

## **Attachment L**

Fiscal Impact Memorandum dated October  
1, 2025



## KEYSER MARSTON ASSOCIATES

### MEMORANDUM

**To:** Joselyn Perez, Senior Planner  
City of Newport Beach

**From:** Kevin Engstrom

**Date:** October 1, 2025

**Subject:** Fiscal Analysis – Snug Harbor Project

Pursuant to your request, Keyser Marston Associates, Inc. (KMA) evaluated the potential fiscal impact of the proposed redevelopment of 3100 Irvine Avenue (Site) in the City of Newport Beach (City). The fiscal analysis considers the ongoing impacts on the City's General Fund created by the potential development of a 5.06-acre surf lagoon with warming pools, spas and seating areas; a three-story amenity clubhouse; a two-story athlete accommodation building; and ancillary storage and maintenance areas (Project) on the Site. The proposed improvements will replace the existing golf course uses on the Site. This overview is organized as follows:

1. Fiscal Impact Methodology
2. Project Summary
3. Existing Market Conditions
4. Project Fiscal Impact
5. Project Impact Comparison
6. Evaluation Summary

### FISCAL IMPACT METHODOLOGY

The approach used in a fiscal analysis is to estimate public revenues based on specific parameters of the proposed development where appropriate (i.e. number and value of

residential units, commercial square footage, value and sales per square foot for commercial uses) or based on the projected number of residents, employees or visitors for revenues that generally vary by population, visitor and/or employment. This analysis utilizes the proposed development program and the existing improvements to estimate the Project's net impact on City General Fund revenues. City service costs are estimated based on the number of persons served (employees and visitors). The public service costs are deducted from the public revenues to derive the net benefit of the potential development to the City. Initial capital requirements and obligations are usually addressed through development impact fees or other project mitigations.

## PROJECT SUMMARY

A summary of the project description is provided below:

1. The Site is 15.38 acres (670,127 square feet).
2. The Site is currently improved with a 38-bay partially covered driving range, a 1,050 square foot (SF) putting green, a 8,975 SF building that includes a pro shop (4,010 square feet) and a restaurant (4,956 square feet), a 2,782 SF service building, surface parking lot with 280 parking spaces, and three holes of the existing Newport Beach Golf Course (holes 1, 2, and 9).
3. The Project consists of a 5.06-acre surf lagoon (217,409 square feet) with warming pools, spas and seating areas; a three-story amenity clubhouse (50,341 square feet); a two-story athlete accommodation building (9,432 square feet); ancillary storage and maintenance areas, and associated parking areas with solar panels to provide onsite power.<sup>1</sup>

These estimates provide the basis of the fiscal impact evaluation.

## PROJECT OVERVIEW

An overview of the Project is provided below:

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<sup>1</sup> Reflects the General Plan square footage.

1. As a relatively new phenomenon made possible through technological advances, there are relatively few existing surf parks around the globe. While not exhaustive, the table below shows that while relatively new, these projects are becoming more prevalent.

**Project Location**

| <b>Project</b>                   | <b>Location</b>      |
|----------------------------------|----------------------|
| UrbnSurf Melbourne               | Melbourne, Australia |
| Praia da Gama                    | Campinas, Brazil     |
| The Wave Bristol                 | Bristol, England     |
| Alaia Bay                        | Sion, Switzerland    |
| Waco Surf                        | Waco, Texas          |
| Surf Ranch                       | Lemoore, California  |
| The Wave Park                    | Siheung, South Korea |
| Surf Stadium                     | Shizunami, Japan     |
| Surf Snowdonia                   | Dolgarrog, UK        |
| Palm Springs Surf Club           | Palm Springs, CA     |
| Atlantic Beach (Opening 8/16/25) | Virginia Beach, VA   |

2. In addition to the existing surf parks, a number have been proposed throughout Southern California, including the DSRT Surf project which is currently under construction in the city of Palm Desert.
3. The existing surf parks often include ancillary restaurant, retail and surfing related commercial activities (e.g. rentals facilities). In addition, surf parks can include lodging and/or residential units as part of the development project.
4. The proposed scope of development is generally consistent with these other projects and is summarized in the table below:

### Project Summary<sup>2</sup>

| Use                           | General<br>Plan SF |
|-------------------------------|--------------------|
| <u>Clubhouse</u>              |                    |
| Basement                      | 4,605              |
| Level 1                       | 19,127             |
| Level 2                       | 16,922             |
| Level 3                       | <u>9,687</u>       |
| Subtotal                      | 50,341             |
| <u>Athlete Accommodations</u> |                    |
| Level 1                       | 4,716              |
| Level 2                       | <u>4,716</u>       |
| Subtotal                      | 9,432              |
| <u>Surf Lagoon</u>            | 217,409            |
| <b>Building Area</b>          | <b>59,773</b>      |
| <b>Project Total</b>          | <b>277,182</b>     |

## PROJECT FISCAL IMPACT

A summary of the key fiscal model inputs and assumptions is provided below.

### City Revenues

The City revenues will be generated by property taxes, sales tax and other city revenue sources as discussed below.

### PROPERTY TAXES

The property tax assumptions include the following:

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<sup>2</sup> Reflects the General Plan square footage.

- The Developer indicates the Project construction costs are \$125 million. Given the unique nature of the proposed development, the analysis assumes the project assessed value will be consistent with this total level of investment.
- Properties in California are taxed at a 1.0% general rate applied to the assessed value of the property.
- Traditionally, a city receives an allocated share of the 1% general property tax, with the balance going to other governmental agencies (e.g. County). The City receives 16.1% of the 1.0% general rate.
- In addition to the base property tax, the City receives additional property taxes in lieu of Vehicle License Fees (VLF). The City's VLF funds are equivalent to 10.25% of the basic levy.

## SALES TAX

The sales tax projections are based on taxable retail sales generated by the proposed uses, visitors or spending by residents of new residential units in the City:

- The City's share of sales tax is 1.0% of taxable sales.
- The proposed development will include restaurant and retail components, with a clubhouse building that includes over 45,000 square feet of above-grade commercial development.
- Based on the proposed project, the analysis assumes the Project will generate an average of 700 visitors per day. For context, the average daily visitation in the City is estimated at 20,000 persons.<sup>3</sup>

## TRANSIENT OCCUPANCY TAXES

The transient occupancy tax projections are based on the nightly rental of the on-site athlete accommodations:

- The City's transient occupancy tax is 10.0% of nightly room revenues.

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<sup>3</sup> Source: ADE City of Newport Beach Fiscal Impact Model

- The Project will have 20 hotel/hospitality units. The analysis assumes these will be rented out for a period of less than 30 days; therefore, subject to the City's transient occupancy tax.
- The Developer anticipates the Project will generate an average daily rate (ADR) of \$300 per night. The *CoStar Hospitality Submarket Report* for Newport Beach/Dana Point indicates the average market area ADR is \$280 with a 70.0% occupancy level for all hotel types, including Luxury and Upper Upscale (e.g. Montage, JW Marriott, Autograph Collection, etc.) accommodations. In comparison, the average ADR of Upscale and Upper Midscale (e.g. Courtyard, Hyatt Place, Tapestry Collection, etc.) properties in the market area is \$167, with a 74.3% average occupancy level. The analysis assumes the Project will generate an ADR and occupancy level consistent with the market area average of \$280 and 70% occupancy.

## OTHER CITY REVENUES

The Other City revenues include revenues such as business licenses, franchise fees, licenses & permits, charges for services and other miscellaneous revenues sources. The key assumptions include:

- The projections are based on a per capita basis. The Developer anticipates the Project will hire 70 employees. In addition, the Project visitors will also have a fiscal impact on the City.
- The per capita revenues are based on line-items taken from the City Budget.
- Based on the total per capita revenues in the City, a discount is assumed reflecting the likely impact of development on these revenue streams. The discount ranges from 0% to 100% depending on the fixed nature of the revenue stream and likely impact of the development. The analysis makes this adjustment for Charges for Services and Licenses & Permits.

## CITY REVENUE SUMMARY

Based on the foregoing factors, the projected City revenues generated by the Project are estimated at \$760,400 annually, as shown in the table below.

### Annual City General Fund Revenues

| Revenue Source                    | Proposed Project |
|-----------------------------------|------------------|
| Property Tax                      | \$201,170        |
| Property Tax in lieu of VLF       | \$20,620         |
| Sales Tax                         | \$367,580        |
| Transient Occupancy Tax           | \$143,080        |
| Franchise Taxes                   | \$2,260          |
| Business Licenses                 | \$2,300          |
| Other Intergovernmental           | \$980            |
| Charges for Service               | \$7,840          |
| Fines, Penalties, and Forfeitures | \$1,630          |
| Licenses and Permits              | \$200            |
| Use of Property                   | \$6,860          |
| Other Revenue                     | \$1,530          |
| Interest Income                   | \$4,350          |
| <b>TOTAL REVENUE</b>              | <b>\$760,400</b> |

### City Operating Costs

The City operating costs assumptions are addressed below:

- City operating cost projections are made on a per capita basis, including Project employment and visitors.
- Given their fixed nature, the General Government costs are assumed to be 12.1% of the other City expenses for the Project. <sup>4</sup>
- Police cost estimates are based on the City's historic allocation of these expenses on a per capita basis for services to city visitors and retail/service commercial development. <sup>5</sup>
- The Fire costs are based on the City's historic allocation of these costs on a per capita basis, with consideration given to the Project visitors and property taxes it generates. <sup>6</sup>

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<sup>4</sup> Ibid

<sup>5</sup> Ibid

<sup>6</sup> Ibid

### Annual City General Fund Expenses

| Expense                   | Proposed<br>Project |
|---------------------------|---------------------|
| General Government        | \$53,920            |
| Police                    | \$148,260           |
| Fire                      | \$252,910           |
| Public Works/Utilities    | \$17,420            |
| Streets/Transportation    | \$24,290            |
| Community Development     | \$1,270             |
| Community Services        | \$0                 |
| Net Transfers Out         | \$6,620             |
| <b>TOTAL EXPENDITURES</b> | <b>\$504,690</b>    |

## Project Impact

Based on the foregoing assumptions, the net project impact is \$255,700 annually.

### Net General Fund Impact

|                           | Proposed<br>Project |
|---------------------------|---------------------|
| Total Revenue             | \$760,400           |
| (Less): Total Expenses    | (\$504,690)         |
| <b>Net Project Impact</b> | <b>\$255,710</b>    |

## PROJECT IMPACT COMPARISON

As the bulk of the City is currently built out, this often leads to the replacement of existing improvements. These existing uses may have a positive or negative impact on the City's general fund, thus the fiscal analysis needs to also consider the replaced development. As previously noted, the Site is currently improved with existing golf course uses on the Site. Data from the Orange County Assessor indicates the assessed value of the project is \$2.97 million.<sup>7</sup> Based on the mix of uses, the existing improvements would be consistent with the General Fund revenue

<sup>7</sup> County Assessor – 2024 Assessment Year.

and expense assumptions for Retail and Service Commercial properties in the City. Data from the City indicates 47 current employees on the Site and the analysis assumes the sales tax generation of the existing improvements conforms with citywide average for Retail and Service Commercial establishments.<sup>8</sup> The fiscal impact of the Project is compared to the existing improvements in the table below.

| <b>Net General Fund Impact -<br/>Proposed &amp; Existing Project</b> |                             |                             |
|----------------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>General Fund Revenues</b>                                         | <b>Proposed<br/>Project</b> | <b>Existing<br/>Project</b> |
| Property Tax                                                         | \$201,170                   | \$4,780                     |
| Property Tax in lieu of VLF                                          | \$20,620                    | \$490                       |
| Sales Tax                                                            | \$367,580                   | \$34,300                    |
| Transient Occupancy Tax                                              | \$143,080                   | \$0                         |
| Franchise Taxes                                                      | \$2,260                     | \$1,520                     |
| Business Licenses                                                    | \$2,300                     | \$1,600                     |
| Other Intergovernmental                                              | \$980                       | \$660                       |
| Charges for Service                                                  | \$7,840                     | \$5,260                     |
| Fines, Penalties, and Forfeitures                                    | \$1,630                     | \$1,090                     |
| Licenses and Permits                                                 | \$200                       | \$130                       |
| Use of Property                                                      | \$6,860                     | \$4,610                     |
| Other Revenue                                                        | \$1,530                     | \$1,030                     |
| Interest Income                                                      | \$4,350                     | \$320                       |
| <b>General Fund Revenue</b>                                          | <b>\$760,400</b>            | <b>\$55,790</b>             |
| <b>General Fund Expenses</b>                                         |                             |                             |
| General Government                                                   | \$53,920                    | \$7,050                     |
| Police                                                               | \$148,260                   | \$29,110                    |
| Fire                                                                 | \$252,910                   | \$10,830                    |
| Public Works/Utilities                                               | \$17,420                    | \$11,690                    |
| Streets/Transportation                                               | \$24,290                    | \$5,590                     |
| Community Development                                                | \$1,270                     | \$850                       |
| Community Services                                                   | \$0                         | \$0                         |
| Net Transfers Out                                                    | \$6,620                     | \$4,450                     |
| <b>General Fund Expenses</b>                                         | <b>\$504,690</b>            | <b>\$69,570</b>             |
| <b>Net General Fund Impact</b>                                       | <b>\$255,710</b>            | <b>(\$13,780)</b>           |

<sup>8</sup> Source: ADE City of Newport Beach Fiscal Impact Model

## EVALUATION SUMMARY

The key findings of the analysis are provided below:

- The Project has a positive impact on the City General Fund of \$256,000 annually, compared to the existing improvements which have a negative impact of \$14,000.
- Nearly 20% of the revenues are transient occupancy taxes which will be generated by the 20 on-site units. The City will need to confirm these units will be rented for less than 30 days, to ensure transient occupancy taxes are collected.
- While not as high as the Developer's estimate, the analysis assumes the performance of the lodging units is consistent with the market area average, assuming a relatively high ADR of \$280. As a cross-check, the impact of the Project was tested to evaluate if the performance is more in line with the Upscale and Upper Midscale properties in the market area. Under this scenario, the impact of the Project is still positive at \$168,000 annually.

### Net General Fund Impact

|                           | Proposed<br>Project |
|---------------------------|---------------------|
| Total Revenue             | \$672,670           |
| (Less): Total Expenses    | (\$504,690)         |
| <b>Net Project Impact</b> | <b>\$167,980</b>    |

- Nearly 50% of the Project revenues are sales tax, which will be generated both on and off site. The on-site revenues will be dependent on the success of the retail and dining establishments in the Project. The Project visitors will also generate sales tax; however, these will be offset by City service costs, primarily police and fire.