

# SAN DIEGO UNIFIED PORT DISTRICT

## BOARD OF PORT COMMISSIONERS

October 6, 2015

The meeting was called to order at 1:00 pm

All seven members were present

### The General Counsel “Reported Out” Closed Session

**“Closed Session” is a meeting prior to the Open Meeting where Commissioners meet with legal counsel to discuss sensitive matters such as real estate negotiations, labor negotiations, personnel evaluation and litigation. Due to the nature of these issues, public disclosure is not made of all discussions.**

Counsel reported that the Commissioners considered all Agenda Items and authorized a cross-complaint against the plaintiff in the case SLPR LLC, et al. v. San Diego Unified Port District and State of California, et al. San Diego Superior Case No. GIC 860766-1 [Consolidated with 37-2008-000791750-CU-OR-CTL] the vote for the authorization: 7-0 in favor

The other item reported out of the Closed Session; the Commissioners voted 7 to 0 to authorize the defense in the case: United States of America v. 1.647 Acres; San Diego Unified Port District, et al. United States District Court Case No. 15-CV-01859-L-DHB

### Public Communication

There were three Public Communications this month

- A person from “Operation Clean Sweep” thanked the Port for their partnership with SDG&E, Navy, Coast Guard EDCO Disposal Service, Urban Corps, Cal Marine & many individual Port tenants to clean up the Bay, tidelands and this year, Chollas Creek, areas of Barrio Logan, dive operations at the National City Marine Terminal, the Driscoll Site and Tuna Harbor. They gathered eight tons of trash
- The Port Tenants Assoc. spokesperson thanked the Commissioners for the successful completion of the North Harbor Drive Beautification – America’s Cup Harbor Capital Improvement Project (CIP). They are very happy with both the aesthetics and the enhanced safety with better crosswalks and traffic lights.
- The last speaker has been to the Commissioners many times with an ongoing issue he has with the Harbor Police about parking his RV at the boat launch on Shelter Island

### Commissioners' Communication

Chair Malcolm reported on the "One Region, One Voice" trip to Washington, D.C. he attended along with several other Commissioners. This yearly trip is sponsored by the San Diego Chamber of Commerce to lobby in Washington for various regional projects and interests.

Commissioner Nelson reported that he has been recusing himself from any business having to do with the Marriot Marina because he rents a slip there and he was worried about a 'conflict of interest' or at least the appearance of one. He has received a letter from the Fair Political Practices Commission assuring him that there is no conflict and he does not need to recuse; in the future he will not be doing so.

### President's Report

This time was used to recognize the Procurement Dept. as they won a prestigious national award for "Excellence in Public Procurement"

### District Clerk's Announcements

The Clerk announced that Public Communications had come in by way of email and letters on three matters to be addressed; Harbor Island, Seaport Village and Adoption of Updated Tariff Rates and Format. Copies of these communications have been placed in Commissioner's packets

Regarding Consent Agenda Action is no longer required to authorize Amendment No.1 to the three-party agreement between the District, BAE Systems San Diego Ship Repair, Inc. and LSA Associates, Inc. for environmental review consulting services for the pier 1 North Dry dock, Associated Real Estate Agreements and removal of cooling tunnels project to increase the agreement amount by \$65,000, increasing the aggregate total of the agreement from \$479,057 to \$544,057 and extending the termination date to March 31, 2016

Regarding Action Agenda Action is no longer required to receive a presentation on Cruise Line Business Development, Marketing Framework, Infrastructure and if applicable, direction to Staff

Vote taken on Clerk's Report was 7-0 for approval

### Consideration of Minutes from the following meetings:

September 8, 2015 Special Meeting – Closed Session, and September 8, 2015 Regular Meeting  
Minutes were approved by a 7-0 vote

Consent Agenda: These are non-contentious issues that are “house-keeping” in nature; for example, lease extensions, fund transfers, approval of proclamations, authorization of the disposal of excess equipment, etc. These items are generally dealt with in one vote covering the whole Consent Agenda. However, Commissioners may “pull” items for discussion or continuance to a later date. Under certain conditions members of the public may do the same.

On this day Commissioner Nelson moved approval of the Consent Agenda with the exception of the item that was pulled previously. Commissioner Moore seconded the motion and it passed unanimously.

Action Agenda: These items are more focused on producing an outcome. The outcome may be a study for a later conclusion, direction to Staff, or it could be a definitive decision on a pending matter. Sometimes the action is to receive a presentation on a topic of interest to the Commissioners or to recognize some achievements.

Staff made a presentation covering the background of the East Harbor Island Area, specifically the westernmost nine acres of the subarea known as the “Elbow Site”. In 2008, the District began working with Sunroad on a Port Master Plan Amendment (PMPA) which would distribute leasehold, and the remaining one or two hotels of up to 325 rooms would be developed on the Elbow Site. On August 13, 2015, the California Coastal Commission denied the PMPA. Now staff is seeking direction on how to proceed in redeveloping this site.

1. Resubmit the PMPA
2. Issue a Request for Proposals for the 500 room hotel currently identified in the Port Master Plan
3. Include the nine acre Elbow site in the Statement of Interest, Qualifications, and Vision (SOIQV) for redevelopment of the East Basin Industrial Subarea of Harbor Island

There are various problems with alternatives #1 and #2; The CCC has stated that nothing can move forward until the District has a policy on lower cost overnight accommodations’ completed. This served as the sole basis for the CCC’s denial of the PMPA at the August 13, 2015 hearing. Sunroad would like to resubmit the PMPA, reserving 125 of the 500 planned rooms for East Harbor Island for lower cost accommodations. If the District agrees to this reservation of land proposed by Sunroad, they will be precluded from redeveloping it until such time as a project and timeline to develop lower cost overnight accommodations on Tidelands is identified. This sounds good, but the District has short term agreements in place for overflow rental car parking, which are expected to terminate when the consolidated car rental facility opens in early 2016. If these agreements terminate the District would not have the ability to seek redevelopment alternatives to replace the \$861,300 in revenues paid by the rental car companies on the Elbow Site. Plus, there has yet to be a demonstrated market for a 500 room

All Commissioners expressed the concern for developing the policy on lower cost overnight accommodations right away so that they would be able to move the Sunroad 175 room project along and ultimately other projects as well. Commissioner Nelson moved that they direct staff to come back with such a policy in January or February and in the meantime they go with alternative three. They will be looking for such components as retail, restaurants, public open spaces, maritime-related or water dependent public agency use office space, Consolidated Harbor Police Department/Port Administration Headquarters and hotel(s). Commissioner Moore seconded the motion. The vote: Yes 4 No 2; Recused 1

Commissioner Castellanos recused himself because Sunroad is a client of the law firm he works for. He is not one of their lawyers the firm does represent them.

The next item on the Action Agenda was another presentation by Staff seeking direction on the Redevelopment Proposal for the Seaport Village Area.

Seaport Village Operating Company, LLC d.b.a Seaport Village (SVOC) has a 40-year lease with the District to operate a “tourist-oriented shopping village including restaurants, retail shops, artisan activities and incidental uses, and limited second story office space”. SVOC’s lease commenced October 1, 1978, and expires September 30, 2018. SVOC also has a 40-year lease for another specialty retail center located adjacent the first leasehold, which runs from January 11, 2012 to January 10, 2052 (The Headquarters).

In September 2010, SVOC submitted an earlier redevelopment concept for Seaport Village that was deemed inconsistent with the Port Master Plan and incomplete as per the Board of Port Commissioners’ Policy No.355 and the District’s Administrative Practices-Real Estate Leasing and therefore was not approved. In November 2011, SVOC presented a revised development concept to the Board and on December 13, 2011, the Board passed a Resolution finding the proposal consistent with the District’s vision for the Seaport Village Site with conditions, but a revised proposal was not submitted by SVOC until three years later in June 2015, and only three years now remain on the 40-year lease.

SVOC’s 2015 Project reflects a general alignment with 2011 Board-approved Visioning Goals with some exceptions. Review of the Project pursuant to the decision criteria for lease extensions which are set forth in BPC 355, staff recommended that the Board not accept the 2015 Project. This action will not preclude SVOC from potential participation in any future Board directed action.

The formal recommendation was:

- A. Resolution rescinding RESOLUTION 2011-134 Adopting Visioning Goals for Seaport Village and surrounding area

- B. Resolution rescinding RESOLUTION 2011-176 Finding Seaport Village Operating Company, LLC's Redevelopment Proposal consistent with the District's Vision for Seaport Village Site with conditions
- C. Adopt a Resolution directing Staff to NOT accept Proposal from Seaport Village Operating Company, LLC and to return to the Board with a recommended redevelopment approach for Seaport Village and surrounding area

Commissioner Nelson moves the three Resolutions

Commissioner Moore seconded the motion which passed unanimously

The following action taken was an Ordinance Amending Fiscal Year 15/16 Budget to increase the Capital Improvement Program Appropriation by \$223,110 for an increase in the budget for National City Aquatic Center, with no change to the approved FY 2014-2018 Total CIP Program Budget. Included within this item were the following actions:

- Resolution approving transfer of funds within the FY 2014-2018 CIP Budget Appropriation from Contingency to the National City Aquatic Center in the amount of \$223,110 pursuant to BPC Policies No.120 and No.90
- Resolution authorizing Amendment No.2 to the Amended and Restated Memorandum of Understanding with the City of National City to Increase the Budget for the National City Aquatic Center by \$223,110 from the FY 2014-2018 CIP Program Contingency (language necessary for lien to release new funds)
- Resolution authorizing the District to waive the one percent for art requirement as set forth in BPC Policy No.608 – Tenant percent for art for the National City Aquatic Center

The Ordinance as well as the three Resolutions were voted on separately and each passed unanimously.

There was a Presentation by Scripps Institution of Oceanography on THE IMPACTS OF CLIMATE CHANGE AND COASTAL RESILIENCY. This was informational only, some interesting points:

- Greenhouse gas is like a blanket, more energy coming in than going out causing the ocean to gradually warm
- CO2 has a long lifetime, 100 years
- Climate of the future will NOT be informed by what we have seen historically
- Scientists learning all the time, but there are no models
- Picture will be clarified, but now it is uncertain
- Look for storms and tides to cause catastrophic events, el ninos of 1983 & 1998
- Need to plan for storm surge and study flooding

There was a Report on the Equal Opportunity of the Port District for FY 2015. There is a multifaceted program in place to ensure diversity and inclusion of workforce, vendors and consultants and other contracts. There is an on-going effort of community outreach by means of mentoring, youth programs, focused outreach and the development of a Strategic Plan.

An Ordinance Amending the FY 14/15 Budget Increasing the Non Personnel Expense Appropriation by \$6.6M to be funded from the FY 14/15 Revenue Surplus and Transferring \$1.8M from Personnel Expense Appropriation effective June 30, 2015.

This Ordinance passed 6-0 with 1excused (This is an accounting requirement for closing the books on FY 14/15 having to do with moving the Surplus)

The Officers for 2016 were elected as follows:

- Chair-Commissioner Merrifield (San Diego)
- Vice Chair: Commissioner Valderrama (National City)
- Secretary: Commissioner Castellano (San Diego)

The Draft Agenda for Proposed Board Agenda for November 17, 2015 Meeting was Reviewed and approved by a vote of Yes 6; Excused 1

HEARING AGENDA The Public is invited to give input on items for which the Commissioners are asked to make decisions, in this around S.D, Port Tariffs.

The Public Hearing was opened for consideration whether Amendment of the District's Tariff No 1-G, rates and charges as well as updated format and language is exempt from CEQA. There were no speakers. There was no Commissioner discussion.

Amendment was moved and seconded (very quickly) and passed Yes 5; Excused 2

A Public Hearing was then opened to adopt an ORDINANCE AMENDING THE SAN DIEGO UNIFIED PORT DISTRICT, PORT OF SAN DIEGO TARIFF NO. 1-G RATES and CHARGES, TO INCREASE CERTAIN RATES AND UPDATE TARIFF FORMAT AND LANGUAGE

Again, there were no speakers from the Public, and minimal discussion by Commissioners.

Staff reported mailing notification letters of the hearing and pending changes to affected customers on September 18, 2015. They also made follow-up phone calls. The estimated revenue increase for the rest of this year is \$279,000 and \$450,000 annually thereafter. While increasing revenue for the Port, services will still be priced competitively. Yes 5; Excused 2

The Ordinance passed Yes 5; Excused 2

Meeting was adjourned at 5:03pm