



# City of Pensacola

222 West Main Street  
Pensacola, FL 32502

## Memorandum

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**File #:** 19-00138

City Council

8/8/2019

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### **LEGISLATIVE ACTION ITEM**

**SPONSOR:** Grover C. Robinson, IV, Mayor

**SUBJECT:**

SANDSPUR DEVELOPMENT, LLC GROUND LEASE AND DEVELOPMENT AGREEMENT AMENDMENT NUMBER 1

**RECOMMENDATION:**

That City Council authorize the Mayor to execute Amendment Number 1 of the Ground Lease and Development Agreement with Sandspur Development, LLC and execute both the associated Easement Agreement and the Memorandum of Ground Lease to reduce the Sandspur leasehold area, in substantially similar form as appropriate to carry out the purpose of the transaction. Further, that City Council authorize the Mayor to take all necessary actions to execute Amendment Number 1, the Easement Agreement, and the Memorandum of Ground Lease.

**HEARING REQUIRED:** No Hearing Required

**SUMMARY:**

In November 2008, the City approved a ground lease and development agreement with Sandspur Development, LLC for 11.44 acres of Airport property along 12<sup>th</sup> Avenue. The lease was part of Airport Staff's revenue diversification strategy to increase and strengthen its non-airline revenue base. Since lease commencement, Sandspur has developed and operates a Hyatt branded hotel on the premises, and has worked with the Baptist Medical Group to develop and operate a medical office building on the premises. Presently, approximately 5.53 acres of the 11.44 acre leasehold is occupied, with the remaining 5.91 acres undeveloped.

The continued strong growth in passenger traffic over the last three years is creating a demand for additional public parking facilities at the main terminal. The Airport has roughly 2800 spaces available for the general public spread among four parking areas. A project to increase the size of one of the existing parking areas will soon add approximately 260 additional spaces. However, more parking will be needed to meet increasing demand while a longer-term garage expansion project is developed. Airport Staff has identified the undeveloped portion of the Sandspur leasehold as an area that can be readily developed for additional surface parking and integrated into the existing parking operation.

Sandspur Development is willing to release the undeveloped areas from their leasehold.

**PRIOR ACTION:**

December 13, 2007 - City Council approved an Exclusivity Agreement with Innisfree Development, LLC for negotiating rights for the development of a hotel complex and retail complex.

November 20, 2008 - City Council approved the Ground Lease and Development Agreement with Sandspur Development, LLC.

December 15, 2011 - City Council approved a Landlord's Acknowledgement and Consent of Collateral Assignment of Lease.

**FUNDING:**

N/A

**FINANCIAL IMPACT:**

Sandspur currently pays \$231,649.24 per year for the undeveloped 5.91 acres of their leasehold. Revenue generated from all public parking in FY'18 amounted to \$6,559,484. Airport Staff estimates that when the area is developed for public parking, the revenue generated from the use of the area will greatly exceed the rental amount currently received from Sandspur. Sandspur will continue to pay rent on the remaining property developed for the Hyatt Hotel and Baptist medical office facility. The annual rental amount for these areas is presently \$216,754.

**CITY ATTORNEY REVIEW:** Yes

7/26/2019

**STAFF CONTACT:**

Christopher L. Holley, City Administrator  
Daniel Flynn, Airport Director

**ATTACHMENTS:**

- 1) Sandspur Amendment Number 1
- 2) Sandspur Amendment Number 1 Easement Agreement
- 3) Sandspur Amendment Number 1 Memorandum of Lease

**PRESENTATION:** No