

REQUEST FOR PROPOSALS

Hotel Development Opportunity

Hope Street Lots Mountain View, California



Issue Date: July 6, 2015

Submission Deadline: 3:00 p.m., September 1, 2015

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COMMUNITY DEVELOPMENT DEPARTMENT • ECONOMIC DEVELOPMENT DIVISION
500 Castro Street • Post Office Box 7540 • Mountain View • California • 94039-7540
650-903-6479 • Fax 650-962-8502

July 6, 2015

Dear Prospective Development Team:

The City of Mountain View is pleased to include you as one of only a few highly qualified teams invited to submit a proposal in response to this Request for Proposals (RFP) for the leasing and development of the Hope Street Lots.

Below is the RFP schedule for your reference:

- July 20, 2015 – RFP Preproposal conference for questions/information requests (Attendance Required)
- July 28, 2015 – Last date for questions/requests for clarification on RFP
- August 7, 2015 – City responds to questions
- September 1, 2015 (3:00 p.m.) – Developer proposals due
- September 18 and 21, 2015 – Developer interviews (Attendance Required)
- October 6, 2015 – City Council selection of successful proposer

The City looks forward to receiving your proposal. If you have any questions, please contact me by e-mail at alex.andrade@mountainview.gov, or by phone at (650) 903-6549.

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 Development Opportunity	REQUEST FOR PROPOSALS (RFP)	Response Due Date: September 1, 2015 at 3:00 p.m. Pacific Time
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Subject: Hope Street Lots 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 Proposal 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

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ATTACHMENT A – Map of the Hope Street Lots

ATTACHMENT B – Sample Exclusive Right to Negotiate Agreement

ATTACHMENT C – Pro Forma Instructions

ATTACHMENT D – Summary of Proposed Wages and Benefits

ATTACHMENT E – Links to Significant Documents

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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 a select few developers interested in leasing and developing two downtown surface parking lots, identified as Lots 4 and 8 (hereinafter Hope Street Lots) and shown in Attachment A. The site is available for development on a long-



term ground lease from the City to a highly qualified development team that, in the discretion of the Mountain View City Council, presents the best design and site layout with superior integration with the downtown and the most favorable business and financial terms to the City. Development of the site will fulfill the City's goal of attracting a high-end downtown hotel project, with per-

haps a modest office or retail component. An equally weighted objective is to increase the number of public parking spaces that currently exist (149 spaces) on the Hope Street Lots.

The process for marketing the Hope Street Lots property for development began with a Request for Qualifications (RFQ). Following an evaluation of submitted qualification statements, a limited number of development teams are being invited to submit formal proposals in response to this RFP. A preproposal conference is scheduled for 10:00 a.m. to 12:00 noon on Monday, July 20, 2015. The meeting will be held in the Plaza Conference Room, Second Floor of City Hall. Attendance is mandatory.

Responses to this RFP are due on Tuesday, September 1, 2015, by 3:00 p.m. Pacific Time. Late submittals will not be accepted.

B. Project Objectives

The primary project objectives are as follows:

- A distinctive, high-quality premier hotel development project which may include a limited office or retail component, befitting of Mountain View's vibrant downtown and proximity to the Mountain View Transit Center.
- In addition to meeting the on-site parking requirements of the project, the selected developer will be required to increase the number of public parking spaces on the project site from the current 149 spaces to a minimum of 225 spaces. **The number of additional public parking spaces to be provided over and above the minimum of 225 public parking spaces, and requested City contributions of any kind toward the project (if any), will be a significant factor in the evaluation of proposals.**
- A financial return to the City.

C. Setting

The City of Mountain View lies approximately 10 miles north of San Jose and 35 miles south of San Francisco. The City is bordered by San Francisco Bay to the north, Palo Alto to the west, Los Altos to the south, and Sunnyvale to the east.

The Hope Street Lots are strategically located one block from the downtown core and across the street from the Mountain View Transit Center. Mountain View is located in the heart of Silicon Valley and is home to many established high-technology firms and respected institutions. More than 62 million square feet of research and development and office space are located in Mountain View and the two adjacent cities of Palo Alto and Sunnyvale. Google, Intuit, LinkedIn, Microsoft, Symantec, Synopsys, and the NASA Ames Research Center all have major campuses within three miles of the Hope Street Lots. San Francisco and San Jose International Airports are both located within a 30- to 45-minute driving time. Levi's Stadium, home of the San Francisco 49ers, is located in the nearby City of Santa Clara and is accessible by light rail from the Mountain View Transit Center.

Mountain View has a vibrant and pedestrian-friendly downtown centered on Castro Street. The Hope Street Lots are located one block east of Castro Street between West Evelyn Avenue and Villa Street. The downtown is home to more than 75 restaurants and over 20 unique retailers. Most recently, the downtown has evolved into the destination of choice for high-technology start-up businesses such as 23andMe, Pure Storage, Quixey, Quora, WhatsApp, 500 Startups, and many more. The Mountain View Civic Center, including City Hall, the Center for the

Performing Arts, the Library, and Pioneer Park, is located on Castro Street four blocks south of the Hope Street Lots. The City has two parking structures and nine surface parking lots in the downtown accommodating approximately 1,600 off-street parking spaces. Parking demand exceeds the parking industry occupancy threshold of 85 percent during the weekday and weekend lunch and dinner hours.

At the north end of Castro Street is the Mountain View Transit Center, a multi-modal transit hub served by Caltrain commuter rail, Santa Clara Valley Transportation Authority (VTA) light rail and bus service, and numerous employer shuttles serving major employers in Mountain View and throughout the Silicon Valley, including Apple, Cisco, Google, Intuit, LinkedIn, Microsoft, Netflix, Oracle, Symantec, and Yahoo. In 2014, the Mountain View Caltrain Station ranked third in average weekday ridership and bike usage among all peninsula cities served by Caltrain.

Complementing the area’s business and intellectual activity nodes are a variety of outdoor amenities. Within three miles of the development site is the Shoreline Amphitheatre, the 750-acre Shoreline Regional Park featuring a links-style golf course originally designed by Robert Trent Jones II, a sailing lake, and miles of biking and hiking trails. The very popular Stevens Creek Trail, connecting residential and retail neighborhoods with the North Bayshore recreational and employment centers, is less than one-half mile to the east.

D. Hotel Market Conditions

Hotels in Mountain View and the rest of the Silicon Valley market are experiencing very strong operating performances. A publication from HVS Consulting in November 2013 entitled *Silicon Valley, California – from Dot-Com Bust to Boom* noted “Silicon Valley’s tech firms, venture capital, clean tech companies, and private developers are leading vigorous economic development and growth in the region and giving its lodging market a robust outlook.” A Historical Trends Report from STR Consulting indicates that the recent performance of the existing 22 branded, upscale, limited-service hotels in Silicon Valley is very strong, as follows:

<u>Year</u>	<u>Occupancy</u>	<u>Average Daily Rate</u>	<u>Revenue Per Available Room</u>
2014	82.6%	\$177.55	\$146.64
2013	80.4%	\$159.19	\$127.99
2012	79.5%	\$142.08	\$112.94
2011	73.3%	\$132.36	\$ 97.08
2010	74.0%	\$119.14	\$ 88.22
2009	64.4%	\$118.34	\$ 76.24
2008	71.6%	\$141.80	\$101.50

In its most recent focus paper on Silicon Valley's hospitality market, HVS notes the area includes approximately 250 properties with more than 28,000 guest rooms. The company also reports that new hotel development is expected largely in the cities of Palo Alto, Santa Clara, and San Jose, with the greatest activity and interest occurring in the latter. Of the proposed hotels with estimated opening dates, HVS found that 87 percent are upscale, select-service and extended-stay platforms, which reflects a similar trend in new hotel construction evident throughout the country. One difference, however, is that five of the hotels planned in the region are larger in size (greater than 150 rooms) than the typical select-service product. This indicates, according to the HVS report, that developers have a more bullish outlook on lodging demand in the market, with the potential to support the higher room counts and higher room rates.

New hotel development activity throughout Silicon Valley demonstrates the apparent feasibility of construction in the local market. Plus, as HVS forecasts, the recent expansion of the San Jose Convention Center, the 2014 opening of the new Levi's Stadium in Santa Clara, and the multiple planned retail and entertainment developments in the area altogether are expected to induce lodging demand within the market, which will support the numerous proposed hotel projects. The longer-term balance between supply and demand will depend upon the timing of these developments, but this injection of transient lodging is nonetheless a significant change from the comparative lack of new construction which had been witnessed during the economic downturn.

E. Development Sites

The City of Mountain View seeks to lease, and have developed, two surface parking lots, identified as Lot 4 and Lot 8 (collectively, the Hope Street Lots) for a single, integrated hotel development with perhaps a modest office or retail component.

Hope Street

An integrated development of both Lots could be connected below Hope Street, including multi-level parking beneath the street. Prospective developers are advised there are City of Mountain View and other underground utilities located in the Hope Street right-of-way that will likely have to be relocated if underground parking and/or driveways are installed in the street. The costs of relocating utilities are considered a development cost to be borne by the developer. Utilities that are relocated will need to provide the same service levels during and post-construction that existed prior to construction. At the conclusion of construction, Hope Street must remain open to vehicle and pedestrian traffic. Structures

spanning over Hope Street will not be allowed. Additional information is provided in Section III.c., Utilities, of this RFP.

Lot 4

Lot 4 is a slightly irregular-shaped, approximately 33,135 square foot parcel located in the Historic Retail District of downtown and in close proximity to the Transit Center. A public open space plaza at the corner of Castro Street and West Evelyn Avenue, and Blossom Lane (a 20' wide alley for utilities, fire service, and business deliveries), are excluded from the proposed lease area. An existing pedestrian paseo connecting Castro Street to Lot 4 can and should be integrated into the site layout.

Lot 4

- Number of Spaces:** 88
Size: 33,135 s.f. (0.76 acre)
Irregular Configuration
Permitted Uses (Downtown Precise Plan):
- Area H. Historic Retail District
 - Permitted Uses:
 - Retail, art galleries, personal services, business services, offices
 - medical service, banks
 - Provisional Uses:
 - Restaurants, administrative offices, hotels, others
- Parking Lot development requirements (page 80)**
Maximum height: 55' and 4 stories
Building coverage: 100% (No FAR stated)
Environmental Site Condition: Unknown



The [Downtown Precise Plan](#) allows for a wide range of uses, or combination of uses, on Lot 4 with allowable lot coverage of 100 percent and a building height limit of 55' and four stories. The City Council may consider a higher building height; firms are required to submit a project proposal conforming to current height limits, but may also submit a proposal for a higher height limit. The property has 195' of frontage on Hope Street, access from Villa Street, and limited access from West Evelyn Avenue. The Downtown Precise Plan would require any development of Lot 4 to provide on-site parking for any proposed development, as well as at least a 1:1 replacement of the current 88 public parking spaces. Lot 8 is located directly across Hope Street from Lot 4.

Lot 8

Lot 8 is a rectangular-shaped, 0.65-acre surface lot located on the east side of Hope Street across from Lot 4 and close to the Transit Center.

Lot 8

- Number of Spaces:** 61
Size: 28,500 s.f. (0.65 acre)
Permitted Uses (Downtown Precise Plan):
- Area G. Transit Center Block
 - Retail
 - Offices
 - Art galleries
 - Personal and business services
 - Residential (50 D.U.s per acre; 2-4 floors)
- Provisional Uses:**
- All of the above
 - Theatres
 - Hotels
 - Other
- Public parking spaces must be replaced below grade or off-site**
Maximum height: 4 stories
Maximum FAR: 1.85
Environmental Site Condition: Unknown



The Downtown Precise Plan allows for a range of commercial uses, in addition to residential development. The maximum Floor Area Ratio (FAR) is 1.85 with a height limit of four stories. The City Council may consider a higher building height; firms invited to submit proposals will be required to submit a project proposal conforming to current height limits, but may also submit an alternate proposal which includes taller heights than allowed by the Precise Plan.

The Downtown Precise Plan requires the replacement of all public parking spaces either below grade on-site or off-site.

The City standard for hotel parking is one space per room; however, given the proximity of the two properties to the intermodal Mountain View Transit Center, the City may consider reducing that requirement.

II. KEY BUSINESS TERMS

The City anticipates entering into a Disposition and Development Agreement (DDA) and long-term ground lease for the Hope Street Lots. Links to a DDA and long-term ground lease recently negotiated by the City for a mixed-use development can be found in Attachment E to this RFP. The referenced DDA and ground lease serve as examples of the general form and content of agreements the selected developer will be expected to enter into. It is important to note developer proposals are considered only an offer to lease and develop the property and the City reserves the right to negotiate all terms and conditions of the selected developer's proposal.

The following section briefly describes minimum business terms. In their submittals, prospective developers should 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 premium branded boutique hotel that contributes to the vitality of downtown and takes advantage of the nearby intermodal Mountain View Transit Center. Provision of conference room space is desirable. An office or retail component will also be considered, but the centerpiece of any development proposal must be a hotel.
- **Additional Public Parking**—Parking demand for the City's downtown public parking facilities frequently exceeds the parking industry occupancy threshold of 85 percent during the weekday and weekend lunch and dinner hours. A primary objective of the City in this initiative is to increase the number of public parking spaces. There are currently 149 surface spaces on the Hope Street Lots. The successful developer will, in addition to meeting the on-site parking requirements of the project, increase the number of public parking spaces to a minimum of 225 spaces. The public parking should also include any parking technology infrastructure, including, but not limited to, real time wayfinding signs.
- **Financial Return to the City**—Development firms are expected to demonstrate the long-term financial return to the City through ground rent, which may include minimum base rent, percentage rent and participation rent, Transient Occupancy Taxes, possessory interest tax, sales tax, and any other applicable streams of revenue. 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.

- **Proposed Financing Plan**—Provide a clear and specific plan for securing the necessary equity and debt to finance and construct the hotel (and office, if applicable) 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 office, if applicable).
- **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.
- **Labor Considerations**—Prospective proposers must consider two labor-related matters. First, at a Regular meeting of the City Council on March 31, 2015, the Council voted to require the following provisions as part of the RFQ/RFP process:
 1. Potential developers and hotel operators must disclose anticipated compensation for hotel workers as a part of the RFP process; and
 2. Potential developers and hotel operators must agree to greater employee protections in a unionization process than would be required under Federal law. The following employee protections would be required for a 90-day period after hotel operations commence:
 - a. The employer shall allow union access to employees on the employer’s premises, in nonworking areas, during nonwork hours, for 10 hours a week;
 - b. The employer shall agree not to interfere with or challenge a valid petition signed by 30 percent or more of the employees in the unit the union seeks to represent presented to the National Labor Relations Board (NLRB) for a representative (union) election and agree to an expedited election process by refraining from pressing for preelection exclusion of certain people from the bargaining unit, objecting during or after the election to voting by individuals in the petitioned-for unit, or refusing to bargain if and after the Union wins the election;
 - c. The employer shall agree to resolve any disputes in the unionization process via arbitration, rather than through the NLRB; this provision covers all matters that would under normal circumstances be brought to the NLRB for jurisdiction and relief. These would include, by way of example and not limitation: Any dispute over whether or not a given employee is part of the group of people who get to vote on the union, or whether particular job classifications are included in or excluded from

that group, or any dispute over whether the employer has discriminated against or interfered with union supporters.

As a requirement of this RFP, proposers must complete and submit the Worker Compensation Summary, included as Attachment D to this RFP, summarizing for each job classification the wages, health benefits, and retirement benefits the proposer is willing to commit to.

Secondly, any City contributions to the project will require the developer to pay prevailing wage rates during construction. These requirements will be detailed in both the ground lease and the DDA.

- **Subordination**—The fee ownership and minimum base rent will not be subordinated.
- **Lease Term**—The City will agree to a lease term appropriate to the proposed use and based upon market conditions. It is expected the initial lease term will be 55 years, with extension options (not to exceed four 10-year options).
- **Base Rent**—Base rent is expected to represent a minimal level of rent. After the first few years, base rent should relate to the percentage rent paid over the prior three to five years. Periodic adjustments will be required to continually increase this base rent, or “floor,” as percentage rent paid increases.
- **Percentage Rent**—Percentage rent is expected to be the primary component of rent for the hotel. On an annual basis, such rent must be based upon gross rather than net revenues (as an example, 6 percent of gross revenues).
- **Participation Rent**—Some form of participation rent is highly desirable. Participation in net proceeds from occasional capital events such as refinancing and sales is desirable.
- **Possessory Interest Tax**—The lessee will be required to pay a possessory interest tax in lieu of property tax.
- **Pro Forma(s)**—A detailed project pro forma shall include predevelopment and construction periods, and 15 years of projected operations. Development teams are required to use the attached pro forma templates for hotel and parking uses (and office and retail use if it applies).
- **Good Faith Deposit**—The development firm selected for the project will be required to submit a good faith deposit of \$150,000 (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 (ERNA) with the City, a sample of which is included as Attachment B. The payee on the check will be the City of Mountain View. The initial \$150,000 good faith deposit will become immediately nonrefundable. If the ERNA process extends beyond 90 days, a 60-day extension may be considered at the sole discretion of the City and an additional \$50,000 good faith deposit would be required.

- **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 and will be responsible for all costs incurred by City staff, including project administration.
- **Floor Area Ratio (FAR)**—Proposers are expected to conform to the land use parameters of the Downtown Precise Plan. Proposers will be required to submit a project proposal conforming to the Downtown Precise Plan FAR limits, but may also submit an alternate proposal that includes a greater FAR than allowed by the Precise Plan and demonstrates substantial community benefits beyond the expected financial return to the City. Proposers expressly understand that project approval is at the sole and absolute discretion of the City Council.
- **Environmental Sustainability**—The development team will describe how they expect to integrate environmental sustainability such as green building principles and design to the highest LEED standard possible. A key component in the evaluation of proposals will be the level of green building.
- **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 brand 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.
- **Prior Relationships with Consultants**—The City has identified Libby Seifel of Seifel Consulting as Real Estate Economics Advisor assisting with marketing the Hope Street Lots site, RFQ/RFP submittals evaluation, pro forma analysis, and development agreement support; Maurice Robinson of Maurice Robinson & Associates as Hotel Development Advisor assisting with hotel ground lease, economics of hotel operations, RFQ/RFP 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. DEVELOPMENT CONSIDERATIONS

A. Zoning

The Downtown Precise Plan serves as the land use and zoning regulations for the Hope Street Lots. Prospective developers are strongly encouraged to read the entire Downtown Precise Plan, with a particular focus on “Parking Standards and Policies” (Section II.C) and the “Area-Specific Standards, Guidelines and Prototypes” for Area H, “Historic Retail District” (which includes Lot 4) and for Area G, “Transit Center Block” (which includes Lot 8). Planning questions should be directed to Senior Planner Stephanie Williams at stephanie.williams@mountainview.gov.

All proposals must comply with the allowed uses and land use restrictions set forth in the Downtown Precise Plan. Development teams may propose an alternate design concept which exceeds the Precise Plan height and FAR limitations only after providing a development concept that meets the Downtown Precise Plan.

The City Council may be willing to consider increased building height, consistent with the Downtown Precise Plan, to improve the site plan, building footprints, and economics of the project. 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 such as net new public parking supply. 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 II of this RFP.

B. Planning and Entitlements

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

- The City has established a preliminary review process for development proposals. This includes an initial review by City staff, at least one round of comments by the Development Review Committee (DRC), and a Council Study Session. This process is intended to provide feedback which will help prepare a project for formal application submittal.
- Approval of the project will require a Planned Community Permit and environmental review under the California Environmental Quality Act (CEQA). Approval of the project and environmental review document will require review and recommendation by the Zoning Administrator through the Administrative Zoning Hearing process and final review and decision by the City Council.
- A Precise Plan Amendment will be required in addition to a Planned Community Permit if the proposed project deviates from the current Downtown Precise Plan land use restrictions (e.g., a higher building height than currently allowed). Review and recommendation by the Environmental Planning Commission will be required if a Precise Plan Amendment is necessary.

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

C. Site Development

Title and Surveys

A link to an electronic preliminary title report of the Hope Street Lots, prepared by Fidelity National Title Company and dated April 28, 2015, can be found in

Attachment E to this RFP and includes links to all recorded instruments affecting the property. There are no recorded encumbrances or third-party interests or claims against the property.

The City is preparing, or has prepared, a parcel map to merge the several tax parcels comprising the two Lots, plat, and legal descriptions of the property to be leased, and an American Land Title Association (A.L.T.A.) survey. The plats and legal descriptions and the A.L.T.A. survey will be provided to all prospective developers (the A.L.T.A. will be in both CAD and pdf formats) at the time of release of this RFP or very shortly thereafter.

Environmental Site Conditions

A Phase I Environmental Site Assessment is being prepared for the Hope Street Lots and will be provided to prospective developers. There are no known environmental site conditions affecting development of the property. The City has not conducted any hydrogeological surveys to determine the depth of groundwater beneath the site, but groundwater is known to exist at depths of 10' to 25' in the downtown area.

Utilities

There are no known utilities on the portions of Lots 4 and 8 to be leased; however, there are both City-owned and privately-owned utilities within Hope Street. City utilities include, but may not be limited to, water, sanitary sewer, and storm drain and street lights. Privately-owned utilities include, but may not be limited to, Pacific Gas and Electric gas and electric distribution and AT&T and Comcast communication facilities. Communication facilities from other providers may also be present. Similar utilities exist in Blossom Lane alleyway. The City will allow a connection of Lots 4 and 8 beneath Hope Street, but the cost of relocating utilities and providing utility service to the development will be the full responsibility of the developer. Construction plans for utility work are subject to review, approval, and permitting by the City's Public Works Department. All utilities must remain fully operational and provide the same service levels during and after construction.

Construction

If required for construction of underground parking structures, the City will grant Encroachment Permits for tiebacks into City right-of-way, however, it will be the developer's sole responsibility to obtain the necessary rights from adjoining private property owners to install tiebacks into private property.

During mobilization and construction, it will be the developer's responsibility to secure any and all needed staging areas. There is no City-owned property available for that purpose. It will also be the responsibility of the developer to secure off-street parking for construction workers. City parking permits may be available for the standard fee.

Any City contribution or subsidy to the project will require the developer to pay prevailing wage rates during construction.

IV. PROJECT DEVELOPMENT SCHEDULE

The selected development firm is expected to enter into an ERNA with the City in the fourth quarter of 2015, 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 Hope Street Lots development and commence the environmental review phase. Below is a projected development schedule:

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

2nd Quarter 2016 – City and selected development firm negotiate and execute DDA and ground lease (including performance milestones)

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

V. DEVELOPER SELECTION PROCESS

The process for marketing the Hope Street Lots began with an RFQ and is being followed by this RFP issued to respondents the City determined to be best qualified. As stated earlier, this RFP phase requires the submittal of more detailed information about the proposed development, business terms, financing of both the hotel and parking structure(s), evidence of likely financing, a comprehensive project pro forma (see attached pro forma template), performance milestones and benchmarks, 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. The expected developer selection schedule follows:

<u>Date</u>	<u>Activities</u>
July 1, 2015	Short-List Announced
July 1, 2015	Issuance of Request for Proposals (RFP)
July 20, 2015	RFP Preproposal Conference for Questions/Information Requests (Attendance Required)
July 28, 2015	Last Date for Questions and Request for Clarification on RFP
August 7, 2015	City Responds to Questions
September 1, 2015	RFP Responses Due
September 18 and 21, 2015	Developer Interviews (Attendance Required)
October 6, 2015	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. Prospective developers will be afforded an opportunity to make 10-minute presentations to the City Council immediately prior to Closed Session. Final selection of the successful proposer will be made by the City Council in a Regular public meeting.

VI. 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 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 must include the following five components, which are further described below:

- Cover Letter and Acceptance of RFP Terms
- Proposed Development Concept(s)
- 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(s).
- 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, including providing a minimum of 225 public parking spaces, in addition to meeting on-site development parking requirements.
 - Agreement to allow enhanced access to hotel employees for labor organizing activities and an expedited union voting process as described under “Labor Considerations” in Section II of this RFP. **Prospective developers must complete and submit the “Summary of Wages and Benefits” attached as Attachment D to this RFP.**
 - Agreement to submit the required nonrefundable deposit of \$150,000, if selected and before signing an ERNA.

- Agreement to fund all private predevelopment costs, on- and off-site development costs (including the costs of relocating or replacing all utilities in Hope Street), and pay required City fees.
- Summary of Key Business Terms and statement that these terms will be binding through the end of ninety (90) calendar days following selection by the City Council in Regular Session, unless mutually extended by the parties.

B. Proposed Development Concept(s)

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
 - A premium branded boutique hotel, including the brand and operator name, the number of stories, gross hotel building square footage, room count, hotel amenities, and other relevant information. A hotel must be the centerpiece of the development.
 - Ancillary office or retail space, including the number of stories, gross office building square footage, amenities, and other relevant information.
 - Parking, including number of public (minimum of 225) and project spaces provided by location and construction type; i.e., surface, structure (below or above grade).
 - Design Approach and Building Layout
 - Description of overall design approach.
 - Description of how the development proposal is consistent with the Downtown Precise Plan (Option A) or, if it is not (Option B), contemplates increases in allowable height and/or FAR.
 - Architectural style and other design features of critical importance to development success.
 - Fully dimensioned parking plan, including locations of public and project parking, handicap parking, main points of entry and exit,

and traffic circulation (including valet parking and drop-off and pick-up zones).

- General description of building locations and proposed access points to the development.
 - Site plan integration and relationship to surrounding uses.
 - Three-dimensional digital massing diagram(s) showing the proposed project and surrounding buildings.
 - Approximate FAR of the project. **All proposals must present a proposal that complies with the Downtown Precise Plan. Only after addressing a development concept that meets the land use allowances and restrictions of the Downtown Precise Plan (Option A) may the development teams propose something beyond that allowed in the Downtown Precise Plan (an Option B).**
- Expected Development Quality and Sustainability Features, including proposed LEED Rating.
 - Description of how the proposed development concept(s) 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 second quarter of 2016. 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 requires that the lease must contain provisions that ensure that the hotel operated on the site is consistent with the City's objectives throughout the life of the lease. 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. Please indicate if you will be using a parking operator and, if so, please provide relevant qualifications and experience.
- 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, business street address, telephone number, fax number, and e-mail address.
 - 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 résumés 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, including Traffic Engineering and Civil Engineering, 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 year-end 2019, 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 timeline with proposed performance milestones, assuming an executed ground lease and development agreement no later than the second quarter of 2016.
- 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)

The City's minimum 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 C provides instructions, 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 detailed business offer 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 C for pro forma instructions and the attached required template format):
 - Projection of project revenue generation, including target room rates, office or retail rents (NNN), and applicable occupancy level.
 - Projection of anticipated annual revenue to the City from all sources, including ground rent, participation rent, possessory interest tax, sales tax, and Transient Occupancy Taxes, as applicable.
 - Proposers may submit an alternate pro forma that contemplates a greater level of development than currently allowed under the Downtown Precise Plan and the potential inclusion of residential (as an Option B).
- Minimum desired Internal Rate of Return (IRR) for the project (leveraged and unleveraged and assuming a sale after 15 years of operation).
- Statement confirming these business terms will be adhered to for a period of not less than ninety (90) calendar days from notification of selection.

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 enters into a lease and DDA with the selected developer, 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.

F. 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 hotel, please identify the four most relevant comparable hotels that you have used to estimate the potential room rates at this location.
- A detailed estimate of anticipated annual revenue to the City from all sources, including ground rent, participation rent, possessory interest tax, sales tax,

and Transient Occupancy Tax, as applicable. Describe the basis of the revenue projection to the City.

VII. QUESTIONS AND CORRESPONDENCE

All questions regarding the RFP document, the property, and/or the process must be addressed in writing no later than July 28, 2015 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

VIII. DEADLINE AND DELIVERY

One signed original hard copy with wet signature plus 12 hard copies are required labeled "Hope Street Lots RFP" and are due by 3:00 p.m. on Tuesday, September 1, 2015, 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 "Hope Street Lots 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 City. 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 a Preproposal Conference for those development teams selected to participate in the RFP on **July 20, 2015, from 10:00 a.m. to 12:00 noon**. 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, including the number of attendees from your team, by calling Noelle Magner at (650) 903-6501 or by e-mail at noelle.magner@mountainview.gov by July 15, 2015.

ATTACHMENT A

MAP OF THE HOPE STREET LOTS



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ATTACHMENT B

SAMPLE EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT

THIS EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT (the "Agreement") is dated for identification this _____ day of _____ 2015, 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 Hope Street Lots, containing a combined approximately 1.4 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 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 _____, 2015 to _____, 2015 (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, _____, 2016, 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 Fifty Thousand Dollar (\$150,000) 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 Fifty Thousand Dollars (\$50,000) 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 A.L.T.A. 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. DEVELOPER shall be required to obtain all necessary Excavation Permits and shall submit a Traffic Control Plan acceptable to CITY for any work conducted with CITY right-of-way. In addition, DEVELOPER shall obtain Excavation Permits prior to any excavation work. DEVELOPER will minimize the number of parking spaces closed at any one time and shall take all necessary steps to ensure public access and safety is maintained at all times. Prior to any such entry upon the Site, DEVELOPER shall provide CITY with fax notice of the purpose of such entry a minimum of five (5) business days 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 A.L.T.A. 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 have been considered and approved by the City Council of the City of Mountain View in a Regular public meeting.

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 CITY. 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. _____

VI. 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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ATTACHMENT C

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. The Microsoft Excel pro forma is separated into five worksheets: Summary, Hotel, Office/Retail (if development program includes office and/or retail that is not integral to the hotel), optional Residential uses, and Public Parking. 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 attachment 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 exercise rooms and public rooftop space), other food and beverage, administration, back of house, and mechanical.
- **Parking Specifications** – Provide the number of underground and above-grade structured parking spaces included in your proposal, distinguishing what are the public parking spaces and what are associated with project uses. 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 above-grade structure and below-grade structure (underground) 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 worksheet tabs 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 to be 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, including restoring Hope Street to its original condition or better.

- **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 the hotel, 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 2015 dollars, please utilize a 3 percent annual inflation rate.

Growth Rate Assumptions

Assume a 3 percent annual inflation rate for all revenues (after stabilization), and expenses, with the exception of possessory interest taxes, which should be based on assessed value growth at a 2 percent annual escalation rate prior to sale.

CASH FLOW PROJECTIONS ASSUMPTIONS

Provide operating assumptions for your project. The major categories of pro forma operating assumptions for each component (**Hotel, Other**) 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, if any.
- **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 parking attendants, 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.
- **Management Fee**—Such as base fees (no incentive 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 royalty, frequent stay, and other brand 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 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, in accordance with brand standards.
- **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 (if applicable)

- **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.

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.

Residential Operating Assumptions (optional pro forma)

- **Key Statistics**—Provide the expected operations start date(s). Also indicate the expected ramp-up period with initial, annual, and stabilized vacancy levels, average residential rent per net rentable square foot, and typical operating expenses per unit and per net rentable square foot. 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 of consideration payable by a tenant for the right to occupy the office, retail, or residential space. Residential rent should consider whether or not the proposal includes Below-Market-Rate rental units.
- **Percentage Rent**—Revenue to the City based on a percentage of rental income or sales from the tenant(s).

Parking Revenues—Parking revenues from private uses should be included; no parking revenue should be assumed in the pro forma from public parking (although the proposal should indicate what percentage rent may be payable if there would be charges or public parking in the future).

- **CAM and Other Recoverable Expense Income**—The amount of operating expenses, management fees, and other expenses 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 base 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.

GROUND LEASE PAYMENTS TO THE CITY OF MOUNTAIN VIEW

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

- **Base Ground Rent**—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 (e.g., 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 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 (4.5 percent for residential) 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.

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ATTACHMENT D

**SUMMARY OF PROPOSED WAGES AND BENEFITS
(HOTEL WORKERS)**

Job Title/ Classification	Starting and Maximum Hourly Wage	Number of Full- Time	Number of Part- Time	Contribution to Health Benefits	Contribution to Retirement Benefits	Other Benefits

1. Job Title/Classification: List all specific job classifications to be employed in all operations at the hotel (including all work taking place on the hotel site – service, food, and beverage, etc.).
2. Starting and Maximum Hourly Wage: Provide the starting and stabilized wage level for each job classification. Please note the Mountain View City Council adopted an ordinance for a City Minimum Wage on October 9, 2014. The ordinance requires employers that maintain a place of business in Mountain View or are subject to the City of Mountain View Business License to pay the City Minimum Wage to each employee who performs at least two hours or more per week of work in City limits. The City Minimum Wage rate is \$10.30 per hour as of July 1, 2015, and includes an annual adjustment for inflation.
3. Number of Full-Time and Number of Part-Time Employees: For each job classification, identify the number of employees who will be working full-time (over 32 hour/week) and part-time (under 32 hour/week).
4. Health Benefits: Describe the employer contribution to medical/dental benefits to be provided to employees.
5. Retirement Benefits: Describe the employer contribution to retirement benefits to be provided to employees.
6. Other Benefits: Describe any other benefits to be provided to employees.

This “Summary of Proposed Wages and Benefits (Hotel Workers)” must be completed and submitted with the proposer’s proposal.

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ATTACHMENT E

LINKS TO SIGNIFICANT DOCUMENTS

[Downtown Precise Plan](#)

[Sample Ground Lease](#)

[Sample Disposition and Development Agreement](#)

[Preliminary Title Report](#)

Pro Forma Template (see HopeStreet_RFP_Proforma Excel spreadsheet attached to PDF)