

The Crossing Hotel

Frequently Asked Questions

Have you heard about the plans for a new hotel at The Crossing/San Bruno and are you interested in learning more?

Here are answers to some of the frequently asked questions residents and others are asking. More information can be found on the City's website at www.sanbruno.ca.gov.

Why is the City considering another hotel in San Bruno?

The original 2001 Specific Plan for the former U.S. Navy property on El Camino Real across from The Shops at Tanforan called for a vibrant mixed use project including residential apartments, retail shops and an upscale hotel with meeting/event space. This vision, which is now The Crossing/San Bruno, was intended to transform the property into a modern transit-oriented community, and to bring new amenities and economic benefit to San Bruno.

The hotel is a key feature of the community's long-standing vision. The hotel will attract new business travelers and other visitors to San Bruno who will enjoy the many amenities our community offers and spend money here to enrich our local economy. The hotel will also include 3,000 square feet of meeting and event space that is sorely needed in San Bruno. Unlike virtually all other nearby communities that have places for local residents and businesses to hold meetings, parties, community organization events, etc. for up to 300 people, San Bruno does not. The only building in San Bruno with this capacity is San Bruno's well-loved and heavily used Senior Center.

Not only will the hotel fulfill this long term vision and goal for the community – the hotel will bring over \$1 million annually to the City in new General Fund revenues. Whereas other types of development would also bring new property tax and other revenues to the City, only a hotel provides Transient Occupancy Tax (TOT) revenue. TOT is calculated at 12% of the hotel's gross room rental revenues and is conservatively estimated to yield just under \$1 million annually.

What is the City doing to bring the desired upscale hotel to San Bruno?

In 2012, following years of working closely with The Crossing developer to bring the desired upscale hotel to the site, including through the long years of the national economic recession, and once the apartments, retail center and restaurant were completed, the City purchased the undeveloped 1.52 acre hotel site for \$1.4 million. The City then began a nation-wide search for a qualified hotel developer to build the project that the community had long waited for by circulating a Request for Proposals. The City carefully reviewed the 7 proposals it received and selected OTO Development as the best qualified developer to build a Marriott Springhill Suites hotel.

Beginning in 2013, the City entered into negotiations with OTO for development of the hotel. The negotiations included such things as the development schedule, features and amenities of the hotel, including underground parking to maximize the number of hotel rooms and possible transfer of the City-owned property to OTO to assure the financial feasibility of the project. In September, 2015 the City Council approved an amendment to the Specific Plan to identify the City's specific requirements for development of the hotel and to address the changed economic and other conditions since original approval of the Specific Plan in 2001.

Negotiations between the City and OTO have now been completed and the City is prepared to enter into an agreement for OTO to purchase the hotel property at the full, appraised market value and to build the hotel with no City financial participation. That agreement will be considered for approval by the City Council at a special meeting on March 29th and the Planning Commission will consider approval of OTO's Marriott Springhill Suites hotel project at its meeting on April 19th.

Will the hotel be built and operated using union labor?

There is no requirement for OTO to use union labor to build the hotel. State law requires the use of prevailing rate (roughly equivalent to union scale wages) when public funds are used to construct a project. Under the negotiated agreement, no City funds will be used for construction of The Crossing hotel. Given the complexity of the construction work associated with underground parking and other features of the hotel, and given OTO's recent experience constructing hotels in other nearby locations, the construction project may require some use of union labor.

There is no requirement for The Crossing hotel to use union labor for operations. Subject to certain procedures, State law gives all hotel workers the right to organize and join a union.

Will the hotel's 3,000 square feet of meeting and event space be available for use by San Bruno residents?

Absolutely! The space will be available for events, meetings and other activities by families, businesses, community organizations and the City. It will accommodate approximately 200 people for meetings, weddings and parties and as many as 300 for theater-style events.

How much taxpayer money will be spent on development of the hotel?

None. The developer will pay the City fair market value of \$3.97 million to purchase the property and OTO will pay all development fees and costs to build the hotel.

Why is the City allowing an out of state developer to buy The Crossing hotel property?

The City received 7 proposals to develop the property, some of which were from out-of-state developers. The City Council selected OTO as the most qualified. OTO has built over 600 hotels and currently has hotels planned or under development in the cities of Belmont, Redwood City, Palo Alto and South San Francisco.

Couldn't the City get more money for the property? I heard that the smaller (1 acre) property where the "Plaza" apartments will be built at San Mateo Ave. and El Camino went for over \$10 million.

The City hired an independent professional appraiser to determine the fair market value of the property. Using standard appraisal methods, the appraiser determined that the property, as currently zoned and given both the favorable considerations of the site and its development constraints, including the need for costly underground parking, is worth \$3.97 million.

The property has been zoned for a hotel since 2001, and the City Council recently approved an amendment to the Specific Plan to allow a 152 room select service hotel to be built. Changing the Plan so that the property could be sold for apartments would require a long process and a new environmental impact report. Even though the property might be worth more money for sale if it were zoned for a different land use, no other use would generate almost \$1 million per year in TOT revenue to the City. In the long run, the hotel is a better financial deal for the City.

How do we know OTO won't just get the hotel project approved, thereby increasing the value of the property and then turn around and sell it before the hotel is built?

The Purchase and Sale Agreement negotiated between the City and OTO includes several specific protections for the City. The sale of the property will not close escrow until all development project approvals are completed, hotel construction drawings are prepared and approved and the City is ready to issue building permits for the hotel construction. OTO is then required to begin construction within 90 days following the close of escrow. If OTO does not meet this schedule, the City has the right to re-purchase the property. In addition, OTO is not allowed to sell the property before hotel construction begins. If the property is sold, the City will receive half of any profit from an increase in the value of the land.

When will the hotel be completed?

According to the terms of the property purchase agreement, OTO is required to start construction of the hotel by the beginning of next year and to open the hotel for operation within 30 months, by mid-2019.

How can I participate and give my opinion?

Two upcoming public meetings are scheduled regarding the Crossing hotel. Members of the public are welcome to attend and to provide comments.

The City Council will hold a special meeting on Tuesday evening, **March 29th, 6:30pm at the San Bruno Senior Center** to consider a Purchase and Sale Agreement to sell The Crossing hotel property to OTO.

The Planning Commission will consider approval of the hotel development project at its meeting on **April 19th, 7:00 pm at the San Bruno Senior Center.**