



## City of Alameda • California

November 29, 2018

To: Honorable President and Members of the Planning Board

From: Lois R.P. Butler, Economic Development Manager

Re: Economic Analysis of the Proposed Marriott Residence Inn Hotel,  
2900 Harbor Bay Parkway

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### **City Policy**

The proposed Marriott Residence Inn is the type of development encouraged by the City of Alameda's Economic Development Strategic Plan (EDSP), which was unanimously endorsed by the Planning Board on May 29, 2018, and subsequently approved by the City Council on July 24, 2018. The EDSP identifies tourism and hospitality as one of the ten priority areas to support the City's economic resiliency. Specifically, EDSP Strategy #5 focuses on facilitating additional hotels in Alameda. Strategy 5.1 directs the City to:

promote available sites for the development of a hotel with meeting facilities . . .  
Work closely with hotel operators and hotel unions to ensure that new hotels in Alameda provide high quality jobs.

The EDSP Background Report identified the transient occupancy tax (TOT) produced by hotels as a significant revenue source for the City's General Fund. In Fiscal Year 2017/2018, the City's seven hotels (564 rooms) generated \$2.1 million in TOT. The TOT from a hotel building generally exceeds the property taxes and other taxes that might be generated by a private office building of a similar size. From a General Fund perspective, allowing a hotel use on the proposed site would have a positive financial impact.

### **Market Demand**

The EDSP Background Report found that Alameda's existing hotels are performing well, with direct access to freeways and Oakland International Airport. The passenger traffic at Oakland Airport has increased in every year since 2011, with a 40 percent growth between 2011 and 2017. The continued growth in Oakland Airport passengers—with terminal improvements and expanded Southwest flights—will bring more travelers to Alameda hotels because of the close proximity to the airport. Local hotels have also been experiencing rising occupancy rates and revenues. One hotel property owner, interviewed for the EDSP, reported 80 percent occupancy rates, while hotel markets are generally considered very strong when occupancy rates exceed 70 percent.

Exhibit 3  
Item 7-B, December 10, 2018  
Planning Board Meeting

These findings were substantiated by a May 2018 Hotel Market Overview for Alameda, conducted by BAE Urban Economics. It noted:

Population and employment growth in both Alameda and the market area provide the foundation for additional demand for hotel development. Decreasing vacancy rates and escalating rental rates for office, flex, and industrial space indicate robust economic activity that supports hotel demand.

The Marriott Residence Inn is considered to be in the “upscale” hotel classification, based on average daily room rate, differentiating it from the existing hotels in Alameda. According to the hotel market study, the other seven hotels are classified as either “economy”, “midscale”, or “upper midscale.”

### **Economic Benefits**

The economic value of hotels to the City’s budget was illustrated by an internal analysis done in 2015 of the top revenue-generating businesses for the City: five of the top ten businesses were hotels.<sup>1</sup>

The proposed 172-room Marriott (with a 3,000-square foot meeting room) will provide a significant economic asset for Alameda. It is conservatively estimated to generate approximately \$1 million annually in TOT revenue during its first three years of operation. The TOT is expected to gradually increase thereafter once the hotel becomes established in the marketplace. This will make the Marriott one of the largest revenue-generating businesses in the City, matching the scale of the entire sales tax collected from one of Alameda’s major shopping centers.

In addition, the 7,000-square foot restaurant will be a valuable resource to the Harbor Bay Business Park, which has very limited eating options for its employees and business travelers. Visitors to the hotel will also spend money at local stores, restaurants and bars, which contribute sales tax dollars to the City.

Finally, the proposed Marriott plans to employ 85 permanent hotel and restaurant workers. The project will also generate 250 construction jobs. The City understands that the hotel developer is currently in negotiations with local unions regarding these positions.

### **Summary**

The proposed hotel development is supported by City policy and market demand. It will bring needed amenities to the Harbor Bay Business Park and serve local business travelers. Finally, it will help generate revenue for the City’s General Funds, which pays for municipal services such as police and fire.

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<sup>1</sup> This excludes companies at Alameda Point that generate lease revenue, which is a transitory funding source for the development of Alameda Point and does not contribute to the City’s General Fund.