

## **RESOLUTION 2016-181**

### **RESOLUTION CONSENTING TO ENCUMBRANCE OF SEAPORT VILLAGE OPERATING COMPANY, LLC, DBA THE HEADQUARTERS, LEASEHOLD INTEREST BY A LOAN IN AN AMOUNT UP TO \$36,650,000 IN FAVOR OF NORTHSTAR REAL ESTATE INCOME II, INC., 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**, Seaport Village Operating Company, LLC (SPV) operates an entertainment-oriented specialty retail development commonly known as "The Headquarters" located at 789 West Harbor Drive in the City of San Diego, formerly known as the Old Police Headquarters building, under an existing lease (Lease) with the District which expires in 2052; and

**WHEREAS**, The Headquarters leasehold is comprised of approximately 273,887 square feet of land area and opened to the public on November 18, 2013 consisting of approximately 100,000 square feet of restaurants, specialty retail shopping, entertainment facilities, offices for merchants, and parking; and

**WHEREAS**, SPV is requesting consent to an encumbrance of the leasehold in an amount up to \$36,650,000 (Loan) to refinance their existing unsecured line-of-credit; and

**WHEREAS**, the lender, NorthStar Real Estate Income II, Inc. (NorthStar), is a public, non-traded Real Estate Investment Trust sponsored by its affiliate, NorthStar Asset Management Group, Inc., with over \$1.0 billion in total assets; and

**WHEREAS**, the new Loan is equal to approximately 70% of the stabilized appraised leasehold value of \$52,200,000, and therefore complies with the maximum 75% loan-to-value ratio permitted under Board of Port Commissioners (BPC) Policy No. 355; and

**WHEREAS**, staff has reviewed the terms of the Loan in accordance with

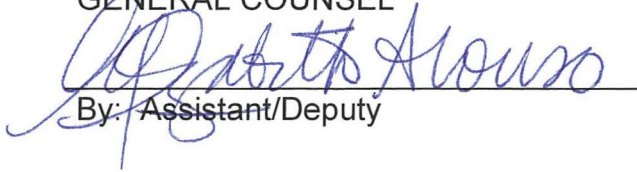
BPC Policy No. 355 and recommends the BPC consent to the Lease encumbrance with the following conditions:

1. The Loan amount secured by a deed of trust, note(s) or other encumbrance documents on SPV's leasehold estate shall not exceed \$36,650,000; and
2. The District's consent to encumbrance strictly prohibits the leasehold estate from being cross-collateralized with other properties for purposes of a loan; and
3. The Loan term shall not extend beyond the Lease expiration date of January 10, 2052; and
4. Subject to Condition No. 10 below, 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; and
5. It is understood that the District has not reviewed or approved the terms and conditions of the proposed encumbrance documents, such as a 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; and
6. Except as provided in Condition No. 10 below, nothing contained in the conditions of approval shall be construed to modify, amend or waive any provision of the Lease; and
7. The District's consent to the encumbrance shall be null and void and of no further force and effect if SPV does not obtain financing from NorthStar, as confirmed by receipt of final Loan documents signed by SPV and NorthStar, as applicable, within one hundred and twenty (120) days of District's consent; and
8. SPV 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
9. The District's consent to this encumbrance is conditioned upon the leasehold not being subject to any other encumbrance, as confirmed by receipt of a full reconveyance of any existing encumbrances recorded in the Office of the Recorder of San Diego County within one hundred and twenty (120) days of District's consent; and
10. The District's consent to this encumbrance is conditioned upon the BPC's adoption of an ordinance granting the proposed Agreement for

Amendment of Lease Amendment No. 1 between the District and SPV and the ordinance becoming effective.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Port Commissioners of the San Diego Unified Port District hereby consents to the encumbrance of Seaport Village Operating Company, LLC, dba The Headquarters, leasehold interest by a loan in an amount up to \$36,650,000 in favor of NorthStar Real Estate Income II, Inc., with the conditions 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 13<sup>th</sup> day of December, 2016, by the following vote:

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

NAYS: None.

EXCUSED: None.

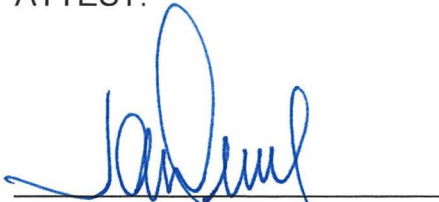
ABSENT: None.

ABSTAIN: None.

RECUSED: None.

  
Marshall Merrifield, Chairman  
Board of Port Commissioners

ATTEST:

  
Timothy A. Deuel  
District Clerk



(Seal)