

MINUTE ITEM

This Calendar Item No. C94 was approved as Minute Item No. 94 by the California State Lands Commission by a vote of 3 to 0 at its 4-24-01 meeting.

**CALENDAR ITEM
C94**

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04/24/01
PRC 6504 WP 6504B
J. Trout
D. Plummer

**AUTHORIZATION FOR EXECUTIVE OFFICER TO SOLICIT PROPOSALS
FOR THE DEVELOPMENT AND OPERATION OF A
HOTEL LEASE ON STATE LAND
IN BURLINGAME**

BACKGROUND

The State Lands Commission owns several Bay front properties in the City of Burlingame near San Francisco International Airport. A successful hotel project occupies one parcel and a quality restaurant another. These facilities generate significant income for the General Fund. Other parcels are used for roads, park purposes, access easements and channel protection. An 8.8 acre parcel remains undeveloped.

This undeveloped parcel of former Bay was diked and filled by others in the 1960's. It is zoned by the City for hotel and restaurant business, the City's preferred use. At one time the Commission leased the property for a two-hotel development which was never built due to the economic downturn of the early 1990's. The former lease and other impediments to development have now been resolved. Staff recommends a leasing program to obtain a hotel or hotels on the site.

Debris and trash that accumulated on the site has been removed and the area fenced. Basic grading has been undertaken and the site is ready for construction. With the Commission's approval, a marketing study was made which demonstrated that a market currently exists for a large premium quality convention hotel in the general area. It is now time to proceed with offering the property to the hotel development market.

A marketing consultant (Colliers International Hotel Realty) was hired by the Commission to assist staff with the development of the leasing package. This work includes: 1) preparation and circulation of the proposed Request for Proposals (RFP) to solicit interest from firms which may want to consider the project, 2) review and recommendations on the terms and conditions of the proposed lease, 3) review and analysis of the responses to the RFP, and 4) participation in the interview and presentation of the proposals received from qualified firms. Staff now proposes that the Commission proceed with the process for selecting developers for the lease proposal.

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DISCUSSION

Colliers has recommended a 550 room full service, upscale brand convention type hotel for the site. The prime waterfront location close to the San Francisco Airport should attract several such proposals. Potential hotel developers would be asked to provide proposals which detail the firm's experience in building and operating hotel properties of the size and quality desired for this site.

In this proposal stage applicants would be required to prepare basic architectural features including site plans, floor plans and a pro-forma financial package. This submittal also would include the name of the proposed hotel developer and brand or hotel name to be used. The proposals would be evaluated by a review panel consisting of Commission staff, the consultant and an outside participant (ie: a representative from one the ports having similar hotel leases) and ranked numerically on a number of factors. The applicant with the highest rating would be considered the potential lessee. Negotiations would begin with this applicant leading to a proposed lease document. If agreement on a lease could not be reached with the first applicant, the second would be considered, etc. Upon agreement, the proposed development agreement and lease with the potential lessee would be brought to the Commission for consideration.

Staff has reviewed similar hotel lease projects offered by other governmental agencies including agencies of the City and County of San Francisco and the Port, Port of San Diego, Port of Long Beach and City of Sacramento. Information resulting from this review has been incorporated into the proposed lease offering.

Construction of a 550-room hotel/restaurant facility is estimated to cost about \$80 million (2000 dollars) and result in an initial income stream when fully operational of \$1 million or more per year to the State.

After lease approval by the Commission, the lessee would enter into a Development Agreement with the Commission which, when all the terms are satisfied, would then entitle that applicant to the lease. The Development Agreement would give the applicant authority and time to complete all design work, environmental studies and review, and secure necessary permits. An Environmental Impact Report (SCH 90030537) was prepared for a two-hotel project in 1990. At that time, the report determined that project would not cause significant adverse environmental impacts. There has been no substantial change in the site. It is expected that at least a supplemental EIR would be required for this new project including updated traffic studies.

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IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 10561 BECAUSE THIS ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL. CODE REGS. 15378.
2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO SOLICIT PROPOSALS FOR THE DEVELOPMENT AND OPERATION OF A HOTEL/RESTAURANT LEASE ON STATE LAND IN BURLINGAME.

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