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July 28, 2016

SENT VIA E-MAIL

Mr. Yehudi "Gaf" Gaffen, CEO
Gaffcon, Inc.
5960 Cornerstone Court West, Suite 100
San Diego, CA 92121
gaf@gaffcon.com

SUBJECT: Waterfront Development Opportunity Request for Proposals (RFP):
Supplemental Information Request

Dear Mr. Gaffen,

Per the direction to staff at the July 13, 2016 Board of Port Commissioner's meeting, we are exclusively continuing discussions and further evaluating your "Seaport" proposal. As part of our due diligence we have developed a number of clarifying questions, based upon your proposal and your presentation to the Board. Please review the attached document and provide responses by Friday, August 12, 2016. Please note that you may not have all of the answers yet and, if this is the case, please advise as such in your response.

We look forward to meeting with you the afternoon of August 1, 2016 to review the attachment and answer any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Penny Maus", written over the typed name.

Penny Maus
Department Manager, Business Development
Real Estate Development

PM/mnh

Attachment A: Supplemental Information Request

SDUPD D2 No. 1101763

Attachment A

Central Embarcadero Waterfront Development Opportunity Request for Proposals

Supplemental Information Request July 28, 2016

APPROACH TO PROJECT

Project Concept

1. As you consider entering into a 66-year lease with the District, how will you handle the unexpected economic and natural challenges, as well as the evolving demands of technology and citizens? Do you have examples of how your team has managed these on other projects?
2. Please provide examples of how the significant architectural features are destined to become quintessential elements of San Diego. Why do you believe this project will serve as an inspiration for future generations?
3. From a customer experience perspective, how did you contemplate the proposal's connection to public improvements and the urban environment? For example, was a detailed customer journey and touchpoint analysis completed?
4. Per our July 19, 2016 request, please provide any market studies or analyses that support the proposed program mix, operating assumptions and demand for the development program (i.e. Ace Parking demand and pricing analysis).
5. Have you had discussions with the current lessee (Terramar Retail Centers) to contemplate how you might coordinate their end of lease obligations with your proposed project?

Preliminary Marketing Plan

6. On page 20 of the proposal you provided a list of deliverables that you would use in a marketing and communications program. Please provide these materials if they have been developed.

Guiding Principles and Framework Report

7. Please provide a detailed breakdown of the "over 75%" of 40 land acres planned for parks or public open space (p. 21). For example, does the project count infrastructure as part of the open space? If so, what type and percentage?
8. Is all of the proposed park and open space, including the aquarium rooftop, intended for 100% access to the public? If not, please provide an explanation.
9. Please describe the types of amenities (i.e. restrooms, benches, lighting, etc.) that will be provided in the public realm for the site.

10. It appears that some of the proposed improvements are not within the site boundaries of the RFP (i.e. floating wetlands and research vessel) (p. 44). Please clarify if this was an error or if you are requesting to expand the leasehold area contemplated in the RFP.
11. Please provide the proposal's assumptions related to how the beaches, tide pools and oyster beds (p. 21) will be constructed, maintained, managed and programmed (i.e. beach replenishment program and sediment management).
12. The proposal appears to include several non-coastal dependent amenities placed in the Bay (i.e. floating pool) (p. 32 and 38). Can any of these amenities be placed on land if it is determined: i) It is a non-allowable use or ii) It cannot be determined to be an ancillary use to a water-dependent use?
13. Please include the datum for the building elevations so building heights can be verified.
14. Please discuss how the proposal preserves or enhances the east to west view corridors?
15. What are the goals and/or planned benefits of the habitat terrace (p. 46) (i.e. water quality treatment, water coverage mitigation)?
16. Please provide a more detailed description of the floating wetlands (p. 44). What are the goals and/or benefits of the floating wetlands? Please describe if any preliminary assumptions were considered related to impacts on water circulation and water quality?
17. How does the proposal intend to promote or provide transient berthing opportunities that are accessible to a variety of boaters and/or the public?
18. Please explain the use of the white vertical elements on the water located on the north side of the site adjacent to the Midway (p. 32).
19. Please explain why the image of the park land use at north end by the Midway on page 23 is different from the beach land use shown page 27. Please describe which land use is planned for this area.
20. Please provide further explanation on how the proposal's land-based transportation strategy provides enhanced connections to existing and planned waterfront parks, streets and other open spaces adjacent to the site, including connectivity to regional multi-modal transportation networks.
21. Appendix 11 (p. 97) of the proposal states it "will endeavor to achieve Net Zero Goal capable wherever economically viable". Please describe a strategy whereby you may commit to Net Zero goals and what the economic impact may be?
22. How will the proposed development be resilient to storm surge, tidal events, and waves, in combination with the project's estimated 3 feet of sea level rise? Please provide your assumptions or data stating a mean sea level rise of 3 feet is appropriate. How will groundwater be managed in the subterranean parking lot? (p. 78 and Appendix 11, p. 99)

23. Have you identified a specific research vessel (p. 24) to be berthed at the proposed development site? If so, please provide a preliminary description of what may be needed to accommodate such a vessel (i.e. dredging).
24. What is the net increase/net decrease (balance) of open water area versus water coverage, if the proposed development is implemented as proposed?
25. Have you considered how the proposal will integrate with SANDAG's San Diego Forward, CivicSD's Downtown Mobility Plan, and CivicSD's Parking Plan?
26. Have you considered how the proposal will meet the water quality objectives for the California Water Quality Control Board's Water Quality Control Plan for the San Diego Basin including support for fishable waters, swimmable waters and ecosystem health?
27. How do you envision the "sea breeze", will "enhance air quality and reduce the ambient temperature" (Appendix 11, p. 97)? What other solutions have been considered?
28. How do you propose using tidal Bay water (Appendix 11, p. 98) to cool the development?
29. Have you considered what the impact on navigation may be due to potential beach erosion?
30. Please provide additional details related to the surf club and wave simulators proposed as part of the entertainment complex (p. 50). Is there a proposed operator?

Programmatic Components

Public Art

31. How do you anticipate addressing existing art works currently located within the site boundaries? Please also clarify whether any new art works are proposed for the site and what your approach for selection/installation would be.

SkySpire

32. How do you consider the design approach of the SkySpire to be unique since it is an off the shelf product that, along with the PolerCoaster product, is proposed to be developed in 30-50 markets? What differentiates this attraction from similar attractions around the world or SkySpires/PolerCoasters that may be developed in other cities?
33. Based on the information provided, it appears the price/admission for the SkySpire is proposed at \$16.68 for admission for this attraction? Please provide your assumptions and back-up data.
34. What conversations, if any, have you had with the San Diego Regional Airport Authority, U.S. Navy and/or Federal Aviation Administration regarding the proposed 500-foot height of the SkySpire?

35. How would the proposal change if there were a height limit or a restriction on external moving parts for the SkySpire?

Smithsonian Media

36. How do you intend to utilize Smithsonian Media? Will it only be used with the SkySpire and the Aquarium or will it be used throughout the site? Has the use of this media been contemplated as part of the pro-forma? How does this feature adjust to anticipated changes in technology by the time the development is built?

Aquarium

37. Based on the information provided, it appears the price/admission for the aquarium is proposed at \$25. Please provide your assumptions and back-up data.

Hotel

38. How do you anticipate financing the low cost hotel? Do you anticipate requesting the use of California Coastal Commission funding? Has this been included in your proposed financial model?

Retail/Restaurant

39. How did you determine that there was demand for 390,000 square feet of retail space? How did you determine that three-level retail would be successful? Which development partner has experience successfully developing and operating “experiential” retail of this scale?
40. Appendix A7: Existing Seaport Village Tenant Relocation Plan and Headquarters Parking (p. 46) indicates that the proposed development will maintain approximately 36,000 square feet (40%) of existing Seaport Village retail tenants. Please expand upon the anticipated terms, conditions and expectations of maintaining/relocating such tenants. Please also provide information related to any additional uses to be maintained, including locations and square footages.

Multi-Purpose Open Space

41. Please describe how you would coordinate with the San Diego Foundation regarding obligations to the grant agreement for Ruocco Park?
42. What is your programming strategy for the various multi-purpose open spaces throughout the site?

Water Oriented Facilities

43. According to the Superyacht Intelligence Agency’s 2015 Annual Report, there are approximately 4,998 mega yachts in the world, of which 3,266 spend most of their time in the Mediterranean, leaving only 1,732 available throughout the rest of the world. In the last five years, San Diego’s average annual mega yacht market has averaged 35 vessels per year, which can be accommodated within the existing facilities. Given these statistics, please explain how your projections are feasible given the demand.

44. The average slip rental rate for mega yachts on San Diego Bay is approximately \$1.22 per ft. per day. The blended slip rental rate for both mega yachts and recreational boats in your pro-forma is between \$2-2.50 per ft. per day. Please explain how you expect to achieve this rate within this market.
45. Please describe how you plan to host both commercial fishing operations in the same facility as mega yachts and recreational vessels. What do you envision as the proposed slip mix?
46. Please elaborate on the opportunities for transient recreational boaters to visit the project (i.e. dock and dine or day visits).
47. Have you had discussions with the Marriott Marquis and Marina regarding the proposed pedestrian draw bridge connecting from "Seaport" to Embarcadero Marina Park South as this will have a direct impact to their marina tenants and guests? The area where the bridge is proposed is also outside of the RFP site boundary, are you proposing that this be included in the potential leasehold? Do you plan to maintain and operate the bridge in its entirety?
48. A floating stage and waterside light spire are proposed on the water side of the site (p. 38). Please provide a detailed description of each including intended uses, are they temporary, are they movable, are they anchored?
49. A floating pool is proposed on the north end of the site (p. 32). Please provide information why this is the optimal location for what would constitute an "in-water use." Also, will the pool be available to the public? Have you explored an alternative to placing the pool in the water to avoid filling the bay? If placed in water, have you looked at the constraints of filling the bay?
50. How many additional square feet of dock space does the proposal provide?

Commercial Fishing

51. What is your contemplated phasing plan for the commercial fishermen from G Street Mole to Driscoll's Wharf?
52. How will you ensure that they will be able to operate in a similar manner as they do from G Street?
53. How will you ensure their rent structure is comparable so as not to price them out of the market?
54. What conversations have you had to this regard with both the commercial fishermen and Driscoll's Wharf?
55. Page 14 of the proposal indicates a "public/private partnership" would revitalize the commercial fishing industry. Please clarify what this means (i.e. will you be requesting a public subsidy?)
56. How does your plan address the existing American Tuna Boat Association office space?

57. What type of aquaculture is envisioned to be accommodated at Tuna Harbor (Appendix 3, p. 10)?
58. Describe in greater detail how you envision linking Tuna Harbor with Driscoll's Wharf and the Port's aquaculture initiative (p. 14).
59. In the event Driscoll's wharf cannot accommodate additional commercial fishing suggested in the proposal, what are some alternatives?
60. If the Chesapeake Fish facility is unable to be relocated, describe alternatives to address enhancements to commercial fishing (Appendix 3, p. 10).

Mobility and Parking

61. How did you determine that the proposed 2,410 parking spaces are sufficient to meet the demand for the proposed uses on site? Please provide any back up information on how you derived your assumptions. Were these assumptions based on the District's parking guidelines?
62. It appears that reconfiguration of the existing surface parking lot is being proposed in Tuna Harbor (p. 32). How many parking spaces are proposed to be eliminated/replaced as part of this reconfiguration? Are these spaces included in the total 2,410 parking spaces stated in the proposal?
63. The proposal shows The Headquarters parking lot being eliminated (p. 27). Where on the site will these spaces be relocated? Are these spaces also included in the total 2,410 parking spaces proposed for the site?
64. How much parking demand does the proposal plan on alleviating as a result of the Downtown San Diego Skyway Loop? If that plan does not move forward, how do you plan to make-up the demand for such parking spaces? How would a Downtown San Diego Skyway Loop station affect the design of the project?
65. Please provide additional information on the mobility plan to better illustrate where the different range of users can travel on the site: (i.e. pedestrians, bicyclists, shuttle riders and shuttle stops, etc.).
66. The proposal relies upon the Port of San Diego Shuttle that is only operational 12 weeks out of the year (Appendix 9, p. 60). What is the proposal's strategy for the remaining 40 weeks in regard to internal circulation? Do the parking estimates rely upon the Port of San Diego Shuttle?
67. What is the purpose of proposing 14 surface parking spaces near the drop-off turnaround south of the aquarium in a non-auto dependent pedestrian area?

Consistency with Public Trust

68. The proposal references a "marine oriented" office. Can you clarify what is meant by "marine oriented" as well as the types of tenants?

69. The proposal references a “specialty cinema.” Can you provide details on the size and programming (i.e. types of films, public opportunities, amount for tickets, etc.) for the cinema?
70. The proposal references an event center. Can you provide details regarding the programming, frequency of anticipated events and public versus private space, for the proposed event center?
71. The proposal references an event hall in the SkySpire. Can you provide details regarding the programming, frequency of anticipated events and public versus private space, for the proposed event hall?
72. The proposal references a floating pool. Can you provide more details regarding the construction, maintenance and use of the floating pool?
73. The proposal references a charter school. Can you provide more information regarding the size, location (i.e. stand alone, second floor, etc.), length of anticipated operation and programming of the charter school? Also, can you explain how the charter school is consistent with the Public Trust Doctrine?
74. For all of the programmatic components listed above, if they are deemed inconsistent with the Public Trust, how do you plan to modify your proposal?

PROPOSERS RELEVANT EXPERIENCE

75. Please provide additional details regarding the 1HWY1 partnership and its members, including partnership interests and how decisions will be reached. Please submit a copy of partnership agreement or draft hereof.
76. Please provide specific examples of each partner’s experience in the past 10 years specifically related to ground up development. Please also provide additional details about hotel/hospitality development. Examples should be listed chronologically noting the completion date for each.
77. Please provide examples of project’s the development team has successfully obtained entitlements for (i.e. CEQA, Coastal, Army Corps of Engineers, Regional Water Quality Control Board, etc.). Please include the role each of the members of the development team played in the entitlement process.
78. Who will the District negotiate any contractual agreements with and what authority will that person have to make commitments on behalf of the five partners? What experience does that party have negotiating similar agreements with public agencies?
79. Upon buildout, who will be responsible for management and operation of the development as a whole and/or its specific programmatic components? What is their experience in managing mixed-use developments and/or programmatic components?
80. Since ThrillCorp is a new company, what is their development track record and their experience managing SkySpires or similar attractions? Please also clarify the role and/or relationship with U.S. ThrillRides.

81. What is OdySea's development track record and their experience managing aquariums or similar attractions?

CAPABILITY TO PERFORM

82. Please provide financial statements for persons or business entities, as required by the District's Lessee Questionnaire (Form 317), as follows:

"(Sub) Lessee, general partners of (Sub) Lessee, owner-corporations of (Sub) Lessee, members of (Sub) Lessee owning more than a 10% membership interest, and any person or business entity guaranteeing the performance of (Sub) Lessee must attach a complete report, prepared in accordance with good accounting practice, reflecting current financial condition. The report must include a balance sheet and annual income statement. The person or entity covered by the report must be prepared to substantiate all information provided."

83. Please provide anticipated equity commitments, anticipated timing and conditions for investment for each partner. Please identify the sources available to the development team to self-finance and/or secure debt on the scale required for the project?
84. For each partner submit a 10-year history in obtaining financing commitments, detailing type of project, dates of commitment, financing sources, amounts committed. Identify specific sources of debt/equity capital, including relationship to the developer (outside lender, parent company) and contact information.
85. Does the team anticipate long-term ownership and operation or disposition after construction or stabilization?
86. RCI's role seems unclear. While they are listed as a partner, they are also listed as a "direct advisor for the development of the marina". Please clarify what their role will be with the proposed development as a whole (i.e. marina developer, developer, etc.).

REVENUE AND EXPENSE PROJECTIONS

87. The development pro forma includes \$5 million in pre-development expenses. Please identify financing sources and how it is anticipated that the development team will fund these costs.
88. The development pro forma included a \$154 million public subsidy for various public improvements; however, at the July 13, 2016 Board meeting it was indicated that this subsidy would no longer be needed and that no other public subsidy would be required. Please confirm that no public subsidy, which includes ground lease rent credits or concessions, including discounted rent during construction or funding of public improvements within the proposed development site is being requested from the District. If you anticipate requesting any rent credits or concessions, discounted rent during construction or funding for public improvements, please detail this request.
89. The proposal includes a 20,000 square-foot event center (p. 22), but does not include financial projections for this use. Please clarify if the event center remains a part of your proposal, and if so, please provide financial projections for this use.

90. Appendix 11 (p. 15) references a variety of potential green/efficiency measures. Please describe and clarify all energy-efficient standards and technologies that have been priced into the proposed financial model.
91. At the July 13, 2016 Board meeting a variety of potential “enhanced accessibility” features were discussed. Please describe all accessibility and universal design features contemplated that have been priced into the proposed financial model.
92. At the July 13, 2016 Board meeting, economic impact of \$1 billion and 12,500 jobs were discussed as being results from implementing the proposal. Please provide the analysis by Kosmont and Associates (or any other analysis), including all assumptions (including industry breakdown) and methodology supporting the value of direct, indirect and induced economic impacts and temporary/construction and permanent jobs created by the proposal.
93. The construction estimate in Appendix A10 (p. 95) does not include costs for the pedestrian draw bridge connecting from “Seaport” to the Embarcadero Marina Park South. Please clarify whether this item is included in the development scope and priced into the proposed financial model.
94. Please clarify whether the “Base Camp” building proposed for Embarcadero Marina Park North (p. 12) is included as a component of the retail program (or other use) and whether this has been included in the proposed financial model.
95. Per the District’s July 19, 2016 request, please provide a soft copy (editable) of the most current financial model, inclusive of all assumptions, formulas and calculations used to project predevelopment costs, development costs, construction costs (hard and soft), operating revenues, operating expenses, net operating income, capital expenses during operations, debt service, ground lease rents, residual cash flows and developer returns for each development use/product proposed. This includes aspects that were not part of the originally submitted financial model included in the proposal.
 - a. Financial projections for the same number of years as the proposed ground lease term.
 - b. A breakdown of projected sources and uses by each element of the development program (including public improvements) should be included in the proposed financial model.
 - c. A narrative description summarizing any changes to the current financial model relative to the projections submitted in the original proposal should be separately provided.
96. Per the District’s July 19, 2016 request, please provide a summary of conclusions and any additional materials supporting peer reviews of the proposed financial model by Kosmont & Associates and AECOM-Economics.