AGENDA
SAN BRUNO CITY COUNCIL
SPECIAL MEETING
October 7, 2019
5:30 p.m.

Meeting Location: San Bruno Senior Center, 1555 Crystal Springs Road, San Bruno, CA

City Council meetings are conducted in accordance with Roberts Rules of Order Newly Revised and City Council Rules of Procedure. All regular Council meetings are recorded and televised on CATV Channel 1 and replayed the following Thursday, at 2:00 pm. Recordings of the City Council meetings are available for listening at the City Clerk's Office and video of the City Council meetings may be viewed at www.sanbruno.ca.gov. Audio CDs with recordings of City Council meetings may be purchased at the City Clerk's office, or may be listened to at the San Bruno Library. In compliance with the Americans with Disabilities Act, individuals requiring reasonable accommodations or appropriate alternative formats for notices, agendas and records for this meeting should notify us 48 hours prior to meeting. Please call the City Clerk's Office 650-616-7061, or email your request to Melissa Thurman, City Clerk at mthurman@sanbruno.ca.gov.

1. CALL TO ORDER

2. ROLL CALL

3. PUBLIC COMMENT ON ITEMS NOT ON AGENDA
   Individuals allowed three minutes, groups in attendance, five minutes. It is the Council's policy to refer matters raised in this forum to staff for investigation and/or action where appropriate. The Brown Act prohibits the Council from discussing or acting upon any matter not agendized pursuant to State Law.

4. CLOSED SESSION:
   a. Conference with Legal Counsel: Existing Litigation Pursuant to Government Code Section 54956.9(d)(1): California Public Utilities Commission Order Instituting Investigation Matters 1.15.11.015, R.14.11.001, I.15.08.019; USA v. PG&E.

5. SPECIAL MEETING – STUDY SESSION 6:00 p.m.
   a. Receive Proposal Presentations from Prospective Hotel Developers for the Vacant 1.5 Acre Site Located within The Crossing Development.

6. ADJOURNMENT:
   The next Regular City Council Meeting will be held on October 8, 2019 at 7:00 p.m. at the Senior Center, 1555 Crystal Springs Road, San Bruno.

Posted Pursuant to Law 10/04/19
DATE: October 7, 2019

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager

SUBJECT: Receive Proposal Presentations from Prospective Hotel Developers for the Vacant 1.5 Acre Site Located within The Crossing Development

BACKGROUND

In 2001, the City Council certified a companion environmental impact report (EIR) and approved the original U.S. Navy Site and its Environs Specific Plan, which envisioned a hotel within the site that would become The Crossing Development.

The Crossing Development is a 20-acre mixed-use master planned development that resulted from the demolition of a former U.S. Naval administrative facility and installation of roads, utilities, open space, and a playground. The Crossing Development includes a total of 1,063 multifamily rental units in five buildings, including 228 affordable senior units and 97 other affordable units, a recreation center and commercial building. The last remaining undeveloped portion of site is a 1.5-acre vacant site designated for a hotel.

After completing the rest of The Crossing development, the developer, Martin/Regis was not interested in continuing to hold the property for a hotel project. On August 15, 2012, the City closed escrow to purchase a vacant site property from Martin/Regis for $1.4 million. The site is located within The Crossing Development and borders Interstate 380 and El Camino Real, directly across from The Shops at Tanforan shopping mall.

On October 12, 2012, the City first issued a Request for Qualifications/Proposals inviting written proposals from qualified developers to design, finance and build a high-quality, select-service hotel at The Crossing Development.

The City Council unanimously selected OTO Development, LLC on February 26, 2013, and authorized the City Manager to enter into an Exclusive Negotiating Rights Agreement with OTO. The City subsequently negotiated and approved a purchase agreement for $3.97 million with OTO in March of 2016. Unresolved issues related to unionized labor to development and operations for the project delayed the project by several years. OTO ultimately informed the City in November 2018 that they would not close escrow on the site. Subsequently, the City engaged the services of CBRE in April 2019 to remarket the property to hotel developers/owners.
DISCUSSION:

In April 2019, the City engaged the services of a real estate broker, CBRE Group, Inc. (CBRE) to re-market the site to hotel developers with proven experience delivering projects in California and across the nation. CBRE created an offering memorandum website and directly marketed the site to national and international hotel owners/developers. The offering memorandum website can be found by Clicking Here\(^1\). The re-marketing effort generated three offers to purchase the property and develop a hotel. The developers and their offer price is listed below:

- Kade Development, $7 Million
- Blackridge, $6 Million
- Kuber Hotels, $6 Million

On October 7, 2019, the City Council will receive presentations from each of the developers in a special meeting beginning at 6:00 p.m. at San Bruno Center. **Presentations from the prospective developers will be posted on the City Council’s Agenda webpage by 5:00 p.m. on Friday, October 4.** The webpage be found at [https://www.sanbruno.ca.gov/gov/elected_officials/city_council_minutes_n_agendas.htm](https://www.sanbruno.ca.gov/gov/elected_officials/city_council_minutes_n_agendas.htm).

An action item has been calendared for the regularly scheduled City Council meeting on October 8, 2019 scheduled for 7:00 p.m. at the San Bruno Senior Center. This action will be for the City Council to deliberate and consider authorizing the City Manager to enter into an Exclusive Negotiating Rights Agreement (ENRA) with the one of the three developers. This will initiate a formal process to arrive at an agreed-upon Purchase and Sale Agreement for the project site. It will also provide a process whereby the City and the prospective developer can clarify and document the detailed development concept as well as the conditions preceding to closing escrow for the City’s transfer of the land.

The City expects that, while the ENRA process is occurring, the prospective developer will embark on a separate effort to formalize their personnel and contracting relationships related to the construction and operations of the future hotel. The terms and conditions of those relationships are important so that the City Council will have confidence that a hotel will be developed on the site within the anticipated timeline.

Below is the anticipated timeline, should the City Council select a preferred developer and enter into exclusive negotiations for the development of a Purchase and Sale Agreement.

Preliminary Timeline:

- October 2019 – February 2020: Negotiate Purchase and Sale Agreement (PSA)
- February/March 2020: Adoption of a fully negotiated PSA
- 2020-2021: Processing of Planning Entitlement and related public process
- 2021: Execution of the PSA (transfer of land from the City to the developer)
- 2021: Building permit review and approval
- 2021/2022: Construction begins

\(^1\) [https://www.cbredealflow.com/handler/modern.aspx?pv=Z-I9J549zUFsSziezRAUfWqOWpY8nQrOk_YmQVUyvi9xOGD5yD2JjEVfa3Ytc#_top](https://www.cbredealflow.com/handler/modern.aspx?pv=Z-I9J549zUFsSziezRAUfWqOWpY8nQrOk_YmQVUyvi9xOGD5yD2JjEVfa3Ytc#_top)
• 2023/2024: Hotel opens

FISCAL IMPACT:

No fiscal impact from the prospective developer presentations. However, the anticipated development of an upscale hotel will provide significant one-time revenue and on-going financial support for City programs and services as well as maintenance of public facilities and infrastructure.

ATTACHMENTS:

1. CBRE Overview Presentation

DATE PREPARED:

October 2, 2019
CBRE OVERVIEW

TEAM INTRODUCTION

EXECUTION TEAM

HENRY BOSE  
Senior Vice President  
San Francisco, CA

JAY SHOLL  
Senior Vice President  
San Francisco, CA

ELENA QUACH  
Senior Financial Analyst  
San Francisco, CA

DEBT & STRUCTURED FINANCE

CARA LEONARD  
Senior Vice President  
Los Angeles, CA

CHARLIE RYAN  
Senior Production Analyst  
Los Angeles, CA

MARKETING/EXECUTION SUPPORT

LORI BURKE  
Director, Capital Markets Operations  
Atlanta, GA

JEREMY CANTALAMESSA  
Client Services Coordinator  
Denver, CO
CBRE OVERVIEW

RELEVANT TRANSACTIONS

CAMPBELL DEVELOPMENT SITE
Currently Marketing

1055 MARKET STREET, SAN FRANCISCO
Currently Marketing

SAN JOSE TOP GOLF HOTEL SITE
Sold: July 2019

AETNA SPRINGS RESORT
Sold: December 2018

433 MASON STREET, SAN FRANCISCO
Sold: January 2017

SAN BRUNO CROSSING HOTEL SITE
Sold: August 2012
CBRE HOTELS OVERVIEW
DELIVERING CBRE HOTELS AMERICAS’ PLATFORM

INVESTMENT SALES

22 OFFICES IN THE U.S.
45 U.S. BROKERAGE PROFESSIONALS

SIGNIFICANT TRANSACTION EXPERIENCE

$2.6B IN U.S. HOTEL SALES 2018
133 HOTELS SOLD 2018

DEBT PLACEMENT

$18 BILLION+ IN HOSPITALITY & FINANCING TRANSACTIONS
$1.63 BILLION IN U.S. FINANCING TRANSACTIONS 2018
$287 MILLION LARGEST DEBT TRANSACTION 2018
47 CLOSED DEALS WITH SEPARATE CAPITAL SOURCES 2018

ADVISORY

OUR CAPABILITIES PROVIDE CUSTOMIZED SERVICES WITHIN THE LIFE CYCLE OF AN ASSET

STRATEGY, INVESTMENT & MARKET ADVISORY
VALUATIONS
LITIGATION SUPPORT
ACQUISITION DUE DILIGENCE
DEVELOPMENT & PROJECT MANAGEMENT SERVICES
STRATEGIC RESEARCH
ASSET MANAGEMENT

CBRE HOTELS AMERICAS’ PLATFORM
MARKETING CAMPAIGN

MARKETING PROCESS

PRE-MARKETING & DUE DILIGENCE INTRODUCTION
Our exhaustive and precise pre-marketing due diligence is the key to a successful marketing process, allowing us to provide investors a compelling story and comprehensive marketing materials that provide for an efficient and effective marketing campaign.

DEVELOPING THE STORY
We developed the most defensibly aggressive assumptions and crafted a story that clearly optimizes the hotel’s cash flows by incorporating prevailing and projected market trends. As part of the pricing exercise for the hotel, the team completed the following:
- Evaluate multiple scenarios in order to intelligently assist groups that are looking at the opportunity in different ways
- Develop a comprehensive argument for the continued growth of the San Bruno Submarket with Youtube Headquarters Expansion

DEBT QUOTES
Our dedicated Debt & Structured Finance team generated multiple debt quotes to address the various needs of different types of buyers.

INVESTOR LIST
The marketing team worked together to compile a targeted list of qualified investors, hotel developers, and local hotel owners who have the experience, capacity and resources to successfully execute the transaction. These investors must meet the requirements and objectives of ownership. Our recent comparable sales transactions in the San Francisco Bay Area provides valuable market intelligence when developing an investor list for City of San Bruno. We also consulted with our colleagues nationally to leverage every relationship that existed within the organization.

KEYS TO ACHIEVING MAXIMUM VALUE

Conducted wide-reaching national marketing campaign with focused and personal visits to key prospects

Communicated history of the property

Highlighted growth in the market

All tours personally conducted by senior team leaders
CBRE Hotels is known for its compelling, high-quality marketing materials focused on “selling” the future potential, effectively conveying the importance and value of the opportunity, and developing visually clear and persuasive statistics and argument to propel the marketing strategy. Our internal research, analytical and marketing teams, the broker team, and City of San Bruno, managed the process to produce materials that provided strategic business plans and financial directions to investors, allowing them to maximize the value potential of the investment.

CBRE Deal Flow is CBRE’s listing platform for all property and portfolio sales. This all-in-one toolset streamlines the entire disposition process, with full-coverage tracking, a secure virtual deal room and reporting that provides a clear view of how perspective buyers interact with each listing. By collecting investor’s acquisition criteria and exposing the listing to CBRE’s internal broker network, CBRE Deal Flow provides us the opportunity to deploy a more targeted strategy and get our deals in front of the right people, at the right time. Benefits of CBRE Deal Flow include:

- Access to inventory
- Real-time market insight
- Matching deals to capital
- Customized investor preferences

www.cbredealflow.com
## Marketing Campaign Key Dates

**Marketing**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>CBRE Formally Engaged:</td>
<td>April 12, 2019</td>
</tr>
<tr>
<td>Marketing Campaign Launch:</td>
<td>May 29, 2019</td>
</tr>
<tr>
<td>NYU International Hospitality Industry Investment Conf:</td>
<td>June 2-4, 2019</td>
</tr>
<tr>
<td>Initial Offer Date:</td>
<td>July 18, 2019</td>
</tr>
<tr>
<td>Second Round Offer Date:</td>
<td>August 8, 2019</td>
</tr>
<tr>
<td>Best &amp; Final Round Interviews w/City:</td>
<td>August 16, 2019</td>
</tr>
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REVIEW OFFERS
DEVELOPER SELECTION CRITERIA

• FINANCIAL TERMS
• QUALITY OF RESPONSE
• TEAM / TRACK RECORD
• CAPITAL SOURCE & STRUCTURE
• PROPOSED OPERATOR / BRANDS
• UNION EXPERIENCE
• DEVELOPMENT PROGRAM & SCHEDULE
• CONCEPT DESIGN & SITE PLAN
• UNDERSTANDING ENTITLEMENT APPROVAL PROCESS
• UNDERSTANDING CITY’S GOALS
• COMMUNITY ENGAGEMENT
• FLEXIBILITY & CREATIVITY
## FINALISTS OFFER MATRIX: SAN BRUNO CROSSING HOTEL DEVELOPMENT SITE

*Confidential Results: October 7, 2019*

<table>
<thead>
<tr>
<th>Bidder: Company</th>
<th>Hotel Concept</th>
<th>Meeting Space</th>
<th>Parking</th>
<th>Purchase Price</th>
<th>Price Per Key</th>
<th>Due Diligence Days (from execution of PSA)</th>
<th>Closing Days</th>
<th>Initial / Additional Escrow Deposit(s)</th>
<th>Closing Costs</th>
<th>Project Cost (excluding Land)</th>
<th>Stabilized TOT at Year 3 (Room Revenue x 12%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KADE Development</td>
<td>184-room Aloft Hotel</td>
<td>1,000 SF - 2,000 SF</td>
<td>Surface and Underground, 200 stalls</td>
<td>$7,000,000</td>
<td>$38,043</td>
<td>30 days from receiving full approvals from City of San Bruno</td>
<td>60</td>
<td>$250,000 / $250,000</td>
<td>Closing costs are to be split equally between buyer and seller.</td>
<td>$330,212 per room based on 184 rooms</td>
<td>$1,279,325</td>
</tr>
<tr>
<td>Kuber Hotels, Inc</td>
<td>170-room Element Hotel</td>
<td>2,500 SF</td>
<td>Surface, 120-131 stalls</td>
<td>$6,000,000</td>
<td>$35,294</td>
<td>15 days from receiving full approvals from City of San Bruno</td>
<td>60</td>
<td>$250,000 / $250,000</td>
<td>Closing costs are split by buyer and seller</td>
<td>$237,931 per room based on 170 rooms</td>
<td>$1,424,040</td>
</tr>
<tr>
<td>Blackridge LLC</td>
<td>180-room Element Hotel</td>
<td>1,000 SF - 1,500 SF</td>
<td>Surface, 126-140 stalls</td>
<td>$6,000,000</td>
<td>$33,333</td>
<td>60 days after receiving building permits</td>
<td>120</td>
<td>$100,000</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
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NEXT STEPS
PRELIMINARY SCHEDULE

➢ October 2019: Short list developer presentations
  • Selection of preferred developer for Exclusive Negotiations

➢ October – February 2020: Negotiate Purchase and Sale Agreement (“PSA”)
  • Developer to engage trades/unions

➢ February/March 2020: Adoption of a fully negotiated PSA
NEXT STEPS

DEVELOPMENT TIMELINE

- 2020-2021: Planning Entitlements
- 2021: Execution of PSA
- 2021: Building Permit Review and Approval
- 2021/2022: Construction begins
- 2023/2024: Hotel Opens
This valuation analysis or broker opinion of value is not an appraisal and has not been performed in accordance with the Uniform Standards of Professional Appraisal Practice. Neither you, nor any third parties, may rely on this analysis for any tax purposes, estate work, litigation, lending or any other matter other than your direct use in connection with a contemplated transaction.