



DATE: October 6, 2015

CATEGORY: New Business

DEPT.: Community Development

TITLE: **Hope Street Lots Development**

RECOMMENDATION

Authorize the City Manager, or his designee, to continue discussions with The Robert Green Company regarding development of the Hope Street lots.

BACKGROUND

After receiving unsolicited development proposals for various City-owned properties in 2014, the City Council discussed pursuing leasing and development of various downtown City parking lots at a Study Session on January 20, 2015 (Attachment 1). Potential objectives for development on various sites included addressing community needs for housing, public parking, and City revenue generation. On March 31, 2015, the City Council directed staff to focus initially on development of the Hope Street lots and market the long-term ground lease opportunity through a Request for Qualifications (RFQ) and Request for Proposals (RFP) process with a preference for a unique hotel of at least three-diamond quality and potentially including a modest retail or office component (Attachment 2). Council expressed interest in developing Lot 12 (Bryant Street) for housing in the future.

Based on Council direction, the proposed development of the Hope Street lots has been pursued in order to attain four primary objectives:

1. Increase public parking;
2. Provide a quality hotel downtown as a new amenity to complement existing downtown activities;

3. Provide quality employment opportunities for hotel workers by requiring greater protections for labor-organizing activities than would be required under Federal law; and
4. Provide a financial return to the City.

Five development teams responded to the RFQ. Based on the strength of their responses, three teams were invited to submit development proposals: R.D. Olson, T2 Hospitality, and The Robert Green Company. R.D. Olson and The Robert Green Company responded with development proposals for consideration.

Development of the Hope Street lots is governed by the Downtown Precise Plan. Lot 4 is an irregular-shaped, 0.76-acre parcel located in the Historic Retail District (Area H) of the Downtown Precise Plan and in close proximity to the Transit Center. Lot 4 contains 88 surface parking spaces. Lot 8 is a 0.65-acre property located directly across Hope Street from Lot 4 and part of Area G of the Downtown Precise Plan. Lot 8 consists of 61 surface parking spaces. Below is a description of Downtown Precise Plan parking, height, and floor area ratio requirements for Lots 4 and 8 and aerial maps.

Lot 4

- Existing parking spaces: 88
- Size: 33,135 s.f. (0.76 acre)
- Irregular configuration
- Precise Plan:
 - Public parking must be replaced onsite and underground
 - Maximum height: 55' and 4 stories
 - Building coverage: 100%, no maximum FAR



Lot 8

- Existing parking spaces: 61
- Size: 28,500 s.f. (0.65 acre)
- Precise Plan:
 - Public parking spaces must be replaced below grade or off-site
 - Maximum height: 4 stories
 - Maximum FAR: 1.85

**ANALYSIS**

The RFP directed developers to submit proposals consistent with the Downtown Precise Plan, and also allowed them to submit an alternative proposal which would require amendments or exceptions to the Downtown Precise Plan. R.D. Olson submitted two proposals and The Robert Green Company submitted one proposal.

Both development teams proposed hotels and the minimum requested increase in public parking. Currently, Lots 4 and 8 provide 149 surface public parking spaces. The RFP required developers to meet project parking requirements, as well as providing a minimum of 225 public parking spaces, which is a net increase of 76 new spaces.

R.D. Olson proposed a hotel under AC Hotels by Marriott brand. R.D. Olson submitted two proposals: Option A and Option B. For Option A, a four-story, 130-room hotel and all project parking would be provided on Lot 4; a subterranean parking garage (plus surface parking) accommodating 225 public parking stalls would be constructed on Lot 8. For Option B, R.D. Olson proposed a five-story, 175-room hotel on Lot 4 and a five-story aboveground parking structure on Lot 8.

The Robert Green Company proposed a 180-room hotel on Lot 4 and a 52,725 square foot office and ground-floor retail space on Lot 8, with subterranean parking on both lots. The hotel would be operated under the Joie de Vivre Hotel brand. The Robert Green Company proposes all subterranean parking and up to 10 surface parking spaces for a total of 385 spaces. Specifically, Lot 4 would include 195 below-grade parking spaces and Lot 8 would include 190 parking spaces (180 below grade). They propose

225 public parking spaces, which would be located on levels one and two of both of the underground parking garages. The table below provides an overview of the proposals.

	R.D. Olson		The Robert Green Company
Hotel	Option A AC Hotel by Marriott 130 rooms; 4 stories (Lot 4) 3+ Diamonds	Option B AC Hotel by Marriott 175 rooms; 5 stories (Lot 4) 3+ Diamonds	Joie de Vivre (JDV) Hotel 180 rooms 5 stories (Lot 4) 3+ Diamonds
Office	None	None	52,725 square feet (w/ ground-floor retail); 4 stories (Lot 8)
Amenity Spaces	Hotel <ul style="list-style-type: none"> • Meeting Space 827 sf • Lounge/Dining 2,740 sf • Pool Deck 3,678 sf • Rooftop Deck 3,400 sf 	Hotel <ul style="list-style-type: none"> • Meeting Space 827 sf • Lounge/Dining 2,740 sf • Pool Deck 3,678 sf • Rooftop Deck 3,400 sf 	Hotel <ul style="list-style-type: none"> • Meeting Space 5,000 sf • Food/Beverage 7,000 sf • Rooftop Deck Office <ul style="list-style-type: none"> • Restaurant, Retail, and Café (ground floor) 2,775 sf
Parking	<ul style="list-style-type: none"> • Lot 4: 130 below-grade hotel spaces • Lot 8: 225 public spaces in surface and underground parking facility • Total: 355 parking spaces 	<ul style="list-style-type: none"> • Lot 4: 148 underground hotel spaces • Lot 8: 225 public spaces in above-grade parking structure • Total: 373 parking spaces 	<ul style="list-style-type: none"> • Lot 4: 195 underground spaces (hotel and public) • Lot 8: 190 spaces. 180 spaces underground. • Total: 385 parking spaces

Option A by R.D. Olson and the proposal by The Robert Green Company anticipate the City participating in the financing of the project to some extent.

Staff consulted with hotel development, financial, and parking experts in reviewing the proposals and participating in developer interviews. The proposals were assessed against the four primary objectives previously mentioned. Evaluation criteria of proposals included, but were not limited to, the following: a minimum of 225 public parking spaces, proposed development concept, quality and schedule, development team qualifications, financial information and business terms such as City revenue and requested City assistance, and adherence to the labor provisions of the RFP.

R.D. Olson did not meet the labor provisions of the RFP. In addition, staff believes the proposal from The Robert Green Company better meets the objectives of the proposed Hope Street lots development and has more realistic financial projections with higher long-term annual revenues (after Year 20), and a superior, higher-quality site plan concept.

Based on proposal evaluations, staff recommends the City continue discussions with The Robert Green Company with the objective of developing a project-financing strategy, analyzing business terms, and exploring mixed-use development options on Lot 8. To be clear, staff is not proposing that an Exclusive Right to Negotiate Agreement (ERNA) be executed at this time, but to explore if alternative deal terms satisfactory to the City and The Robert Green Company can be accomplished. Staff anticipates returning to Council before the end of the year with an update, and if appropriate, a recommendation for a formal ERNA with key business terms.

Project Timeline

Staff previously developed an aggressive schedule to take advantage of the currently favorable economic climate. The schedule previously established is outlined below:

4th Quarter 2015 – City and selected development firm enter into ERNA.

2nd Quarter 2016 – City and selected development firm execute DDA and lease.

3rd Quarter 2016 – Developer submits development plans and application.

2nd Quarter 2017 – Entitlements and environmental review complete.

4th Quarter 2017 – Construction drawings and apply for building permit.

1st Quarter 2018 – Building plan approval.

2nd Quarter 2018 – Construction begins.

2nd Quarter 2019 – Project complete.

If staff's recommendation is approved by Council, it is expected to affect the initial project timeline.

FISCAL IMPACT

Some initial financial participation by the City is expected, with long-term financial benefits. The City has \$5.7 million of Parking In-Lieu fees for the purpose of increasing parking capacity in the downtown area. Other potential funding sources to offset project development costs may include rebates of Transient Occupancy Tax (TOT) payments and issuance of Certificates of Participation, with debt service funded by minimum rent payments from the project and/or an additional fee paid by hotel patrons.

Future revenues to the City may be a combination of ground lease, percentage rent, sales tax, participation rent, possessory interest tax, and TOT. The amount of revenues will depend upon negotiations and the economy (for TOT revenues).

CONCLUSION

If staff's recommendation to continue discussions with The Robert Green Company is approved by Council, staff anticipates returning to Council before the end of the year with an update and potential recommendation for a formal ERNA with key business terms for development of the Hope Street lots.

ALTERNATIVES

1. Direct staff to include R.D. Olson in further discussions.
2. Reissue the RFP.
3. Do not develop the Hope Street lots at this time.
4. Explore development of other downtown public parking lots.
5. Provide other direction.

PUBLIC NOTICING

Development of the Hope Street lots may impact residents and businesses downtown during construction. Staff has begun outreach and communication efforts regarding the development project. A page on the City website is dedicated to the project at <http://goo.gl/B90onr>. Interested individuals can receive notifications and updates about the project via MyMV (<http://mountainview.gov/mymv/>). Staff has sent electronic notices and/or postcards to downtown property owners, business owners,

the Chamber of Commerce, the Central Business Association, and Old Mountain View Neighborhood Association, which notified them of the recent Closed Session and how they can continue to be updated. Social media will be used to communicate key steps in this process as well. The meeting agenda and Council report have been posted on the City's website and announced on Channel 26 cable television.

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- Attachments: 1. [Council Study Session – January 20, 2015](#)
2. [Council Meeting – March 31, 2015](#)