

RESOLUTION 2018-072

RESOLUTION AUTHORIZING A DISPOSITION AND DEVELOPMENT AGREEMENT WITH RIDA CHULA VISTA, LLC AND THE CITY OF CHULA VISTA FOR A RESORT HOTEL AND CONVENTION CENTER WITHIN THE CHULA VISTA BAYFRONT

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, the Chula Vista Bayfront Master Plan (CVBMP) is the result of a decade-long joint planning effort by the San Diego Unified Port District (District), the City of Chula Vista (City), and a broad coalition of stakeholders; and

WHEREAS, the District and City are collectively referred to herein as, the “Public Entities”; and

WHEREAS, the CVBMP was collaboratively planned through an extensive public participation program that included over 100 community meetings and resulted in a comprehensive Environmental Impact Report (EIR) and Port Master Plan Amendment, which was approved by the Board of Port Commissioners (BPC) in May 2010 and certified by the California Coastal Commission (CCC) in August 2012; and

WHEREAS, the resort hotel and convention center (RHCC), located within the Chula Vista Bayfront (CVB) on approximately 36 acres of land (Site), is the catalyst Project for the CVB and the vehicle to build future parks, restore sensitive habitat, and construct public infrastructure; and

WHEREAS, on October 14, 2014, the BPC selected RIDA Development Corporation as the successful respondent to the Request For Qualifications and authorized staff to negotiate an Exclusive Negotiating Agreement for the Site; and

WHEREAS, RIDA Development Corporation is a full service real estate organization that has created and invested in innovative and economically successful office, residential, industrial, hospitality, and retail developments for more than 40 years including development of the Omni Orlando Resort at ChampionsGate in Orlando, Florida, the Marriott Marquis in Houston, Texas, and the Gaylord of the Rockies currently under construction in Aurora, Colorado; and

WHEREAS, RIDA Development Corporation formed RIDA Chula Vista, LLC (RIDA) and entered into an Exclusive Negotiating Agreement with the District (ENA); and

WHEREAS, the ENA contemplates a definitive agreement to be negotiated among the District and RIDA; and

WHEREAS, as a partner in this transaction, the City also agreed to partake in the definitive agreement for the RHCC and the surrounding public infrastructure (Phase 1A Infrastructure, together with the RHCC, the Project); and

WHEREAS, in furtherance of the Project, the District, the City, and RIDA entered into a Non-Binding Letter of Intent (LOI) dated June 14, 2017, which outlines some of the basic economic terms and conditions upon which the Site would be developed; and

WHEREAS, after over three years of collaborating with RIDA and solving the economic model for financial feasibility, the District, the City, and RIDA are in a position to enter into a definitive agreement in the form of a Disposition and Development Agreement (DDA) for the RHCC; and

WHEREAS, the DDA sets forth the necessary steps for the parties to authorize the financing of the Project and commence construction of the Project, ultimately leading to a ground lease and required subleases for development and operations of a world-class hotel and convention center; and

WHEREAS, the contribution from the District and the City (Public Financing) is anticipated to be delivered to the Project through future bond offerings; and

WHEREAS, the District and City are contributing \$240,000,000 for the Convention Center component of the Project and \$63,000,000 for the Phase 1A Infrastructure, including the sewer pump station upgrade in the CVB; and

WHEREAS, RIDA is contributing \$785,000,000 for the development of the Project, including a potential contribution of \$4,000,000 or more for the parking garage if the District elects to fund the parking garage; and

WHEREAS, Keyser Marston Associates, Inc. (KMA) prepared a comprehensive report for the District that analyzes the Project feasibility, proposed method of financing for the Project, and public investment (KMA Report); and

WHEREAS, the DDA will allow the parties to memorialize their agreement on the path forward to the redevelopment of the Project as soon as possible; and

WHEREAS, the Project economics represent a good deal for the Public Entities and for RIDA, and time is of the essence to enter into the agreements necessary to ensure that the redevelopment of the CVB proceeds as soon as possible; and

WHEREAS, the DDA will allow the District, RIDA and City to deliver not only the RHCC, which is a key part of the CVB vision, but also a majority of the public amenities for the CVB, including parks and public access that were envisioned through the decades-long community planning effort; and

WHEREAS, the Project is expected to consist of the following features, which are under review by the District for consistency with the CVBMP, EIR, and other agreements applicable to the CVB, and may be presented with some modifications for approval at a future date:

Project Feature	Description
Resort Hotel Brand	Gaylord Hotels
Hotel Rooms	1,600
Convention & Meeting Space	275,000 Net Usable Square Feet
Amenities	Associated Retail, Resort-level Amenities
Phase 1A Infrastructure	Site preparation, New Public Streets (portions of E, G and H streets), Utility services and Harbor Park
Parking	A 1,600-space garage or 1,200-space surface lot

WHEREAS, the Schedule of Performance serves as a roadmap for the actions to be performed by RIDA, the City, and the District under the DDA; and

WHEREAS, at each milestone, the parties can consider whether to pause, delay, or terminate the DDA; and

WHEREAS, the following chart describes the allocation of responsibility for the funding and construction of the Project including an itemized listing of Phase 1A Infrastructure construction:

Responsibilities of Parties

	RIDA		Public Entities		District	
	Fund	Construct	Fund	Construct	Fund	Construct
Private Improvements	X	X				
Convention Center	X	X	X			
Phase 1A Infrastructure						
E Street (G Street to H Street)		X	X			
G Street Connection		X	X			
H Street (Bay Blvd to Street A)		X	X			
H Street (Marina Pkwy to E Street)		X	X			
Harbor Park (Initial)		X	X			
H-3 Utility Corridor		X	X			
E Street (Bay Blvd to F Street)			X	X		
E Street (Lagoon Drive to G Street)			X	X		
F Street (Bay Blvd to F Street)			X	X		
F Street (E Street to Gunpowder Pt Dr)			X	X		
G Street Sewer Pump Station			X	X		
Gunpowder Point Drive Relocation			X	X		
S-2 Sweetwater Signature Park			X	X		
SP-1 Sweetwater Buffer (for S-1)			X	X		
SP-1 Sweetwater Buffer (for S-2)			X	X		
SP-2 Seasonal Wetlands			X	X		
SP-4 SDG&E			X	X		
H-3 Site Prep			X	X		
Parking Improvements	X (Surface)	X				X (Garage)

WHEREAS, RIDA will be responsible for an investment in the RHCC of no less than \$785 Million, which is expected to take the form of a combination of debt and equity; and

WHEREAS, RIDA's investment will cover the design and construction of the resort hotel, the design of the Convention Center, and a portion of the cost of the Convention Center construction; and

WHEREAS, the Private Financing and the Public Financing will close simultaneously at the close of escrow under the DDA; and

WHEREAS, RIDA is negotiating with Marriott International, Inc. to operate a Gaylord hotel for the proposed RHCC; and

WHEREAS, RIDA will construct a portion of the Phase 1A infrastructure requirements (RIDA's Phase 1A Infrastructure Improvements) and the District will complete the design of RIDA's Phase 1A Infrastructure Improvements to 30% design drawings, as required to issue a Coastal Development Permit (CDP) for that portion of the Project; and

WHEREAS, RIDA has agreed to prepare the Site and complete the construction of RIDA's Phase 1A Infrastructure Improvements concurrent with the construction of the RHCC; and

WHEREAS, in the process of determining the financial feasibility of the RHCC, it was determined that in order for the RHCC to be developed a public financial subsidy would be needed; and

WHEREAS, the Public Financing contribution is anticipated to consist of: (1) Phase 1A Infrastructure (\$63 million) and (2) Public Entities Contribution for Convention Center Project (\$240 million) (collectively, Public Fund Contribution); and

WHEREAS, the Public Entities entered into a financing agreement (Financing Agreement) setting forth the revenue sources and financing alternatives necessary to implement the development of the Project; and

WHEREAS, the District and City will approve the use of the revenue sources through a future plan of finance substantially based on the Conceptual Plan of Finance, as defined below, which will cover the Convention Center and required Phase 1A Infrastructure of the Project; and

WHEREAS, it is anticipated that the Public Entities will be responsible for: (a) infrastructure design costs, estimated at \$1.7 million; (b) Site preparation costs, estimated at \$6.0 million; (c) \$240 million toward the convention center portion of the RHCC; and (d) public infrastructure, estimated at \$57.2 million; and

WHEREAS, the Conceptual Outline of Joint Exercise Powers Authority (JEPA) Plan of Finance (Conceptual Plan of Finance) that is attached to the DDA includes bond underwriting assumptions and projections prepared by JP Morgan Securities, LLC (JP Morgan) on behalf of the City; and

WHEREAS, JP Morgan prepared bond underwriting projections based on the revenue streams to be committed by the District and City toward bond debt service; and

WHEREAS, the ability to finance the Public Fund Contribution as contemplated is dependent on the realization of a number of assumptions relating to any such financing; and

WHEREAS, the District engaged the financial advisory firm, Hutchinson Shockey Erley & Co. (HSE), to review the JP Morgan projections and the Conceptual Plan of Finance; and

WHEREAS, HSE identified factors and opportunities for District consideration with respect to the Conceptual Plan of Finance; and

WHEREAS, if the BPC approves the DDA, the District will contribute the following revenues consistent with the Financing Agreement, Conceptual Plan of

Finance, and final plan of finance: (1) existing and designated future lease revenues from the CVB; and (2) ground rent from the RHCC; and

WHEREAS, it is further contemplated that the District will contribute the previously received SDG&E contribution of \$1.7 million and the Pacifica contribution of \$3.0 million toward the Phase 1A Infrastructure cost; and

WHEREAS, the District will also be responsible for an annual contribution (District Annual Contribution) toward bond debt service to support the Convention Center contribution not to exceed the following schedule of amounts during Lease Years 1 through 38: (1) Lease Years 1-4 (\$0); (2) Lease Years 5-14 (\$5.0 million); (3) Lease Years 15-19 (\$6.0 million); (4) Lease Years 20-24 (\$3.0 million); and (5) Lease Years 25-38 (\$3.5 million); and

WHEREAS, if the conditions precedent described in the DDA are satisfied, the District will ground lease the land to RIDA with a modified rent structure that is needed to allow, but not guarantee, the RHCC to achieve a rate of return acceptable to RIDA; and

WHEREAS, the District's contribution of the land under a modified rent structure is also an additional contribution to the Project; and

WHEREAS, if the City Council approves the DDA, the City will also contribute toward the construction of the required sewer and fire services and contribute to the Project through transient occupancy tax (TOT) for the existing and future RV Park and Project generated revenues, and revenues from the Municipal Services Agreement (MSA) through the sublease of the Convention Center; and

WHEREAS, the KMA Report details the Public Entities contribution toward the Project; and

WHEREAS, the District and RIDA are still negotiating the ground lease that would be executed if the closing occurs under the DDA; and

WHEREAS, the District may elect to fund a parking garage during the DDA; and

WHEREAS, to fund the construction of the parking garage, on April 10, 2018, the BPC resumed the collection of a previously adopted user fee to be collected by transportation vendors doing business on tidelands; and

WHEREAS, the KMA Report estimates that in Lease Year 19, the proposed bond financing structure is projected to result in cash flow after debt service toward the bond issue; and

WHEREAS, if the BPC approves the Revenue Sharing Agreement, the District’s and City’s participation in the anticipated future cash flow after payment of debt service for the Project would be shared as summarized in the following chart:

Priority	Disbursement Description
1	To District, Reimbursement of its Annual Contribution
2	To City, Reimbursement of 73.6% of Actual Bayfront Fire Services Costs
3	To District and City, Reimbursement of General Fund Contributions (Through Close of Escrow)
4	To District and City, Reimbursement of General Fund Contributions (After Close of Escrow)
5	To JPA, One Year Additional Debt Service Reserves or Reserve Fund Insurance Policy
6	To District and City, Split Remaining Revenues 50/50

WHEREAS, the first position would be reimbursed to the District for the District’s Annual Contribution; and

WHEREAS, the second position would be reimbursed to the City for the City’s actual fire services contribution toward fire services required for the RHCC and CVB as a whole with the construction of the Project; and

WHEREAS, the third position would be reimbursed to each of the Public Entities for each of their general fund contributions toward the Project (Through Close of Escrow), which include the District’s existing CVB lease revenues and lease revenues from the future RV Park and the City’s existing TOT for the existing and future RV Park and MSA revenues; and

WHEREAS, the fourth position would be reimbursed to each of the Public Entities for each of their general fund contributions toward the Project (After Close of Escrow), which include the District’s existing CVB lease revenues and lease revenues from the future RV Park and the City’s existing TOT for the existing and future RV Park and MSA revenues; and

WHEREAS, the fifth position would be reimbursed to the Joint Exercise of Powers Authority (JEPA) in the amount necessary to establish one year of additional debt reserves (above and beyond those ordinarily required by the proposed debt structure), unless covered through an insurance policy, in which case the reimbursement would be allocated to pay for the premiums of the insurance; and

WHEREAS, the sixth position would be reimbursed to each of the Public Entities for any remaining revenues to be split evenly between the District and the City equally; and

WHEREAS, the reimbursement split would not cover operations and maintenance of the Project which both the District and the City anticipate paying through the use of the excess revenues to be distributed to the District and City through the sixth position and used to cover on-going operations and maintenance of their respective facilities; and

WHEREAS, the District, the City, and RIDA have worked together to identify the key economic terms that will support the construction and operation of the Project, all while achieving favorable market returns to both the Public Entities and RIDA; and

WHEREAS, during earlier discussions with Gaylord and prior to the selection of RIDA, the District and City had already anticipated that early phases of development on the CVB would require public financial contributions; and

WHEREAS, the Financing Agreement identifies sources of revenues from the City and District to develop the public improvements and infrastructure for the Project; and

WHEREAS, the LOI identifies further sources of revenue from the District and City in order to make the Project feasible; and

WHEREAS, the District and City will provide evidence of the sources of revenue and financing based on a future plan of finance to be entered into between the District and City in order to fund the Public Fund Contribution toward the Site preparation costs, Phase 1A Infrastructure, and convention center portion of the Project; and

WHEREAS, at this time, it is anticipated that the District and City will use bond financing for the Public Fund Contribution; and

WHEREAS, the District and City proposed Public Fund Contribution identified in the DDA and Conceptual Plan of Finance have been analyzed by KMA in the KMA Report; and

WHEREAS, the KMA Report includes a comprehensive financing gap analysis justifying the need for the District and City proposed Public Fund Contribution toward construction of the Project; and

WHEREAS, the KMA Report illustrates how the public contribution toward the RHCC related public infrastructure and improvements will be supported primarily through Project-generated revenues; and

WHEREAS, KMA has concluded that the RIDA Projected Return after the proposed Public Fund Contribution and ground rent structure is not excessive and the Public Entities' contribution and District rent structure is warranted and needed in order for the Project to move forward and to be developed; and

WHEREAS, KMA further concludes that RIDA will need to control development costs and/or improve operating performance in order to achieve a satisfactory long-term return; and

WHEREAS, as set forth in the KMA Report, total Project costs, including both public infrastructure and private development, are estimated to be \$1.1 billion; and

WHEREAS, as determined in the KMA Report, of this total, RIDA will be responsible for a minimum investment, including private debt and equity, of no less than \$785 million; and

WHEREAS, the financing model currently contemplates that RIDA will pay a fixed ground rent schedule for the Project during the bond financing term, estimated to coincide with Lease Years 1-38 of \$0 for Lease Years 1-18, \$3 million for Lease Years 19-23, and \$3.5 million for Lease Years 24-38; and

WHEREAS, as detailed in the KMA Report, beginning in Year 39, the proposed rent structure for the Project will be in line with or higher than the District's standard percentage rent categories for room, food, and beverage, except the banquet percentage rent category has been broken out from the room rent category and is slightly lower than in typical District leases; and

WHEREAS, percentage rent rates for the remaining categories of revenue are consistent with the District's standard percentage rental rates; and

WHEREAS, the ground lease term will be for a total of 66 years and cover the construction and operation of the RHCC; and

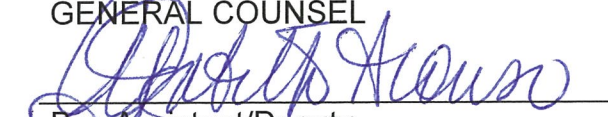
WHEREAS, the DDA attaches the current form of the ground lease, although it has not been approved by the District or RIDA; and

WHEREAS, the District will return to the BPC in the future to approve the form of ground lease.

NOW, THEREFORE, BE IT RESOLVED by the Board of Port Commissioners (BPC) of the San Diego Unified Port District that the Executive Director or her designated representative is hereby authorized to enter into the Disposition and Development Agreement with City of Chula Vista and RIDA Chula Vista, LLC for a resort hotel and convention center project within the Chula Vista Bayfront.


BE IT FUTHER RESOLVED, that the BPC finds, based on the review of the entire record, including, without limitation, the Final EIR, that the Disposition and Development Agreement was adequately covered in the Chula Vista Bayfront Final EIR, that further environmental review in accordance with CEQA Guidelines Sections 15162 and 15163 is not required and pursuant to CEQA Guideline Section 15162(b), the BPC finds that no further analysis or environmental documentation is necessary. The BPC further finds that this BPC action is in compliance with Section 87(a)(2) of the Port Act because it authorizes a Disposition and Development Agreement for a resort hotel and convention center in the Chula Vista Bayfront Master Plan area. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed BPC action is consistent with the Public Trust Doctrine.

APPROVED AS TO FORM AND LEGALITY:
GENERAL COUNSEL

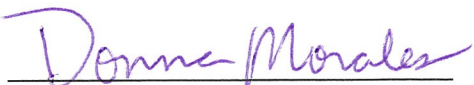

By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 24th day of April, 2018, by the following vote:

- AYES: Bonelli, Castellanos, Malcolm, Merrifield, Moore, and Valderrama
- NAYS: None.
- EXCUSED: Zucchet
- ABSENT: None.
- ABSTAIN: None.


Rafael Castellanos, Chairman
Board of Port Commissioners

ATTEST:


Donna Morales
District Clerk



(Seal)