

MINUTE ITEM
24

5/27/82
Horn
Ludlow
WP 4691

APPROVAL OF FORM OF LEASE
BETWEEN STATE AND HOMETELS DEVELOPMENT CORPORATION

Calendar item 24, attached, was pulled from the agenda
prior to the meeting.

Attachment: Calendar Item 24.

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APPROVAL OF FORM OF LEASE
BETWEEN STATE AND HOMETELS DEVELOPMENT CORPORATION

For some time staff has been negotiating a lease with Hometels Development Corporation (Hometels) for the construction and operation of an approximately 375-room, ten-story hotel on two parcels of State land in the City of Burlingame, San Mateo County. The approximately six-acre site is currently leased to Anza Shareholder's Liquidating Trust (ANZA). As part of this transaction, it is proposed that Hometels will purchase ANZA's leaseholds whereupon the two leases will be terminated and the State will issue a new lease to Hometels.

The City of Burlingame is currently preparing an EIR for the project. It is anticipated that the City will certify the EIR and approve the project sometime this summer. In anticipation of project approval, Hometels has requested staff to present for approval by the Commission the form of lease that would be used should the Commission approve the project at a later date. Hometels understands that if the Commission approves the form of lease at this time it will in no way affect the Commission's deliberations when the development project is brought to the Commission later this year. Approval of the lease form will enable Hometels to begin financial arrangements for the project.

Inasmuch as the Hometels project will be one of the Commission's largest surface-use leases in terms of potential revenues, staff has substantially deviated from the Commission's standard lease form. Staff has negotiated a form of lease that incorporates current commercial lease practice as such is currently employed by many of the State's legislative grantees. The lease, substantially in the form currently on file in the principal office of the Commission, incorporated herein by this reference, consists of the following major provisions:

TERM: 55 years commencing on the first day of the month next following the date of opening for business.

In keeping with past practices of the Commission, staff has negotiated the primary terms of the lease in accordance with the regulations

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in effect at the time of Hometels' application. The 55-year term proposed herein exceeds the 49-year limit in the Commission's regulations which became effective earlier this year. Inasmuch as the term of this lease was negotiated prior to the change in regulations and the ANZA leases to be terminated have 56 years remaining, staff feels the 55-year lease term proposed herein is appropriate.

AREA, TYPE LAND AND LOCATION:

Approximately six acres of filled tidelands zoned waterfront commercial, along San Francisco Bay in the City of Burlingame, San Mateo County.

LAND USE:

An approximately 375-room, ten-story hotel, together with restaurant, lounge and typical hotel concessions.

RENT:

Minimum \$50,000 per year for the first five years; adjusted thereafter at five-year intervals until year 20 to reflect 75 percent of the total average annual rental paid.

PERCENTAGE RENTAL:

For Hotel Operations:

Years 1 - 5 1% of Gross Receipts
Years 6 - 10 2% of Gross Receipts
Years 11 - 15 4% of Gross Receipts
Years 16 through lease term

Sublease Revenue: 6% of Gross Receipts
10% of Gross Receipts

INSURANCE/BONDS:

\$6,000,000 liability combined single limit covering all facets of business activity.

Performance Deposit: \$50,000 initially, thereafter changed to reflect an amount equal to minimum annual rent, with a maximum of \$200,000.

Performance and Labor and Material Bonds:
A bond or other acceptable security equal to 100 percent of estimated construction work. In addition, a surety bond equal to 50 percent of total estimated cost of contracts for construction work.

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ASSIGNMENTS/SUBLETTING:

State agrees to future assignments to any business entity in which Robert Woolley is a principal. State pre-authorizes subleases to concessionaires for restaurant and other typical hotel type concessions such as gift, florist and tobacco shops, etc. provided that State approves form of agreement. All other assignments/subleases shall require State approval. State agrees to encumbrancing of leasehold.

As part of the encumbrancing provisions of the lease, State will agree to a partial offsetting of rents in the event the lessee defaults and the mortgagee acquires the leasehold. Any rents offset will be repaid to the State with interest at 12 percent. The maximum amount of rent that can be offset is 36 months. The payback period will be no longer than four years.

AB 884:

N/A.

EXHIBIT:

A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN ENVIRONMENTAL DOCUMENT HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH DOCUMENT IS NOT REQUIRED UNDER THE PROVISIONS OF P.R.C. 21065 and 14 CAL. ADM. CODE 15037 AND 15060.
2. APPROVE, AS TO FORM ONLY, THE LEASE SUBSTANTIALLY IN THE FORM ON FILE IN THE PRINCIPAL OFFICE OF THE COMMISSION AND BY THIS REFERENCE MADE A PART HEREOF; BETWEEN THE COMMISSION AND HOMETELS DEVELOPMENT CORPORATION.
3. DECLARE THAT APPROVAL OF THE LEASE FORM HEREIN SHALL IN NO WAY, PREJUDICE OR OTHERWISE, AFFECT THE COMMISSION'S FUTURE DELIBERATIONS AND DECISION RELATIVE TO THE HOMETELS PROJECT.

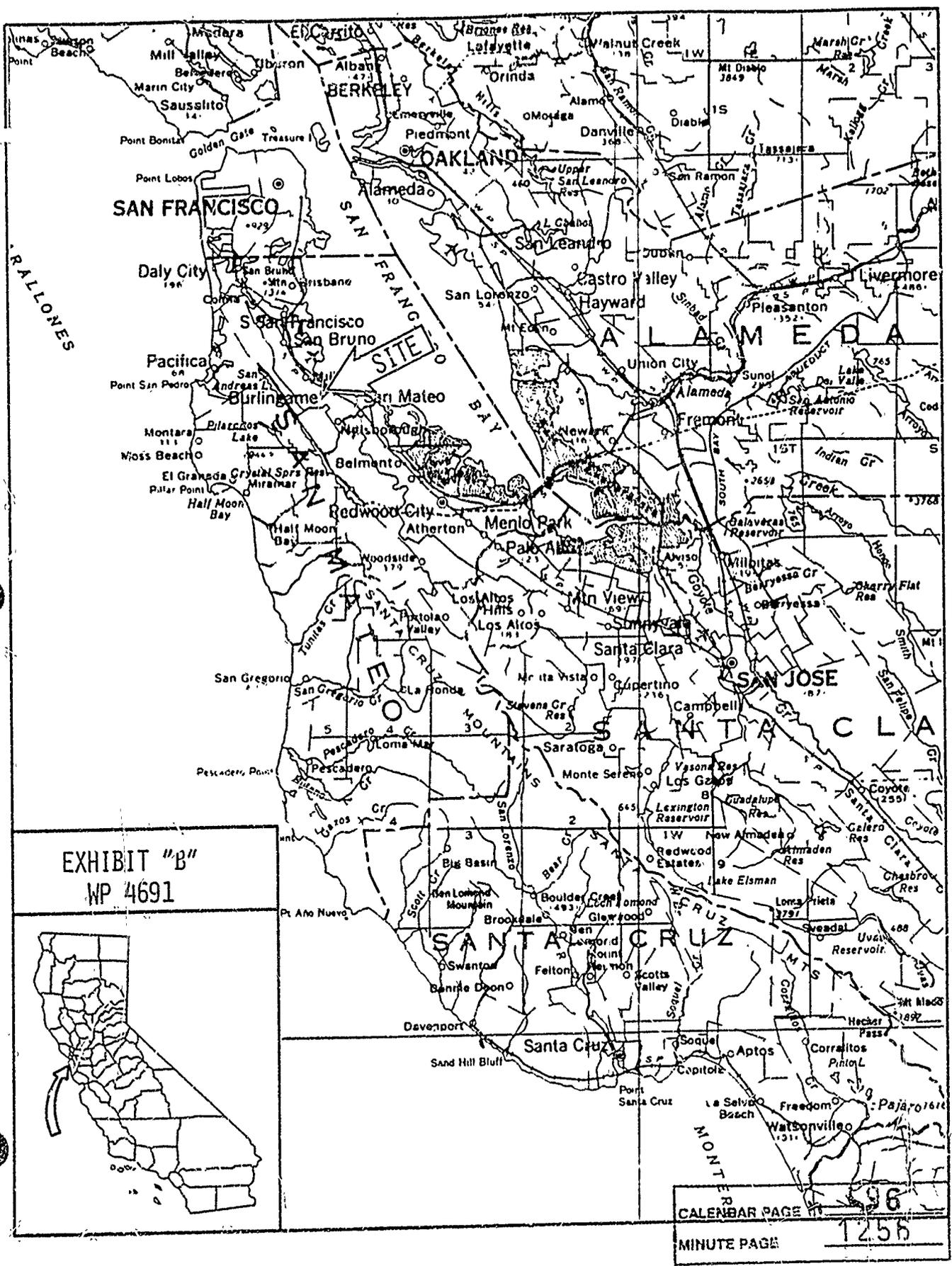


EXHIBIT "B"
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