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DATE: April 10, 2018

SUBJECT:

RESOLUTION RESUMING COLLECTION OF PREVIOUSLY ADOPTED USER FEE TO BE COLLECTED BY TRANSPORTATION VENDORS DOING BUSINESS ON TIDELANDS

EXECUTIVE SUMMARY:

Section 57.5 of the San Diego Unified Port District Port Act ("Port Act"), "Transportation Vendor Conducting Business on Tidelands; Parking Structure Financing Fee; Conditions" authorizes the District to impose a transaction fee to be collected by transportation vendors (rental car companies) doing business on tidelands (including at San Diego International Airport (Airport)) and paid by car renters for the purposes of financing and/or construction of a parking structure intended principally to serve a convention center on District tidelands (Attachment A). In December 1998, the Board adopted Ordinance 2030 establishing such a rental car fee in the amount of \$3.50 per rental car transaction effective January 15, 1999 (Attachment B). Between 1999 and 2006, collected fees paid for 100% of the construction of the parking facility built adjacent to the San Diego Convention Center (SDCC).

The District's Chula Vista Bayfront project represents one of the last truly significant large-scale waterfront development opportunities in Southern California. It seeks to transform a largely vacant and underutilized industrial landscape into a thriving destination including convention center facilities, a resort hotel, marinas, restaurants, and public spaces on the Chula Vista waterfront. A significant aspect of the Chula Vista Bayfront is the construction of an approximately 275,000 square foot convention center, including a 1,600-space parking garage primarily intended to serve the convention center.

As the District did with the SDCC parking garage in 1999-2006, staff recommends the District resume collection of the previously adopted user fee in order to fund the needed parking facilities adjacent to the planned Chula Vista Bayfront convention center. The resumed collection will follow the procedures established by Ordinance 2030. Staff further recommends that collection of the fee by rental car companies resume on May 10, 2018. Funds collected will only be used for financing and/or construction costs of the planned Chula Vista Bayfront convention center parking facilities.

In support of staff's recommendation, Keyser Marston Associates, Inc. (KMA) conducted an analysis, which is summarized below:

- Each year, 20,000 to 44,000 cars which park at the Chula Vista Bayfront convention center will be cars rented on District tidelands (including the Airport). Conversely, the visitors to the Chula Vista Bayfront convention center will increase the demand for car rentals on District tidelands (including the Airport) by 20,000 to 44,000 each year.
- A resumed \$3.50 rental car fee per transaction is minimal relative to the total cost of renting a car in San Diego and is unlikely to negatively impact rental car demand. Further, San Diego will remain below average in total costs of rental cars.
- The Chula Vista Bayfront convention center and resort hotel is expected to generate increased revenue to the Airport through landing fees of \$200,000 to \$340,000 annually, and will also generate significant economic benefit to the San Diego Region as a whole.

RECOMMENDATION:

Adopt a Resolution resuming collection of previously adopted user fee to be collected by transportation vendors doing business on tidelands.

FISCAL IMPACT:

Based on the attached KMA analysis, resumed collection of the user fee is expected to generate approximately \$4.7 million annually (1.3 million rental cars x \$3.50 fee) and increase over time as rental car transactions are projected to increase. The collected funds are only to be used to fund the financing and/or construction of a parking facility adjacent to and primarily intended to serve a convention center on District property in Chula Vista.

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:

Background

Transportation Vendor Fee

In 1998, the California legislature amended the Port Act by adding Section 57.5, “Transportation Vendor Conducting Business on Tidelands; Parking Structure Financing Fee; Conditions”. Section 57.5 authorizes the District to impose a transaction fee to be collected by transportation vendors (rental car companies) doing business on tidelands (including at the Airport) and paid by car renters for the purposes of financing and/or construction of a parking structure intended principally to serve a convention center on District tidelands.

In December 1998, the Board adopted Ordinance 2030 establishing such a rental car fee in the amount of \$3.50 per rental car transaction effective January 15, 1999. Between 1999 and 2006, the fee generated approximately \$29 million, which was used to reimburse the District for 100% of the construction cost of the parking facility built adjacent to the SDCC, which provided 2,000 additional parking spaces to the convention center. The District adopted and collected the transaction fee during the time it operated the Airport, and continued collection after operation of the Airport was transferred by the California legislature to the newly-created San Diego County Regional Airport Authority (SDCRAA).¹ Once all recoverable costs were reimbursed, the District suspended collection of the fee.

Chula Vista Bayfront

The District’s Chula Vista Bayfront project represents one of the last truly significant large-scale waterfront development opportunities in Southern California. At over 500 acres of District land, the Chula Vista Bayfront project seeks to transform a largely vacant and underutilized industrial landscape into a thriving destination including convention center facilities, a resort hotel, marinas, restaurants, and public spaces on the Chula Vista waterfront.

In 2012, the California Coastal Commission approved the Chula Vista Bayfront Master Plan (CVBMP), a joint planning effort between the District, the City of Chula Vista, and Pacifica Companies. The purpose of developing a master plan, which included certification of the CVBMP Final Environmental Impact Report (FEIR) and Port Master Plan Amendment (PMPA), was to create a blueprint for the transformation of the Chula Vista waterfront into a world-class destination for local residents and visitors.

A significant aspect of the Chula Vista Bayfront is the construction of an approximately 275,000 square foot convention center, including a 1,600-space parking garage primarily intended to serve the convention center. The convention center, along with a resort hotel, will be the centerpiece and catalyst for the first phase of development within the Chula Vista Bayfront. As a result of an extensive solicitation process, the Board selected RIDA Chula Vista, LLC (RIDA) as its partner in further planning and developing the convention center facilities, including parking, and the resort hotel.

Resumption of User Fee

As the District did with the SDCC parking garage in 1999-2006, staff recommends the District resume collection of the previously adopted user fee in order to fund the needed parking facilities adjacent to

the planned Chula Vista Bayfront convention center. The resumed collection will follow the procedures established by Ordinance 2030. Staff further recommends that collection of the fee by rental car companies resume on May 10, 2018. Funds collected will only be used for financing and/or construction costs of the planned Chula Vista Bayfront convention center parking facilities.

Transportation Vendor Fee Analysis

KMA conducted an analysis of the relationship between the planned Chula Vista Bayfront convention center and car rentals on District-owned land (which still includes the Airport); the potential impact of the fee on San Diego rental car activity; and the economic benefits to the Airport and the entire San Diego region resulting from the Chula Vista Bayfront convention center. Below is a high-level summary of the analysis conducted by KMA. The full analysis has been included as Attachment C for reference.

Chula Vista Bayfront Convention Center Parking Demand

The Chula Vista Bayfront convention center will increase the demand for rental cars and in turn drive the demand for parking facilities as visitors fly in to San Diego, rent a car, then drive to the Chula Vista Bayfront convention center. The analysis conducted by KMA confirms the connection between cars rented from rental car companies on District tidelands (including at the Airport) and the need to provide convention center parking facilities.

Based on KMA's analysis it is projected that, each year, 20,000 to 44,000 cars which park at the Chula Vista Bayfront convention center will be cars rented on District tidelands (which includes the Airport). Conversely, the visitors to the Chula Vista Bayfront convention center will increase the demand for car rentals on District tidelands (including the Airport) by 20,000 to 44,000 each year.

Impact on San Diego Rental Car Activity

A \$3.50 rental car fee per transaction is minimal relative the total cost of renting a car in San Diego, including existing rental car fees imposed by cities and the Airport. In contrast the Airport's Consolidated Rental Car Center Customer Facility Charge is \$9 per day up a maximum of \$45 per transaction.

The resumed collection of the District's \$3.50 fee is estimated to increase the three-day average San Diego car rental cost by only 1.5% and is unlikely to negatively impact rental car demand. Additionally, the total costs would remain low in comparison to other cities around the country. As part of their analysis, KMA surveyed rental car rates and fees for 10 large metropolitan cities throughout the United States. The analysis found that in comparison to these cities, San Diego rates and fees are below average.

Economic Benefits to the Airport and the Region

In addition to generating increased demand for rental cars, the Chula Vista Bayfront convention center and resort hotel development is projected to increase passenger volumes and landing fee revenues at the Airport. According to KMA's analysis, Chula Vista Bayfront Convention Center related hotel guests arriving by flight are estimated to increase airport passenger volume by 85,000 to 145,000 passengers annually; resulting in an increase in the Airport's landing fee revenue by \$200,000 to \$340,000 annually.

For the entire San Diego region, these developments will generate economic benefits in the form of economic output, personal income, and employment, during construction and on a permanent (recurring annual) basis. The overall economic impact of the entire Chula Vista Bayfront will be even larger. The projected economic benefits are summarized in the table below:

Total Regional Economic Benefits		
	Resort Hotel and Convention Center	Balance of Chula Vista Bayfront
Total Construction Economic Impact (1)(2)		
A. Economic Output	\$1.3 B	\$1.5 B
B. Personal Income	\$481.0 M	\$533.8 M
C. Employment	2,350 Employees ⁽³⁾	6,330 Employees ⁽⁴⁾
Total Ongoing Annual Economic Impact (1)(2)		
A. Economic Output	\$474.7 M	\$1.7 B
B. Personal Income	\$166.7 M	\$842.3 M
C. Employment	4,470 Employees	16,175 Employees
(1) All figures reflect 2018 dollars without escalation. (2) Reflects direct, indirect, and induced impacts. (3) Reflects average annual employment over a 45-month construction period. (4) Reflects average annual employment over an 18- to 24-month construction period.		

Recommendation

Staff recommends the Board adopt a resolution resuming collection of the \$3.50 per transaction user fee previously adopted by Ordinance 2030 beginning May 10, 2018. The fee will be paid by each car rental customer and forwarded to the District by the rental car company, and will only be used for the funding the financing and/or construction of parking facilities adjacent to the Chula Vista Bayfront convention center.

Use of this fee is consistent with the principle that users of District facilities who enjoy the opportunities and benefits that such facilities create, pay for such opportunities and benefits - including in this case, car renters utilizing District property related to rental car transactions and, additionally, a portion of those car renters utilizing the parking facilities to be funded by the fee and the adjacent convention center. Furthermore, such action is consistent with the ability of the District, as the property owner, to limit the business type of activity for which its property is used.

Additionally, the previously-adopted fee amount is reasonable to charge for these benefits and opportunities of using District property. As discussed previously, the \$3.50 rental car fee per transaction is minimal relative the total cost of renting a car in San Diego is also low in comparison to charges for renting cars in other cities. Keeping the fee amount unchanged despite the increase in property values since 1998, further demonstrates its reasonableness.

General Counsel's Comments:

The Office of the General Counsel has reviewed and approved this agenda sheet and the proposed resolution as to form and legality.

Environmental Review:

The proposed Board action, including without limitation, authorization of a resolution to resume collection of a previously adopted user fee to be collected by transportation vendors doing business on Tidelands, was adequately covered in the Chula Vista Bayfront Master Plan and Port Master Plan Amendment Final Environmental Impact Report (CVBMP and PMPA FEIR) (UPD #83356-EIR-658, SCH #2005081077) which was certified by the Board on May 18, 2010 (Resolution No. 2010-78). 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 CVBMP and PMPA FEIR, the District finds and recommends that the approval of the resolution to resume collection of a previously adopted user fee 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 resolution to resume collection of a previously adopted user fee 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 complies with Sections 30 and 87 of the Port Act, which allow for the Board to manage the business of the District and allows for all commercial and industrial uses and purposes, and the construction, reconstruction, repair, and maintenance of commercial and industrial buildings, plants, and facilities. 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 actions do 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. Therefore, issuance of a Coastal Development Permit or exclusion is not required for the proposed Board actions. However, the District's leases and activities that may arise from those leases require processing under the District's CDP Regulations. If a

proposed lease is negotiated, the Board will consider approval of a proposed lease after the appropriate determination under District's CDP Regulations is made, which could include a Coastal Development Permit. The current Board action in no way limits the exercise of the District's discretion under the District's CDP Regulations.

Equal Opportunity Program:

Not applicable.

PREPARED BY:

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Attachment(s):

Attachment A: SDUPD Port Act Section 57.5

Attachment B: SDUPD Ordinance 2030

Attachment C: Keyser Marston Associates Transportation Vendor Fee Analysis

1. Even after the transfer of Airport operations to the SDCRAA, the land upon which the Airport sits remains owned by, and under the jurisdiction of, the District.