



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 20-00322

City Council

7/16/2020

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 12th 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.

In September 2019, City Council approved a proposed amendment with Sandspur to release the undeveloped portion of the property from the lease, which would then allow the Airport to construct additional surface public parking to support the passenger terminal operations. Subsequent to Council approval, the proposed amendment required further modifications to ensure that all parties concurred. Initially, 5.91 acres of the 11.44 acre leasehold was to be released from the agreement. After additional discussion, a total of 7.09 acres will be released. Additionally, Staff proposes to restrict the use of the property to just a surface parking facility for a period of ten years. After ten years, the Airport may develop the property for other revenue-producing purposes, with the exception of medical facilities.

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.

September 8, 2019 - City Council approved the initial draft of Amendment No. 1 to the ground lease and development agreement.

FUNDING:

N/A

FINANCIAL IMPACT:

Annual rent from Sandspur for the entire 11.44 acre leasehold is currently \$448,394 per year. Sandspur will continue to pay rent in the amount of \$170,591 per year for the 4.35 acres covering the Hyatt and Baptist facilities that will remain under their lease. Airport Staff estimates that when the area proposed for release is developed for public parking, the revenue generated from the use of the area will greatly exceed the rent currently received from Sandspur.

CITY ATTORNEY REVIEW: Yes

6/22/2020

STAFF CONTACT:

Keith Wilkins, City Administrator
Richard Barker, Jr., Deputy City Administrator - Administration & Enterprise
Matt Coughlin, Airport Director

ATTACHMENTS:

- 1) Sandspur Amendment No. 1

PRESENTATION: No