



City of La Quinta

CITY / SA/ HA/ FA MEETING DATE: September 16, 2014

AGENDA CATEGORY:

ITEM TITLE: OVERVIEW OF SILVERROCK RESORT DEVELOPMENT PROGRAM

BUSINESS SESSION:

CONSENT CALENDAR:

STUDY SESSION: 2

PUBLIC HEARING:

RECOMMENDED ACTION:

Provide direction regarding the SilverRock Resort development program.

EXECUTIVE SUMMARY:

- On April 16, 2013, City Council selected Meriwether and the Robert Green Companies ("Developer") to negotiate business terms for the development of SilverRock Resort.
- The City and Developer have crafted a development program that includes a luxury hotel with branded luxury residential, a lifestyle hotel and lifestyle branded residential, a conference and shared services facility, a mixed-use village, resort residential village, renovation of the existing Ahmanson Ranch House, construction of a permanent golf clubhouse, as well as associated road and utility infrastructure.
- The development program, site plan and construction schedule will be presented in greater detail during the Study Session.
- The business terms and agreements will be presented in October with final consideration scheduled for November.

FISCAL IMPACT:

The Study Session activities will not generate a fiscal impact. However, if this project is approved, the City would receive up to \$55.2 million in tax (\$48.0 million) and fee (\$7.2 million) revenue over a 15-year period. However, given the cost of this development (\$420.0 million) the development may require that the City invest up to \$27.0 million in redevelopment agency bond proceeds and transient occupancy tax (TOT) revenue over a 15-year period.

BACKGROUND/ANALYSIS:

Since 1996, the City has been growing General Fund revenue by aggressively seeking retail and hospitality uses. Since then, the City has made strategic investments to diversify its economic base, support business expansion, expand recreation opportunities and preserve the community's unique environment. To that end, 525 acres of vacant property were purchased by the former La Quinta Redevelopment Agency in 2002 with the objective to improve the land via development of hotel, retail, recreation, cultural and community facilities, and a public golf course.

The City was able to undertake these endeavors because it had an active Redevelopment Agency. The strategy was to use the Redevelopment Agency to fund strategic investments to grow the City's tax base and address public facility and infrastructure deficiencies. A guiding principal was to fund investments that would generate City General Fund revenue.

The Redevelopment Agency used property tax revenue and tax exempt and taxable bonds to fund these investments. A combination of tax exempt and taxable bonds (tax exempt bonds typically feature lower interest rates than taxable bonds – 1 to 2 percent - but there are many restrictions imposed upon their use) were used to purchase and improve the land, and construct the 18-hole Arnold Palmer Classic Golf Course. The course opened in March 2005.

That same year, an effort was underway to secure a master developer who could further realize Council's vision to develop a destination resort that provided recreation and retail amenities for La Quinta residents and businesses. In 2006, Lowe Enterprises was chosen to develop SilverRock Resort. The first development phase entailed a luxury boutique hotel; subsequent phases included a full-service luxury hotel, retail and resort residential uses. Construction plans for the boutique hotel were 60 percent complete when, in 2008, the Great Recession precluded development and, shortly thereafter, the relationship with Lowe Enterprises came to an end.

In 2011, the Governor and a majority of the Legislature elected to abolish redevelopment agencies and liquidate their assets. These actions resulted in 50 percent of the SilverRock property being subject to State oversight. By early 2013, the Great Recession was lifting and the City entered into an Exclusive Negotiating Agreement with Meriwether Companies and the Robert Green Company, who proposed an aggressive development program for SilverRock. In August 2014, the City completed a series of activities that removed State oversight of some of the SilverRock properties.

Meriwether and The Robert Green Company

Meriwether Companies is a multi-disciplined real estate development and investment firm focused on distinctive hospitality and residential projects located in resort communities and select urban settings. Their portfolio includes resort and residential developments located in Colorado, Montana, Utah and California

(Rancho Mirage). Their partner, The Robert Green Company, develops and owns hotels. The Robert Green Company specializes in hospitality and mixed-use development throughout the Western United States, where they have developed resort properties in Sonoma, Palo Alto, Carlsbad, San Diego and Jackson Hole, Wyoming.

Development Program

The projected value of the Development Program is \$420 million. The development would generate approximately \$55.2 million in City tax (\$48.0 million) and City fee (\$7.2 million) revenue over a 15-year period. However, given the need to build infrastructure and a permanent clubhouse (which the City was once going to do when the Redevelopment Agency existed), the City would invest up to \$27.0 million in redevelopment agency bond proceeds and transient occupancy tax revenue over a 15-year period. The Development Program includes the following:

- A. Arnold Palmer Classic Golf Course – reconfigure the golf course to accommodate the luxury hotel on the property developed with the 17th hole.
- B. Luxury Hotel – a 140-room 5-star quality luxury hotel and spa (170,000 square feet in total) featuring a unique architectural theme designed to blend the natural site with the mountains. A spa would be located in a separate building. The Developer is working to secure one of the following operators: Four Seasons, Ritz Carlton, Montage, St. Regis or Rosewood.
- C. Luxury Branded Residential – 35 for-sale, single-family detached residences. The residences will be branded with the luxury hotel and sold with an amenity agreement, affording owners and their guests with a host of privileges and access rights to the luxury hotel. Home sizes would range from 2,800 to 4,500 square feet with some having lock-off units. All the branded residential will be resort oriented and is intended to generate TOT.
- D. Lifestyle Hotel – a 200-room 4-star quality lifestyle hotel of approximately 170,000 square feet, which would include a day spa and fitness center, conference and back-of-house services. The operator would be one of those the Developer is securing for the luxury hotel.
- E. Lifestyle Branded Residential – 60 residential homes branded with the lifestyle hotel. Home sizes would range from 2,100 to 3,500 square feet and would be designed with a lock-off unit, adding a potential capacity of 120 keys to the Lifestyle Hotel. Again, this product would be resort oriented and is intended to generate TOT.
- F. Conference Center – approximately 71,000 square feet containing a ballroom, meeting space and food service areas, as well as back-of-house functions. This facility would be shared by the luxury and lifestyle hotels.

G. Promenade Mixed-Use Village – A resort village with 150,000 square feet of attached resort residential units and up to 25,000 square feet of retail space. Within the village, a private and public park and recreation area is proposed, which would include water play facilities, community gardens, a luxury camping product and trails.

H. Permanent Clubhouse – 5,000 square feet of conditioned interior space with large outdoor patios and associated event lawn.

Development Timeline

SILVERROCK SCHEDULE							
	2015	2016	2017	2018	2019	2020	2021
PRE-DEVELOPMENT Design and Engineering	■						
MASTER SITE INFRASTRUCTURE Mass Grading, Infrastructure and Utilities		■ PHASED					
LUXURY HOTEL 140 key/spa		■					
LUXURY BRANDED RESIDENTIAL 35 (3,000-4,500 sq')			■ PHASED				
CONFERENCE / SHARED SRVC. 71,000 sq'			■				
LIFESTYLE HOTEL 200 key			■				
LIFESTYLE BRANDED RESIDENTIAL 60 (2,100-3,500 sq')				■ PHASED			
MIXED USE VILLAGE 120 (1,000-2,000 sq') (40,000 sq' comm)			■ PHASED				
RESORT RESIDENTIAL 160 (2,200-4,000 sq')			■ PHASED				

Schedule

The schedule of events for the agreements that implement the development is as follows:

- October 7 – Study session focused upon terms and conditions of the purchase, sale and development agreement.
- October 14 – Planning Commission consideration of a development agreement.
- November 4 – City Council public hearing and consideration of a purchase, sale and development agreement (including first reading of an ordinance adopting a development agreement).
- November 18 - Second reading of ordinance adopting a development agreement (provided the item is adopted by the City Council).

ALTERNATIVES:

As this is a study session item seeking direction from the City Council, staff does not recommend an alternative.

Report prepared by: Chris Escobedo, Assistant to City Manager

Report approved for submission by: Frank J. Spevacek, City Manager

Attachment: 1. Site plan

