RESOLUTION 2019-100

RESOLUTION CONSENTING TO A SPA OPERATIONS AND SUB-MANAGEMENT AGREEMENT BETWEEN HYATT CORPORATION, AS AGENT OF HST SAN DIEGO HH LP, A DELAWARE LIMITED PARTNERSHIP (DBA MANCHESTER GRAND HYATT SAN DIEGO), AND SANFORD SPAS, LLC, A FLORIDA LIMITED LIABILITY COMPANY (DBA MARILYN MONROE SPAS), FOR ONE FIVE-YEAR TERM WITH TWO FIVE-YEAR OPTIONS TO EXTEND

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 Board of Port Commissioners (BPC) adopted BPC Policy No. 355 to establish general policies for leasing the San Diego Unified Port District real estate assets; and

WHEREAS, the District entered into a sixty-six (66) year amended and restated lease (Lease) with Manchester Grand Resorts, L.P., dba Manchester Grand Hyatt, on June 5, 2001 for the operation of two hotel towers providing over 1,600 guest rooms, meeting and banquet space, 909 restaurant seats, and 1,150 parking spaces, located at the southeast corner of Harbor Drive and Kettner Boulevard, in the City of San Diego; and

WHEREAS, the Lease expires on May 31, 2067; and

WHEREAS, Manchester Grand Hyatt leases the hotel and subleases the leased premises to HST San Diego HH LP, dba Manchester Grand Hyatt San Diego; and

WHEREAS, Hyatt Corporation (Hyatt) manages and operates the hotel on behalf of Manchester Grand Hyatt San Diego pursuant to a hotel management agreement consented to by the District; and

WHEREAS, Hyatt terminated its operations agreement with the spa operator previously responsible for management and operation of the spa; and

WHEREAS, Hyatt and Sanford Spas, LLC, dba Marilyn Monroe Spas, entered into a Spa Operations and Sub-Management Agreement (SOSA) on September 30, 2018 for the operations and management of the spa facility within the hotel; and
WHEREAS, Marilyn Monroe Spas will operate a full-service spa providing a wide variety of treatments, procedures, and services to hotel guests and the general public; and

WHEREAS, Marilyn Monroe Spas' proposed SOSA with Hyatt has one (1) five-year term with two (2) five-year options to extend, conditioned upon District consent of the SOSA; and

WHEREAS, the SOSA would replace a previous agreement for a similar use and therefore will not result in a substantial change in percentage rent due to the District from Manchester Grand Hyatt; and

WHEREAS, for long term subleases (more than five years), BPC Policy No. 355 requires that they meet the following conditions as a requirement to consent of the sublease:

- Sublease must meet current District lease requirements; and,
- Provide that the subtenant shall be obligated to pay any master lease rent increases that are applicable to the subleased premises; and,
- Provide that in the event of a conflict between the master lease and the sublease, the master lease shall prevail; and

WHEREAS, staff has determined that the proposed SOSA is consistent with BPC Policy 355; and

WHEREAS, the potential environmental impacts of the SOSA between Hyatt and Marilyn Monroe Spas were adequately covered in the Environmental Impact Report (EIR) for the Inter-Continental Hotel and Marina, San Diego Embarcadero (UPD No. 80220-EIR-9), which was certified by the District on September 8, 1981 (Resolution No. 81-294), and the EIR for San Diego Marriott Marquis & Marina Facilities Improvement and Port Master Plan Amendment Project (UPD #83356-EIR-846; SCH #2010091012), which was certified by the District on December 13, 2011 (Resolution No. 2011-178); and

WHEREAS, the SOSA is not a separate "project" for CEQA purposes but is a subsequent discretionary approval related to a previously approved project, as analyzed in the EIRs identified above, and: 1) no substantial changes are proposed to the project and no substantial changes have occurred that require major revisions to the EIRs due to the involvement of new significant environmental effects or an increase in severity of previously identified significant effects; and 2) no new information of substantial importance has come to light that (a) shows the Project will have one or more significant effects not discussed in the EIRs, (b) identifies significant impacts would not be more severe than those analyzed in the EIRs, (c)
shows that mitigation measures or alternatives are now feasible that were identified as infeasible and those mitigation measures or alternatives would reduce significant impacts, and (d) no changes to mitigation measures or alternatives have been identified or are required; and

WHEREAS, the proposed BPC action complies with Sections 20, 35, and 87 of the Port Act, which allow the BPC to pass resolutions and to do all acts necessary and convenient for the exercise of its powers, and for visitor-serving commercial and industrial uses and purposes, and the construction, reconstruction, repair, and maintenance of commercial and industrial buildings, plants, and facilities; and

WHEREAS, the Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine; and

WHEREAS, the proposed project is consistent with the Public Trust Doctrine; and

WHEREAS, the District’s consent to the SOSA is covered in the Coastal Development Permit (CDP) (A81-3-33) for the Inter-Continental Hotel Beach and Bay Resort, issued on March 22, 1982; an amendment to the CDP to accurately reflect the existing tower and to incorporate the second tower and conference center, issued on May 25, 1984; and the CDP (2013-04) for the San Diego Marriott Marquis and Marina Facilities Improvement Project, issued on May 7, 2013 (Resolution No. 2103-61); and

WHEREAS, no further approvals are required pursuant to the California Coastal Act or the District’s CDP Regulations; and

WHEREAS, staff recommends that the BPC adopt a resolution consenting to the SOSA between Hyatt and Marilyn Monroe Spas.

NOW THEREFORE, BE IT RESOLVED that the Board of Port Commissioners of the San Diego Unified Port District, hereby consents to a Spa Operations and Sub-Management Agreement between Hyatt Corporation, as agent of HST San Diego HH LP (dba Manchester Grand Hyatt San Diego), and Sanford Spas, LLC (dba Marilyn Monroe Spas), for a five (5) year term with two five (5) year options to extend.

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 16th day of September 2019, by the following vote:

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

NAYS: None.

EXCUSED: None.

ABSENT: None.

ABSTAIN: None.

Garry J. Bonelli, Chairman
Board of Port Commissioners

ATTEST:

Donna Morales
District Clerk

(Seal)