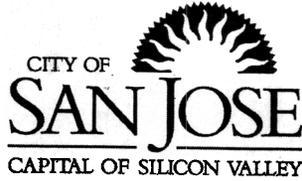


Council Agenda : 10-21-03
Item : 3.5



Memorandum

TO: Honorable Mayor and Council

FROM: Kay Winer

SUBJECT: Approval of Actions Related to
The Hayes Mansion Conference
Center

DATE: October 20, 2003

Approved

Date

10-20-03

Council District: Citywide
SNI: NA

SUPPLEMENTAL REPORT

Reason for Supplemental

A letter has just been received from Gene A. Keluche, Chairman & CFO of Native American Resorts, formally withdrawing its proposal to lease the Hayes Mansion Conference Center. Native American Resorts had submitted a proposal in association with Network Conference Company in response to the City's Request for Proposal. The attached letter identifies the reasons for their withdrawal.

Kay Winer
Deputy City Manager

Attachment





NATIVE AMERICAN RESORTS

Kay Winer
Deputy City Manager
City of San Jose
801 N. First St., Room 436
San Jose, California 95110

October 20, 2003

VIA: FAX 408-277-3131

Dear Ms. Winer:

On behalf of Native American Resorts LLC, this letter will serve as our formal withdrawal of its proposal to lease the Hayes Mansion Conference Center which included our obligation to provide \$2.5 Million of working capital plus an additional \$3.0 Million security deposit to fund any shortfalls during the critical transition-repositioning of the property.

Even though you were kind enough to extend your final decision date from October 13, 2003 to October 20, 2003, this was not sufficient time to enable our financial partner, Woodfin Suite Hotels, to conduct its due diligence. If we were only proposing to manage the property on a "best efforts" basis as we understand you are presently considering, thus assuming no financial risk, we would have been able to respond to your original RFP deadline. However, the decision to invest in excess of \$6.5 Million and to enter into a 50 year lease with escalating lease payments sufficient to fund the City's bond obligations required a careful examination and verification of information.

Again, thank you for your consideration of our proposal.

Sincerely,

Gene A. Keluche
Chairman & CFO

CC: The Honorable Mayor Ron Gonzales
The Honorable Members of the San Jose City Council
The Honorable City Attorney Rick Doyle
Samuel A. Hardage, Chairman, Woodfin Suites Hotels
Jeffrey F. Davenport, Network Conference Company, LLC