

RESOLUTION 2016-92

RESOLUTION CONSENTING TO AN ENCUMBRANCE OF CERTAIN IMPROVEMENTS TO THE SAN DIEGO CONVENTION CENTER IN AN AMOUNT NOT TO EXCEED \$25.5 MILLION IN FAVOR OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBANK)

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, the City of San Diego (City), through the San Diego Convention Center Corporation (SDCCC), manages the San Diego Convention Center (Convention Center) on behalf of the District under the "1998 Convention Center Management Agreement by and between the San Diego Unified Port District and the City of San Diego" (1998 Agreement); and

WHEREAS the Infrastructure State Revolving Fund (ISRF) program provides financing to public agencies and non-profit corporations for a wide variety of infrastructure projects, such as the proposed Convention Center projects; and

WHEREAS, in December 2015, the City and SDCCC submitted joint applications to the California Infrastructure and Economic Development Bank (IBank) to obtain funding for previously identified Convention Center capital needs, including the replacement of the Sails Pavilion roof, through the ISRF program; and

WHEREAS, based on construction bids received by SDCCC, the total loan amount is estimated to be up to \$25.5 million, including escalation and contingency factors and IBank fees (\$255,000), for a term of 25 years; and

WHEREAS, the City's Public Works Department reviewed the construction bids and useful life projections for reasonability; and

WHEREAS, further discretionary approvals from the District may be required prior to commencement of construction of the improvements, which

District staff will determine at a future date; and

WHEREAS, the project improvements include (1) the Sails Pavilion Upgrades estimated at \$18 million for the removal and replacement of the entire tensioned roof structure, the replacement of the concrete floor, fire cannon, roof-top chillers and tie-in of two stand-alone roof top chillers into the chilled water system; (2) the Escalator Modernization estimated at \$3.7 million for the repair and/or replacement of components such the truss, isolation mounting, incline modules, step band, comb plates, access covers, decks, balustrades, front plates, skirts, interior trip, handrails, controls wiring and safety devices; (3) the Cooling Tower Replacement estimated at \$1.6 million for the removal and replacement of the existing 5 cooling towers and related devices that serve the entire Convention Center, including all supports, flashings, pumps and controls necessary to deliver a complete system; and (4) the Fire Life Safety System Replacement estimated at \$1.9 million for the replacement of the building's existing fire alarm system; and

WHEREAS, the loan will be structured as a lease leaseback agreement with a loan repayment term of 25 years; and

WHEREAS, the indicative interest rate is 3.59% and the actual rate is to be determined at the time of the loan approval; and

WHEREAS, the origination fee is 1% of the loan amount and the annual fee is 0.3% of the outstanding principal balance; and

WHEREAS, the SDCCC and the City will be co-lessees of the improvements and the IBank as lessor and the improvements themselves will serve as the leased assets; and

WHEREAS, the City and SDCCC will lease the improvements to IBank and, in turn, IBank will lease the improvements back to the City and SDCCC in exchange for principal and interest payments on the loan; and

WHEREAS, the loan will be repaid by the SDCCC and backed by the City's general fund; and

WHEREAS, the District will not be a party to the transactions and will not be financially responsible for making payments to the IBank or for guaranteeing the City or SDCCC's performance under the terms of the loan; and

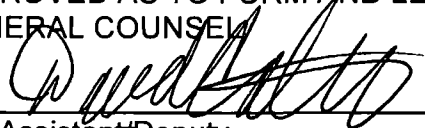
WHEREAS, the City is requesting only that the District consent to allowing the improvements to be financed by the IBank as proposed; and

WHEREAS, staff recommends that the District consent to the encumbrance with the following conditions: (a) the loan amount will not exceed

\$25.5 million; (b) the loan term will not extend beyond the term of the 1998 Management Agreement, as amended; (c) all other terms, conditions, provisions and covenants of the 1998 Agreement, as amended, shall remain and continue in full force and effect and no further encumbrance shall be made without the prior written consent of the District; (d) it is understood that the District has not reviewed or approved the terms and conditions of the proposed encumbrance document, and is not agreeing to be a party to the financing agreement or financing arrangement; (e) nothing contained in the conditions of approval shall be construed to modify, amend or waive any provisions of the 1998 Agreement, as amended; (f) the District's consent to the encumbrance shall be null and void and of no further force and effect if City does not obtain financing from IBank by December 31, 2016; and (g) the District's consent to this encumbrance is conditioned upon having no other loans in effect for the improvements listed above.

NOW, THEREFORE, BE IT RESOLVED that the Board of Port Commissioners of the San Diego Unified Port District hereby consents to the encumbrance of certain improvements to the San Diego Convention Center in an amount not to exceed \$25.5 million in favor of the California Infrastructure and Economic Development Bank (IBank), with conditions set forth above.

APPROVED AS TO FORM AND LEGALITY:
GENERAL COUNSEL



By: ~~Assistant~~/Deputy

2016-92

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 15th day of June, 2016, by the following vote:

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

NAYS: None.

EXCUSED: Malcolm.

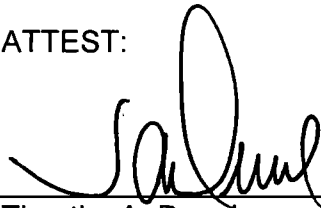
ABSENT: None.

ABSTAIN: None.



Marshall Merrifield, Chairman
Board of Port Commissioners

ATTEST:



Timothy A. Deuel
District Clerk

(Seal)