

RESOLUTION NUMBER R- 300863

ADOPTED ON SEP 27 2005

AN RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE A FIFTY-YEAR LEASE AGREEMENT WITH KENCAL OWNERSHIP LLC FOR THE HYATT REGENCY ISLANDIA HOTEL AND MARINA

WHEREAS, on February 9, 1987, pursuant to Resolution Number R-267648, The City Council approved a 50-year lease agreement with Islandia Associates, Ltd. [Islandia Associates] which commenced in December 1998, for the development and operation of a resort hotel in the Quivira Basin area of Mission Bay Park; and

WHEREAS, the leasehold consists of 9.73 acres of land for the hotel, restaurant and two parking garages, and 9.119 acres of water for the 179 slip marina with a fuel dock and sport fishing operations; and

WHEREAS, Islandia Associates entered into a management agreement with California Hyatt Corporation; and

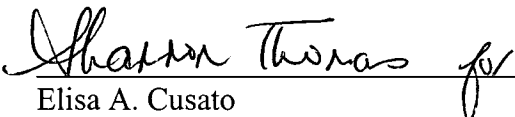
WHEREAS, Islandia Associates has negotiated the sale of its leasehold interest to KAREC California Development Program LLC, which will assign the leasehold interest to KenCal Ownership LLC, a separate entity being formed by KAREC; and

WHEREAS, KenCal proposes to own and manage the hotel and marina through an operating sublease and management agreements with the Hyatt Corporation and JG Management; and

WHEREAS, an independent review by a consultant and MAI appraiser specializing in hospitality properties confirmed that the proposed rent structure for the lease reflects the upper end of the market rates for properties of this type and location; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, that the City Manager is authorized to execute, for and on behalf of the City of San Diego, a fifty-year lease agreement with KenCal Ownership LLC, a California limited liability company, for the Hyatt Regency Islandia Hotel and Marina on 9.73 acres of land and 9.119 acres of water of City-owned property in the Quivira Basin area of Mission Bay Park at an annual rental of \$1.9 million after a one-year construction period rental of \$1 million, under the terms and conditions set forth in that lease agreement on file in the office of the City Clerk as Document No. RR- 300863.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By 
Elisa A. Cusato
Deputy City Attorney

EAC:SMT:nda
06/24/05
Or.Dept:READ
R-2005-1387
MMS#2144