

MINUTE ITEM

This Calendar Item No. 15
was approved as Minute Item
No. 15 by the State Lands
Commission by a vote of 3
to 0 at its 7/22/82
meeting.

MINUTE ITEM
15

7/22/82
WP 4691
Horn
R. Ludlow

APPROVAL OF FORM OF LEASE BETWEEN
STATE AND HOMETELS DEVELOPMENT CORPORATION

During consideration of Calendar Item 15 attached, Mr. Bill Brunsten, Attorney, and Mr. Robert Woolley of Hometels Development Corporation appeared in support of the item.

Commission-Alternate Dave Ackerman, was concerned that the provision in the calendar item dealing with the right to a succeeding lease and subsequent action by the Commission relative to future action to the Hometel's project, might jeopardize agreements between Hometels Development Corporation and financial lenders.

Mr. Woolley assured the Commission that Hometels was satisfied with this clause in the lease.

Upon motion duly made and carried, the Resolution in Calendar Item 15 was approved as presented by a vote of 3-0.

CALENDAR PAGE

MINUTE PAGE

1751

CALENDAR ITEM

15

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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 approximate 375-room, ten-story hotel, on two parcels of State land in the City of Burlingame, San Mateo County. The approximate 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.

A 27

S 12

-1-

(Added 7/16/82)

CALENDAR PAGE	79
MINUTE PAGE	1752

CALENDAR ITEM NO. 15 (CONTD)

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 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: Assignment and Amendment of existing leases; term commenced July 1, 1972 and will expire June 30, 2038.

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

RENT: A minimum of \$50,000 per year for the first five years, adjusted thereafter through year 20 at five-year intervals to equal 75% of the actual average rental paid during the previous five-year period. For years 21 through 55, the minimum annual rent shall be 75% of the average annual rent paid for years 16 through 20.

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

CALENDAR ITEM NO. 15 (CONTD)

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 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.

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, tobacco shops, etc., provided that the 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.

RIGHT TO SUCCEEDING LEASE:

If, at the expiration of the term of the lease, the State wishes to relet the property without competitive bid, it must first offer a lease to lessee, upon such terms and conditions as the State, in its sole judgment determines to be in the State's interest. If the State elects to put the lease to bid, the lessee may bid, but will have no preferential rights in the bid process.

CALENDAR ITEM NO. 15 (CONT'D)

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 ASSIGNMENT AND AMENDMENT OF LEASES 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.

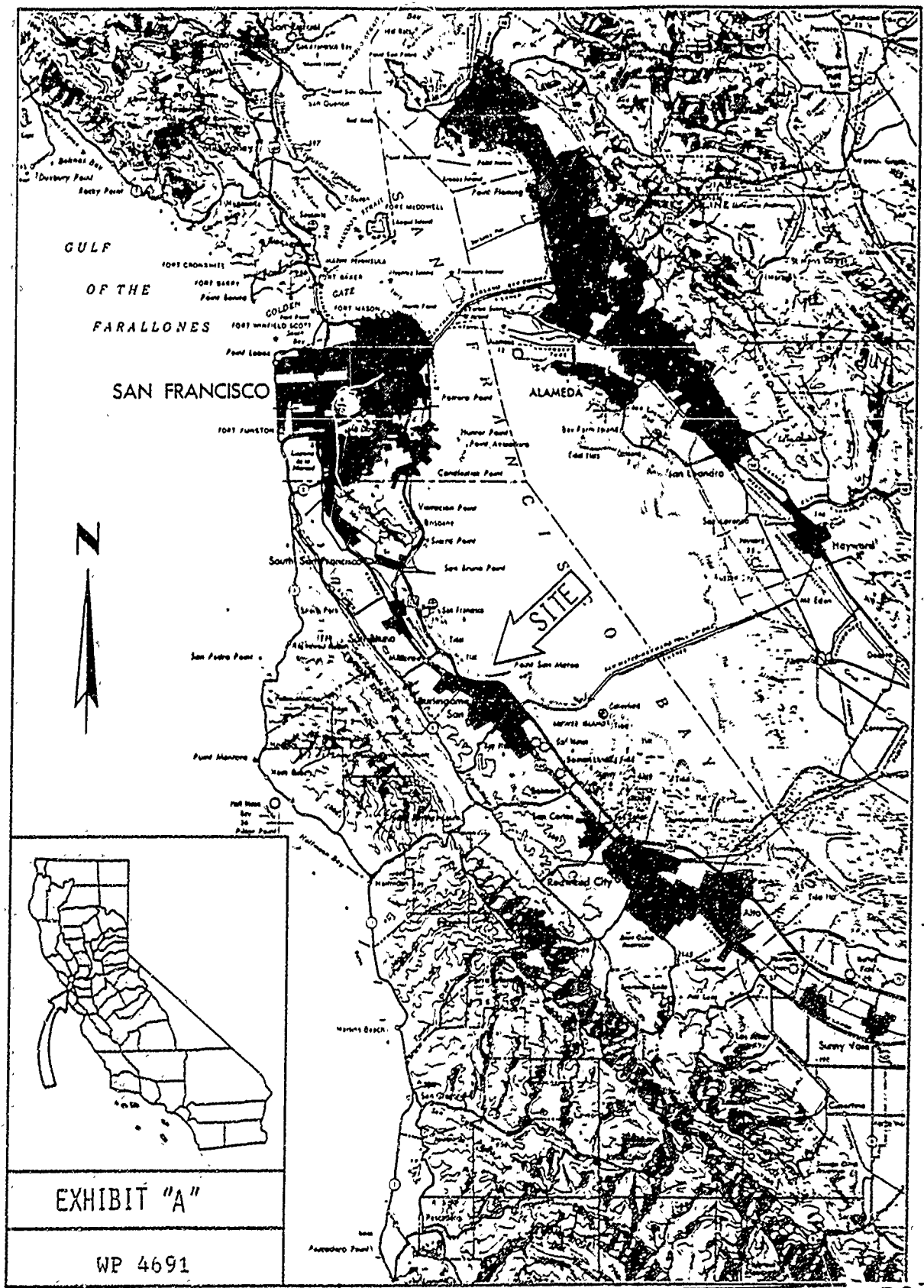


EXHIBIT "A"

WP 4691

CALENDAR PAGE	79 D
MINUTE PAGE	1756