

RESOLUTION 2015-106

RESOLUTION CONSENTING TO ENCUMBRANCE OF BARTELL HOTELS, A CALIFORNIA LIMITED PARTNERSHIP, DBA BEST WESTERN ISLAND PALMS HOTEL AND MARINA LEASEHOLDS AT 2051 SHELTER ISLAND DRIVE AND 1901 SHELTER ISLAND DRIVE IN AN AMOUNT NOT TO EXCEED \$18,950,000 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 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, Bartell Hotels, a California Limited Partnership (Bartell) dba Best Western Island Palms Hotel and Marina (Hotel and Marina), operates a 222-room hotel and marina at 2051 Shelter Island Drive and 1901 Shelter Island Drive; and

WHEREAS, the Hotel and Marina consists of one hotel operating on two separate leaseholds with two separate 50-year District leases; and

WHEREAS, the leasehold at 2051 Shelter Island Drive is the 97-room hotel and 198-slip marina (Island Palms) and the leasehold at 1901 Shelter Island Drive (Island Palms West) is the remaining 125-room hotel; and

WHEREAS, the Island Palms lease expires in 2048 and the Island Palms West lease expires in 2058; and

WHEREAS, Union Bank has agreed to loan Bartell an amount not to exceed \$18,950,000 for the Hotel and Marina to refinance its two existing loans of \$8,900,000 for Island Palms and \$9,200,000 for Island Palms West, a current loan that totals \$18,100,000; and

WHEREAS, the existing leaseholds, Island Palms and Island Palms West, are cross-collateralized and would remain cross-collateralized under the proposed encumbrance for the Hotel and Marina; and

WHEREAS, the increase of \$850,000 for the new loan will be applied towards the nearly completed \$2.2 million project approved by the Board of Port Commissioners (BPC) in late 2013; and

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

1. The combined loan amounts will not exceed \$18,950,000; and
2. The loan term will not extend beyond the Island Palms lease expiration date of November 30, 2048; and
3. All other terms, conditions, provisions and covenants of the leases 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 leases; and
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 deeds of trust or notes secured thereby, and is not agreeing to be a party to the leasehold deeds of trust, notes or other documents; and
5. Nothing contained in the conditions of approval shall be construed to modify, amend or waive any provisions of the leases; and
6. The District's consent to the encumbrances shall be null and void and of no further force and effect if Lessees do not obtain financing from Union Bank, as confirmed by receipt of final loan documents signed by both Bartell and Union Bank, within ninety (90) days of District's consent; and
7. Bartell acknowledges that it will not seek 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 both leaseholds having no other loans in effect, as confirmed by receipt of a full re-conveyance recorded in the Office of the Recorder of San Diego County within 90 days of 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 her 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 Best Western Island Palms Hotel and Marina Leaseholds in an amount not to exceed \$18,950,000 in favor of Union Bank, with conditions as set forth above.

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 8th day of September, 2015, by the following vote:

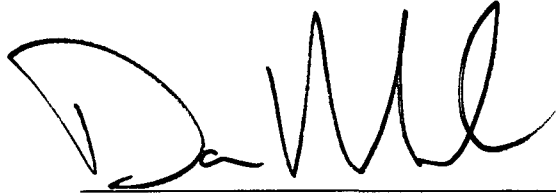
AYES: Bonelli, Malcolm, Merrifield, Moore, Nelson, and Valderrama.

NAYS: None.

EXCUSED: None.

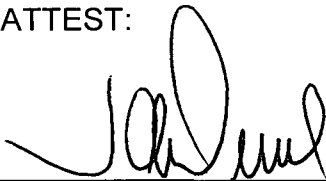
ABSENT: None.

ABSTAIN: Castellanos.



Dan Malcolm, Chairman
Board of Port Commissioners

ATTEST:



Timothy A. Deuel
District Clerk



(Seal)