Piedras Blancas Motel

Feasibility Study

and Reuse Alternatives

Final Draft

August, 2010

Coastal Conservancy

California State Parks Since 1864

lisa wise consulting, inc.

planning economics natural resources

Exhibit 2: Piedras Blancas Motel Reuse Feasibility Study (Aug 2010)

Piedras Blancas Motel

FEASIBILITY STUDY

and Reuse Alternatives

Final Draft, July, 2010
Funded by the California Coastal Conservancy

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CALIFORNIA STATE PARKS SINCE 1864

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Introduction

In May 2005, the Trust for Public Land, with $4.5 million in grant funding from the California State Coastal Conservancy (Coastal Conservancy) and Federal and private funds, purchased the Piedras Blancas Motel property (site). The property is comprised of 25 acres of coastal bluffs, two beaches, and a half-mile of shoreline located midway within the 18-mile long Hearst San Simeon State Park. The Site is seven miles north of San Simeon, nine miles south of the San Luis Obispo/Monterey County line and one mile north of the Piedras Blancas Lighthouse. The motel complex is comprised of 11 lodging units, a café , laundry room, manager's apartment, and adjacent storage area.

Later in 2005, the property was transferred to the California Department of Parks and Recreation (State Parks) and has been open to the public since. Although the motel has been closed to the public since 2005, the Site offers day-use parking and convenient beach access.

To assist State Parks in developing a feasibility study for the future reuse of the Site, the Coastal Conservancy funded the preparation of this report which includes a structural analysis of the existing building(s), a constraints analysis, evaluation of regulatory requirements, and an assessment of redevelopment options based on preliminary market research, and financial analysis.

The area in the vicinity of the Piedras Blancas Motel is commonly considered the southern gateway to the world famous Big Sur coastline, a spectacular, cliff-hugging 90 miles of coast that was designated the State's first National Scenic Byway in 1965. Near-by attractions include the Hearst Castle, an elephant seal haul out and rookery, and the Esalen Institute.

Significantly, the property is located in the middle of Hearst San Simeon State Park, which extends for 18 miles from San Carpoforo Creek to the north, to Moonstone Beach to the south. Established in 2004, when State Parks acquired roughly 1,000 acres west of Highway 1, from the Hearst Corporation, this Park creates exciting opportunities to develop new segments of the California Coastal Trail, including links to the Site. In addition, as a result of conservation agreement between the State and the Hearst Corporation, much of the land to the east of Highway 1 is protected by conservation easements. Consequently, the beaches, blufftops and open space lands surrounding the Site will remain largely undisturbed, while also providing the State Department of Transportation (Caltrans) with land needed to realign Highway 1 inland. The realignment will be discussed in more detail in section 2.4.

Figure i Map of Hearst San Simeon State Park

Chapter 1: Social and Cultural Analysis

"This is the California that men dreamed of years ago, this is the Pacific that Balboa looked out on from the Peak of Darien, this is the face of the earth as the Creator intended it to look."

- Henry Miller on Big Sur, 1957

1.1: Introduction

The Big Sur coastline is sacred to many people regardless of race, education level, income, or place of birth. Much of this sentiment is due to the fact that, even today, it remains mostly undeveloped and lacking many of the encumbrances and distractions of modern society (e.g., billboards, fast-food restaurants, etc.). Driving along Highway 1 between San Simeon and Carmel requires a certain amount of patience. The winding cliff-hugging road demands slow speeds and vigilance. One needs a sense that it is not the destination but the journey that is important.

Figure 1.1 Big Sur Coastline

Big Sur's rugged terrain made it nearly inaccessible by land until the 1930s. Prior to this time, those lucky enough to gaze upon its rocky shore and roam the coastal bluffs spoke of the area as though it were a closely guarded secret. This mystique has resulted in a cultural history that is unique in America, appealing to individualists, artists, outcasts, eccentrics, naturalists, spiritualists and sojourners, as well as vacationing corporate types and middle-class travelers from the U.S. and around the world. Labels such as "paradise" or "utopia" have oftentimes been attributed to this land, but the reality is much more complex. Indeed its multifaceted nature can even be harsh and contradictory at times. The Big Sur coast certainly possesses a unique social and cultural environment that requires special considerations.

This chapter provides a summary of the social and cultural history of the Big Sur coast as it relates to the Piedras Blancas Motel, including the adjacent areas of San Simeon and the Big Sur coastline. The historical component of the chapter is not intended to be exhaustive, but rather to introduce the reader to possibly forgotten histories. It is also intended to give the reader a sense of how the Piedras Blancas Motel came into being and why its location is unique. But first, this chapter establishes a theoretical framework through which one can critically analyze proposals for redevelopment within this unique locale.

1.2: Theoretical Framework

When considering a redevelopment project along the Big Sur coast, an essential first step is to take into account the social and cultural history of the area. Drawing on historical accounts, memories, and tacit knowledge

from local residents and historians can assist in guiding the appropriate course for development. As Dolores Hayden wrote in her 1995 book, *The Power of Place*, "Cultural landscape history can strengthen the links between previously disparate areas of practice that draw on public memory. And conscious effort to draw out public memory suggests new processes for developing projects."

Hayden's ideas can be drawn upon to guide the redevelopment of the Piedras Blancas Motel. It is a place that over time has catered to people of diverse backgrounds but who share the common experience of the Big Sur coast. Hayden explains:

> Place memory encapsulates the human ability to connect with both the built and natural environments that are entwined in the cultural landscape. It is the key to the power of historic places to help citizens define their public pasts: places trigger memories for insiders, who have shared a common past, and at the same time places often can represent shared pasts to outsiders who might be interested in knowing about them in the present.

She contends that when people occupy an area, they become connected to the landscape and are influenced by it. In the same way that humans can re-shape and develop land, the land itself is capable of affecting those that occupy it. Understanding this relationship between land and people provides the developer with valuable insights, and possibly the foresight to create suitable project strategies

1.3: Cultural History

The following paragraphs summarize brief periods in the history of the San Simeon/Big Sur area that have been influential in, and provide context for, how the Piedras Blancas Motel came into being.

Native Inhabitants

The coastal lands surrounding present-day San Simeon were once occupied by the Playa Salinan Indians (Playas), one of three divisions of the Salinan Indian tribe of Central California. The Playas had no formal government or even a name to refer to themselves. They lived in small groups, residing near the coast in the winter and spring months, then moved slightly inland during the late summer and fall to harvest nuts, berries and other edible plants. Although they lived near the sea, they seldom fished. The Playas' diet consisted mostly of nuts, roots, berries, grass seed and the occasional small rodent or waterfowl (Hamilton, 1974)

Spanish Settlement

In 1542, Juan Rodriguez Cabrillo was the first European to explore the Big Sur coastline. From his ship, he sighted and named Piedras Blancas (white rocks) Point for the large white rocks that protrude from the sea at this point. But it was not until the expedition of Gaspar de Portola in 1769 that Spaniards began to colonize this area. It was the Spanish who gave the Playa Salinan Indians their name during the establishment of the area missions (San Antonio in 1771, San Luis Obispo in 1772, and San Miguel in 1779). At this point many of the natives were converted to Christianity, enslaved by the Spaniards, or exposed to deadly new diseases that nearly destroyed the tribe altogether. In fact, there were no Playas living outside of Mission compounds after 1800 (Hamilton, 1974).

Mexican Land Grants

After the Spanish were overthrown by the people of Mexico in 1821, California fell under Mexican rule. The Missions were left powerless in a secularized land, and quickly lost their influence in California. In 1840, the Mexican government awarded Don Jose de Jesus Pico 48,805 acres of land known as Rancho de la Piedra Blanca. Pico used the land to graze long-horned Spanish cattle, but only visited the ranch house periodically throughout the year (Hamilton, 1974). However, by the mid-1840s, California was in the midst of another conflict, this time between the Mexicans and the Americans.

Early American Settlers

In 1848, America won the war with Mexico and as a result of the treaty, the U.S. acquired California. American settlers from the east came to California in droves during the gold rush of 1849, and in 1850 California became the 31st State in the Union. These events had significant impacts on Central California as well as the Big Sur coast. Don Jose de Jesus Pico began selling off his land holdings in 1854, and in 1865 a businessman from San Francisco named George Hearst began the incremental acquisition of land surrounding the present day town of San Simeon, including Piedras Blancas Point (Hamilton, 1974). The land owned by Mr. Hearst, and later by his son, newspaper baron William Randolph Hearst, became the 270,000-acre Hearst Ranch (118,000 acres located in San Luis Obispo County). The Hearst name became synonymous with the area, and today continues to impact local tourism and development.

Formation of San Simeon

Settlers continued to arrive in the area from the 1860s throughout the 1870s seeking employment or land to farm. While the Hearst Ranch did employ many settlers as ranch hands, a burgeoning lumber industry and the discovery of large cinnabar deposits (ore used for mercury extraction) also provided ample jobs for the new settlers. As population increased and supply ships landed more frequently, George Hearst developed the harbor at San Simeon Bay. By the late 1870s, there was enough commerce, and a large enough population in the area, to support two general stores, two hotels with dining rooms, two saloons, a blacksmith shop, a stable, and a school (Hamilton, 1974).

Piedras Blancas Lighthouse

During the 1860s and 1870s, ship traffic in and out of San Simeon Bay increased substantially. Captain Joseph Clark established a whaling station at the bay in 1864, with a storage capacity of 600 gallons of whale oil. Sailing ships, and later steam ships, were regularly exporting lumber, produce and cinnabar. Due to the rocky and jagged coastline at Piedras Blancas Point, ships periodically ran ashore, which disrupted the flow of commerce and jeopardized the lives of the crews. It became apparent to many that if growth were to continue in the area, then a lighthouse had to be constructed.

In 1872, the Pacific Lighthouse Board designated Piedras Blancas Point, on land leased by the Army, as the site of the proposed lighthouse. Constructed in 1874, the brick and steel tower reached a height of 110-feet and had a base diameter of 34-feet (Hamilton, 1974). The United States Coast Guard took over control and operation of the lighthouse in 1939. An extensive remodeling took place in 1949, at which time the old lantern was removed and replaced with a 1,000-watt electric bulb (Hamilton, 1974). Although automated and

unmanned in later years, the lighthouse is still operational today and provides a significant attraction for visitors to the area.

Figure 1.2 Rocky Creek Bridge along Highway 1

Highway 1

When Cambria native Elmer S. Rigdon was elected to the California State Senate in 1916, he (and Dr. John L.D. Roberts of Monterey) fought hard to convince the State Legislature to approve the construction of a road that connected Carmel to San Simeon. In 1917, Rigdon introduced a bill, under the Military Roads Act, to create the highway, which was finally passed two years later. Construction of the road lasted 16 years (1921-1937) and cost nine million dollars (Hamilton, 1974). A work camp was established near the Piedras Blancas Lighthouse, feeding and housing both the engineers and convict laborers (Caltrans, 1996). The Carmel-to-San Simeon Highway did more than just provide additional military security for the State; it allowed the public to safely and easily access the legendary Big Sur coastline. In 1965, the segment of Highway 1 known as the Carmel to San Simeon Highway, was declared the first official "Scenic Highway" in California.

Hearst Castle & Big Sur Tourism

Hearst's palatial estate was deeded to the State of California in 1957, six years after his death. The following year, it was opened to the public as Hearst San Simeon State Historical Monument. Visitors, intrigued by the life and death of this enigmatic figure, came in droves to see the enormous house now referred to as the "Hearst Castle." During the 1940s and 50s, Big Sur gained a reputation as an artist's enclave. Whether it was the privacy and solitude, or simply the awe inspiring views, artists of every sort sought out the Big Sur coast as either a temporary muse or permanent residence. Famous writers who lived and wrote here include: Henry Miller, Jack Kerouac, Jack London, John Steinbeck, Mary Austin, Robert Louis Stevenson and others. Ansel Adams and Wynn Bullock immortalized on film many of the breathtaking views along the Big Sur coastline and wooded creeks. One of the first published pieces by journalist Hunter S. Thompson was about the artists living in Big Sur (Monterey County Convention & Visitors Bureau, 2009).

Piedras Blancas Motel

In 1959, the first construction took place on the Piedras Blancas Motel site, although a 1956 aerial photo shows a small structure where the current caretaker residence is located. The development was intended to capitalize on emerging tourism associated with the Hearst Castle, and the increased automobile traffic along this segment of Highway 1. This intention is evident by the subsequent building uses. The first building constructed was the original 11-unit hotel. Three years later the owner expanded the development to include a café, garage, office, and residence. At some point prior to 1984, three gasoline underground storage tanks were installed for the establishment of an on-site filing station (RRM, 2006, Phase I Environmental Site Assessment).

Big Sur Coast Today

Human population along the Big Sur coast has never exceeded more than a few thousand. According to the 2000 U.S. Census, Big Sur had a population of 996 (Census 2000 Summary File 1 (SF 1) 93920 5-Digit ZCTA). The population of San Simeon was only 470 at the time of the 2000 Census (Census 2000 Summary File 1 (SF 1) 93452 5-Digit ZCTA). The largest employment sectors along the San Simeon and Big Sur are arts, entertainment, recreation, accommodations, and food service. Continuing in the creative tradition, today more than 10 percent of Big Sur residents are working artists (bigsurarts.wikispaces.com).

1.4: Conclusion

The areas of Piedras Blancas Point, San Simeon, and Big Sur have remained relatively undeveloped. However the land has shaped and affected the lives of both its inhabitants and visitors, from the basic sustenance that the land provided for the Playa Indians to the artistic inspiration of the natural ambiance. The land has given richly to the local economy in the form of mineral ore, lumber, and grass for cattle grazing. Monuments to notable residents such as William Randolph Hearst and Henry Miller attract thousands of visitors to the area each year. And many more visit each year simply to enjoy the scenic views from Highway 1. Some of these histories are more apparent than others. Regardless, understanding the social and cultural aspects of the area will greatly assist in choosing the appropriate direction for future redevelopment of the Motel site.

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Chapter 2: Site Analysis

2.1: Introduction

This chapter presents an analysis of the existing structure of the Piedras Blancas Motel (structure) and the parcel of land on which it is located (parcel). Civil engineering firm, Taylor & Syfan Consulting Engineers, performed a non-invasive structural analysis in December 2008. Section 2.2 provides a summary of this report. Section 2.3 provides an assessment of the Parcel, including geography, climate, soil, plants and fauna. Section 2.4 provides a summary of the proposed Caltrans project to realign State Highway 1 at Point Piedras Blancas. This project will alter access to the site and impact recreational uses, but the extent of that impact is currently unknown.

Taylor & Syfan is a San Luis Obispo-based structural engineering design firm that focuses on specialty structural engineering services, particularly the rehabilitation and retrofitting of historic structures, and, research and development of alternative structural systems and materials (Taylor & Syfan, 2008).

2.2: Structural Analysis

The Piedras Blancas Motel consists of one main motel building and a separate café building. The engineers concluded that although the structures are in need of repair, they are generally suitable for reuse and habitation.

Figure 2.1 Cracked concrete floor slab

Main Motel Building

The main motel building consists of 11 guest rooms, a manager's apartment, and a laundry room. The building is wood-framed and sits on a concrete slab foundation. The interior walls consist of drywall and plaster, and the exterior covering is stucco and plaster. Taylor & Syfan deemed that the walls would require little maintenance in order to provide the necessary lateral strength. Necessary maintenance would include repairing cracks that have developed around doors and windows. Taylor & Syfan recommend that cracks in the concrete floor slab be addressed. The report also states that the roof appears to be well constructed and "performing adequately." The masonry fireplace located in the manager's apartment will need to be replaced, because it was deemed a seismic hazard. The lower firebox may remain intact, but a new reinforced chimney will be required (Taylor & Syfan, 2008).

Figure 2.2 Fireplace Hearth

Café Building

The café building is a single-story wood-framed structure with a concrete slab foundation. It consists of a dining area with a kitchen space, an office area,

and an open room that connects the two areas. Adjacent to the café building there is a small storage area. Due to the absence of a continuous wall, the café building will require considerably more work than the main building to meet building code requirements. The storage building adjacent to the café was deemed by the engineers to be in severe disrepair and not salvageable. They recommend that the storage area be removed (Taylor & Syfan, 2008).

The structural assessment concludes that rehabilitation measures be performed as soon as possible to ensure that structural problems do not worsen (Taylor & Syfan, 2008).

Figure 2.3 Exterior of Café Building

2.3: Parcel Assessment

Figure 2.4 Interior of Café Building

Geography

The Piedras Blancas Motel is located on a 25-acre parcel along the north coast of San Luis Obispo County. The parcel is part of a flat marine terrace between the Pacific Ocean and the Santa Lucia mountain range. The northwest and southwest edges of the parcel slope down to sandy beaches, while the middle section of the western edge consists of a steep coastal bluff.

Geology

The ground beneath the Piedras Blancas Motel consists primarily of soil made of compressed sand, silt and clay, or loam. RRM's Phase I Environmental Site Assessment classified the surface layer as sandy loam. Below 37 inches, the soil type changes to a fine sandy loam (RRM, 2006).

The Parcel is located within a seismically active region. Several active earthquake faults, including the Simeon, Hosgri and Oceanic (West Huasna) are located within one to four miles from the Parcel.

Soil samples have been tested for traces of hydrocarbons and other contaminants related to the on-site filling station and gasoline underground storage tanks. The tests indicated that there were traces of contaminants in the soil; however, the contamination levels were below regulatory action limits (RRM, 2006).

Climate

The climate of San Luis Obispo's north coast area is very mild. Temperatures in the summer range from the high 50s to low 90s. Winter temperatures are cooler and range between the low 40s to high 60s. The average rainfall in the area is 22 inches, mainly occurring between November and April. Fog is common along the Central California coastline, especially in the summer months; however, it usually burns off by mid-day.

Wind is another factor to consider at the Site, and can be quite strong at certain times throughout the year. The average wind speed at Point Piedras Blancas is 10.9 miles per hour, with gusts reaching more than 50 miles per hour. During the windiest months of May and June, average wind speeds range between 13 and 14 miles per hour (WRCC, 2010).

Plant Communities and Wildlife Habitats

According to the California Natural Diversity Database (CNDDB), there are a total of 65 special-status plant and wildlife species and plant communities on, and around the Site. These include 47 special-status plant species, 14 special-status wildlife species and four sensitive plant communities. The 65 special-status species were identifies as a result of a CNDDB search of the nine 7.5-minute topographical quadrangle maps around and including the proposed project site. Any special-status species or plant community indicated by the CNDDB search was considered as a potential occurrence on the proposed project site. Lists of sensitive plant species, plant communities and wildlife species with potential for occurrence on the Site are included in Tables 1 and 2.

On February 14, 2010, a site visit was conducted to assess the current flora and fauna conditions of the project site. Note, no focused surveys have yet been conducted, and confirmation of occurrence for these special-status species within the general vicinity of the proposed project site would need to be confirmed during such a survey.

Figure 2.5 Ice plant on west side of Motel

Vegetation

Vegetation on the Parcel is dominated by non-native species, which includes ice plant (*Carpobrotus chilensis*), kikuya grass (*Pennisetum clandestinum*), cheese weed (*Malva parviflora*), perennial mustard (*Hirschfeldia incana*), and various ornamental species. The Parcel appears to have been disturbed repeatedly over time resulting in numerous non-native and ruderal plant species as was confirmed during the site visit.

Figure 2.6 Mustard

Wildlife

No focused surveys for wildlife species was conducted on the project site for this report. Many of the special-status wildlife species identified in Table 2 as potentially occurring within the vicinity of the project site, would potentially forage within the annual grasslands located on the project site, such as black swift, prairie falcon, the ferruginous hawk, and various bat species. No special-status wildlife species included in Table 2 were observed during the visit to the Site.

Approximately 1.5 miles south of the project site is the Piedras Blancas elephant seal rookery, where formal surveys to count seal populations have exceeded counts of 15,000 animals. The rookery is conducive to elephant seal land-based birthing, breeding, molting and resting due to the sandy beaches offering pups protection from high

water and a kelp forest that provide protection from predators. The elephant seal rookery is expanding to the north and south with a small group of elephant seals observed along the southern end of the Site.

In addition to the elephant seal rookery, the nearshore and offshore areas provide foraging grounds and migration routes for several species of cetaceans (whales, dolphins and porpoises) and seabirds. These include migration routes used by grey and humpback whales, several loon, and sheerwater species, and brandt geese.

Surveys were conducted by State Parks biologists to determine if Smith's blue butterflies (an endagered species) were present on newly acquired land within Hearst San Simeon State Park. Insignificant numbers of host plant were found at the Piedras Blancas Motel site. The Site is also outside of the known range and has been determined to be unsuitable habitat for the butterflies.

Figure 2.7 Piedras Blancas Motel (1994)

Figure 2.8 Piedras Blancas Motel (2009)

Figure 2.9 Proposed realignment (yellow) and 15 year erosion (red)

2.4: Coastal Erosion and Highway Realignment

Studies have found that the coastline along Highway 1 from approximately the Piedras Blancas Lighthouse north to the motel site is eroding at a rate of approximately five feet per year (Caltrans, September 2008). Caltrans has attempted to slow the rate in some areas by placing boulders along the shoreline to act as a buffer. This strategy has provided short-term protection of the highway immediately north of the Site, but Caltrans recognizes that a long-term solution is needed.

Due to concerns over coastal erosion, Caltrans has approved the "Piedras Blancas Realignment Project, a plan that will re-route Highway 1 inland up to 475 feet. The Piedras Blancas Realignment Project was approved for funding and Caltrans is in the process of drafting the final EIR, which should be completed by the end of 2010. The current projected date to begin the bidding process is October 2013. The project is scheduled for completion in 2019. At that time, all land west of the new highway will be transferred to State Parks. This will create new opportunities to formalize existing developed park lands and trails into recognized segments of the California Coastal Trail linking Arroyo de la Cruz to the Piedras Blancas Lighthouse.

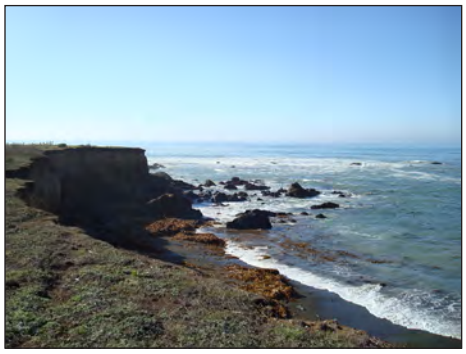

Figure 2.10 Coastal Bluff at site

Funding for the Realignment Project will come from the 2010 State Highway Operation and Protection Program. In August 2008, Caltrans estimated the entire project budget to be $50.3 million. This amount includes $10.9 million to purchase property within the new 130-foot right-of-way, including the Lighthouse View Estates property north of the Piedras Blancas Motel (Caltrans, 2008). Caltrans is in the process of trying to secure additional project funding.

See http://www.dot.ca.gov/dist05/projects/slo1_piedras/index.htm for complete Caltrans report and Draft EIR.

2.5: Conclusion

After a complete parcel assessment, including a structural analysis, Phase I Environmental Assessment, and a biological assessment, several opportunities and constraints have been identified for redevelopment of the Site. The structural analysis indicates that it may be feasible for some of the buildings to be rehabilitated and reused in the existing footprint. Future bluff retreat wlll have to be planned for with #s adequate to supply regional lifespan for motel structures to remain in . Continued coastal erosion will be a major constraint to the redevelopment of the Site, and one that will require a long-term plan and guide the placement of permanent and nonpermanent structures. Another issue related to the coastal erosion is the Caltrans realignment of Highway 1. During the realignment of Highway 1, Caltrans will be required to maintain convenient and safe access to the site, but long term impacts to wetland areas and recreational resources is currently unknown.

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Chapter 3: Regulatory Analysis

3.1: Introduction

Chapter 3 addresses the enforcement agencies and corresponding planning documents that provide the regulatory oversight applicable to the Site. Due to the Site's location in the Coastal Zone, the applicable regulations are complex, with many of the regulatory documents overlapping or working in conjunction with others. However, the primary planning document for any redevelopment of the Parcel is the San Luis Obispo County North Coast Plan (North Coast Plan). The North Coast Plan provides the most specific information for site development, and directly refers to the Piedras Blancas Motel. Any information not covered in this document will be addressed in other jurisdictional documents such as the Coastal Zone Land Use Ordinance and the Coastal Plan Policy Document. The following chapter identifies site jurisdiction and summarizes relevant documents, including the North Coast Plan, Coastal Zone Land Use Ordinance, Coastal Plan Policy Document, Coastal Development Permits, Title 24 and 25, and the Scenic Highway Corridor Protection Plan.

3.2: General Site Information

Year Constructed	1959
Size	25 acres
Assessor Parcel Number	011-231-012
Owner	California Department of Parks and Recreation
Jurisdiction	County of San Luis Obispo, Supervisor District 2
Community	Rural North Coast
Planning Area	North Coast
Land Use Designation	Recreation
Combining Designations	Flood Hazard Area, Sensitive Resource Area, Coastal Zone Boundary
Coastal Designation	Wetland
Fire Hazard	Moderate
Assessed Value	$4,680,800 (as of 2009/2010 tax year)

3.3: Plans and Policy Documents

Jurisdiction

Under the California Coastal Act, counties and cities are responsible for achieving statewide coastal resource protection goals through the implementation of Local Coastal Programs (LCPs). The Coastal Commission initially worked with San Luis Obispo County (County) officials to ensure that the LCP contained policies and procedures that adequately protect coastal resources and incorporate the objectives of the California Coastal

Act. When the Coastal Commission certified the LCP in 1988, the County assumed the primary responsibility of issuing coastal development permits.

The Local Coastal Program for the County is the primary planning tool for redevelopment that would take place at the Site. The Local Coastal Program for the County includes:

1. The North Coast Plan (a component of the Local Coastal Plan);
2. Coastal Zone Land Use Ordinance; and,
3. Other implementing actions for the coastal zone that meet the requirements of the California Coastal Act of 1976 as certified by the California Coastal Commission.

North Coast Plan

The North Coast Plan outlines land uses, development standards, and policies for the coastal zone from Point Estero to the Monterey County line, and inland to the ridge of the Santa Lucia Range. This Plan was updated and certified by the Coastal Commission in 2008, and provides guidance for future land use and redevelopment at the Site. It is the most specific planning document encompassing the Piedras Blancas Motel Parcel. Anything not covered by the North Coast Plan will be addressed in subsequent County planning documents.

The North Coast Plan designates the Parcel as zoned for recreational uses, although certain commercial uses are also allowed. The Site is subject to several development standards as a recreational zone, including those listed specifically for the Piedras Blancas (PB) area (last three bullet points). These standards include:

- Development plan approval required for all proposed developments;
- Traffic count projections required for all proposed developments;
- Camping facilities proposals must show location, use, and access point;
- Pedestrian paths are required to link developments to shoreline;
- Setbacks must be a minimum of 50 feet from bluff or high tide line;
- **Maximum building height of 15 feet**;
- **Buildings and signs must have natural exterior finishes**; and,
- **Building coverage may be no greater than 40 percent of the Site**.

The land uses listed below are allowed at the Piedras Blancas Motel site. A principally permitted use is one that is encouraged and has priority over non-principally permitted uses. The Piedras Blancas area is listed in the Plan as a visitor-serving priority area.

Principally permitted uses are limited to:

- Hotels and motels;
- Bed and breakfast facilities;

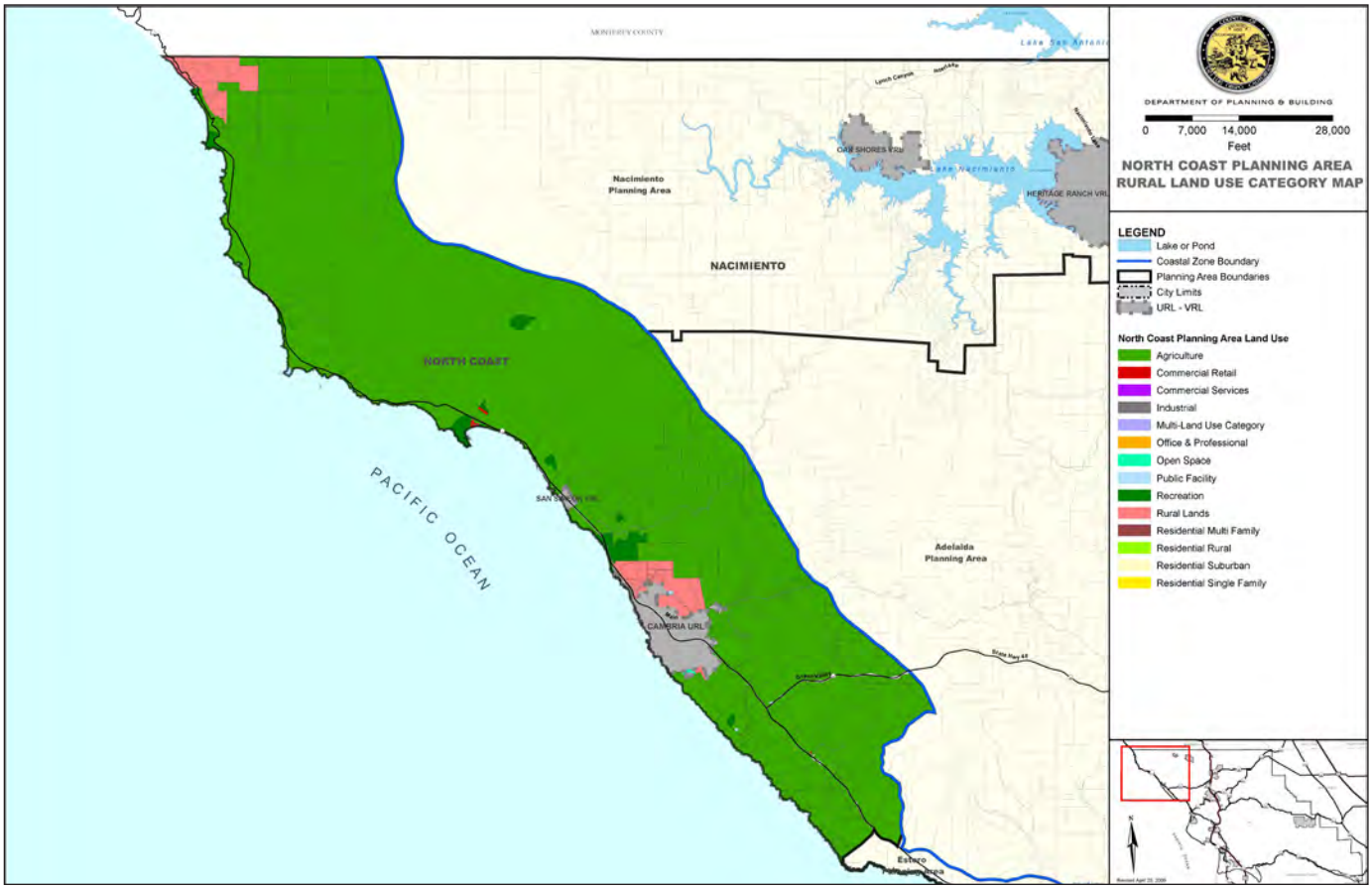

Figure 3.1 North Coast Area Land Use Map

- Eating and drinking places (not including drive-in restaurants, fast food and refreshment stands);
- Food and beverage retail sales (limited to tourist-oriented uses such as gift shops and art galleries); and
- General merchandise stores (limited to tourist-oriented gift shops operated in conjunction with food and lodging facilities).

Non-principal permitted uses are limited to:

- Service stations (limited to one such facility only, existing or rebuilt);
- Caretaker residences;
- Public assembly and entertainment (when accessory to a hotel or motel);
- Coastal accessways;
- Water wells and impoundment; and
- Cultural, education, and recreational uses (excluding libraries, membership organizations, schools, social service organizations, and equestrian exhibition facilities) normally allowed by Coastal Table O pertinent to a visitor-serving priority area.

The Parcel is specifically mentioned in Chapter 7 of the North Coast Plan (2008), stating:

> "A small area with a motel, restaurant, and gas station is located along the shoreline 1-1/2 miles north of Piedras Blancas Point. The Recreation land use category could allow for expansion of tourist-recreation facilities. Because of the open exposed shoreline location, however, further development needs to be carefully considered in the development plan review process (North Coast Plan, 2008)."

The North Coast Plan then goes on to suggest that the State of California purchase Piedras Blancas Point (including the motel and the lighthouse), make improvements, and investigate the possibility of developing a hostel or other low-cost lodging facility.

Proposed Hearst Ranch Development

Provisions in the Hearst Ranch acquisition will not likely impact the development or redevelopment and reuse of the Piedras Blancas Hotel as described in this analysis. Details on this transaction and resulting easements and other documents can be found on the San Luis Obispo State Parks website (www.slostateparks.com).

Coastal Zone Land Use Ordinance

The Coastal Zone Land Use Ordinance (CZLUO) (Title 23 of the San Luis Obispo County Code) establishes regulations intended to protect and promote public health, safety and welfare for areas within the County Coastal Zone. The CZLUO applies to all land and development areas within the County's Coastal Zone. Any new development on the Piedras Blancas Motel parcel, including modification, alteration or adaptive reuse of the existing structure, is subject to this ordinance.

The CZLUO applies to the North Coast, Estero and South County planning areas, and is therefore broader in scope than the North Coast Plan. The Land Use Ordinance covers any standards that are not addressed in the North Coast Plan. In the case that a conflict arises between the North Coast Plan and the Coastal Zone Land Use Ordinance, the North Coast Plan standards shall take precedence.

Coastal Bluff Setback

The CZLUO outlines additional regulations to the minimum 50-foot coastal bluff setback required by the North Coast Plan (CZLUO, 2009). The additional requirements are part of a demonstration of stability report, and are listed below:

A site stability evaluation report, from a certified engineering geologist, is required for all new development or expansion of existing uses that assures site stability for a period of 75 years. Report shall include:

- Historical erosion rates;
- Topographical information (surveying report);
- Geological information;
- Erosion information (wave and tidal information);

- Landslide potential (possible effects of proposed development on landslide potential);
- Hydrologic information;
- Potential erodibility of site and proposed mitigation measures to minimize erosion during and after construction;
- Any other factors that may affect slope stability; and
- Other information required by relevant State agencies.

Exceptions to the bluff setback requirements include

- Fences (wood: less than three feet in height; Wire: less than six feet in height);
- Landscaping, minor earthwork, steps; or
- Roof and wall projections (e.g., chimneys, bay windows, eves, etc.) may project into bluff setback up to 30 inches.

Combining Designations

Lands that are deemed hazardous, sensitive, culturally important, or found to contain natural resources, are given special land use labels termed "combining designations." These designations ensure a thorough review of the Site before development occurs.

There are three combining designations standards for development that apply to the Piedras Blancas Motel site. These designations require additional regulations outlined in the ordinance and are listed below:

1. Sensitive Resource Area;
2. Flood Hazard Area;
3. Coastal Zone Boundary

Coastal Plan Policy Document

The Coastal Plan Policy Document is comprised of policy statements that supplement the North Coast Plan and Coastal Zone Land Use Ordinance. This document is intended to further implement the mandates of the California Coastal Act.

Exemptions

As a general guideline, any development that occurs on the Site is subject to the regulations of the Local Coastal Program (e.g., development plan approval, environmental review, etc.). However, the Department of Parks and Recreation does have the ability to issue its own building permits. Also, in instances of grading, if the area to be graded is less than one acre, then no permit is required. In cases greater than one acre, a permit must be obtained from the Regional Water Quality Control Board. Therefore, State Parks may process all building permits internally, as long as no development occurs, as defined by the Coastal Commission and California Coastal Act.

Definition of Development

According to the California Coastal Act, Development is defined as:

- Placement or erection of any solid material or structure;
- Discharge or disposal of any dredged material or of any gaseous, liquid, solid, or thermal waste; grading, removing, dredging, mining, or extraction of any materials;
- Change in the density or intensity of use of land, including, but not limited to, subdivision pursuant to the Subdivision Map Act (commencing with Section 66410 of the Government Code), and any other division of land, including lot splits, except where the land division is brought about in connection with the purchase of such land by a public agency for public recreational use;
- Change in the intensity of use of water, or of access thereto; construction, reconstruction, demolition, or alteration of the size of any structure, including any facility of any private, public, or municipal utility; and
- Removal or harvesting of major vegetation other than for agricultural purposes, kelp harvesting, and timber operations which are in accordance with a timber harvesting plan submitted pursuant to the provisions of the Z'berg-Nejedly Forest Practice Act of 1973 (commencing with Section 4511).

As used in this section, "structure" includes, but is not limited to, any building, road, pipe, flume, conduit, siphon, aqueduct, telephone line, and electrical power transmission and distribution line (California Coastal Act, Section 30106, 2009).

Common Overlapping Regulations

A side effect of the regulatory complexity affecting the North Coast of San Luis Obispo County is that many of the planning documents and State regulations overlap. This section notes some of the more common overlapping regulations that may be encountered during development.

- Coastal Development Permit (California Coastal Commission)
    - ◊ All development within the Coastal Zone shall obtain a coastal development permit issued by the California Coastal Commission or by San Luis Obispo County pursuant to Chapter 23.03 of the Coastal Land Use Ordinance.
- California Title 24 (State energy efficiency standards for buildings)
    - ◊ Enforced by State Building Standards Enforcement Unit
- California Title 25 (State regulation for RV Parks)
    - ◊ All development of RV parks or other non-permanent structures are subject to the regulations set forth by The California Department of Housing and Community Development, Title 25 (Chapters 2 and 2.2).
    - ◊ San Luis Obispo County acts as the enforcing body.
- Scenic Highway Corridor Protection Plan (San Luis Obispo County)

- ◊ Contains regulations already included in other County plans and land use ordinances. Created as part of the process to obtain State Scenic Highway status for Highway One from San Luis Obispo City to the Monterey County line.

3.4: Surrounding Uses

Land uses surrounding the Site are primarily related to agriculture and tourism. Uses within a ten-mile radius are listed below:

- Agriculture and Open Space
  - ◊ Hearst Ranch
  - ◊ Grazing land
- Recreation and Tourism
  - ◊ Hearst San Simeon State Park
  - ◊ Monterey Bay National Marine Sanctuary
  - ◊ Elephant seal colony
  - ◊ Piedras Blancas Light Station (BLM)
  - ◊ Beaches and scenic coastline
  - ◊ California Coastal National Monument (BLM)
  - ◊ Transient lodging
  - ◊ Restaurants
- Residential
  - ◊ Lighthouse View Estates

Recreational land uses are encouraged in the North Coast Plan and in the Coastal Plan Policies, especially those that are considered low-cost.

The Hearst Ranch Corporation has a major land holding adjacent to Piedras Blancas that currently consists of nearly 82,000 acres east / inland of Highway 1. According to the North County Plan, 98 percent of this land must remain in agricultural use. The remaining two percent is part of a proposed master plan development related to tourism. Homesite development is allowed on conservation easement land that is zoned for agriculture, however it is limited to the construction of only 27 homes (North Coast Plan, 2008).

3.5: Stakeholders

There are many groups that have diverse interests in the Site. These stakeholders range from government agencies to non-profits to private residents. Below is a list of stakeholders (both directly and indirectly involved) in the redevelopment of the Piedras Blancas Motel Parcel:

- California State Parks
- California Coastal Conservancy
- California Coastal Commission
- California Water Resources Control Board
- California Rangeland Trust
- San Luis Obispo County
- San Luis Obispo Council of Governments
- San Luis Obispo County Office of Emergency Services
- California Department of Transportation
- Bureau of Land Management
- United States Forest Service
- Hearst Ranch Corporation
- Friends of the Lighthouse
- Lighthouse View Estates residents
- Cambria Chamber of Commerce
- San Simeon Chamber of Commerce
- Friends of Elephant Seal
- Monterey Bay National Marine Sanctuary

3.6: Conclusion

As with most coastal development in California, the regulatory climate surrounding the Site involves a complex array of governing documents, policies, permits, stakeholders and enforcement bodies. The Site could accommodate a variety of allowed uses including a hotel, eatery, service station, and camping. To avoid development review, State Parks could opt to reoccupy the site and operate under previously approved uses following the renovation of existing physical structures. During the initial phase of rehabilitation, State

Parks could avoid a more complex regulatory processes by addressing the renovation of the building through maintenance and repair of the interiors and aesthetic improvements to the exteriors.

For more in-depth information, please refer to planning document links listed below.

North Coast Area Plan: http://www.slocounty.ca.gov/Assets/PL/Area+Plans/North+Coast+Area+Plan.pdf

Coastal Zone Land Use Ordinance: http://www.slocounty.ca.gov/Assets/PL/Land+Use+Ordinances/Title+23+-+Coastal+Zone+Land+Use+Ordinance/Title+23+Coastal+Zone+Land+Use+Ordinance.pdf

Costal Plan Policy Document: http://www.slocounty.ca.gov/Assets/PL/Elements/Coastal+Plan+Policies.pdf

California Coastal Act: http://www.coastal.ca.gov/coastact.pdf

Chapter 4: Market Analysis

4.1: Introduction

The geographic market area is defined as the land between Andrew Molera State Park to the north and Hearst San Simeon State Park to the south, a driving distance of approximately 75 miles. From east to west, the market area extends from the ridge of the Santa Lucia Range to the Pacific Ocean. The market thus encompasses what is generally referred to as the "Big Sur Coast." A major tourist attraction, over 3 million visitors flock to this area annually to experience the undeveloped coastline and coast ridge that drops precipitously to the sea. Besides its heralded beauty, this stretch of coastline bespeaks a California of the past, which holds a spirit of discovery and a closer connection with natural forces that many visitors and residents feel akin to.

Unfortunately, many visitors are unable to afford overnight accommodations in the market area and instead travel out of the market area to seek lower priced accommodations. In fact, other than camping and RVs, there are no low-cost accommodations available on the Big Sur Coast. For the purpose of this analysis, "low cost" is defined as less than $60 per night. This price point is intended to differentiate less-expensive hotels from hostel-type facilities. The Bridge Street Inn in Cambria is the only hostel between San Luis Obispo and Monterey.

This chapter provides an analysis of the 36 lodging facilities within the market area, categorizing them by lodging type and nightly rate. Information for each facility is also represented graphically (Figure 4.1 and Figure 4.2). The maps are intended to illustrate market composition by geographic location, and then by facility type and nightly rate. The maps can be used as a tool to identify market deficiencies. Market trends and other conditions are examined briefly at the end of the chapter.

*Note: This market study is based on rates obtained in October 2009. Nightly rates fluctuate and are subject to change.

4.2: Market Area Lodging Facilities

Hotels

For this study, the term "hotel" refers to any lodging facility with a primary structure containing guest rooms and other services such as dining and beverage provision. Lodging facilities that incorporate other overnight facilities are not considered hotels and are classified as tent camping, RV camping, cabins, and hostels.

There are 20 hotel facilities within the market area. Generally, hotels in the market area can be divided into the less expensive southern hotels of San Simeon, and the upscale, higher-cost hotels of northern Big Sur. The average night's stay at southern hotels ranges from $70 (off-peak) to $178 (peak) for an average around $125. Several of the Big Sur hotels, particularly in the north, are luxury resorts with nightly rates of over $200. The most expensive

hotel in the area is the Post Ranch Inn, with nightly rates ranging from $550 to $2,185 per night. The lowest hotel pricing available in the middle portion of the market area, near Lucia and Gorda, is approximately $150 per night.

Tent Camping

Within the market area, there are 13 facilities that provide tent camping. With 1,488 campsites, San Luis Obispo County holds more campsites than any other coastal county (California Coastal Commission, 2006). Twenty-five percent of all California coastal campsites are located within San Luis Obispo County. The typical nightly rate for campsites in the area ranges between $10 and $30. Sites that offer tent or RV camping in addition to motel or cabin facilities are categorized by the price of their motel or cabin room rates, not by the price to rent a campsite.

RV Camping

Within the study market area, there are four facilities that provide RV accommodations. Three are located in the northern section of the market and the fourth just south of San Simeon State Park. The RV site nearest Piedras Blancas to the south is the San Simeon State Park, which offers primitive RV camping (no RV hook-ups) for approximately $27 per night. Three locations in Big Sur offer standard RV accommodations (sewer, showers, etc.), at a nightly rate of approximately $45. RV camping is not currently allowed under the North Coast Plan at the Piedras Blancas Motel site. However, it was a historical use at the Site and was allowed by the County as a non-conforming use, grandfathered after the regulations went into effect.

Cabin/Yurt

Within the study market area, there are five facilities that provide cabin or yurt lodging. The terms "cabin" or "yurt" do not necessarily mean low-cost. Nightly rates at the cabin/yurt facilities range from $88 to $290.

Hostel

There is only one hostel within the market area, the Bridge Street Inn, in Cambria. The nightly rate for a bed in a shared room begins at $25. Private rooms can be rented for $65 per night.

4.3: Trends

Demand Growth

California's population is projected to grow at an annual rate of 1.2 percent over the next 15 years (PPIC, 2005). At this pace, there will be 46.7 million people living in California by the year 2025. This translates to approximately 500,000 new residents per year. This statistic suggests the potential for a growing "local" market for overnight accommodation. According to the California Department of Finance, San Luis Obispo County grew by almost 10 percent from the years 2000 to 2009. Compared to the eight percent growth experienced in Santa Barbara County and 7.5 percent in Monterey County during the same time period, San Luis Obispo is the fastest growing county in the Central Coast.

Market Area: Approximately 75 miles of coastline between Cambria and Andrew Molera SP

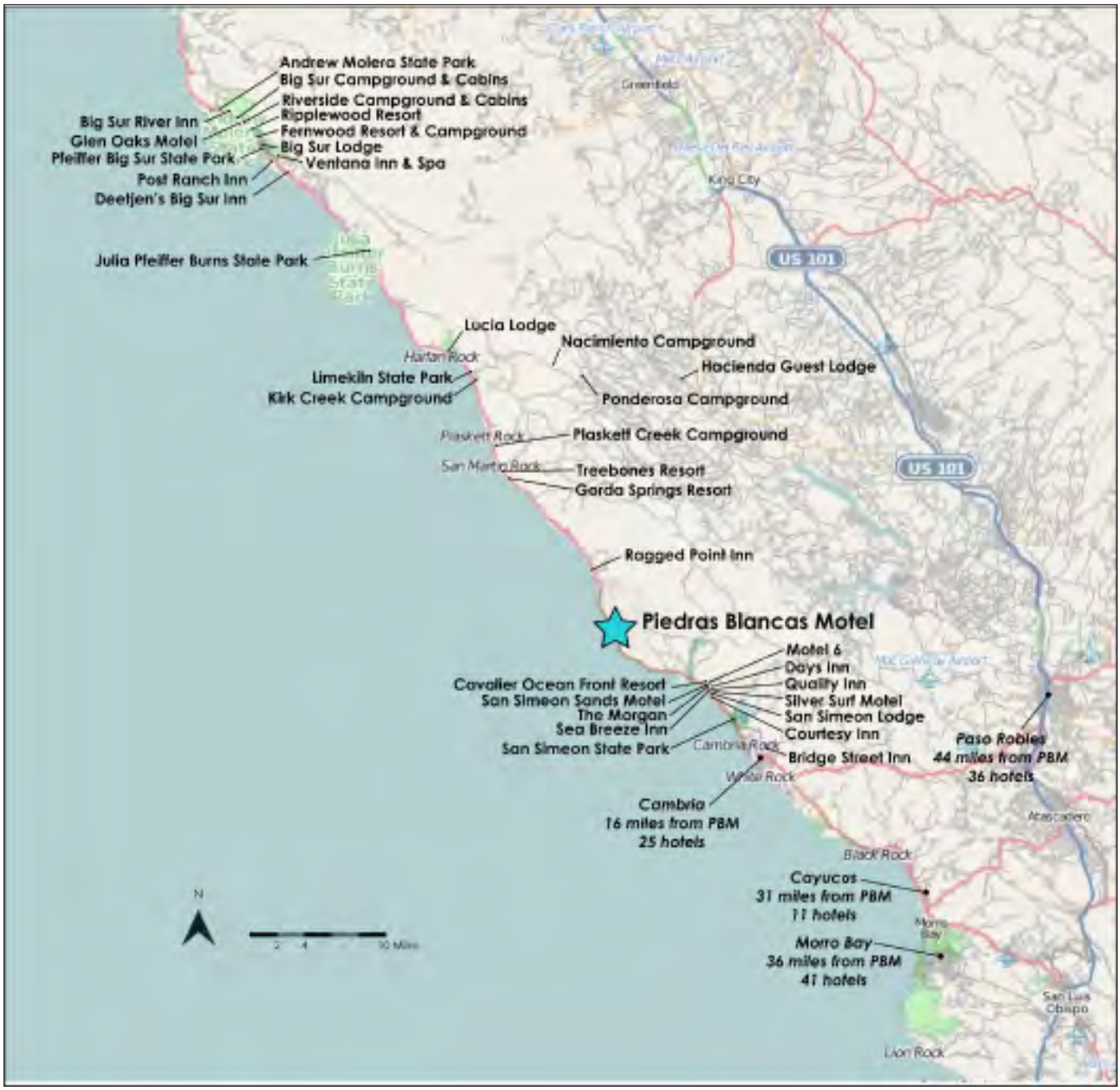

Figure 4.1 Geographic Map of Market Area

The map shown in Figure 4.1 provides a geographic representation of all lodging facilities in the study area on a topographical map of the central coast of California. Facility names are provided next to the geographic location.

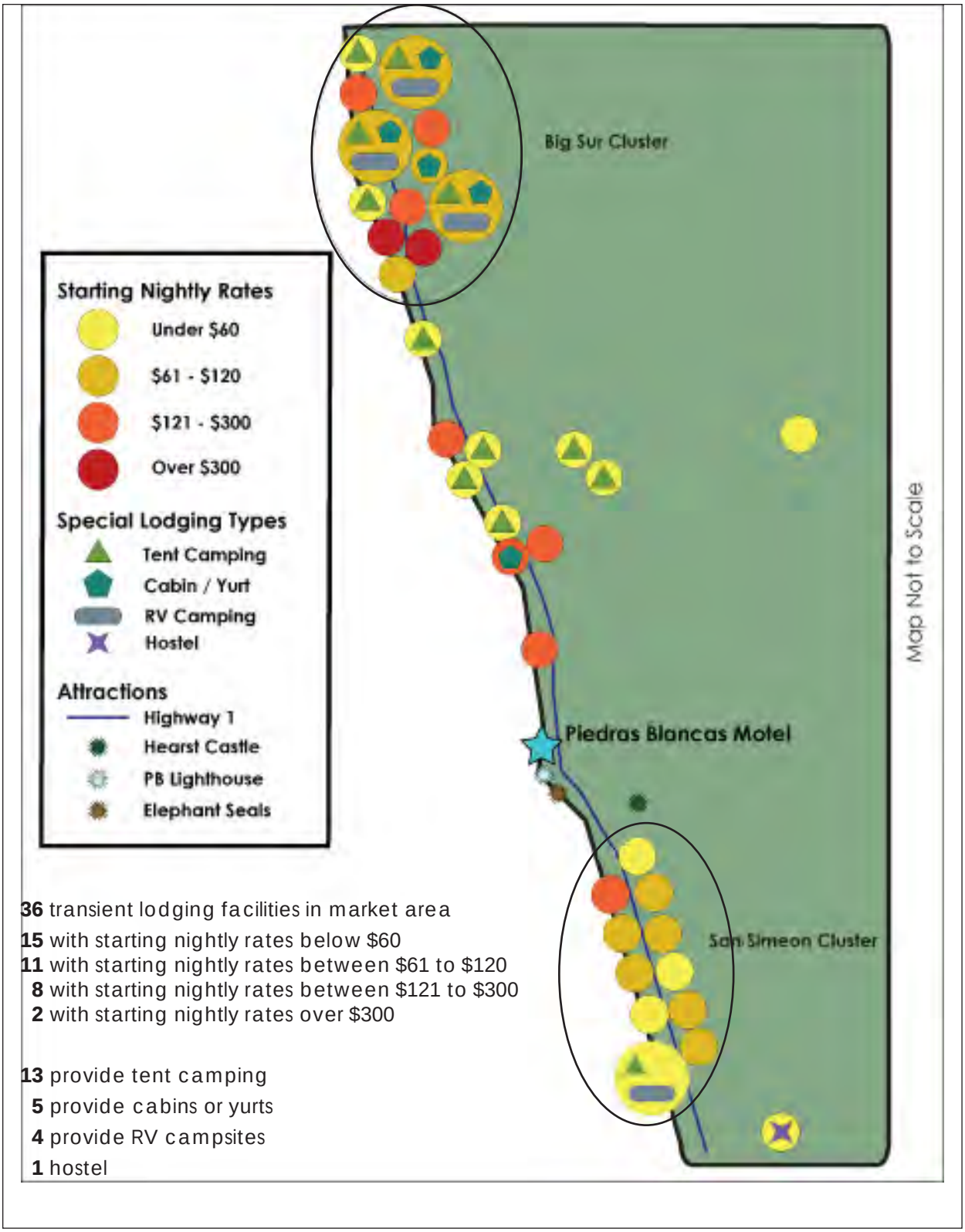

Figure 4.2 Abstract Map of Market Area

The map shown in Figure 4.2 is an abstract representation of the market area, and provides information on facility type using symbols, and starting nightly rates.

Low-Cost Coastal Accommodations

Among California's 16 coastal counties, the number of hotels and lodging facilities has increased 32 percent since 1990. As of 2004, there were 1,678 lodging facilities in California's coastal counties. Of these facilities only 134 (7.9 percent) are considered low-cost, or under $100 per night. These generally include campsites, hostels, RV parks, and low cost hotels (California Coastal Commission, 2006).

4.4: Example of Low-Cost Coastal Lodging at Pigeon Point

This example is included to provide insight from previous state-lead initiatives to develop low-cost coastal lodging, and can be considered by stakeholders when choosing development alternatives.

Pigeon Point Lighthouse Hostel

During the fuel crisis of the mid-1970s, there was a substantial increase in the number of visitors to California hostels. In 1972, there were 5,375 overnight stays at California hostels. By 1976, the number of annual overnight stays was nearly 18,000; a 333 percent increase (Dulin, 2003). Because of this increased interest in hostel accommodations, combined with the formation of the California Coastal Commission (1972), and passage of the California Coastal Act and Coastal Conservancy Act (1976) (which put a high priority on the development of low cost overnight accommodations) the State began to actively pursue development of hostels to provide low cost coastal access and lodging.

This effort culminated in the passage of State Assembly Bill 400 in 1976, which directed the Department of Parks and Recreation to submit a plan for coastal hostel construction. The California State Park System Coast Hostels Facilities Plan, submitted in 1978, stated that it was the long-range goal of State Parks to, "…provide facilities in conjunction with all major recreation corridors throughout the state (O'Brien, 1998)." State planners identified 37 potential hostel sites along the coast, from which nine were chosen for development in a pilot study. In the 1978 budget for State Parks, $1.9 million was set aside for the construction of coastal hostels. Two years later the hostel at Pigeon Point Lighthouse was opened to the public (O'Brien, 1998).

In May 2005, the California Department of Parks and Recreation acquired the Pigeon Point Lighthouse property from the United States Coast Guard. The hostel is currently being operated by the Golden Gate Council of Hostelling International USA.

Pigeon Point Lighthouse Hostel offers four three-bedroom lodging houses. Nightly rates for shared rooms are $12 for children under 12 and $25 for adults. Private room rates range from $59 to $111 per night, depending on the number of beds per room. The maximum nightly capacity at the Pigeon Point Hostel is 50 people. In 2009, the hostel had 12,500 overnight occupancies, or an average of 35 bed occupancies per night. This figure represents only slightly less than the maximum overnight occupancies of 13,000.

4.5: Conclusion

The market analysis indicates that there is a lack of diverse, low-cost lodging facilities along the coastline between Big Sur and Cambria. With high numbers of annual visitors and an increasing coastal population, the need for low cost lodging facilities will continue to increase. Many visitors to the area seeking an alternative to camping will find it difficult to afford the luxury resorts and hotels currently scattered along the Big Sur Coast. Due to its unique geographic location and proximity to natural resources, the Piedras Blancas site is ideally positioned to serve these lodging needs.

Chapter 5: Development Phases

5.1: Introduction

In order to provide a practical methodology, facilitate meeting property owner objectives, and addressing market needs, potential improvements have been organized into three levels or phases. The phases are listed in numeric order of least to most expansive: Phase I, Phase II, and Phase III. No development is expected within the bluff setback.

A Financial analysis of Phase I has been conducted for this report, and can be found in Chapter 6. The analysis includes annual operating expenses, construction estimates and a financial pro forma that looks at 10 years of operation. Data used in the financial analysis comes from similar projects, industry standards, and direct research.

5.2: Phase I, The Least Expansive Phase

Phase I, the least expansive phase will prompt minimal, if any regulatory oversight. Phase I would also represent the smallest budget of the three phases.

Improvements considered in Phase I:

- Aesthetic improvements
- Consider Re-allignment of HWY 1
- Habitat restoration
- Improved Signage
- Landscaping improvements
- New California Coastal trail to replace HWY 1
- New doors and windows
- New flooring
- New paint
- Remodel room interiors
- Re-orient rooms towards ocean
- Repair cracks in concrete floor
- Repair walls
- Replace and/or reinforce chimney
- Upgrade electrical system
- Upgrade HVAC
- Upgrade plumbing and fixtures

5.3: Phase II, The Moderately Expansive Phase

Phase II, represents a moderate level of development and moderate levels of regulatory approvals.

Improvements considered in Phase II (and in addition to Phase I):

- Fire pit
- Individual unit patios
- Landscaping
- Tents, campsites on bluff
- Trails and foot-bridges

5.4: Phase III, The Most Expansive Phase

Phase III would trigger CEQA, and permitting requirements and represents the largest budget of the three phases. Phase III also provides the maximum public serving amenities of the three phases.

Improvements considered in Phase III (and in addition to Phase II):

- Bus or RV staging area
- Education center
- Event area or facility
- Expanded parking area
- Information Kiosks
- Remodel Café interior for restaurant or communal kitchen uses
- Second entrance
- Tent-cabins or casitas

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Chapter 6: Financial Analysis Phase I

6.1: Introduction

A financial analysis of Phase I was conducted to determine the financial feasibility of renovating the motel structures and operating it as a hostel. The analysis involved an inventory of operating expenses and construction costs. Using the cost estimates, a basic pro forma spreadsheet was employed to calculate the financial performance over a ten year period (operating as a hostel).

The pro forma demonstrates that if construction costs are kept low, a hostel could generate an internal rate of return of approximately 11 percent. If construction costs are on the higher end of the given range, then a hostel has an internal rate of return of approximately 0 percent. However, it is possible that higher initial construction expenditures and hence, a more attractive facility with more amenities could yield diminishing vacancy rates, increasing the internal rate of return. It's also possible that public funding would be available as described below via state mitigation or in-lieu fees, and further reduce construction costs.

6.2: Hostel Information

The hostel could be organized in a variety of ways. As mentioned in section 4.4, Pigeon Point Hostel has private and shared room with adult and child rates. For this pro forma, room types are divided into 2 categories: dormitory and private. Each person pays a rate per bed, and the rates vary depending on the room type.

	Room Type	Rate per person	# of rooms	# of beds per room	Beds per room type
	Dormitory	$25	9	6	54
	Private	$32	6	3.3	20
Totals			**15**		**74**
Weighted Average		**$26.89**		**4.9**	

6.3: Annual Operating Expenses Phase I

	Hostel Expenses	Per Unit	Per Bed
Banking	$6,500	$591	$130
Building Repairs	$8,000	$727	$160
Landscaping	$5,000	$455	$100
Advertising / Marketing	$5,000	$455	$100
Internet Service	$1,500	$136	$30
Management (on-site)	$75,000	$6,818	$1,500
Maintenance / Labor	$70,000	$6,364	$1,400
Payroll Service	$500	$45	$10
Payroll Taxes	$10,000	$909	$200
Supplies	$5,000	$455	$100
Insurance	$10,000	$909	$200
Electricity	$25,000	$2,273	$500
Water	$5,000	$455	$100
Propane	$2,000	$182	$40
Trash	$5,500	$500	$110
Office Supplies	$7,000	$636	$140
Telephone	$2,500	$227	$50
Contingency	$35,000	$3,182	$700
Total	**$278,500**	**$25,318**	**$5,570**

The hostel operating expenses are estimates based on:

- Industry Standards
- Pigeon Pt., Bridge Street Inn & other hostel & hotel operators, phone interviews & e-mails, & research on websites
- Phone Interviews with service providers: trash, telephone, electricity, water, propane, internet
- Payroll taxes: Service estimates based on “like” businesses in county
- Watts Developers in LA
- Architects in San Raphael and San Luis Obispo County
- Pro formas from similar projects (GMB Harbor Terrace Proposal)
- Personal interviews

6.4: Construction Costs Phase I

The following tables provide a low and high range of construction cost estimates to perform the initial improvements to the structures. This range was used so that potential developers could estimate construction costs. These cost estimates are based on industry standards and personal interviews with developers and architects. Due to the somewhat remote location of the Site, Phase I construction costs will be inflated based on the increased travel time of the contractor and proximity of material sources. Only the costs and revenues associated with renovation and operation of the hostel are included.

Piedras Blancas Motel: Construction Cost Estimates (Low), Phase I

	Sq. Ft.	Cost / Sq. Ft.	Hard Cost Subtotal	20% Contingency	Total
Hostel	8,200	$150	$1,230,000	$246,000	$1,476,000
Subtotal	8,200 *		$1,230,000		
Grand Total					**$1,476,000**

Hard Costs	Percent	Hostel Expense	Per Unit	Per Bed
Plumbing upgrades	5%	$61,500	$5,591	$1,230
Chimney replacement	5%	$61,500	$5,591	$1,230
Concrete floor	22%	$270,600	$24,600	$5,412
Electrical	5%	$61,500	$5,591	$1,230
Flooring	5%	$61,500	$5,591	$1,230
HVAC	5%	$61,500	$5,591	$1,230
Drywall	15%	$184,500	$16,773	$3,690
Re-orientation	10%	$123,000	$11,182	$2,460
Windows	12%	$147,600	$13,418	$2,952
Landscaping	6%	$73,800	$6,709	$1,476
Paint	5%	$61,500	$5,591	$1,230
Misc.	5%	$61,500	$5,591	$1,230
Total	**100%**	**$1,230,000**	**$111,818**	**$24,600**

*8200 Square feet includes conversion of café to lodging

Piedras Blancas Motel: Construction Cost Estimates (High), Phase I

	Sq. Ft.	Cost / Sq. Ft.	Hard Cost Subtotal	20% Contingency	Total
Hostel	8,200	$200	$1,640,000	$328,000	$1,968,000
Subtotal	8,200 *		$1,640,000		
Grand Total					**$1,968,000**

Hard Costs	Percent	Hostel Expense	Per Unit	Per Bed
Plumbing upgrades	5%	$82,000	$7,455	$1,640
Chimney replacement	5%	$82,000	$7,455	$1,640
Concrete floor	22%	$360,800	$32,800	$7,216
Electrical	5%	$82,000	$7,455	$1,640
Flooring	5%	$82,000	$7,455	$1,640
HVAC	5%	$82,000	$7,455	$1,640
Drywall	15%	$246,000	$22,364	$4,920
Re-orientation	10%	$164,000	$14,909	$3,280
Windows	12%	$196,800	$17,891	$3,936
Landscaping	6%	$98,400	$8,945	$1,968
Paint	5%	$82,000	$7,455	$1,640
Misc.	5%	$82,000	$7,455	$1,640
Total	**100%**	**$1,640,000**	**$149,091**	**$32,800**

*8200 Square feet includes conversion of café to lodging

6.5: Financial Pro Forma, Phase I

The financial pro forma incorporates the following assumptions regarding revenues and expenses into a financial spreadsheet in order to project annual cash flow, IRR, and return on equity. Two pro formas are used to illustrate a low and high range of construction costs and itinerant return cash flow.

Assumptions

- A vacancy rate of 40 percent is based on several personal interviews including the two nearest hostels to the Site (Hostel Obispo and Bridge Street Inn as well as Pigeon Point). Vacancy is assumed to be high in the cooler months and low in the warmer months, averaging to approximately 40 percent. Vacancy rates for low-cost visitor accommodations in Monterey and Santa Cruz Counties averaged 32 percent in 2005 (California Coastal Commission, 2006).
- Vacancy would likely drop as the hostel becomes more established and efficiencies develop.
- Funding for the building renovation will be in the form of a traditional bank loan. In the pro forma, the developer/concessionaire has a 40 percent equity stake. Therefore, the bank loan is 60 percent of the total development cost.
- Construction cost estimates are based on industry standards, and personal interviews with a developer in Santa Monica, CA, and an architect who specializes in building renovations, as well as input from Caron Architecture, project colleague.
- Operating expenses are based on industry standards, personal interviews, and similar projects in the area (See section 6.3).
- The developer/concessionaire enter into a long-term ground lease with State Parks. This expense can be taken as a percentage of the cash flow generated by the hostel. Therefore this expense is not listed in the operating expenses section, or applied to the pro forma.
- The pro forma does not include costs or revenue associated with the café building. Only the costs and revenues associated with renovation and operation of the hostel are included.
- Soft costs associated with the development (e.g., permitting, architect fees, etc.) are included into the 20 percent contingency costs listed in section 6.4. The initial soft costs are expect to be low because the improvements to the building during phase I will be exempt form environmental review, as indicated in section 3.3. Furthermore, State Parks will process their own building permits.
- Exemption from permitting an environmental review.

Pro Forma #1 (low construction costs), Phase I

Input Section

Number of Units	15		
Number of Beds	74		
Average Rate per Bed	$27		
Rent per month first year	$59,700		
Vacancy Rate	40%		
Annual Operating Expenses	278,500		
Total development Costs	1,476,000		
Total development Costs per unit	98,400		
Loan to Value ratio	60%	Equity ratio	40%
Interest APR/CP	6.00%		
Term in Years	30		
Appreciation of rents	4%		
Appreciation of operating expenses	5%		
Monthly Debt Service Payment	$5,309.62		

Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Gross Potential Income		$716,400	$745,056	$774,858	$805,853	$838,087	$871,610	$906,475	$942,734	$980,443	$1,019,661
Vacancy Loss		286,560	298,022	309,943	322,341	335,235	348,644	362,590	377,093	392,177	407,864
Effective Gross Income		429,840	447,034	464,915	483,512	502,852	522,966	543,885	565,640	588,266	611,796
Operating Expenses		278,500	292,425	307,046	322,399	338,518	355,444	373,217	391,877	411,471	432,045
Net Operating Income		151,340	154,609	157,869	161,113	164,334	167,522	170,668	173,763	176,794	179,751
Debt Service		63,715	63,715	63,715	63,715	63,715	63,715	63,715	63,715	63,715	63,715
Cash Flow Before Taxes	-$590,400	$87,625	$90,893	$94,153	$97,398	$100,618	$103,806	$106,953	$110,047	$113,079	$116,036
Equity											
Return on Equity		**14.8%**	**15.4%**	**15.9%**	**16.5%**	**17.0%**	**17.6%**	**18.1%**	**18.6%**	**19.2%**	**19.7%**
Internal Rate of Return Before Taxes and Reversion	**11%**										

Pro Forma #2 (high construction costs), Phase I

Input Section			
Number of Units	15		
Number of Beds	74		
Average Rate per Bed	$27		
Rent per month first year	$59,700		
Vacancy Rate	40%		
Annual Operating Expenses	278,500		
Total development Costs	1,968,000		
Total development Costs per unit	131,200		
Loan to Value ratio	60%	Equity ratio	40%
Interest APR/CP	6.00%		
Term in Years	30		
Appreciation of rents	4%		
Appreciation of operating expenses	5%		
Monthly Debt Service Payment	$7,079.49		

Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Gross Potential Income		$716,400	$745,056	$774,858	$805,853	$838,087	$871,610	$906,475	$942,734	$980,443	$1,019,661
Vacancy Loss		286,560	298,022	309,943	322,341	335,235	348,644	362,590	377,093	392,177	407,864
Effective Gross Income		429,840	447,034	464,915	483,512	502,852	522,966	543,885	565,640	588,266	611,796
Operating Expenses		278,500	292,425	307,046	322,399	338,518	355,444	373,217	391,877	411,471	432,045
Net Operating Income		151,340	154,609	157,869	161,113	164,334	167,522	170,668	173,763	176,794	179,751
Debt Service		84,954	84,954	84,954	84,954	84,954	84,954	84,954	84,954	84,954	84,954
Cash Flow Before Taxes	-$787,200	$66,386	$69,655	$72,915	$76,159	$79,380	$82,568	$85,714	$88,809	$91,840	$94,798
Equity											
Return on Equity		**8.4%**	**8.8%**	**9.3%**	**9.7%**	**10.1%**	**10.5%**	**10.9%**	**11.3%**	**11.7%**	**12.0%**
Internal Rate of Return Before Taxes and Reversion	**0%**										

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Chapter 7: Recommendations

7.1: Recommendations

Primary

Perform initial structural improvements immediately, as funding allows

Develop the first level of improvements listed in Chapter Six. These improvements are necessary to ensure the viability and structural integrity of the motel structures, and may be performed without drafting a development plan or obtaining various permits, including a Coastal Development Permit.

Operate as a hostel

After the initial improvements are performed, it will be possible to operate the Motel as a hostel to provide low-cost lodging. This lodging model is consistent with the objective of State Parks and the Coastal Conservancy to provide a low-cost lodging alternative to tent or RV camping.

Secondary

Conduct feasibility analysis for second phase of redevelopment

The financial analysis in this report applies only to the hostel phase of the redevelopment. However, since the preferred development alternative calls for the eventual construction of tent-cabins, a more in-depth analysis should be conducted to determine the financial feasibility of such development.

Draft proposal for second phase of development

As the Phase I improvements get under way, a development plan should be developed for Phase II. This second phase may include the level two and three improvements listed in Chapter Six.

Begin gathering CEQA information

The second phase of development will require a review of potential environmental impacts. Under the California Environmental Quality Act (CEQA), an initial study must be performed to determine if the potential impacts would necessitate a Mitigated Negative Declaration (MND) or Environmental Impact Report (EIR). State Parks may be able to use portions of the Caltrans EIR for the realignment of Highway 1 at Piedras Blancas.

Public Outreach

Throughout the redevelopment process, State Parks should engage local residents and stakeholders to keep them informed, gather feedback, and ensure community approval.

Set up a management structure involving a third party private operator or concessionaire

The Consultant team recommends that the hostel be operated by a private entity with experience in successful hostel management, such as Hosteling International. A concessionaire should also operate the café facility.

Incorporate renewable or "green" energy sources

In order to mitigate negative environmental impacts that may result from powering the facility, the State should investigate the possibility of installing on-site renewable or "green" energy sources such as photo voltaics or wind generators. In the long-term, a renewable energy strategy will greatly reduce operating costs.

Addressing sea level rise & climate change

Address potential impacts from sea level rise by modifying design, location and/or construction of any structure to maintain necessary cliff set backs, for example; tent cabins that can be relocated to accommodate bluff retreat.

Chapter 8: Potential Funding Sources

8.1: Introduction

This chapter provides an assessment of potential sources to fund implementation of the preferred development alternative for the Site. Both public and private funding sources are described. The collaborative nature, and the focus of serving lower cost overnight lodging needs on the coast, make the Piedras Blancas Project attractive, particularly for a public-private funding venture. It is likely that multiple funding sources will be required for this Project. Additional public funding may also be required for operational costs, subsequent to redevelopment.

8.2: Fee Waivers

Fee exemptions can help reduce project costs, and in essence provide "funding" for implementation.

The San Luis Obispo County Public Works Department may grant a fee waiver, up to $3,000, for land use and construction permits on development projects that benefit the community.

The County Board of Supervisors may authorize additional fee waivers for projects with inherent public benefit. The total waiver amount may not exceed $5,000.

8.3: Public/Private Partnership

State Parks may choose to distribute a request for qualifications to private developers that have an expertise in developing, redeveloping, and/or managing low cost, overnight lodging facilities. After the completion of development, the facility may be operated by the developer or contracted to a third party operator using a concession contract (e.g., Bridge Street Inn, American Youth Hostel Association, Hearst San Simeon State Historical Monument).

8.4: State Grants for Nature Education Centers

The Nature Education Facilities Program was created with the overall goal of increasing the public's understanding of California's natural resources and inspiring environmental stewardship. Funds are granted to projects for development of nature education facilities that inspire and educate the public, and for facilities conducting marine wildlife conservation research. Grant funded projects must be open to the public or support facilities that are open to the public. The program accepts applications from cities, counties, California state agencies, districts, and 501(c)(3) non-profit organizations. Various state agencies fund this program including State Parks and the Coastal Conservancy.

8.5: Recreational Trails Project Funding

http://www.americantrails.org/resources/fedfund/index.html

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Exhibit 2: Piedras Blancas Motel Reuse Feasibility Study (Aug 2010)