

RESOLUTION 2013-203

**RESOLUTION CONSENTING TO ENCUMBRANCE
OF BARTELL HOTELS DBA HUMPHREY'S HALF
MOON INN AND SUITES LEASEHOLD IN AN
AMOUNT NOT TO EXCEED \$15,000,000 IN FAVOR
OF UNION BANK, 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, Bartell Hotels, a California Limited Partnership dba Humphrey's Half Moon Inn and Suites (Humphrey's) operates a 182-room hotel and a 180-slip marina at 2303 Shelter Island Drive; and

WHEREAS, Humphrey's has a 31-year lease with the District covering its hotel and marina operations, which expires in 2034 on file in the Office of the District Clerk as Document No. 45625, and as amended by Agreement for Amendment of Lease, on file in the Office of the District Clerk as Document No. 55318; and

WHEREAS, Humphrey's is proposing to invest approximately \$4.2 million to upgrade both the appearance and function of the leasehold; and

WHEREAS, the interior renovations include guest room and suite renovations and the exterior enhancements include upgrading the exterior to stucco, replacement of guest room balconies and patios, and stairway and HVAC upgrades; and

WHEREAS, Humphrey's has an existing \$8,750,000 loan with Union Bank and is proposing to modify the loan and replace it with a \$15,000,000 loan to use a portion of the proceeds towards the proposed project; and

WHEREAS, staff has reviewed the terms of the loan in accordance with BPC (Board of Port Commissioners) Policy No. 355 and recommends the BPC consent to the encumbrance, with the following conditions:

1. The loan amount will not exceed \$15,000,000;

2. The loan term will not extend beyond the proposed new lease expiration date of January 31, 2054;
3. All other terms, conditions, provisions and covenants of the lease shall remain and continue in full force and effect and no further encumbrance of the lease or any part thereof shall be made without the prior written consent of the District in each instance, as provided in the lease;
4. It is understood that the District has not reviewed or approved the terms and conditions of the proposed encumbrance documents, such as the leasehold deed of trust or note secured thereby and is not agreeing to be a party to the leasehold deed of trust, note or other documents;
5. Nothing contained in the conditions of approval shall be construed to modify, amend or waive any of the provisions of the lease;
6. The District's consent to the encumbrance shall be null and void and of no further force and effect if Lessee does not obtain financing from Union Bank, as confirmed by receipt of final loan documents signed by both Bartell and Union Bank, within 90 days of District's consent;
7. Bartell acknowledges that it will not seek further rent relief as a result of not being able to meet its debt service or debt repayment obligations; and
8. The District's consent to this encumbrance is conditioned upon the leasehold having no other loans in effect, as confirmed by receipt of a full reconveyance recorded in the Office of the Recorder of San Diego County within 90 days of the District's consent.

NOW, THEREFORE, BE IT RESOLVED by the Board of Port Commissioners of the San Diego Unified Port District, as follows:

That the Executive Director or his designated representative is hereby authorized on behalf of the San Diego Unified Port District to consent to the encumbrance of Bartell Hotels, a California Limited Partnership dba Humphrey's Half Moon Inn and Suites Leasehold in an amount not to exceed \$15,000,000 in favor of Union Bank, with conditions.

2013-203

APPROVED AS TO FORM AND LEGALITY:
PORT ATTORNEY



By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 10th day of December, 2013, by the following vote:

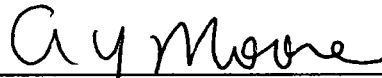
AYES: Castellanos, Malcolm, Merrifield, Moore, Nelson, Smith and Valderrama

NAYS: None.

EXCUSED: None.

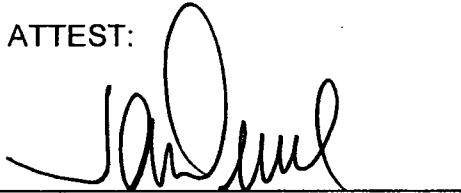
ABSENT: None.

ABSTAIN: None.



Ann Y. Moore, Chair
Board of Port Commissioners

ATTEST:



Timothy A. Deuel
District Clerk

(Seal)