

DATE: April 24, 2018

SUBJECT:

..Title

**RIDA CHULA VISTA, LLC RESORT HOTEL AND CONVENTION CENTER:**

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

**B) RESOLUTION AUTHORIZING A REVENUE SHARING AGREEMENT WITH THE CITY OF CHULA VISTA**

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**EXECUTIVE SUMMARY:**

The Chula Vista Bayfront Master Plan<sup>1</sup> (CVBMP) (Attachments A and B) 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. 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 (Board) in May 2010 and certified by the California Coastal Commission (CCC) in August 2012. The amended and restated financing agreement<sup>2</sup> (Financing Agreement) for the Chula Vista Bayfront (CVB) was approved by the Board in 2017 and set forth the framework for the financing and development of the public improvements and infrastructure within the CVB by the District and City, referred to collectively herein, as the "Public Entities".

The resort hotel and convention center (RHCC), located on approximately 36 acres of land within the CVB (Site), is the catalyst Project for the CVB with the goal to not only provide a world-class hotel and convention center to the region, but also provide a vehicle to build future parks, restore sensitive habitat, and construct public infrastructure. After over three years of collaborating with RIDA Chula Vista, LLC (RIDA) and solving the economic model for financial feasibility, the District, the City, and RIDA are in a position to enter into a Disposition and Development Agreement (DDA) for development of the resort RHCC. Attachment A includes the complete DDA. The DDA sets forth the mechanism to design, finance, and construct the RHCC and surrounding public infrastructure (the Phase 1A infrastructure). The RHCC and the Phase 1A Infrastructure are collectively referred to herein, as the "Project". The Scope of Development of the RHCC is set forth in Attachment No. 5, which is attached to the DDA. The Scope of Development covers the following:

- RHCC to be operated as a Gaylord hotel;
- Phase 1A Infrastructure including the construction of Harbor Park and portions of E, G, and H Streets;
- Parking Improvements which will include either a garage or surface parking.

On June 20, 2017, at a joint meeting, the Board and the City Council approved a non-binding letter of intent (LOI) to memorialize the key economic terms of the RHCC Project with RIDA. Attachment E is the full staff report, including attachments that document this important interim step prior to the negotiation and execution of the DDA. Since the approval of the LOI, the Exclusive Negotiating Agreement (ENA) with RIDA was extended on February 6, 2018 by six months to allow for negotiations between the parties to continue<sup>3</sup>. Specifically, the scope of the Project changed from 1,450 rooms in the LOI to 1,600 rooms and the parties developed a financing approach to deliver the RHCC and surrounding Phase 1A Infrastructure.

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. Details of the Project financing, specifically the Public Entities contribution (Public Financing) and RIDA's private investment (Private Financing), are described below. The Public Financing is anticipated to be delivered to the Project through future bond offerings. In brief, the parties are contributing as follows:

- District/~~Port~~-City Convention Center: \$240 Million
- District/~~Port~~-City Phase 1A Infrastructure: \$63 Million
- District Parking: \$40 Million
- RIDA RHCC: \$785 Million
- **TOTAL PROJECT COST: \$1.128 Billion**

Keyser Marston Associates, Inc. (KMA) prepared a comprehensive report that analyzes the Project feasibility, proposed method of financing for the Project, and public investment. The full KMA report is included as Attachment C. The details of the DDA, including a brief overview of the agreements and previous actions taken by the Board related to the redevelopment of the CVB, Project scope and public contribution, is discussed below.

Staff recommends that the Board approve the DDA because in RIDA and the City, together with the Gaylord Hotels brand, the District has found the right partners that are ready to move forward with the implementation of the CVBMP. Moreover, the Project economics represent a good deal for the District, for the City, and for RIDA. Approving the DDA will allow the parties to memorialize their agreement on the path forward to the redevelopment of the RHCC as soon as possible. Once constructed, the CVB will become a world-class destination that reflects strong planning and design principles, economic feasibility, and community benefits.

**RECOMMENDATION:**

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**RIDA Chula Vista Resort Hotel and Convention Center:**

- A) Resolution Authorizing a DDA with RIDA Chula Vista, LLC and the City of Chula Vista for a Resort Hotel and Convention Center within the Chula Vista Bayfront

B) Resolution Authorizing a Revenue Sharing Agreement with the City of Chula Vista  
..Body

**FISCAL IMPACT:**

The requested Board action to authorize the DDA will not result in a direct fiscal impact to the District, as any contribution and commitment of revenue sources by the District to the implementation of the CVBMP will be subject to a future plan of finance (included as Attachment No. 4 to the DDA, Conceptual Outline of the Plan of Finance), which may be amended from time to time. Further, the plan of finance will be presented to the Board for the Board's consideration at a future date and will also be subject to Board approval. Based on the KMA Report, the development of the RHCC could potentially result in positive surplus revenues to the District in as early as Year 4 of hotel operations. The requested Board action to authorize the Revenue Sharing Agreement between the District and the City (Revenue Sharing Agreement) will commit the Public Entities to a commitment of existing CVB revenues starting July 1, 2018 to be used to pay financing and/or construction contingencies for the Project. The Revenue Sharing Agreement is Attachment D to this report.

**COMPASS STRATEGIC GOALS:**

This agenda item supports the following Strategic Goal(s).

- A vibrant waterfront destination where residents and visitors converge.
- A Port with a healthy and sustainable bay and its environment.
- A Port with a comprehensive vision for Port land and water uses integrated to regional plans.
- A Port that is a safe place to visit, work and play.
- A financially sustainable Port that drives job creation and regional economic vitality.

**DISCUSSION:**

After over three years of collaboration, the District, City, and RIDA believe that the DDA should be approved because the right partners are ready to move forward with the right plan for the CVB, 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.

After extensive due diligence efforts, the parties wish to enter into the DDA to memorialize the terms of the Project necessary to commence and complete approvals for the financing necessary for the Project. 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.

This discussion provides a detailed overview of the DDA and other attached agreements, including certain provisions being negotiated for the ground lease (Ground Lease), and a conceptual outline of the public financing (Conceptual Plan of Finance).

The final form of the Ground Lease will be presented to the Board for its consideration in the next few months.

## **PROJECT SCOPE**

The following lists the key components of the RHCC. The Project as currently designed is 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.

<b>Project Feature</b>	<b>Description</b>
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

## **DISPOSITION AND DEVELOPMENT AGREEMENT**

District and City staff recommend that the Board and City Council, respectively, approve the DDA attached hereto as Attachment A. A summary of the DDA is described in detail below:

- Responsibilities of the Parties;
- Conditions Precedent to the Close of Escrow; and
- Closing and Delivery of the Site.

Attachment 6 of the DDA is an implementation schedule of performance (Schedule of Performance) that requires certain actions be performed by RIDA, the City, the District, and other governmental agencies, which actions include, but are not limited, to Project approvals, coastal development permits, building permits, infrastructure plans, and actions related to the plan of financing the Project. The Schedule of Performance serves as the roadmap to perform the actions required under the DDA for the financing, development, and operations of the Project. At each milestone, the Parties can consider whether to pause, delay, or terminate the DDA. Depending on the milestone, the check-ins would be limited to a maximum number of days to either resolve or to continue discussions. In no event would the check-ins collectively exceed the term of the DDA, which has an initial term of four years, and may be extended up to three times for one year each for a total term of seven years. The check-ins would be structured as follows:

Check-In	Length	Reason
Pause	90 Days	Allows the Parties to Meet and Confer regarding a particular Schedule of Performance milestone
Delay	60 Days	Allows the Parties to Meet and Confer regarding a particular Schedule of Performance milestone

### Responsibilities of Parties

The DDA outlines the funding and construction responsibilities of the Parties involved. The chart below describes the allocation of responsibility for the construction of the Project:

#### 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)

The chart below describes the allocation of responsibility for the funding of the Phase 1A Improvements for the Project:

**CITY INFRASTRUCTURE SOURCES AND USES MATRIX**

<b>Improvement Description</b>	<b>Cost Estimate<sup>11</sup></b>	<b>Developer BFDIF Credit Eligible<sup>12</sup></b>	<b>City Sewer Funding Eligible<sup>13</sup></b>	<b>Other Funding<sup>14</sup></b>
<i>Developer's Phase 1A Infrastructure Improvements</i>				
E Street (G Street to H Street )	6,680,000	4,050,000	580,000	2,050,000
G Street Connection	950,000	430,000	110,000	410,000
H Street (Bay Blvd to Street A)	430,000	270,000	-	160,000
H Street (Marina Pkwy to E Street )	5,380,000	3,350,000	-	2,030,000
Harbor Park (Initial)	19,500,000	310,000	-	19,190,000
H-3 Site Prep <sup>15</sup>	6,000,000	-	-	6,000,000
H-3 Utility Corridor <sup>16</sup>	1,530,000	-	310,000	1,220,000
<b>Subtotal</b>	<b>40,470,000</b>	<b>8,410,000</b>	<b>1,000,000</b>	<b>31,060,000</b>
<i>Remaining Phase 1A Infrastructure Improvements</i>				
E Street (Bay Blvd to F Street)	3,970,000	-	60,000	3,910,000
E Street (Lagoon Drive to G Street )	290,000	-	-	290,000
F Street (Bay Blvd to E Street )	1,530,000	-	280,000	1,250,000
F Street (E Street to Gunpowder Pt Dr)	630,000	-	50,000	580,000
Gunpowder Point Drive Relocation	1,360,000	-	-	1,360,000
S-2 Sweetwater Signature Park	7,600,000	-	-	7,600,000
SP-1 Sweetwater Buffer (for S-1)	2,570,000	-	-	2,570,000
SP-1 Sweetwater Buffer (for S-2)	1,160,000	-	-	1,160,000
SP-2 Seasonal Wetlands	950,000	-	-	950,000
SP-4 SDG&E	60,000	-	-	60,000
<b>Subtotal</b>	<b>20,120,000</b>	<b>-</b>	<b>390,000</b>	<b>19,730,000</b>
<i>City Infrastructure Improvements</i>				
G Street Sewer Pump Station	2,640,000	-	2,640,000	-
<b>Total</b>	<b>63,230,000</b>	<b>8,410,000</b>	<b>4,030,000</b>	<b>50,790,000</b>

<sup>11</sup> Cost Estimates are in 2016 dollars. Estimates include hard costs, soft costs, and contingencies.

<sup>12</sup> Developer BFDIF Credit Eligible column reflects the estimated value of planned improvements that will be eligible for credit against Developer's Bayfront Development Impact Fee ("BFDIF") obligation. Actual BFDIF credit amount may vary. Developer will be responsible for payment of BFDIF fees in excess of credits earned.

<sup>13</sup> City Sewer Funding Eligible column reflects the estimated value of sewer improvements associated with each project that will be eligible for funding by the City through its sewer facility contribution. Actual sewer funds contributed may vary. See Developer's Sewer Improvements.

<sup>14</sup> Other Funding column reflects the estimated amount to be funded through the issuance of debt, the application of funds on hand, or such other funding mechanisms as may be most appropriate.

<sup>15</sup> H-3 Site Prep budget of \$6 million represents the maximum funds that will be provided by District and City for this purpose, assuming District provides at least 130,000 cubic yards of imported soil. If District does not deliver sufficient soil, funding will be increased to \$10 million. Actual costs may vary. See Section 4.8.

<sup>16</sup> H-3 Utility Corridor budget of \$1.53 million represents the maximum funds that will be provided by District and City for this purpose. Actual costs may vary.

**RIDA**

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.

RIDA will be responsible for an investment in the RHCC of no less than \$785 Million. This investment is expected to take the form of a combination of debt and equity. 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. The Private Financing and the Public Financing will close simultaneously at the close of escrow.

RIDA has engaged a design team for the RHCC, consisting of Nasland Engineering and HKS Architects. RIDA has communicated to staff that the design of the RHCC portion of the Project is on schedule to be completed prior to the time that the parties execute the ground lease and construction is scheduled to commence in late 2019. Staff anticipates that the Board will consider the coastal development permit (CDP) for the RHCC portion of the Project sometime in the Fall of 2018.

RIDA will construct a portion of the Phase 1A infrastructure requirements, listed in the chart above, and herein described as RIDA's Phase 1A Infrastructure Improvements. As memorialized in the DDA and described in detail in Attachment 5 of the DDA, through negotiations with the District and the City, the District will complete the design of RIDA's Phase 1A Infrastructure Improvements to 30% design drawings, as required to issue a CDP for that portion of the Project.

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. Through due diligence, staff has determined that the estimated cost to prepare the Site is \$10 Million. If the District provides less than 130,000 cubic yards of imported soil to the Project Site prior to the close of escrow, the estimated cost will be decreased equal to the difference of: (1) \$10 million minus (2) \$30.77 per cubic yard of soil delivered by the District. The District is working on opportunities for dirt to import to the Site currently. RIDA will fund the expense for the remaining Site preparation and will be reimbursed by the Public Financing bond financing proceeds.

#### *Public Entities*

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, herein described as the Public Financing. Per the chart above, the following is a breakdown of the Public Financing contribution:

- |  |               |
|--|---------------|
| 1. Phase 1A Infrastructure:                                    | \$63 Million  |
| 2. Public Entities Contribution for Convention Center Project: | \$240 Million |
| 3. District owned parking:                                     | \$40 Million  |

The Public Entities entered into a financing agreement (Financing Agreement, as amended), setting forth the revenue sources and financing alternatives necessary to implement the development of the Project. 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 shown as Attachment 4 to the DDA, which will cover the Convention Center and required Phase 1A Infrastructure of the Project. Subject to the terms of the Conceptual Plan of Finance, the Public Entities will work collaboratively to issue debt at the close of escrow to fund the contributions required for the Project. According to the Financing Agreement, subject to the final plan of finance, the Public Entities will commit sources of revenues identified in the Financing Agreement that will be used to service the anticipated debt.

If the Board 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. (The proposed ground rent structure for the RHCC ground lease is discussed below.) Additionally, it is 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. 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 5 through 38:

Lease Years 1-4	\$0
Lease Years 5-14	\$5.0 million
Lease Years 15-19	\$6.0 million
Lease Years 20-24	\$3.0 million
Lease Years 25-38	\$3.5 million

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 Project to achieve a rate of return acceptable to RIDA. The District's contribution of the land under a modified rent structure is also an additional contribution to the Project.

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. The KMA Report details the Public Entities contribution toward the Project.

*Cash Flow in Excess of Debt Service Distribution ("Waterfall")*

The proposed bond financing structure is projected to result in cash flow after debt service toward the bond issue, estimated to occur in Lease Year 19 (see KMA Report). The agreed-to terms of the District and City participation in the anticipated future cash flow in excess of debt service is as follows and detailed within the Revenue Sharing Agreement, Attachment D:



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

Following is a more detailed discussion of each disbursement:

(1) The District's Annual Contribution is described above and is the first position to be reimbursed from any surplus revenues after debt service is paid.

(2) The second priority is the City's contribution toward fire services. It is contemplated that fire services will be required for the RHCC and CVB as a whole with the construction of the Project. Any actual fire services contribution toward the Project by the City will be reimbursed with excess revenues after the District is reimbursed for their Annual Contribution.

(3) The third priority is reimbursement of both the District and City's general fund contributions toward the Project (Before Close of Escrow), which includes the District's existing CVB lease revenues and the City's existing transient occupancy tax (TOT) and municipal services agreement revenues.

(4) The fourth priority is reimbursement of both the District and City's general fund contributions toward the Project (After Close of Escrow), which includes the District's existing CVB lease revenues, RHCC lease revenues, and the City's TOT and municipal services agreement revenues.

(5) The fifth priority, establishing one year of additional debt reserves, is not anticipated to be required by the bondholders (as these are above and beyond those ordinarily required by the proposed debt structure, as described in more detail below); however, the District and the City believe the additional reserves would be prudent and may be covered through an insurance policy.

(6) The sixth priority would be any remaining revenues to be split evenly between the District and the City equally.

Operations and Maintenance of the Project and public infrastructure are not covered in the waterfall; however, both the District and the City anticipate using the excess revenues to fund on-going operations and maintenance of their respective facilities.

*District Obligations*

Parking for the Project will take the form of either an approximately 1,600 space public parking garage or surface parking on the adjacent site. To fund the construction of the parking garage, on April 10, 2018, the Board resumed the collection of a previously adopted user fee to be collected by transportation vendors doing business on tidelands. Funds collected will only be used for financing and construction costs of the planned Chula Vista Bayfront Convention Center parking facilities.

### **Conditions Precedent to the Close of Escrow**

The primary conditions necessary to occur for the Close of Escrow of the DDA, ultimately leading to the execution of the Ground Lease and Convention Center Sublease, are:

1. Overview of Project Financing
2. Closing and Delivery of Site

The DDA outlines the necessary steps and schedule in order to close escrow on both the Public Financing and Private Financing for the RHCC and Phase 1A infrastructure. The conditions precedent to close of escrow, if achieved, will ultimately lead to the construction, development, and operation of the Project. Staff will return back to the Board to memorialize certain steps prior to the close of escrow, such as approving the proposed method of financing through the plan of finance, any Project design elements, and requirements for Site delivery to RIDA. Below describes the requirements of having the financing in place and preparing the Site prior to the close of escrow.

### **OVERVIEW OF PROJECT FINANCING**

#### *Overview of Feasibility of Proposed RHCC Project*

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

The Financing Agreement identifies sources of revenues from the City and District to develop the public improvements and infrastructure for the Project. Additionally, the LOI approved by the District and City on June 20, 2018 identifies further sources of revenue from the District and City in order to make the Project feasible. 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 the District and City in order to fund the Public Fund Contribution toward the H-3 site preparation costs, Public Improvements, and Project Public Investment in the Project. At this time, it is anticipated that the District and City will use bond financing for the Public Fund Contribution. The Public Entities will work collaboratively to enter into a Plan of Finance within the term of the DDA that will set

forth the terms necessary to issue the debt for the Public Fund Contribution prior to the close of escrow of the DDA.

The District and City proposed Public Fund Contribution identified in the DDA and Conceptual Plan of Finance have been analyzed by KMA. The KMA financial feasibility analysis is presented in Attachment C. 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. The KMA report illustrates how the public contribution toward the RHCC related public infrastructure and improvements will be supported primarily through Project-generated revenues, i.e., most of the District and City committed revenues will in effect be "performance-based". To that end, KMA has concluded that the RIDA Projected return after the proposed Public Fund Contribution and ground rent structure is not excessive. This finding indicates that the Public Entities' contribution and District rent structure is warranted and needed in order for the Project to move forward and to be developed. 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.

*Overview of Proposed Public Fund Contribution*

As set forth in the KMA report, total Project costs, including both public infrastructure and private development, are estimated to be \$1.1 billion. 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. Based on these findings, it is anticipated that the Public Entities will be responsible for: (a) infrastructure design costs, estimated at \$1.7 million; (b) Parcel H-3 site preparation costs, estimated at \$6.0 million; (c) \$240 million Project Public Investment toward the convention center portion of the RHCC Project; (d) public infrastructure, estimated at \$57.2 million, and (e) up to \$40 million in Parking Improvements. These cost estimates, and respective responsibilities, are summarized in the KMA report and set forth in the chart below from the KMA report.

<b>Proposed Sources and Uses of Funds</b>			
	<b>Developer Private Investment</b>	<b>District/City Public Investment</b>	<b>Total</b>
A. Infrastructure Design Costs	---	\$1.7 M	\$1.7 M
B. Parcel H-3 Site Preparation Costs (1)	---	\$6.0 M	\$6.0 M
C. Hotel/Convention Center	\$785.0 M	\$240.0 M	\$1,025.0 M
D. Infrastructure	---	\$57.2 M	\$57.2 M
E. Parking Improvements	---	\$40.0 M	\$40.0 M
<b>F. Total</b>	<b>\$785.0 M</b>	<b>\$344.9 M</b>	<b>\$1,129.9 M</b>
(1) Maximum contribution not to exceed \$10.0 M. KMA assumes Parcel H-3 site preparation costs of \$6.0 M, reflecting 130,000 cubic yards of soils imported to the Project Site prior to the close of escrow. If less than 130,000 cubic yards are imported, the cost will be prorated.			

## *Proposed Method of Financing the Public Fund Contribution*

Attachment 4 of the DDA presents the Conceptual Outline of JEPA Plan of Finance (Conceptual Plan of Finance). The Plan of Finance includes bond underwriting assumptions and projections prepared by JP Morgan Securities, LLC (JP Morgan) on behalf of the City. JP Morgan prepared bond underwriting projections based on the revenue streams to be committed by the District and City toward bond debt service. 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. The assumptions for the financing and the anticipated outcome based on those assumptions are described in the Conceptual Plan of Finance, but the outcome is limited as described in Section 2 of the Conceptual Plan of Finance. The debt service included in the Plan of Finance for the purpose of determining the feasibility of the proposed method of financing the Public Fund Contribution is based on the information contained in the Plan of Finance and reference is made to the entire Plan of Finance for detailed assumptions and further information relating to the financing.

The District engaged the financial advisory firm, Hutchinson Shockey Erley & Co. (HSE), to review the JP Morgan projections and the Plan of Finance. The HSE review identified factors and opportunities for District consideration with respect to the Plan of Finance. HSE also prepared preliminary bond sizing and cash flows based on the financing criteria presented in the Plan of Finance. In addition, a report on the projected revenues for the Project by CBRE Hotels is included as Attachment E.

## **CLOSING AND DELIVERY OF SITE**

### *Relocation of Existing RV Park*

A portion of a recreational vehicle park (Existing RV Park) is currently existing on a portion of the Site pursuant to a certain lease between Chula Vista Marina/RV Park, Ltd. and the District (District Clerk No. 14243), will terminate on March 4, 2019 (as amended from time to time, the Existing RV Park Lease). The District is required to enter into a new lease (the New S-1 RV Park Lease for development of a new RV Park (New S-1 RV Park) on a 19-acre site commonly known as Parcel S-1 located within the Chula Vista Bayfront (New S-1 RV Park Site) pursuant to a California Coastal Commission (CCC) requirement when the Environmental Impact Report (EIR) for the CVB was certified. The CCC requirement was to replace the 237 stalls that would be removed for the RHCC in a new location within the CVB. Request for Proposals 16-36RH (Destination RV Park Development Opportunity) for the New S-1 RV Park was issued on October 24, 2016, and the BPC selected the team of Sun Communities, Inc. and Northgate Resorts LLC on April 11, 2017 pursuant to Resolution No. 2017-055.

### *Utility Mapping*

District staff has been working with Rick Engineering on master planning the utilities for the Site. Through the District's design of the Phase 1A Improvements up to 30%, utility locations will be identified to serve the RHCC. The location or relocation of any utilities

will need to occur prior to the close of escrow as the expectation is that the Site will be ready to start construction after execution of the ground lease.

### *Easements*

It shall be the sole responsibility of the District and City, at the sole expense of the District and City, to investigate and determine access and utilities, identify approvals, as necessary, for the relocation and/or abandonment of any easements or rights of way, and their related termination and related modification of record from title to the Site, as may be necessary for the construction of the Project and the parking improvements, and to specify by when the District and the City will complete the relocation and/or abandonment of each such easement and right of way and their related termination and related modification of record, as applicable, for the construction of the Project and the parking improvements (collectively, Easement Findings), and, to the extent necessary, to include such Easement Findings with respect thereto in the plans for development of the Phase 1A Improvements submitted to RIDA.

RIDA shall have sixty (60) days after receipt of the Easement Findings to provide written comments thereto to District and City. If the District or the City disagrees with any of the comments to the Easement Findings provided by RIDA, then the Parties shall meet and confer. If the District and the City agree with all of the comments to the Easement Findings provided by RIDA or if the Parties reach an agreement on the Easement Findings, then it shall be the sole responsibility of the District and the City, at the sole expense of the District and the City, to relocate and/or abandon, terminate and modify of record from title to the Site each of the easements and rights of way identified in such Easement Findings by the corresponding date set forth in such Easement Findings (as modified to reflect such comments or agreement).

The District and the City shall reimburse RIDA in cash for any and all funds expended prior to the close of escrow by RIDA in connection with design, architectural work, and engineering work for RIDA's Phase 1A Infrastructure Improvements as set forth in Attachment 5 to the DDA, Scope of Development, prior to the close of escrow in accordance with, to the extent applicable, Chula Vista Municipal Code 2.56.160.H, including the reimbursement procedure set forth therein, and any applicable agreements implementing Chula Vista Municipal Code 2.56.160.H.

### **Lease of Site**

Once the implementation of the Schedule of Performance is achieved and the Project can be financed with both the Public Financing and Private Financing, the close of escrow will occur. Once the close of escrow occurs, the District and RIDA will enter into a 66-year Ground Lease for the Site. In addition, associated Convention Center Subleases will be entered into and will require future actions by the City.

### *Basic Ground Lease Terms*

Under the terms of the Ground Lease, RIDA will pay a fixed ground rent schedule for the Project during the bond financing term, estimated to coincide with Lease Years 1-38. The fixed ground rent schedule for this period is as shown below.

- Lease Years 1-18           \$0
- Lease Years 19-23       \$3.0 million
- Lease Years 24-38       \$3.5 million

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. The banquet percentage rent category has been broken out from the room rent category and is slightly lower than in typical District leases. Percentage rent rates for the remaining categories of revenue are consistent with the District's standard percentage rental rates. The Ground Lease term will be for a total of 66 years and cover the construction and operation of the RHCC. Attachment 9 of the DDA is the current form of the ground lease but has not been approved by the District or RIDA.

#### *Parking*

A major Ground Lease term that has been negotiated with RIDA gives the District the election to fund a 1,600 space parking structure. The parking terms memorialized in the Ground Lease are outlined below:

If there is a parking structure:

- District to pay for design and construction costs in an amount not to exceed \$40 million;
- RIDA to pay for design and construction costs in excess of \$40 million (up to \$44 million);
- RIDA to operate and maintain and pay for all costs of operations and maintenance;
- RIDA to pay 12.5% of gross parking revenues during lease years 1-38;
- RIDA to pay 15% of gross parking revenues during lease years 39-66;
- If there is a sale or assignment of the lease during lease years 1-38, the gross parking revenues paid to the District would increase from 12.5% to 15%;
- If there is a sale or assignment of the lease during lease years 39-66, the gross parking revenues paid to the District would increase from 15% to 20%.

If there is surface parking:

- RIDA to pay for design and construction costs;
- RIDA to operate and maintain and pay for all costs of operations and maintenance
- RIDA to pay 3% of gross parking revenues to the District for surface parking.

### *Management Agreement*

RIDA is negotiating with Marriott to operate a Gaylord hotel for the proposed RHCC. A requirement of the Ground Lease is that the RHCC will be a Gaylord Hotels brand for the first ten years of the Ground Lease (Lease Year 1 to 10) and on and after the 11<sup>th</sup> year of the Lease, the Gaylord Hotels brand or any other hotel brand comparable or superior in quality to the Gaylord Hotels brand that has achieved AAA Four Diamond rating standards in a reasonable number of its hotels or its equivalent as determined by the District in its sole and absolute discretion.

### **NEXT STEPS**

If the Board and the City Council approve the DDA, RIDA will expend additional funds to advance the Project, specifically with regard to Project design. It is anticipated that the design process will take approximately 18 months to complete. The CDP for the Project is expected to be presented to the Board as soon as Fall 2018.

The Public Entities will need to approve of the financing mechanism needed to fund the Phase 1A Infrastructure, Convention Center Project and Parking Improvements. After the public agencies take all required actions for approval of the public financing, it is anticipated that these approvals will go through a validation action, which is expected to occur in Spring 2019. The final financing approvals and issuance of the debt will be required prior to the close of escrow and then for construction to commence.

### **RECOMMENDATION**

After three years of negotiations with RIDA, District and City staffs believe that the DDA should be approved by the Board and City Council for the financing, development and operations of the RHCC, the catalyst Project for development of the CVB. The District has found the right partners that are ready to move forward with the implementation of the CVB and construct the RHCC. The Project economics represent a good deal for the District, for the City, and for RIDA; and time is of the essence to memorialize the economics to ensure that the redevelopment of the CVB proceeds as soon as possible. Once implemented, the CVBMP will create a world-class destination that reflects strong planning and design principles, economic feasibility and community benefits.

### **General Counsel's Comments:**

The General Counsel's Office has reviewed this agenda sheet as presented to it and approves this agenda sheet as to form and legality.

### **Environmental Review:**

The proposed Board actions for authorizing a Disposition and Development Agreement, related agreements and a conceptual plan of finance with RIDA Chula Vista, LLC and the City of Chula Vista for a resort hotel and convention center was adequately covered in the Chula Vista Bayfront Master Plan Final EIR (State Clearinghouse No. 2005081077), prepared and adopted/certified by the District on May 2010. The proposed project is not a separate "project" for CEQA purposes but is a subsequent discretionary approval related to a previously approved project. (CEQA Guidelines § 15378(c); *Van de Kamps Coalition v. Board of Trustees of Los Angeles Comm. College Dist.* (2012) 206 Cal.App.4th 1036.) Additionally, pursuant to CEQA Guidelines Sections 15162 and 15163, and based on the review of the entire record, including without limitation, the Final EIR, the District finds and recommends that the approval of the Disposition and Development Agreement does not require further environmental review as: 1) no substantial changes are proposed to the project and no substantial changes have occurred that require major revisions to the FEIR 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 FEIR, (b) identifies significant impacts would not be more severe than those analyzed in the FEIR, (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. Because none of these factors have been triggered and the adoption of the Disposition and Development Agreement does, the District has the discretion to require no further analysis or environmental documentation (CEQA Guidelines §15162(b)). Pursuant to CEQA Guidelines §15162(b), the District finds and recommends that no further analysis or environmental documentation is necessary. Accordingly, the proposed Board action is merely a step in furtherance of the original project for which environmental review was performed and no supplemental or subsequent CEQA has been triggered, and no further environmental review is required.

In addition, the proposed Board action allows for the District to implement its obligation under 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 Board action is consistent with the Public Trust Doctrine.

The proposed Board direction or action does not allow for "development," as defined in Section 30106 of the California Coastal Act, or "new development," pursuant to Section 1.a. of the District's Coastal Development Permit (CDP) Regulations because they will not result in, without limitation, a physical change, change in use or increase the intensity of uses. Therefore, issuance of a Coastal Development Permit or exclusion is not required. However, development within the District requires processing under the District's CDP Regulations. Future development, as defined in Section 30106 of the Coastal Act, will remain subject to its own independent review pursuant to the District's certified CDP Regulations, PMP, and Chapters 3 and 8 of the Coastal Act. The Board's



direction or action in no way limits the exercise of the District's discretion under the District's CDP Regulations. Therefore, issuance of a CDP or exclusion is not required at this time.

**Equal Opportunity Program:**

Not applicable.

**PREPARED BY:**

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**Attachment(s):**

Attachment A: Disposition and Development Agreement  
Attachment B: June 20, 2017 Letter of Intent Agenda Sheet  
Attachment C: KMA Feasibility Report  
Attachment D: Revenue Sharing Agreement  
Attachment E: CBRE Hotels Report

- <sup>1.</sup> SDUPD Clerk's Office Document No. 59406 filed October 5, 2012, Port Master Plan Amendment
- <sup>2.</sup> SDUPD Clerk's Office Document No. 59001 filed May 30, 2012, Chula Vista Bayfront Master Plan Financing Agreement between City of Chula Vista and San Diego Unified Port District
- <sup>3.</sup> SDUPD Clerk's Office Document No. 62899 filed February 11, 2015, Exclusive Negotiating Agreement; SDUPD Clerk's Office Document No. 65707 filed October 13, 2016 (Amendment No. 1); SDUPD Clerk's Office Document No. 66141 filed February 14, 2017 (Amendment No. 2)

