

**SAN DIEGO UNIFIED PORT DISTRICT**

**ORDINANCE 2875**

**ORDINANCE GRANTING AMENDMENT NO. 1 TO  
LEASE WITH WESTGROUP KONA KAI LLC, DBA  
KONA KAI RESORT, LOCATED AT 1551 SHELTER  
ISLAND DRIVE, SAN DIEGO, CA, TO UPDATE  
OPTION TO COMBINE KONA KAI RESORT AND  
KONA KAI MARINA LEASEHOLDS, AND UPDATE  
CERTAIN LEASE PROVISIONS**

**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**, Westgroup Kona Kai, LLC dba Kona Kai Resort (Kona Kai Resort) has a lease (Resort Lease) with the District at 1551 Shelter Island Drive for a 129-guest room hotel, including a restaurant, spa, meeting space and parking; and

**WHEREAS**, the Resort Lease has a 35-year term which expires in 2049, with a 15-year term extension upon completion of phase two of the renovation for a total term of 50 years; and

**WHEREAS**, Cahuenga Associates II, dba Kona Kai Marina. (Kona Kai Marina) has a 40-year lease (Marina Lease) with the District at 1551 and 1901 Shelter Island Drive for a 518-slip marina which expires in 2044; and

**WHEREAS**, the Resort Lease includes an option to combine the Kona Kai Resort and Kona Kai Marina leaseholds (collectively Kona Kai) which are adjacent to each other, once certain conditions are met; and

**WHEREAS**, consistent with District practice, Staff has prepared a lease amendment to the Resort Lease to update certain lease provisions to bring it to the current standard, including updating the attached option to combine the leaseholds; and

**WHEREAS**, a review of the Resort Lease rent was conducted and two changes are proposed to percentage rental rates for Conference and Banquet

Rooms from 7% to 7.5% and Parking Services from 10% to 15%, no changes to Minimum Annual Rent (MAR) are proposed.

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

Adopt ordinance granting Amendment No. 1 to Lease with Westgroup Kona Kai LLC, dba Kona Kai Resort to update option to combine Kona Kai Resort and Marina leaseholds, and update certain lease provisions.

APPROVED AS TO FORM AND LEGALITY:  
GENERAL COUNSEL



By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 13<sup>th</sup> day of October, 2016, by the following vote:

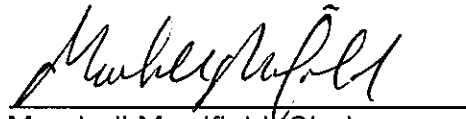
AYES: Castellanos, Malcolm, Merrifield, Moore, Nelson, and Valderrama.

NAYS: None.

EXCUSED: Bonelli.

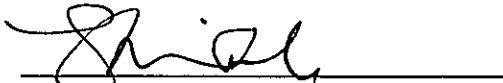
ABSENT: None.

ABSTAIN: None.



Marshall Merrifield, Chairman  
Board of Port Commissioners

ATTEST:



Timothy A. Deuel  
District Clerk

(Seal)