

SAN DIEGO UNIFIED PORT DISTRICT

ORDINANCE 2861

**ORDINANCE AUTHORIZING AMENDMENT NO. 1
TO THE MANAGEMENT AGREEMENT FOR THE
SAN DIEGO CONVENTION CENTER BETWEEN
THE CITY OF SAN DIEGO AND THE DISTRICT,
EXTENDING THE TERM AND AMENDING
CERTAIN TERMS NECESSARY FOR FINANCING
PURPOSES**

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 1 (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, the City of San Diego (City), through the San Diego Convention Center Corporation (SDCCC), manages the San Diego Convention Center (Convention Center) on behalf of the District under the "1998 Convention Center Management Agreement by and between the San Diego Unified Port District and the City of San Diego" (1998 Agreement), the term of which expires on May 1, 2028; and

WHEREAS the Infrastructure State Revolving Fund (ISRF) program provides financing to public agencies and non-profit corporations for a wide variety of infrastructure projects, such as the proposed Convention Center projects; and

WHEREAS, the City proposes to obtain a loan of up to \$25.5 million for a term of 25 years from the California Infrastructure and Economic Development Bank (IBank) to be implemented through a lease-leaseback financing arrangement to finance improvements to the Sails Pavilions and escalators and the replacement of cooling towers and life safety systems at the Convention Center; and

WHEREAS, because the improvements will be used as collateral for the IBank financing, the term of the 1998 Management Agreement must be extended to be coterminous to the financing agreement term; and

WHEREAS, an amendment to the 1998 Agreement (Amendment) and an Operating Memorandum as authorized pursuant to Section 36 of the 1998

Agreement between the City and District are necessary to allow the City to finance the improvements through the IBank; and

WHEREAS, the proposed Amendment would extend the term by 14 years to May 2042 for the sole purpose of facilitating the improvements to be made to the Convention Center and to pledge the improvements for the loan/lease agreement, as well as obligates the City to maintain, repair and if necessary, replace the improvements; and

WHEREAS, the Amendment approves the form of the Operating Memorandum and authorizes the President/CEO of the District and the Mayor to execute the Operating Memorandum; and

WHEREAS, the Operating Memorandum acknowledges that the City and SDCCC intend to finance the SDCC improvements and the District consents to the encumbrance of the proposed improvements; and

WHEREAS, the Amendment and Operating Memorandum recognize that the City and SDCCC may enter into separate agreements regarding IBank financing and lease-leaseback arrangement, but the SDCCC is not a party to the 1998 Management Agreement, amendment thereto or the Operating Memorandum and is not a third-party beneficiary under any of these agreements; and

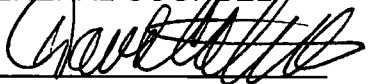
WHEREAS, the District may review and approve other discretionary actions, including without limitation the arrangement between the City and SDCCC at a future date.

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

Section 1. The Executive Director and/or her designated representative is hereby authorized on behalf of the District to enter into Amendment No. 1 to the 1998 Management Agreement for the San Diego Convention Center between the City of San Diego and the Port District.

Section 2. This Ordinance shall take effect on the 31st day from its passage by the Board of Port Commissioners.

APPROVED AS TO FORM AND LEGALITY:
GENERAL COUNSEL


By: ~~Assistant~~ Deputy

2861

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 15th day of June, 2016, by the following vote:

AYES: Bonelli, Castellanos, Merrifield, Moore, Nelson, and Valderrama.

NAYS: None.

EXCUSED: Malcolm.

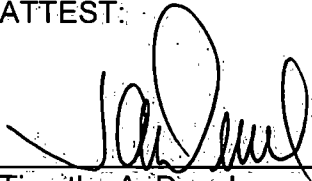
ABSENT: None.

ABSTAIN: None.



Marshall Merrifield, Chairman
Board of Port Commissioners

ATTEST:



Timothy A. Deuel
District Clerk

(Seal)