



San Diego Unified Port District

3165 Pacific Hwy.
San Diego, CA 92101

File #:2019-0197

DATE: July 24, 2019

SUBJECT:

RESOLUTION AUTHORIZING AMENDMENT NO. 1 TO AGREEMENT WITH STAY CLASSY SAN DIEGO, LLC FOR SPONSORSHIP OF A FESTIVAL ON THE DOWNTOWN SAN DIEGO WATERFRONT, ADDING \$150,000 IN FUNDING, AND ASSIGNING ALL RIGHTS AND OBLIGATIONS OF STAY CLASSY SAN DIEGO, LLC TO WONDERLUST EVENTS, LLC. FY 2020 EXPENDITURES ARE BUDGETED.

EXECUTIVE SUMMARY:

The Waterfront Arts & Activation department administers the District's events and activation programs to bring a variety of events--ranging from small community gatherings to major festivals, parades, and world-class distinctive placemaking celebrations--to the waterfront each year. The most complex of these are the District's Business Negotiated Event partnerships, which involve allocation of District-wide support resources from multiple departments, extensive permitting and logistical arrangements, and significant multi-agency coordination.

The Wonderfront Festival was approved by the Board on July 17, 2018 through an agreement (Attachment B) with Stay Classy, LLC for production of a unique multiple-day arts and music festival to occur on the San Diego Bay waterfront in November 2019. This agenda item (Attachment A) will amend the agreement to add \$150,000 in funding. Additionally, the amendment will assign the rights and obligations of Stay Classy San Diego, LLC (SCSD) to Wonderlust Events, LLC (WLE)--an entity wholly owned by SCSD--and provide licensing of the name Wonderfront by the District to define its usage by the event organizers.

RECOMMENDATION:

Adopt a Resolution authorizing Amendment No. 1 to Agreement with Stay Classy San Diego, LLC for sponsorship of a festival on the downtown San Diego waterfront, adding \$150,000 in funding, and assigning all rights and obligations of Stay Classy San Diego, LLC to Wonderlust Events, LLC. Funds are available in the Waterfront Arts & Activation department's budget and will be expended in fiscal year 2020.

FISCAL IMPACT:

The proposed amendment to the agreement adds \$150,000 in District funding for the Wonderfront Festival, which is anticipated to be spent in FY 2020. Funds are available in the District's Waterfront Arts & Activation department's non-personnel expense budget for FY 2020.

In addition, the existing agreement with Stay Classy San Diego, LLC already includes the previously Board-approved amount of up to \$350,000 in waived fees for District services that include the use of substantial pier, park, open and parking spaces, as well as the services of the San Diego Harbor Police, General Services and a variety of departments involved with permitting and entitlements. Expenses associated with waived service fees will be tracked and accounted for throughout the year. No other ongoing costs are associated with this action.

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COMPASS STRATEGIC GOALS:

District partnerships with select Business Negotiated Events generate direct and indirect incremental revenue through increased concession rents from tenant businesses that benefit from these events and increased use of District parking assets. The District also realizes promotional benefit for the tidelands as a visitor destination, as well as the fulfillment of its objective to attract visitors to enjoy activities on San Diego Bay. This agenda item supports the following Strategic Goal (s):

- A Port that the public understands and trusts.
- A vibrant waterfront destination where residents and visitors converge.
- A Port with a healthy and sustainable bay and its environment.
- A financially sustainable Port that drives job creation and regional economic vitality.

DISCUSSION:

The Waterfront Arts & Activation department administers the District's events and activation programs to bring a variety of events--ranging from small community gatherings to major festivals, parades, and world-class celebrations--to the waterfront each year. The largest and most complex types of special events are evaluated as the District's Business Negotiated Event partnerships for distinctive events that require: substantial District-wide staffing resources from multiple departments; extensive permitting and logistical arrangements with involvement from multiple agencies and stakeholders; complex negotiations between the District and the event producer/sponsorship--and have the potential for significant financial and promotional benefit to the District.

The Wonderfront Festival was approved by the Board on July 17, 2018 through an agreement (Attachment B) with Stay Classy San Diego, LLC (SCSD) for a three-day music and arts festival on District tidelands. Named the Wonderfront Festival in alignment with the District's "Discover Your Wonderfront" destination campaign, this event will take place on stages in venues throughout the downtown San Diego bayfront that include Broadway Pier, Ruocco Park, the Seaport Village parking lots and Embarcadero Marina Park North, and will feature a variety of other activations in the public spaces and leaseholds spanning the length of the festival footprint. The anticipated dates for the Wonderfront Festival are Friday, November 22 through Sunday, November 24, 2019, the weekend prior to Thanksgiving. This is a period when tourism to the San Diego region is typically low in comparison with the rest of the year and, as such, this presents an opportunity to activate District tidelands with high-quality family-friendly entertainment and attractions, and provide economic return to the region.

The Wonderfront Festival is projected to generate direct revenue to numerous District tenant businesses including hotels, restaurants, retail enterprises, parking facilities and visitor attractions. This business revenue, in turn, results in concession rent to the District. The existing agreement with SCSD also contains provisions for the District to receive percentage rent based on gross ticket revenue.

Amendment 1 (Attachment A) adds \$150,000 in District funding for the Wonderfront Festival. This addition of funding to the agreement provides the organizers with capital to plan, obtain permits and entitlements, and produce the Wonderfront Festival, and includes funding to provide a free music stage offered in celebration of San Diego 250, a year-long initiative recognizing the 250th anniversary of the founding of San Diego. It may also be used in part to pay for mobility-plan consulting that will provide key data and recommendations in support of both the Wonderfront Festival transportation and mobility plan and the mobility portions of the District's Port Master Plan Update efforts in the Embarcadero area.

The amendment also assigns the rights and obligations of Stay Classy San Diego, LLC (SCSD) to Wonderlust Events, LLC (WLE), an entity wholly owned by SCSD. No other elements of the existing sponsorship agreement will change as a result of this assignment. Additionally, the amendment includes the licensing of the name Wonderfront to limit the use of the word Wonderfront by Wonderlust Events, LLC to references to the proposed festival event only.

At the end of the event, the Waterfront Arts & Activation department will require SCSD to complete an analysis of the economic, media and, promotional impacts of the Festival. This analysis will inform the District of indirect revenue impacts of the Festival from tenant concession rent, as well as provide an estimated value of the branding and promotional considerations provided to the District by SCSD. When the Port has received and evaluated this analysis, staff will

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provide a review of the impacts of the festival to the Board.

General Counsel's Comments:

The Office of the General Counsel has reviewed the agenda sheet and attachments, as presented to it, and approves them as to form and legality.

Environmental Review:

The proposed Board action, including without limitation, a resolution authorizing an amendment to the agreement with Stay Classy San Diego, LLC for sponsorship of a San Diego Festival to add additional funding and licensing for use of the name 'Wonderfront' was adequately covered in the Categorical Exemption for the Agreement to Stay Classy San Diego, LLC for Funding of an Entertainment Festival filed on September 13, 2018. The project was determined to be exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Sections 15301 (Existing Facilities), 15304 (Minor Alterations to Land), 15311 (Accessory Structures), and/or 15323 (Normal Operations of Facilities for Public Gatherings) and Sections 3.a., 3.d. (6), and/or 3.i. of the District's Guidelines for Compliance with CEQA because the project in question proposes a temporary event occurring over 3 days, with a maximum set up and break down of 7 days, that would involve a negligible expansion of use beyond that previously existing, would not involve the removal of mature scenic trees, would have no permanent effects on the environment, would involve the erection of temporary structures that would be disassembled at the end of the event, and would consist of the normal operations of existing facilities for public gatherings. The District has determined none of the six exceptions to the use of a categorical exemption apply to this project (CEQA Guidelines Section 15300.2), because the location of this project would not result in an impact that would ordinarily be considered insignificant, no cumulative impacts would result from this projects, as the facilities would have substantially the same purpose and capacity, there is no reasonable possibility that the project would result in a significant impact, the project site would not result in damage to scenic resources, especially within a state scenic highway, the project site is not located on within a hazardous waste site, and the project would not result in a substantial adverse change in the significance of a historical resource. 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 exemption, the District finds and recommends that the approval of the amendment to the agreement to include additional funding and licensing of the name 'Wonderfront' 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 exemption 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 exemption (b) identifies impacts would not be more severe than those analyzed in the exemption, (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, 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 direction or action complies with Sections 35, 82, and 87 of the Port Act, which allow for: the Board to do all acts necessary and convenient for the exercise of its powers; the use of funds for advertising the commercial and other advantages of the District and encouraging and promoting commerce; and the construction, reconstruction, repair, maintenance, and operation of public buildings, public assembly and meeting places, convention centers, parks, playgrounds, bathhouses and bathing facilities, recreation and fishing piers, public recreation facilities, including, but not limited to, public golf courses, and for all works, buildings, facilities, utilities, structures, and appliances incidental, necessary, or convenient for the promotion and accommodation of any of those uses. The Port Act was enacted by the California Legislature and is consistent with the Public

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Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

Finally, the proposed Board 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 CDP or exclusion is not required at this time. However, future development of the project will require issuance of a CDP by the District and the item will come to the Board at a future date. The project’s 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:

Jim Hutzelman
Manager, Waterfront Arts & Activation

Yvonne Wise
Director, Waterfront Arts & Activation

Attachment(s):

Attachment A: Amendment No. 1 to agreement with Stay Classy San Diego, LLC (Clerk’s Document #68854) for sponsorship of the Wonderfront Festival

Attachment B: Agreement between San Diego Unified Port District and Stay Classy San Diego, LLC.