11/9/24 #602B
(R-2027-143 REV.)

RESOLUTION NUMBER R- 317010

DATE OF FINAL PASSAGE NOV 13 2026

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE CITY'S GROUND LEASING OF THE CITY-OWNED REAL PROPERTY LOCATED AT 3500, 3250, 3220, AND 3240 SPORTS ARENA BOULEVARD FOR THE CONSTRUCTION AND OPERATION OF A MIXED-USE PROJECT, MAKING RELATED FINDINGS, AND WAIVING APPLICATION OF COUNCIL POLICY 700-10.

RECITALS

The Council of the City of San Diego (Council) adopts this Resolution based on the following:

A. The City of San Diego (City) owns several parcels of real property located at 3500, 3250, 3220, and 3240 Sports Arena Boulevard in the "Midway" area of the City that collectively comprise an estimated 48.5 acres (Property) and are improved with a sports arena, several commercial/retail buildings, surface parking areas, and other uses.

B. The Council adopted Resolution R-313718 (Sept. 23, 2021), declaring the Property surplus land under the California Surplus Land Act, Government Code sections 54220-54234 (SLA). As part of that action, the Council approved placing a condition on the City's leasing of the Property that future development of the Property must include renovation or replacement of the existing sports arena on the Property as a regional entertainment venue and operation of that venue for concerts, sports, and other events, consistent with similar arenas in large cities in the United States.

C. In October 2021, the City issued a notice of availability (NOA) of the Property under the SLA. The City received five timely proposals to redevelop the Property in response to the NOA. As required by the SLA, the City prioritized negotiations with Midway Rising, LLC, a

Delaware limited liability company (Midway Rising), based on its proposal to produce the most qualifying low-income housing units affordable to individuals or households earning 80 percent or less of the area median income in San Diego County on the Property.

D. The Council adopted Resolution R-314340 (Sept. 21, 2022), authorizing the Mayor or designee, on the City's behalf, to enter into an Exclusive Negotiating Agreement (ENA) with Midway Rising regarding the City and Midway Rising negotiating agreements for the potential future leasing and redevelopment of the Property. The City and Midway Rising signed the ENA effective December 5, 2022.

E. Representatives of the City and Midway Rising negotiated a Disposition and Development Agreement (DDA), a copy of which is included in the docket materials accompanying this Resolution. The DDA provides for the City to ground lease the entire Property to Midway Rising to install public and private infrastructure necessary to redevelop the Property (Horizontal Ground Lease) and then for the City to ground lease future parcels of land created from the subdivision of the Property to Midway Rising and its permitted transferees to redevelop the Property into a mixed-use project that includes 2,000 low-income rental housing units, 2,250 market-rate rental housing units, between 123,200 and 130,000 square feet of retail/commercial building space, a new entertainment center with 380,000 square feet of floor area and a capacity of between 15,200 and 16,000 seats, between 6,688 and 7,392 parking spaces, 8.2 acres of parks, and 6.42 acres of public spaces (collectively, Project).

F. The DDA and Horizontal Ground Lease contemplate Midway Rising constructing all necessary infrastructure for the Project in three phases, creating development parcels on which the various Project elements can be built, and operating the existing sports arena on the Property until the new entertainment center is operational. As development parcels are ready for

building on, they will be removed from the Horizontal Ground Lease and leased for 85 years by the City to Midway Rising or its permitted transferees for construction and operation of vertical improvements, including the entertainment center, affordable and market rate rental housing, and commercial/retail space. Under the DDA and the Horizontal Ground Lease, the development parcel for the entertainment center is the first one to be removed from the Horizontal Ground Lease and leased for development of the entertainment center. All the parks will be constructed under the Horizontal Ground Lease and then will be removed from the Horizontal Ground Lease and become part of the entertainment center lease premises to be managed and maintained by the entertainment center lease tenant for the full term of the lease. Lease forms for the Horizontal Ground Lease, the entertainment center development, and the market rate housing and retail developments are attached to the DDA.

G. The entertainment center development, the market rate housing and retail developments, and the affordable housing developments are planned to be built in five separate phases. The construction of affordable housing units in the Project generally will occur at a pace proportional to the construction of market rate housing units, subject to a potential temporary delay in production of certain affordable housing units as described in Section 15.3 of the DDA.

H. The DDA contains a process for the City and Midway Rising to agree on a lease form for the affordable housing developments within 180 days after the effective date of the DDA. If City staff and Midway Rising agree on an affordable housing development lease form within the required time under the DDA, the lease form will be presented to the Council for consideration at a noticed public hearing consistent with the requirements of California Government Code sections 52200 through 52203.

I. The affordable housing units in the Project will be made available for rental occupancy by households with incomes between 30 percent and 80 percent of area median income for San Diego County, with a weighted average affordability level of 60 percent of area median income. The affordable housing lease form will contain the affordability covenants and other requirements in Attachment 17 to the DDA that will apply to the affordable housing units constructed under each affordable housing lease for the duration of each such lease.

J. In accordance with California Government Code section 52201(a)(1), the Council held a public hearing on November 9, 2026, to consider this Resolution approving the DDA. Before that public hearing, the City published notice of the public hearing in compliance with California Government Code section 52201(a)(1) in a newspaper of general circulation in the City at least once per week for at least two consecutive weeks, as specified in California Government Code section 6066. Simultaneously, the City made available, for public inspection and copying at a cost not to exceed the cost of duplication, the report described in California Government Code section 52201(a)(2) (Economic Opportunity Report) and the report described in California Government Code section 53083 (Economic Development Subsidy Report), each prepared by Keyser Marston Associates. A copy of each report is included in the docket materials accompanying this Resolution.

K. The Council considered the Economic Opportunity Report that describes the terms of the DDA and certain financial aspects of the real estate transactions under the DDA. According to the Economic Opportunity Report, the DDA will provide significant and measurable public benefits to the City and will assist in the creation of economic opportunity, as defined in California Government Code section 52200.2, by creating 2,000 new affordable housing units to serve a demonstrated affordable housing need in the City, as defined in the

City's approved Housing Element that is part of the City's General Plan, providing employment opportunities during construction and operation of the Project, generating new property and sales tax revenues, delivering a new entertainment center venue attracting events for City residents and persons residing outside the City, creating parks and public spaces on a site that currently lacks these amenities, and constructing various on-site and off-site mobility improvements.

L. According to the Economic Opportunity Report, the consideration to be received by the City for the ground leasing of the Property under the DDA is not less than the fair reuse value of the Property at the use and with the covenants, conditions, and development costs imposed under the DDA.

M. In addition to the financial information contained in the Economic Opportunity Report, the Council considered an independent appraisal of the Property dated October 2, 2025, prepared by Schneider Valuation Consultants, Inc. According to that appraisal, the estimated fair market value of the leased fee interest in the Property is $75.6 million as of March 7, 2025.

N. The Council also considered the Economic Development Subsidy Report that discloses information related to certain economic development subsidies of $100,000 or more for the Project.

O. For reasons explained in the staff report accompanying this Resolution, City staff requested that the Council expressly waive the application of Council Policy 700-10 in reference to the DDA and the associated ground leases to the extent they are inconsistent with Council Policy 700-10 regarding the disposition of City-owned real property.

P. The Council considered all written evidence and testimony received in support of or in opposition to the DDA and the entire public record related to the DDA.

Q. The Office of the City Attorney prepared this Resolution based on information provided by City staff, including information provided by third parties and verified by City staff, with the understanding that this information is complete and accurate.

ACTION ITEMS

Be it resolved by the Council of the City of San Diego:

1. Based on the information in the Economic Opportunity Report and the entire public record, the Council finds that the ground leasing of the Property under the terms of the DDA will assist in the creation of economic opportunity, as defined in California Government Code section 52200.2.

2. Based on the information in the Economic Opportunity Report and the entire public record, the Council finds that the consideration to be received by the City from the ground leasing of the Property under the DDA is not less than the fair reuse value of the Property at the use and with the covenants, conditions, and development costs imposed under the DDA.

3. Based on the information in the Economic Opportunity Report, the Economic Development Subsidy Report, and the entire public record, the Council finds that the ground leasing of the Property under the terms of the DDA will serve multiple valid public purposes, such as creating 2,000 new affordable housing units, providing employment opportunities during construction and operation of the Project, generating new property and sales tax revenues, delivering a new entertainment center venue attracting events for City residents and persons residing outside the City, creating parks and public spaces on a site that currently lacks these amenities, and constructing various on-site and off-site mobility improvements.

4. The Council approves the DDA and all the attachments and exhibits to the DDA, subject to the revisions shown in Attachment A being incorporated into the DDA.

5. The Mayor or designee is authorized, on behalf of the City, to sign and deliver the DDA, including all attachments and exhibits to the DDA requiring the City's signature, take all other actions reasonably necessary to effectuate the closing of each lease transaction contemplated under the DDA and perform the City's obligations under the DDA. A copy of the DDA, when fully signed, will be filed with the City Clerk as Document No. RR-317010.

6. The Chief Financial Officer is authorized and directed to accept all payments to the City under the DDA, including Midway Rising's payment of independent contract consideration of $1,000, and all payments to the City under the associated ground leases, including the payment of rent and other consideration, and deposit those payments into Fund Number 100000, General Fund.

7. The Chief Financial Officer is authorized and directed to accept all payments to the City from Midway Rising under Section 28 of the DDA relating to a "City Project Coordinator" position and deposit those payments into Fund Number 1613.

8. The Council waives the application of Council Policy 700-10 in connection with its approval of the DDA and the associated ground leases.

APPROVED: HEATHER FERBERT, City Attorney

By _____
Delmar G. Williams
Senior Deputy City Attorney

DGW:at
October 30, 2026
November 10, 2026 REV.
Or. Dept: Econ. Dev.
Doc. No. 4596539

ATTACHMENT: ADOPTED REVISIONS TO THE DISPOSITION AND DEVELOPMENT AGREEMENT

I certify that the Council of the City of San Diego adopted this Resolution at a meeting held on NOV 09 2026.

DIANA J.S. FUENTES
City Clerk

By _____
Deputy City Clerk

Approved: 11/12/26
(date)

_____
TODD GLORIA, Mayor

Vetoed: _____
(date)

_____
TODD GLORIA, Mayor

ATTACHMENT A

ADOPTED REVISIONS TO THE DISPOSITION AND DEVELOPMENT AGREEMENT

Approved amendments to Attachments 15 and 16 of the DDA:

Modifications to Section 3.115 in Attachment 15 and 3.120 in Attachment 16

- **Section 3.115 of Attachment 15:** Major Retail Tenant Improvement. Each Retail Tenant Improvement that either: (a) affects the Structure of the Building in which the subject Retail Space is located (other than to a de minimis extent, such as replacement of rooftop chiller units); (b) involves installation, removal, or modification of load bearing walls or doors; (c) involves installation, removal, or alteration of major components of Building Equipment; or (d) has an estimated cost exceeding seven million five hundred thousand dollars ($7,500,000) times the CPI Adjustment Factor.

- **Section 3.120 of Attachment 16:** Major Interior Improvement. Each Interior Improvement that either: (a) affects the Structure of the Building in which the subject Interior Improvement is located (other than to a de minimis extent, such as replacement of rooftop chiller units); (b) involves installation, removal, or modification of load bearing walls or doors; (c) involves installation, removal, or alteration of major components of Building Equipment; or (d) has an estimated cost exceeding seven million five hundred thousand dollars ($7,500,000) times the CPI Adjustment Factor.

New Definitions for Net Refinancing Proceeds (Attachment 15, Section 3.135 and Attachment 16, Section 3.134), Refinancing Event, Refinancing Event Payment, and Refinancing Event Statement (Sections 3.179, 3.180, and 3.1.81 in both Attachments 15 and 16).

- Net Refinancing Proceeds. Any of the following: (1) the amount of the proceeds of each and every loan that is or will be secured by a Permitted Leasehold Security Instrument exceeding the amount of the proceeds of such loan that are used to pay off all or a portion of principal and interest under a pre-existing loan or loans (if any) secured by a Permitted Leasehold Security Instrument, less (a) the amount of any reasonable and customary fees and costs associated with obtaining the new loan that are actually paid by Tenant and not rebated or refunded to Tenant, (b) the amount necessary for Tenant to receive a nineteen percent (19%) levered IRR on the greater of (i) the Capital Investment and (ii) the then current amount of outstanding indebtedness of Tenant secured by Permitted Leasehold Security Instruments, and (c) the amount equal to the costs of Capital Improvements made to the Premises by Tenant prior to the Refinancing Event, except to the extent included in the Capital Investment, deducted from Modified Gross Revenue, or paid for by insurance proceeds; or (2) the amount of the proceeds of any loan extension, modification, amendment or equivalent regarding a pre-existing loan secured by a Permitted Leasehold Security Instrument exceeding the original principal amount of such pre-existing loan, less (a) the amount of any reasonable and customary fees and costs associated with the transaction that are actually paid by Tenant and not rebated or refunded to Tenant, (b) the amount necessary for Tenant to receive a nineteen percent

(19%) levered IRR on the greater of (i) the Capital Investment and (ii) the then current amount of outstanding indebtedness of Tenant secured by Permitted Leasehold Security Instruments, and (c) the amount equal to the costs of Capital Improvements made to the Premises by Tenant prior to the Refinancing Event, except to the extent included in the Capital Investment, deducted from Modified Gross Revenue, or paid for by insurance proceeds.

- Refinancing Event. Any transaction resulting in Net Refinancing Proceeds, exclusive of any loan secured by a Permitted Leasehold Security Instrument, the proceeds of which are used and applied solely to pay for the original Construction of the Project.

- Refinancing Event Payment. Defined in EXHIBIT D, Section 7.

- Refinancing Event Statement. A statement detailing all financial information used by Tenant in calculating the amount of Net Refinancing Proceeds and the Refinancing Event Payment owed under this Lease upon the consummation of a Refinancing Event, including documentation supporting all deductions and exclusions (i.e., escrow closing statements, account statements, ledgers, accounting records, etc.), whether or not any Refinancing Event Payment is due.

New Section 7 of Exhibit D related to Refinancing Event Payments in both Attachment 15 and Attachment 16.

7. **REFINANCING EVENT PAYMENTS**. Tenant shall Notify Landlord of each anticipated Refinancing Event a minimum of sixty (60) days before the anticipated closing date of the Refinancing Event and the Notice shall include a preliminary calculation of the Net Refinancing Proceeds and Refinancing Event Payment anticipated from the Refinancing Event. A Refinancing Event is not a Capital Sales Event and will not be counted in determining the first Capital Sales Event under Section 6.1. In no event will Landlord be entitled to both a Refinancing Event Payment and a Capital Sales Event Payment arising from the same transaction or series of related transactions. If any transaction or series of related transactions would constitute both a Refinancing Event and a Capital Sales Event, it will be treated solely as a Capital Sales Event, and only the applicable Capital Sales Event Payment will be due. Upon the closing of each Refinancing Event, the Net Refinancing Proceeds will be distributed as follows, and Tenant shall pay the applicable Refinancing Event Payment to Landlord within seven (7) days after the closing of the Refinancing Event. With each Refinancing Event Payment, Tenant shall deliver to Landlord a Refinancing Event Statement for the applicable Refinancing Event:

7.1. For the first Refinancing Event under this Lease, Landlord will receive five percent (5%) of the Net Refinancing Proceeds ("First Refinancing Event Payment") and Tenant will receive all remaining Net Refinancing Proceeds.

7.2. For the second and each subsequent Refinancing Event under this Lease, Landlord will receive five percent (5%) of the Net Refinancing Proceeds ("Subsequent Refinancing Event Payment" and, together with the First Refinancing Event Payment, each a "Refinancing Event Payment"). Tenant will receive all remaining Net Refinancing Proceeds.

7.3. Notwithstanding any provision of this Section 7 to the contrary, the Refinancing Event Payment (whether a First Refinancing Event Payment or Subsequent Refinancing Event Payment) will increase to ten percent (10%) of the proceeds if the total amount received by Tenant under this Section 7 results in a thirty percent (30%) or higher levered IRR on the greater of: (a) the Capital Investment and (b) the then current amount of outstanding indebtedness of Tenant secured by Permitted Leasehold Security Instruments.

#602B

Passed by the Council of The City of San Diego on November 9, 2026, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Joe LaCava	☒	☐	☐	☐
Jennifer Campbell	☒	☐	☐	☐
Stephen Whitburn	☒	☐	☐	☐
Henry L. Foster III	☒	☐	☐	☐
Marni von Wilpert	☐	☐	☒	☐
Kent Lee	☒	☐	☐	☐
Raul A. Campillo	☒	☐	☐	☐
Vivian Moreno	☒	☐	☐	☐
Sean Elo-Rivera	☒	☐	☐	☐

Date of final passage NOV 13 2026.

(Please note: When a resolution is approved by the Mayor, the date of final passage is the date the approved resolution was returned to the Office of the City Clerk.)

AUTHENTICATED BY:

TODD GLORIA
Mayor of The City of San Diego, California.

(Seal)

DIANA J.S. FUENTES
City Clerk of The City of San Diego, California.

By _____, Deputy

Office of the City Clerk, San Diego, California

Resolution Number **R-317010**