

**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**

**City of Chula Vista, California  
May 2022**

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## **I. INTRODUCTION**

### **A. Purpose of Report**

This Economic Development Subsidy Report (the “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 (the “City”) and the public of the terms of the City’s public investment in a public/private partnership for the development of approximately 275,000 net rentable square feet of convention space (the “Convention Center”) and related public amenities and infrastructure (the “Phase 1A Infrastructure Improvements”). The Convention Center will be owned by the Chula Vista Bayfront Facilities Financing Authority (the “Authority”) for approximately 37 years, but ultimate ownership of the facility will revert to the San Diego Unified Port District (the “Port District”). The Convention Center and Phase 1A Infrastructure Improvements are an integral part of an overall Resort Hotel and Convention Center project (the “RHCC Project”), to be constructed on a 36.5-acre site (the “RHCC Project Site”) within the Chula Vista Bayfront Master Plan (the “CVBMP”) area. The RHCC Project includes the development by RIDA Chula Vista, LLC (“RIDA” or “Developer”) of a 1,570- to 1,600-room resort hotel (the “Resort Hotel”), the Convention Center, and a 1,600-space parking structure (the “Parking Structure”). The RHCC Project Site, including the Convention Center site, is currently held in trust by the Port District.

The proposed Economic Development Subsidy is more particularly described in the proposed Project Implementation Agreement (the “PIA”) between the City, the Port District, the Bayfront Project Special Tax Financing District (the “Bayfront Financing District”), the Chula Vista Bayfront Facilities Financing Authority (the “Authority”), and the Developer. Additional key terms are contained in the Fourth Amended and Restated Revenue Sharing Agreement between the City and the Port District (the “RSA”).

Although the City views the financial assistance it is providing to construct the Convention Center and the Phase 1A Infrastructure to be an investment in public assets to be publicly owned as part of a public/private partnership between the City, the Port District, the Authority and the Developer, under state law, specifically Government Code Section 53038(a), the City’s assistance can be viewed as a form of economic development “subsidy” to the overall RHCC Project (“Economic Development Subsidy”). Accordingly, the City is preparing this report.

### **B. Description of Property and Proposed Project**

The City and Port 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 (the “CVBMP”). The City and Port 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 Structure	1,600 Spaces

**C. Proposed Transaction Terms**

The development and operation of the Resort Hotel and the Parking Structure is being implemented through that certain Hotel Ground Lease between the Port District and the Developer (“Hotel Ground Lease”). Under the Hotel Ground Lease, the Developer is responsible for financing 100% of the cost of these privately owned facilities.

Concurrently, the development of the Convention Center and the Phase 1A Infrastructure is being funded through the issuance by the Authority of taxable and tax-exempt bonds, in a not-to-exceed amount of \$400 million.

The lease structure that supports the flow of City revenues to finance the Authority Bonds is as follows: The City will acquire a subleasehold interest in the Convention Center Site pursuant to that certain Facility Lease by and between the Authority, as “Lessor”, and the City, as “Lessee” (the “Facility Lease”). Concurrently with the delivery of the Facility Lease, the City will convey a sub-subleasehold interest in the Convention Center Site to the Developer pursuant to that certain Sublease by and between the City, as “Lessor”, and the Developer, as “Lessee” (the “Sublease”). The Developer will operate the Convention Center pursuant to the terms of the Sublease. The other key document that implements the economic development investment for the Project is the PIA.

This section summarizes the salient aspects of the business terms contained in the draft Hotel Ground Lease, the Facility Lease, Sublease, and PIA approved by the public agencies in June of 2021, subject to further modifications under review as of April 30, 2022, to be presented to the City Council concurrent with their consideration of this report for Council consideration and approval in the form of an updated RSA.

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, a 275,000 net useable SF Convention Center, and a 1,600-space Parking Structure.
- The Developer will construct the certain public infrastructure improvements including E Street (G Street to H Street), G Street connection, H Street (Bay Boulevard to Street A), and H Street (Marina Parkway to E Street) (the “Developer’s Phase 1A Infrastructure Improvements”).

- The Developer’s private investment (debt and equity) in the RHCC Project is currently estimated at \$989 million (the “Developer’s Contribution”). This includes Developer’s estimated investment in the Resort Hotel (under the Ground Lease), and its obligation to pay any costs of developing the Convention Center above and beyond public investment amount capped at \$284 million “Project Public Investment” (under the PIA) in the form of Advance Rent paid to the City (under the Sublease).
- The Developer will be responsible for all operating and maintenance costs incurred with respect to the RHCC Project.
- The Developer will pay participation revenues to the City and the Port District equal 20% of the amount by which net operating income (NOI) exceeds 11.0% of the Developer’s Contribution during Lease Years 1-37 (the “Additional Rent”). The Developer’s Contribution is currently estimated at \$989 million; therefore, the 11.0% threshold translates to \$108.8 million.
- Developer will pay percentage rent equal to 5% of Parking Revenues (as defined in the Ground Lease) to the Port District during Lease Years 5 – 13, increasing to 9% in Lease Years 14 – 37, for the Parking Structure (the “Parking Rent”), which will be split 50/50 between the City and the Port District pursuant to the terms of the RSA between the parties.

#### City Responsibilities

- The City and Port District will jointly contribute approximately \$40.0 million toward infrastructure costs including streets, parks, building pads, and utilities (the “Phase 1A Infrastructure Improvement Costs”). This includes \$25.0 million secured from the County of San Diego via the Chula Vista Bayfront Project Funding Agreement by and among the County of San Diego, the City of Chula Vista, the San Diego Unified Port District, and the Chula Vista Bayfront Facilities Financing Authority (the “County Participation Funds”); a City contribution of \$7.2 million in sewer related improvements; and a Port District contribution of \$7.8 million in one-time monies toward the initial construction of Sweetwater Park.
- The City and Port District will contribute up to \$284 million (the “Project Public Investment”) toward development of the Convention Center.
- The City will pay for the construction of the fire service improvements to enable development of the RHCC Project.
- The City 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 Phase 1A Infrastructure Improvements.
- The City will reimburse the Developer for any funds actually expended by the Developer prior to the close of escrow for pre-development utility preparation work for Developer’s Phase 1A Infrastructure Improvements (the “Early Work”).
- The Port District and the Developer will enter into a 66-year ground lease agreement for the hotel site (the “Ground Lease”).
- The Port District and the Authority will enter into a 37-year site lease for the Convention Center site (the “Site Lease”).
- The Authority and the City will enter into a 37-year facility lease for the Convention Center site (the “Facility Lease”).

- The City and RIDA will enter into a 37-year sublease of the Convention Center facility (the “Sublease”).
- The City and Port District will be responsible for all operating and maintenance costs incurred with respect to offsite infrastructure.

**D. Key Findings Regarding City’s Investment in the Project**

The City requested that Keyser Marston Associates, Inc. (“KMA”) analyze and assist City in summarizing the costs and benefits of the City’s investment in the RHCC Project through its investment in the Convention Center and the Phase 1A Infrastructure Improvements (the “Economic Development Investment”). Their principal conclusions are summarized below.

- Under the terms of the PIA, the City will provide an Economic Development Investment to the Project estimated to total \$ 918.4 million.
- The RHCC Project is expected to generate annual tax revenue in the amount of \$26.2 million (stabilized operations, year 9 of lease) to the City consisting of transient occupancy tax (“TOT”), special taxes, property tax and property tax in-lieu of Vehicle License Fees (VLF), and sales tax.
- The Economic Development Investment 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 200 temporary jobs for businesses based in the City and an estimated 3,480 temporary jobs in the County during a 36-month construction period. At buildout, an estimated 3,900 jobs permanent full-time jobs will be created Countywide with 2,820 located in the City.

The additional detailed information presented in this Report in compliance with Government Code Section 53083(a)(1) through 53083(a)(6) is as follows:

- 1) **The name and address of the business entity benefiting from the economic development subsidy.** [Government Code Section 53083(a)(1)];
- 2) **The start and end dates of the economic development subsidy.** [Government code Section 53083(a)(2)];
- 3) **A description of the economic development subsidy.** [Government Code Section 53083(a)(3)];
- 4) **The public purpose of the economic development subsidy.** [Government Code Section 53083(a)(4)];
- 5) **The projected revenue to the City as a result of the economic development subsidy.** [Government Code Section 53083(a)(5)]; and
- 6) **The estimated number of jobs created by the economic development subsidy.** [Government Code Section 53083(a)(6)].

Each of these items will be presented in turn, in Sections II through VII of this Report, below.

## **II. NAME AND ADDRESS OF BUSINESS ENTITY BENEFITING FROM THE ECONOMIC DEVELOPMENT SUBSIDY**

The Economic Development Subsidy provided in various forms under the project agreements will benefit the Developer whose name and address is as follows:

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

### **III. START AND END DATES OF ECONOMIC DEVELOPMENT SUBSIDY**

The Economic Development Subsidy will commence upon the close of escrow, projected to occur in May 2022. The economic development subsidy will end once the bonds issued by the Authority are paid off. The Authority Bonds are currently projected to have a 37-year term, as described in Section IV.



#### IV. DESCRIPTION OF ECONOMIC DEVELOPMENT SUBSIDY

The City and the Port District intend to commit a variety of funds and revenue streams, including both existing revenue streams and new revenues generated by the RHCC Project. The City and Port District have created the Authority pursuant to Government Code Section 6500, et seq., and the Joint Exercise of Powers Agreement dated and effective July 26, 2019 (the “JEPA Agreement”), by and between the City and the Port District. The City anticipates that the Authority will issue taxable bonds to finance a contribution of \$265,000,000 toward the Developer’s cost of constructing the Convention Center pursuant to the Sublease and the PIA (referred to in the PIA as the “Project Public Investment Amount”) and tax-exempt bonds to finance the cost of certain public infrastructure improvements (the “Developer’s Phase 1A Infrastructure Improvements”) supporting the RHCC Project (collectively, the “Economic Development Investment”). Initial bonds will be issued with a five (5) year term (the “Construction Financing”), with a subsequent bond issuance planned following completion of the RHCC Project (the “Permanent Financing”). A total financing term of thirty-seven (37) years is anticipated. The taxable and tax-exempt bonds to be issued by the Authority as part of both the Construction Financing and the Permanent Financing are referred to herein as the “Authority Bonds”. The Authority Bonds will be secured by committed revenues from the City, the Port District, and the Bayfront Financing District. The City and Port District will also provide one-time contributions of \$9.5 million each toward the cost of constructing the Convention Center (increasing the total public agency contribution to \$284 million). Additional one-time funds are also provided toward the cost of constructing certain of the Developer’s Phase 1A Infrastructure Improvements. There are no land acquisition or relocation costs incurred by the City as part of the Project. Convention Center site preparation costs totaling \$4.7 million are included in the Developer’s Phase 1A Infrastructure Improvements.

Table IV-1 below presents the total estimated Economic Development Investment amount that the City will make to the RHCC Project.

<b>Table IV-1: Estimate of City Economic Development Investment</b>	
	<b><u>Estimated Amount</u></b>
Phase 1A Infrastructure Improvements Investment <sup>(1)</sup>	\$15.4 M
Phase 1A Infrastructure Improvements Estimated Financing Cost <sup>(2)</sup>	\$12.7 M
Convention Center Investment <sup>(3)</sup>	\$225.7 M
Convention Center Estimated Financing Cost <sup>(4)</sup>	<u>\$664.7 M</u>
<b>City’s Total Economic Development Investment/Cost</b>	<b>\$918.4 M</b>

- |   |
|---|
| <p>(1) Estimated subsidized Phase 1A Infrastructure Improvement costs total \$50.0 million. City's Phase 1A Infrastructure Improvements Investment reflects 82% of the Public Improvements to be financed totaling \$10.0 million, or \$8.2 million. The City is also contributing approximately \$7.2 million in direct infrastructure funding. Excludes contribution of \$25 million from the County of San Diego.</p> <p>(2) City's Phase 1A Infrastructure Improvements Estimated Financing Cost represents 82% of total Phase 1A Infrastructure Improvements Estimated Financing Cost of \$15.5 million.</p> <p>(3) City's Convention Center Investment represents 82% of Convention Center Public Contribution to be financed totaling \$265 million, or \$216.2 million. The City is also contributing a one-time payment towards the Convention Center Investment at closing in the amount of \$9.5 million.</p> <p>(4) City's Convention Center Estimated Financing Cost represents 82% of total Convention Center Estimated Finance Cost of \$814.9 million</p> |
|---|

The City and Port District together anticipate funding \$265.0 million of the \$284.0 million Project Public Investment Amount toward the Developer's Convention Center construction cost (the "Financed Project Public Investment") and a portion of the Phase 1A Infrastructure Improvements estimated to total \$10.0 million (the "Financed Phase 1A Infrastructure Improvements") using proceeds of the Authority Bonds as described above.

The City and Port District propose to commit various annual revenues toward debt service on the Authority's revenue bonds to fund the Financed Project Public Investment and the Financed Phase 1A Infrastructure Improvements. The approximate ratio of City (including Bayfront Financing District loan payments) vs. Port District annual revenues contributed toward bonded debt service in the stabilized year of hotel operations is estimated to be 82%/18%.

Specifically, the City will make Base Rental Payments under the Facility Lease from MSA Revenue, Sales and Use Tax Revenue, Tax Increment Revenue, and Transient Occupancy Tax Revenue, as such terms are defined in the Facility Lease and further described below and in Section VI(A) of this Report.

- **MSA Revenues** – The City will contribute an amount equal to \$986,625, increasing 3% on July 1 of each year, commencing July 1, 2016, which amount is based (but not contingent) on the payment made by the Port District to the City in fiscal year 2016 pursuant to that certain Municipal Services Agreement No. 88-2012 between the City and the Port District providing for Police, Fire and Emergency Medical Services ("MSA Revenues"). The City's payment of MSA Revenues constitutes a portion of the City's Base Rental Payments under the Facility Lease, which will be assigned by the Authority to the Trustee to support debt service payments on the Authority Bonds.
- **RV Park Transient Occupancy Taxes** – 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 as Base Rental Payments under the Facility Lease to support debt service payments on the Authority Bonds.

The Bayfront Financing District will make payments to the Authority pursuant to that certain Loan Agreement by and between the Bayfront Financing District, the Authority and Wilmington Trust, National Association, as Trustee (the "Loan Agreement") equal to special tax revenues generated by certain

properties in the CVB (initially equivalent to a 5.5% transient occupancy tax), as further described below and in Section VI(A) of this Report.

- **RV Park Special Tax Revenues** – The new RV Park will generate special tax revenues to the Bayfront Financing District. The Bayfront Financing District will contribute amounts pursuant to the Loan Agreement to the Authority and the Authority will assign such payments to the Trustee to support debt service payments on the Authority Bonds.
- **Rambler Motel Special Tax Revenues** – The existing Rambler Motel will generate special tax revenues to the Bayfront Financing District. The Bayfront Financing District will contribute amounts pursuant to the Loan Agreement to the Authority and the Authority will assign such payments to the Trustee to support debt service payments on the Authority Bonds.

The Port District will make Port District Payments, as defined in that certain Support Agreement between the Port District and the Authority. Payments will commence upon completion of the Project.

Note: Actual financing costs may vary depending on market conditions at time of bond issuance for both the Construction Financing and the Permanent Financing. The financing costs projected for purposes of this Report assumes closing costs of approximately \$8.8 million for the Construction Financing and \$6.3 million for the Permanent Financing and interest rates as of May 4, 2022, based on a number of financing assumptions.

## V. PUBLIC PURPOSE OF ECONOMIC DEVELOPMENT SUBSIDY

Allowing for the proposed Economic Development Investment can be expected to assist the City in achieving its economic development goals and objectives for development of the Chula Vista Bayfront. Industry standard return on investment (“ROI”) targets for development of large-scale, new resort hotel/convention centers are estimated to range from 10% to 11% (unleveraged ROI in stabilized year of operations). Given the level of risk associated with undertaking such a major new investment on the relatively undeveloped CVB in a single phase, as well as the extensive benefits outlined herein, the upper end of this range is warranted for the proposed RHCC Project.

Assuming the Port District and City’s contributions toward the Phase 1A Infrastructure Improvements (including site preparation), and the Project Public Investment toward the Convention Center, the Developer will be responsible for an estimated capital investment of \$989 million. At this level of capital investment, the proposed Economic Development Investment is estimated to generate an ROI to the Developer of 9.30% in Lease Year 8, which is within acceptable industry standard ROI range for similar projects. But for the Economic Development Investment, the RHCC Project would not generate sufficient ROI to the Developer and would therefore be financially infeasible. The Economic Development Investment 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. The Developer’s commitment to pay Additional Rent to the City and the Port District on net operating income (“NOI”) above an ROI threshold of 11% further ensures that the Developer will not generate excess returns on the Project. Developer’s Additional Rent obligation is set forth in Section 5.5 of the Hotel Ground Lease and Section 3.5 of the Sublease.

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; generate Parking Rent to the City; generate Ground and Sublease Revenues to the City; and create jobs within the City.

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

### A. Projected Tax Revenue to City

Projected tax revenues have been estimated based on a detailed financial evaluation of the RHCC Project. Project-generated revenues to the City consist of TOT revenues, special taxes, property tax and property tax in-lieu of VLF, and sales tax, as detailed below. While the bonds are outstanding, a substantial portion of these revenues will be dedicated towards payment due on the bonds. Beginning in the second year of operation of the RHCC Project, current projections show that the City will begin to receive amounts in excess of what is necessary to service the debt. Once the bonds are repaid, after termination of the RSA (as defined below), the City will begin to receive 100% of TOT, property tax, VLF in lieu and sales tax revenues. Such monies will be available in the City's general fund and available to fund all City services to the community. Special Tax Revenues will be restricted for the provision of City facilities and services within or outside the CVB, subject to the priorities established in that certain Amended and Restated Joint Community Facilities Agreement by and between the City and the Port District.

- **Transient Occupancy Tax (TOT) Revenues** - The City levies a ten percent (10%) Transient Occupancy Tax citywide. The City will contribute an amount equivalent to the TOT revenue generated from the RHCC Project as Base Rental Payments under the Facility Lease to support debt service payments on the Authority Bonds.
- **Bayfront Financing District Special Tax Revenues** – The City formed the Bayfront Financing District for the purpose of levying and collecting special tax revenues equal to 5.5% of room revenue in the CVBMP Area during the first 40 years of the project, with downward rate adjustments thereafter, and terminating in 2087. The Bayfront Financing District will contribute amounts pursuant to the Loan Agreement to the Authority and the Authority will assign such payments to the Trustee to support debt service payments on the Authority Bonds.
- **Property Tax and Property Tax In-Lieu of Vehicle License Fee Revenue** – The City will contribute an amount equivalent to the incremental property tax and property tax in-lieu of VLF generated by the RHCC Project as Base Rental Payments under the Facility Lease. The Authority will assign such payments to the Trustee to support debt service payments on the Authority Bonds.
- **Sales Tax Revenues** – The City will contribute an amount equal to the 1.0% sales and use tax it receives from transactions at the RV Park Lease, the Convention Center and the Hotel, as Base Rental Payments under the Facility Lease. The Authority will assign such payments to the Trustee to support debt service payments on the Authority Bonds. This commitment excludes any locally approved sales tax amounts (district taxes), such as Measures A and P, currently in effect.

Table VI-1 provides a summary of the estimated annual revenue to the City during the Stabilized Year of RHCC Project operations.

<b>Table VI-1: Estimated Stabilized Annual Revenues to City</b>	
	<b><u>Annual Revenue</u></b> <sup>(1)</sup>
Transient Occupancy Tax <sup>(2)</sup>	\$14.0 M
Bayfront Financing District <sup>(3)</sup>	\$7.7 M
Property Tax and Property Tax In Lieu of VLF <sup>(4)</sup>	\$2.9 M
Sales Tax	\$1.6 M
<b>Total Annual Revenues to City</b>	<b>\$26.2 M</b>
(1) Reflects annual revenues to the City in the stabilized year (Lease Year 9). (2) Based upon 10% of RHCC Project room revenue. (3) Based upon 5.5% 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 Port District will be used to pay debt service on the Authority Bonds. Residual revenues after payment of debt service (the “Residual Revenues”) will be distributed through a priority “waterfall” sequence, as outlined in the RSA, which will be considered for approval by the City Council concurrently with or shortly after the City Council’s consideration of the Facility Lease, Sublease, PIA, and the Authority Bond financing. After the “waterfall” distributions, any remaining Residual Revenues will be distributed equally between the City and the Port District.

**B. City/Port District Participation in RIDA Lease Revenues, Additional Rent, and Parking Rent**

Pursuant to the Ground Lease and the Sublease, Developer will pay the City and Port District scheduled annual lease and sublease payments, Additional Rent, and Parking Rent. “Advance Rent” under the Sublease is contributed to the cost of constructing the Convention Center and is not ultimately retained by the City or Port District.

Annual Lease and Sublease Payments. The Developer will make Ground Lease and Sublease payments to the Port District and City, respectively, in the amounts shown in Table VI-2. These amounts will be combined with the Residual Revenues after payment of debt service and then be distributed to the City and Port District pursuant to the waterfall priorities established in the RSA, with any remaining Residual Revenues distributed equally between City and Port District.

<b>Table VI-2: Developer Annual Ground Lease &amp; Sublease Payments: Years 1 – 37</b>			
<b>Lease Year</b>	<b>Years 1 – 18</b>	<b>Years 19 – 23</b>	<b>Years 24 – 37</b>
Annual Ground Lease Payment to Port District	\$0	\$0.9 M	\$1.05 M
Annual Sublease Payment to City	\$0	\$2.1 M	\$2.45 M
<b>Total</b>	<b>\$0</b>	<b>\$3.0 M</b>	<b>\$3.5 M</b>

Additional Rent. In addition, the City and Port District will receive 20% of surplus NOI above an 11% ROI threshold on the Developer’s Contribution during Lease Years 5-37 (14% to the City under the Sublease and 6% to the Port District under the Ground Lease). A preliminary projection of this potential future revenue stream is summarized in Table VI-3. These amounts will also be combined with the Residual Revenues after payment of debt service and then distributed to the City and Port District pursuant to the waterfall priorities established in the RSA.

<b>Table VI-3: Projected Annual NOI Participation Payments to the City/Port District</b>	
<b>Lease Year</b>	<b>Estimated Annual NOI Participation Payment to City and Port District</b>
Years 1-3 (Construction)	N/A
Years 4-14	\$4.7 M
Year 15	\$3.2 M
Year 20	\$6.4 M
Year 30	\$15.5 M
Year 35	\$21.3 M

Parking Rent. Lastly, Developer will pay Parking Rent to the Port District during Lease Years 5 – 13, equal to 5% of Parking Revenues, increasing to 9% of Parking Revenues for Lease Years 14 – 37. These amounts will be shared equally with the City (50/50) and will not be subject to the RSA disbursement priorities.



## VII. ESTIMATED NUMBER OF JOBS CREATED BY THE ECONOMIC DEVELOPMENT 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 Investment.

<b>Table VII-1: Estimated Number of Jobs Created by the Economic Development Investment <sup>(1)</sup></b>		
	<b>County of San Diego</b>	<b>City of Chula Vista <sup>(2)</sup></b>
Temporary Jobs <sup>(3)</sup>	3,580	340
Permanent Jobs <sup>(4)</sup>	4,000	2,910
<p>(1) Reflects direct, indirect, and induced jobs generated by the RHCC Project.</p> <p>(2) City figures are included within County figures.</p> <p>(3) Reflects average annual employment over a 36-month construction period, based on location of business.</p> <p>(4) Reflects full-time equivalent employment.</p>		

## VIII. LIMITING CONDITIONS

1. The foregoing 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 the City 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. This report 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 the analysis. In the event that this does not hold true, i.e., if any tax rates change, the analysis would need to be revised.