\$28,604,351	\$29,461,481	\$30,342,956	\$31,249,346	\$32,181,022
Building A	To Be Demolished	8,587	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Building T	To Be Demolished	11,214	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Rental Revenue (1)		208,200	\$24,126,483	\$24,798,121	\$25,488,866	\$26,199,268	\$26,929,897	\$27,681,338	\$28,454,194	\$29,249,083	\$30,066,644	\$30,907,534	\$31,772,428	\$32,662,023	\$33,577,033	\$34,518,198	\$35,486,274	\$36,481,043	\$37,503,208	\$38,553,898	\$39,634,663
Occupancy	85% (Hotel Separate Occupancy)		\$23,344,137	\$24,000,129	\$24,674,913	\$25,369,036	\$26,083,061	\$26,817,566	\$27,573,145	\$28,350,414	\$29,150,001	\$29,972,358	\$30,818,733	\$31,689,274	\$32,584,830	\$33,506,150	\$34,453,985	\$35,429,108	\$36,432,315	\$37,464,425	\$38,526,281
Op. Ex. Escalation (Expense Reimbursement) (2)			\$1,323,085	\$1,361,829	\$1,401,722	\$1,443,071	\$1,485,365	\$1,528,913	\$1,573,753	\$1,619,923	\$1,667,745	\$1,716,696	\$1,767,100	\$1,819,000	\$1,872,404	\$1,927,757	\$1,984,417	\$2,042,760	\$2,102,855	\$2,164,694	\$2,228,689
Parking Income (3)			\$599,165	\$599,165	\$599,165	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140
Total Parking Income			\$599,165	\$599,165	\$599,165	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140	\$617,140
Effective Gross Revenue			\$25,266,387	\$25,961,122	\$26,675,799	\$27,429,247	\$28,218,565	\$29,049,638	\$29,923,477	\$30,841,401	\$31,804,901	\$32,815,908	\$33,874,428	\$34,980,923	\$36,144,830	\$37,367,757	\$38,650,925	\$39,995,108	\$41,399,363	\$42,864,030	\$44,390,281
Operating Expense			\$135,371	\$139,432	\$143,615	\$147,923	\$152,361	\$156,932	\$161,640	\$166,488	\$171,483	\$176,628	\$181,927	\$187,385	\$192,906	\$198,596	\$204,462	\$210,511	\$216,751	\$223,190	\$229,927
Net Operating Income			\$24,931,016	\$25,561,690	\$26,232,184	\$27,001,324	\$27,806,204	\$28,652,706	\$29,542,938	\$30,477,463	\$31,457,918	\$32,484,280	\$33,557,528	\$34,677,501	\$35,844,923	\$37,059,857	\$38,322,963	\$39,635,125	\$40,997,413	\$42,410,103	\$43,873,054
Capital Costs	\$0.10/ sq. ft.		\$37,603	\$38,731	\$39,893	\$41,090	\$42,323	\$43,592	\$44,900	\$46,247	\$47,635	\$49,064	\$50,536	\$52,052	\$53,613	\$55,222	\$56,878	\$58,585	\$60,342	\$62,152	\$64,017
Net Cash Flow Before Land Lease Payment			\$24,893,413	\$25,173,959	\$26,142,291	\$26,590,234	\$27,364,812	\$28,186,736	\$29,056,763	\$29,970,716	\$30,928,283	\$31,929,344	\$32,974,644	\$34,064,881	\$35,199,915	\$36,379,635	\$37,604,081	\$38,873,538	\$40,187,915	\$41,548,186	\$42,955,337
City of Santa Monica Land Lease (5)			\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133
Net Cash Flow Before Debt Service			\$24,039,280	\$24,319,826	\$25,288,158	\$25,736,101	\$26,510,679	\$27,332,603	\$28,202,630	\$29,116,583	\$30,072,450	\$31,070,511	\$32,111,507	\$33,195,714	\$34,324,778	\$35,500,502	\$36,723,949	\$37,996,402	\$39,318,781	\$40,691,014	\$42,114,203
Annual Debt Service (6)			\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063	\$3,541,063
Net Cash Flow to Ownership			\$20,498,217	\$20,778,763	\$21,747,095	\$22,195,038	\$22,969,616	\$23,781,540	\$24,631,517	\$25,515,450	\$26,431,387	\$27,389,448	\$28,380,544	\$29,405,681	\$30,464,715	\$31,557,439	\$32,685,886	\$33,851,339	\$35,054,618	\$36,297,951	\$37,581,140
Capital Balance (7)			(\$54,119,054)	(\$50,846,617)	(\$47,406,383)	(\$43,776,507)	(\$39,970,442)	(\$36,027,397)	(\$31,899,332)	(\$27,561,560)	(\$23,051,443)	(\$18,322,089)	(\$13,344,437)	(\$8,077,617)	(\$2,592,418)	\$2,900,000	\$8,247,975	\$13,544,604	\$18,792,824	\$24,000,617	\$29,168,986

Notes:
 (1) Revenue Assumptions are based on 85% occupancy for Phase I.
 (2) Revenue Assumptions are based on 75% occupancy for Phase II.
 (3) Op Ex Reimbursement is expected to be 50% of Op Ex because of limitations on recapture of CAMs in MDU.
 (4) Parking Structure will charge (\$50) City Yards employees 65% of Market Rate.
 (5) Market Rate for parking is assumed at \$200 per month.
 (6) Management Fee is 3% of Revenue.
 (7) Land Lease Payments are based on the team's proposal.
 (8) Phase I and II construction financing is based on a 6% LTC at 7% interest rate for 2 years.
 (9) Phase I and II permanent financing is based on a 70% LTC at 5% interest rate for 10 years, 7% thereafter.
 (10) Capital Balance reflects all capital costs and project cash flow (both negative and positive).

net profits

Attachment C

Bergamot Station Financial Analysis

6.7 & 8. Operating Proforma & Cash Flow Projections

WORTHE UPDATE - 3/14/2016 WITH HOTEL

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Sq. Feet	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Base Rental Revenue																
Building A	G.N.C.	4,600	\$212,078	\$216,319	\$220,646	\$225,059	\$229,560	\$234,151	\$238,834	\$243,611	\$248,483	\$253,453	\$258,522	\$263,692	\$268,966	\$274,345
Building B	G.N.C.	24,000	\$1,106,493	\$1,128,623	\$1,151,195	\$1,174,219	\$1,197,703	\$1,221,657	\$1,246,091	\$1,271,012	\$1,296,433	\$1,322,361	\$1,348,809	\$1,375,785	\$1,403,300	\$1,431,366
Building C																
C1	G.N.C.	15,000	\$638,893	\$651,471	\$664,704	\$677,998	\$691,558	\$705,389	\$719,497	\$733,887	\$748,565	\$763,536	\$778,807	\$794,383	\$810,270	\$826,476
C2	Creative Office	15,000	\$1,468,719	\$1,498,093	\$1,528,055	\$1,558,616	\$1,589,789	\$1,621,584	\$1,654,016	\$1,687,096	\$1,720,838	\$1,755,255	\$1,790,360	\$1,826,167	\$1,862,691	\$1,899,944
C3	Creative Office	15,000	\$1,468,719	\$1,498,093	\$1,528,055	\$1,558,616	\$1,589,789	\$1,621,584	\$1,654,016	\$1,687,096	\$1,720,838	\$1,755,255	\$1,790,360	\$1,826,167	\$1,862,691	\$1,899,944
Building D																
D1	G.N.C.	2,900	\$123,519	\$125,990	\$128,509	\$131,080	\$133,701	\$136,375	\$139,103	\$141,885	\$144,722	\$147,617	\$150,569	\$153,581	\$156,652	\$159,785
D1	G.N.C. - Community Theatre	2,000	\$65,707	\$61,911	\$58,160	\$54,423	\$50,711	\$47,025	\$43,366	\$39,733	\$36,128	\$32,551	\$29,002	\$25,482	\$22,091	\$18,731
D1	G.N.C. - Market	4,100	\$401,450	\$409,479	\$417,668	\$426,022	\$434,542	\$443,233	\$452,098	\$461,140	\$470,362	\$479,770	\$489,365	\$499,152	\$509,138	\$519,318
D2	Arts Related Uses	9,000	\$680,751	\$694,366	\$708,254	\$722,419	\$736,867	\$751,604	\$766,632	\$781,969	\$797,609	\$813,561	\$829,823	\$846,429	\$863,357	\$880,624
Building E	G.N.C.	6,800	\$313,506	\$319,776	\$326,172	\$332,695	\$339,349	\$346,136	\$353,059	\$360,120	\$367,323	\$374,669	\$382,162	\$389,806	\$397,602	\$405,554
Building F	G.N.C.	6,300	\$290,454	\$296,263	\$302,189	\$308,233	\$314,397	\$320,685	\$327,099	\$333,641	\$340,314	\$347,120	\$354,062	\$361,144	\$368,366	\$375,734
Building G	Retail / Restaurant / Bar	5,000	\$346,010	\$350,931	\$355,949	\$361,068	\$366,290	\$371,615	\$377,048	\$382,589	\$388,240	\$394,005	\$399,885	\$405,883	\$411,901	\$418,041
Building H	Community Space	4,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Building M																
M1	Museum	21,100	\$640,459	\$653,269	\$666,334	\$679,661	\$693,254	\$707,119	\$721,261	\$735,686	\$750,400	\$765,408	\$780,716	\$796,331	\$812,257	\$828,502
M2	Retail / Restaurant / Bar	2,000	\$98,404	\$100,372	\$102,380	\$104,427	\$106,516	\$108,646	\$110,819	\$113,035	\$115,296	\$117,602	\$119,954	\$122,353	\$124,800	\$127,296
Building X	Bike Center	600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Hotel		70,800	\$34,155,091	\$35,179,743	\$36,235,136	\$37,322,190	\$38,441,855	\$39,595,111	\$40,782,964	\$42,006,453	\$43,266,647	\$44,564,646	\$45,901,596	\$47,278,633	\$48,696,992	\$50,157,902
Building A	To Be Demolished	8,587	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Building T	To Be Demolished	11,214	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Rental Revenue (1)		208,200	\$41,905,254	\$43,045,910	\$44,229,406	\$45,456,725	\$46,830,881	\$48,151,917	\$49,510,907	\$50,908,955	\$52,347,158	\$53,826,809	\$55,348,991	\$56,914,967	\$58,526,073	\$60,183,564
Occupancy	85% (Hotel Separate Occupancy)		\$40,742,729	\$41,899,135	\$43,088,915	\$44,313,045	\$45,572,527	\$46,868,396	\$48,201,715	\$49,573,579	\$50,985,116	\$52,437,484	\$53,931,880	\$55,469,534	\$57,051,711	\$58,679,715
Op. Ex. Escalation (Expense Reimbursement) (2)			\$2,361,814	\$2,481,137	\$2,502,967	\$2,577,012	\$2,632,941	\$2,731,126	\$2,811,634	\$2,894,536	\$2,980,220	\$3,068,124	\$3,158,642	\$3,251,852	\$3,347,833	\$3,446,996
Parking Income (3)																
City Fairs			\$674,365	\$674,365	\$674,365	\$694,596	\$694,596	\$694,596	\$694,596	\$694,596	\$715,434	\$715,434	\$715,434	\$715,434	\$715,434	\$736,897
Bergamot Station Employees			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Bergamot Visitors (Validation)			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Parking Income			\$674,365	\$674,365	\$674,365	\$694,596	\$694,596	\$694,596	\$694,596	\$694,596	\$715,434	\$715,434	\$715,434	\$715,434	\$715,434	\$736,897
Effective Gross Revenue			\$43,778,909	\$45,004,657	\$46,266,247	\$47,584,653	\$48,926,064	\$50,294,118	\$51,702,946	\$53,162,712	\$54,670,770	\$56,231,043	\$57,805,957	\$59,400,620	\$61,114,978	\$62,863,608
Operating Expense																
Cleaning		\$244,494	\$251,829	\$259,384	\$267,166	\$275,181	\$283,436	\$291,939	\$300,697	\$309,718	\$319,010	\$328,580	\$338,437	\$348,590	\$359,048	\$369,820
Repair & Maintenance		\$614,957	\$633,405	\$652,408	\$671,980	\$692,139	\$712,903	\$734,290	\$756,319	\$779,009	\$802,379	\$826,450	\$851,244	\$876,781	\$903,085	\$930,177
Utilities		\$623,934	\$642,652	\$661,931	\$681,769	\$702,248	\$723,310	\$745,010	\$767,340	\$790,381	\$814,192	\$838,815	\$864,270	\$890,580	\$916,288	\$943,756
Roads & Grounds		\$95,011	\$97,661	\$100,797	\$103,821	\$106,936	\$110,144	\$113,448	\$116,851	\$120,357	\$123,965	\$127,687	\$131,517	\$135,463	\$139,527	\$143,712
Parking		\$155,599	\$160,267	\$165,075	\$170,027	\$175,128	\$180,382	\$185,794	\$191,367	\$197,103	\$203,022	\$209,112	\$215,386	\$221,847	\$228,503	\$235,358
Security		\$280,079	\$288,481	\$297,135	\$306,049	\$315,231	\$324,688	\$334,428	\$344,461	\$354,795	\$365,439	\$376,402	\$387,694	\$399,325	\$411,305	\$423,644
Management Fee (4)		\$1,313,867	\$1,350,146	\$1,387,987	\$1,427,540	\$1,467,802	\$1,508,824	\$1,551,238	\$1,594,881	\$1,640,423	\$1,686,631	\$1,734,179	\$1,783,105	\$1,833,449	\$1,885,008	\$1,939,217
Administrative		\$448,530	\$461,956	\$475,846	\$490,121	\$504,825	\$519,969	\$535,569	\$551,636	\$568,185	\$585,230	\$602,787	\$620,871	\$639,497	\$658,682	\$678,442
Arts Center Management		\$880,750	\$907,173	\$934,388	\$962,420	\$991,292	\$1,021,031	\$1,051,662	\$1,083,212	\$1,115,708	\$1,149,179	\$1,183,655	\$1,219,164	\$1,255,739	\$1,293,411	\$1,332,214
Insurance		\$66,908	\$68,515	\$70,982	\$73,112	\$75,305	\$77,564	\$79,891	\$82,288	\$84,757	\$87,299	\$89,918	\$92,616	\$95,394	\$98,256	\$101,204
Total Hotel Expenses		\$27,233,878	\$28,050,894	\$28,892,421	\$29,759,193	\$30,651,969	\$31,571,528	\$32,518,674	\$33,494,234	\$34,499,061	\$35,534,033	\$36,600,054	\$37,698,056	\$38,828,998	\$39,993,868	\$41,193,684
Total Operating Expenses		\$31,957,506	\$32,913,609	\$33,898,355	\$34,913,218	\$35,957,850	\$37,033,780	\$38,141,943	\$39,283,307	\$40,459,502	\$41,670,282	\$42,917,339	\$44,201,760	\$45,524,664	\$46,887,860	\$48,291,227
Net Operating Income		\$11,821,402	\$12,091,248	\$12,367,892	\$12,671,435	\$12,962,213	\$13,260,338	\$13,566,003	\$13,879,405	\$14,221,248	\$14,550,760	\$14,888,618	\$15,235,060	\$15,590,314	\$15,975,748	\$16,349,330
Capital Costs	\$0.10/ sq. ft.	\$67,916	\$69,953	\$72,052	\$74,213	\$76,440	\$78,733	\$81,095	\$83,528	\$86,033	\$88,614	\$91,273	\$94,011	\$96,831	\$99,736	\$102,728
Net Cash Flow Before Land Lease Payment		\$11,753,487	\$12,021,295	\$12,295,840	\$12,597,222	\$12,885,774	\$13,181,606	\$13,484,908	\$13,795,877	\$14,135,234	\$14,462,146	\$14,797,345	\$15,141,049	\$15,493,482	\$15,876,012	\$16,246,602
City of Santa Monica Land Lease (5)		\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,095,368	\$1,095,368	\$1,095,368	\$1,095,368	\$1,151,242	\$1,151,242	\$1,151,242	\$1,151,242	\$1,151,242	\$1,151,242
Net Cash Flow Before Debt Service		\$10,711,282	\$10,979,091	\$11,253,636	\$11,555,017	\$11,843,569	\$12,086,238	\$12,389,540	\$12,700,509	\$13,039,867	\$13,366,778	\$13,646,102	\$13,989,806	\$14,342,240	\$14,724,770	\$15,095,359
Annual Debt Service (6)																
Net Cash Flow to Ownership		\$10,711,282	\$10,979,091	\$11,253,636	\$11,555,017	\$11,843,569	\$12,086,238	\$12,389,540	\$12,700,509	\$13,039,867	\$13,366,778	\$13,646,102	\$13,989,806	\$14,342,240	\$14,724,770	\$15,095,359
Capital Balance (7)																

Notes
 (1) Revenue Assumptions are based on 85% occupancy for Phase I.
 (2) Revenue Assumptions are based on 75% occupancy for Phase II.
 (3) Op Ex Reimbursement is expected to be 50% of Op Ex because of limitations on recapture of CAMs in MOU.
 (4) Parking Structure will charge \$500 City Fairs employees 65% of Market Rate.
 (5) Market Rate for parking is assumed at \$200 per month.
 (6) Management Fee is 3% of Revenue.
 (7) Land Lease Payments are based on the team's proposal.
 (8) Phase I and II construction financing is based on a 65% LTC at 7% interest rate for 2 years.
 (9) Phase I and II permanent financing is based on a 70% LTC at 5% interest rate for 10 years, 7% thereafter.
 (10) Capital Balance reflects all capital costs and project cash flow (both negative and positive).

net profits (\$260M)



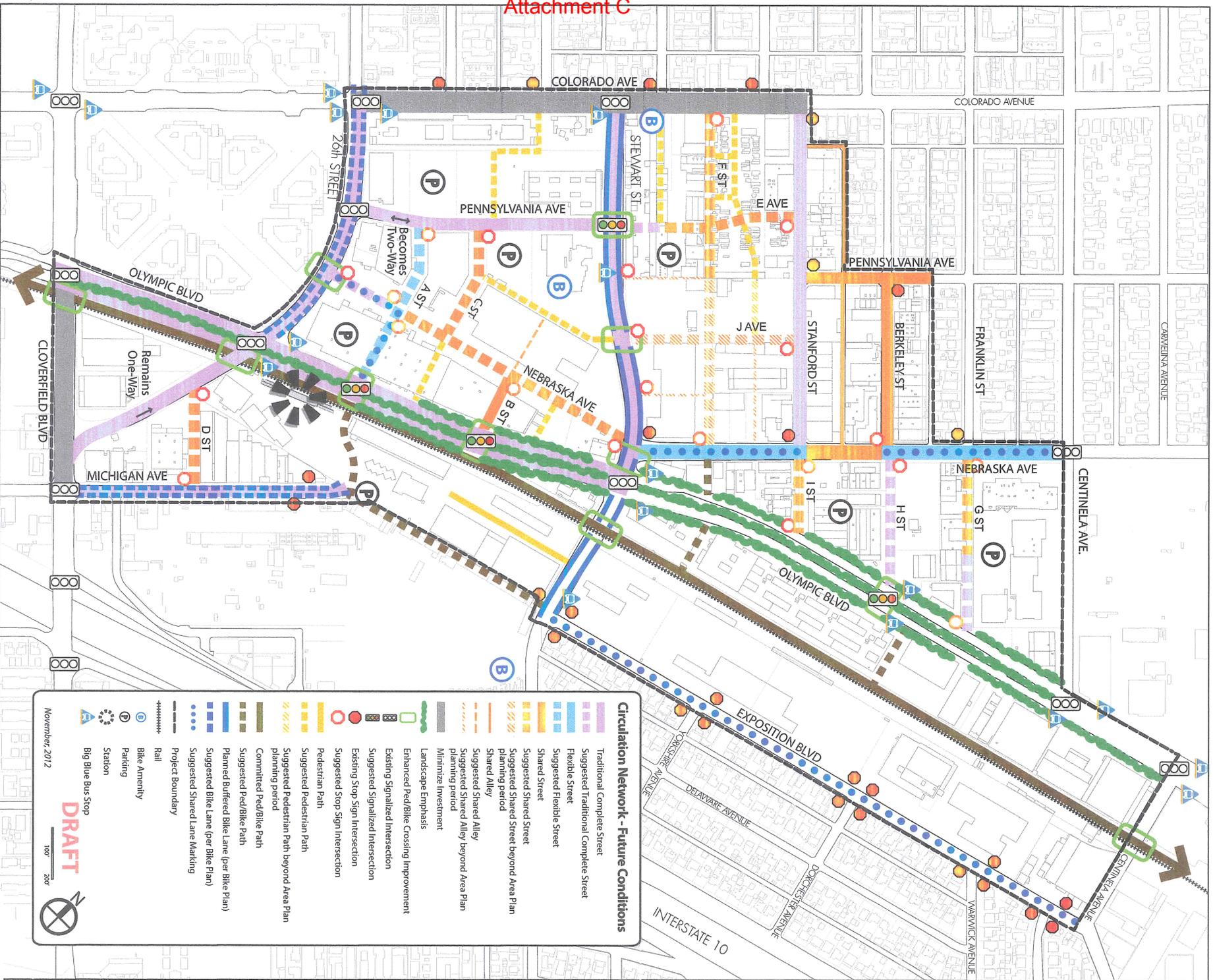
Street Network

City of Santa Monica
Land Use and Circulation Element

- Boulevard**
Regional transportation corridor with continuous mixed-use and commercial land uses. Provides access for all forms of transportation, but emphasizes transit and walking. Regional auto traffic is accommodated here in order to minimize regional traffic on parallel streets.
- Special Street**
Unique and ceremonial streets requiring special consideration, such as the Third Street Promenade.
- Commercial: Downtown**
Provides access for all transportation and supporting Downtown.
- Commercial: Neighborhood**
Provides access for all transportation and supporting neighborhood retail.
- Avenue: Major**
Serves regional automobile trips and provides access for all modes of transportation. Designed to discourage regional auto traffic from using Secondary or Minor Avenues.
- Avenue: Secondary**
Distributes auto trips among Minor Avenues and Neighborhood Streets often serving regional bicycle trips by providing signalized crossings at Boulevards and Major Avenues.
- Avenue: Minor**
Serves local auto and bicycle trips.
- Avenue: Industrial**
Minor street serving industrial area.
- Neighborhood Street**
Provides access primarily to abutting uses. Autos travel slowly enough to stop for people in the street.
- Shared Street**
Serves as area where autos travel slowly enough to mix safely with people walking or bicycling. May not be wide enough to accommodate separate zones for people walking, bicycling, parking or driving.
- Parkway**
Serves as linear park incorporating continuous landscaping, recreational bikeways and pedestrian paths.
- Pathways**
Pedestrian-only streets.
- Bikeway - Lane/Path/Bicycle Boulevard**
Bicycle lanes, bicycle paths, and streets designed so that cars and bicycles can mix comfortably.
- Transit Investment**
Planning underway for rail service, including subway and light rail with regional connections.
- Highway**
Serves regional and interstate auto traffic.
- Alley**
Provides local property access.
- Light Rail Station**
- Major Bus Stop**

Updated 10-30-2009

Exhibit 10(a)



Circulation Network - Future Conditions

- Traditional Complete Street
- Suggested Traditional Complete Street
- Flexible Street
- Suggested Flexible Street
- Shared Street
- Suggested Shared Street
- Suggested Shared Street beyond Area Plan planning period
- Shared Alley
- Suggested Shared Alley
- Suggested Shared Alley beyond Area Plan planning period
- Minimize Investment
- Landscape Emphasis
- Enhanced Red/Bike Crossing Improvement
- Existing Signalized Intersection
- Suggested Signalized Intersection
- Existing Stop Sign Intersection
- Suggested Stop Sign Intersection
- Pedestrian Path
- Suggested Pedestrian Path
- Suggested Pedestrian Path beyond Area Plan planning period
- Committed Ped/Bike Path
- Suggested Ped/Bike Path
- Planned Buffered Bike Lane (per Bike Plan)
- Suggested Bike Lane (per Bike Plan)
- Suggested Shared Lane Marking
- Project Boundary
- Rail
- Bike Amenity
- Parking
- Station
- Big Blue Bus Stop

November, 2012

DRAFT

100' 200'

North arrow symbol

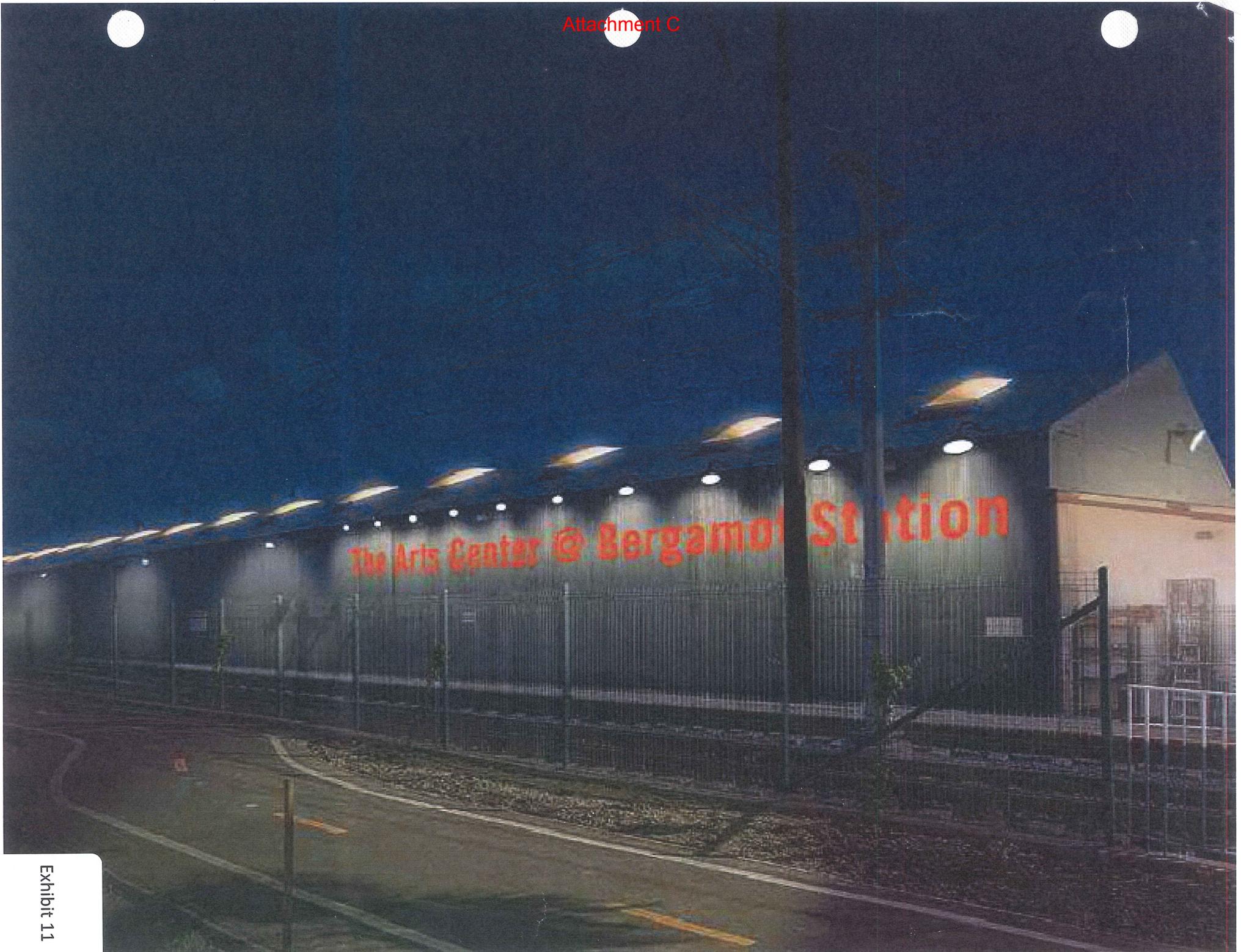


Exhibit 11



Worthe Real Estate Group

The handouts “Revised Worthe 2016 Project Vs. Table 2” compare Worthe’s estimate of annual City Revenue for the March 2016 proposal (with Hotel and without), as compared to Keyser Marston Associate’s (KMA) 2014 analysis of the 3 “original” developer proposals. The two sheets are snapshots in time, assuming values in year 2022 of the ground lease¹. Separately, Worthe has provided the increases in these revenues over the term of the 55-year lease.

I. Proposed Ground Rent

- The initial proposed ground rent payable by Worthe to the City under its 55-year ground lease is **\$700,000** beginning January 2018. Worthe’s proposal re-adjusts every 5 years (1% increase, compounded annually, i.e., in 2023 the ground rent increases from \$700,000 to \$735,707). This rent is the same in either scenario, Hotel or No Hotel.

II. Transient Occupancy Tax Revenue (calculated in 2022, the first year of hotel operation)

- The City levies a 14% “Transient Occupancy Tax” (TOT) on the total amount paid for rental of a hotel room in the City. The TOT revenue is determined based on the estimated number of hotel rooms (100 in Worthe’s current proposal) multiplied by RevPAR, which is the revenue generated per available room (taking into account the Average Daily Rate and the rate of occupancy in a given year). This revenue is multiplied by 14%. KMA used \$215 for its RevPAR assumption, but Worthe’s financial model used \$208 in the first year of operation (2022).
- # of Rooms (100) x Days in the Year (365) x RevPar (\$208) x Tax Rate (14%) = **\$1,064,758**

III. Sales Tax Revenue

- The Sales Tax revenue is determined by multiplying the square footage of each type of space by the sales per square foot assumed to be earned from that type of space. The assumptions were given by KMA - \$200/sf in sales for Gallery space, \$600/sf in sales for Restaurant space and 1.25% for the City’s share of the Sales Tax. (Worthe’s revised proposed project does not have any retail space.)
 - i. **With Hotel:** ((Gallery SF (68,700) x Gallery Sales Per SF (\$200)) + ((Restaurant SF (9,000) x Restaurant Sales Per SF (\$600)) x 1.25% = **\$239,250**
 - ii. **Without Hotel:** ((Gallery SF (65,700) x Gallery Sales Per SF (\$200)) + ((Restaurant SF (7,000) x Restaurant Sales Per SF (\$600)) x 1.25% = **\$216,750**

IV. Possessory Interest Tax Revenue

- Worthe relied on KMA’s assumptions, increasing over time as the ground lease payments increase - **\$13,001**

V. Property Tax Revenue

- **With Hotel:** To determine property tax revenue, Worthe mirrored KMA’s assumptions for the original proposals, but used the revised estimated assessed value (\$85,124,136 - based on construction cost estimates of the revised project in year 2022) and multiplied it by the City’s share of Property Taxes (0.14%) = **\$119,174.**

¹ Worthe’s financial models assume the project and hotel will be constructed and operational by year 5 of the ground lease (2022).



Worthe Real Estate Group

- **Without Hotel:** \$38,295,539 (based on construction cost estimates of the revised project in year 2022) multiplied by the City's share of Property Taxes (0.14%) = **\$53,614**
- These amounts increase by 2% annually in the 55-year forecast.

VI. Utility User Tax Revenue

- The City levies a 10% tax on electricity, natural gas, telephones, cable television, water and sewer charges. KMA assumed the Worthe project had 226 "Resident Equivalents" (RE) and a \$265 tax per such RE. We made no changes to these assumptions - **\$59,797.**

VII. Business License Revenue

- The City's Retail Business License Tax is \$1.25 per \$1,000 of Retail/Gallery Gross Receipts.
 - i. **With Hotel:** Retail/Gallery gross receipts are projected to be \$19,140,000 in 2022 (using square footage of restaurant/retail/galleries and KMA revenue assumptions), multiplied by (\$1.25/\$1,000) = **\$23,925**
 - ii. **Without Hotel:** Gross receipts are less (\$17,340,000) because there will be less square footage of restaurant and gallery space without a hotel = **\$21,675**
- The City's Professional Business License Rate is \$5.00 per \$1,000 of Creative Office Gross Receipts.
 - i. **With Hotel:** Creative Office gross receipts are projected to be \$18,000,000 (using square footage of office space, with KMA revenue assumptions), multiplied by (\$5.00/\$1,000) = **\$90,000.**
 - ii. **Without Hotel:** Same.

VIII. Total Estimated Annual Public Revenue (year 1 of Ground Lease)

- **With Hotel:** \$2,309,905
- **Without Hotel:** \$1,154,837

Attachment C

No Hotel	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	
Base Ground Rent	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$735,707	\$735,707	\$735,707	\$735,707	\$735,707	\$773,235	\$773,235	\$773,235	\$773,235	\$773,235	\$812,678	\$812,678	\$812,678	\$812,678	\$812,678	\$812,678
Transient Occupancy Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax Revenue	\$153,753	\$153,753	\$104,250	\$104,250	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750
Possessory Interest Tax Revenue	\$13,001	\$13,001	\$13,001	\$13,001	\$13,001	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665
Property Tax Revenue (1)	\$0	\$0	\$0	\$0	\$59,614	\$54,686	\$55,780	\$56,895	\$58,033	\$59,194	\$60,378	\$61,585	\$62,817	\$64,073	\$65,355	\$66,662	\$67,995	\$69,355	\$70,742	\$72,157	\$73,599
Utility User Tax Revenue	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797
Business License Revenue	\$15,375	\$15,375	\$10,425	\$10,425	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675
Total Estimated Annual Public Revenue	\$941,926	\$941,926	\$887,473	\$887,473	\$1,154,837	\$1,192,280	\$1,193,373	\$1,194,469	\$1,195,627	\$1,196,787	\$1,236,197	\$1,237,404	\$1,236,636	\$1,239,892	\$1,241,174	\$1,282,656	\$1,283,990	\$1,285,350	\$1,286,737	\$1,288,151	

(1) Property Tax Revenue Grows by 2% annually.

Attachment C

No Hotel	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057
	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Base Ground Rent	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$897,702	\$897,702	\$897,702	\$897,702	\$897,702	\$943,494	\$943,494	\$943,494	\$943,494	\$943,494	\$991,622	\$991,622	\$991,622	\$991,622	\$991,622
Transient Occupancy Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax Revenue	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750
Possessory Interest Tax Revenue	\$15,864	\$15,864	\$15,864	\$15,864	\$15,864	\$16,673	\$16,673	\$16,673	\$16,673	\$16,673	\$17,524	\$17,524	\$17,524	\$17,524	\$17,524	\$18,418	\$18,418	\$18,418	\$18,418	\$18,418
Property Tax Revenue (1)	\$73,600	\$75,072	\$76,574	\$78,105	\$79,667	\$81,261	\$82,886	\$84,543	\$86,234	\$87,959	\$89,718	\$91,513	\$93,343	\$95,210	\$97,114	\$99,056	\$101,037	\$103,058	\$105,119	\$107,222
Utility User Tax Revenue	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797
Business License Revenue	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675
Total Estimated Annual Public Revenue	\$1,331,819	\$1,333,291	\$1,334,793	\$1,336,324	\$1,337,886	\$1,383,858	\$1,385,483	\$1,387,141	\$1,388,832	\$1,390,557	\$1,438,958	\$1,440,759	\$1,442,583	\$1,444,450	\$1,446,354	\$1,497,318	\$1,499,299	\$1,501,320	\$1,503,381	\$1,505,483

(1) Property Tax Revenue Grows by 2% annually.

Attachment C

No Hotel	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	Total City Revenue
	Year 41	Year 42	Year 43	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49	Year 50	Year 51	Year 52	Year 53	Year 54	Year 55	
Base Ground Rent	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,095,368	\$1,095,368	\$1,095,368	\$1,095,368	\$1,095,368	\$1,151,242	\$1,151,242	\$1,151,242	\$1,151,242	\$1,151,242	\$49,986,934
Transient Occupancy Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax Revenue	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$216,750	\$11,570,255
Possessory Interest Tax Revenue	\$19,357	\$19,357	\$19,357	\$19,357	\$19,357	\$20,345	\$20,345	\$20,345	\$20,345	\$20,345	\$21,382	\$21,382	\$21,382	\$21,382	\$21,382	\$928,424
Property Tax Revenue (1)	\$109,866	\$111,553	\$113,784	\$116,060	\$118,381	\$120,749	\$123,164	\$125,627	\$128,140	\$130,703	\$133,317	\$135,983	\$138,703	\$141,477	\$144,306	\$4,678,925
Utility User Tax Revenue	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$3,288,835
Business License Revenue	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$111,675	\$5,747,026
Total Estimated Annual Public Revenue	\$1,559,150	\$1,561,337	\$1,563,568	\$1,565,844	\$1,568,165	\$1,624,683	\$1,627,098	\$1,629,561	\$1,632,074	\$1,634,637	\$1,694,163	\$1,696,830	\$1,699,549	\$1,702,323	\$1,705,153	\$76,200,399

(1) Property Tax Revenue Grows by 2% annually.

Attachment C

WITH HOTEL	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Base Ground Rent	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$735,707	\$735,707	\$735,707	\$735,707	\$735,707	\$773,235	\$773,235	\$773,235	\$773,235	\$773,235	\$812,678	\$812,678	\$812,678	\$812,678	\$812,678
Transient Occupancy Tax Revenue	\$0	\$0	\$0	\$0	\$1,064,758	\$1,096,701	\$1,129,602	\$1,163,490	\$1,198,394	\$1,234,346	\$1,271,377	\$1,309,518	\$1,348,803	\$1,389,268	\$1,430,946	\$1,473,874	\$1,518,090	\$1,563,633	\$1,610,542	\$1,658,858
Sales Tax Revenue (1)	\$153,753	\$153,753	\$104,250	\$104,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250
Poseessory Interest Tax Revenue	\$13,001	\$13,001	\$13,001	\$13,001	\$13,001	\$13,665	\$13,665	\$13,665	\$13,665	\$13,665	\$14,362	\$14,362	\$14,362	\$14,362	\$14,362	\$15,094	\$15,094	\$15,094	\$15,094	\$15,094
Property Tax Revenue (2)	\$0	\$0	\$0	\$0	\$119,174	\$121,557	\$123,988	\$126,468	\$128,998	\$131,577	\$134,209	\$136,893	\$139,631	\$142,424	\$145,272	\$148,178	\$151,141	\$154,164	\$157,247	\$160,392
Utility User Tax Revenue	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797
Business License Revenue	\$15,375	\$15,375	\$10,425	\$10,425	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925
Total Estimated Annual Public Revenue	\$941,926	\$941,926	\$887,473	\$887,473	\$2,309,905	\$2,380,601	\$2,415,934	\$2,452,301	\$2,489,736	\$2,528,267	\$2,606,155	\$2,646,980	\$2,689,004	\$2,732,260	\$2,776,787	\$2,862,796	\$2,909,976	\$2,958,541	\$3,008,534	\$3,059,995

(1) This assumes approximately 4,000 sf of restaurant space and 3,000 sf of gallery space anticipated inside the hotel.

(2) Property Tax Revenue Grows by 2% annually.

Attachment C

WITH HOTEL

	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057
	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Base Ground Rent	\$854,133	\$854,133	\$854,133	\$854,133	\$854,133	\$897,702	\$897,702	\$897,702	\$897,702	\$897,702	\$943,494	\$943,494	\$943,494	\$943,494	\$943,494	\$991,622	\$991,622	\$991,622	\$991,622	\$991,622
Transient Occupancy Tax Revenue	\$1,708,624	\$1,759,883	\$1,812,679	\$1,867,059	\$1,923,071	\$1,980,763	\$2,040,186	\$2,101,392	\$2,164,434	\$2,229,367	\$2,296,248	\$2,365,135	\$2,436,089	\$2,509,172	\$2,584,447	\$2,661,980	\$2,741,840	\$2,824,095	\$2,908,818	\$2,996,082
Sales Tax Revenue (1)	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250
Possessory Interest Tax Revenue	\$15,864	\$15,864	\$15,864	\$15,864	\$15,864	\$16,673	\$16,673	\$16,673	\$16,673	\$16,673	\$17,524	\$17,524	\$17,524	\$17,524	\$17,524	\$18,418	\$18,418	\$18,418	\$18,418	\$18,418
Property Tax Revenue (2)	\$163,600	\$166,872	\$170,210	\$173,614	\$177,086	\$180,628	\$184,240	\$187,925	\$191,684	\$195,517	\$199,428	\$203,416	\$207,484	\$211,634	\$215,867	\$220,184	\$224,588	\$229,080	\$233,661	\$238,334
Utility User Tax Revenue	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797
Business License Revenue	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925
Total Estimated Annual Public Revenue	\$3,155,193	\$3,209,724	\$3,265,858	\$3,323,642	\$3,383,126	\$3,488,739	\$3,551,774	\$3,616,665	\$3,683,465	\$3,752,232	\$3,869,665	\$3,942,541	\$4,017,564	\$4,094,796	\$4,174,304	\$4,305,176	\$4,389,439	\$4,476,186	\$4,565,491	\$4,657,428

(1) This assumes approximately 4,000 sf of restaurant space and 3,000 sf of gallery space anticipated inside the hotel.

(2) Property Tax Revenue Grows by 2% annually.

Attachment C

WITH HOTEL	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	Total City Revenue
	Year 41	Year 42	Year 43	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49	Year 50	Year 51	Year 52	Year 53	Year 54	Year 55	
Base Ground Rent	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,042,205	\$1,095,368	\$1,095,368	\$1,095,368	\$1,095,368	\$1,095,368	\$1,151,242	\$1,151,242	\$1,151,242	\$1,151,242	\$1,151,242	\$49,986,934
Transient Occupancy Tax Revenue	\$3,085,965	\$3,178,544	\$3,273,900	\$3,372,117	\$3,473,281	\$3,577,479	\$3,684,803	\$3,795,347	\$3,909,208	\$4,026,484	\$4,147,279	\$4,271,697	\$4,399,848	\$4,531,849	\$4,667,799	\$124,769,157
Sales Tax Revenue (1)	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$239,250	\$12,717,755
Possessory Interest Tax Revenue	\$19,357	\$19,357	\$19,357	\$19,357	\$19,357	\$20,345	\$20,345	\$20,345	\$20,345	\$20,345	\$21,382	\$21,382	\$21,382	\$21,382	\$21,382	\$928,424
Property Tax Revenue (2)	\$243,101	\$247,963	\$252,922	\$257,981	\$263,140	\$268,403	\$273,771	\$279,247	\$284,832	\$290,528	\$296,339	\$302,266	\$308,311	\$314,477	\$320,767	\$10,400,415
Utility User Tax Revenue	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$59,797	\$3,288,835
Business License Revenue	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$113,925	\$5,861,776
Total Estimated Annual Public Revenue	\$4,803,600	\$4,801,041	\$5,001,356	\$5,104,632	\$5,210,955	\$5,374,566	\$5,487,259	\$5,603,278	\$5,722,724	\$5,845,697	\$6,029,214	\$6,159,559	\$6,293,756	\$6,431,917	\$6,574,162	\$207,953,295

(1) This assumes approximately 4,000 sf of restaurant space and 3,000 sf of gallery space anticipated inside the hotel.

(2) Property Tax Revenue Grows by 2% annually.

EXHIBIT 13: BAC MINORITY VOTE & BSGCA POSITION

Prior to the April 18th meeting, this exhibit expresses the minority view on BAC votes lost on arts preservation and survival issues pertaining to the A-Building, On-Site Parking and Commercial Office Space.

It also expresses the Bergamot Station Gallery Cultural Association (BSGCA) position and view of the BAC process, and updates our Vision and Site Identity Statement submitted at the October 2015 meeting.

The BAC members from Bergamot Station embraced and respected the goals of the BAC process. The BSGCA is not against change and its members on the BAC voted to support the community center, museum space and expanded restaurant that will enhance the arts center. In fact, the developer's presentation relied on the BSGCA's recommended list of priority infrastructure improvements and upgrades.

This view and position focuses on what the site can withstand and on priorities that are vital to the survival of the arts culture, namely:

- I. LEAVING THE A-BUILDING INTACT**
- II. PRESERVING ON-SITE PARKING, AT LEAST 200 SPACES**
- III. INCREASING PARKING CAPACITY INSTEAD OF REDUCING IT BY 40% & NOT BUILDING COMMERCIAL OFFICE SPACE**

BAC LIMITS FROM THE START AND OVERALL

The gallery climate at Bergamot Station just prior to the formation of the BSGCA in February 2014 had been challenged by a depressed economy, impingements on parking from neighboring businesses, disruption caused by Expo Line construction and confusion about Bergamot Station's status, partially due to the nearby Hines project's appropriation of the word Bergamot in its project name. After the tenants, neighborhood council representatives and others spoke about the out-of-scale nature of the three proposals for Bergamot's development, the City Council approved the creation of the BAC, **selecting a developer to work with, Jeff Worthe, with the caveat that his team's proposal was not affirmed.**

Yet, after the first few logistics-dominated BAC meetings **it became clear the basis of discussion started essentially with the developer's proposal**, which had been deemed by the BSGCA to be out-of-scale for the site and contradictory to the aims of cultural preservation and survival of the galleries and businesses.

In spite of all of these problems the galleries have continued to survive and decided to remain at Bergamot in the hope of identifying solutions for the future.

While the BSGCA's October Vision Statement and other BAC discussions touched on tenant concerns about surviving construction and the risks of building too much, the process was not able to include the full impact of questions about parking, construction mitigation and abatement, risks of tenant relocation, leasing terms and tenant rights. **Many of these pragmatic business issues were considered premature by City Staff and the Worthe team, as well as beyond the timeline and purview of the BAC, and it remains unclear how issues vital to retention and survival will be proactively addressed PRIOR to the developer assuming the master lease.**

One year later, there are still many unknowns at Bergamot as the Expo station nears its opening in May, with traffic and congestion in the area, parking availability in question and potential changes to tenant rights, security questions and looming concerns about potential crime.

RETENTION AND SURVIVAL ISSUES EXPRESSED TO THE BAC

Retention First Means the Arts Survive: Since tenant retention was the priority aim of the BAC as stated by the first of the City Council's six directives, the Bergamot committee members argued early on that it was crucial to take care to divide development elements into deliberate phases. New development, if pertinent to enhancement of the arts center and for community benefit, as opposed to the developer's needs, should first serve necessary retention of existing businesses and relocation of remaining tenants--*after* the numerous retention concerns are fully articulated and the phasing of development is worked out in detail. Construction as proposed without protections fully articulated threatens the very culture it's purported to preserve.

We Support Community: In votes in support of the mix of uses, for example, the subject of space for a new community center, the Bergamot members commented first on tenant retention concerns, then expressed the history and existence of community programming and access for those not familiar, and then articulated preferences based on the intuition of tenants who work at Bergamot daily. The BSGCA Vision Statement presented in October articulated eight ways of supporting the community. Bergamot committee members respected the BAC agenda, specifically the community goals since access and non-profit support have been part of gallery programming since Bergamot's inception.

What is necessary for arts culture enhancement? But votes to allow the removal of half of the A-Building, removal of On-Site Surface Parking and the large scale of commercial office space, led the majority of Bergamot committee members to articulate options favoring much more limited development to pre-empt full-scale disruption. Bergamot members viewed the financing of infrastructure improvements as separate from the cost of new construction and development, as well as fundable from the margin collected from current rents.

Bergamot committee members argued in favor of the intrinsic value of the arts culture and the economic multiplier known to extend in such civically supported regions and against the justification of retention and renewal by large-scale development and commercial office space.

BAC VOTES ON THE A-BUILDING, ON-SITE PARKING & COMMERCIAL OFFICE SPACE

The votes lost by the minority create rather than remove obstacles to the survival and identity of Bergamot Station. We believe the key to Bergamot's survival is three-fold:

1) Leaving the A-Building intact, 2) Preserving as much on-site parking as possible, as well as increasing capacity, and 3) NOT building commercial office space.

1. LEAVING THE A-BUILDING INTACT

--Destruction of half of the A-Building unnecessarily eliminates an iconic structure and replaces it with a new building that is totally out-of-scale with the existing buildings.

The eastern half of the A-Building, approximately 9,000 SF, is on the chopping block, to be replaced by a 3-story, 45,000 SF structure. The intact A-Building is an iconic structure at Bergamot Station. This beloved building could be described as the heart of Bergamot since it has been the central meeting ground for visitors and tenants from the beginning. It houses four arts-related businesses and the popular Bergamot Café and Garden Patio.

This BAC vote also contradicts the MOU signed by the developer, Jeff Worthe. Notably, the vote to allow for the A-Building's partial demolition counters the MOU's promise to maintain the integrity of current buildings as well as tenants' current spaces. The MOU referred to a conditional provision to only "possibly" tear down the T-Building, if necessary, after acceptable relocation of its tenants.

--Demolition/New Construction threatens the survival of the existing GNCs, especially the galleries in the B-Building.

The prevailing argument for the majority view was that the proposed 15,000 SF ground-floor GNC space in the newly proposed C-Building nearly doubled the SF that was lost in eliminating half of the A-Building by providing 15,000 SF of new GNC space.

However, this also comes with two more stories and another 30,000 SF of Commercial Office Space and construction. Those 30,000 SF do not enhance Bergamot or contribute to its identity as an Arts Center. THEY THREATEN IT.

The preservation of the A-Building will not only maintain the integrity of the history of the site and the authentic look and feel of the arts center. Its protection will permit continuity of its tenants and also create a buffer to the B-Building in the case of acceptable construction in the future to support additional GNCs in the southeast corner of the lot.

2. PRESERVING SUBSTANTIAL ON-SITE PARKING (at least 200 spaces, in addition to creating more nearby)

--Free and accessible On-Site Surface Parking has been a key ingredient to Bergamot's success.

The majority vote for removal of surface parking is counter to gallery operations and ease of access that has contributed to the singular and organic success of Bergamot Station and will radically alter the visitor and patron experience. Proposed construction and additional uses underestimate parking needs on the lot. While Bergamot reps have argued to preserve parking, the BAC has underestimated this vital aspect of Bergamot's unique appeal, access and success.

Removal of On-Site Parking will not only reduce access for many of Bergamot's senior & disabled visitors, it will choke off access to Bergamot, which is already constricted by the Expo rail on 26th Street and by only having one true entrance on the half street of Michigan Avenue. Galleries need door-to-door truck and car access to their spaces on a constant/daily basis to transport art and stay in business.

3. INCREASING PARKING CAPACITY INSTEAD OF REDUCING IT BY 40% AND NOT BUILDING COMMERCIAL OFFICE SPACE

--211 parking spaces are absolutely inadequate for Bergamot and arts center operations are unsustainable with new development.

The Worthe Group proposes to add 95,000 SF of new buildings, remove most of the On-Site Parking and reduce parking by 40% to 211 parking spaces. The 350 existing parking space we have are currently inadequate. Bergamot needs more space for parking even if there were no new development or Expo Line station about to open. 211 spaces will be woefully inadequate to handle current usage, let alone accommodate 95,000 SF of new usage.

While it is argued that the newly proposed C-Building replaces more than is taken, the costs are too high, for the following reasons:

--Construction of the proposed 3-story building will require much more parking than proposed.

Parking conflicts with the amount of commercial office space proposal since estimates of client and guest traffic for total future tenancy of the proposed amount of office space have not been integrated into the car trip and traffic evaluation. Santa Monica building codes reasonably require of two (2) parking spaces per 1,000 SF. The proposed C-Building would require 90 new parking spaces alone, almost half of the 211 Parking Spaces proposed for the entire site. Even with exceptions in the Bergamot area plan, parking needs have been severely underestimated and require further study, including how new, digital companies staff more employees per square footage of office space at communal tables instead of traditional office layouts.

--30,000 SF of Commercial Office Space is not needed at Bergamot Station and does not enhance it as an arts center.

Construction of 30,000 SF of new Office space adds to the glut of office space in the area, at Water Garden & proposed for the Hines site, last estimated at 420,000 SF newly available. Construction of massive new office space threatens GNC survival, dilutes the arts center identity and threatens gallery survival. Open space, as expressed in the proposal has not been physically demonstrated through meetings and models as remaining truly open in the real feel of the lot.

Just as Expo construction negatively impacted the gallery business, any construction on the lot will have a repelling impact on gallery attendance. It's also been established that without a hotel there is significant profit built into the developer's adjusted Pro Forma, illustrating that a more modest renewal plan can work, preferable to the massive proposal.

Additionally, line items have not been fully broken down based in detail by the BAC as part of the process. For example, annually recurring costs of infrastructure have not been examined for necessity, which changes the bottom line considerably over the developer's term of control to create more developer profit, and the lack of parking revenue estimates in the financial plans also increase profits.

The BSGCA believes that the City can benefit more directly, and culturally, by NOT deferring to the developer on public land. The rationale of requiring commercial office space to offset GNC subsidies needs to be further tested and can be dramatically reduced in scale based on the inherent profitability of the project. The galleries have provided the ground lease requirement for 22 years without fail.

The proposal for a hotel and commercial office space, already in high supply in close proximity, is private profit-motivated and superfluous beyond the modest infrastructure upgrades that make sense and add value to tenants, visitors and the community.

--Proposed construction will NOT retain 50% of Bergamot's existing tenants based on the current timeline and status of property ownership.

The definition of Bergamot Station is a combination of both the galleries on the public property, Bergamot I, and the private property, Bergamot II which houses 15 tenants, representing 50% of the arts community's experience of Bergamot, which is not delineated by the public/private property line.

In October, the BSGCA Vision Statement explained that for true retention and survival of Bergamot Station an estimated 90,000 square feet would be needed to accommodate current Bergamot I and Bergamot II tenants, specifically due to the term of current leases and/or potential sale of the private property and displacement of Bergamot II tenants. The BAC vote to recommend 65,400 square feet of GNC space in the mix of uses, technically an increase in arts-related space in comparison to the developer's initial plan to the BAC, did not actually ensure retention of tenancy, at least in terms of the unification of Bergamot I & II.

While the majority of Bergamot members initially saw the potential benefits of a new building in the southeast corner for potentially displaced Bergamot II tenants, the City Yards timeline revealed to the BAC undermines survival as a collective of both sections, in addition to construction being disruptive.

The City Yards timeline and current property division make the promises of priority relocation in the MOU possibly moot and it's unlikely that Bergamot II galleries can stay based on nearly all of the leases matching the end of the public property master lease. It's not likely that Bergamot II tenants can go on hiatus while waiting three or more years for a new building and return to resume their activities. This changes the landscape to make the proposed new C-Building less pertinent to retention and, if a solution for unity of the two sections cannot be reached with the current master lease holder of Bergamot I and owner of Bergamot II, Wayne Blank, then **the silver lining for the arts culture is the sparing of the cost and impact of construction and the jeopardy of disruption to Bergamot I galleries.**

Also, as renewal then may focus on culturally relevant development for an expanded restaurant, community center and potential museum, financing of improvements will be less contingent on large-scale development and developer needs. Improvements can be achieved in more manageable increments and within limited phases of evaluation in a manner more conducive to the preservation of current businesses.

BSGCA TENANT VOTES TO SUPPORT ARTS CENTER ENHANCEMENTS

The BAC vote to remove half of the A-Building, which Jeff Worthe declared necessary to the project, contradicted the MOU he signed. That contradiction, together with his decision during a year of BAC meetings not to reply to or meet with various individual gallery owners concerned about the future of their businesses, led the BSGCA to vote on the following accords to update our October Vision Statement:

- a. **A-Building:** As articulated in the developer MOU, no destruction of the A-Building. This represents an emphasis on retaining the integrity of Bergamot Station, as well as protecting further retention of tenants and mitigating the impact of overdevelopment.
- b. **Museum:** A new museum building at Bergamot Station, if there will not be one at the Civic Center and if space does not become available in Bergamot II, with the museum tenant participating in the design process (and the allocation of square footage to be determined) with proper construction phasing after additional parking becomes available or parking is built at City Yards.
- c. **Community Center:** The presence of a Community Center, with similar square footage approved by the BAC, with preference for the location to be connected to the museum when built, or space available in the T-building. A multi-tiered interim plan is recommended as in the October 2015 Vision Statement to assist hosting community programs in the spaces of current tenants.
- d. **Restaurant:** An expanded restaurant in its current location, or if design considerations do not interfere with the horizon of the arts center or interfere with gallery access, we support a new restaurant in the center of the lot with Jeff Stuppler given first right and right of refusal.
- e. **On-Site Surface Parking:** The protection of surface parking and individual tenants' current rights to parking at Bergamot Station, even after additional parking becomes available, to secure the existing, operationally essential parking and access for patrons and installation logistics on the perimeter of the lot outside of tenants' spaces with the exception of only taking away a maximum of 80 parking spaces in the center of the lot for the restaurant and related public space.
- f. **Southeast Corner:** New construction in the southeast corner, with mutually agreed upon and precisely planned phasing and mitigation, and within design considerations that preserve the visual landscape of the arts center for galleries, with event space on the ground floor, possible market rate space above the first floor after BSGCA tenants are accommodated, and with building to begin after additional parking is built or becomes available without affecting the A-Building.
- g. **No Hotel:** No hotel construction until further study of the impact of other changes, including the running of the Expo stop and traffic implications, are fully evaluated and specific plans for retention and proper relocation are planned for the displacement of current tenants.
- h. **Association Proposal:** Due to concerns about BAC voting and the range of continued unknowns about construction issues and mitigation, the BSGCA approved the creation of a written plan by June 1, 2016 to explore and propose self-management of Bergamot Station by the tenant association, if Wayne Blank's lease is not extended, as well as structuring financing options for infrastructure improvements and building of necessary spaces.

MEMORANDUM OF UNDERSTANDING

The Bergamot Station Gallery Cultural Association (BSGCA), Developers and Santa Monica Community Groups agree on the below Guiding Vision for any development of Bergamot Station.

Bergamot Station Arts Center continues to thrive and build upon its success as a primary destination to see world-class fine art in galleries, museum and other compatible cultural venues, while keeping any expansion or development in balance with this goal.

This goal includes retaining, or adding to, all of the existing gallery venues, (with the possible exception of the T building), so as to protect current gallery, museum & cultural tenants and preserve the site's authentic "look and feel".

Accordingly, Development Plans commit to being scaled in ways that support Retaining and Preserving Galleries & Museum as the bedrock focus of Bergamot Station, where the predominant building use is dedicated to fine arts venues and compatible cultural venues, which are open to the public for free, with easily accessible parking.

Where competing interests conflict with the above, they will be subordinated to these stated goals. The non-gallery/museum aspects of the project must be reconfigured and reduced from the RFP in order to achieve an acceptable project (i.e., one that the BSGCA and the community will support). Parties agree that any resulting reductions in revenue to the City, due to reductions in the scale and scope of development, will require City consultation and sign-off.

Developer signatories agree with the above BSGCA and Community Group Vision and pledge the following:

1. REDUCED SCALE AND PHASING: To scale and phase any development in a manner that preserves, and does not threaten the above stated goals, as well as consider:

- Reducing the scale of construction;
- Exploring alternative locations for acceptable mix of uses and design concepts for the site.

2. PHASE I: No Underground Parking/Viable Parking

Solution: Underground parking is not a solution. Gallery & Tenant businesses would be devastated during construction. But even if survivable, parking capacity was only marginally increased in the proposals while Building Density was increased four-fold AND parking impact of new uses is as yet unknown.

To agree that until a viable parking alternative exists, no surface parking will be eliminated, and that new construction will not occur, unless and until the completion of Phase I, to be defined as expanding current parking capacity, doing further study and planning to mitigate the impact on tenants of any new construction and to assess the impact of the Light-Rail on the site.

3. PHASE II: WORKING GROUP: To establish a "working group" of BSGCA and neighborhood/community groups to work with the selected developer and the City of Santa Monica throughout the Exclusive Negotiating Agreement (ENA) and Disposition and Development Agreement (DDA) process to achieve the above stated goals and an acceptable project. This approach was endorsed by the Santa Monica Arts Commission.

4. TENANT PROTECTIONS: When the Master Lease is assumed by Developer, to protect BSGCA tenants from relocation by giving tenants priority option to remain in their spaces, unless they are threatened by acceptable development, (eg. the T building). If Developer is also the owner of Berg II, these same protections will apply.

For those tenants whose spaces are eliminated or threatened by acceptable development, Developer agrees to expedite relocation to an acceptable alternative on-site space, cost of relocation support, fair allocation of building construction expenses, equivalent rent calculations, lease protections, etc.

Developer also agrees to extend such protections to Bergamot II tenants, whose spaces may be eliminated, or no longer subsidized, by a new "non-Developer" owner of Berg II. Developer agrees to give relocation priority to displaced BSGCA tenants over new non-BSGCA tenants. Such protections

Attachment C

also include necessary facility enhancements (e.g. security, lighting, flooding, septic).

5. **GALLERY FOCUS:** To agree to maintain the integrity of current gallery spaces; at least, maintain the current square footage at Bergamot Station devoted to gallery space; to maintain the equivalent percentage of gallery space in any new construction; AND to explore increasing gallery space in lieu of creative office space.

6. **RENT STABILIZATION:** To endorse a Rent Stabilization/Subsidy formula for Galleries, Arts Non-Profits and current Cultural tenants that follows the model that has worked for the last 20 years. In short, continuation of current rents and rent increases that are tied to the CPI, and not calculated as a discount or percentage from market rents as proposed in the RFP.

7. **LONG TERM LEASES:** To present the BSGCA with a long-term lease plan, at the option of individual tenants and consistent with the developer's master lease terms and to give tenants a stake in, and encourage, tenant investment in Bergamot's future, in spite of sustaining business hardships due to development. As stated in Item 10, BSGCA and Developer will develop lease guidelines to assure a healthy and dynamic tenant mix that supports the spirit of the long-term leases.

8. **CONSTRUCTION MITIGATION FUND:** To provide an adequate "Construction Mitigation Fund" to benefit BSGCA tenants (under mutually agreed guidelines), in support of sustainability of tenant businesses during any construction. Such Fund could include rent abatement, marketing, etc. to mitigate business disruption.

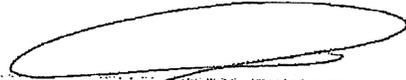
9. **EXPLORE REVENUE ALTERNATIVES:** To explore alternative strategies with the City & BSGCA for increasing revenue to Big Blue Bus. Current stated goals are to increase revenues by \$125,000 from the current annual revenue of \$528,000, which developer could pay directly from the existing margin received from tenants under the current master lease paid to the City of Santa Monica. This is one alternative that would reduce the need for the current scale of development proposed in the RFP.

10. **BSGCA ROLE:** To acknowledge stakeholder expertise in guiding Bergamot Station and authorize the BSGCA to act as Bergamot Station's managing body for decisions regarding Bergamot Station: for example, construction mitigation, new tenancy guidelines, tenant rights and policy, etc. Developer affirms BSGCA tenants arts, non-profit and cultural programming and continued activities without outside oversight.



9-9-14

BSGCA Spokesperson, William Turner, 9-9-14



Developer, 9-9-14

ADDENDUM
TO
MEMORANDUM OF UNDERSTANDING

This Addendum clarifies, and confirms, the understanding between the parties regarding several items in the Memorandum of Understanding, agreed to by the Developer and BSGCA on September 9, 2014.

A. ADDITIONAL SENTENCE ADDED TO PREAMBLE:
(Last sentence, paragraph 4, highlighted in yellow below)

The Bergamot Station Gallery Cultural Association (BSGCA), Developers and Santa Monica Community Groups agree on the below Guiding Vision for any development of Bergamot Station.

Bergamot Station Arts Center continues to thrive and build upon its success as a primary destination to see world-class fine art in galleries, museum and other compatible cultural venues, while keeping any expansion or development in balance with this goal.

This goal includes retaining, or adding to, all of the existing gallery venues, (with the possible exception of the T building), so as to protect current gallery, museum & cultural tenants and preserve the site's authentic "look and feel".

Accordingly, Development Plans commit to being scaled in ways that support Retaining and Preserving Galleries & Museum as the bedrock focus of Bergamot Station, where the predominant building use is dedicated to fine arts venues and compatible cultural venues, which are open to the public for free, with easily accessible parking.

Where competing interests conflict with the above, they will be subordinated to these stated goals. The non-gallery/museum aspects of the project must be reconfigured and reduced from the RFP in order to achieve an acceptable project (i.e., one that the BSGCA and the community will support). Parties agree that any resulting reductions in revenue to the City, due to reductions in the scale and scope of development, will require City consultation and sign-off. Parties further agree that this Memorandum of Understanding memorializes agreements between them and will be subject to input from the Bergamot Working Group and the City.

Attachment C

B. Changes to the following Sections: 5, 6, 7, 10:

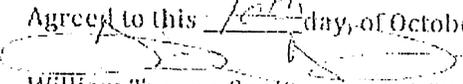
5. GALLERY FOCUS: To agree to maintain the integrity of current gallery spaces; at least, maintain the current square footage at Bergamot Station devoted to gallery space; to maintain the equivalent square footage of gallery space in any new construction; AND to explore increasing square footage of gallery space in lieu of creative office space.

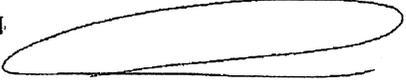
6. RENT STABILIZATION: To endorse a Rent Stabilization/Subsidy formula for existing Galleries, existing Arts Non-Profits and existing Cultural tenants, (which is understood to mean all current & existing tenants at Bergamot I & Bergamot II), that follows the model that has worked for the last 20 years. In short, when the Master Lease transfers on or before 2018, agreement to continue current rents', (and CAM charges) for existing tenants, with rent increases that are tied to the CPI. Parties agree to continue to rely on the CPI formula regarding rent increases, pending City consultation and sign off. "Current rents vary from gallery to gallery & tenant to tenant, with each paying a different rate/sf. per month. Current Rents means continuation of the current aggregate average of 1.74/sf per month which includes CAM charges, and which will continue to include the different rent rates, (some lower than 1.74/sf, some higher than \$1.74/sf), being paid by tenants on Sept., 2014. The continuation of current rents shall be a continuation of the current, particular, differing rates being paid by tenants as of Sept. 2014. After the Master Lease transfers, new tenants moving to Bergamot Station will be subject to Developer's subsidized rate of \$2.01/sf. per month.

7. LONG TERM LEASES: To present the existing BSGCA with a long-term lease plan, at the option of individual tenants and to encourage tenant retention and investment in Bergamot's future, in spite of sustaining business hardships due to development. As stated in Item 10, BSGCA and Developer will develop lease guidelines to assure a healthy and dynamic tenant mix that supports the spirit of the long-term leases. The parties agree that the term "long-term leases" means primary lease terms and renewal options of up to 20 years, or more.

10. BSGCA ROLE: To acknowledge stakeholder expertise in guiding Bergamot Station and authorize the BSGCA to act as Bergamot Station's Predominant Consulting body, in concert with the Master Leaseholder, for decisions regarding Bergamot Station. For example, construction mitigation, new tenancy guidelines, tenant rights and policy, etc. Developer affirms BSGCA tenant's primary role in continuing to manage their arts, non-profit and cultural programming activities, without outside oversight, apart from consultation with Master Leaseholder.

Agreed to this 14th day, of October, 2014


William Turner, Spokesperson BSGCA


Jeff Worthe, Developer