

RESOLUTION 2015-109

RESOLUTION CONSENTING TO ENCUMBRANCE OF BARTELL HOTELS, A CALIFORNIA LIMITED PARTNERSHIP, DBA HILTON SAN DIEGO AIRPORT LEASEHOLD LOCATED AT 1960 HARBOR ISLAND DRIVE IN AN AMOUNT NOT TO EXCEED \$26,425,000 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, Waterfront Harbor GL, LLC a Delaware limited liability company (Waterfront) operates a 211 room hotel at 1960 Harbor Island Drive (Hotel) under a lease and two lease amendments, which expire in 2048; and

WHEREAS, the Hotel leasehold is comprised of 112,548 square feet of land area and 59,117 square feet of water area; and

WHEREAS, Waterfront is proposing to assign their lease to Bartell Hotels, a California limited partnership, dba Hilton San Diego Airport (Bartell); and

WHEREAS, should the Board of Port Commissioners (BPC) consent to the assignment of the Hotel lease to Bartell, Bartell is desirous of encumbering the leasehold by obtaining a loan in the amount of \$26,425,000; and

WHEREAS, the appraised leasehold value is 70% of the loan-to value, and therefore complies with the maximum 75% loan-to-value ratio under the Administrative Practices of BPC Policy No. 355; and

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

1. The loan amount will not exceed \$26,425,000; and

2. The loan term will not extend beyond the Hilton lease expiration date of December 31, 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 lease; 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 lease; 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 the leasehold 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 ninety (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 Hilton San Diego Airport Leasehold located at 1960 Harbor Island Drive in an amount not to exceed \$26,425,000 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:

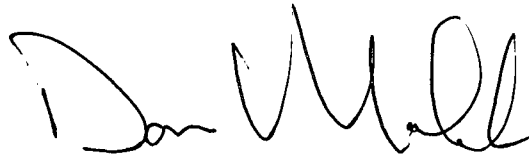
AYES: Bonelli, Malcolm, Merrifield, Moore, Nelson, and Valderrama.

NAYS: None.

EXCUSED: None.

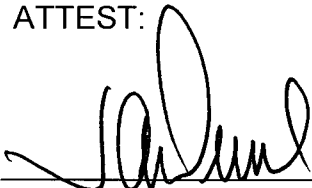
ABSENT: None.

ABSTAIN: Castellanos.



Dan Malcolm, Chairman
Board of Port Commissioners

ATTEST:



Timothy A. Deuel
District Clerk

(Seal)