

**SAN DIEGO UNIFIED PORT DISTRICT**

**ORDINANCE 2715**

**ORDINANCE RATIFYING A 66-YEAR LEASE WITH  
HOST SAN DIEGO HOTEL LLC FOR SHERATON  
SAN DIEGO HOTEL & MARINA (BAY TOWER),  
WITH CONDITIONS**

**WHEREAS**, the San Diego Unified Port District (District) is a public corporation created by the Legislature in 1962 pursuant to Harbors and Navigation Code Appendix I (Port Act); and

**WHEREAS**, Section 87(b) of the Port Act grants authority to the District to lease the tidelands or submerged lands, or parts thereof, for limited periods, not exceeding 66 years, for purposes consistent with the trusts upon which those lands are held, by the State of California; and

**WHEREAS**, Host Hotels & Resorts Inc. is a revenue producing District tenant through its leases with Sheraton San Diego Hotel & Marina (Sheraton) and the Coronado Island Marriott Resort (Coronado Marriott); and

**WHEREAS**, Host is the District's lessee at the Sheraton on Harbor Island which leases the Marina Tower and the Bay Tower; and

**WHEREAS**, Host San Diego Hotel, LLC (Host) currently has a 60-year Amended, Restated and Combined lease with the District for Sheraton's Bay Tower which commenced on January 1, 1997, and expires December 1, 2056 on file in the Office of the District Clerk as Document No. 35659, as Assigned under District Clerk's Document No. 38507; and

**WHEREAS**, under the current Sheraton Bay Tower lease, a rent review was pending for the ten-year period ending December 31, 2017; and

**WHEREAS**, staff has negotiated a new 66-year lease for the Sheraton Bay Tower in an effort to update the lease to the current standard, in lieu of continuing the rent review negotiations; and

**WHEREAS**, significant updates were made to the lease overall to include the District's current standard lease language; and

**WHEREAS**, under the proposed lease, Host will continue to pay the same minimum and percentage rental rates as they do under the existing lease, with no offsets; and

**WHEREAS**, the proposed lease stipulates that the parties would use baseball arbitration as a means of resolving a rent dispute and that appraisers would not consider economic incentives granted by the District to another lessee for improvements primarily for the public benefit; and

**WHEREAS**, at the October 9, 2012 Board of Port Commissioners (BPC) meeting staff presented the proposed lease to the BPC and was directed by the BPC to add and did add to the proposed lease clause Section 18.1 "Compliance with Employment and Labor Requirements."

**NOW, THEREFORE**, the Board of Port Commissioners of the San Diego Unified Port District does ordain as follows:

Section 1. That a 66-year lease with Host San Diego Hotel, LLC, a Delaware limited liability company for the Sheraton San Diego Hotel & Marina (Bay Tower) conditioned upon the Board approval of items A and C to the corresponding Agenda Report is hereby granted and ratified.

Section 2. The Executive Director or his designated representative is hereby directed to execute said 66-year lease with Host San Diego Hotel LLC for Sheraton San Diego Hotel & Marina (Bay Tower).

Section 3. This ordinance shall take effect on the 31<sup>st</sup> day from its passage by the Board of Port Commissioners.

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 9th day of April, 2013, by the following vote:

AYES: Malcolm, Moore, Nelson, Smith, Valderrama

NAYS: None.

EXCUSED: None.

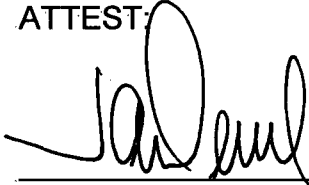
ABSENT: None.

ABSTAIN: None.



Ann Y. Moore, Chair  
Board of Port Commissioners

ATTEST:



Timothy A. Deuel  
District Clerk

(Seal)