

Airport West Amendment of Business Terms

May 5, 2009

Today's Decision

- **Restructure agreement with Wolff-Storm for purchase and redevelopment of Airport West;**

Or

- **Terminate agreement and initiate Request for Proposals**

Key Decision Criteria

- **Minimize or eliminate impact on General Fund**
- **Maximize ultimate purchase price and City profit**
- **Facilitate 1.58 million sq ft of development and Earthquakes Soccer Stadium**

Presentation Outline

- **Background**
- **Current Agreement**
- **Current Situation**
- **Restructure Proposal**
- **City Options**
- **Staff Recommendation**

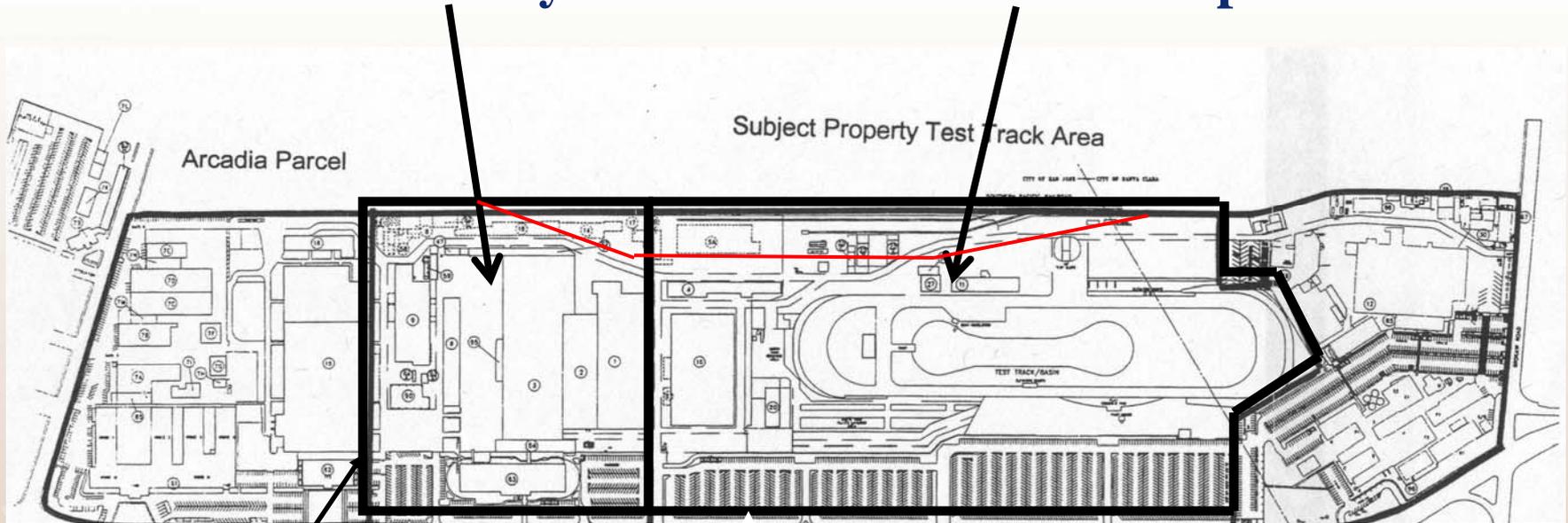
Why Do We Own Airport West?

- **Larger Airport program - \$4 billion**
- **Need for off airport property**
- **eBay site**
- **FMC willing to sell**

What Do We Own?

23.2 Acres City Use

51.6 Acres Airport Use



Newhall St

Coleman Avenue
Site is 1125 Coleman

How Did We Buy It?

- Acquisition Price \$81.5 million, \$25.00 per sq ft
- 51.6 acres- Lease Revenue Bonds \$80 million
- 23.2 acres- City HUD Loan \$25.8 million
- Security – property; CDBG

Development Strategy in 2004-2005

- **Airport rental car facility and parking**
- **Airport related economic development, hotel/office**
- **Retail and other economic development activities**

Site Entitlement

- **1.58 million sq ft of office, research and development, retail**
- **BART maintenance facility- 9.3 acres**

Airport Expansion

- Scaled back by 75%
- Rental car facility and parking now on Airport
- Construction lay down only
- Shift property to 100% economic development project

Development Strategy in 2007-2008

- **Shift to exclusive negotiation for economic development purposes**
- **Wolff proposal- combine new Earthquakes MLS Stadium with development entitlement**
- **Stadium to be financed by iStar industrial land conversion**

2008 Council Action

- **Approved development agreement March 13, 2008**
- **Acquisition price \$132 million**
- **Option payments (equivalent to City debt service)**
- **Letter of Credit security linked to RFP timing**
- **VTA parcel, 9.3 acres, \$18 million**

Current Status

- **Wolff/Storm has made \$6 million required option payments**
- **City General Fund reserve of \$2.3 million from unexpended option payments**
- **Agreement amended on 3/24/2009 - eliminated requirement for Letter of Credit as required**
- **Proposing restructure**

What's Changed?

- **Property has declined in value by 1/3**
- **Office, Research & Development market frozen**
- **Residential market frozen - (iStar)**
- **Wolff wants to proceed with Soccer Stadium NOW**

Wolff/Storm New Proposal

- **Purchase 64.5 acres for \$89,010,000**
- **Buy 14 acre soccer site for \$7 million**
- **Construct Stadium next two-three years**
- **\$50-\$60 million cost financed privately**
- **De-linked from iStar conversation**
- **Continue to option 50.5 acres at reduced option payment not applied to purchase price**
- **Reappraise in 2011/2012, City share is 50% of increased value up to \$12 sq ft**

Economic/Fiscal Impact

Airport West Net Fiscal Impact on General Fund

No Stadium Option	Stadium Option	Difference
\$1,884,000	\$2,116,000	\$232,000

One Time Construction Jobs

No Stadium Option	Stadium Option	Difference
4,750	5,180	430

Annual Economic Impact

No Stadium Option	Stadium Option	Difference
\$1.41 billion	\$1.47 billion	\$63 million

What Do We Owe?

Secured by Property	Principal
Lease Revenue Bonds	\$ 67,195,000
City HUD Loan	\$ 23,923,000
Subtotal	\$ 91,118,000
Unsecured by Property	
Airport Commercial Paper	\$9,467,000
Total	100,585,000

Council Decision

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Why Not RFP?

- **Unlikely to get comparable offer**
- **Selling property into weak market**
- **RFP process conservatively estimated to take six to eight months to complete**
- **Negotiation with new developer estimated to take additional six months**
- **General Fund is obligated to pay debt service while RFP/developer negotiations take place**

Staff Recommendation- Restructure Agreement with Wolf-Storm

- **Minimize GF Impact**
- **Purchaser prepared to pay appraised market value**
- **Countercyclical \$50-\$60 million Stadium Project**
- **Stadium would be 100% privately financed**
- **De-linked from iStar Conversion**