

Memorandum

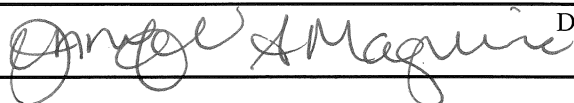
TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

**SUBJECT: HAYES MANSION SALE
COMPLETED**

DATE: February 13, 2019

Approved



Date

2-14-19

INFORMATION

The purpose of this information memorandum is to provide the Mayor and City Council with an update regarding the sale of the Hayes Mansion.

On June 26, 2018, City Council approved the sale of the Hayes Mansion to JMA Ventures LLC for \$30 million. I am pleased to announce that the City and buyer have successfully completed the sale and closed escrow on the transaction.

The substantial benefits of completing this sale include:

- Eliminating the ongoing General Fund annual subsidy for debt service, which has ranged from \$2 million to \$6 million per year since 2003
- Eliminating all outstanding long-term bond debt against the Hayes Mansion
- Paying the outstanding Devcon Loan of \$1.2 million
- Avoiding additional expenditure and liability related to deferred maintenance
- Providing for a reputable private owner to continue operations of the Hayes Mansion as a destination hotel/conference center and community asset, and to invest substantial capital to improve the property
- Continuing to receive hotel-related taxes into the General Fund, the Transient Occupancy Tax Fund, and the Convention Center Facilities District Fund, in aggregate generally exceeding \$1 million per year

In addition, after satisfying all the debt and other obligations, the sale resulted in positive net proceeds for the City. Staff will return to Council prior to the end of the fiscal year to recognize the net proceeds as revenue (and to make recommendations for its use).

The buyer, JMA Ventures, is a San Francisco-based real estate investment firm, whose portfolio includes hospitality properties, along with residential, retail and office developments. This highly experienced and reputable firm owns the Fairmont Heritage Place at Ghirardelli Square, the Hyatt Regency La Jolla, the Tahoe Biltmore Resort, and recently collaborated with

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the Sacramento Kings to develop its new arena. JMA Ventures is excited to add Hayes Mansion to its group of assets and to invest in the property's future.

The complex process of securing a purchaser, negotiating the deal, and closing the transaction required coordination and persistence from staff across many City Departments, including the Office of Economic Development, the Finance Department, the City Attorney's Office, the City Manager's Budget Office, Public Works, PRNS, and PBCE, along with Council District 2. Thank you to all who supported this tremendous effort over many years, particularly: Dave Sykes, Jennifer Maguire, Julia Cooper, Lisa Taitano, Joe Gray, Annie To, Elan Ye, Margaret McCahan, Jim Shannon, Rick Doyle, Ed Moran, Ken Johnson, Johnny Phan, Egan Hill, Ryan Do, Steve Choy, Rodney Rapson, Nicolle Burnham, Mike Will, Emily Lipoma, Sylvia Do, Councilmember Sergio Jimenez, and Vanessa Sandoval.

Finally, I would like to especially thank Nanci Klein for lending this effort, and Loren Haley for serving as Project Manager.

/s/
KIM WALESH
Deputy City Manager
Director of Economic Development

For questions, please contact Nanci Klein, Assistant Director of Economic Development, at (408) 535-8184.

