



SFO

SAN FRANCISCO INTERNATIONAL AIRPORT

On-Airport Hotel Project

February 6, 2017



Action Item: Recommend approval of Bond Resolution and Supplemental Appropriation for on-Airport Hotel Project that:

- Increases authorization for Hotel Special Facility Bonds by \$35 Million from \$225 Million to \$260 Million;
- Increases authorization for Airport Revenue Bonds (“Capital Plan Bonds”) associated with the Hotel by \$35 Million from \$243 Million to \$278 Million; and
- Appropriates additional bond proceeds.

Item is going before Airport Commission on March 7, 2017

- CPC’s recommendation contingent on Airport Commission approval

Airport Has Revised Project Budget to Address Construction Cost Increases and Additional Revenue-Generating Space

Hotel Project Budget

| | 2015 | Revised 2017 | Change |
|------------------|--------|--------------|--------|
| Hotel | \$210M | \$240M | \$30M |
| AirTrain Station | \$15M | \$15M | \$0 |
| Total | \$225M | \$255M | \$30M |

- Project cost increase driven primarily by two factors:
 1. Significant construction cost escalation since fall of 2015, particularly in the areas of electrical, mechanical, glazing and interior finishes (see next slide); and
 2. Increases in the amount of space allocated for revenue-generating facilities, e.g., larger meeting facilities and food and beverage outlets were identified by Hotel Operator in 2016, following selection of Hyatt Corp.
- Project budget increase necessary to meet 4-star hotel standards, as required in the Airport's Hotel Management Agreement

San Francisco Construction Cost Increases vs. Other U.S. Metro Areas

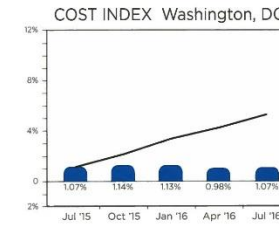
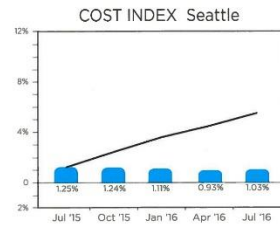
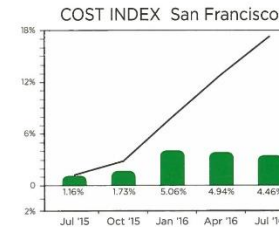
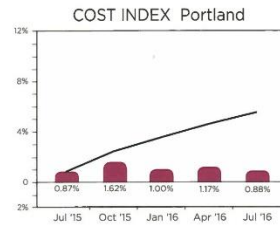
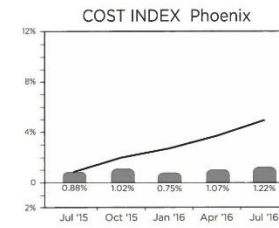
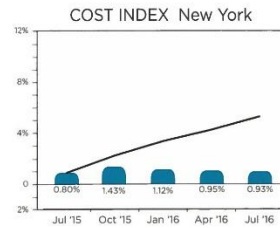


USA REPORT

QUARTERLY CONSTRUCTION COST REPORT

THIRD QUARTER 2016

USA REPORT



17% Increase during FY2016

While the information in this publication is believed to be correct, no responsibility is accepted for its accuracy. Persons desiring to utilize any information appearing in this publication should verify its applicability to their specific circumstances.

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Financial Rationale for Increase in Project Budget

- Due to increase in Average Daily Room Rates since 2015, the Hotel is able to produce positive financial results in every year at the new project budget
- Hotel at the new project budget produces higher net profit for Airport than if the project budget is not increased

| | Project Budget | No. of Guest Rooms Built at Today's Costs | Annual Revenue | Annual Net Profit |
|-----------------|-----------------------|--|-----------------------|--------------------------|
| Existing | \$210M | 289 | \$48M | \$1.2M |
| Revised | \$240M | 351 | \$60M | \$3.8M |

Increase in Project Budget Requires Increase in Bond Authorization and Supplemental Appropriation



| | 2015 | Revised 2017 | Change |
|--|-----------|--------------|-------------|
| Hotel Special Facility Bonds* | \$225.0M | \$260.0M | \$35.0M |
| “Capital Plan Bonds” (i.e. Airport Revenue Bonds)* | \$243.0M | \$278.0M | \$35.0M |
| Operating Funds (for CSA Audit) | \$0.45M | \$0.51M | \$0.06M |
| Total of Special Facility and Capital Plan Bonds | \$468.45M | \$528.51M | \$70.06M ** |

* Includes financing costs

** Equals the amount of the 2017 Supplemental Appropriation for the Hotel Special Facility Bonds and Airport Capital Plan Bonds

Questions?

