

SAN DIEGO UNIFIED PORT DISTRICT

ORDINANCE 2716

ORDINANCE RATIFYING A 50-YEAR LEASE WITH ONE OPTION TO EXTEND FOR 16 YEARS, WITH CONDITIONS, TO HOST HOTELS & RESORTS, L.P. FOR CORONADO ISLAND MARRIOTT RESORT, 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, the District has a 50-year lease with Host Hotel & Resorts, L.P. (Host) for the Coronado Marriott which commenced on October 1, 1986 and expires September 30, 2036 on file in the office of the District Clerk as Document No. 19891, as Amended and Assigned under Document Nos.: 22654, 24415, 31353, 32416, 36789, 36788, 37877, 38125 and 38427; and

WHEREAS, staff has negotiated a new 50-year lease for Coronado Marriott with one option to extend for 16 years, conditioned upon the completion of the proposed spa and ballroom improvements; in an effort to update the lease to the current standard, in lieu of continuing the rent review negotiations; 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, significant updates were made to the lease overall to include the District's current standard lease language; 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 50-year lease with one option to extend for 16 years, conditioned upon the completion of the proposed spa and ballroom renovations, with Host Hotels & Resorts, L.P., a Delaware limited partnership for the Coronado Island Marriott Resort and also conditioned upon the Board approval of items A and B 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 50-year lease with one option to extend for 16 years with Host Hotels & Resorts, L.P., a Delaware limited liability partnership.

Section 3. This ordinance shall take effect on the 31st 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:

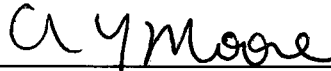
AYES: Malcolm, Moore, Nelson, Smith, Valderrama

NAYS: None.

EXCUSED: None.

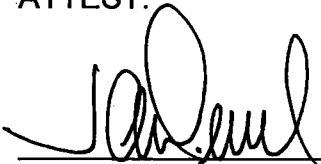
ABSENT: None.

ABSTAIN: None.



Ann Y. Moore, Chair
Board of Port Commissioners

ATTEST:



Timothy A. Deuel
District Clerk

(Seal)