

1 [Airport Hotel Management Agreement, Cash Management and Lockbox Agreement - Hyatt
2 Corporation - On-Airport Hotel at San Francisco International Airport - Not to Exceed
3 \$19,945,420]

4 **Resolution approving the award of a Hotel Management Agreement and a Cash**
5 **Management and Lockbox Agreement to Hyatt Corporation for a term of ten years to**
6 **commence following opening of the hotel, with compensation not to exceed**
7 **\$19,945,420 relating to an on-Airport hotel at the San Francisco International Airport;**
8 **approving the forms of the agreements and authorizing the execution and delivery**
9 **thereof; approving certain related matters, as defined herein; and adopting**
10 **environmental findings.**

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12 WHEREAS, On November 3, 1992, by Resolution No. 92-0284, the San Francisco
13 Airport Commission (the "Commission") adopted the Airport Master Plan ("Master Plan"),
14 which among other things envisioned the renovation of the then-existing 527-room Hilton
15 Hotel at the San Francisco International Airport (the "Airport"), along with new hotel space in
16 the International Terminal; and

17 WHEREAS, The Master Plan was evaluated in the Master Plan Final Program
18 Environmental Impact Report ("Master Plan EIR"), under San Francisco Planning Department
19 File No.86.638E and certified by the San Francisco Planning Commission on May 28,1992, by
20 Motion No. 13356, in accordance with the requirements of the California Environmental
21 Quality Act ("CEQA"), California Public Resources Code, Section 21000, et seq., Title 14,
22 Section 15000, et seq. of the California Code of Regulations ("CEQA Guidelines") and
23 Chapter 31 of the San Francisco Administrative Code; and

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1 WHEREAS, The Board of Supervisors (“Board”) reviewed the Master Plan EIR and by
2 Resolution No. 1006-92 (the “Board Master Plan Resolution”) dated December 7, 2002, the
3 Board adopted relevant CEQA findings; and

4 WHEREAS, During implementation of the Master Plan, the Airport decided against
5 including a hotel in the International Terminal, opting instead to replace the Hilton with a new
6 hotel to be built at the same location at the intersection of South Link Road and South
7 McDonnell Road (known as “Plot 2”); and

8 WHEREAS, Section 15168 of the CEQA Guidelines requires subsequent activities in a
9 program that are covered by a program EIR be examined in light of the program EIR to
10 determine whether additional environmental documentation must be prepared; and

11 WHEREAS, The Department of City Planning, Environmental Planning Division
12 (“SFEP”), has issued addenda to the Master Plan EIR to address various Master Plan projects
13 and recently, after reviewing the information regarding the new hotel at Plot 2 and the new
14 AirTrain station at the hotel (collectively, the “Hotel Project”) issued an addendum to the
15 Master Plan EIR on February 5, 2014, (“Hotel Project Addendum”), on file with the Clerk of the
16 Board of Supervisors in File No. 150988 and incorporated by this reference as though fully set
17 forth herein, to address the hotel development changes proposed under the Hotel Project; and

18 WHEREAS, SFEP has concluded that the Hotel Project is within the scope of the
19 Master Plan, that the environmental impacts of the Hotel Project have been adequately
20 analyzed in the Master Plan EIR, that the modifications to the hotel development proposed
21 under the Master Plan and reflected in the Hotel Project would not cause new significant
22 impacts not identified in the Master Plan EIR nor require new mitigation measures, and that
23 no additional environmental review is required; and

24 WHEREAS, On May 19, 2014, the Commission, by Resolution No. 14-0095, adopted
25 CEQA findings and determined to proceed with the Hotel Project and by Resolution No.14-

1 0096, authorized issuance of a Request for Proposals (“RFP”) for a branded hotel operator,
2 and on August 5, 2014, by Resolution No. 14-0158, authorized staff to accept proposals for a
3 branded hotel operator and to negotiate a Hotel Management Agreement (the “Management
4 Agreement”); and

5 WHEREAS, Airport staff issued the RFP for a branded hotel operator for an
6 approximately 350-room hotel (the “Hotel”) on May 20, 2014, and received eleven proposals,
7 ten of which met the minimum qualifications and were reviewed, scored, and ranked by an
8 independent review panel; and

9 WHEREAS, Airport staff negotiated the Management Agreement and a Cash
10 Management and Lockbox Agreement that is attached as Exhibit F to the Management
11 Agreement (the “Lockbox Agreement,” and together with the Management Agreement, the
12 “Agreements”) with the top-ranked firm of Hyatt Corporation, and the Commission awarded
13 the Agreements to Hyatt Corporation (the “Operator”) by Resolutions Nos. 15-0178 and 15-
14 0181, respectively, adopted on September 22, 2015 (the “Award Resolutions”); and

15 WHEREAS, The form of a Trust Agreement between the Commission and U.S. Bank
16 National Association, as bond trustee, is attached as Exhibit G to the Management
17 Agreement; and

18 WHEREAS, The Award Resolutions and the forms of the Agreements and the Trust
19 Agreement have been submitted to this Board and are on file with the Clerk of the Board of
20 Supervisors in File No. 150988, which is hereby declared to be a part of this resolution as if
21 set forth here in full; and

22 WHEREAS, The Agreements with the Operator will have an initial term of ten (10)
23 years commencing on the opening date of the Hotel, with one (1) option to extend the term for
24 an additional five (5) years at the discretion of the Commission and total compensation of not
25 to exceed \$19,945,420 plus reimbursement of expenses, and Section 9.118 of the Charter

1 requires Board approval of any contract entered into by the Commission having a term in
2 excess of ten (10) years and anticipated expenditures of ten (10) million dollars or more; and

3 WHEREAS, The Hotel will be constructed to the Operator's brand standards by a
4 design-build contractor (the "Contractor") to be selected by the Commission and as is
5 customary in hotel developments, the Contractor will purchase the initial furniture, fixtures,
6 operating supplies and equipment under its design-build contract; and

7 WHEREAS, Under the Management Agreement, the Operator will operate and manage
8 all aspects of the Hotel for the Airport, including collecting Hotel revenues for deposit into a
9 Lockbox Fund held by the trustee for the bonds financing the Hotel, paying for all Hotel
10 operating expenses from such Hotel revenues, purchasing furniture, fixtures, operating
11 supplies and equipment for the Hotel from such Hotel revenues, managing the insurance
12 claims process, and settling most claims against the Hotel, subject to certain approvals as
13 required under the Agreements and San Francisco Charter and Municipal Codes; now,
14 therefore, be it

15 RESOLVED, That the Board hereby declares that each of the foregoing recitals is true
16 and correct and is a representation of the Board; and, be it

17 FURTHER RESOLVED, That the Board certifies that it has reviewed and considered
18 the Master Plan EIR and Hotel Project Addendum, and hereby incorporates by reference as
19 though fully set forth herein the CEQA findings contained in Board Resolution No. 1006-92,
20 including the Statement of Overriding Considerations which the Board affirms by this action,
21 and the additional CEQA findings contained in the Hotel Project Addendum; and, be it

22 FURTHER RESOLVED, That the Board concurs with and adopts as its own the
23 findings in the Hotel Project Addendum, and finds that since certification of the Master Plan
24 EIR and issuance of the Hotel Project Addendum, there have been no substantial project
25 changes and no substantial changes in project circumstances that would require major

1 revisions to the Master Plan EIR due to the involvement of new significant environmental
2 effects or an increase in the severity of previously identified significant effects, and there is no
3 new information of substantial importance that would change the conclusions set forth in the
4 Master Plan EIR; and, be it

5 FURTHER RESOLVED, That the Award Resolutions as adopted by the Commission,
6 and the award of the Agreements to the Operator, are hereby approved; and, be it

7 FURTHER RESOLVED, That the Agreements in the forms presented and on file with
8 the Clerk of the Board with an initial term of ten (10) years commencing on the opening date
9 of the Hotel and one (1) option to extend for an additional five (5) years at the discretion of the
10 Commission, are hereby approved, and that the Airport Director and other appropriate Airport
11 officials are hereby authorized to execute and deliver the Agreements with the Operator
12 substantially in the forms presented and on file with the Clerk of the Board, with such changes
13 and additions as the Airport Director shall deem necessary or advisable in consultation with
14 the City Attorney, which changes and additions shall be conclusively approved by such
15 execution and delivery; and, be it

16 FURTHER RESOLVED, That the Trust Agreement in the form presented and on file
17 with the Clerk of the Board is hereby approved; and, be it

18 FURTHER RESOLVED, That within thirty (30) days of the Agreements and the Trust
19 Agreement being executed by all parties, the Airport Director shall provide copies of the
20 executed documents to the Clerk of the Board for inclusion into the official file; and, be it

21 FURTHER RESOLVED, That, in accordance with the terms of the Agreements and for
22 the benefit of the Hotel, the Operator is authorized to:

- 23 • Operate the Hotel on behalf of the Airport;
- 24 • Collect and deposit Hotel revenues directly into the Lockbox Fund held by the bond
25 trustee;

- 1 • Pay all Hotel operating expenses from such Hotel revenues;
- 2 • Purchase or arrange for the purchase from such Hotel revenues of all inventories,
3 provisions, furniture, fixtures, consumable supplies, operating supplies, equipment
4 and services that are necessary to maintain and operate the Hotel in accordance
5 with the operating standards set forth in the Management Agreement;
- 6 • Manage the insurance claims process relating to any insured losses at the Hotel
7 through the Operator’s insurance carriers;
- 8 • Subject to certain notice and approval rights of the Airport and certain joint control
9 procedures set forth in the Management Agreement, retain legal counsel for the
10 Hotel to perform legal services in the ordinary course of business of the Hotel;
- 11 • Subject to certain limitations and Airport rights set forth in the Management
12 Agreement, settle claims involving the Hotel;
- 13 • Take all other actions as provided in the Agreements; and, be it

14 FURTHER RESOLVED, That the Commission is authorized to purchase the initial
15 furniture, fixtures, operating supplies and equipment for the Hotel prior to its opening date
16 through the design-build contract; and, be it

17 FURTHER RESOLVED, That the RFP for selection of the Operator satisfied the
18 competitive process requirements of Section 2A.173 of the San Francisco Administrative
19 Code, and that the Operator is authorized to subcontract the operation of the restaurants, food
20 and beverage outlets, retail store and/or spa in the Hotel in accordance with the terms of the
21 Management Agreement without further competitive process; and, be it

22 FURTHER RESOLVED, That should the application of any provision of this Resolution
23 to any particular facts or circumstances be found by a court of competent jurisdiction to be
24 invalid or unenforceable, then (a) the validity of other provisions of this Resolution shall not be
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1 affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent
2 possible so as to effect the intent of this Resolution.

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