

CITY COUNCIL MEMORANDUM

FOR INFORMATION

TO: Mayor and City Council

FROM: Alvin G. Coby, City Manager

DATE: November 19, 2008

SUBJECT: Pensacola Gulf Coast Regional Airport – Ground Lease and Development Agreement with Sandspur Development LLC

At the November 17th meeting of the Enterprise Operations Committee a significant focus of the discussion regarding the proposed ground lease for a hotel at the Airport centered on the property appraisal used by the Airport to establish the ground rental rate for the leased property. One of the questions raised during that discussion was whether only one appraisal had been obtained for the property. Staff, at the time, indicated that only a single appraisal had been obtained to establish the value of the property for purposes of developing the land lease rate. Upon further review of the project files it was determined that staff had answered the question erroneously. In fact, three appraisals had been obtained. The values identified by the appraisals are as follows:

- | | | |
|----|--|-------------|
| 1. | Appraisal by Asmar Appraisal Company: | \$6,480,000 |
| 2. | Appraisal by Sherrill Appraisal Company: | \$7,150,000 |
| 3. | Appraisal by Brantley & Associates: | \$7,000,000 |

Staff erroneously used the lower appraisal for purposes of negotiating the land rental for the leased property. The appropriate appraisal for this purpose should have been the review appraisal for \$7,000,000.

After discovering the error, staff contacted Mr. Julian MacQueen, Founder, Chairman and CEO of Innisfree Development to advise him of the error. Mr. MacQueen agreed to accept the higher valuation contained in the review appraisal as the criteria for establishing the land rental amount.

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Hence, staff will submit to the City Council at it's meeting on Thursday, November 20, an amended Recommendation. The amended Recommendation will read as follows:

“That City Council approve the Ground Lease and Development Agreement with Sandspur Development, LLC to lease 11.44 acres of Airport Property for the development of a hotel and other commercial uses based on a Seven Million Dollar (\$7,000,000) value of the property that will determine all lease amounts, with specific paragraphs added to the lease to address landscaping requirements, stormwater requirements, and architectural guidelines for the project.”

All other terms and conditions of the lease agreement shall remain identical with the exception of new provisions that were developed in response to the amendment made by Councilman Donovan and adopted by the Enterprise Operations Committee.

With regard to the amendment proposed by Councilman Donovan requiring the paragraphs to be inserted into the lease concerning landscaping, stormwater, and architectural guidelines, that language has been included in the lease and is blacklined for Council's reference. The amended lease will be posted on the City's website (www.ci.pensacola.fl.us). However, the specific changes are included below. They are:

Architectural

Lessee understands and agrees that its selection as Lessee is based upon its commitment to construct and to ensure its sub lessees construct a high quality project complementary to the existing Airport campus complex. To that end, it is stipulated that Lessee and its sublessees shall create and maintain first-class facilities within the Leased Premises. In order to assure harmony with the Airport's other campus infrastructure, Lessee shall provide to Airport preliminary architectural elevations for the hotel and all other facilities prepared by an architect in the State of Florida. The sole purpose of such submission shall be for the determination by the Airport director of whether the preliminary elevations for the hotel or other facilities meet Airport architectural and aesthetic quality requirements for its campus.

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Once approved by the Airport director, Lessee shall not implement or commence or allow any of its sub lessees to implement or commence any material architectural and aesthetic change in such original elevations without the express written approval of the director, which approval shall not be unreasonably withheld, conditioned, or delayed. The Airport director shall approve or disapprove said elevations within fifteen (15) business days after submission by Lessee or sub lessee, otherwise such elevations shall be deemed approved. Any request for material changes to original elevations shall be submitted for approval to the Airport director prior to the commencement of any work relating to implementation of same. The Airport director shall, within fifteen (15) business days after submission, approve or disapprove the request for architectural and aesthetic changes so submitted.

Notwithstanding anything above, nothing in this section shall be construed to limit the architectural and aesthetic creativity or innovation of the Lessee or its sub lessees in the selection of any design for its buildings except that in the reasonable judgment of Airport director every such design shall be complementary to the overall existing Airport campus, and this standard shall be the paramount consideration of the Airport director in any Lessee or sub lessee design approval decision. No specific theme or use of particular colors or materials will be required. For example, it would be completely appropriate for an Italian Restaurant with Italian architecture to be located next to seafood restaurant with nautical architecture. The city acknowledges that regional and national franchise brands have architectural requirements that may have limited flexibility on individual sites, and the City shall use its best efforts to accommodate their requirements.

The Lessee may appeal any decisions of the Airport Director to the City Manager and then, if necessary to the City Council.

The City hereby approves the current prototypical design of the Hyatt Place hotel and such design shall not be subject to further review except as may be required for standard permitting.

Landscaping (this begins after the first sentence in the section)

To successfully create an environmentally sound and aesthetically inviting cityscape for the project, Lessee understands and agrees that it shall develop a master landscaping plan for the entire Leased Premises which shall encompass both improved and unimproved areas. The plan should ensure that it is in compliance with all provisions of the Land Development Code and shall have in addition as its overarching keystone objective to

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ensure the appearance of a first class development on the Leased Premises. To ensure that first class aesthetically pleasing landscaping is developed and maintained by the Lessee, the Lessee shall submit to the Airport director for approval, which shall not be unreasonably withheld, conditioned, or delayed, a master landscaping plan before construction commences on the hotel or other facilities. The master landscaping plan shall be used as a guide by the City Planning Staff when approving the detailed landscaping plans for each subparcel to be developed as well as the perimeter landscaping for the project. No initial landscaping relating to any parcel is to be undertaken by Lessee or sub lessee before obtaining a building permit.

For the hotel and all other facilities, landscaping materials shall be chosen for their permanence, attractiveness, and ease of maintenance along with their compatibility with other natural surroundings. Lessee landscaped areas shall be maintained at all times up to or exceeding all other Airport landscaped areas. If the Lessee is not in compliance with the approved Landscape Master Plan, the Airport director reserves the right to order Lessee to make landscaping improvements based upon his reasonable business judgment and to approve any such landscaping materials. All plant materials used shall conform to the standards for Florida No. 1 or better as given in "Grades and Standards for Nursery Plants", current edition, State of Florida, Department of Agriculture and Consumer Services, Division of Plant Industry, Tallahassee, Florida, a copy of which shall be maintained for public inspection in the City department of leisure services.

Additionally, all landscaping shall meet the following minimum performance standards:

- (a) A minimum of 75 percent of all required plant material shall consist of evergreen species; and
- (b) All landscape material shall be placed so as to maximize its screening and/or coverage potential at maturity.

Furthermore, certain mature hardwood trees that currently exist on site shall be protected and incorporated into the master landscaping plan whenever practical, as generally shown on the site's master plan attached hereto.

Once approved by the Airport director and City Planning Staff, Lessee shall not implement or commence or allow any of its sub lessees to implement or commence any material change in original Plans and Specifications relating to landscaping without the express written approval of the director, which approval shall not be unreasonably withheld, conditioned, or delayed. The Airport director shall approve or disapprove the

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landscaping master plan within fifteen (15) business days after submission by Lessee or sub lessee, otherwise such plan shall be deemed approved. Any request for changes to original master plan relating to landscaping shall be submitted for approval to the Airport director prior to the commencement of any work relating to implementation of same. The Airport director shall, within fifteen (15) business days after submission, approve or disapprove the request for changes so submitted.

The Lessee may appeal the decision of the Airport Director to City Manager and then, if necessary to the City Council.

City agrees to coordinate with the Lessee's landscape architect in creating the landscaping plan for the College Blvd Improvements. It is the intent of the lease that the landscaping on College Blvd be compatible with the Lessee's master plan.

Stormwater

Stormwater Management. The Land Development Code, Section 12-9-6, Design Standards for Stormwater Management Systems, states:

Redevelopment activities including, but not limited to, alterations of existing buildings or structures or new construction following demolition of existing buildings and structures shall be subject to the requirements of Section 12-9-6 only for the stormwater runoff that results from a net increase in impervious surface area provided that the new construction is under construction within two (2) years of demolition.

Lessee acknowledges that it will receive the Premises from the City on the Turnover Date with all asphalt parking lots demolished, and hereby agrees that it will design and construct its stormwater management systems with no request for credits as applied to previously existing impervious area/surfaces on the project site.