



SFO

SAN FRANCISCO INTERNATIONAL AIRPORT

On-Airport Hotel Project

September 28, 2015

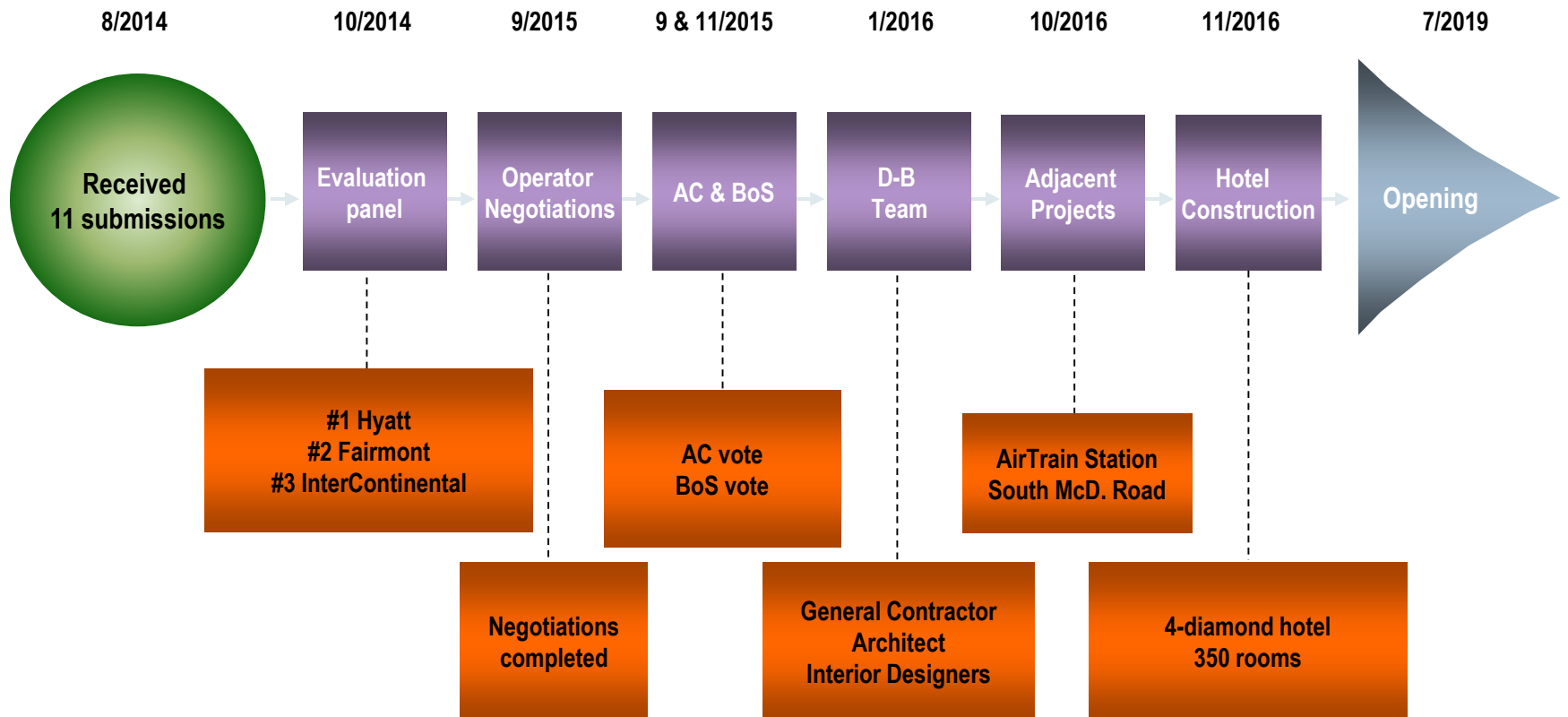


Action Item: Approval of the Bond Resolution authorizing the Airport to issue up to \$243 million in Airport Capital Plan Bonds and \$225 million in Hotel Special Facility Bonds to finance the on-Airport Hotel Project, and approval of the related supplemental appropriation.

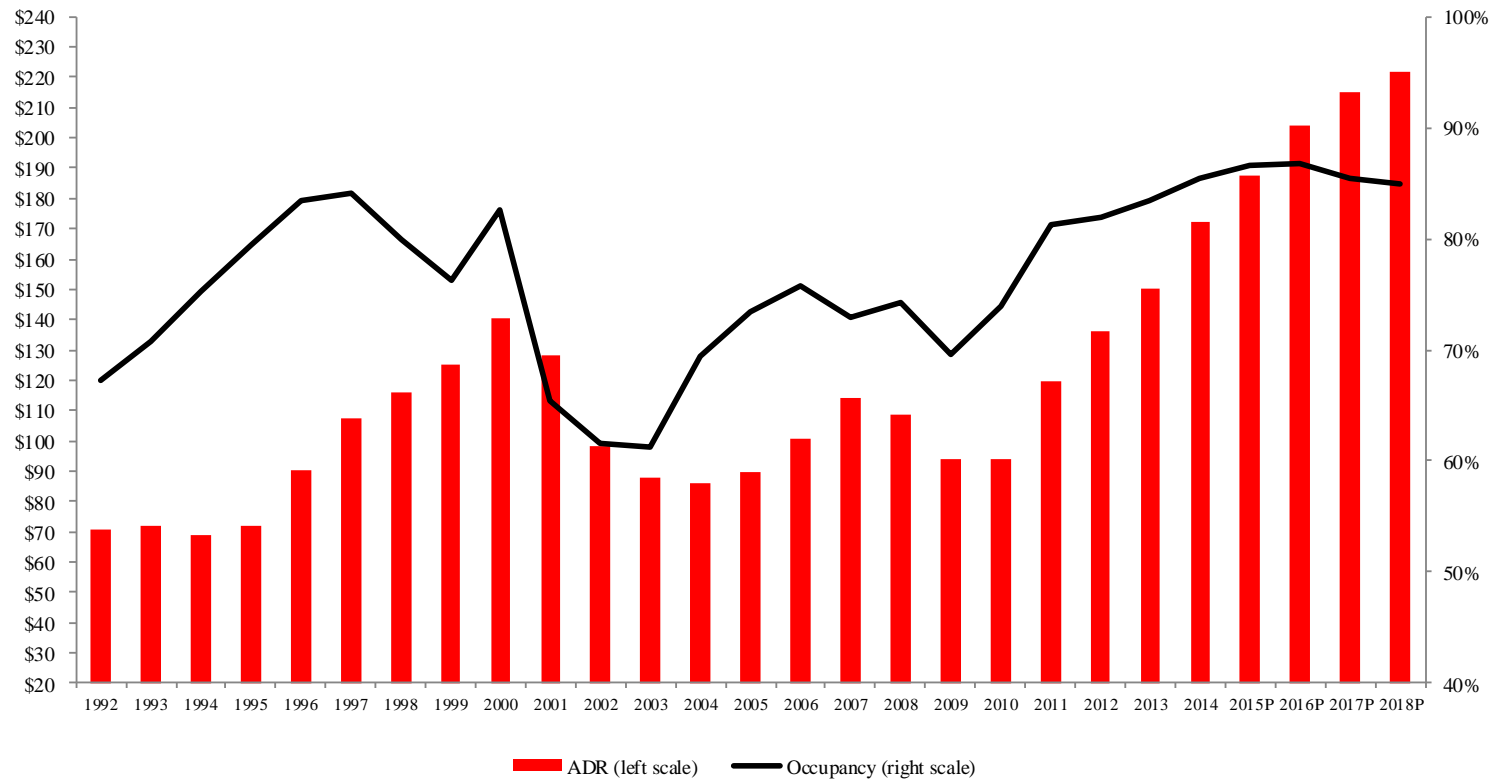
- Capital Plan Bonds will be used to purchase the Hotel Special Facility Bonds:
- Enables Hotel revenues to be segregated from the Airport's general revenues, and used to pay debt service and other expenses associated with the Hotel.



Hotel Project Timeline

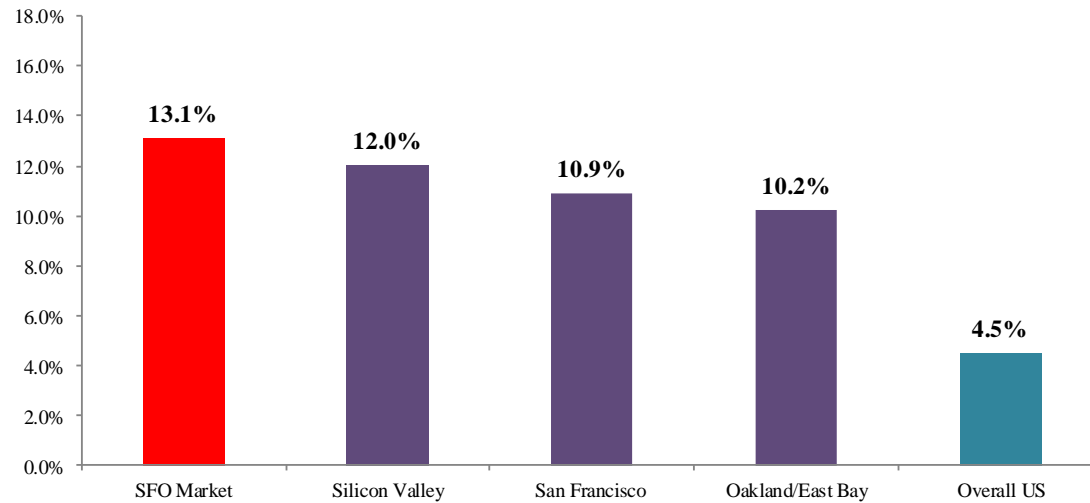


SFO Lodging Market Performance



Source: PKF Consulting

Percentage Increase in Average Daily Room Rate (ADR)



Source: PKF Consulting (data as of 12/2014)

Proposed Programming



GRAND | HYATT™

→ Physical attributes / amenities:

4-diamond hotel

350 guestrooms

25,000 square feet of flexible meeting space

100-seat restaurant, wine & sushi bar, rooftop cocktail lounge

Health club, indoor pool, and spa

260,000 square-foot building (10 floors)

Direct access via new AirTrain Station

Hyatt Corporation



Founded	1957
Global Headquarters	Chicago
Number of Employees	75,000
Countries	48
Hotels	554
On-Airport Hotels	5
Rooms	148,000
Brands	Park Hyatt Andaz Grand Hyatt Hyatt Regency Hyatt Hyatt Centric Hyatt Place Hyatt House Hyatt Residence Club Hyatt Ziva Hyatt Zilara
Guest Loyalty Program Members	17 million
Strongest Demand Segment	Group meetings



Arrangement Between SFO and Hyatt



- SFO will 100% own and finance the Hotel
- Hyatt is the Branded Hotel Operator
- 10-year management contract (with 5-year option at SFO's discretion)
- “Triggers”/performance tests for early termination
- Surplus income to pay-down annual debt service

Underlying Assumptions for Net Income Projections

- Average daily rate: \$300 in year 1 (2019)
- Stabilized occupancy: 82% by year 3
- Special Facility Bonds
- Interest rate assumption: 3.0%
- 40-year amortization period
- Annual debt service: \$7.3 million in Year 1 to \$9.2 million in Year 10

Profitable Project (Years 1 to 10)



Net Income After Management Fees, Annual Debt Service, and FF&E and Capital Replacement Reserves

Year	Downside Case	Base Case	Optimistic Case
2019	\$303,000	\$404,000	\$505,000
2020	\$1,707,750	\$2,277,000	\$2,846,250
2021	\$1,890,000	\$2,520,000	\$3,150,000
2022	\$1,658,250	\$2,211,000	\$2,763,750
2023	\$1,872,000	\$2,496,000	\$3,120,000
2024	\$2,137,500	\$2,850,000	\$3,562,500
2025	\$2,346,000	\$3,128,000	\$3,910,000
2026	\$2,599,500	\$3,466,000	\$4,332,500
2027	\$2,869,500	\$3,826,000	\$4,782,500
2028	\$3,198,750	\$4,265,000	\$5,331,250

Source: JLL

Development Costs



- ➔ Project costs = \$225,000,000
 - Hotel: \$210,000,000
 - AirTrain Station: \$15,000,000

Funding Sources & Uses



Funding Sources

Airport Commission Capital Plan Bonds	\$243,000,000
Hotel Operator Working Capital Contribution	\$5,000,000
Airport Operating Budget	\$450,000
TOTAL	\$248,450,000

Funding Uses

Hotel and AirTrain Station	\$225,000,000
Bond Financing Costs	\$23,000,000
CSA Audit Allocation	\$450,000
TOTAL	\$248,450,000

Projected Economic Benefits



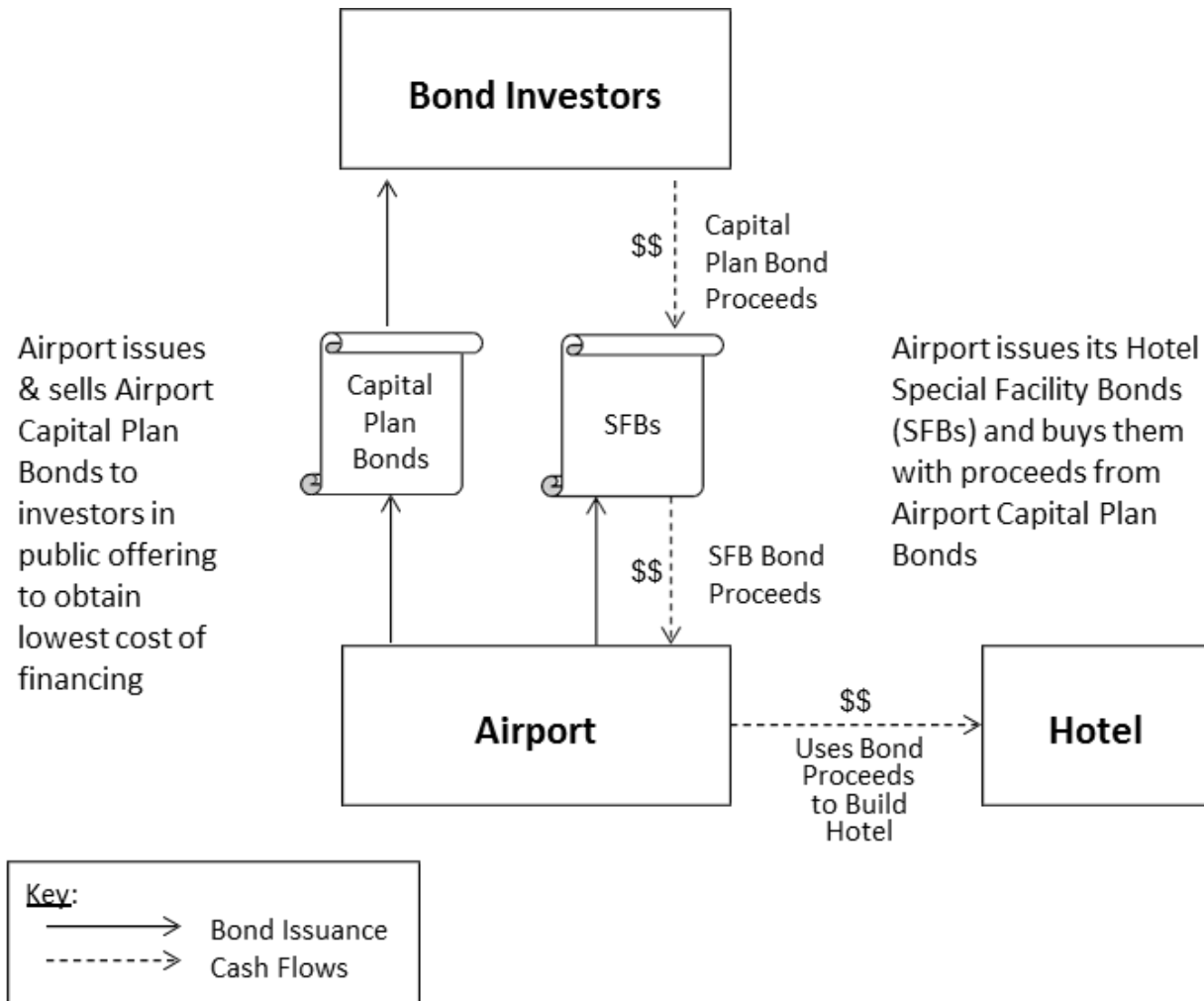
- Full- and part-time jobs generated by Hotel: 404
- Direct construction jobs: 520
- No taxpayer funds will be used to build or operate Hotel
- Will pay for itself
- Contribute to diversification of Airport's revenue
- Multiplier effect for surrounding areas

Source: Hotel jobs (JLL), direct construction jobs (Airport staff)

The Bond Issuance Structure



DRAFT – FOR DISCUSSION PURPOSES ONLY
SUBJECT TO CHANGE





- ➔ The Airport's 18th Supplemental Bond Resolution authorizes:
 - (1) the designation of the proposed on-Airport Hotel as a “special facility;”
 - (2) the issuance of up to \$243 million principal amount of Airport Capital Plan Bonds and \$225 million principal amount of Hotel Special Facility Bonds; and
 - (3) the execution and delivery of a Trust Agreement and/or Supplements thereto with a bond trustee in connection with the issuance of any Hotel Special Facility Bonds.
- ➔ The Hotel Special Facility Bonds would not be sold to the public, but would be purchased by the Airport with the proceeds of the Airport Capital Plan Bonds.

18th Supplemental Bond Resolution (Continued)

- ➔ This financing structure using both Airport Capital Plan Bonds (GARBs) and Special Facility Bonds:
 - (1) enables the use of low tax-exempt financing for the Hotel through the GARBs;
 - (2) allows the Hotel's cash flow to be kept separate from the Airport's regular funds, while still providing the Airport control of the Hotel; and
 - (3) enables the Airport to implement the necessary hotel industry practice of using a lockbox depository to collect daily receipts and pay the Hotel expenses.

Questions?

