

DRAFT**RESOLUTION 20xx-xxx****RESOLUTION TO OBTAIN CLARIFYING
INFORMATION ON 1HWY1'S PROPOSAL,
SUBMITTED BY GAFCON, INC., AND RETURN TO
THE BOARD FOR FURTHER DIRECTION**

WHEREAS, the San Diego Unified Port District (District) is a public corporation created by the legislature in 1962 pursuant to Harbors and Navigation Code Appendix 1 (Port Act); and

WHEREAS, on February 22, 2016, District staff issued a Request for Proposals (RFP) for the 70 acres of land and water located within the District's Central Embarcadero; and

WHEREAS, on May 2, 2016, the District received 11 proposals, of which, 6 were deemed complete and moved forward for consideration; and

WHEREAS, on June 13 and 14, 2016, the District hosted an open house, which over 1,200 members of the public attended to preview the 6 proposals, meet the development teams and provide comments; and

WHEREAS, on July 13, 2016, the Board of Port Commissioners (BPC) directed staff to exclusively continue discussions with Gafcon, Inc. (Gafcon) regarding its proposal to redevelop the Central Embarcadero (Seaport) and to further evaluate the proposal, while not making a final selection or eliminating the other 5 proposals; and

WHEREAS, Seaport is proposed to be developed, operated and managed by 1HWY1, which has not yet been formed and accordingly, for the purpose of this Resolution, 1HWY1 will be referenced instead of Seaport or Gafcon; and

WHEREAS, following the BPC's direction, District staff immediately commenced a due diligence phase by forming a cross-functional team to develop questions regarding areas of the 1HWY1 proposal that staff believed needed clarification; and

WHEREAS, on July 28, 2016, staff issued a Supplemental Information Request (Supplement) to 1HWY1 and responses were provided between August 5 and September 19, 2016; and

WHEREAS, Staff reviewed 1HWY1's responses to the Supplement and prepared a qualitative analysis on 1HWY1's approach to project, relevant experience, capability to perform and revenue and expense projections and

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provided a list of proposed recommendations for the BPC's consideration (Recommendations), more particularly described in the corresponding agenda sheet and incorporated herein by reference; and

WHEREAS, said Recommendations will provide further clarification on 1HWY1's proposal and Staff recommends that if the BPC directs staff to continue exclusive discussions with 1HWY1, that the Recommendations be memorialized through a BPC Resolution; and

WHEREAS, District staff anticipates continuing exclusive discussions would take approximately six to eight months, during which time 1HWY1 would conduct on-site due diligence and work with staff on confirming a project description and design.

NOW, THEREFORE, BE IT RESOLVED by the Board of Port Commissioners (BPC) of the San Diego Unified Port District as follows:

Staff is hereby authorized to implement the following items:

1. 1HWY1 will identify the anticipated retail tenant mix, including targeted retailers.
2. A market and feasibility study will be commissioned by the District, at 1HWY1's expense, to demonstrate that the following programs can be supported as proposed:
 - a. Restaurant and retail
 - b. Hotel
 - c. Office
 - d. Attractions
 - i. Aquarium (marine attractions)
 - ii. SkySpire (observation tower)
 - e. Water-oriented facilities
 - i. Commercial fishing
 - ii. Recreational boats
 - iii. Mega yachts
3. 1HWY1 will further define the proposed existing Seaport Village tenant retention and relocation program beyond the proposed construction phase.
4. 1HWY1 will provide clarity of the anticipated "marine related" office tenant mix, including targeted users that should be provided to ensure the proposed office program is consistent with the Public Trust.
5. Due to the proposed height and location of the SkySpire, a proposed component of the proposal, 1HWY1 will obtain:

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- a. A determination of no hazard from the Federal Aviation Administration;
 - b. A consistency determination from the San Diego Regional Airport; and,
 - c. A determination from the U.S. Navy to ensure feasibility.
6. A written guarantee will be provided by ThrillCorp that the SkySpire will not be replicated. This should also be a term of any future real estate agreement between the District and 1HWY1.
7. As a result of the impacts to Ruocco Park proposed under the Seaport proposal, 1HWY1 will submit a plan to the District to satisfy the obligations under the grant agreement with the San Diego Foundation.
8. 1HWY1 will provide clarity regarding the marine-focused charter school and evidence that the proposed use and programming is consistent with the Public Trust.
9. A parking study will be commissioned by the District, at 1HWY1's expense, using the District's parking guidelines to determine whether adequate parking has been proposed.
10. 1HWY1 will refine the proposed mobility plan needs to reflect coordination with other existing mobility plans in the area, including, but not limited to: City of San Diego, Civic San Diego and the San Diego Association of Governments to identify proposed mobility strategies that could help alleviate any potential parking demand resulting from the proposed uses.
11. 1HWY1 will provide clarity as to its commitment to existing commercial fishing tenants of the G Street Mole during construction and upon completion.
12. Proposed dock and dining facilities, as a public amenity should be considered as a term of any future real estate agreement between the District and 1HWY1.
13. 1HWY1 will refine the proposed water mobility plan to meet site specific objectives and ensure alignment with the PMPU, once formulated.
14. 1HWY1 will provide clarity regarding activation and programming and any applicable charges for the use of public spaces to ensure there is adequate public access.
15. 1HWY1 will provide clarity as to whether they are willing to commit 75 percent of the 40 acres of land to parks and open space.
16. 1HWY1 team will receive continued briefings from the PMPU team in

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order to ensure alignment with the Integrated Planning Vision and an understanding of how the proposal fits within and will tier-off the larger PMPU process.

17. With RCI Marine Group (RCI), being the only proposed member with ground up development experience, their role and level of commitment will be clarified by 1HWY1.

18. 1HWY1 will identify each of the member's roles and level of financial commitment in the LLC and the LLC should be formed in the same manner.

19. Protea Waterfront Development (PWD), as the proposed managing member of 1HWY1, will form the proposed LLC to identify each of the member's roles, including identification of a managing member, and level of financial commitment.

20. As part of the recommendation that the 1HWY1 LLC be formed, the District will be provided with a copy of the agreement, including terms regarding the amount of equity each member will be responsible for capitalizing, and conditions upon which a member could exit the LLC.

21. 1HWY1 will obtain and provide to the District commitment letters from other potential equity providers given the scale of equity required to finance the proposal at an appropriate time during the pre-development phase.

22. Market and feasibility studies will be commissioned by the District, at 1HWY1's expense, to further validate demand and the revenue and expense assumptions made in the 1HWY1 financial model.

23. The financial model will be refined to include, at a minimum:

- a. An allocation of public improvement costs at the programmatic component level;
- b. A sources and uses projection at the programmatic component level; and
- c. Inclusion of additional costs and revenue sources.

24. 1HWY1 will provide clarification on its proposed percentage rents to determine if 1HWY1 is requesting to pay percentage rents(s) that is/are below District standards, or if they are requesting rent concessions.

25. 1HWY1 will conduct an evaluation and provide clarification of 1HWY1's potential returns associated with the school, given the proposed lack of the District rent payment for this programmatic component.

26. If certain uses are not permitted on Tidelands (i.e. charter school and cinema), 1HWY1 will conduct an evaluation of potential programmatic

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component alternatives and submit the evaluation to the District.

APPROVED AS TO FORM AND LEGALITY:
GENERAL COUNSEL

By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 13th day of October, 2016, by the following vote: