

Clerk's Note:

Resolution No. 2015-161 was rescinded by

Resolution No. 2016-34 on 03/08/16

RESOLUTION 2015-161

RESOLUTION CONSENTING TO \$114.4 MILLION ENCUMBRANCE OF LFS DEVELOPMENT, LLC'S LEASEHOLD INTEREST IN LANE FIELD SOUTH IN FAVOR OF PNC BANK, NATIONAL ASSOCIATION AND BBVA COMPASS BANCSHARES, INC., AND AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONSENT TO ENCUMBRANCE AGREEMENT WITH PNC 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, Board of Port Commissioners (BPC) Policy No. 355 Administrative Practices Section III(A) sets out the required minimum documentation in support of District consent to new financing; and

WHEREAS, LPP Lane Field, LLC (Developer) has an option to lease agreement with the District for development of a 400-room hotel on the Lane Field South site located at the corner of Broadway and Harbor Drive in the city of San Diego (Project); and

WHEREAS, the Developer is proposing to assign the option to lease agreement to a new, single-purpose entity which will become the District's lessee, LFS Development, LLC (LFS) (Lessee), comprised indirectly of the Developer (approximately 12%), and COAM (approximately 88%); and

WHEREAS, the Developer is requesting the District's consent to a \$114.4 million construction loan provided by both PNC Bank, National Association (50%) and BBVA Compass Bancshares, Inc. (50%) (Lender) and secured by the Lane Field South leasehold interest; and

WHEREAS, the purpose of the loan proceeds is to fund the construction of the Project; and

WHEREAS, the total loan amount is not more than 50% of the appraised leasehold value of \$232.6 million, and therefore complies with the maximum 75% loan-to-value ratio required under the Administrative Practices of BPC Policy No. 355 (BPC 355); and

WHEREAS, the Lender has requested the District provide a separate consent certificate acknowledging their rights provided in the lease; and

WHEREAS, staff recommends that the District's consent be conditioned on the following:

1. The total loan amount will not exceed \$114.4 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 PNC Bank, National Association and BBVA Compass Bancshares, Inc., as confirmed by receipt of final loan documents signed by both LFS and PNC Bank, National Association and BBVA Compass Bancshares, Inc., within 90 days of District's consent.
6. Lessee 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 that the Board of Port Commissioners of the San Diego Unified Port District hereby consents to the encumbrance of LFS Development, LLC's leasehold interest in Lane Field South site located at the corner of Broadway and Harbor Drive, San Diego, CA by a \$114.4 Million loan in favor of PNC Bank, National Association and BBVA Compass Bancshares, Inc. with the conditions set forth above.

BE IT FURTHER 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 enter into a Consent to Encumbrance of Leasehold Estate Agreement with PNC Bank, National Association, with conditions as set forth therein.

APPROVED AS TO FORM AND LEGALITY:
GENERAL COUNSEL

A handwritten signature in black ink, appearing to read "David L. Talbot", is written over a horizontal line.

By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 8th day of December, 2015, by the following vote:

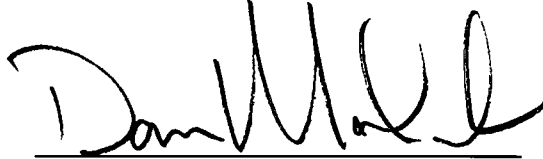
AYES: Bonelli, Castellanos, Malcolm, Merrifield, Moore, Nelson, and Valderrama.

NAYS: None.

EXCUSED: None.

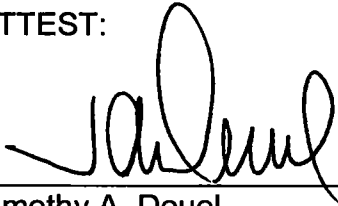
ABSENT: None.

ABSTAIN: None.



Dan Malcolm, Chairman
Board of Port Commissioners

ATTEST:



Timothy A. Deuel
District Clerk

(Seal)