

**RESORT HOTEL AND CONVENTION CENTER PROJECT  
(CHULA VISTA BAYFRONT MASTER PLAN PARCEL H-3)  
CHULA VISTA, CALIFORNIA**

**ECONOMIC DEVELOPMENT SUBSIDY REPORT**

**California Government Code  
Section 53083**

**PURSUANT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT  
BETWEEN  
THE SAN DIEGO UNIFIED PORT DISTRICT,  
THE CITY OF CHULA VISTA,  
AND  
RIDA CHULA VISTA, LLC  
A DELAWARE LIMITED LIABILITY COMPANY**

**City of Chula Vista, California**

**April 2018**

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## I. INTRODUCTION

### A. Purpose of Report

This Economic Development Subsidy Report (Report) was prepared in accordance with Section 53083 of the California Government Code in order to inform the City Council of the City of Chula Vista (City) and the public of the Economic Development Subsidy proposed to be provided to RIDA Chula Vista, LLC (Developer) for development of the Resort Hotel and Convention Center project (RHCC Project). The Developer intends to develop a 1,570- to 1,600-room resort hotel and approximately 275,000 net rentable square feet (SF) of convention space on a 36.5-acre site (Project Site) within the Chula Vista Bayfront (CVB). The Project Site is currently held in trust by the San Diego Unified Port District (District).

The proposed Economic Development Subsidy is more particularly described in the proposed Disposition and Development Agreement (Agreement) between the City, District, and Developer. Additional key terms are contained in the JEPA Plan of Finance (Agreement Attachment 8), the Form of Ground Lease/Key Terms (Agreement Attachment 9), and the Revenue Sharing Agreement between the City and District.

The Agreement specifies the financial contributions provided by the City and District toward the design, development, and construction of the RHCC Project. The City requested that Keyser Marston Associates, Inc. (KMA) analyze the terms of the Economic Development Subsidy contained in the Agreement.

This Report describes and specifies:

- (1) The name and address of the business entity that is the beneficiary of the Economic Development Subsidy;
- (2) The subsidy and the estimated total amount of the expenditure of public funds as result of the Economic Development Subsidy;
- (3) The start and end dates of the Economic Development Subsidy;
- (4) The public purpose of the Economic Development Subsidy;
- (5) The projected tax revenue to the City as a result of the Economic Development Subsidy to the RHCC Project; and
- (6) The estimated number of jobs created by the Economic Development Subsidy to the RHCC Project.

## B. Summary of Findings

The principal KMA conclusions are summarized below.

- Under the terms of the Agreement, the City and District will provide an Economic Development Subsidy to the Developer totaling \$573 million (present value). As shown in Section III, Table III-1, the Economic Development Subsidy will fund Parcel H-3 site preparation costs, land contribution, parking improvements, and the convention center.
- The RHCC Project is expected to generate annual tax revenue in the amount of \$23.7 million (upon stabilization) to the City consisting of transient occupancy tax (TOT), Community Facilities District (CFD) special taxes, property tax and property tax in lieu of Vehicle License Fees (VLF), and sales tax.
- The Economic Development Subsidy contribution assists the City in achieving its economic development goals and objectives for development of the Chula Vista Bayfront.
- The RHCC Project is expected to generate a total of 120 temporary jobs for businesses based in the City and an estimated 2,200 temporary jobs in the County during a 48-month construction period. At buildout, an estimated 4,470 jobs permanent full-time jobs will be created Countywide with 3,300 located in the City.

## C. Description of Property and Proposed Project

The City and District created a master plan for the 535-acre Chula Vista Bayfront located on the southeastern edge of San Diego Bay in the City of Chula Vista Bayfront Master Plan (CVBMP). The City and District have selected 36.5 acres of the CVBMP, known as Parcel H-3, for development of the RHCC Project. The RHCC Project is anticipated to be the development catalyst for the CVBMP. Table I-1 below provides a summary of the physical characteristics of the proposed RHCC Project.

Table I-1: Project Description	
Total Site Area	36.5 Acres
Number of Hotel Rooms	1,570 to 1,600 Rooms
Convention Center (net useable)	275,000 SF
Parking	1,200 to 1,600 Spaces

## **D. Proposed Transaction Terms**

This section summarizes the salient aspects of the business terms contained in the draft Agreement under review as of March 28, 2018, the draft Ground Lease under review as of March 30, 2018, and the draft Conceptual Outline of Joint Exercise Powers Authority (JEPA) Plan of Finance under review as of April 6, 2018.

### *(1) Overview of Agreement*

#### Developer Responsibilities

- The Developer will construct a resort hotel with no less than 1,570 rooms and no more than 1,600 rooms under the Gaylord Hotels brand and 275,000 net useable SF of convention and meeting space.
- The Developer will construct a portion of the infrastructure improvements including E Street (G Street to H Street), G Street connection, H Street (Bay Boulevard to Street A), H Street (Marina Parkway to E Street), and Harbor Park (initial).
- The Developer's private investment (debt and equity) in the RHCC Project is currently estimated at \$785 million (Developer's Contribution).
- The Developer will be responsible for all operating and maintenance costs incurred with respect to the RHCC Project.

#### City and District Responsibilities

- The City and the District will contribute \$63.23 million toward infrastructure costs including streets, parks, building pads, and utilities (Phase 1A Infrastructure Costs). Of this total, \$6.0 million is allocated for Parcel H-3 site preparation costs.
- The City and District will be responsible for all operating and maintenance costs incurred with respect to off-site infrastructure.
- The City and District will contribute up to \$240 million (Project Public Investment) toward development of the convention center improvements.

- The District will provide an annual contribution toward bond debt service to support its portion of the Project Public Investment. As presented in Table I-2, the District contribution will not exceed the following schedule of amounts during Lease Years 5 through 38.

<b>Lease Year</b>	<b>Support Payments</b>
Years 1-4	\$0
Years 5-14	\$5.0 M
Years 15-19	\$6.0 M
Years 20-24	\$3.0 M
Years 25-38	\$3.5 M

- The City will pay for the construction of the required sewer and fire service improvements to enable development of the RHCC Project.
- The District will enter into a lease for the development of a new RV Park on Parcel S-1. The new RV Park will replace the existing RV Park, currently located on a portion of the Project Site. The existing RV Park lease is set to expire on March 4, 2019.
- The Agreement will have a term of up to four (4) years with up to three (3) one-year conditional extensions. In total, the Developer may have a maximum of seven (7) years to close escrow and commence construction of the RHCC Project.
- If there is a close of escrow, the City and District will reimburse the Developer for any funds actually expended by the Developer prior to the close of escrow for pre-development design, architecture, engineering, and other professional services attributed to the Developer’s portion of Phase 1A Infrastructure Costs.
- Prior to the close of escrow, the District will provide for the completion of 30% design drawings for the Phase 1A Infrastructure Improvements in an amount not to exceed \$1.7 million; after the close of escrow, the District will also pay for the cost of Parcel H-3 site preparation in an amount not to exceed \$10.0 million. If the District is able to provide at least 130,000 cubic yards of imported soil to the Project Site, the estimated cost will be decreased to \$6.0 million. If the District provides less than 130,000 cubic yards, the cost will be prorated.

- The District will provide, on a temporary basis, and at no cost to the Developer, up to 15 acres of land on Parcel H-23 to house construction trailers, construction materials, equipment staging, and parking during construction of the RHCC Project.

*(2) Construction and Operation of Parking Improvements*

- A portion of Parcel H-3 will be reserved by the District for parking (Parking Improvements).
- If the District elects to proceed with the Parking Improvements, the cost of the Parking Improvements will be financed by the District in an amount not to exceed \$40 million. Additional costs of up to \$44 million will be covered by the Developer.
- The District will own the Parking Improvements.
- The Developer will operate the Parking Improvements and be responsible for the all maintenance and repair except for non-routine repair or replacement of the Parking Improvements.
- The Developer will pay percentage parking rent to the District during Lease Years 1-66 for the Parking Improvements as shown in Table I-3.

<b>Table I-3: Developer Annual Parking Rent Payments – Years 1 - 66</b>		
<b>Lease Year</b>	<b>Years 1-38</b>	<b>Years 39-66</b>
% of Gross Parking Revenues	12.5%	15.0%

- If there is a sale or assignment of the lease, parking rent will increase to 15.0% during Lease Years 1-38 and to 20.0% during Lease Years 39-66.
- The Developer and District will enter into an Offsite Parking Land Lease to allow for the Developer’s use of Surface Parking Improvements at a percentage rent of 3.0% of gross surface parking revenues.

*(3) Proposed Ground Lease*

- The District and the Developer will enter into a 66-year ground lease agreement.
- The Developer will pay ground lease payments to the District during Lease Years 1-38 as shown in Table I-4.

<b>Table I-4: Developer Annual Ground Lease Payments – Years 1 - 38</b>			
<b>Lease Year</b>	<b>Years 1-19</b>	<b>Years 20 - 24</b>	<b>Years 25-38</b>
Annual Ground Lease Payment	\$0	\$3.0 M	\$3.5 M

- Beginning in Year 39, the proposed rent structure for the RHCC Project will be in line with the District’s standard percentage rent categories, as shown in Table I-5 below.

<b>Table I-5: Developer Annual Ground Lease Payments – Years 39 - 66</b>		
<b>Lease Year</b>	<b>Years 39-48</b>	<b>Years 49-66</b>
Room Revenue	8%	9%
Banquet Revenue	6%	7%
Food Revenue	4%	5%
Beverage Revenue	6%	7%
Gift Shop	5%	5%
Health Club	5%	5%
Recreation Center	10%	10%
Various Other Revenues (1)	0.5% - 20%	0.5% - 20%
(1) Reflects additional categories itemized in proposed Ground Lease.		

- The Developer will pay Additional Rent to the City/District equal to annual NOI in excess of 11.0% of the Developer’s Contribution during Lease Years 1-38, as shown in Table I-6. The Developer’s Contribution is currently estimated at \$785 million; therefore, the 11.0% threshold translates to \$86.4 million.

<b>Table I-6: Allocation of NOI after Developer Target Return of 11.0% on Developer’s Contribution</b>	
<b>Lease Year</b>	
Years 1-38	80% to Developer / 20% to City/District
Years 39-66	100% to Developer



**II. NAME AND ADDRESS OF BUSINESS ENTITY RECEIVING SUBSIDY**

The Economic Development Subsidy provided under the Agreement will be paid to the Developer, under the name:

RIDA Chula Vista, LLC  
c/o RIDA Development Corporation  
1777 Walker Street, Suite 501  
Houston, TX 77010

### III. DESCRIPTION OF ECONOMIC DEVELOPMENT SUBSIDY

Under the terms of the Agreement, the City and District will commit a variety of funds and revenue streams, including both existing revenue streams and new revenues generated by the RHCC Project. The City and District have created the Chula Vista Bayfront Financing Authority (Authority) and expect to issue taxable and tax-exempt bonds to the fund the Economic Development Subsidy. The bonds will be secured by committed revenues from the City and District, and pledged funding from a CFD and, as currently proposed, an EIFD formed to serve the Chula Vista Bayfront. The City and District will also provide one-time contributions toward the development of public improvements.

Table III-1 below presents the total estimated Economic Development Subsidy amount that the City and District will contribute to the RHCC Project.

<b>Table III-1: Estimate of City/District Economic Development Subsidy</b>	
	<b><u>Present Value</u></b> <sup>(1)</sup>
Parcel H-3 Site Preparation Costs <sup>(2)</sup>	\$10 M
Public Improvements <sup>(3)</sup>	\$51 M
Land Contribution <sup>(4)</sup>	\$245 M
Parking Improvements <sup>(5)</sup>	\$27 M
Convention Center	<u>\$240 M</u>
<b>Total Economic Development Subsidy</b>	<b>\$573 M</b>
<p>(1) Present value at Lease Year 1 assuming a discount rate of 8.0%.</p> <p>(2) Maximum contribution not to exceed \$10.0 M. The estimated cost for Parcel H-3 site preparation will be decreased to \$6.0 million if 130,000 cubic yards of soil is imported to the Project Site prior to the close of escrow. If less than 130,000 cubic yards are imported, the cost will be prorated.</p> <p>(3) Reflects both a direct subsidy to the RHCC Project (\$40.17 million), as well as indirect subsidy. The indirect subsidy includes specific public improvements necessary for the construction of a new RV Park, to be funded via the previously discussed bond financing (\$10.62 million). Construction of the new RV Park and removal of the existing RV Park are required for the construction of the RHCC Project.</p> <p>(4) Reflects an estimate of the District’s foregone ground lease revenues during Lease Years 1-38. Refer to Table 1.</p> <p>(5) Reflects maximum parking garage cost of \$40 M less anticipated parking revenues received by the District over term of the lease. Refer to Table 2.</p>	

Of the above subsidy amounts, the District will be solely responsible for Parcel H-3 Site Preparation, Land Contribution, and Parking Improvements. The City and District together will fund the Project Public Investment, specifically the Public Improvements at \$50.79 million and the Convention Center at a cost not to exceed \$240 million. It is anticipated that the City and District may fund the Project Public Investment using bond financing. As detailed in Sections I and VI of this Report, the City and District

propose to commit or pledge various annual revenues toward debt service on a potential bond to fund the Project Public Investment. These revenues include existing revenues, RHCC Project-generated revenues, and the District's Annual Support Payments. The approximate ratio of City vs. District annual revenues contributed toward bond debt service in the stabilized year of hotel operations is estimated to be 75%/25%. (The City and District may also utilize other one-time revenue sources available to fund the Project Public Investment.)

The total cost to the City and District may be higher than the above figures, depending on the ultimate method of financing utilized. For example, if the City, District, and/or Authority use bond financing to fund the proposed contributions, then the issuing party(ies) will likely incur bond issuance costs in excess of the proposed contribution amounts cited in Table III-1.

**IV. START AND END DATES OF SUBSIDY**

The Economic Development Subsidy will commence upon the execution of the Agreement in April 2018. The Economic Development Subsidy will end for the District when the ground lease term expires in 2091. The City’s share of the Economic Development Subsidy will end once the bonds issued by the Authority are paid off. Table IV-1 below presents a summary of when the Economic Development Subsidy is distributed to the Developer.

<b>Table IV-1: Start and End Dates of Economic Development Subsidy</b>		
<b>Lease Years</b>	<b>Type of Economic Development Subsidy</b>	<b>Comment</b>
0	Site Preparation Costs	Fund costs of Parcel H-3 site preparation, estimated at \$6.0 M
1 – 4	Public Improvements/ Convention Center/ Parking Improvements	Fund contribution to Public Improvements, not to exceed \$50.79 M  Fund contribution to Convention Center, not to exceed \$240 M  Fund cost of Parking Improvements, not to exceed \$40 M
1 – 19	Land Contribution	Forego 100% of ground lease payments
20-38	Land Contribution	Forego standard ground lease payments in exchange for stipulated fixed payments of \$3.0 M during Years 20-24 and \$3.5 M during years 25-38
5-66	Parking Improvements	Receive offsetting ground rent payments in the form of participation in parking garage revenues (12.5% during Years 5-38; 15.0% during Years 39-66)

## V. PUBLIC PURPOSE OF SUBSIDY

Implementation of the proposed Agreement, allowing for the Economic Development Subsidy, can be expected to assist the City in achieving their economic development goals and objectives for development of the Chula Vista Bayfront. But for the Economic Development Subsidy, the RHCC Project would be infeasible and the Developer would be unlikely to proceed. The Economic Development Subsidy as proposed will enhance the RHCC Project's feasibility, but in a manner and amount that is projected not to generate an excessive return for the Developer.

In addition, the RHCC Project will generate substantial benefits to the local and regional community in the form of increased tax and land lease revenues, permanent and temporary jobs, and the provision of significant public amenities and public infrastructure. The RHCC Project is also anticipated to be the development catalyst for the CVBMP and is consistent with the policies outlined in the City's Economic Development Element of the General Plan in order to achieve its economic development goals and objectives. These policies include:

- Promote economic development that fosters job availability, economic revitalization, and tax revenues.
- Pursue actions to support development of tourism in the City.
- Develop and promote various portions of the City, such as the Chula Vista Bayfront, as regional visitor destinations that could include hotels, meeting spaces, and conference facilities.
- Encourage the opportunity for employment of local residents.

The operation of the RHCC Project will serve the City and the surrounding community by providing commercial facilities that are not currently available in the community. No luxury, AAA Four Diamond (or similar) hotel currently operates in the City. Further, the City currently lacks large, luxury conference facilities similar to the Convention Center component of the proposed Project that will accommodate community events and gatherings such as high school dances, meetings of local trade organizations, fundraisers, and other community events. The nature of the RHCC Project as a high-end, luxury resort is expected to bring a demand for additional luxury facilities and services in the community, encouraging related investment and development in the City and surrounding areas. The development, opening, and operation of the RHCC Project will be of material benefit to the City and to the citizens of, and property owners in, the City and surrounding areas, because construction and operation of the Project will encourage and foster the economic revitalization of the City for the people in the area and the general public as a whole; provide commercial facilities and services not currently available in the City; increase tax revenues available to the City and other taxing agencies; increase sales tax revenues available to the

City; increase Transient Occupancy Tax revenues available to the City; generate Additional Rent to the City; and create jobs within the City.

## VI. PROJECTED REVENUE TO CITY RESULTING FROM THE SUBSIDY

### A. Projected Tax Revenue to City

KMA has estimated the projected tax revenues based on a detailed financial evaluation of the RHCC Project. Project-generated revenues to the City consist of TOT revenues, CFD special taxes, property tax and property tax in lieu of Vehicle License Fee (VLF), and sales tax, as detailed below.

- **Transient Occupancy Tax (TOT) Revenues**
  - RHCC Project – The RHCC Project will generate TOT revenues to the City. The City will provide an amount equivalent to the TOT revenue generated from the RHCC Project to support debt service payments on the bonds.
  - RV Park – The new RV Park will generate TOT revenue to the City. The City will provide an amount equivalent to the TOT revenue generated from the new RV Park to support debt service payments on the bonds.
- **Community Facilities District (CFD) Special Taxes** – The City will form a CFD for the purpose of levying and collecting special tax revenues generated by the RHCC Project. CFD Special Taxes at least equal to 5% of room revenue will be used to support debt service payments on the bonds.
- **Property Tax and Property Tax In Lieu of Vehicle License Fee Revenue** – The City may form an Enhanced Infrastructure Financing District (EIFD) for the purpose of applying incremental tax revenues to fund the cost of RHCC Project public improvements or other RHCC Project public investments. In the event the EIFD is not formed, an amount equal to incremental property tax and property tax in lieu of VLF generated by the RHCC Project to the City will be committed by the City to support debt service payments.
- **Sales Tax Revenues** – The City will provide an amount equivalent to the sales tax revenue generated from the RHCC Project to support debt service payments on the bonds.

Table VI-1 provides a summary of the estimated annual tax revenue to the City during the Stabilized Year of RHCC Project operations as a result of the Economic Development Subsidy.

<b>Table VI-1: Estimated Stabilized Annual Tax Revenues to City</b>	
	<b>Annual Tax Revenue</b> <sup>(1)</sup>
Transient Occupancy Tax <sup>(2)</sup>	\$13.8 M
Community Facilities District <sup>(3)</sup>	\$6.9 M
Property Tax and Property Tax In Lieu of VLF <sup>(4)</sup>	\$1.8 M
Sales Tax	\$1.3 M
<b>Total Annual Tax Revenues to City</b>	<b>\$23.7 M</b>
(1) Reflects annual tax revenues to the City in the stabilized year (Lease Year 9). (2) Based upon 10% of RHCC Project room revenue. (3) Based upon 5% of RHCC Project room revenue. (4) Based upon City portion of annual tax revenue and property tax in lieu of VLF.	

Each source of revenue committed by the City and District will be used to pay debt service on the bonds issued by the Authority. Remaining surplus cash flow will be distributed through a priority “waterfall” sequence, as outlined in the proposed Revenue Sharing Agreement between the City and the District. After the “waterfall” distributions, any remaining surplus cash flow will be distributed equally between the City and the District.

#### **B. City/District Participation in NOI**

In addition to ground lease payments paid to the District, the Developer will pay the City and District an annual participation payment based on surplus Net Operating Income (NOI) from the RHCC Project. Specifically, the City and District will receive 20% of surplus NOI above an 11% ROI threshold on the Developer’s Contribution during Lease Years 5-38. KMA has prepared a preliminary projection of this potential future revenue stream, which is summarized in Table VI-2.

<b>Table VI-2: Projected Annual NOI Participation Payments to the City/District</b>	
Lease Year	Estimated Annual NOI Participation Payment to City and District
Years 1-4 – Construction	N/A
Years 5-8	\$0
Year 9	\$0.1 M
Year 20	\$3.5 M
Year 30	\$9.7 M
Year 38	\$16.2 M



**VII. ESTIMATED NUMBER OF JOBS CREATED BY THE SUBSIDY**

Development of the RHCC Project will create both temporary and permanent employment in the City and the County. KMA prepared a detailed Economic Impact Analysis (EIA) to estimate the employment generated by development of the RHCC Project during construction and on a permanent (recurring annual) basis. The EIA estimates the portion of economic output that is paid out in wages, the average wage by type of employment, and the resulting total construction employment and permanent employment.

Table VII-1 presents KMA’s estimate of jobs created by the Economic Development Subsidy.

<b>Table VII-1: Estimated Number of Jobs Created by the Economic Development Subsidy<sup>(1)</sup></b>		
	<b>County of San Diego</b>	<b>City of Chula Vista<sup>(2)</sup></b>
Temporary Jobs <sup>(3)</sup>	2,200	120
Permanent Jobs	4,470	3,300
(1) Reflects direct, indirect, and induced jobs generated by the RHCC Project. (2) City figures are included within County figures. (3) Reflects average annual employment over a 48-month construction period, based on location of business.		

## **VIII. LIMITING CONDITIONS**

1. The KMA analysis is based, in part, on data provided by secondary sources such as state and local governments, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The projections and analyses contained herein are based on estimates and assumptions which were developed using currently available economic data, project-specific data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize and unanticipated events and circumstances may occur. Such changes are likely to be material to the projections and conclusions herein and, if they occur, require review or revision of this document.
3. Any estimates of revenue or cost projections are based on the best project-specific and fiscal data available at this time as well as experience with comparable projects. They are not intended to be projections of actual future performance of any specific project. Any changes to costs, development program, or project performance may render the conclusions contained herein invalid.
4. KMA assumes that all applicable laws and governmental regulations in place as of the date of this document will remain unchanged throughout the projection period of our analysis. In the event that this does not hold true, i.e., if any tax rates change, the analysis would need to be revised.

TABLE 1

**ESTIMATE OF DISTRICT LAND CONTRIBUTION (\$000's)  
ECONOMIC DEVELOPMENT SUBSIDY REPORT  
CHULA VISTA BAYFRONT**

	Year	Foregone Ground Lease Revenues (1) 6.5%	(Less) Ground Lease Payments to District (3)	Net District Land Contribution
<b>Construction</b>	1	\$7,868 (2)	\$0	\$7,868
	2	\$7,868 (2)	\$0	\$7,868
	3	\$7,868 (2)	\$0	\$7,868
	4	\$7,868 (2)	\$0	\$7,868
<b>Operations</b>	5	\$15,166	\$0	\$15,166
	6	\$17,161	\$0	\$17,161
	7	\$18,642	\$0	\$18,642
	8	\$19,913	\$0	\$19,913
	9	\$20,982	\$0	\$20,982
	10	\$21,401	\$0	\$21,401
	11	\$21,829	\$0	\$21,829
	12	\$22,266	\$0	\$22,266
	13	\$22,711	\$0	\$22,711
	14	\$23,166	\$0	\$23,166
	15	\$23,861	\$0	\$23,861
	16	\$24,576	\$0	\$24,576
	17	\$25,314	\$0	\$25,314
	18	\$26,073	\$0	\$26,073
	19	\$26,855	\$0	\$26,855
	20	\$27,661	(\$3,000)	\$24,661
	21	\$28,491	(\$3,000)	\$25,491
	22	\$29,346	(\$3,000)	\$26,346
	23	\$30,226	(\$3,000)	\$27,226
	24	\$31,133	(\$3,000)	\$28,133
	25	\$32,067	(\$3,500)	\$28,567
	26	\$33,029	(\$3,500)	\$29,529
	27	\$34,020	(\$3,500)	\$30,520
	28	\$35,040	(\$3,500)	\$31,540
	29	\$36,091	(\$3,500)	\$32,591
	30	\$37,174	(\$3,500)	\$33,674
	31	\$38,289	(\$3,500)	\$34,789
	32	\$39,438	(\$3,500)	\$35,938
	33	\$40,621	(\$3,500)	\$37,121
	34	\$41,840	(\$3,500)	\$38,340
	35	\$43,095	(\$3,500)	\$39,595
	36	\$44,388	(\$3,500)	\$40,888
	37	\$45,719	(\$3,500)	\$42,219
	38	\$47,091	(\$3,500)	\$43,591
<b>Net Present Value @ 8.0%</b>		<b>\$299,000</b>	<b>(\$54,000)</b>	<b>\$245,000</b>

- (1) Assumes standard ground lease rent at 6.5% of total income. Ground lease rate of 6.5% reflects blended rate based on room revenue at 8%-9%, banquet and alcoholic drink sales at 6%-7%, food and beverage sales at 4%-5%, spa services at 5%, retail sales at 5%, and miscellaneous sales at 10%.
- (2) Reflects construction period ground rent based on 50% of ground lease rent at 6.5% of 75% of total income at stabilization.
- (3) Reflects Developer's stipulated ground lease payments during Lease Years 20-38.

TABLE 2

ESTIMATE OF DISTRICT PARKING IMPROVEMENTS CONTRIBUTION (\$000's)  
 ECONOMIC DEVELOPMENT SUBSIDY REPORT  
 CHULA VISTA BAYFRONT

	Year	District Costs		(Less) Parking Revenues to District (3)	Net Parking Improvements Contribution
		Parking Improvements (1)	Operating Expenses (2)		
Construction	1	\$40,000	\$0	\$0	\$40,000
	2	\$0	\$0	\$0	\$0
	3	\$0	\$0	\$0	\$0
	4	\$0	\$0	\$0	\$0
Operations	5	\$0	\$0	(\$731)	(\$731)
	6	\$0	\$0	(\$803)	(\$803)
	7	\$0	\$0	(\$865)	(\$865)
	8	\$0	\$0	(\$917)	(\$917)
	9	\$0	\$0	(\$960)	(\$960)
	10	\$0	\$0	(\$979)	(\$979)
	11	\$0	\$0	(\$998)	(\$998)
	12	\$0	\$0	(\$1,018)	(\$1,018)
	13	\$0	\$0	(\$1,039)	(\$1,039)
	14	\$0	\$0	(\$1,060)	(\$1,060)
	15	\$0	\$0	(\$1,091)	(\$1,091)
	16	\$0	\$0	(\$1,124)	(\$1,124)
	17	\$0	\$0	(\$1,158)	(\$1,158)
	18	\$0	\$0	(\$1,193)	(\$1,193)
	19	\$0	\$0	(\$1,228)	(\$1,228)
	20	\$0	\$0	(\$1,265)	(\$1,265)
	21	\$0	\$0	(\$1,303)	(\$1,303)
	22	\$0	\$0	(\$1,342)	(\$1,342)
	23	\$0	\$0	(\$1,382)	(\$1,382)
	24	\$0	\$0	(\$1,424)	(\$1,424)
	25	\$0	\$0	(\$1,467)	(\$1,467)
	26	\$0	\$0	(\$1,511)	(\$1,511)
	27	\$0	\$0	(\$1,556)	(\$1,556)
	28	\$0	\$0	(\$1,603)	(\$1,603)
	29	\$0	\$0	(\$1,651)	(\$1,651)
	30	\$0	\$0	(\$1,700)	(\$1,700)
	31	\$0	\$0	(\$1,751)	(\$1,751)
	32	\$0	\$0	(\$1,804)	(\$1,804)
	33	\$0	\$0	(\$1,858)	(\$1,858)
	34	\$0	\$0	(\$1,914)	(\$1,914)
	35	\$0	\$0	(\$1,971)	(\$1,971)
	36	\$0	\$0	(\$2,030)	(\$2,030)
	37	\$0	\$0	(\$2,091)	(\$2,091)
	38	\$0	\$0	(\$2,154)	(\$2,154)
	39	\$0	\$0	(\$2,662)	(\$2,662)
	40	\$0	\$0	(\$2,742)	(\$2,742)
	41	\$0	\$0	(\$2,824)	(\$2,824)
	42	\$0	\$0	(\$2,909)	(\$2,909)
	43	\$0	\$0	(\$2,996)	(\$2,996)
	44	\$0	\$0	(\$3,086)	(\$3,086)
	45	\$0	\$0	(\$3,179)	(\$3,179)
	46	\$0	\$0	(\$3,274)	(\$3,274)
	47	\$0	\$0	(\$3,372)	(\$3,372)
	48	\$0	\$0	(\$3,473)	(\$3,473)
	49	\$0	\$0	(\$3,578)	(\$3,578)
	50	\$0	\$0	(\$3,685)	(\$3,685)
	51	\$0	\$0	(\$3,796)	(\$3,796)

TABLE 2

ESTIMATE OF DISTRICT PARKING IMPROVEMENTS CONTRIBUTION (\$000's)  
 ECONOMIC DEVELOPMENT SUBSIDY REPORT  
 CHULA VISTA BAYFRONT

	Year	District Costs		(Less) Parking Revenues to District (3)	Net Parking Improvements Contribution
		Parking Improvements (1)	Operating Expenses (2)		
Operations	52	\$0	\$0	(\$3,909)	(\$3,909)
	53	\$0	\$0	(\$4,027)	(\$4,027)
	54	\$0	\$0	(\$4,148)	(\$4,148)
	55	\$0	\$0	(\$4,272)	(\$4,272)
	56	\$0	\$0	(\$4,400)	(\$4,400)
	57	\$0	\$0	(\$4,532)	(\$4,532)
	58	\$0	\$0	(\$4,668)	(\$4,668)
	59	\$0	\$0	(\$4,808)	(\$4,808)
	60	\$0	\$0	(\$4,952)	(\$4,952)
	61	\$0	\$0	(\$5,101)	(\$5,101)
	62	\$0	\$0	(\$5,254)	(\$5,254)
	63	\$0	\$0	(\$5,412)	(\$5,412)
	64	\$0	\$0	(\$5,574)	(\$5,574)
	65	\$0	\$0	(\$5,741)	(\$5,741)
	66	\$0	\$0	(\$5,913)	(\$5,913)
<b>Net Present Value @ 8.0%</b>		<b>\$40,000</b>	<b>\$0</b>	<b>(\$13,000)</b>	<b>\$27,000</b>

(1) Cost of Parking Improvements.

(2) Assumes the Developer is responsible for parking operating expenses. Per RIDA, December 7, 2017.

(3) Reflects 12.5% of gross parking revenues to the District during Lease Years 1-38 and 15.0% of gross parking revenues to the District during Lease Years 39-66.