

**RESOLUTION 2016-34**

**RESOLUTION CONSENTING UP TO A \$105 MILLION ENCUMBRANCE OF LFS DEVELOPMENT, LLC'S LEASEHOLD INTEREST IN LANE FIELD SOUTH IN FAVOR OF PNC BANK, NATIONAL ASSOCIATION, REGIONS BANK, AND IF APPLICABLE, THE BANK OF CHINA, LOS ANGELES BRANCH 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 21 of the Port Act authorizes the Board of Port Commissioners (BPC) to pass all necessary ordinances and resolutions for the regulation of the District; and

**WHEREAS**, LPP Lane Field, LLC (Developer) has an Option to Lease Agreement (Option) with the District for development of a 400-room hotel on the Lane Field South site (Project); and

**WHEREAS**, at the November 2015 BPC meeting, the BPC consented to the final form lease agreement (Lease); and

**WHEREAS**, at the December 2015 BPC meeting, the BPC consented to a \$114.4 million encumbrance in favor of two banks: PNC Bank, National Association; and BBVA Compass Bancshares, both secured by a first trust deed on the leasehold; and

**WHEREAS**, in late December 2015, one of the lending banks withdrew from the Project, which prevented the financing from closing and the Developer from exercising its Option to enter into the Lease with the District; and

**WHEREAS**, the Developer has exercised its Option to purchase a three (3) month extension at a cost of \$200,000; and

**WHEREAS**, the District received the payment on February 1, 2016; and

**WHEREAS**, since the December 2015 BPC meeting, the Developer has identified two alternative lender options, maintaining PNC Bank, National

Association as the principal: Regions Bank and Bank of China, Los Angeles Branch (collectively, Lender), each secured by a first trust deed on the leasehold; and

**WHEREAS**, the Developer seeks consent to a reduced encumbrance coming from the Lender, with two options: 1) to receive funding from all three banks for a total loan up to \$105 million; or 2) to receive funding from two banks, PNC Bank, National Association and Regions Bank, for a total loan up to \$105 million; and

**WHEREAS**, an additional \$5.2 million in equity and \$1.5 million in IHG contributions will be included with this new financing structure to make up for the difference in the prior encumbrance of \$114.4 million; 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 BPC Policy No. 355; and

**WHEREAS**, the Lender has requested the District provide a separate consent certificate acknowledging their rights provided in the Lease consistent with the agreement approved in December 2015; and

**WHEREAS**, the District's consent is conditioned on the following:

1. The total loan amount will not exceed \$105 million; and
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; and
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; and
4. Nothing contained in the conditions of approval shall be construed to modify, amend or waive any provisions of the Lease; and
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, Regions Bank and, if applicable, Bank of China, Los Angeles Branch, as confirmed by receipt of final loan documents signed by both

LFS and PNC Bank, National Association, and others, within 90 days of District's consent; and

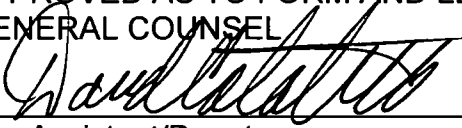
6. LFS acknowledges that it will not seek rent relief as a result of not being able to meet its debt service or debt repayment obligations.

**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 hereby consents to up to a \$105 million encumbrance of LFS Development, LLC's leasehold interest in Lane Field South in favor of PNC Bank, National Association, Regions Bank, and if applicable, the Bank of China, Los Angeles Branch.

**BE IT FURTHER RESOLVED** that the Executive Director or her designated representative is hereby authorized to enter into an encumbrance agreement with PNC Bank, with the conditions set forth above.

APPROVED AS TO FORM AND LEGALITY:  
GENERAL COUNSEL

  
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By: ~~Assistant~~ Deputy

2016-34

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 8<sup>th</sup> day of March, 2016, by the following vote:

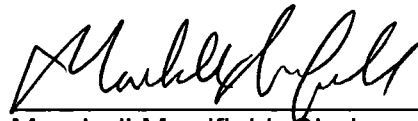
AYES: Bonelli, Malcolm, Merrifield, and Valderrama.

NAYS: None.

EXCUSED: Castellanos, Moore, and Nelson.

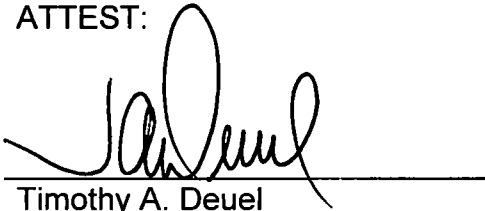
ABSENT: None.

ABSTAIN: None.



Marshall Merrifield, Chairman  
Board of Port Commissioners

ATTEST:



Timothy A. Deuel  
District Clerk

(Seal)