

CALENDAR ITEM
C68

MINUTE ITEM
This Calendar Item No. C68
was approved as Minute Item
No. 68 by the State Lands
Commission by a vote of 3
to 0 at its 11-26-01
meeting.

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11/26/01
PRC6504 WP 6504B
J. Trout
D. Plummer
B. Stevenson
B. Crandall

CONSIDERATION OF PROPOSAL FOR
THE DEVELOPMENT AND OPERATION OF A
HOTEL ON LEASED STATE LAND
IN BURLINGAME

BACKGROUND

At its April 24, 2001 meeting, the Commission authorized solicitation of proposals for the development and operation of a first-class hotel on State land in Burlingame. A Request for Proposals (RFP) was issued in May with a pre-submittal conference for prospective developers held on June 20, 2001. Proposals were due on August 3, 2001. Only one Proposal was received even though the Commission's consultant sent out more than 1100 packages regarding the offering to prospective developers. The purpose of this item is to consider this one Proposal together with alternatives for proceeding with the hotel project.

The site contains 8.8 acres of filled former tidelands with 1100 feet of frontage on San Francisco Bay in Burlingame, four miles south of SF International Airport. The parcel is currently zoned for hotel/restaurant use by the city. A long-term lease has been proposed for a 550-room high quality (four-star/four-diamond quality) facility. Lease return is expected to exceed \$1 million per year when the hotel is operational, expected in 2004 or 2005.

DISCUSSION

Just one Proposal was received in spite of the significant effort to solicit interest. Uncertainties over the world economic situation seem to have been responsible for the lack of interest at this time.

Received on August 3, 2001, the Proposal was reviewed for completeness and then referred to the Review Team for evaluation. The team consisted of Commission staff as well as representatives of consultant Colliers Hotels International and the Port of San Francisco. After the initial evaluation, an

interview and presentation from the proposing group was held on September 26, 2001. In preparation for that session, notice of the meeting and a number of questions were sent to them on September 5. A subsequent meeting was held with them on October 9.

It is the Panel's view that the Proposal, as submitted, does not meet the terms of the RFP. This was discussed with the proposing group, which was given the opportunity to revise the Proposal so as to meet the terms of the RFP. No additional material has been submitted.

Based on the Proposal as submitted, and the interview, the Proposal fails to indicate the submitters have:

- Extensive experience in developing, constructing and operating hotels of the size and quality contemplated in the RFP. The President of the proposed corporation has not been involved with a major hotel project at the expected level. The designated Project Manager, and architect, has been involved with several Nevada hotel/casino projects but they are not rated at the four-star quality level desired by the RFP.
- Proposed the first-class quality hotel that was sought in the RFP. The brand proposed is Holiday Inn Select, a chain of three star facilities according to AAA and Mobil travel guide ratings. While the proposed operator, Bass Hotels (now Six Continents), does build and operate four and five star properties, it has not chosen to do that here.
- Secured a significant source of funding for the project.

Considering the above, staff believes the Commission should reject the Proposal entirely as not responsive to the RFP.

Staff believes the Commission has several options in pursuing hotel development for the Burlingame site. In brief, they are:

1. Wait for market conditions to improve before again seeking proposals; or
2. Authorize staff to seek additional proposals, in a manner defined in the May RFP, directly from the industry through interviews and personal discussion; or
3. Seek all new proposals for a lesser quality business-type hotel; or

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4. Enter into an exclusive listing agreement with a commercial real estate broker to market the property for ground lease on the Commission's behalf.

Staff recommends Commission approval of Option 2, to seek additional proposals for the development of a hotel consistent with the terms of the RFP.

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.
2. REJECT THE PROPOSAL SUBMITTED BY SFO MARKET HOTEL, LLC, AS NOT MEETING THE REQUIREMENTS OF THE REQUEST FOR PROPOSALS.
3. APPROVE OPTION 2 ABOVE AND AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXPLORE OTHER AVENUES FOR DEVELOPMENT OF THE SITE IN THE MANNER DEFINED IN THE RFP. PROPOSALS CONSISTENT WITH THE RFP DEVELOPED DURING THIS PROCESS SHALL BE EVALUATED AND THE REVIEW TEAM MAKE RECOMMENDATIONS TO THE COMMISSION FOR FURTHER ACTION.