



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: January 10, 2012 REPORT NO: 12-02

ATTENTION: Council President and City Council
Agenda of January 24, 2012

SUBJECT: Formation of a Convention Center Facilities District to Provide Funding
for the San Diego Convention Center Phase III Expansion Project

REFERENCE: Formation of a Convention Center Facilities District to Provide Funding
for the San Diego Convention Center Phase III Expansion Project
(Report No: 11-155), dated November 21, 2011; Amending the San
Diego Municipal Code to Provide for Formation of a Convention Center
Facilities District to Provide Funding for the San Diego Convention
Center Phase III Expansion Project (Report No:
11-119), dated September 13, 2011

REQUESTED ACTION(S):

Adopt a Resolution Forming Convention Center Facilities District No. 2012-1 and Providing for the Levy of a Special Tax, adopt a Resolution Deeming it Necessary to Incur Bonded Indebtedness, and adopt a Resolution Calling a Special Mailed-Ballot Election, all in relation to providing funding for a contiguous expansion of the San Diego Convention Center. These actions will be considered in conjunction with a Noticed Public Hearing to be held on January 24, 2012.

STAFF RECOMMENDATION:

Approve the requested actions.

SUMMARY:

BACKGROUND

Reference is made to the Report to the City Council (No. 11-155), dated November 21, 2011, issued in conjunction with City Council adoption of the Resolution of Intention to Form Convention Center Facilities District No. 2012-1 (the "District") and the Resolution Declaring the Need to Incur Bonded Indebtedness. Report No. 11-155 provides a complete description of the legislative actions and other processes leading to the January 24, 2012 Public Hearing.

On November 23, 2011, a memorandum titled “Overview of the Anticipated Financing Concept to Provide Funding for the San Diego Convention Center Phase III Expansion Project” was also distributed to the City Council which conceptually discussed revenue sources and the financing timeline and approach being considered to provide the funding necessary for the proposed San Diego Convention Center Phase III Expansion Project (“Expansion Project”). As noted in the memorandum, the concepts discussed therein were preliminary and subject to change.

Attachment 1 (Update on Revenue Sources and Funding Plan) provides an update on the revenue sources and the funding plan available for the Expansion Project based on the information that is currently available.

DISCUSSION

The proposed actions will be considered in conjunction with a noticed public hearing regarding the formation of the District, the levy of a Special Tax, and the issuance of bonds, pursuant to Section 61.2708 of the San Diego Municipal Code. At the public hearing, all interested persons, including, but not limited to, all taxpayers, hotel property owners, and hotel operators within the District, will be given an opportunity to appear and be heard. All testimony for or against the establishment of the District, the levy of the Special Tax, the Final Rate and Method of Apportionment of the Special Tax, the facilities to be financed by the District, and any other matters set forth in the Resolution of Intention to Form the District and the Resolution to Incur Bonded Indebtedness adopted by the City Council on December 6, 2011 will be heard and considered by the City Council.

In addition, all landowners (or lessees, if the property is owned by a public agency) within the boundaries of the proposed District that would be subject to the proposed levy of Special Tax will be eligible to submit written protests to any aspect of the proposals contained in the Resolution of Intention to Form the District and the Resolution to Incur Bonded Indebtedness.

At the conclusion of the public hearing, the existence or lack of a majority protest will be determined by the City Clerk, based on an analysis of protests weighted in proportion to the proposed Special Tax burden, as provided in Municipal Code Sections 61.2709 and 61.2710. The analysis will be performed by Willdan Financial Services, the District’s Special Tax Consultant. If there is no majority protest, the City Council may approve the requested actions, which would specifically form the District, authorize the incurrence of bonded indebtedness, and call an election among the qualified electors of the District regarding the levy of the Special Tax and issuance of bonded indebtedness. The actions are described in more detail below.

Resolution of Formation of the District – This Resolution essentially ratifies the Resolution of Intention to Form the District adopted on December 6, 2011, and (1) acknowledges receipt by the City Council of the Convention Center Facilities District Report (“Hearing Report”); (2) ratifies the authorized facilities and incidental expenses to be financed by the District through incorporation by reference of Exhibits B and C to the Resolution of Intention; and (3) adopts the Final Rate and Method of Apportionment of the Special Tax (“Final RMA”).

Hearing Report

Pursuant to the San Diego Municipal Code, and through incorporation of certain provisions of the Mello-Roos Community Facilities Act of 1982, the Resolution of Intention directs the Chief Financial Officer to study the proposed District and cause to be prepared and filed with the City Council a Hearing Report. The Hearing Report is to specifically include a brief description of the facilities to be financed, the estimated costs of constructing and equipping the facilities, the estimated costs of bond issuance, the estimated on-going administrative costs of the District, a summary of the Final RMA, and certain other matters. (*Attachment 2*)

Final Rate and Method of Apportionment of Special Tax

In response to City Council discussion in conjunction with adoption of the Resolution of Intention action on December 6, 2011, the Final RMA modifies the version adopted with the Resolution of Intention on December 6, 2011 to reflect clarification of the 'Exemption' provisions (Section E of the Final RMA) to more specifically address the exemption of residential hotels / SRO-type properties from the Special Tax. As set forth in the Final RMA, hotel properties subject to the Special Tax also do not include university dormitory parcels and time-shares due to the unique use and/or ownership structure for these properties. Page A-1 of the Hearing Report also describes the exemptions. The Final RMA is adopted through passage of the Resolution of Formation (Exhibit D-1 to the Resolution of Formation). It includes the maximum annual Special Tax for the District and provides sufficient detail to allow each landowner within the District to estimate the maximum amount that would be levied on the landowner's property. (Exhibit D-1 to Resolution of Formation)

The Final RMA provides that hotel properties with 30 or more hotel rooms would be subject to the Special Tax. The taxing formula involves a three-zone structure: hotel properties in the downtown area, which are most closely associated with the Convention Center and generally receive most of the Convention Center hotel bookings, would pay a rate of 3% of room revenue (Zone 3); hotel properties outside of the downtown area and encompassing the Mission Bay, Mission Valley, Hotel Circle, and airport areas, including Harbor Island, which are secondarily closely identified with the Convention Center and hotel bookings, would pay a rate of 2% of room revenue (Zone 2); and all other hotel properties in the City, due to factors such as distance from, and access to, the Convention Center, location, size, and/or type of hotel, which make the hotels less closely identified with the Convention Center as compared to the Zone 3 and Zone 2 hotels, would pay a rate of 1% of room revenue (Zone 1).

Attachment 3 provides a more in-depth discussion of the Zones and Zone boundaries.

Resolution Deeming it Necessary to Incur Bonded Indebtedness – This Resolution essentially ratifies the Resolution Declaring the Need to Incur Bonded Indebtedness adopted on December 6, 2011, and (1) declares that the public convenience and necessity require that bonded indebtedness be incurred to finance the construction and equipping of the facilities, incidental expenses, and bond issuance related costs; and (2) provides for a not to exceed bond authorization of \$575,000,000.

Resolution Calling Special Mailed-Ballot Election – This Resolution calls for a special mailed-ballot election whereby the landowners (as defined in Section 61.2705 of the San Diego Municipal Code) within the District will consider the levy of the Special Tax and authorization to incur bonded indebtedness. The election date is set for April 23, 2012, which will be the deadline for returning ballots. The completed ballots need to be received by the City Clerk not later than 8:00 pm on April 23, 2012. A two-thirds approval threshold is required to authorize the Special Tax and incur bonded indebtedness for the District. As provided in Municipal Code Section 61.2710(c), the votes will be allocated to each landowner on the basis of one vote for each dollar of Special Tax that would have been due if the proposed Special Tax had been in place for the 12-month period (November 1, 2010 through October 31, 2011) ending three months prior to the month in which the resolution calling the election is adopted by City Council. Included in this action is City Council acceptance and approval of the Recommendation Re: Allocation of Votes, which recommends that all landowners within the District be allocated votes using the procedure specified in Municipal Code Section 61.2710(c) without adjustment, except in the cases where certain hotels provided information necessary to determine whether adjustments were warranted on the basis that the hotel was “not operated during the whole of that 12-month period, or was operated at less than normal capacity due to remodeling or construction or reconstruction or any other cause”, as provided in Municipal Code Section 61.2710(c).

Next Steps

If the above actions are approved, the additional legislative actions that would be required to form the District and levy Special Taxes are as follows:

Targeted Legislative Time-line for District Formation

- April 23, 2012 Election (mailed ballots)
- May 2012 Certify Election Results; Introduce Ordinance Authorizing the Levy of the Special Tax, if two-thirds approval by District voters
- May 2012 Second Reading of Ordinance Levying Special Tax
- June 2012 Effective Date of Ordinance Levying Special Tax

FISCAL CONSIDERATIONS

If the District is formed and special taxes are levied through the actions on January 24, 2012 and the subsequent election, it is anticipated that the District could contribute, in the form of District Special Taxes, an estimated \$35.7 million annually (projected for Fiscal Year 2017, applying City TOT growth rate assumptions for Fiscal Years 2013-2017) to the debt service for any bonds issued to finance construction of the Expansion Project and associated District costs. This estimated Special Tax revenue is based on the Taxable Property Zone classifications contained in the Final Rate and Method of Apportionment of Special Tax. The estimate is lower than the \$36.5 million estimate referenced in Report to City Council No. 11-155 issued in connection with the December 6, 2011 Resolution of Intention action due to the use of preliminary analyses of zone classifications and associated special tax rate assumptions available at that time.

ALTERNATIVES

Do not approve the requested actions.

PREVIOUS COUNCIL and/or COMMITTEE ACTION


On May 17, 2011, the City Council was presented with an informational report concerning the proposed Expansion Project. On August 2, 2011, the City Council adopted a Resolution authorizing the Assignment and Authorization Agreement related to the Proposed Phase III Expansion of the San Diego Convention Center, and adopted a Resolution authorizing the Law Firm of Orrick Herrington & Sutcliffe to Provide Formation Counsel Services regarding the Formation of a Convention Center Financing District. On October 25, 2011, the City Council approved an ordinance amending the Municipal Code to facilitate formation of a Convention Center Facilities District, and on December 6, 2011, the City Council adopted a Resolution of Intention to form Convention Center Facilities District No. 2012-1 and a Resolution Declaring the Need to Incur Bonded Indebtedness to provide funding for a contiguous expansion of the San Diego Convention Center.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS

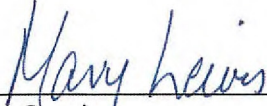
Outreach to hotel owners/operators is on-going. Significant community outreach has occurred through a series of meetings conducted with certain hotel property owners and operators over the previous few months. In addition, a Notice of Public Hearing has been mailed to each hotel property owner that would be subject to the special tax, and the Notice will be published in the San Diego Daily Transcript prior to the Public Hearing. The Notice provides a link to the City Clerk web-page for easier access to the documents associated with this action. The City has also established a web-link (sandiego.gov/ccfd) containing a repository of documents concerning the proposed District, including a Fact Sheet for Hotel Property Owners.

KEY STAKEHOLDERS AND PROJECTED IMPACTS

If the election results in 2/3 majority approval, landowners who own property upon which hotels are located within the City will be subject to the special tax. Business entities involved in the formation of the District include Orrick, Herrington & Sutcliffe LLP (Formation Counsel) and Willdan Financial Services (Special Tax Consultant).



Lakshmi Kommi
Debt Management Director



Mary Lewis
Chief Financial Officer

- Attachment 1: Update to Revenue Sources and Funding Plan
- Attachment 2: Hearing Report
- Attachment 3: Description of Zones and Zone Boundaries

Update on Revenue Sources and Funding Plan

On November 23, 2011, a memorandum titled “Overview of the Anticipated Financing Concept to Provide Funding for the San Diego Convention Center Phase III Expansion Project” was distributed to the City Council which conceptually discussed revenue sources and the financing timeline and approach being considered to provide the funding necessary for the proposed San Diego Convention Center Phase III Expansion Project (“Expansion Project”). As noted in the memorandum, the concepts discussed therein were preliminary and subject to change. As such, the following is intended to provide an update on the revenue sources and the funding plan available for the Expansion Project based on the information that is currently available.

Convention Center Facilities District Special Tax Revenues

If the Convention Center Facilities District (the “District” or “CCFD”) is formed and special taxes are levied through the actions on January 24, 2012 and the subsequent election, it is anticipated that the District could contribute, in the form of District special taxes, an estimated \$35.7 million annually (projected for Fiscal Year 2017, applying City TOT growth rate assumptions for Fiscal Years 2013-2017 and assuming 0% thereafter) to the debt service for any bonds issued to finance construction of the Expansion Project and associated District costs. This estimated special tax revenue is based on the Taxable Property Zone classifications contained in the Final Rate and Method of Apportionment of the Special Tax (“Final RMA”). The updated estimate is lower than the \$36.5 million estimate referenced in the memorandum issued in November due to the use of preliminary analyses of zone classifications and associated special tax rate assumptions available at that time. If there is growth in the special tax revenue, the revenue collected could be used to accelerate the debt service payments or reduce the special tax levy on an annual basis by the amount not necessary to meet the debt service and associated District costs.

San Diego Unified Port District Contribution

On November 29, 2011, the San Diego Unified Port District’s Board of Port Commissioners unanimously agreed to contribute \$3 million a year for a period of 20 years. The City is in the process of developing the specific terms and conditions of the Support Agreement with Port District staff. Once agreed upon, the Support Agreement is anticipated to be brought before the City Council for approval in May 2012, in connection with the formal approval of the project financing plan and the ordinance approving the levy of special tax.

Redevelopment Agency Funds

Pursuant to the California State Supreme Court’s decision to eliminate redevelopment agencies statewide, San Diego Redevelopment Agency funds are not expected to be available and as such are not being considered as a potential revenue source.

Incremental TOT

As previously discussed, the Expansion Project is projected to produce approximately \$12.7 million in annual incremental TOT¹. This incremental TOT is not expected to be generated unless the Convention Center is expanded, producing more room nights. Up to \$3.5 million annually is being proposed to be applied to the Expansion Project from this new revenue base over the life of the bonds issued for the Expansion Project. The Final RMA allows for, and the bond documents will contain, sufficient flexibility, to the extent there is growth in the special tax revenue, to retire bonds early with revenues in excess of debt service. Under those circumstances, the City's support can also be terminated concurrent with the early retirement of bonds. For illustrative purposes, if special taxes grow at a conservative growth rate of 2%² (0% is currently assumed after FY 2017), projections indicate that the final maturity for the bonds could be accelerated by five years (FY2039 vs. FY2044). Similarly, if special taxes grow at a growth rate of 3%², projections indicate that the final maturity for the bonds could be accelerated by seven years (FY2037 vs. FY2044).

Bonding Options

The financing framework, as it is currently contemplated, is outlined below. It should be noted that this structure is subject to revision and refinement as the financing plan is further developed and the financing team is formed. In the course of the next few months, the financing team will develop for City Council approval, a comprehensive financing plan that will include the final financing structure producing the most cost effective bond issue framework.

Project Funding Needs

The current project budget is \$520 million. It is estimated by the project manager, of this total approximately \$33-35 million will be required to fund design and other pre-construction costs through Fiscal Year 2013. It is recommended that a short-term financing be issued in early-2013 to fund this portion of the Expansion Project, prior to, and in anticipation of, the issuance of a long-term bond offering in early-2014. Through this approach, only funds sufficient to support initial project work will be financed and will take advantage of expected lower short term rates. This also eliminates the obligation to service the long-term bond costs (at assumed higher rates) during the design and initial construction phase. The execution of the interim funding would occur following the successful validation of the District.

¹ AECOM report titled "*Refined Analysis of Additional Business Capture Derived from a Potential Expansion of the San Diego Convention Center*" dated November 15, 2010. This report can be found at: <http://www.conventioncenterexpansion.com/Portals/0/Final%20AECOM%20Report%2011-15-2010.pdf>

² The historical TOT growth rate over the 10 year period between Fiscal Years 2001 and 2010 averaged 3% annually. CCFD special tax projection assumes 0% growth after Fiscal Year 2017.

Long-term Bonds

The project execution is expected to consist of 18 months of design and 24 months of construction, with the expanded center opening in early-2016. Concurrent with the project transitioning into active construction phase, long-term bonds are being proposed to be issued to take-out the interim borrowing from early-2013 and finance the remaining construction costs, approximately \$485 million, required for the Expansion Project. Based on preliminary cash flow projections incorporating all available revenue sources discussed above, the long-term bonds component is expected to consist of two categories of bond issuances:

- a. *Primary Bond Issuance:* The primary bond issuance, to be issued and backed by the District, is expected to be structured as revenue bonds supported by a pledge of the CCFD special tax revenues and Port District support payments. The City will be the conduit issuer acting under the authority conferred by the District. Since revenue bonds are supported by the special tax, they will need to be structured in a manner such that in addition to the required debt service amount there would need to be additional revenue capacity to maintain certain revenue coverage levels. The expected level of coverage for CCFD bonds is a market function, and will be based on the assessment of the credit characteristics of the revenue that supports the bonds. In order to receive investment grade ratings and to satisfy investor expectations, revenues funding this bond issue will need to cover debt service by a range of 120-200%. Stronger coverage levels will produce higher credit ratings and lower interest costs. Conversely, weaker coverage levels will produce lower credit ratings and higher interest costs. The total amount of bond proceeds that can be generated from the primary bond option will be subject to the variables discussed above. The complete financing plan, further documenting the maximum bonding capacity of this bond option will be developed in the coming months. Optimizing the special tax revenue stream to generate maximum bonding capacity through this bond issue and thus maximum proceeds to the project will be an important financing objective. For illustrative purposes, based on certain assumptions made, this CCFD revenue bond can provide approximately \$322 million in proceeds for the \$520 million Expansion Project.
- b. *Supplemental Bond Issuance:* To provide for the remaining funding necessary to meet the \$520 million project budget, the excess revenues above the actual debt service for the primary CCFD revenue bond issuance (for example, assuming 150% coverage requirement, the 50% coverage in excess of debt service), are proposed to be leveraged to issue a secondary, or supplemental bond issuance. This financing can be executed utilizing a lease revenue bond structure through a JPA (Joint Powers Authority) making use of the original Convention Center property as the subject of the lease. Excess coverage revenue above that required for the CCFD bond issue, combined with City incremental TOT of up to \$3.5 million, would support this supplementary bond issuance. No City assets are expected to be required to support the lease revenue bond. Distinct from the CCFD revenue bond which is not a debt

obligation of the City, this supplemental bond issuance would need to be backed by the City's General Fund credit with the revenue allocated to cover debt service limited to \$3.5 million annually from incremental TOT.

In order to cushion against any downturn in District special tax revenues that the lease revenue bond would need to rely on, a Revenue Stabilization Reserve ("RSR") should be established internally by the City as additional security for the supplementary lease revenue bond issue. This RSR is anticipated to be funded primarily from District special tax revenues collected in Fiscal Year 2013 prior to the long term bond issuances. The initial funding level of this reserve is estimated to be approximately \$28 million.

Based on the scenario discussed above, the **preliminary** sizing projections relying on current market conditions for the delivery of \$520 million to fund the Expansion Project are as follows:

	Primary Issue	Supplementary Issue	Total
Issue Size (30 year bonds)	\$337.6 mil.	\$211.7 mil.	\$549.3 mil.
Annual Debt Service	---	---	Ranges between \$33-42 mil.
Total Gross Debt Service	\$748.9 mil.	\$467.7 mil.	\$1.22 bil.
Project Proceeds	\$321.8 mil.	\$198.2 mil.	\$520.0 mil.

Annual debt service is estimated to range between \$33 million and \$42 million over the life of the bonds in order to optimize annual project revenue capacity. Also see page 2 on early debt retirement opportunities.

The concepts discussed herein are preliminary and subject to change. It is also expected that further refinements will occur as unique bonding opportunities delivering lower costs to fund the project become available and are considered feasible. All available opportunities will continue to be analyzed and reported to the City Council.

CITY OF SAN DIEGO

SAN DIEGO CONVENTION CENTER EXPANSION PROJECT

CONVENTION CENTER FACILITIES DISTRICT 2012-1 REPORT

JANUARY 24, 2012



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Introduction

The City of San Diego (the "City") is a municipal corporation and charter city duly organized and existing under a charter pursuant to which the City has the right and power to make and enforce all laws and regulations in respect to municipal affairs and certain other matters in accordance with and as more particularly provided in Sections 3, 5 and 7 of Article XI of the Constitution of the State of California and the Charter of the City.

More specifically, Division 27 of Article 1 of Chapter 6 of the San Diego Municipal Code (the "Division") provides that the City is authorized to form a Convention Center Facilities District to finance any building, improvement to real property, equipment or personal property (in each case having an expected useful life of five years or longer) that is publicly-owned and a part of or an improvement to or an expansion of the existing San Diego Convention Center at 111 West Harbor Drive and any contiguous expansion, construction, reconstruction, rehabilitation, replacement or upgrade thereto and related expenditures under the provisions of the Division. The City Council of the City of San Diego, in the County of San Diego and State of California, did, pursuant to the terms and provisions of the Division, expressly order the filing of a written Convention Center Facilities District Report ("Report") and directed the Chief Financial Officer to prepare the Report related to the proposed Convention Center Facilities District, which shall be referred to as Convention Center Facilities District No. 2012-1 of the City of San Diego, (hereinafter referred to as "CCFD No. 2012-1"). Willdan Financial, acting as Special Tax Consultant to the City, has prepared and submitted the Report to the City Council on behalf of the Chief Financial Officer which generally contains the following:

- ◆ A brief description of the Facilities that are authorized to be funded through CCFD No. 2012-1;
- ◆ An estimate of the cost of financing such Facilities, including incidental expenses, determination of the amount of any Special Tax, collection of any Special Tax, and all other related costs as provided for in the Division; and
- ◆ The Final Rate and Method of Apportionment of the Special Tax ("RMA") in sufficient detail to allow each affected property owner within CCFD No. 2012-1 to calculate the Maximum Special Tax that may be levied against their property.

For particulars, reference is made to the Resolution of Intention, Resolution No. 307193, as approved by the City Council on December 6, 2011. All capitalized terms not defined herein are defined within the RMA and the Resolution of Intention.

BOUNDARIES OF CCFD No. 2012-1

The boundaries of CCFD No. 2012-1 include all parcels within the City; however, only properties classified as Hotel Property within the City pursuant to the definition described in the RMA are subject to the tax. As set forth in the RMA, hotel properties subject to the special tax do not include hotels with less than 30 units, traditional time-shares, university dormitory parcels and hotels used primarily for residential purposes due to the unique use and/or ownership structure for these properties. The Boundaries are illustrated in the proposed boundary map attached to this report as Exhibit A.

DESCRIPTION OF FACILITIES

CCFD No. 2012-1 is being formed to finance facilities authorized by the Division and may finance any building, improvement to real property, equipment or personal property (in each case having an expected useful life of five years or longer) that is publicly-owned and a part of or an improvement to or an expansion of the existing San Diego Convention Center at 111 West Harbor Drive and any contiguous expansion, construction, reconstruction, rehabilitation, replacement or upgrade thereto and related expenditures.

Convention Center Expansion Project

The proposed Expansion Project is expected to expand the gross floor area of the Convention Center by approximately 928,000 square feet – from 1,764,000 square feet to approximately 2,692,000 square feet. This includes an increase in contiguous exhibit hall space of up to approximately 225,000 square feet, and an increase in meeting room space of approximately 101,500 square feet. The Expansion Project will also add approximately 80,000 square foot ballroom, and approximately 5 acres of green roof and waterfront park improvements adjacent to the South Embarcadero. The construction period for the Expansion Project is anticipated to be between early-2013 and early-2016.

FINAL RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Resolution of Formation sets forth the Final Rate and Method of Apportionment of Special Tax ("RMA") for CCFD No. 2012-1, which allows each affected property owner within CCFD No. 2012-1 to calculate the maximum annual amount that would be required for payment if a Special Tax were levied. **The information detailed in this section is a general summary of the RMA for CCFD No. 2012-1, and is not intended to be, nor to be interpreted as, complete or authoritative versions of the RMA.** The RMA is set forth in Resolution of Formation, and incorporated herein by this reference. Capitalized terms in this section of the Report are used as defined in the RMA.

A. CLASSIFICATIONS OF ASSESSOR'S PARCELS

Each Fiscal Year using the definitions above, all Taxable Property within CCFD No. 2012-1 shall be classified as either Hotel Property or Exempt Property and all Hotel Property shall be classified within Zone 1, Zone 2, or Zone 3. Commencing with Fiscal Year 2012-2013 and for each subsequent Fiscal Year, all Hotel Property shall be subject to Special Taxes pursuant to Sections C and D of the RMA.

B. SPECIAL TAX

Zone 1

Commencing in Fiscal Year 2012-2013, each Assessor's Parcel classified as Hotel Property within Zone 1 of CCFD No. 2012-1 shall be subject to a Special Tax. The Special Tax for each Assessor's Parcel classified as Hotel Property within Zone 1 shall not exceed one percent **(1%)** of all Rent charged.

Zone 2

Commencing in Fiscal Year 2012-2013, each Assessor's Parcel classified as Hotel Property within Zone 2 of CCFD No. 2012-1 shall be subject to a Special Tax. The Special Tax for each Assessor's Parcel classified as Hotel Property within Zone 2 shall not exceed two percent **(2%)** of all Rent charged.

Zone 3

Commencing in Fiscal Year 2012-2013, each Assessor's Parcel classified as Hotel Property within Zone 3 of CCFD No. 2012-1 shall be subject to a Special Tax. The Special Tax for each Assessor's Parcel classified as Hotel Property within Zone 3 shall not exceed three percent **(3%)** of all Rent charged.

In the event the City Council levies the Special Tax at less than the maximum rate, the amount levied in each Zone shall be the same percentage of the maximum rate for such Zone.

C. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2012-2013, the City Council may levy Special Taxes on each Assessor's Parcel classified as Hotel Property up to the rates specified in Section B herein. Special Taxes associated with Rent that is charged for Occupancy by Transients shall be considered levied at the same time the Transient ceases Occupancy of the Transient Unit(s). The Special Taxes are payable as described in Section E below.

D. EXEMPTIONS

No Special Tax shall be levied on any Assessor's Parcel used primarily for residential purposes or Assessor's Parcel not classified as Hotel Property.

E. MANNER OF COLLECTION

The Special Tax shall be collected monthly by the City in accordance with **§61.2713** of the Division.

F. FAILURE TO SUBMIT SPECIAL TAX

If any Landowner, or Operator on behalf of Landowner, fails or refuses to pay the Special Tax levied, the City Treasurer shall proceed in such manner as deemed best to obtain facts and information on which to base her estimate of the Special Tax. As soon as the City Treasurer shall acquire such facts and information upon which to base the Special Tax for such Hotel Property, the City Treasurer shall proceed to determine the amount of such Special Tax due plus any penalties and interest, as described below. In the case that such determination is made, the City Treasurer shall give a Determination of Special Tax Due by serving it personally or by depositing it in the United States mail, postage prepaid, addressed to the Landowner and to the Operator (if different from the Landowner) at their last known addresses. Such Landowner or Operator may file an appeal as provided in Section H herein.

The Special Tax on any Hotel Property which is not paid within the time required shall be subject to the same penalties applicable to the Transient Occupancy Tax (TOT) as defined in Chapter 3, Article 5 of the San Diego Municipal Code. For any Special Taxes and penalties that remain outstanding as of July 1 of each Fiscal Year, the City Treasurer may direct the CCFD Administrator to submit any of the delinquent Special Taxes and penalties to the County for inclusion on the property tax bill for such Assessor's Parcel(s) in accordance with **§61.2714** of the Division.

G. SPECIAL TAX AUDIT

It shall be the duty of the Landowner, or Operator on behalf of the Landowner, for each Assessor's Parcel classified as Hotel Property that is subject to the Special Tax to keep and preserve, for a period of three years, all records as may be deemed necessary by the City Treasurer (and that will, at a minimum, include a record of all Rents collected) to determine the Special Taxes levied upon such Hotel Property by the City Council. The City Treasurer shall have the right to inspect such records at all reasonable times.

H. APPEALS

A Landowner or Operator may, within twenty-one (21) calendar days after the serving or mailing of a Determination of Special Tax Due as described herein, make a written request to the City Treasurer for an administrative hearing on the amount levied. The administrative hearing procedure used to determine the amount of TOT due, as defined in Chapter 3, Article 5 of the San Diego Municipal Code, shall apply here.

I. TERM OF SPECIAL TAX

The authority of the City Council to levy the Special Tax on all Assessor's Parcels classified as Hotel Property within CCFD No. 2012-1 in accordance with Section C herein shall extend only through the final maturity date of the Debt. However, any delinquent Special Taxes that remain after the final maturity date of the Debt may continue to be collected in accordance with Sections E and F herein.

Exhibit A – Description of Boundaries

Boundaries of CCFD No. 2012-1

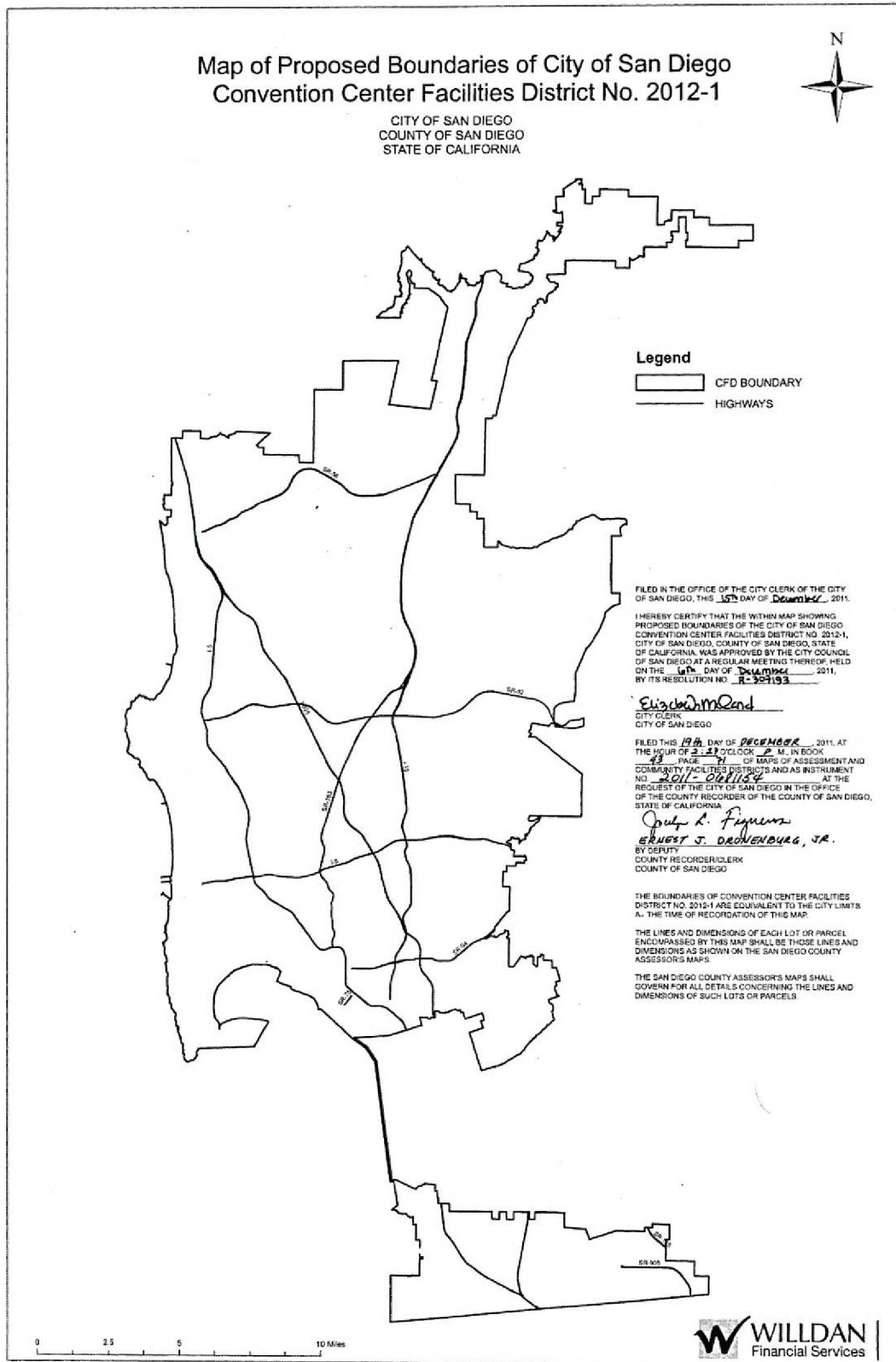
The boundaries of CCFD No. 2012-1 include all parcels within the City; however, only properties classified as Hotel Property within the City pursuant to the definition described in the Final Rate and Method of Apportionment of Special Tax ("RMA") are subject to the tax. The Boundaries are illustrated in the proposed boundary map on the next page.

Zones

The RMA established a taxing formula that incorporates three distinct tax zones. Although CCFD No 2012-1 is a City-Wide special tax levied against hotel properties with 30 or more hotel rooms, a fixed special tax rate applied to all hotels within the City would not provide a fair and reasonable differentiation between hotel properties that have a more direct, as opposed to indirect, connection to Convention Center activities. In addition to the increased transient occupancy and reduced room availability for hotel properties that results directly from increased attendance for Convention Center attendees, there is also a reduction in room availability for Convention Center event attendees and overall City tourism as hotel occupancy reaches capacity in Zones 2 and 3, causing an increase in hotel occupancy in Zone 1 as an indirect result from Convention Center activities.

As such, hotel properties in the downtown area, which are most closely associated with the Convention Center, and which generally receive most of the direct Convention Center hotel bookings, would pay a rate of 3% of room revenue (Zone 3). Hotel properties outside of the downtown area, encompassing the Mission Bay, Mission Valley, and Airport Area, including Harbor Island, which are secondarily associated with Convention Center activities and typically receive some direct hotel bookings from attendees as well as indirect overflow from City tourism due to reduced room availability caused by Convention Center activities, would pay a rate of 2% of room revenue (Zone 2). All other hotel properties in the City, because of factors such as distance from and access to the Convention Center, location, size, and/or type of hotel, are designated as Zone 1. These properties, which have the least direct association with the Convention Center as compared to Zone 2 and Zone 3 hotels, but which still receive potential indirect overflow from attendees and/or City tourism due to reduced room availability caused by Convention Center activities, would pay a rate of 1% of room revenue (Zone 1).

In addition, Zone 3 and Zone 2 include areas that may have hotel development in the future, although presently there is no known hotel development occurring in those areas. As set forth in the RMA, hotel properties subject to the special tax do not include hotels with less than 30 units, traditional time-shares, university dormitory parcels and hotels used primarily for residential purposes due to the unique use and/or ownership structure for these properties.





Map of Proposed Boundaries of City of San Diego Convention Center Facilities District No. 2012-1

CITY OF SAN DIEGO
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA



Legend

-  CFD BOUNDARY
-  HIGHWAYS

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF SAN DIEGO, THIS 15th DAY OF DECEMBER, 2011.

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF THE CITY OF SAN DIEGO CONVENTION CENTER FACILITIES DISTRICT NO. 2012-1, CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF SAN DIEGO AT A REGULAR MEETING THEREOF HELD ON THE 14th DAY OF DECEMBER, 2011, BY ITS RESOLUTION NO. R-324193.

Elizabeth M. Rend
CITY CLERK
CITY OF SAN DIEGO

FILED THIS 15th DAY OF DECEMBER, 2011, AT THE HOUR OF 2:40 O'CLOCK P. M. IN BOOK 43 PAGE 71 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AND AS INSTRUMENT NO. 2011-0681154 AT THE REQUEST OF THE CITY OF SAN DIEGO IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA.

Ernest J. Drownburg, Jr.
ERNEST J. DROWNBURG, JR.
BY DEPUTY
COUNTY RECORDER/CLERK
COUNTY OF SAN DIEGO

THE BOUNDARIES OF CONVENTION CENTER FACILITIES DISTRICT NO. 2012-1 ARE EQUIVALENT TO THE CITY LIMITS A. THE TIME OF RECORDATION OF THIS MAP.

THE LINES AND DIMENSIONS OF EACH LOT OR PARCEL ENCOMPASSED BY THIS MAP SHALL BE THOSE LINES AND DIMENSIONS AS SHOWN ON THE SAN DIEGO COUNTY ASSESSOR'S MAPS.

THE SAN DIEGO COUNTY ASSESSOR'S MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF SUCH LOTS OR PARCELS.

0 2.5 5 10 Miles

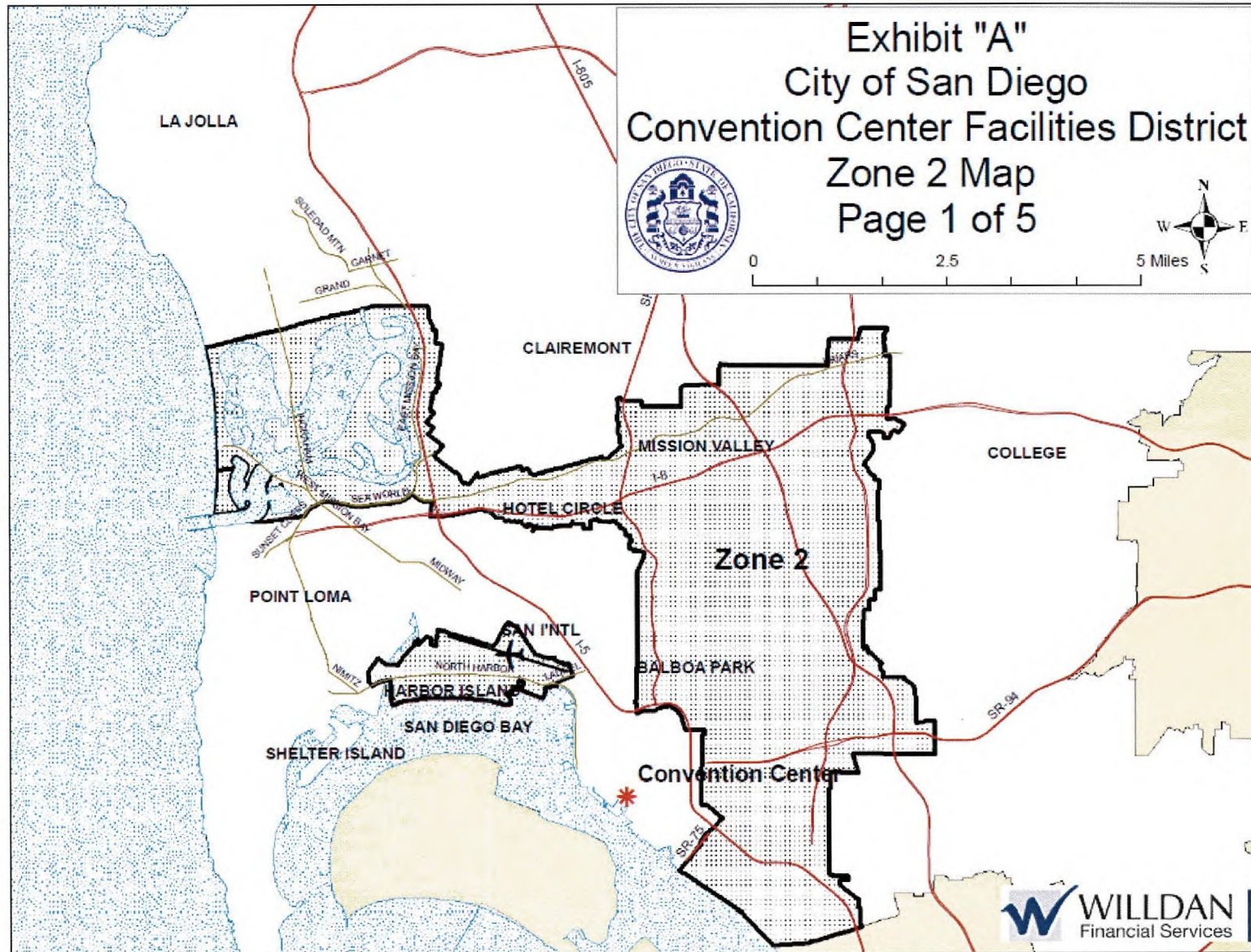


2011-0681154

BK 43 PG 71

BK 43 PG 71

2011-0681154



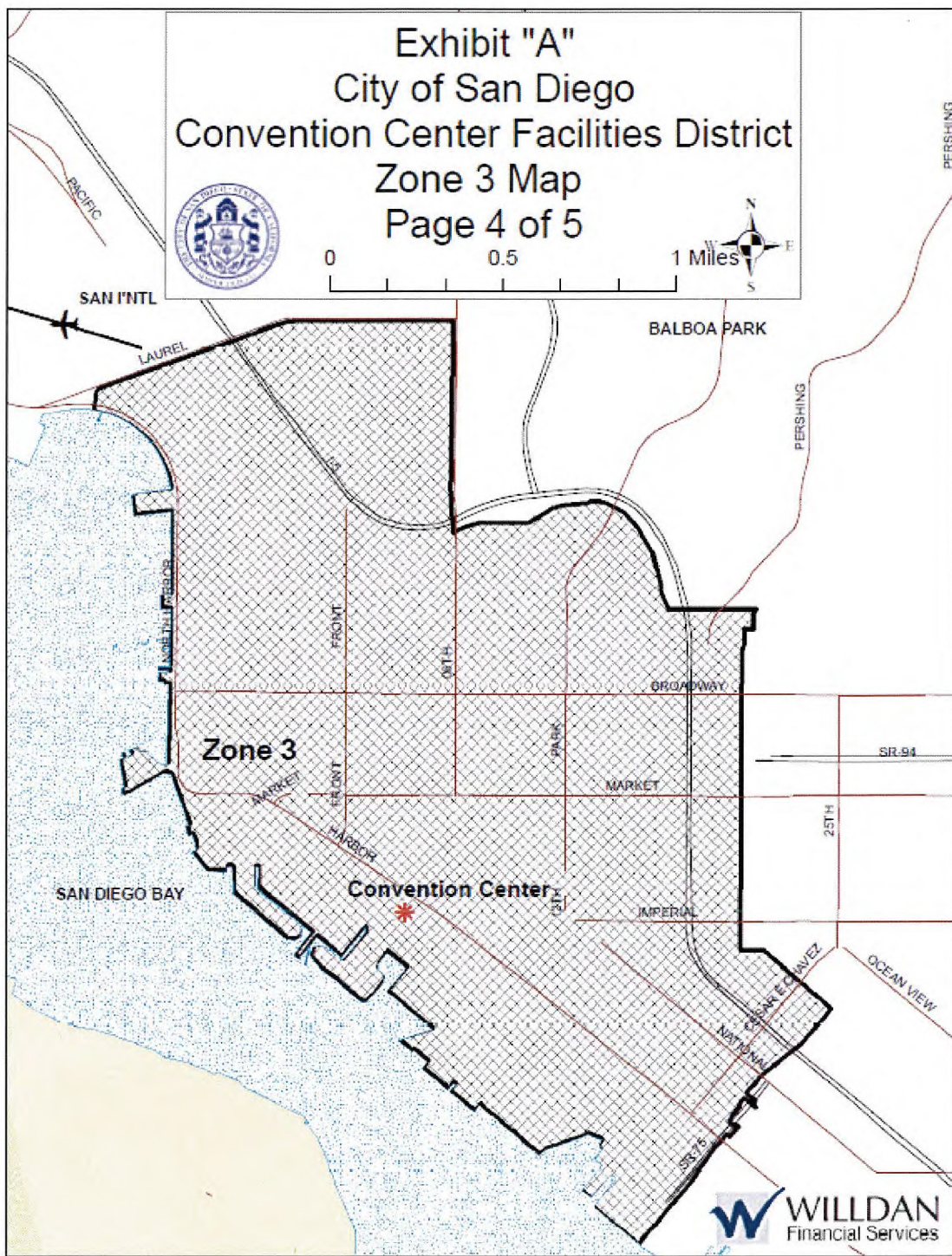
All Assessor's Parcels within the following Assessor Books are within Zone 2:																						
Books:	435	438	439	445	446	447	453	539	540	545												
All Assessor's Parcels within the following Assessor Books and Pages are within Zone 2:																						
Books:	Pages:																					
423	311	313	314	315	316	317	330	350	360	381	382	383	401	402	403	410	421	422	423	424	441	
	442	443	444	484	485	486	487	482	483	485	491	492	493	501	502	511	512	521	522	523	531	
	532	533	540	551	552	553	554	555	556	557	558	559	571	572	573	574	575	576	577	578	579	
	581	582	583	584	585	586	591	592	593	594	595	598	601	602	603	604	605	606	607	608	611	
	612	613	614	615	616	617	618	621	622	623	624	625	626	627	628	630	641	642	643	644	645	
	646	647	651	652	653	654	655	656	657	661	662	663	664	671	672	673	674	675	676	680	691	
	692	693	694	695	696	701	702	703	704	705	708	711	712	713	714	715	716	717	718	721	722	
	723	724	725	726	731	732	733	734	735	741	742	743	744	745	746	747	748	749	750	761	762	
	763	764	765	766	767	830																
424	360	401	402	403	411	412	421	422	431	432	433	471	481	482	491	492	502	503	504	505	510	
	531	532	541	542	551	552	553	554														
425	380	390	500	511	571	572	581	582	591	592												
430	080	091	092	101	104	171	172	181	184	331	332	333	481	482	483	660	670	690	711	712	731	
	732	640																				
432	254																					
433	100	101	230	240	250	251	270	280	290	300	301											
434	031	032	040	041	200																	
436	020	180	260	350	422	440	451	452	453	470	480	490	500	520	530	540	551	552	553	560	571	
	572	581	582	591	592	593	594	601	602	603	604	610	611	650	660	670	680	690	700	710	720	
	730	740																				
437	203	204	212	213	230	240	260	291	350	360												
440	041	070	081	082	090	101	102	110	120	131	132	150	161	162	163	201	221	222	231	232	241	
	242	250	260	270	290	290	300	310	320	330	341	372	391	392	401	402	411	412	413	421	422	
	430	441	442	443	450	460	481	482	491	492	500	511	520	541	542	551	561	562	570	581	582	
	591	592	600	610	620	630	640	653	661	662	670	690	700									
443	040																					
444	120	131	133	134	136	160	171	172	173	174	180	190	200	210	220	230	241	242	250	330	341	
	342	343	351	352	353	360	371	372	373	373	560	590	682	683	690							
450	830																					
452	093	103	131	132	133	151	152	153	154	155	156	161	162	163	191	192	193	200	201	213	214	
	291	292	310	331	351	362	363	430	450	481	482	483	484									
454	081	082	161	162	231	232	300	311	401	402	411	481	482	483	591	592	600	611	612	620	641	
	642	651	652	661	662	680	690	712	713	722	723	732	733	742	743	752	753	762	763	772	773	
461	350																					
534	131	132	133	134	141	142	143	151	152	161	162	171	172	261	262	263	264	265	266	271	272	
	280	290	301	302	311	312	381	382	383	384	385	386	391	392	401	402	403	404	411	412	421	
	422	430	450																			
535	212	213	220	230	241	242	251	260	271	272	281	282	283	290	310	321	322	323	324	422	423	
	432	433	442	450	461	462	471	472	481	482	491	492	501	502	510	520	531	532	541	542	543	
	544	651	652	660	670	681	682	683	691	692	693	694	695	696								
536	120	130	140	150	160	170	180	190	200	220	230	240	250	260	270	280	290	300	310	320	330	
	550	560	580	590	600	610	620	630	640	651	652	680	690	700	710	730	741	742	751	752	760	
	770	790	800	811	812	821	822	830														
541	010	041	042	043	050	060	130	140	160	171	172	173	180	241	247	251	260	370	391	392	393	
	394	401	402	422	423	424	430	441	442	451	452	561	562	570	622	623	624	625	626	641	650	
546	030	040	111	112	121	122	125	126	131	132	135	136	161	162	163	171	172	173	174	175	250	
	260	340	440																			
550	011	012	021	022	031	032	041	042	051	053	061	062	063	064	071	072	120	130	140	150	161	
	162	170	181	182	191	231	232	241	242	250	260	270	280	290	330	350	360	490	491	492	500	
	510	520	570	580	600	601	610	620	630	640	660	670	680	690	720	730	740	760	770			
551	504																					
677	220	370	390	400																		
760	010	022	023	024	029	030	031	032	035	036	039	290	300	320	350	360	370	380	050	060	090	
	100	210	220	230	240	390	600	610	620													

All Assessor's Parcels within the above Assessor's Books and Assessor's Books and Pages are in Zone 2 of CCFD No. 2012-1. However, only parcels classified as Hotel Property, as defined in the Final Rate and Method of Apportionment of Special Tax are subject to the tax.

All Assessor's Parcels listed below are within Zone 2:

424-460-05	432-283-27	437-020-10	444-020-18	444-720-36	534-120-07	541-611-29	677-360-01
424-460-06	432-283-28	437-220-06	444-020-22	444-720-37	534-120-10	541-611-30	677-360-07
425-512-17	432-283-29	437-220-07	444-020-23	444-720-38	534-120-14	541-611-37	677-360-09
425-512-58	432-283-30	437-220-08	444-020-29	444-720-42	534-120-15	541-611-38	677-360-11
425-512-59	432-283-31	437-220-12	444-020-32	444-720-43	534-120-16	541-611-39	677-360-13
425-512-60	432-283-32	437-250-03	444-060-05	444-720-45	534-120-17	550-780-01	677-360-16
425-512-61	432-283-33	437-250-12	444-060-10	450-790-02	534-120-18	550-780-02	677-360-18
425-781-03	432-291-24	437-250-21	444-060-11	450-790-03	534-120-19	550-780-03	760-102-12
425-781-04	432-291-25	437-250-22	444-060-14	450-790-07	534-120-21	550-780-04	760-212-02
425-781-05	432-291-26	437-250-23	444-060-17	450-790-08	534-120-23	550-780-05	760-212-03
425-781-06	432-291-27	437-250-24	444-060-18	450-790-09	534-120-24	550-780-06	760-212-04
425-781-07	432-291-28	437-250-27	444-060-19	450-790-12	534-120-26	550-780-07	760-212-05
425-781-24	432-291-29	437-250-28	444-110-05	450-790-13	534-120-27	550-780-08	760-212-06
430-030-26	432-291-30	437-250-29	444-110-10	450-790-15	535-640-11	550-780-09	760-212-07
430-030-29	432-291-31	437-612-18	444-110-17	450-790-20	535-640-16	550-780-10	760-212-08
430-030-55	432-291-32	437-612-19	444-110-18	450-790-22	538-660-43	550-780-11	760-212-09
430-030-56	432-291-33	440-011-01	444-110-19	450-790-29	538-660-44	550-780-12	760-212-10
430-680-01	432-291-34	440-011-02	444-110-21	450-790-30	538-660-47	550-780-13	760-212-11
430-680-02	432-540-40	440-011-05	444-110-22	450-790-31	538-670-07	550-780-14	760-212-13
430-680-03	434-020-13	440-011-06	444-110-23	450-790-32	538-670-12	550-780-15	760-212-14
430-680-04	434-020-29	440-011-07	444-710-13	450-790-33	538-670-23	550-780-16	760-212-15
430-680-09	434-020-30	440-011-08	444-710-14	450-812-85	538-670-30	550-780-17	760-212-16
430-680-11	434-020-31	440-011-09	444-710-15	476-460-20	538-670-32	550-780-18	760-212-19
432-253-14	434-020-37	440-011-16	444-710-16	476-460-21	538-670-34	550-780-19	760-212-21
432-253-15	434-020-38	440-170-09	444-710-17	476-460-22	538-672-04	550-780-20	760-212-23
432-253-16	434-020-39	440-170-10	444-710-18	476-460-24	541-611-01	550-780-21	760-212-26
432-253-17	434-020-51	440-170-11	444-710-19	476-460-27	541-611-02	550-780-22	760-212-27
432-253-18	436-030-19	440-170-12	444-710-20	476-460-28	541-611-03	550-780-23	760-212-30
432-253-19	436-030-24	440-170-13	444-710-21	476-460-29	541-611-08	550-780-24	760-212-31
432-253-20	436-040-09	440-170-14	444-710-22	476-460-30	541-611-09	550-780-25	760-212-32
432-253-21	436-040-12	440-170-17	444-710-23	476-460-31	541-611-10	550-780-26	760-212-33
432-253-22	436-310-54	440-170-18	444-720-10	476-460-32	541-611-11	550-780-27	760-212-34
432-253-23	436-423-02	440-170-19	444-720-11	476-460-33	541-611-12	550-780-28	760-212-35
432-283-20	436-423-03	442-720-05	444-720-28	476-460-34	541-611-13	550-780-29	760-212-36
432-283-21	436-423-04	442-720-09	444-720-29	476-460-35	541-611-14	550-780-39	760-212-40
432-283-22	436-423-05	443-051-04	444-720-30	476-460-36	541-611-15	550-780-40	760-212-41
432-283-23	436-460-04	443-051-41	444-720-31	476-460-37	541-611-16	551-530-01	
432-283-24	436-460-08	443-051-42	444-720-32	476-460-38	541-611-18	551-530-02	
432-283-25	436-460-12	444-020-12	444-720-34	476-460-39	541-611-25	551-530-03	
432-283-26	436-460-13	444-020-17	444-720-35	476-460-40	541-611-26	551-530-04	

All Assessor's Parcels identified above are in Zone 2 of CCFD No. 2012-1. However, only parcels classified as Hotel Property, as defined in the Final Rate and Method of Apportionment of Special Tax are subject to the tax.



Zone 3

All Assessor's Parcels within the following Assessor Books and Pages are within Zone 3:

533-021	533-133	533-204	533-301	533-373	533-444	533-568	534-054	534-251	535-043	535-106	535-163	535-392	535-622	760-016
533-022	533-151	533-205	533-302	533-374	533-451	533-569	534-055	534-252	535-052	535-111	535-164	535-393	535-623	760-017
533-031	533-152	533-206	533-303	533-381	533-452	533-573	534-061	534-254	535-053	535-112	535-165	535-394	535-624	760-018
533-032	533-153	533-211	533-311	533-382	533-453	533-574	534-063	534-321	535-054	535-113	535-166	535-395	535-625	760-020
533-033	533-154	533-212	533-312	533-383	533-454	533-575	534-064	534-322	535-055	535-114	535-171	535-396	535-630	760-021
533-034	533-155	533-213	533-313	533-384	533-471	533-576	534-065	534-323	535-056	535-115	535-172	535-401	535-700	
533-061	533-156	533-214	533-321	533-391	533-472	533-581	534-066	534-324	535-061	535-116	535-173	535-402	538-010	
533-062	533-161	533-221	533-322	533-392	533-474	533-582	534-071	534-325	535-064	535-121	535-180	535-403	538-030	
533-063	533-162	533-222	533-324	533-393	533-481	533-583	534-073	534-326	535-065	535-122	535-190	535-404	538-040	
533-064	533-163	533-224	533-325	533-394	533-482	533-590	534-074	534-331	535-066	535-123	535-200	535-405	538-050	
533-065	533-164	533-231	533-326	533-395	533-483	533-610	534-094	534-332	535-071	535-124	535-211	535-406	538-060	
533-066	533-171	533-232	533-327	533-401	533-484	533-630	534-096	534-333	535-072	535-125	535-214	535-412	538-080	
533-074	533-172	533-233	533-331	533-402	533-485	534-011	534-181	534-334	535-073	535-126	535-341	535-413	538-090	
533-075	533-173	533-241	533-332	533-403	533-486	534-012	534-182	534-335	535-074	535-131	535-342	535-414	538-100	
533-083	533-174	533-242	533-333	533-404	533-514	534-013	534-183	534-336	535-075	535-132	535-343	535-416	538-110	
533-084	533-175	533-243	533-334	533-411	533-515	534-014	534-184	534-341	535-076	535-133	535-344	535-421	538-210	
533-093	533-176	533-244	533-341	533-412	533-516	534-021	534-185	534-342	535-081	535-134	535-345	535-424	538-220	
533-094	533-181	533-251	533-342	533-413	533-517	534-022	534-186	534-344	535-082	535-135	535-346	535-431	538-230	
533-104	533-182	533-252	533-343	533-414	533-521	534-023	534-191	534-345	535-083	535-136	535-347	535-434	538-240	
533-105	533-183	533-253	533-344	533-421	533-522	534-024	534-192	534-346	535-084	535-141	535-351	535-550	538-250	
533-106	533-184	533-271	533-351	533-422	533-523	534-031	534-193	534-351	535-085	535-142	535-352	535-563	538-260	
533-111	533-185	533-272	533-352	533-423	533-524	534-032	534-194	534-352	535-086	535-143	535-356	535-570	538-270	
533-112	533-186	533-281	533-353	533-424	533-525	534-033	534-195	534-353	535-092	535-144	535-362	535-601	538-290	
533-113	533-191	533-282	533-354	533-425	533-526	534-034	534-196	534-354	535-093	535-145	535-371	535-602	538-440	
533-114	533-192	533-283	533-361	533-426	533-531	534-041	534-203	534-360	535-094	535-146	535-372	535-603	538-470	
533-121	533-193	533-284	533-362	533-433	533-532	534-042	534-205	534-371	535-095	535-151	535-373	535-612	538-480	
533-122	533-194	533-291	533-363	533-434	533-534	534-043	534-206	534-372	535-096	535-152	535-374	535-613	538-840	
533-123	533-195	533-292	533-364	533-435	533-538	534-044	534-210	534-373	535-101	535-153	535-375	535-614	760-007	
533-124	533-196	533-293	533-365	533-436	533-544	534-045	534-222	534-374	535-102	535-154	535-376	535-615	760-011	
533-125	533-201	533-294	533-366	533-441	533-561	534-051	534-223	534-440	535-103	535-155	535-383	535-616	760-012	
533-131	533-202	533-295	533-371	533-442	533-566	534-052	534-224	535-041	535-104	535-156	535-384	535-617	760-013	
533-132	533-203	533-296	533-372	533-443	533-567	534-053	534-225	535-042	535-105	535-162	535-386	535-621	760-015	

All Assessor's Parcels listed below are within Zone 3:

533-223-03	533-223-13	534-253-03	534-253-08	534-253-13	535-640-05	535-640-10	538-511-01	538-511-06	538-660-22	538-670-27	538-670-36	760-001-05	760-171-06
533-223-06	533-223-14	534-253-04	534-253-09	535-640-01	535-640-06	535-640-13	538-511-02	538-511-07	538-660-41	538-670-28	538-672-05	760-001-10	
533-223-07	534-120-28	534-253-05	534-253-10	535-640-02	535-640-07	535-640-14	538-511-03	538-511-08	538-660-42	538-670-31	760-001-02	760-001-15	
533-223-08	534-253-01	534-253-06	534-253-11	535-640-03	535-640-08	535-640-15	538-511-04	538-511-09	538-660-45	538-670-33	760-001-03	760-001-16	
533-223-12	534-253-02	534-253-07	534-253-12	535-640-04	535-640-09	535-640-17	538-511-05	538-660-06	538-660-46	538-670-35	760-001-04	760-171-05	

All Assessor's Parcels within the above Assessor's Books and Pages and individual Assessor's Parcels listed above are in Zone 3 of CCFD No. 2012-1. However, only parcels classified as Hotel Property, as defined in the Final Rate and Method of Apportionment of Special Tax are subject to the tax.

Exhibit B – Cost Estimates

Facilities

The amount of the proposed bonded indebtedness to be incurred to finance the construction and equipping of the Facilities, which is supported by the special taxes combined with other revenues, shall not exceed \$575,000,000, which amount includes all costs and estimated costs incidental to, or connected with, the accomplishment of the purpose for which the bonded indebtedness is proposed to be incurred. Authorized expenses include, but are not limited to, the estimated costs of acquisition of interests in real property; capacity or connection fees; satisfaction of contractual obligations relating to expenses or the advancement of funds for expenses existing at the time the bonds are issued pursuant to the Division; architectural, engineering, inspection, legal, fiscal, and financial consultant fees; bond and other reserve funds; underwriter's discount; interest on any bonds authorized by the Convention Center Facilities District estimated to be due and payable within two years of issuance of the bonds; election costs; and all costs of issuance of the bonds, including but not limited to fees for bond counsel, costs of obtaining credit ratings, bond insurance premiums, fees for letters of credit and other credit-enhancement costs, and printing costs.

Convention Center Expansion Project

City of San Diego
CCFD No. 2012-1
Cost Estimate

Construction Costs (includes escalation contingencies)	\$459,000,000
Soft Costs	
Preliminary Design and Consulting Costs	3,000,000
Pre-Construction Costs (engineering, architect, permitting & inspection fees, etc.)	42,100,000
Equipment and Furnishing	15,900,000
SubTotal	61,000,000
Total Construction	<u>\$520,000,000</u>
Trustee Held Reserve Funds and Costs of Issuance of the Bond ⁽¹⁾	53,200,000
On-Going Annual Administration Costs of CCFD No. 2012-1 ⁽²⁾	<u>290,000</u>
Total	\$573,490,000

Notes:

(1) The trustee held reserve funds and costs of issuance associated with the bonds are currently estimated to total approximately \$48.4 million and \$4.8 million, respectively, for a total of \$53.2 million based on a not to exceed issuance size of \$575 million. Costs of Issuance includes such costs as underwriter's discount, bond and disclosure counsel fees, financial advisory fees, special tax consultant fees, trustee fees, revenue study fees, rating agency fees, appraisal fees, title insurance fees, Preliminary Official Statement and Official Statement electronic printing/posting costs, CDIA/C fees, and City staff costs.

(2) On-Going Annual Administrative costs of CCFD No. 2012-1 are currently estimated to total approximately \$290,000 annually and include costs such as trustee fees, arbitrage consultant fees, special tax consultant fees, and staff costs necessary to administer the district and the post-issuance obligations contained in the financing documents. The post-issuance obligations may include special tax collection and administration, annual reporting obligations pursuant to SEC regulations and State law, and arbitrage compliance.

Convention Center Facilities District No. 2012-1
Description of Zones and Zone Boundaries

The boundaries of Convention Center Facilities District No. 2012-1 (“CCFD No. 2012-1”) are City-wide, with a special tax levied against all Hotel Property (as defined in the Final Rate and Method of Apportionment [“Final RMA”] for CCFD No. 2012-1) with 30 or more hotel rooms. The Final RMA establishes a taxing formula that incorporates three distinct tax zones: a 3% zone; a 2% zone; and a 1% zone. As compared to a flat special tax rate, this tax methodology was determined to provide a fair and reasonable special tax distribution that differentiates hotel properties with a more direct connection to San Diego Convention Center (“SDCC”) activities from others in the City that are not as closely associated, but which are likely to be affected by SDCC activities.

Factors Considered in Developing Zone Boundaries

The boundaries for the three zones were derived over a period of time by the City and its consultants, with input from hotel industry representatives, through consideration of a combination of different factors. These factors include: distance of hotels within different areas from the SDCC; accessibility of hotels within different areas to the SDCC; the sizes of hotels located within different areas; the locations of areas containing the types of hotels more typically booked by conventioners and offering the types of amenities desired by conventioners; and the potential for future hotel development within different areas. The impact a SDCC expansion could have on hotels throughout CCFD No. 2012-1 was taken into account i.e., additional compression of hotel bookings City-wide is expected due to the ability of an expanded SDCC to attract more convention guests.

The structuring of the zones also considered available information showing where San Diego conventioners stay. A CIC Research, Inc. report, dated August 10, 2009, titled “Summary Profile of SDCC Primary Business Event Visitors to San Diego 2005-2008” provides the most current “Primary Event”¹ visitor analysis available and includes 629 interviews conducted with SDCC Primary Event attendees in 2008. The CIC Report includes the following findings:

- *Over 70% of SDCC visitors that stayed in a hotel reported that their accommodations were located near the Convention Center in the Downtown/Gaslamp/Embarcadero area.*
- *Mission Valley, approximately 15 minutes from the Convention Center, was an important secondary location for overnight accommodations among the SDCC visitors, averaging a little less than 10%.*
- *Attendees also reported staying in hotels near the ocean, La Jolla, Mission Bay, Pt. Loma, Del Mar, and Coronado. Almost 12% of attendees in 2008 chose to stay in accommodations outside of downtown San Diego, but near the ocean or bay.*
- *44% of SDCC visitors reported that they intend to return to San Diego for one or two overnight leisure trips in the next two years.*

¹ As defined in the CIC Report, a “Primary Event” includes regional, national, and international conventions, conventions and trade shows, trade shows, and corporate meetings.

Zone Boundary Lines

The zone boundary lines were drawn with the intent that hotels on one side of the line would be, based on the factors listed above, considered distinguishable from hotels on the other side of the line. The zone boundary lines also generally follow portions of the San Diego freeway system and City streets. In deriving the zone boundary lines, consideration was given to the fact that boundary line drawing is, by nature, imprecise. Despite the fact that there will always be properties that clearly belong in each zone and can be regarded as representative of that zone, any line is going to have properties just on one side of it and just on the other where it is more difficult to make distinctions. However, the lines were drawn in a manner to try to avoid potential inequities for hotels near the zone boundaries. For example, where hotels are located in the same area and are of the same type, an effort was made to keep them in the same zone. In addition, where hotels are on opposite sides of a street or freeway, access is generally equivalent, and could be in direct competition with each other, an effort was made to place them in the same zone.

Description of Zones

A description of each of the three zones, developed according to the factors listed above, follows. Also see Exhibits A and B for maps of Zone 2 and Zone 3, which are contained in the Final RMA. The maps were developed by Willdan Financial Services, the district Special Tax Consultant.

Zone 3

It was determined that hotels in the downtown area, which are most closely associated with the Convention Center, and which generally receive most of the direct Convention Center hotel bookings, should be placed in a Zone 3, paying a rate of 3% of room revenue.

Zone 2

Hotels in Mission Valley, Hotel Circle, Mission Bay, the Airport Area, including Harbor Island, and surrounding areas were placed in an intermediate category--Zone 2, paying a rate of 2% of room revenue--to reflect that hotels in these areas are located farther away from the SDCC than the downtown hotels, but generally have a stronger connection to the SDCC than the remaining hotels due to the factors listed above, such as distance from and accessibility to the SDCC, size, and type of hotel. The hotels in this category are secondarily associated with SDCC activities and typically receive some direct hotel bookings from attendees as well as indirect overflow from City tourism due to reduced room availability caused by SDCC activities.

An example of the approach to this zone is illustrated when comparing Harbor Island (Zone 2) with Shelter Island (Zone 1). Harbor Island, directly adjacent to the San Diego International Airport, contains three high-rise convention type hotels, while Shelter Island holds numerous low-rise, visitor serving hotels with access to the SDCC not as direct as from Harbor Island. Similarly, the types of hotels located in Mission Bay (Zone 2) include larger, high-rise hotels,

while nearby Pacific Beach, Ocean Beach, and Old Town (Zone 1) are populated with low-rise, visitor serving hotels.

Zone 1

All other hotel properties in the City, primarily because of a combination of features including distance from and access to the SDCC and/or size and type of hotel, are designated as Zone 1 and would pay a rate of 1% of room revenue. Hotels in this zone have a less direct association with SDCC activities as compared to Zone 2 and Zone 3 hotels, but still are expected to receive indirect overflow business due to reduced room availability caused by expanded SDCC activities, and tourism business from those who have previously attended conventions at the SDCC.

