

# REQUEST FOR PROPOSALS

## Hotel or Hotel/Office Development Opportunity

**750 Moffett Boulevard  
Mountain View, California**



Moffett Gateway Aerial

**Issue Date: March 17, 2014**

**Due Date: April 28, 2014**

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March 17, 2014

Dear Prospective Development Teams:

The City of Mountain View is excited about the Moffett Gateway development opportunity and we appreciate your interest in developing the site. The site is available for development on a long-term ground lease from the City of Mountain View to the highest qualified development team. Please accept this formal invitation to proceed to the next step of developer selection, which is the Request for Proposals (RFP) process.

Below is the RFP schedule for your reference:

- March 24, 2014 – RFP Preproposal Conference for Questions/Information Requests (Attendance Required)
- March 28, 2014 – Last Date for Questions/Request for Clarification on RFP
- April 4, 2014 – City Responds to Questions
- April 28, 2014 – RFP Responses Due
- May 8 and 9, 2014 – Developer Interviews (Attendance Required)

We look forward to your RFP responses. If you have any questions, please do not hesitate to contact me.

Sincerely,

Alex Andrade  
Economic Development Manager

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**CITY OF MOUNTAIN VIEW**  
COMMUNITY DEVELOPMENT DEPARTMENT  
Attention: Economic Development Manager  
500 Castro Street  
Mountain View, CA 94041

RFP: Hotel or Hotel/Office Development Opportunity	<b>REQUEST FOR PROPOSALS (RFP)</b>	Response Closing Date: April 28, 2014 at 5:00 p.m., Pacific Time
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**Subject:** Moffett Gateway Request for Proposals (RFP)

Company: \_\_\_\_\_ Name: \_\_\_\_\_  
(PRINT OR TYPE)  
Federal Tax I.D. No. \_\_\_\_\_ Signature\* \_\_\_\_\_  
Street Address: \_\_\_\_\_ Title: \_\_\_\_\_  
City: \_\_\_\_\_ Date: \_\_\_\_\_  
State: \_\_\_\_\_ Zip Code: \_\_\_\_\_  
Tel. No. \_\_\_\_\_ Fax No. \_\_\_\_\_  
E-Mail: \_\_\_\_\_

*\*Authorized Signature: The signer declares under penalty of perjury that she/he is authorized to sign this document and bind the company or organization to the terms of this Agreement. The Qualifications submittal and any other documents submitted in response to the foregoing shall form a part of and be construed with the purchase order/contract.*

ONLY RESPONSES WITH AN ORIGINAL SIGNATURE WILL BE ACCEPTED.

**This cover page must be completed and submitted as part of your response.**

**FOR QUESTIONS REGARDING THIS REQUEST FOR PROPOSALS, PLEASE CONTACT:**  
  
Alex Andrade, Economic Development Manager  
Telephone: (650) 903-6549  
E-mail: [alex.andrade@mountainview.gov](mailto:alex.andrade@mountainview.gov)

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## I. SUMMARY OF THE OFFERING

### A. Introduction

The City of Mountain View (City) is pleased to issue this Request for Proposals (RFP) to short-listed development teams that passed the initial Request for Qualifications (RFQ) process to develop and lease the 6.69-acre Moffett Gateway property (Attachment A).

The process for marketing the Moffett Gateway property began with an RFQ. As an invited participant of the RFP, you are among a small number of respondents that the City, in its sole discretion, determined to be best qualified. The RFP phase requires submittal of more detailed information about the proposed development, business terms, evidence of likely financing, comprehensive hotel, office, and retail (if applicable) development pro formas, performance milestones and benchmarks, Tree Preservation and Removal Plan, and fulfillment of City development objectives and revenue stream. The selected development firm is expected to enter into an Exclusive Right to Negotiate with the City in summer 2014, which will form the foundation for the required Disposition and Development Agreement (DDA) and ground lease. For further details on the developer selection process and RFP schedule, please refer to Sections III and IV.

The Moffett Gateway site is available for development on a long-term ground lease from the City to a highly qualified development team. The City has a long-standing strategy of utilizing land and ground leases to help strengthen the local economic base. Development of the site will fulfill the City's goal of a mixed-use hotel and office project, or exclusively a hotel development, which generates a long-term revenue stream for the City. The ideal development team will have the demonstrated experience, financial and technical capability, and capacity to develop the property consistent with City goals for a high-quality mixed-use hotel and office project. The City will also consider a two-hotel development option.

**Attendance is required at the March 24, 2014 RFP Preproposal Conference. Responses to this RFP are due on Monday, April 28, 2014, by 5:00 p.m. Mandatory developer interviews are scheduled for May 8 and 9, 2014. Please plan accordingly.**

## **B. Project Objectives**

The primary project objectives are as follows:

- High-quality mixed-use development project, including hotel (minimum of three-diamond rating and select service) and office uses. The City will consider a two-hotel development option.
- A financial return to the City.
- Consistency with City goals for the Moffett Gateway property.
- Development team and City will execute an Exclusive Right to Negotiate Agreement (Attachment B), which will form the foundation for the required DDA and ground lease.
- Development firm must adhere, to the extent possible, to the projected project development schedule.

## **C. RFP Evaluation Criteria**

The evaluation criteria used to select and recommend the top qualified development team to City Council for approval will include, but may not be limited to, the following:

- Agreement to RFP requirements and minimum business terms.
- Quality and completeness of RFP proposal.
- Proposed business terms to assure maximum long-term revenues to the City.
- Viability of the proposed development concept and the development team's proven ability to meet the City's objectives and effectively accomplish the proposed development.
- Well-conceived development funding plan and demonstrated financial capability in undertaking successful public/private partnership arrangements similar to what is being proposed for the Moffett Gateway site.
- For respondents proposing to joint venture in the development of the site as a mixed-use hotel and office project, demonstrated ability of the development partners to work effectively together to accomplish the proposed project.



#### D. Development Site

The Moffett Gateway property is a 6.69-acre property located in the southwest quadrant of Highway 101 and Moffett Boulevard. (Highway 101 runs generally east-west through this part of Santa Clara County). The property has a street address of 750 Moffett Boulevard and is identified as APN 153-19-007 (Attachment A). The property is bounded by Stevens Creek and Highway 85 to the west, Highway 101, and a 3.03-acre surplus Caltrans property to the north (the Caltrans property is not included as part of this developer selection process), Moffett Boulevard to the east, and a PG&E substation to the south. The site is generally level and at street grade.

#### Access

Access to the property is limited to a 40' driveway near the PG&E substation. Caltrans currently controls the remaining access rights along Moffett Boulevard. However, Caltrans has determined that they no longer need the access rights along Moffett Boulevard and are willing to relinquish access rights to the developer of

the Moffett Gateway property. Any cost for relinquishing the access rights will be borne by the developer. The additional access rights would extend from 150' south of the controlled intersection of the Highway 101 exit and Moffett Boulevard, and extend to the existing access point. The additional access rights will allow for at least one right-in/right-out driveway along Moffett Boulevard, in addition to an expanded driveway at the current access point. Pursuant to Caltrans regulations, access to the Moffett Gateway property from the highway off-ramp is not a viable option.

### Easements and Utility Lines

Two storm sewer and one sanitary sewer line, which are closely aligned, and a PG&E gas main cross the property. The general locations of the utility lines are illustrated on Attachment C. A preliminary title report, with links to recorded exceptions, and an ALTA Survey of the property, which will be prepared at the City's expense, is being made available to those highly qualified firms invited to participate in this RFP process. The utility lines may be relocated, but the cost to relocate the lines would be the responsibility of the selected development firm with no financial assistance from the City. The estimated cost to relocate the lines is in the range of \$1.0 million to \$1.6 million per line. In addition, the existing PG&E gas easement is only 10' in width, and PG&E has stated that any relocation of their gas line would require a 50' wide easement to meet current safety standards.

### Environmental Site Conditions

The City has completed a comprehensive Subsurface Soil Investigation of the Moffett Gateway property. The investigation confirms the existence of trichloroethylene (TCE) in shallow and deeper aquifers. Except for one small plume near the site of a former building, it is apparent the major plume originates from an off-site source. The Federal Environmental Protection Agency, in concert with the Regional Water Quality Control Board, is continuing to investigate the source and responsible party(ies) for the TCE release. The Subsurface Soil Investigation concludes the level and extent of TCE groundwater contamination would not preclude development of the property, although some protective measures may need to be taken during design and construction (e.g., installation of vapor barriers). Nine pairs of groundwater monitoring wells are currently scattered about the property and could be relocated to accommodate development following consultation with the Regional Water Quality Control Board. As part of their due diligence, proposers are encouraged to have a qualified party review various environmental documents available to the public through the web portals outlined on Attachment D.

## PG&E Substation

PG&E has no plans to relocate or abandon the existing substation, including the transmission lines at the south end of the Moffett Gateway property, and site development planning should acknowledge this fact.

Information contained in this RFP is believed to be accurate; however, no warranties are expressed or implied. The responsibility to conduct independent research and confirm the information lies with interested parties.

## Trees

A June 2011 independent arborist report inventoried 256 trees on the Moffett Gateway property, 196 of which are eligible for Heritage tree status. (See arborist report included with available RFQ downloads.) Many of the trees are on the perimeter of the property. Although the City Council is aware that a significant number of trees will have to be removed to accommodate development, proposers during this RFP stage will have to submit a tree preservation and removal plan that preserves as many of those in “good” to “excellent” condition as reasonably possible.

## **E. Zoning, Permits, and Entitlements**

In June 2012, the City of Mountain View adopted the 2030 General Plan. The 2030 General Plan land use designation for the Moffett Gateway property is Mixed-Use Corridor. Permitted land uses under the Mixed-Use Corridor designation include lodging, office, commercial, and residential. The allowable floor area ratio (FAR) is 1.85, of which up to 0.50 FAR can be for office use.

**All proposals must comply with the allowed 1.85 FAR. Development teams may propose something beyond the allowed 1.85 FAR only after addressing a development concept that meets the 2030 General Plan Mixed-Use Corridor policy.**

Four stories are allowed per the 2030 General Plan. The City Council favors a mixed-use development with a minimum three-diamond hotel that accommodates at least 120 rooms and an office building; or a two-hotel development option.

Parking requirements for the hotel development are one parking space per guest room. Parking requirements for the office development are one parking space per 300 square feet. Shared parking between the hotel and office uses is encouraged, which could result in an opportunity for reduced overall parking requirements.

The City Council may be willing to consider increased building height, consistent with the 2030 General Plan Mixed-Use Corridor designation, to improve the site plan, building footprints, and tree preservation on this site. The City Council may also be willing to consider increased FAR, consistent with good site planning, in exchange for improved economics to the City and/or substantial additional community benefits. In the event that you wish to propose a project alternative with increased FAR and/or project height, please provide a separate pro forma analysis, a comparison that clearly demonstrates the additional financial and community benefits to the City from this alternative, and all information required under Section IV of this RFP.

### Permits and Entitlements

The following permits and entitlements will be required for the development process of the property:

- The City has established an informal preliminary review process for development proposals. This includes an initial review by City staff and at least one round of comments by the Development Review Committee (DRC). This process is intended to provide feedback, which will help prepare a project for formal application submittal.
- The concurrent permit process includes a Precise Plan, a Planned Community Permit, Tree Removal Plan, and environmental review. A Public Hearing by the Environmental Planning Commission (EPC) regarding project design and mix of land uses is a required step in the approval of the Planned Community Permit. The EPC will make a recommendation to City Council regarding the approval of the Planned Community Permit.

As part of the approval process, the selected development team will pay all normal planning, public works, and building fees related to the proposed development.

### **F. Project Development Schedule (Projected)**

The selected development firm is expected to enter into an Exclusive Right to Negotiate with the City in summer 2014, which will form the foundation for the required DDA and ground lease. Upon execution of the DDA and ground lease, the development firm is expected to submit development plans for the

Moffett Gateway site and commence the environmental review phase. Below is a projected development schedule:

*3rd Quarter 2014* – City and selected development firm enter into Exclusive Right to Negotiate Agreement

*1st Quarter 2015* – City and selected development firm negotiate and execute DDA and ground lease (including performance milestones)

*3rd Quarter 2015* – Developer submits development plans and application

*2nd Quarter 2016* – Entitlements and Environmental Review complete

*4th Quarter 2016* – Construction drawings and building permit

*1st Quarter 2017* – Construction begins

*1st Quarter 2018* – Project complete

## II. KEY BUSINESS TERMS

The City anticipates entering into a DDA and long-term ground lease for the property. The following section briefly describes minimum business terms. In their submittals, developers shall indicate acceptance of these minimum business terms, or identify areas of proposed modification with an explanation as to why they need to be modified and suggest alternative ways to address them.

- **Sufficient Quality and Magnitude of Development** – The City has a preference for a mixed-use development project, including hotel (minimum of three-diamond rating and select service) and office uses. Hotel baseline requirements shall include a minimum of 120 rooms. The City will also consider a two-hotel development option.
- **Financial Return to the City** – The proposed development will maximize the long-term financial return to the City through ground rent, Transient Occupancy Taxes, Possessory Interest Tax, Sales Tax, and any other applicable stream of revenue. The City will not provide any subsidies, and the City will bear no obligations or financial risk.
- **Proposed Financing Plan** – Provide a clear and specific plan for securing the necessary equity and debt to finance and construct the hotel and/or hotel and office project, highlighting the nature and likely timing of any major contingencies.

Indicate the proposed shares of debt and equity, and construction financing of the hotel and/or hotel and office uses.

- **Project Funding** – Development firms shall include documentation of preliminary commitments or statements of interest from lenders and/or potential equity partners or current balances of existing equity funds.
- **Lease Term** – The City will agree to a lease term appropriate to the proposed use and based upon market conditions. The initial lease term will be 55 years, with extension options (up to four 10-year options).

The City expects to receive a ground rent reflective of the potential long-term performance of the proposed project and that is generally consistent with comparable projects.

- **Base Ground Rent: Hotel** – Base ground rent is expected to represent a minimal amount for the hotel portion of the mixed-use development for the first five years of operation. The City does not expect payment of base rent for the hotel development portion to commence until operations begin and Certificate of Occupancy has been approved. Beginning in the sixth year of operation, and on every five-year anniversary thereafter, base rent will be adjusted to 75 percent of the average rent paid in the preceding five-year period. The dollar amount of the base rent at each of these five-year adjustments can increase, but not decrease.
- **Percentage Rent: Hotel** – Some form of percentage rent is highly desirable for the hotel. On an annual basis, such rent must be based upon gross rather than net revenues (as an example, 6 percent of total revenues). At the start of each Option Period (i.e., Lease Years 56, 67, 78, and 89), the percentage rent will be adjusted to market levels.
- **Participation Rent: Hotel** – Some form of participation rent is highly desirable for the hotel. Specifically, participation in net proceeds from occasional capital events such as refinancing (such as 2 percent of any increase in the amount of the loan) and sales (such as 2 percent to 5 percent of gross sales proceeds) is desirable. Participation in excess revenues above pro forma levels would also be considered (such as an additional 5 percent to 10 percent of rent on any excess gross revenues above the original pro forma amount annually).
- **Base Ground Rent: Office Building** – Base ground rent is expected to represent a market rate of return on a land value for the office portion of the mixed-use development. The City expects payment of base ground rent for the office development portion to commence immediately following execution of the ground lease. Base rent will include a minimum periodic base rent adjustment of 3 percent



annually. Periodic reappraisals to adjust base rent to the current market rates are desirable.

- **Participation Rent: Office Building**—In addition to base ground rent, the City wishes to participate in the gross receipts for all uses collected in any office development. Please propose a participation structure as a percentage of gross receipts. Participation in sales and refinancing proceeds is also desirable.
- **Pro Forma(s)**—A detailed project pro forma shall include predevelopment and construction periods, and 15 years of projected operation. Development teams are required to use the attached pro forma templates for hotel and office uses (and retail use if it applies).
- **Possessory Interest Tax**—The lessee will be expected to pay a possessory interest tax in lieu of property tax.
- **Good-Faith Deposit**—The selected development firm for the Moffett Gateway project will be required to submit a good-faith deposit of \$100,000 (cashier's check) to offset any costs associated with the DDA and ground lease process prior to entering into the Exclusive Right to Negotiate Agreement with the City. The payee on the check will be the City of Mountain View. The initial \$100,000 good-faith deposit will become immediately nonrefundable. If the Exclusive Right to Negotiate Agreement process extends beyond 90 days, a 60-day extension may be considered and an additional \$25,000 good-faith deposit would be required.
- **Labor Neutrality**—Development firms shall provide information about their experience, if any, with Labor Neutrality Agreements in response to this RFP. Development firms are expected to identify whether their pro forma(s) accounts for a Labor Neutrality Agreement or not. The City has not made a determination on whether a Labor Neutrality Agreement would be required or not for the Moffett Gateway development.
- **Predevelopment Costs**—The development team will be responsible for all customary and published City fees and private predevelopment costs, including the preparation of all required submittals to the City in order to receive land use and environmental approvals. The City will facilitate the predevelopment process.
- **Subordination**—The fee ownership, base rent, and percentage rent will not be subordinated.
- **Construction Guarantees and Assurances**—The DDA will include provisions for performance bonds, or other remedies to ensure completion of the project,

including any and all public improvements required as a condition of project approval.

The development entity must provide appropriate assurances, acceptable to the City, that the project will be completed and opened for operation and tenancy as identified in the response to this RFP. The hotel must be built to a minimum standard of three-diamond lodging (per AAA) and must maintain this rating throughout the ground lease term.

- **Insurance**—The lessee will be required to maintain certain prescribed minimum insurance coverages throughout the term of the lease.
- **Assignment**—The City will have a reasonable right to approve any assignment of the lease, as well as any changes in hotel franchisor or operator.
- **Performance Milestones and Benchmarks**—The lease and development agreement will include specific performance standards and dates with regard to the planning, design, financing, construction, and opening of the project. The development schedule will include benchmarks with clear termination provisions for nonperformance as outlined in this RFP.
- **Traffic Demand Program**—The selected development firm is expected to participate in a Traffic Demand Program to reduce peak-hour trips by a minimum of 20 percent trip reduction off of the Institute of Transportation Engineers' rates. Shared parking within the proposed development is strongly encouraged.
- **Environmental Sensitivity and Sustainability**—The development team will describe how they expect to integrate environmental sensitivity such as green building principles and design to a minimum of LEED Silver Standards. Development to higher standards is encouraged.
- **Floor Area Ratio (FAR)**—Proposers are expected to conform to the land use parameters of the 2030 General Plan, but may propose higher densities where there are substantial community benefits beyond the expected financial return to the City. Proposers expressly understand that project approval is in the sole and absolute discretion of the City Council. **All proposals must comply with the allowed 1.85 FAR. Development teams may propose something beyond the allowed 1.85 FAR only after addressing a development concept that meets the 2030 General Plan Mixed-Use Corridor policy.**
- **Prior Relationships with Consultants**—The City has identified Stephen Koch of Baker Street Associates as Real Estate Advisor for marketing the Moffett Gateway site, RFQ/P submittals evaluation, real estate finance, and DDA and ground lease

support; Libby Seifel of Seifel Consulting as Real Estate Economics Advisor assisting with marketing the Moffett Gateway site, RFQ/P submittals evaluation, pro forma analysis, and development agreement support; Maurice Robinson of Maurice Robinson & Associates as Hotel Development Advisor assisting on hotel ground lease, economics of hotel operations, RFQ/P submittals review (hotel) and marketing and financial feasibility; and Bill Sanderson of Thomas, Whitelaw & Tyler, LLP, as Legal Counsel for negotiations of development of the lease and related agreements. Proposers should identify and be prepared to waive any conflicts of interest that may exist with members of their project team and these consultants.

- **Real Estate Commissions** – The City will not pay commissions to brokers in this transaction.

### III. DEVELOPER SELECTION PROCESS

The process for marketing the Moffett Gateway property began with an RFQ and is being followed by this RFP, which has been issued to five respondents that the City, in its sole discretion, determined to be best qualified. As stated earlier, this RFP phase requires the submittal of more detailed information about the proposed development, business terms, evidence of likely financing, comprehensive hotel and office development pro formas, performance milestones and benchmarks, Tree Preservation and Removal Plan, and fulfillment of City development objectives and revenue stream. The City has ultimate responsibility for the selection process, with the assistance of its consultants as needed.

#### A. RFP Schedule

<u>Date</u>	<u>Activities</u>
March 17, 2014	Short-List Announced
March 17, 2014	Issuance of Request for Proposals (RFP)
March 24, 2014	RFP Preproposal Conference for Questions/Information Requests (Attendance Required)
March 28, 2014	Last Date for Questions and Request for Clarification on RFP
April 4, 2014	City Responds to Questions
April 28, 2014	RFP Responses Due

<u>Date</u>	<u>Activities</u>
May 8 and 9, 2014	Developer Interviews (Attendance Required)
June 2014	Developer Selected for 90-Day Exclusive Right to Negotiation Resulting in Detailed Business Term Sheet to Become Basis for DDA and Ground Lease

The City of Mountain View may amend this schedule with written notice to all proposers.

#### **IV. REQUEST FOR PROPOSALS – REQUIRED SUBMITTAL INFORMATION AND EVALUATION CRITERIA**

After evaluation of all responses to this RFP, including interviews, all proposals will be ranked and the City expects to select one respondent to enter into a 90-day Exclusive Right to Negotiate Agreement (ERNA) period. The negotiations, if successful, will result in a Detailed Term Sheet that will provide the basis for subsequent negotiation of the DDA and long-term ground lease. Should the City not reach agreement with the top-ranked respondent within the ERNA period, the second-ranked respondent may be invited to negotiate, and so on.

The City of Mountain View is the sole and final decision-maker regarding selection of the development team and reserves the right to reject any or all proposals. Individual submittals will not be returned.

Each response to the RFP should include the following five components, which are further described below:

- Cover Letter and Acceptance of RFP Terms
- Proposed Development Concept
- Development Team Roles and Responsibilities
- Development Revenues, Funding, and Implementation Plan
- Detailed Business Terms and Project Pro Forma(s)

## **A. Cover Letter and Acceptance of RFP Terms**

The submission must contain a cover (or transmittal) letter signed by the “team representative,” the person authorized to represent and negotiate on behalf of the development team. The letter should include the following:

- Brief description of development team members and key responsibilities, including responsibility for providing predevelopment funding and project management.
- Brief description of the proposed development concept.
- State the team’s agreement to the City’s RFP requirements, as described in this solicitation, or present any proposed modifications to them, particularly noting the following:
  - Agreement to the minimum business terms.
  - Agreement to submit the required nonrefundable deposit of \$100,000, if selected and before signing an Exclusive Right to Negotiate Agreement.
  - Agreement to fund all private predevelopment costs and pay required City fees.
- Summary of Key Business Terms and statement that these terms will be binding through the end of March 31, 2015, unless mutually extended by the parties.

## **B. Proposed Development Concept**

A narrative description of the proposed project taking into account the unique attributes of this site, which should include the following:

- Summary of Development Project
  - Summary of Key Components of the Proposed Development
    - o Hotel, including expected AAA Diamond rating, number of stories, gross hotel building square footage, room count, hotel amenities, and other relevant information.
    - o Office, including number of stories, gross office building square footage, office amenities, and other relevant information.

- o Retail, including square footage and likely use.
- o Parking, including number of spaces provided by location and construction type; i.e., surface, structure (partially above or above grade).
- Design Approach and Building Layout
  - o Description of overall design approach.
  - o Description of how the development proposal is consistent with the General Plan or contemplates increases in allowable height and/or FAR.
  - o Architectural style and other design features of critical importance to development success.
  - o General description of building locations and proposed access points to the development.
  - o Site plan integration and relationship to surrounding uses.
  - o Massing diagram.
  - o Approximate FAR of the project. **All proposals must comply with the allowed 1.85 FAR. Development teams may propose something beyond the allowed 1.85 FAR only after addressing a development concept that meets the 2030 General Plan Mixed-Use Corridor policy.**
- Expected Development Quality and Sustainability Features, Including Proposed LEED Rating
- Tree Preservation and Removal Plan
  - o Describe approach to preserving trees in “good” to “excellent” condition per the Arborist Report (can be viewed through the City’s website).
  - o Describe approach to tree removal where it may be necessary and present strategies to mitigate the loss of trees.

- Description of how the proposed development concept will best capitalize on the market opportunities for the proposed uses.
- Provide an estimated development schedule, assuming an executed ground lease and development agreement no later than the first quarter of 2015. If a phased project is anticipated, describe the plans for phasing, amount of time expected for full build-out, how any unused portions of the development site would be treated in the interim, and what factors will determine the timing and configuration of future phases.
- Provide an estimated cost of development (in inflated dollars).

The continuity of acceptable quality of operations through the lease must contain provisions that ensure that the hotel operated on the site is consistent with the City's objectives. The City shall have the right to approve the initial operator and brand, and subsequent changes of the operator and brand.

### **C. Development Team Roles and Responsibilities**

- Summarize the roles and responsibilities of each team member.
- Present an organizational chart showing clear lines of responsibility.
- Indicate who will interface with the City throughout the development process and how decisions will be made.
- Summarize the qualifications and experience of any development team member not described in the previous RFQ.
  - Identify the team member's name, street address, telephone number, fax number, and e-mail address.
  - Include a one-page description of relevant development qualifications, including description of core business activities and mission, amount of development that has been historically built and currently under way by this entity, and recent experience in Silicon Valley.
  - Provide organizational information on the development entity, including number of employees, office locations, and other organizational information.
  - Description of core business activities and mission.

- Number of years in business.
- Number of full-time employees.
- A description of the roles of key team members and one- to two-page resumé of relevant staff assigned to this project. If the proposing entity has identified outside consultants or advisors to assist in the planning, design, negotiations, or other aspects of the project, please identify these consultants/advisors and briefly describe the nature and type of services to be provided.

**D. Development Revenues, Funding, and Implementation Plan**

- Provide an estimated cost of development (in inflated dollars).
- Provide a clear and specific plan for securing the necessary equity and debt to finance and construct the project in order for the project to be completed by 2018, highlighting the nature and likely timing of any major contingencies.
- Indicate the proposed shares of debt and equity.
- Include documentation of preliminary commitments or statements of interest from lenders and/or potential equity partners or current balances of existing equity funds.
- Provide a development time line with proposed performance milestones, assuming an executed ground lease and development agreement no later than the first quarter of 2015.
- If a phased project is anticipated, describe the plans for phasing, amount of time expected for full build-out, how any unused portion of the development site would be treated in the interim, and what factors will determine the timing and configuration of future phases.

**E. Detailed Business Terms and Project Pro Forma(s)**

A Detailed Business Offer that explicitly addresses all items in the City’s “Minimum Business Terms,” which should include at a minimum:

- Any and all ground lease base (minimum) rent payments from execution of ground lease through predevelopment, construction, and 15 years of operations, and describe the basis and timing for periodic upward adjustments.



- Any and all proposed deferrals or discounts to base rent throughout the life of the lease.
- Any and all percentage rental rates on operating revenues and basis for their derivation.
- Proposal for the City's participation in excess gross revenues and/or capital events (such as sale or refinancing).
- Desired term of lease and requirements for extensions.
- A pro forma that shows the anticipated predevelopment and construction process, as well as a 15-year operating pro forma which simulates the proposed terms (see Attachment E for definitions of pro forma items and required template format):
  - Projection of development revenue generation, including target room rates, office rents (NNN), retail rents, and applicable occupancy level.
  - Projection of anticipated annual revenue to the City from all sources, including ground rent, Possessory Interest Tax, and Transient Occupancy Taxes.
  - Proposers may submit alternate pro formas, with and without Labor Neutrality Agreements, if desired. The City has not made a determination about whether a Labor Neutrality Agreement would be required for the Moffett Gateway development.
  - Proposers may submit alternate pro formas that contemplate a greater level of development than currently allowed under the General Plan
- Minimum desired internal rate of return for the project (unleveraged and assuming a sale after 15 years of operation).
- Statement confirming these business terms will be adhered to through the end of March 31, 2015.
- **Anticipated Market Positioning and Project Revenues**
  - Description of target market for proposed uses and why this site is particularly well-positioned for the proposed development concept. For the office building, please identify the four most relevant comparable

office buildings that you have used to estimate the potential market rents at this location.

- A detailed estimate of anticipated annual revenue to the City from all sources, including ground rent, Possessory Interest Tax, and Transient Occupancy Taxes. Describe the basis of the revenue projection to the City.

### **Project Pro Forma**

The City's basic business terms were described above. The City is requesting a detailed business offer (with particular attention to the "key terms" listed above) and a detailed project pro forma covering the predevelopment and construction periods and first 15 years of projected operation in Microsoft Excel format. Attachment E provides directions, required format for the project pro forma(s), and indicates the level of detail that is expected. In the submittal, respondents must indicate acceptance of these more detailed business terms, or provide an explanation and an indication of how they would address any material differences.

The City recognizes the sensitive nature of the financial information requested in this RFP; therefore, such requested information may be submitted under separate cover and labeled "Confidential." All proposals are considered confidential until the City makes a selection, at which time the proposals shall become public information and available to the public for review. However, all financial statement portions of each proposal will be treated as confidential and will not be available for public review at any time. In addition, confidential records may be returned to those not selected as being "highly qualified," if so requested.

## **V. QUESTIONS AND CORRESPONDENCE**

All questions regarding the RFP document, the property, and/or the process must be addressed in writing no later than March 28, 2014 to:

Alex Andrade, Economic Development Manager  
Community Development Department  
City of Mountain View  
500 Castro Street, First Floor  
Mountain View, CA 94041  
[alex.andrade@mountainview.gov](mailto:alex.andrade@mountainview.gov)

## VI. DEADLINE AND DELIVERY

**One signed original hard copy with wet signature plus 12 hard copies are required labeled "Moffett Gateway RFP" and are due by 5:00 p.m. on Monday, April 28, 2014, to the above address. In addition, submit one electronic response to this RFP via thumb drive or CD-ROM disk (in PDF format), and submit the pro forma(s) as a Microsoft Excel file.**

All hard copies of the submittal must be enclosed in a sealed envelope. The face of the envelope must reference "Moffett Gateway RFP" and the name and address of the submitting organization(s). The City of Mountain View will not provide any preselection information concerning the status of submittals other than the acknowledgment that they were received. Responders must number all pages of the RFP submittal and follow the same format under the Table of Contents.

The development team should allow for sufficient mail delivery time to ensure timely receipt by the issuing office. Any response, modification to responses, or request for withdrawal of responses arriving after the closing date and time will be considered late. Delivery of the RFP response to the specified location by the prescribed time and date is the sole responsibility of responders.

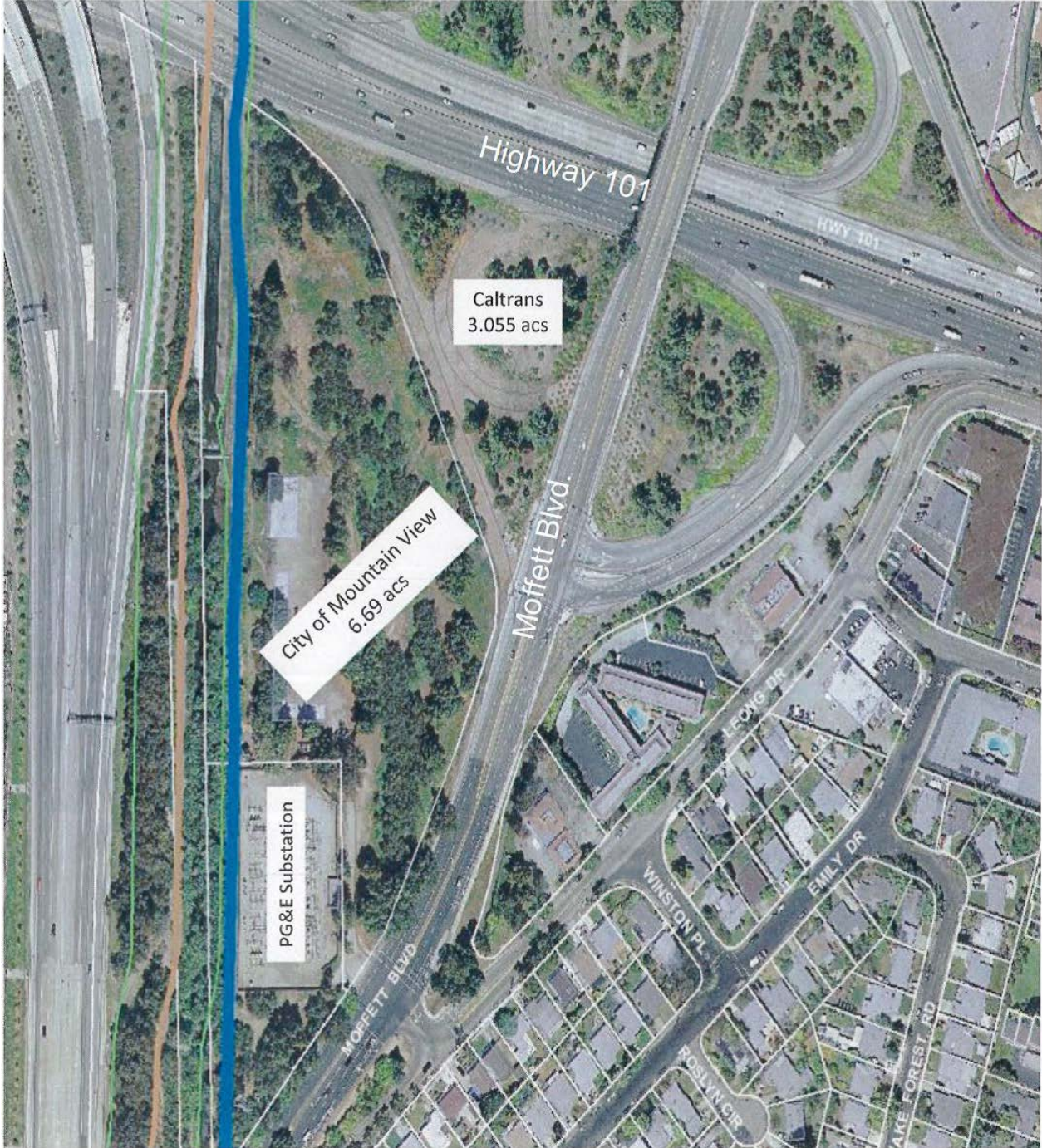
As noted above in the Project Schedule, the City will host an informational Presubmittal Conference for interested parties on **March 24, 2014, from 9:30 a.m. to 11:00 a.m.** This meeting will be held in the Plaza Conference Room, Second Floor, City Hall, 500 Castro Street, Mountain View. **Attendance at this informational meeting is required.** Please confirm your attendance by calling Joanne Francis at (650) 903-6379 or by e-mail at [joanne.francis@mountainview.gov](mailto:joanne.francis@mountainview.gov) by March 19, 2014.

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ATTACHMENT A

MAP OF MOFFETT GATEWAY PROPERTY  
6.69 Acres



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## ATTACHMENT B

### EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT

THIS EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT (the "Agreement") is dated for identification this \_\_\_\_\_ day of \_\_\_\_\_, 2014, by and between the CITY OF MOUNTAIN VIEW (hereinafter "CITY"), a California Charter City and municipal corporation, and \_\_\_\_\_ (hereinafter "DEVELOPER"), on behalf of itself on the terms and conditions set forth below. CITY and DEVELOPER hereby agree as follows:

#### I. NEGOTIATIONS

##### A. Good-Faith Negotiations

DEVELOPER and CITY agree to negotiate diligently and in good faith for the negotiation period set forth in Section (I)(B) toward one or more definitive agreements (collectively, "DDA and Ground Lease") regarding the lease by CITY to DEVELOPER of certain property (the "Site"), known and described as \_\_\_\_\_, consisting of the Moffett Gateway property, approximately 6.69 acres, and located in the City of Mountain View, California, as generally depicted on Exhibit A, attached hereto, and the proposed development on the Site by DEVELOPER to develop a hotel or hotel and office development project (the "Project") within the City of Mountain View.

##### B. Negotiation Period

1. CITY agrees not to negotiate with any other persons or entities regarding the lease or development of the Site or any portion of the Site for a period of ninety (90) calendar days from \_\_\_\_\_, 2014 to \_\_\_\_\_, 2014 (the "ERN Period"). DEVELOPER agrees not to negotiate with any other person or entities for development of a similar project during the ERN Period, provided, however, that DEVELOPER shall have the right to negotiate and enter agreements for the purchase, lease, or development of other properties to the extent the same are in addition to, and not in lieu of, the development contemplated for the Site. This prohibition shall not prevent CITY from providing information regarding the Site to persons or entities who may request such information, provided, however, that CITY shall not disclose any information of a confidential or proprietary nature respecting the Site or the proposed Project which is provided by DEVELOPER to CITY in confidence, unless required to do so by law [but only after providing DEVELOPER with at least two (2) business days' prior notice of such disclosure]. This Agreement shall terminate at

the expiration of the ERN Period, \_\_\_\_\_, 2014, unless mutually extended in writing by CITY and DEVELOPER for an additional sixty (60) day period.

2. If an ERN Agreement is reached within the ninety (90) days, the parties will then have four (4) to six (6) months to finalize a DDA and Ground Lease and other necessary agreements.

### **C. Consideration**

Upon execution of this Agreement, DEVELOPER shall provide CITY with a One Hundred Thousand Dollar (\$100,000) good-faith and security deposit ("Deposit"). During the ERN Period, CITY may pay third-party costs it incurs during the ERN Period in connection with the negotiation of the DDA and Ground Lease, (i.e., legal counsel, consultants, surveyors, etc.) or, if DEVELOPER shall fail to perform its obligations under Paragraph II(C) below, costs incurred by CITY to perform the same, from this Deposit. An additional deposit of Twenty-Five Thousand Dollars (\$25,000) would be required for sixty (60) day extension of the ERN Period.

### **D. Cost of Studies**

The cost of studies conducted by or at the request of DEVELOPER during the ERN Period shall be the responsibility of DEVELOPER. Except as provided in Paragraph I(C), above, CITY shall be responsible for the cost of: (i) studies performed, environmental site assessment, and arborist report prior to the ERN Period or otherwise conducted by or at the request of CITY during the ERN Period; (ii) an ALTA survey of the Site; and (iii) a current preliminary title report for the Site. DEVELOPER shall not be responsible for any cost incurred by CITY in excess of the Deposit amount set forth in Paragraph I(C), above except as the parties otherwise agree.

## **II. RIGHT OF ACCESS**

A. During the ERN Period, DEVELOPER may enter any portion of the Site owned by CITY for the purpose of conducting such tests, inspections, investigations, and studies as DEVELOPER deems desirable or necessary, including, without limitation, conducting surveys, and collecting surface and subsurface soils and groundwater samples. Prior to any such entry upon the Site, DEVELOPER shall provide CITY with fax notice of the purpose of such entry a minimum of twenty-four (24) hours prior to entry, the location of any sampling to be performed and the time such sampling will occur.

B. DEVELOPER shall indemnify, defend, and hold CITY and its respective employees, officers, agents, and representatives harmless against any claim for damages to persons or property arising from any activity of DEVELOPER, DEVELOPER's



employees, officers, agents, representatives, contractors, subcontractors, or consultants on the Site during the ERN Period; provided, however, that the foregoing shall not apply to liability resulting from the findings and conclusions of any such tests, inspections, investigations, or studies. During the ERN Period, DEVELOPER shall obtain and maintain a policy or policies of comprehensive general and automobile liability insurance in a minimum amount of Five Million Dollars (\$5,000,000) per occurrence, including bodily injury, death, contractual liability, including, without limitation, performance by DEVELOPER of the indemnity provisions contained above to the extent it is insurable, and property damage as a combined single limit or equivalent, and such insurance shall name CITY as an additional insured.

C. DEVELOPER will receive a copy of all reports regarding the condition of the site prepared by CITY's consultants during the ERN Period. CITY will receive a copy of all reports regarding the condition of the Site prepared by DEVELOPER's consultants during the ERN Period. All testing wells will be properly closed by DEVELOPER, and there shall be proper disposal of any test byproducts by DEVELOPER. Upon expiration of the ERN Period, DEVELOPER shall repair any damage or injury to the Site caused by the activities of DEVELOPER and its agents, employees, contractors, subcontractors, and consultants thereon.

D. CITY shall, within ninety (90) days following the execution of this Agreement, provide to DEVELOPER an ALTA survey for the Site and a current preliminary title report issued by a title company acceptable to DEVELOPER, with a legal description corresponding to the survey, along with copies of all underlying documents.

E. CITY shall maintain in confidence all reports and studies submitted by DEVELOPER to CITY, unless CITY is required to disclose such reports and studies by law (but only after providing DEVELOPER with at least two (2) business days' prior notice of such disclosure).

### **III. APPROVAL OF GROUND LEASE**

DEVELOPER agrees and understands that the DDA and Ground Lease resulting from the negotiations under this Agreement shall become effective only after, and only if, the DDA and Ground Lease has been considered and approved by the City Council of the City of Mountain View after a Public Hearing is conducted.

### **IV. LIMITATIONS**

CITY's execution of this Agreement does not constitute CITY's commitment or agreement to undertake (a) disposition of land to DEVELOPER; or (b) any other acts or

activities requiring a subsequently independent exercise of discretion by CITY, or any agency or department thereof.

This Agreement does not constitute a disposition of property or exercise of control over property by the City of Mountain View. Execution of this Agreement by CITY is merely an agreement to enter into a period of exclusive negotiations and to negotiate diligently and in good faith toward a definitive DDA and Ground Lease for the Site according to the terms hereof, reserving final approval by the City Council of the City of Mountain View as to the final DDA and Ground Lease, and all proceedings and decisions in connection therewith.

Execution of this Agreement by DEVELOPER is merely an agreement to negotiate diligently and in good faith toward a definitive DDA and Ground Lease for the Site according to the terms hereof, reserving final approval by the board of directors and/or authorized officers of \_\_\_\_\_ as applicable, as to the final DDA and Ground Lease and such other agreements in connection therewith.

**V. NOTICES**

Any and all notices required by this Agreement may be directed by fax or mail as follows:

City of Mountain View  
Attention: \_\_\_\_\_  
500 Castro Street  
Mountain View, CA 94041  
Fax No. (650) 962-8502

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Fax No. \_\_\_\_\_

**VII. AUTHORITY**

Each party hereto represents and warrants to the other that it has the legal power, right, and authority to enter into this Agreement, and all requisite action has been taken or obtained by said party in connection therewith. Each signatory of a party hereto represents and warrants to the other party that it is duly authorized to enter into this Agreement on behalf of said party and bind said party to the terms and conditions hereof.

IN WITNESS WHEREOF, this Agreement has been executed in duplicate by the parties hereto on the day and year first above written.

“CITY”:  
CITY OF MOUNTAIN VIEW,  
a California charter city and municipal  
corporation

By: \_\_\_\_\_  
City Manager

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

“DEVELOPER”:

\_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

APPROVED AS TO FORM:

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

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## EXHIBIT A

### LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF MOUNTAIN VIEW, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

Portion of that parcel of land described in that Final Order of Condemnation No. 87578, recorded August 20, 1954, in Volume 2942, Page 568, of Official Records of Santa Clara County, described as follows:

#### PARCEL 1:

Beginning for reference at the Southeasterly corner of that parcel of land described as Parcel 1 in Director's Deed No. 11829-DD to Santa Clara County Flood Control and Water Conservation District, recorded October 19, 1960 in Volume 4954, Page 459, Official Records of Santa Clara County; thence along the Northeasterly prolongation of the Southeasterly line of said Parcel 1 (4954 OR 489) N. 40°23'54" E., 272.13 feet; thence along a tangent curve to the left with a radius of 1458.00 feet, through an angle of 2°42'35", an arc length of 68.95 feet to a point herein for convenience called Point "A", said Point "A" being the true point of commencement; thence S. 89°30'05" W., 13.00 feet; thence N. 0°29'55" W., 331.00 feet; thence S. 89°30'05" W., 191.84 feet to the Easterly boundary line of said Parcel 1 (4954 OR 489); thence along last said line N. 0°45'41" E., 453.27 feet and N. 2°16'56" E., 346.46 feet to the Northeasterly corner of said Parcel 1 (4954 OR 489); thence along the Southeasterly prolongation of the Northeasterly line of said Parcel 1 (4954 OR 489), S. 62°35'19" E., 52.28 feet; thence along a tangent curve to the right with a radius of 352.00 feet, through an angle of 38°12'46", an arc length of 234.76 feet; thence S. 24°22'33" E., 453.08 feet; thence along a tangent curve to the right with a radius of 150.00 feet, through an angle of 40°08'11" an arc length of 105.08 feet; thence S. 15°45'38" W., 162.92 feet; thence S. 20°54'12" W., 166.25 feet; thence from a tangent that bears S. 29°54'56" W., along a curve to the right with a radius of 1458.00 feet, through an angle of 7°46'23", an arc length of 197.80 feet to the true point of commencement.

#### PARCEL 2:

A Roadway Easement for ingress and egress and incidents thereto upon, over and across the following described parcel of land, together with AN EASEMENT for underground public utility facilities and incidents thereto upon, under and across the following described parcel of land:

Commencing at above-described Point "A"; thence along the general Easterly and Southerly lines of the above-described 6.739 acre parcel of land, S. 89°30'05" W., 13.00 feet, N. 0°29'55" W., 331.00 feet and S. 89°30'05" W., 12.00 feet; thence S. 0°29'55" E., 230.23 feet; thence S. 29°30'05" W., 18.94 feet; thence S. 0°29'55" E., 100.00 feet; thence N. 89°30'05" E., 22.00 feet to the course described in Parcel 1 above with the arc length of 68.95 feet; thence along last said course from a tangent that bears N. 38°28'28" E., along a curve to the left with a radius of 1458.00 feet, through an angle of 0°47'09", an arc length of 20.00 feet to the point of commencement. Being the easement reserved in the Deed Recorded June 12, 1970 in Book 8951 at Page 95, Instrument 3821863.

APN: 153-19-007

AA/7/CDD  
824-03-17-14RFP-E

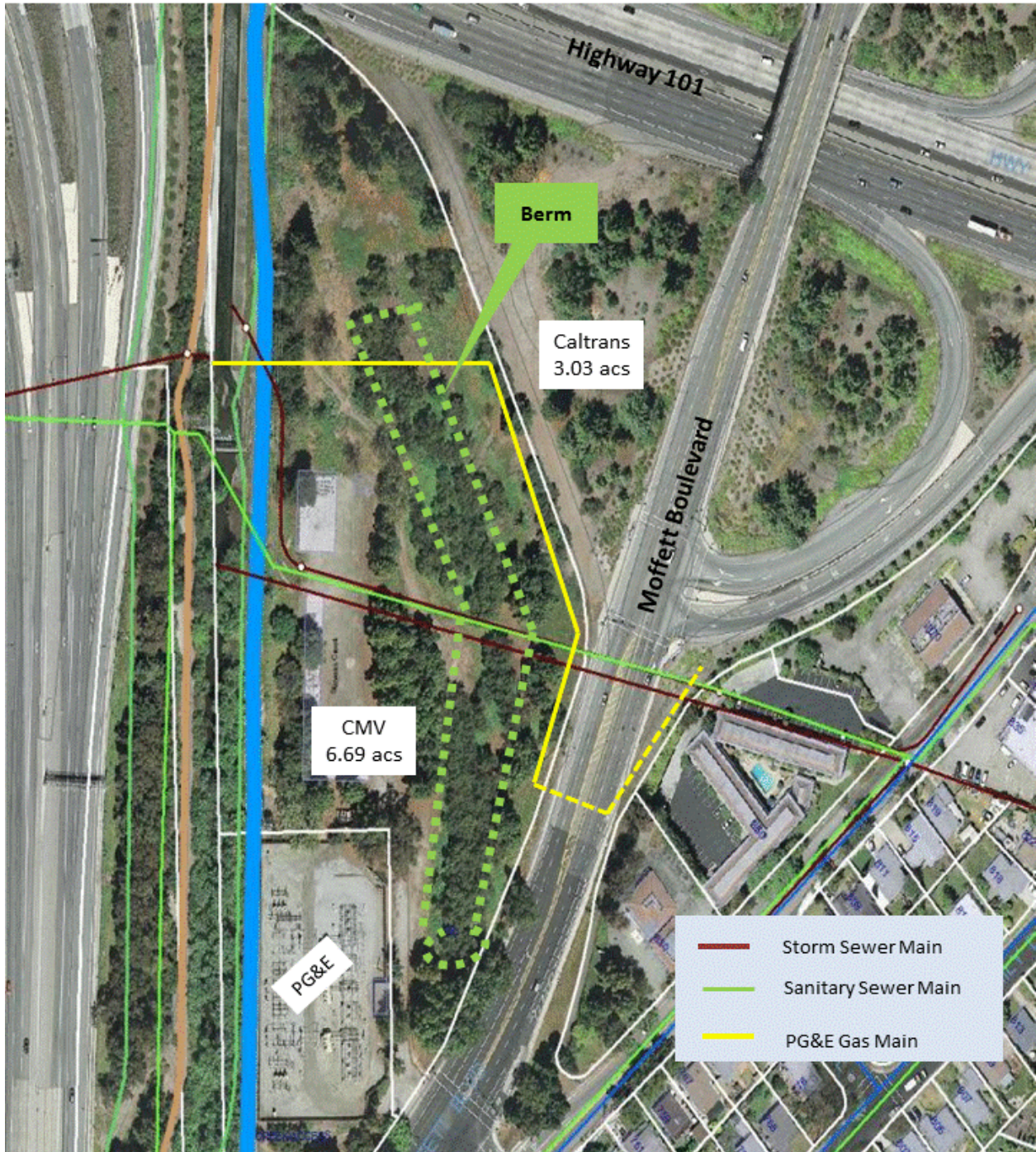
Attachment B – Exhibit A

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ATTACHMENT C

MOFFETT GATEWAY UTILITIES MAP



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## ATTACHMENT D

### IMPORTANT DOCUMENT LINKS

As part of their due diligence, proposers are encouraged to have a qualified party review various environmental documents available to the public on the following web portals:

<http://geotracker.waterboards.ca.gov/> (Property address is 750 Moffett Boulevard)

[http://www.envirostor.dtsc.ca.gov/public/profile\\_report.asp?global\\_id=60000183](http://www.envirostor.dtsc.ca.gov/public/profile_report.asp?global_id=60000183)

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## ATTACHMENT E

### PRO FORMA INSTRUCTIONS

This attachment provides instructions regarding the type and level of detail of information required by the RFP's pro forma for the project pro forma. The Microsoft Excel pro forma is separated into four worksheets: Summary, Hotel, Office, and an optional Retail pro forma (if development program includes retail that is not integral to the hotel). Complete the appropriate land use worksheets and link the land use sheets to the applicable portions of the Summary sheet. The returned pro forma can be presented in Excel as "values only" with links to the Summary sheet.

The pro forma's required components include general development assumptions, itemized development costs, financing assumptions, operating assumptions, a stabilized operating statement, a 15-year operating pro forma, and a 15-year operations summary, including calculations of measures of return. For the purpose of consistency, please use a 3 percent inflation assumption for costs, revenues, and expenses (excluding ground lease payments). This appendix also provides detailed definitions of the terms used in the templates.

#### GENERAL DEVELOPMENT ASSUMPTIONS

Provide development assumptions, development schedule, and financing assumptions (see the first worksheet tab "**Summary**" of the attached pro forma template for further detail). The major categories are summarized below.

##### Development Program

- **Project Building Area Summary**—Provide the total built-out project gross square footage and the net square footage/leasable square footage. For the hotel uses, provide square footage for the following uses: lodging rooms, restaurant space, meeting space, public space (such as spa facilities and exercise rooms), food and beverage, administration, back of house, and mechanical.
- **Parking Specifications**—Provide the number of surface and/or structured parking spaces included in your proposal. In your proposal's narrative description and site plan(s), indicate precisely where these parking spaces would be located. Please indicate the average square footage for structured and for surface parking spaces.

## Development Schedule

- **Development Schedule**—Indicate the years in which construction costs and operating assumptions are based. Also indicate the expected construction period in months and a phasing plan, if appropriate.

## Funding Parameters

- **Construction Loan**—Provide your financing assumptions for the construction and/or mini-perm loan, including the loan-to-cost ratio, construction period (months), interest rate (annual), average outstanding balance, loan fees, and construction loan amount. Show assumptions behind the calculation of construction period interest.
- **Permanent Financing**—Provide your financing assumptions for the permanent loan, including the amortization period (years), interest rate (annual), loan fees and points, permanent loan amount, starting date, and annual debt service. Include any projected refinancing events.
- **Hypothetical Sale**—Provide the assumptions and calculations involved in the hypothetical sale of the entire project in Year 15 of operations.
- **Equity**—Provide your assumptions about the amount and sources of equity. Include amounts of equity reductions, if any, from refinancing events.

## DEVELOPMENT COSTS/TIMING

Provide development costs for the appropriate site work, hard cost, and soft cost line items listed in the three worksheet tabs “**Hotel, Office, Retail**” in the pro forma template. The major categories are summarized below:

### Direct Development Costs

Provide your development cost assumptions for the following major direct development cost categories:

- **Ground Rent Paid Prior to Year 1**—Provide the proposed ground rent paid during predevelopment and construction.
- **Site Work (Off-Site) Costs**—Such as sewer, utility, or street improvements located off-site but necessary for the proposed project’s development.

- **On-Site Public Improvement Costs**—Such as grading; drainage; sidewalks; paving; retaining walls; storm, water, sewer, and electrical system upgrades; and other on-site costs.
- **Landscaping and Other On-Sites**—Such as costs for plant materials, irrigation systems, resource protection measures, outdoor furniture and garden amenities, and other general landscaping costs.
- **Hard Costs**—Provide hard costs per square foot of building area for each of the uses listed in the pro forma, such as core and shell, tenant improvements, other hard construction costs, parking, and hard cost contingency. For parking, include parking-related landscaping and lighting in the costs. *For hotels, one estimate of total FF&E is sufficient. Only the Total FF&E per-room estimate will be evaluated.*

### **Soft Development Costs**

Provide your assumptions for the following major indirect development cost categories: Architecture/Engineering, Permits and Fees, Legal/Insurance/Accounting, Other Professional Services, Real Estate Taxes, Developer Overhead/Project Management, Advertising and Promotion, Leasing Commissions, Construction Loan Fee, Construction Interest, Operating Reserves, Other Soft Costs, and Soft-Cost Contingency.

### **Development Cost Inflation**

Indicate the year upon which the construction costs are based. If other than current 2014 dollars, please utilize a 3 percent annual inflation rate.

### **Growth Rate Assumptions**

Assume a 3 percent annual inflation rate for all revenues (after stabilization), including Possessory Interest Taxes.

### **CASH FLOW PROJECTIONS ASSUMPTIONS**

Provide operating assumptions for your project. The major categories of pro forma operating assumptions for each component (**Hotel, Office, Retail**) are summarized and defined on the next page.

## Hotel Operating Assumptions

In general, please follow the *Uniform System of Accounts for the Lodging Industry, Tenth Edition*.

- **Key Statistics**—Provide the expected operations start date(s). Also indicate the expected ramp-up period with initial, annual, and stabilized occupancy levels and average room rates for the proposed project. If you are proposing a phased development, describe how the phasing process would work.

## Revenue Assumptions

**Departmental Revenues.** Provide revenue assumptions for all relevant departmental revenue categories.

- **Room Revenue**—Identify room revenue derived from the rental of lodging rooms.
- **Food and Beverage**—Such as revenues (net of any adjustments) derived from the sale of food and beverages in outlets, room service, lobby market, catering/banquets, events, and in-room “honor bars,” etc. Other food and beverage revenue items would include audio/visual, public room rentals, cover charges, service charges, and miscellaneous other revenues.
- **Spa/Recreation Services**—Such as revenues derived from the operation of fitness center, spa, and other recreation facilities.
- **Telecommunications**—Such as guest-derived revenues from phone calls, facsimiles, phone commissions, and Internet charges.
- **Parking**—Such as revenues received for transporting guests by in-house or outside services, valet parking, and guest parking fees.
- **Rental and Other Income**—Such as income from business or concierge services, meeting room rental, equipment or movie rental, concessions, sublease income, interest income, cancellations/attrition, and commissions and revenue-sharing arrangements.
- **Other Revenues**

## Expense Assumptions

**Departmental Expenses.** Provide your expense assumptions for all relevant departmental expense categories.

- **Room Expenses**—Such as payroll and benefits costs for the front desk, guest services, housekeeping, laundry, reservations, and other operating expenses.
- **Food and Beverage**—Such as payroll and benefits costs for all outlets, room service, lounge, conference services, catering and banquet personnel, cost of goods, supplies, and other operating expenses.
- **Spa/Recreation Services**—Such as payroll and benefits costs for the spa and/or health club professionals, instructors, recreation-related retail employees, and maintenance workers that maintain all recreation facilities. Other operating expenses may include cost of goods sold in the spa/fitness shops and costs for guest amenities.
- **Telecommunications**—Such as costs for calls, equipment rental, and maintenance charges.
- **Parking**—Such as payroll and benefits costs for drivers and transportation coordinators. Other operating expenses may include costs for gasoline, vehicle maintenance, vehicle leasing, outside services, site shuttles, etc.
- **Rental and Other Expenses**—Such as expenses, including payroll and benefit costs, from such sources as business or concierge services, meeting room rental, equipment or movie rental, concessions, and commissions and revenue-sharing arrangements.
- **Other Expenses**—Such as payroll and benefits costs for the retail operation and other operating expenses, including the costs of goods sold.

**Undistributed Operating Expenses**—Provide expense assumptions for the following major undistributed operating expense categories:

- **Administration and General**—Such as payroll and benefits costs for the general manager, accounting, human resources, and security. Other operating expenses may include costs for bad debt, credit card commissions, centralized accounting charges and corporate office reimbursables, professional fees, office supplies, etc.
- **Base Management Fee**—Such as base fees charged by a management company for supervising the operations of the property.

- **Sales and Marketing Expenses**—Such as payroll and benefits costs for the entire sales staff. Other operating expenses may include costs for advertising, travel, brochures, central marketing fees, etc., and franchise fees when applicable.
- **Franchise Fees**—Such as other chain management fees, including incentive-based fees.
- **Maintenance**—Such as payroll and benefits costs for the entire maintenance staff. Other operating expenses may include costs for general site maintenance, ongoing infrastructure maintenance, electrical/mechanical equipment, grounds and landscaping, HVAC, kitchen equipment, uniforms, tools and supplies, waste removal, and the noncapital replacement of furniture, fixtures, and equipment, etc.
- **Energy**—Such as costs associated with providing gas, electricity, fuel, water, heat, sewer, trash pickup services, etc., including taxes on utilities.
- **Other Operating Expenses**—Include any other undistributed operating expense.
- **Adjustment for Union Labor Force**—In the event the hotel is required to be unionized, provide the anticipated change to the operating costs.

**Fixed Expenses.** Provide expense assumptions for the following expense categories:

- **Replacement Reserves**—Such as replacement capital for furniture, fixtures, and equipment.
- **Equipment Rental**—Such as rent payments for leased equipment.
- **Insurance**—Such as insurance on building and contents for loss of use and fire, and liability insurance, etc. This cost does not include Workers' Compensation insurance.
- **Property Taxes (Possessory Interest)**—Estimate possessory interest taxes in lieu of property taxes.
- **Other Assessments and Charges**—Please indicate if your proposal includes other fixed charges.



## Office Operating Assumptions

- **Key Statistics**—Provide the expected operations start date(s). Also indicate the expected ramp-up period with initial, annual, and stabilized vacancy levels, average base rent per square foot and nonrecoverable operating expenses per square foot for the proposed project. If you are proposing a phased development, describe how the phasing process would work.

**Income and Expense Assumptions**—Provide revenue assumptions for all relevant revenue and expense categories, including base rent, other income, and recoverable and nonrecoverable expenses.

- **Base Rent**—The amount consideration payable by a tenant for the right to occupy the office space.
- **CAM and Other Recoverable Expense Income**—The amount of operating expenses and management fees recovered as rent from tenants as part of their lease.
- **Other Income**—Such as income from such sources as business or concierge services, meeting room rental, signage revenue, sublease income, interest income, or parking revenues.
- **Recoverable Expenses**—Such as insurance, utilities, operation, and maintenance costs.
- **Property Taxes (Possessory Interest)**—Estimate possessory interest taxes in lieu of property taxes.
- **Management Fees**—Such as fees charged by a management company for supervising the operations of the property (assumed to be recoverable).
- **Capital Reserve**—A budgeted reserve for capital replacement as required for core and shell and equipment.

## **Retail Operating Assumptions (Optional Pro Forma if Development Program Includes Retail That is Not Integral to the Hotel)**

- **Key Statistics**—Provide the expected operations start date(s). Also indicate the expected ramp-up period with initial, annual, and stabilized vacancy levels, average base rent per square foot, retail sales per square foot, restaurant sales per square foot, and operating expenses per leasable square foot for the proposed project. If you are proposing a phased development, describe how the phasing process would work.

**Income and Expense Assumptions**—Provide revenue assumptions for all relevant departmental revenue categories, including base retail rent, percentage retail rent, other income, recoverable expenses, and nonrecoverable expenses.

- **Base Retail Rent**—The amount consideration payable by a tenant for the right to occupy the office space.
- **Percentage Retail Rent**—Revenue to the landlord based on a percentage of retail sales from the tenants.
- **Other Income**—Such as income from such sources as business or concierge services, meeting room rental, sublease income, interest income, or parking revenues.
- **Recoverable Expenses**—Such as insurance, utilities, operation, and maintenance costs, and possessory interest taxes.
- **Property Taxes (Possessory Interest)**—Estimate possessory interest taxes in lieu of property taxes.
- **Management Fees**—Such as fees charged by a management company for supervising the operations of the property.
- **Capital Reserve**—Such as capital for furniture, fixtures, and equipment.

## **GROUND LEASE PAYMENTS TO THE CITY OF MOUNTAIN VIEW**

For each property type, provide expense figures for the following categories:

- **Base Ground Rent**—Which includes the proposed, guaranteed minimum base rent, and any proposed periodic upward adjustments.

- **Percentage Rent**—Include your proposed schedule of percentage rent terms, including basis for calculation, threshold/break points, percentage rates, and basis (i.e., gross revenue).
- **Participation Rent**—Include any proposed participation rent structure with the City, such as percentage of net refinancing proceeds, fees for allowing lessee transfers/assignments, or share of “excess revenues” (above a pro forma level).

## **15-YEAR OPERATING PRO FORMA**

Provide a 15-year cash flow operating summary in the relevant worksheets (**Hotel, Office, Retail**) with line item details for all revenue and expense categories and a calculation of Net Operating Income in the pro forma template. At the bottom of the operating pro forma, include a debt service line item to arrive at a bottom line of net after-debt cash flow (pretax). Do not include noncash items such as depreciation, intra-ownership capital transfers, or income taxes.

## **FINANCIAL SUMMARY AND ESTIMATED MEASURES OF RETURN**

Provide a financial summary of the project that clearly shows the predevelopment phase, construction period, and 15 years of operations, and a hypothetical sale after Year 15 of operations, with no assumed refinancing in the intervening years. Include Net Operating Income (NOI), reversionary (Year 15) value based on a 7.5 percent cap rate on Year 15 NOI, annual debt service, permanent loan pay-down, and any payments to the City of Mountain View (including base rent, percentage rent, participation rent, etc.). Calculate the following measures of return:

- Return on cost (using stabilized NOI in Year 3/total development costs);
- Annual cash-on-cash (unleveraged); and
- Internal rate of return (IRR, unleveraged and leveraged).

For the purposes of negotiating the rent provisions of the ground lease, please identify the minimum threshold Internal Rate of Return (IRR, unleveraged and leveraged) and Return on Cost (ROC) that you would accept for the development and operation of the proposed project. In the event of changes to your proposed rent schedule during the ground lease negotiations, this IRR would be used to ensure that any changes result in an equivalent rate of return to the developer.

## REVENUES TO THE CITY

Provide a financial summary of the project that clearly shows the revenues to the City, including the ground lease with base rent, percentage rent and participation rent, possessory interest taxes, Transient Occupancy Tax (TOT) revenues, and sales tax revenues, if applicable.

- **Possessory Interest Tax**—The basic property tax rate is 1 percent. The City receives 16.29 percent of this levy.
- **Transient Occupancy Tax**—The City imposes a tax in the amount of 10 percent of the amount of rent charged for occupying a hotel room.
- **Sales Tax**—The City receives 1 percent of taxable sales.