

RESOLUTION 2014-36

RESOLUTION CONSENTING TO \$83 MILLION ENCUMBRANCE OF THE LEASEHOLD INTEREST OF LFN DEVELOPERS, LLC IN LANE FIELD NORTH IN FAVOR OF U.S. BANK AND AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONSENT TO ENCUMBRANCE AGREEMENT WITH U.S. 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, LPP Lane Field, LLC (Developer) has an option to lease agreement (Option to Lease) with the District which provides for development of a 400-room hotel on the Lane Field North site, and provides the Developer with options to develop the adjacent Lane Field South site upon exercising the Option to Lease, on file in the Office of the District Clerk, as Document No. 58634, as amended; and

WHEREAS, pursuant to Resolution No. 2014-35 adopted by the Board of Port Commissioners (BPC) on March 4, 2014, the District consented to the assignment and assumption of the Option to Lease from the Developer to LFN Developers, LLC (LFN); and

WHEREAS, the development of Lane Field North is projected to cost approximately \$130 million; and

WHEREAS, LFN is requesting the District's consent to an \$83 million construction loan provided by US Bank and secured by the Lane Field North leasehold interest; and

WHEREAS, the purpose of the loan proceeds is to fund the construction of the hotel and the setback park/plaza; and

WHEREAS, the total loan amount is not more than 65% of the appraised leasehold value of \$134.5 million, and therefore complies with the maximum 75% loan-to-value ratio required under the Administrative Practices of BPC Policy No. 355; and

WHEREAS, in addition to the BPC's consent of the \$83 million encumbrance, US Bank has requested the District provide a separate consent certificate acknowledging their rights provided in the lease (see Attachment D: Consent to Encumbrance Agreement to the corresponding Staff Report); and

WHEREAS, staff has reviewed all of the relevant information required by BPC Policy No. 355 and the Option to Lease, and recommends that the BPC's consent be conditioned on the following:

1. The loan amount will not exceed \$83 million.
2. 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.
3. 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.
4. Nothing contained in the conditions of approval shall be construed to modify, amend or waive any provisions of the lease.
5. 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 US Bank, as confirmed by receipt of final loan documents signed by both LFN and US Bank, within 90 days of District's consent.
6. LFN acknowledges that it will not seek rent relief as a result of not being able to meet its debt service or debt repayment obligations.

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

That the San Diego Unified Port District consents to the \$83 million encumbrance of the leasehold interest of LFN Developers, LLC in Lane Field North in favor of U.S. Bank and authorizes the Executive Director to enter into a Consent to Encumbrance Agreement with U.S. Bank, with the above conditions.

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 4th day of March, 2014, by the following vote:

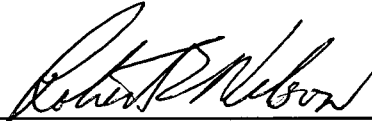
AYES: Bonelli, Castellanos, Malcolm, Merrifield, Moore, Nelson, and Valderrama

NAYS: None.

EXCUSED: None.

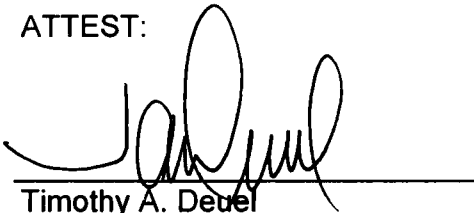
ABSENT: None.

ABSTAIN: None.



Robert E. Nelson, Chairman
Board of Port Commissioners

ATTEST:



Timothy A. Deuel
District Clerk

(Seal)