

# REUSE CONCEPT DEVELOPMENT AND ECONOMIC ANALYSIS FOR CRANEWAY BUILDING

Prepared for:  
City of Richmond

Submitted by:



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## General and Limiting Conditions

Every reasonable effort has been made to ensure that the data and information contained in this report are accurate as of the date of this study. However, factors exist that are outside the control of Land Econ Group (LEG) that may affect the estimates and forecasts contained herein. This study is based upon research information, estimates, assumptions and forecasts developed by Land Econ Group and its subconsultants from independent research efforts and knowledge of the industry. LEG does not assume responsibility for inaccurate information provided by the clients, the client's agents and representatives, or other data sources used in the preparation of this study. The report is based upon information current as of December 2025. LEG has not undertaken any updates of its research since such date. Because future events and circumstances, many of which are not known or predictable as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by Land Econ Group that any of the projected values or results contained in the study will actually be achieved.

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## I. INTRODUCTION

The Craneway Pavilion is a stunning historic building located on the San Francisco Bayfront and enjoys magnificent views of not only the bay but also Downtown Oakland and Downtown San Francisco in the distance. Both the building and the bay frontage have been designated for public access and public use. Due to the public use mandate, the longtime lessee has been unable to generate sufficient revenue to cover operating costs of the building after attempting multiple reuse concepts including an event center and a pickleball facility. The lessee has recently proposed returning this building as a gift to the City of Richmond, the lessor of the property. City staff and leadership are interested in regaining control of this historic waterfront building but are concerned with financial implications of such a decision. Because the operating cost to sustain public use of the building could be a significant annual burden on the City's General Fund, the City has requested that Land Econ Group (LEG) develop and analyze reuse concepts that satisfy the criteria of public use and minimize the financial burden on the City. With the following scope of work, LEG proposes to explore reuse alternatives and their financial implications on the City of Richmond.

## II. EXECUTIVE SUMMARY

### Operations of the Event Center

Using a case study approach, we identified and analyzed several waterfront historic buildings designated for public use. The most informative of the case studies include the Foss Waterway Seaport in Tacoma Washington, the Fort Mason Art and Cultural Center along the northern waterfront of San Francisco, the Bridge Yard at the eastern end of the Bay Bridge in Oakland and the Building 12 in the Pier 70 redevelopment in San Francisco. The lessons from the case study research indicate three options for the operation of the Craneway Pavilion: 1) Long term lease to a non-profit serving the public mission of this historic building, 2) Contract with a commercial for-profit venue operating company, and 3) Direct management and operation by a City department or bureau. Given the advantages and disadvantages of each approach, we favor a long-term lease to a non-profit if such an organization can be found. Contract management by a commercial venue operator is a second choice provided the contract details the expected public usage and sets parameters for private commercial usage. We do not recommend direct City operation for reasons of lower cost efficiency due to regulatory requirements and the time-consuming public decision process hampering negotiations with potential users.

In terms of operating economics, a ramp up period of 18 months is likely required for event revenue to cover both building and staff operating cost. There will be a correlation between the amount of front-end investment that a lessee or operator needs to bring to reactivate the building and the length of lease period required to recoup the front-end investment.

### **Longer Term Vision Includes a Hotel at the Southern End of Terminal 3**

For the Craneway to operate successfully as a public serving event center, a hotel development at the southern end of Terminal 3 would provide considerable synergy. Our recommended strategy is for the City to build a public garage of approximately 350 stalls on the current ferry parking site that is controlled by WETA the ferry operator until 2047. The annual land lease payment by the hotel for this highly desirable waterfront location with ferry service, hotel parking and a historic Craneway building available for corporate and private events should cover the bond amortization cost of the public parking garage and generate an annual surplus of approximately \$300,000. The City should offer to share this surplus with WETA to encourage lease revision to facilitate this hotel development.

The San Francisco Bay Area is in the mid stage of a hotel market recovery powered in part by the return to office movement and the explosive growth of AI firms. The City of Richmond lacks a destination hotel, and the northeast bay waterfront has experienced no new hotel development since 2016. The current timing is ideal for the planning of a new destination waterfront hotel at the Richmond ferry terminal for construction in the 2027 to 2029 timeframe. The reactivation of the Craneway Pavilion as an event center with the reopening of the former Assemble restaurant plus public investment in a parking structure make hotel development at the Richmond ferry terminal all the more attractive.

### **Financial Implications of the Alternatives**

Since the alternatives are very conceptual at this stage, a detailed financial analysis is premature. However, Land Econ Group is able to provide some preliminary opinions of the General Fund implications of three hypothetical alternatives once operation is stabilized:

- 1) Direct City Operation of the Craneway Pavilion – **Negative \$250,000 to \$500,000 per year**
- 2) Lease to a Non-profit or Commercial Operator – Breakeven to \$150,000 per year
- 3) Hotel Development with Parking Structure in Support of Event Center – Positive \$800,000 to \$1,100,000 including TOT receipts

Figure 1: Hotel Development Concept at the Ferry Terminal





### III. PUBLIC USES ALLOWED BY THE STATE LANDS COMMISSION

“The City is the current owner of the Craneway Pavilion. In 2004 the City and the State of California, acting through the State Lands Commission (“SLC”), entered into a Title Settlement Agreement to encumber the Craneway Pavilion with a Public Trust Easement, which restricts the uses of the Craneway and the surrounding parcel to ensure public access for certain activities related to overnight accommodations, restaurants and cafes, water-related industry and museums, visitor service retail, or boating and ferry services.”<sup>1</sup>

The State Lands Commission (SLC) will allow uses that serve a public purpose and are consistent with the Public Trust. The following are typical of the uses commonly authorized for historic buildings on public trust lands:

- Museum / cultural center / exhibit space / historic interpretation — classical public uses for historic buildings.
- Educational / research / visitor-interpretive uses — school programs, visitor centers, research connected to the site’s history or natural resources.
- Public offices and nonprofit space where the occupants provide public services or programs.
- Visitor-serving retail and concessions (cafés, gift shops, ticketing) — commonly permitted as long as they support and do not exclude public access or convert the trust land to private use.
- Event / performance space for public events — permitted if managed to preserve public access and the historic resource.
- Water-dependent commerce or maritime uses (if the building/site is over/adjacent to tidelands or submerged lands) — these are high-priority trust uses.

Venues are permitted to charge rent or fees to cover operating costs, allow for lease payments to the public agency landlord and make capital investment to sustain the historic building and substructure.

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<sup>1</sup> City Attorney’s Council Agenda Report, March 26, 2024

## IV. CASE STUDIES

The following four case studies provide examples of how similar buildings have been operated successfully to minimize financial burden on the public agency owner.

### **Foss Waterway Seaport in Tacoma**

The Foss Waterway Seaport is located at 705 Dock Street in Tacoma, Washington in the original Balfour Dock building. It is on the shores of Commencement Bay between Downtown Tacoma and the Port of Tacoma. The building is approximately 45,000 square feet in size and was originally a wheat and timber warehouse that was reopened with a major retrofit in 2013. The building is owned by the Foss Waterway Development Authority (FWDA) which is an economic development arm of the City of Tacoma. The Foss Waterway Seaport is a heritage museum and event venue and leases the building from FWDA. This 125-year-old building on the Tacoma waterfront is now equal parts maritime museum, education facility, boat shop, dock, moorage and event venue. The mission of the Foss Waterway Seaport is to celebrate Tacoma's rich maritime heritage and to provide the community with an educational and recreational resource.

The Seaport houses a collection of primarily small watercraft. These original artifacts include canoes, rowboats, racing shells, and pleasure craft that were used by the people of the Pacific Northwest for over a century. The back end of the building contains a newly renovated boat shop that allows for carpenters, shipwrights and community volunteers to hand-build wooden boats and other wood related projects. This boat shop allows for the tradition of wooden boat building to be sustained in the Pacific Northwest. The meeting facility has reception capacity for 600, theater capacity for 400 and banquet capacity for 400. The building is similar in size, shape and setting to the Craneway Pavilion.

Figure 2: Foss Waterway Seaport Building



**Figure 3: Interior of Foss Waterway Seaport Building**



### **Legal and Financial Structure**

The building is owned by the Foss Waterway Development Authority and leased to Foss Waterway Management LLC, which operates the Foss Waterway Seaport museum and event center. The tenant paid an annual base rent in accordance to the following schedule:

- 2015 (Year 10) — \$27,805.06
- 2016 (Year 11) — \$28,639.21
- 2017 (Year 12) — \$29,498.38
- 2018 (Year 13) — \$30,383.34
- 2019 (Year 14) — \$31,294.84
- 2020 (Year 15) — \$32,233.68

- 2021 (Year 16) — \$33,200.69
- 2022 (Year 17) — \$34,196.71
- 2023 (Year 18) — \$35,222.61
- 2024 (Year 19) — \$36,279.29
- 2025 (Year 20) — \$37,367.67

There is no percentage rent, and the tenant has paid a security deposit of \$25,000 to the landlord. The following are some key quotes from the City of Tacoma Legistar “Fourth Amendment to Agreement of Marina Lease:”

**“Maintenance.** ... Tenant, at its sole cost and expense, shall maintain, repair, operate, manage and replace the shore side and the Property, including without limitation the Marinas and Improvements, and any systems and utilities serving the same ... Tenant’s maintenance, repair and replacement obligations under the Lease shall include without limitation making any and all capital improvements, repairs and replacements to the Property and shore side. Tenant shall provide Landlord with a construction schedule for any planned improvements, replacements or repairs costing more than \$100,000.00 ... Before Tenant engages in any maintenance, repair or replacement activity costing more than \$100,000.00, Tenant shall provide Landlord with a construction bond ...”

“Notwithstanding the foregoing, Tenant shall not be responsible for the capital replacement of the Multi-Use Float on 15th Street or the Human Powered Watercraft Float so long as the same are non-revenue generating; ... the capital replacement of the guest docks in the Dock Street Marina ... shall be made at Landlord and Tenant’s shared and equal expense according to a mutually acceptable schedule.”

**“Option to Extend.** ... Tenant shall have the option to extend the Term of the Lease for ten (10) successive periods of five (5) years ... If Tenant validly exercises its option to extend ... then from and after January 1, 2026 ... Tenant shall also pay to Landlord ‘Annual Rent’ in the amount of \$60,000.00 per year in 2014 Dollars ... adjusted annually ... by the greater of (a) one and one-half percent (1.5%) and (b) the cumulative percentage increase in the annual growth in the CPI-U ...”

**“Property Insurance.** Tenant agrees that throughout the Term of the Lease ... Tenant’s obligation to at all times carry all risk property, fire and earthquake insurance pursuant to Section 11.03 of the Initial Lease shall apply to all structures, buildings and improvements located upon the Property or shore side. Such insurance shall be maintained by Tenant at its sole cost and expense.”

“... According to the lease agreement between Foss Waterway Authority Development (FWDA) as Landlord, and Foss Waterway Seaport as tenant for the Seaport Building, title to any alterations to the building constructed by Seaport shall become the property of FWDA upon their installation, free and clear of all liens and encumbrances, without any obligation on the part of FWDA to pay therefor...”

Some key points from this lease are summarized as follows:

- The lease rate is modest and provides predictable cash flow forecasting for the tenant but removes the upside from the landlord if the tenant's financial performance becomes exceptional. This is consistent with the mutual objective that the tenant is providing a community cultural and educational experience rather than operating a for-profit commercial enterprise.
- The tenant is responsible for maintenance, repairs and most capital improvements. However, the landlord retains authority to require capital items every five years.
- Capital improvements made by the tenant become capital assets of the landlord.
- The tenant has the right to extend for ten successive five-year terms, but the extensions are conditioned upon compliance with the capital investment schedule and non-default on lease payments. This provides the tenant with a long-term operating outlook and insures property maintenance and reinvestment for the landlord.
- The tenant must carry property, all risk and other insurance at its own cost and provide indemnity protection for the landlord.

### **The Tenant's Operations and Staffing**

The Foss Waterfront Seaport traces its organizational origin to 1996, when it was founded as the Commencement Bay Maritime Association, a nonprofit created to develop a maritime heritage museum and education center on the Tacoma waterfront. It was able to secure a location in the Balfour Dock Building, a warehouse originally built as part of the "rail to sails" era of the Tacoma waterfront. The Thea Foss Waterway underwent major remediation under the Federal Superfund program which cleaned up this industrial waterfront. The rehabilitation of the Balfour Dock Building was completed in 2012, and the Seaport museum and event center occupied the building shortly thereafter.

The Seaport is now a substantial organization within the Tacoma community. According to their 2022 Form 990, the tax return for organizations exempt from income tax, this non-profit had a 21 member board, 36 employees and approximately 50 volunteers. Their total revenue for 2022, the latest year we have been able to obtain, indicated revenue of \$1.34 million and expenses of \$1.16 million and an operating surplus of \$176,800. The major revenue sources were \$887,300 from grants and contributions and \$390,400 from charges for services. The major expense line items were employee salaries and benefits of \$612,600 and other expenses of \$552,300. Its key staff include an executive director, an education director, a development director and a venue manager.

### **Comparison of the Seaport Building to the Craneway Pavilion**

The Foss Waterfront Seaport building and the Craneway Pavilion are very similar in size and shape. Both are historic buildings that have substantial glass curtainwalls that allow natural light penetration and long clear spans that facilitate multiple use configurations. Both buildings have waterfront location, maritime history and water access. The Seaport building is owned by the economic development authority of the City of Tacoma, and the Craneway Pavilion will be owned by the City of Richmond. The Foss Waterfront Seaport is an excellent example for the Craneway Pavilion; however, Richmond may not currently have a non-profit organization seeking such a space and has the financial capacity to carry operating cost and pay rent.

### **Fort Mason Center in San Francisco**

Fort Mason Center is located on the northern waterfront of San Francisco and is part of the Fort Mason Historic District, a National Historic Landmark. Once an army base and point of embarkation for soldiers headed into the Pacific theaters of war from the late 19th century through World War II, it is now owned by the National Park Service which created the Golden Gate National Recreation Area (GGNRA) that includes Fort Mason.

Figure 4: Fort Mason Center



The Fort Mason Center has a 13-acre campus that includes 12 venue options ranging in size from 500 to 50,000 square feet. The venues include:

- The Gateway Pavilion is located on Pier 2 and is a building of 66,000 square feet. It houses conferences, trade shows, exhibitions and gala events and has a capacity of 2,000 or 750 as a theater. This is the building most similar to the Craneway pavilion.
- The Festival Pavilion with capacity of 3,800 for trade shows, conferences, conventions and festivals.
- The Store House with capacity for 150 for banquets or receptions and 112 for theater style seating.
- The General's Residence with capacity of 400 for weddings, ceremonies, parties and art exhibits.
- Gallery 308 that has capacity of 430 for parties, weddings, art exhibits and conferences.
- The Cowell Theater with capacity for 437 for concerts, films, lectures and performances
- The Firehouse with capacity for 110 for classes, meeting, small parties and weddings.

The wide range of venues allows the Center great flexibility in satisfying user needs and the opportunity to house multiple events simultaneously. Many of the buildings offers views of the Golden Gate Bridge, the Marin Headlands and the Island of Alcatraz.

**Figure 5: The Gateway Pavilion**

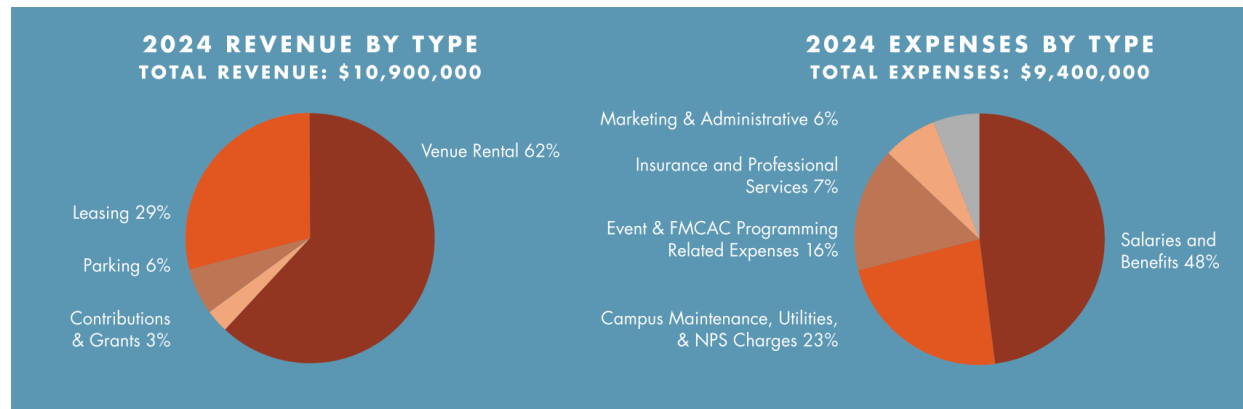


Long term tenants at Fort Mason Center includes nearly two dozen non-profit and arts organizations, such as galleries, theater companies and art supply stores, restaurants, cafes, bars and the famous Greens Restaurant.

**Legal and Financial Structure**

The Fort Mason Center for Arts & Culture (FMCAC) is a 501(c)(3) non-profit that that entered into a 60-year lease with GGNRA in 2006. The land and structures remain in public ownership (federal), and FMCAC operates the site under lease and in turn manages subleases and venue rentals. FMCAC’s mission is to “engage and connect people with arts and culture on a historic waterfront campus.” In recent years the center hosts approximately 1.2 million annual visitors. During 2024, the Center earned total revenue of \$10.9 million and incurred expenses of \$9.4 million with details shown in Figure 6 below:

**Figure 6: FMCAC Revenue and Expense Summary for 2024**



Source: FMCAC 2024 Annual Financial Report

The operating model integrates historic preservation (maintenance and infrastructure upgrades) with community benefits (arts education, event space and public access) and commercial services/uses (restaurants, coffee shops, galleries, offices and shops) to provide revenue and on-site services. The substantial earned income allows the Center to cover its operating cost and contribute rent to the public landlord. Public subsidy is limited to major renovation and repairs to the substructures. During 2024, the Center contributed \$2.1 million in capital investment. To maintain and preserve Fort Mason Center as a National Historic Landmark, a historic preservation fee of 10 percent of the room rental is assessed on all venue and room rentals.

### Comparison of Fort Mason Center to the Craneway Pavilion

Both the Fort Mason Center and the Craneway Pavilion enjoy scenic bayfront location, although being at the Northern San Francisco Waterfront Fort Mason offers superior views, access to a larger population and a significant tourist visitation potential. Fort Mason is a larger complex with many more venue options to cater to a wide range of client needs. The Gateway Pavilion on Pier 2 while longer than the Craneway is similar in shape and configuration. While larger in scale, FMCAC's operating model of public ownership, non-profit operation, venue leasing and commercial tenants to augment revenue and provide on-site service is a potential model for the Craneway Pavilion.

### The Bridge Yard Building in Oakland

The 24,000 square foot Bridge Yard Building, located at 210 Burma Road in Oakland, was formerly the Interurban Electric Railway Bridge Yard built in 1938 as the maintenance and repair facility for Key System streetcars that travel over the Bay Bridge. In 2012 Caltrans and the Bay Area Toll Authority (BATA) began a renovation project to restore this single-story steel-frame structure which is eligible for listing on the National Register of Historic Places. The restoration project has won several awards for preservation and outstanding engineering. The Bridge Yard Building is the anchor to a new shoreline park operated by the East Bay Regional Park District (EBRPD) and created with funding assistance from BATA. The park has been dedicated as the Judge John Sutter Regional Shoreline Park and is located at the eastern anchor to the Bay Bridge.

**Figure 7: The Bridge Yard at the Base of the Bay Bridge**



**Figure 8: Wedding Reception at the Bridge Yard**



### **Legal Structure**

The Bridge Yard Building is property of Caltrans which has a long-term lease with the East Bay Regional Park District that manages the Judge John Sutter Shoreline Park. Oakland Venue Management (OVM), a private meeting/venue management company serves as on-site manager and operator. OVM conducts marketing, makes bookings and provides in-house services and event production. Unlike the previous two case studies, the Bridge Yard is managed and operated by a private for-profit meeting and venue management company. Because OVM is privately held, we have not been able to uncover any reliable financial information on its operations other than the fact its venue rental packages range widely from \$7,500 to \$65,000. OVM manages one other venue, the atrium space in Oakland's Uptown Station, an office and retail building with a large atrium.

### **Comparison of Bridge Yard to Craneway Pavilion**

Both are historic industrial buildings with frontage on San Francisco Bay. At 24,000 square feet, the Bridge Yard is smaller with less than half the rentable space. While it is central to the Bay Area population, the Bridge Yard is in an obscure location neglected for decades. The building's restoration surrounded by a new shoreline park foreshadow its growing success as an event venue. If the opportunity arises, OVM could bid for management and operations of the Craneway Pavilion.

### **Pier 70 Building 12 on San Francisco Waterfront**

Pier 70 located at San Francisco's eastern waterfront has been an important industrial and ship building site since the Gold Rush days of the mid 1800s. The importance of Pier 70 soared during World War II when it was acquired by Bethlehem Steel Corporation and transformed into one of the largest shipyards on the West Coast. Bethlehem produced a wide range of ships including naval war ships and the famous Liberty cargo ships essential to the Allied war resupply effort. After World War II as demand for ships waned, Pier 70 slipped into neglect and decay.

The Port of San Francisco acquired this property in 1980. By 2010 the Port acquiesced to the long-term economic trend along the San Francisco waterfront and approved a master plan to redevelop this pier for residential and commercial uses. The initially selected developers were Orton Development and Forest City. More recently, Brookfield Properties gained the development rights to Pier 70 and started planning the 28-acre waterfront parcel to include approximately 2,000 residential units, 1.0 to 1.75 million square feet of office and lab space, 90,000 square feet of arts and non-profit space, 115,000 square feet of retail and neighborhood amenities, 60,000 square feet of small manufacturing space and a waterfront park.

Central to this development is Building 12, a 230,000 square feet steel frame historic building. This building is being re-envisioned as a vibrant community gathering and event space that is integrally connected to the historic nature of the overall site. While the detailed uses are still being sorted, this building is envisioned as some combination of manufacturing, retail, recreation and event space for public and private events. It will function as the "living room and center piece" of the larger development.

In order to retain its historic character and address future sea level raise, Brookfield incurred considerable expense to raise the entire building. Jacks were placed under each of its 30 steel columns, and the entire building was raised by nine feet.

### **Legal Structure and Financial Framework**

The Port of San Francisco retains ownership of the land to maintain strategic oversight of the development. Brookfield, a private developer, serves as the master developer through a development disposition agreement (DDA). It makes the redevelopment investments, is able to subcontract

other developers, and manages detailed planning, design, construction, marketing, leasing and operations. Being the centerpiece and a community amenity, a successful Build 12 enhances the value of surrounding properties. Its value is far greater than its operating statement.

### Parallels with the Craneway Pavilion

Like Building 12, an active and vital Craneway Pavilion as a cultural space and event center enhances the value of surrounding properties. Given its architectural elegance, historic interest, waterfront setting and bay views, a successful Craneway will add value to Madison Capital's other Fort Point properties. Likewise, its success will enhance the value and future development potential to the southern portion of Terminal 3 which is owned by the City of Richmond through its Port District but leased to the ferry operator San Francisco Bay Area Emergency Transportation Authority (WETA). WETA has the ferry parking lot property under lease control until 2047.

The success of the Craneway Pavilion can be viewed from two overlapping perspectives. To the lessee or management or operating company, it needs to cover expenditures including staff salaries to sustain operation. To Madison Capital, the City of Richmond and WETA, its success will be defined by the level of community interest and vitality it generates making it the waterfront living room for this part of Richmond. Such success will create additional ferry patronage, enhance surrounding real estate values and build Richmond's reputation as a desirable community to live, work and play.

### Alternatives for Operating the Craneway Pavilion

Richmond has three alternatives for operating the Craneway: 1) Lease to a non-profit entity, 2) Contract with a commercial operator, and 3) Create a City department or bureau for self-operation. Learning from the case studies presented above and others, the advantages and disadvantages of each approach are summarized below.

It is reasonably common for cities or its affiliated organizations to hold title to historic industrial buildings for public use as a museum, theater, wedding venue and community event center. Due to the staffing and expertise required, the public agency owner typically leases the building to a non-profit operator, often a museum, or retain a private for profit venue management firm to operate the building. The public agency owner could appoint members to the board of directors of the non-profit.

### Advantages of a Non-profit Operator/Lessee

- **Public Mission Alignment** – Non-profits can better operate the building as a community asset that aligns well with the City's mission for the Craneway.
- **Funding Advantages** – Non-profits can secure grants, tax-deductible donations and volunteer personnel resources.

- **Community Trust and Access** – Non-profits are more likely to enjoy community trust and goodwill and be more receptive to community programs, free events and equitable pricing.
- **Historic Integrity** – Non-profits are more likely to have a strong commitment to the preservation ethos and face less pressure for commercial compromises.

### Disadvantages of a Non-profit Operator/Lessee

- **Limited Profession Expertise** – Smaller non-profits may lack staff expertise to manage and operate the Craneway efficiently.
- **Lack Financial Depth** – Reliance on grants and donations makes longer term financial planning and investment difficult.
- **Lack Reserve for Maintenance** – Without strong financial reserves, maintenance to true historic standards may be compromised.
- **Agency Oversight** – A small and financially shallow non-profit may require more City guidance, oversight and possibly even financial assistance.

In two of the case studies, a non-profit operator was either available or was specifically created to be the operator. In Richmond, such an operator may not be available, and the retention of a commercial operator is a viable option.

### Advantages of a For Profit Operator/Lessee

- **Experience and Efficiency** – A for-profit operator may be able to bring a depth of experience, operational expertise, event marketing contacts and hospitality management systems.
- **Financial Stability** – A commercial operator may be in position to make longer term investment decision if the lease terms permit.
- **Reduced Agency Burden** – With a well structured management contract or lease agreement, an experienced for-profit operator is more likely to minimize City oversight burden.
- **Impact on Surrounding Properties** – A for-profit enterprise that has surrounding property interests may view the Craneway, at least in part, as an amenity for the surrounding real estate rather than simply as its own operating entity resulting in a greater willingness to invest in its success.

### Disadvantages of a For Profit Operator/Lessee

- **Mission Conflict** – There will be constant tension between serving the public interest versus the catering to the financial interests of the organization and/or its investors. This could result in higher event prices and/or restriction on days of public access resulting in public backlash. Much of this mission conflict can be contained with a well written management contract or lease.
- **Preservation Risks** – Maintenance or reinvestment decision may favor cost efficiency over historic authenticity.
- **Public Trust** – The public is likely to have more trust in a non-profit organization as compared to a for-profit commercial enterprise.

In some cases, the City may wish to retain direct operating control to ensure its objectives for the historic building are fully satisfied. This approach has advantages and disadvantages as well.

### Advantages of City Operation

- **Direct Control** – Either the City Council or its appointed staff or board would have direct control to align the mission of the historic building with its designated public purpose.
- **Accountability** – All significant financial decisions would fall under public oversight and be consistent with public records obligations.
- **Coordination with Other City Services** – There may be coordination with other City services that allows for some efficiency, such as maintenance and public works.

### Disadvantages of City Operation

- **Higher Operating Cost** – City labor rules and requirements such as civil service structure, living wage mandates and other rules can significantly increase salary cost.
- **Limited Expertise in Event Management** – Most cities lack specialized experience in event management, marketing and sales and have challenges attracting and retaining such personnel.
- **Slow and Cumbersome Decision Making** – Some booking opportunities will require quick decisions which a public body is not structured to make as Council approvals are typically time consuming and slows operating agility essential for financial performance.
- **Political Exposure** – Controversial bookings, financial shortfalls, poor customer satisfaction are all public issues that fall back on staff and Council.

## Building Operating Cost

The case studies demonstrate that once established, a well-organized lessee or venue operator is able to relieve the public entity of the building operating and maintenance cost. In the Fort Mason case there was even sufficient operating surplus to pay some rent and subsidize non-profit and commercial tenants that support the mission of the complex. However, in the case of the Craneway which is restarting event center operation, a ramp up period of likely 18 months is required before it is able to carry building operating cost. That cost is estimated at \$269,000 for 2025 (Table 1). However, if the dock is removed as expected, the 2026 cost will be in the vicinity of \$250,000 as marine insurance will no longer be required. The utilities cost will of course vary with usage.

**Table 1: Estimated Craneway Building Operating Cost for 2025**

	<b>Annual Total</b>	<b>Monthly Total</b>	<b>Craneway 40,000 SF</b>	<b>Craneway Aux 3,412 SF</b>
Common Area Charges	\$53,755.92	\$4,479.66	\$1,795.15	\$2,684.51
Insurance	\$24,932.64	\$2,077.72	\$1,908.60	\$169.12
Marine Insurance	\$23,605.92	\$1,967.16	\$1,967.16	
Property Tax	\$22,900.20	\$1,908.35	\$1,908.35	
PG&E Electrical and Gas	<u>\$144,000.00</u>	<u>\$12,000.00</u>	<u>\$11,000.00</u>	<u>\$1,000.00</u>
<b>Total</b>	<b>\$269,194.68</b>	<b>\$22,432.89</b>	<b>\$18,579.26</b>	<b>\$3,853.63</b>
<b>Total Without Marine Insurance</b>	<b>\$245,588.76</b>	<b>\$20,465.73</b>	<b>\$16,612.10</b>	<b>\$3,853.63</b>

Source: City of Richmond

## Impact on Surrounding Properties

Because of its strategic location on the bay front with views and adjacency to the ferry terminal augmented by its historic architectural character, the success of Craneway Pavilion as a community event and cultural center will add activity and enhance the value of surrounding real estate. The restaurant in the space formerly occupied by Assemble, a once popular regional destination, would be much more viable because of its ability to service attendees and provide catering services. A successful Craneway would also have an elevating influence on rents at the balance of Fort Point and the value of the City's property at Terminal 3. Complemented by surrounding new uses, the Craneway Pavilion could serve as a new "living room" for Richmond.

## V. A LONGER-TERM STRATEGY FOR A NEW RICHMOND LIVING ROOM

The longer-term strategy for this part of Richmond calls for a hotel development on Terminal 3 to complement the Craneway Pavilion event center and the ferry terminal. Such a strategy has advantages for all interested parties including the City of Richmond, WETA the ferry operator, the hotel developer, operator of the Craneway and the property interests at Ford Point. An illustrative site plan of this strategy is presented in Figure 9 below.

**Figure 9: Hotel Development Concept Site Plan at the Ferry Terminal**



This concept proposes a 150-room hotel located at the southern tip of Terminal 3 with a parking structure immediately to the north. The parking structure is proposed to be three levels accommodating approximately 350 parking stalls designed to replace and expand the parking needs for the ferry service, accommodate the hotel's guest parking and offer some peak event parking for the Craneway Pavilion. Given that the hotel parking demand will be late afternoons and evenings and the ferry parking demand will be primarily during the workday, the potential for shared parking reduces combined individual parking requirements by perhaps 20 or 25 percent.

The strategy is for the City to build a three-level public garage of approximately 350 stalls at an average per stall cost of \$40,000, a reasonable cost considering that approximately one-third of the stalls would be at ground level and only two-thirds of the stalls would be in an above ground structure, the total cost would be estimated at \$14 million. Using a bond rate of 4.5 percent, the annual debt service cost would be in the vicinity of \$860,000. The 150-room hotel at a development cost of \$375,000 per room translates into a hotel value of \$56.3 million. The supportable land cost would be approximately 30 percent or \$16.9 million. Using a typical land lease rate of seven percent for the annual payment, the hotel would be paying \$1.18 million per year to the City for the site, usage of the garage and proximity to the Craneway event center. The land rent exceeds the annual garage bond amortization cost of \$860,000 by approximately \$320,000. The City could share a portion of this net revenue with WETA to encourage a revised lease to facilitate a hotel development that serves mutual interests.

### **Advantages for WETA**

WETA, the ferry service provider, has three ten-year lease options on this property currently used for surface parking as long as they are providing ferry service. WETA, therefore, has effective lease control of this parking lot property until 2047. Since the original lease was executed in 2017, the first option for renew comes up in 2027. WETA could derive the following benefits by renegotiating this lease with the City or Richmond to facilitate a new hotel that would complement the ferry terminal and the Craneway event center:

- A hotel at this location adjacent to an event and conference center at the Craneway Pavilion would increase ferry patronage especially in the counter-commute direction when the boats are returning largely empty. San Francisco organizations could come to the Craneway by ferry for private offsite meetings and team building sessions.
- With an ample parking structure, WETA would not lose but rather gain additional ferry parking.
- The land economics of this hotel development indicates that the hotel land lease payments to the City would more than cover the bond amortization cost of the parking garage. As additional incentive for WETA to participate in this strategy, the City of Richmond could offer to share the land lease surplus with WETA.

### Advantages for the Craneway Event Center Operator

- Having a hotel adjacent to the Craneway would likely increase the events booking by 20 or 30 percent for conferences, marketing presentations, cultural events, family reunions and weddings. This additional usage demand improves the financial sustainability of the Craneway as public event and cultural center and enhances the operator’s ability to pay some rent to the City.
- Having the Craneway Pavilion, the ferry terminal, a new restaurant at the former Assemble site and a new hotel greatly strengthens this location as a destination and makes marketing the Craneway easier. Family and friends coming from out of town for a wedding at the Craneway will have a logical headquarters hotel.

### Advantages for the Hotel Developer and Operator

- With a long-term land lease, likely 60 years or more, this hotel will be able to control a bayfront site with ferry service and access to a meeting facility without additional capital cost. This is likely a unique opportunity on the San Francisco waterfront.
- In addition to access to the Craneway Pavilion, the hotel will also have access to a public parking structure designed to accommodate hotel guests and employees without additional capital investment.
- The hotel will be able to market conferences to San Francisco organizations that wish to have their events offsite in a secure and private location yet is within a 35-minute ferry ride. To reinforce company team building goals, all attendees can come by ferry.

### Advantages for the City of Richmond

By building a public parking structure that provides both the ferry service and the hotel with ample parking, the City may be able to attract a hotel to strengthen the Craneway as an event center and increase ferry patronage. This not only increases the participation rent that the City is likely to receive from Craneway operations but also generates transient occupancy tax (TOT) revenue for the general fund. For example, a 150-room hotel with an average room rate of \$250 and 72 percent occupancy would generate approximately one million per year in TOT. More importantly, the City would create a new waterfront “living room” for Richmond to host locals and visitors along the hotel and Craneway Pavilion.

### Outlook for Hotel Development

The competitive market area for this Richmond ferry terminal hotel is an arc across the northeast part of San Francisco Bay extending from Tiburon through Richmond and down along the East Bay waterfront through Albany, Berkeley to Emeryville. As shown in Table 2, this market area currently has eight hotels of significant size with 1,532 room. This market area was hit hard by the Covid pandemic and is still recovering.

The average room rate was at \$196 in 2019 but dropped to \$147 by 2021 and has climbed back to \$174 by 2025. The occupancy rate and sales price per room moved in correlation. Because of the slow market recovery, the last new hotel to be constructed in this market area was the 175-room Hyatt Place built in Emeryville in 2016.

**Table 2: Hotel Market Trend in the Northeast Bay**

Period	Inventory Rooms	Existing Buildings	Avg Rooms Per Building	12 Mo Revenue	12 Mo Occupancy	12 Mo ADR	Occupancy	Market Sale Price/Room	Market Cap Rate
Sep 2025	1,532	8	192	\$70,377,537	69.0%	\$173.65	77.5%	\$205,862.00	8.8%
Sep 2024	1,532	8	192	\$68,704,553	68.0%	\$172.01	70.4%	\$199,705.00	8.5%
Sep 2023	1,532	8	192	\$73,225,853	69.5%	\$179.55	74.1%	\$179,494.00	8.2%
Sep 2022	1,532	8	192	\$70,212,704	66.5%	\$179.82	75.7%	\$190,987.00	7.4%
Sep 2021	1,530	8	191	\$42,760,269	50.2%	\$147.16	58.6%	\$220,400.00	6.7%
Sep 2020	1,504	8	188	\$52,799,357	52.6%	\$175.49	43.5%	\$262,932.00	6.8%
Sep 2019	1,504	8	188	\$96,868,211	85.8%	\$195.96	90.8%	\$298,743.00	6.6%
Sep 2018	1,504	8	188	\$96,445,289	86.2%	\$194.02	90.8%	\$289,508.00	6.5%
Sep 2017	1,504	8	188	\$90,262,359	84.1%	\$188.00	84.4%	\$265,133.00	6.7%
Sep 2016	1,329	7	190	\$84,265,839	86.4%	\$191.57	88.0%	\$226,960.00	7.0%
Sep 2015	1,328	7	190	\$76,646,607	85.3%	\$176.50	89.3%	\$183,086.00	7.4%

Source: CoStar 11.7.2025

In order to estimate how this new ferry terminal hotel would perform, we selected five market area hotels that would likely be the most direct competitors (Table 3). These five hotels total over 1,000 rooms; however, the lack of new construction over the last decade suggests an aging competitive inventory providing an opportunity for a new entrant when the market recovers.

**Table 3: Competitive Hotels in the Market Area**

Name	Address	City	Year Opened Renovated	Land Area	Rooms	Meeting Space in SF	Parking Stalls	Parking Ratio
Hyatt Place	5700 Bay Street	Emeryville	2016	1.29	175	1,440	32	0.18
DoubleTree by Hilton	200 Marina Blvd	Berkeley	1972/2019	NA	378	20,619	434	1.15
Four Points by Sheraton	1603 Powell Street	Emeryville	1985	1.58	153	1,300	200	1.31
Hyatt House	5800 Shellmound	Emeryville	2000/2015	2.39	234	1,600	143	0.61
The Lodge at Tiburon	1651 Tiburon Blvd	Tiburon	1977/2013	<u>2.31</u>	<u>104</u>	<u>4,008</u>	<u>272</u>	<u>2.62</u>
Average				1.51	209	5,793	216	1.17

Source: CoStar 11.7.2025

A closer look at the operating characteristics of these five hotels combined indicate the following:

- The occupancy rate for the year to date as of September 2025 was 74.1 percent and moving upward.
- The average year to date daily room rate was \$182.87 and moving upward.
- The average room rate for September 2025 was \$199.12 and moving upward.

The local hotel market indicates continued recovery, and the regional picture is even more positive as major investment firms are purchasing premium properties at discount prices. For example, Blackstone Real Estate recently acquired the Four Seasons Hotel in the heart of Downtown San Francisco showing confidence in visitor market resurgence. The San Francisco Bay Area is in the mid stage of a hotel market recovery powered in part by the return to office movement and the explosive growth of AI firms. The City of Richmond lacks a destination hotel, and the northeast bay waterfront has experienced no new hotel development since 2016. The current timing is ideal for the planning of a new destination waterfront hotel at the Richmond ferry terminal for construction in the 2027 to 2029 timeframe. The reactivation of the Craneway Pavilion as an event center with the reopening of the former Assemble restaurant plus public investment in a parking structure make hotel development at the Richmond ferry terminal a very attractive opportunity.