



July 31, 2018

VIA EMAIL and CERTIFIED U.S. MAIL (RETURN RECEIPT REQUESTED)

Sunroad HIE Hotel Partners, L.P.
Attention: Uri Feldman
4445 Eastgate Mall # 400
San Diego, CA 92121

Dear Mr. Feldman:

Re: Second Submittal - Exclusive Negotiating Agreement dated April 14, 2017 on file with the Office of the District Clerk as Document No. 66537

This letter is in response to Sunroad's submittal on June 15, 2018 and revised project description delivered via email to Tony Gordon at 10:47 p.m. on June 25, 2018 for the redevelopment of the Elbow Parcel on East Harbor Island (collectively, the "Second Submittal") submitted to the District pursuant to Section 5(b) of that certain Exclusive Negotiating Agreement between the San Diego Unified Port District ("District") and Sunroad HIE Hotel Partners, L.P. ("Sunroad") filed April 18, 2017, bearing District Clerk Document No. 66537 ("ENA"). The ENA requires that Sunroad submit a complete Second Submittal provides a site plan and a project description for a 500-room two phase hotel project on the Elbow Parcel. Upon review of the Second Submittal, District staff has determined that Sunroad's Second Submittal is not in conformance with the Sunroad Harbor Island Hotel Project & East Harbor Island Subarea PMPA Revised Finale Environmental Impact Report on file in the Office of the District Clerk bearing Document No. 61775 ("EIR"), the Mitigation Monitoring and Reporting Program from the EIR on file in the Office of the District Clerk bearing Document No. 61775 ("MMRP"), and Finding of Fact and Statement of Overriding Considerations (collectively, "Findings") adopted by the Board of Port Commissioners ("Board") pursuant to Resolution No. 2014-52 (collectively, the "2013 EIR"). The 2013 EIR only analyzed 325 hotel rooms on Elbow Parcel and did not address phasing or the particular of Sunroad's proposal. The Second Submittal shows 325 hotel rooms in the first phase and a future 175 hotel rooms as a later phase and hence, is not in conformance with the 2013 EIR.

Section 5b(i)(5) of the ENA requires that District staff take Sunroad's proposed project back to the Board for consideration and direction through a preliminary project review or other agendized means if the proposed project is inconsistent with the 2013 EIR. As we informed you on July 18, 2018 and July 24, 2018, the Board is scheduled to consider preliminary review of Sunroad's proposed project on August 14, 2018. As provided in Section 5(b)(i)(5), "[i]f the Board directs staff, in its sole and absolute discretion, to proceed with additional CEQA review, approval of such CEQA review shall be a condition precedent to the Board's consideration of the Definitive Agreement." In the interim, the District, if requested by

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Sunroad, can continue to process and review the Second Submittal but at the sole risk of Sunroad given the Board may provide different direction on the proposed project at the August meeting than what Sunroad has currently proposed.

As required in Section 5(b)(i) of the ENA, the Second Submittal should include a detailed project description with sufficient detail to understand the proposed project and commence environmental review. As mentioned above, Sunroad is proposing a 500-room hotel project in two phases with 325 rooms in Phase 1 and 175 rooms in Phase 2. Since Sunroad's proposed project consists of two phases, and the project must be analyzed holistically, at a minimum, District staff needs details for Phase 2 – preferably at the same level as given for Phase 1 of the proposed project in order to commence environmental review. The following are some deficiencies noted by District staff in its review of the Second Submittal. Please note that the list is not exhaustive, but is provided to Sunroad as examples of the types of minimum information that would be required for Phase 2. However, upon receipt of such information, District staff may require additional information from Sunroad. This is contemplated in Section 5 of the ENA which provides that “Developer understands and agrees that the District reserves the right at any time to reasonably request from Developer additional information, including data and financial documents to determine and/or confirm Developer’s relevant experience with similar scale developments, its approach to financing and capability to undertake and/or perform the Proposed Development”.

PHASE 2 MINIMUM INFORMATION REQUIREMENTS

The site plan included in the Second Submittal shows a separate building located in the northern portion of the Elbow Parcel noted as “Future Phase” and is described in the Detailed Project Description as the “subsequent 175 rooms will be developed after the Hotel is under construction and will require a second CDP”.

Building Detail

There was not enough information in the Second Submittal about the proposed building in Phase 2 to commence environmental review. Please provide the following information for the 175-room hotel:

- Building area calculation
- Building orientation (including setbacks)
- Building footprint square footage
- Building height and elevation
- Number of floors/stories
- Building colors and materials
- Discussion of all service areas
- Floor plans, building elevations for all four sides of the building,
- Drawings and renderings of the Phase 2 building from different views to demonstrate public access corridors and existing views.

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Proposed Construction:

There was not enough description of the proposed construction of Phase 2 in the Second Submittal to commence environmental review. Please provide the following information on the construction of the 175-room hotel:

- Estimated schedule (start date, end date, duration and phasing)
- Site preparation
- Demolition and/or relocation activities
- Grading and drainage including total area of proposed grading/excavation
- Total length and depth of trenching/exaction
- Total fill quantity
- Proposed infrastructure or utilities upgrades or modifications (water, stormwater, sewer, natural gas, electrical, or telecommunications)
- New paving and types of paving proposed
- Construction methods, activities and equipment needed to construct Phase 2
- Estimated number of daily vehicle truck trips

Proposed Operation:

There was not enough description of the proposed operation for Phase 2 in the Second Submittal to commence environmental review. Please provide the following information on the operation of the 175-room hotel:

- Types of uses/services that would be provided
- Estimated increase in utility demand/consumption, including water, sewer, natural gas, and electricity
- Number of individuals that would be employed at the site upon Phase 2 implementation
- Estimated increase in daily vehicle trips to the site
- Changes in public access features
- Changes in recreational components

GENERAL PROJECT COMMENTS

On July 24, 2018, District staff provided the following preliminary comments to Sunroad regarding the proposed project as a whole.

- 1) The architecture should be distinctive and iconic given the prime location on a prominent waterfront site.
- 2) The project should improve and facilitate public access and views through the site from the bay and the marina.
- 3) The project should have strong connectivity with Harbor Island.

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These are preliminary comments from staff, and there may be additional feedback from staff after the August Board meeting which may result in revisions to your project description.

As stated above, District staff will go back to the Board on August 14, 2018 with a Preliminary Project Review presentation and request direction from the Board on environmental review for Sunroad's proposed project. Staff needs to seek Board direction before staff can comment on the economic terms in detail. Additionally, Board direction on the project resulting from the Preliminary Project Review may also impact the economic terms proposed by Sunroad. Based on staff's preliminary review of the project and the economic terms proposed by Sunroad, staff could not recommend the project to the Board as submitted.

The District reserves all of its rights under the ENA and under law and equity.

Should you have any questions, please contact me at (619) 686-6287 or agordon@portofsandiego.org.

Sincerely,



Tony Gordon
Director
Real Estate

ccs via email:

R. Coniglio, District
S. Sumner, District
W. Manaois, District
A. Meyer, District
S. Afshar, District
W. Siao, District
D. Sclar, District
C. Magnus, Dudek

SDUPD Doc. No. 1533641