

RESOLUTION 2017-022

RESOLUTION CONSENTING TO THE CHANGE IN OWNERSHIP STRUCTURE OF ONE PARK BOULEVARD, LLC'S SUBTENANT, SUNSTONE PARK LESSEE, LLC, AND TO A 13-YEAR TERM EXTENSION TO THE MANAGEMENT AGREEMENT BETWEEN SUBTENANT, SUNSTONE PARK LESSEE, LLC AND HLT CONRAD DOMESTIC, LLC, EXTENDING IT THROUGH DECEMBER 31, 2046

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 District has a 66-year lease (Lease) with One Park Boulevard, LLC dba Hilton San Diego Bayfront Hotel (OPB) located at One Park Boulevard in the City of San Diego (Attachment A) ending on December 31, 2071; and

WHEREAS, on April 12, 2011, the District consented to a sublease of the entire leased premises to Sunstone Park Lessee, LLC (Sunstone Operating Lessee) and consented to a hotel management agreement between Sunstone Operating Lessee and HLT Conrad Domestic, LLC; and

WHEREAS, OPB has now requested the District consent to the change in ownership structure of Sunstone Operating Lessee and for the District to consent to a 13-year term extension to the hotel management agreement with HLT Conrad Domestic, LLC extending it through December 31, 2046; and

WHEREAS, the Lease does not allow for updates to Lease terms as a condition of this consent; and

WHEREAS, because the proposed ownership structure change in Sunstone Operating Lessee would not change percentage ownership interests, and Park Hotels & Resorts Inc. retains its 25% indirect interest in Sunstone Operating Lessee, and the proposed ownership structure change does not affect the entities' reputation or business experience, staff recommends the Board consent to the change in ownership structure and the extension of management

agreement which will ensure the hotel remains Hilton branded through December 31, 2046.

NOW, THEREFORE, BE IT RESOLVED that the Board of Port Commissioners of the San Diego Unified Port District hereby:

- A. Consents to the change in ownership structure of subtenant, Sunstone Park Lessee, LLC, replacing HLT JV Acquisition, LLC with Park US Lessee Holdings, Inc., as 25% owner, and requires that any future change in ownership be considered in compliance with Board Policy No. 355, as opposed to automatically requiring consent from the Board, and
- B. Consents to a 13-year term extension of the management agreement between Sunstone Park Lessee, LLC, and HLT Conrad Domestic, LLC, extending it through December 31, 2046.

APPROVED AS TO FORM AND LEGALITY:
GENERAL COUNSEL



By: Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 7th day of February, 2017, by the following vote:

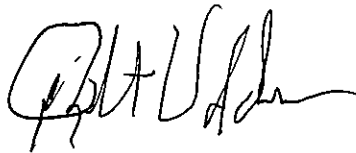
AYES: Bonelli, Nelson, Castellanos, Malcolm, Merrifield, Moore, and Valderrama

NAYS: None.

EXCUSED: None.

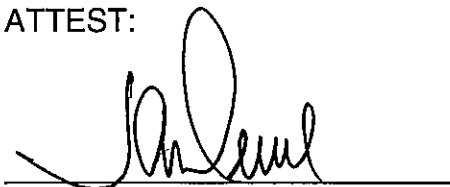
ABSENT: None.

ABSTAIN: None.



Robert Valderrama, Chair
Board of Port Commissioners

ATTEST:



Timothy A. Deuel
District Clerk

(Seal)