

Financing Port and Marina Infrastructure “Tomorrows Ideas for Today”

A Southern California Financing Seminar Sponsored by
the California Maritime Infrastructure Authority and the
California Maritime Infrastructure Bank

June 12, 2012
Dana Point, CA

Welcome!

Peter Grenell

*Chair, California Maritime
Infrastructure Authority and Bank
General Manager
San Mateo County Harbor District*

Presenters Today

David Hull

Executive Director CMIA/CMIB

Lawrence G. Mallon

Legal Counsel to CMIA/CMIB

Douglas Charchenko

Financial Advisor to CMIA/CMIB

Brian Foss

Past Chair CMIA and CMIB Board Member

Jenner Smith

Asset Manager, Port of San Diego

Participant Introductions

History and Organization

Lawrence G. Mallon

CMIA Legal Counsel

Lawrence G. Mallon and Associates

**What are the
California Maritime Infrastructure
Bank (Bank)
and
California Maritime Infrastructure
Authority (Authority)?**

History

- **The California Maritime Infrastructure Bank (Bank) was formed at the request of the California Marine Affairs and Navigation Conference (CMANC).**
- **The Bank was chartered as a non profit corporation and is not a commercial bank.**
- **The Bank's purpose was to fill a void in on-site and off-site public, private or mixed use maritime related infrastructure improvements on public or private submerged lands, tidelands, uplands (e.g. dredged material disposal sites) and even inland (inland ports and multi-modal logistics centers).**
- **The Bank is codified in the CA Harbors and Navigation Code.**

Relationship of Bank to the Authority

- **The Bank established a joint powers authority under State Law to provide a mechanism for financing of port and harbor infrastructure.**
- **This joint powers authority is the California Maritime Infrastructure Authority (Authority).**
- **Must be a member of Authority to take advantage of financing programs**
 - Authority membership limited to public “harbor agencies” OR if private, must have some agreement with a public harbor agency.
 - The Authority presently has 7 members:
 - ❖ San Mateo County Harbor District
 - ❖ Port of San Diego
 - ❖ Port of Stockton
 - ❖ Port of Sacramento
 - ❖ Port of Santa Cruz
 - ❖ Humboldt Bay Harbor District
 - ❖ County of Orange

Bank and Authority Organizational Structure

Authority Board of Directors

Peter Grenell

- Chairman

Jeff McEntee

- Vice Chairman

Jeff Wingfield

- Treasurer

Jack Crider

- Member

Amy Cameron

- Member

Lisa Ekers

- Member

Brad Gross

- Member

Bank Board of Directors

Peter Grenell

- President

Brian Foss

- Vice President

Jeff Wingfield

- Treasurer

Open

- Secretary

Authority/Bank Staff

David Hull

- Executive Director

Douglas Charchenko

- Financial Advisor

Lawrence Mallon

- Legal Counsel

Authority Financing Tools

Douglas Charchenko

CMIA Financial Advisor

Senior Vice President

Montague DeRose and Associates, LLC

What Can Be Financed

- **General port/marina improvements/capital projects**
- **Public improvements**
- **Dedicated public improvements**
 - **Port owned improvements available to the public**
 - **Private activity improvements**
 - **Tenant specific improvements**

How Can These Assets Be Financed

- **Public offering**
- **Private Placement**
- **Bank Loan**
- **Grants**
- **Public Agency Loans**
- **Options are not mutually exclusive**

What are the Issues

- **Organizational limitations**
- **Taxable Tax-exempt**
- **AMT**
- **Credit**
 - **General revenue pledge**
 - **Revenue history**
 - **Business history**, i.e. cargo volumes, slip rentals/waiting list, non maritime real estate revenues
 - **Competition**

More Issues

- **Tenant as obligor**
- **Impact on cost of funds/market access**
- **Project feasibility**, if expected to generate revenue
- **Cash Flow**
- **Coverage**
- **Additional Debt**
- **Costs**

Getting Started

- **Project Description**
- **Financing Team**
- **Updating Financials**
- **Legal Requirements**

- Security, good title, entitlements, permit
legal authority to borrow, securitized
revenue stream

Case Histories in Authority Financings

Brian Foss

Past Chair, CMIA

Board Member CMIB

President, Brian and Associates

Marina Consulting

Port of San Diego Acquisition Chula Vista Power Plant

CMIA BONDS \$115M



PORT OF SAN DIEGO TERMINAL 2 WEST CMIA BONDS \$90M

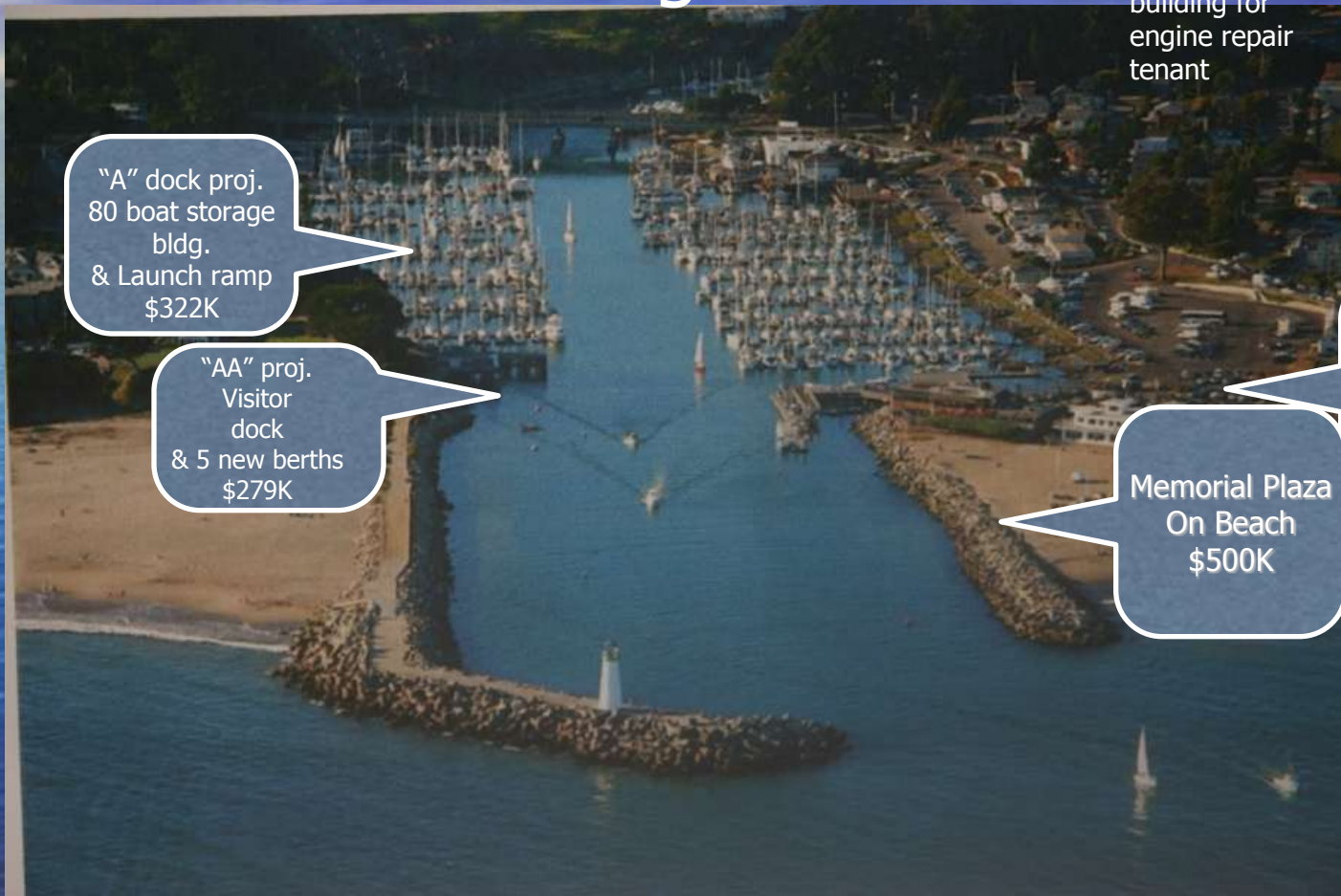




PORT OF HUMBOLDT BAY DEEPENING CMIA Bond \$2.9 Mil

Santa Cruz Port District

A Case History in CMIA Financing



"A" dock proj.
80 boat storage
bldg.
& Launch ramp
\$322K

"AA" proj.
Visitor
dock
& 5 new berths
\$279K

Commercial
building for
engine repair
tenant

Memorial Plaza
On Beach
\$500K

Rehabilitate
MultiTenant
MultiUse
Building
\$2.9M

2004-2005 Bond Issue



MAY 2 2006



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ALDO'S

CRYSTAL
Blue Dimension

5 MPH



AKEL



SANTA CRUZ PORT DISTRICT BOND ISSUE 2004-2005

"MIX, MATCH, LEVERAGE"

PROJECT ELEMENT	COST
Renovate and expand an existing 11,000 SF Building	\$4.16M
Public Beach Plaza	\$500K
"AA" Dock multi user berthing	\$279K
"A" Dock 80 boat kayak storage launch ramp for kayaks	\$322K
Refinance \$900K Special District Bonds	\$900K
Commercial Engine Repair Building	\$350K
Total Cash Needs	\$6.51 M

"AA" MULTI-PURPOSE DOCK

FINANCING

CAL BOATING USFWLS GRANT FOR VISITOR DOCK	\$100K	
CMIA BONDS	\$179K	
TOTAL PROJECT		\$279K

PROFORMA

YEARLY INCOME YR 5	\$39.4K	
YEARLY COST	\$13.8K	
NET PROJECT YR 5		\$25.6K YR 5



80 KAYAKS & ROWING
"A" DRAFT



**HAND LAUNCH RAMP
FOR KAYAKS AND ROW
BOATS**



**Access
Improvements
Funded by the**



**Boating
Trails
Program**

"A" DOCK SMALL BOAT PROJECT

FINANCING

CAL BOATING BOAT TRAILS GRANT (PUBLIC LAUNCH ELEMENT)	\$117K	
CMIA FINANCING FOR BOAT STORAGE ELEMENT	\$195K	
MEMORIAL BENCH DONATION	\$10K	
TOTAL PROJECT		\$322K
PROFORMA		
INCOME YEAR 5	\$43.8K	
COST YR 5	\$14.9K	
NET PROJECT YR 5		\$28.8K

2222 EAST CLIFF BUILDING REHABILITATION



2222 East Cliff Multi Tenant Multi Use Building Rehabilitation Analysis

Building reverting to Port District ownership

Building in very poor condition

Because of various coastal commission and local zoning rulings, building cannot be expanded more than 1500 SF.

Coastal Commission limits non water related uses

The rehabilitation was simply too expensive to pencil out

Analysis of above factors leads to initial conclusion that building should be leveled and made open space.



**2222 EAST CLIFF BUILDING
REHABILITATION AND ADDITION
(11,000 SF TO 12,500 SF)
Total project \$4.16M including
plaza and Tenant Improvements**

2222 East Cliff Building and Complex

FINANCING

CMIA FINANCING TO PORT DISTRICT FOR PLANS, SPECS, ADMIN AND FIRST FLOOR CONSTRUCTION	\$1.75M
OSO GRANT FROM PACKARD FOUNDATION	\$1.0M
CMIA FINANCING FOR OSO FOR REMAINING COST OF SECOND STORY(cost to be paid by OSO)	\$360K
SETZER-ROLFE PLAZA (DONATIONS)	\$500K
TENANT PAID IMPROVEMENTS (EST)	\$550K
TOTAL PROJECT	\$4.16M
TOTAL CMIA FINANCING	\$2.11M

Mixing, Matching, Leveraging A Joint Venture Floats the Building

O'Neill Sea Odyssey, an NGO non profit ocean foundation secures a \$1M grant from the Packard Foundation for the building.
OSO contributes these funds to the second story of the building.
OSO is given a 25 yr lease on the second story in return.

OSO uses part of building for classes, labs, offices and leases out rest to small professional offices at high value rent (\$5+ /SF/Mo)
Port receives 16% of rents

Port District builds the first story and leases to two restaurants and a real estate office. All tenants provide TI's with appropriate lease terms

Setzer-Rolfe Beach Plaza is funded by local citizens who pay for naming rights and other memorial public amenities. Total plaza subscribed at \$500K



Cafe El Palomar

CAFE EL PALOMAR
Mexican Cuisine

PU PU 'O HAWAII











INTERO
Interiors
1111 1st St
San Francisco, CA 94104

2222 EAST CLIFF DR. BUILDING

PROFORMA year 5- 2010

INCOME

Total Rents	\$231K	
Net New Parking	\$30K	
Total Income		\$261K

EXPENSES

Debt Service	\$191K	
Admin/Insur/OH Maintenance	\$15K	
	\$15K	
Total Expense		\$221

Net Project yr. 5

\$40K

SANTA CRUZ PORT DISTRICT
2004-2005 BOND ISSUE
Refinance \$900K
Special District Bonds

PROFORMA

Special District Yrly
Debt Service
7%

\$78.0K

CMIA 2%-5.75%
Yrly Debt Service

\$64.0K

Yearly Savings

\$14K

COMMERCIAL BUILDING FOR ENGINE REPAIR SHOP TENANT

FINANCING

Total Cost \$350K CMIA BOND

PROJECT PROFORMA YEAR 5- 2010

RENT FROM
TENANT \$30K

EXPENSES \$26K

NET PROJECT YR 5 \$4K

SANTA CRUZ PORT DISTRICT BOND ISSUE TERMS

SERIES A- TAX EXEMPT

RATE

PUBLIC IMPROVEMENTS,
DOCKS, INFRASTRUCTURE, PUBLIC
REFINANCE OF OLD BONDS

2%-5.75%

SERIES B- TAX EXEMPT

BLDG FOR ENGINE REPAIR

**2%-
5.75%**

SERIES C- TAXABLE

PORT DISTRICT OWNED RENTAL BUILDINGS-
SPACES LEASED TO COMMERCIAL TENANTS

**7.4%-
8.3%**



Port of San Diego Real Estate Management in a Changing Waterfront

Jenner Smith

Asset Manager

Port of San Diego

About the Port

- Created by legislature to:
manage San Diego Harbor
Administer the public lands along San Diego Bay



Port by the Numbers

- About 530 employees
- 13 departments
- Revenues – FY11

<u>Type</u>	<u>Amount</u>
Real Estate	\$80.9 million
Maritime	\$34.0 million
Harbor Police	\$13.2 million
Other*	<u>\$ 3.2 million</u>
Total	\$131.3 million

* Includes grants, interest and investment income and legal settlements

Economic Engine: \$1.7 billion invested since 1963

- 2 maritime cargo terminals
- San Diego Convention Center & expansion
- South Bay Wildlife Refuge
- B Street Cruise Ship Terminal
- Expansion of National City Marine Terminal Wharf
- Chula Vista Nature Center
- Airport terminals & expansions
- 17 Parks on San Diego Bay and in Imperial Beach
- Shelter Island
- Harbor Island
- National City Marina Basin

Ongoing Construction Projects



North Embarcadero Visionary Plan

- Joint project between the Port, the City of San Diego and Centre City Development Corp.
- 1 ½ mile area on Harbor Drive
- Widened esplanade, enhanced landscaping, improved public access
- Improved traffic flow on Harbor Drive
- Enlivened downtown waterfront



Ruocco Park

- 3.3 acre park located south of Seaport Village
- \$3.5 million grant from the Ruocco Fund
- Public artist selected at April 2010 Board meeting
- Construction started in early October
- Completion in fall 2012



South Bay Power Plant

- Operated by Dynegy, Inc.
- Reliability Must Run Status removed in December 2010
- EIR consultant selected in June 2010
- Asbestos abatement started
- Plant will be dismantled in a two-step process
- Demolition contractor selected



Coronado Boat House



- \$3.5 million project
- The Port is contributing \$1.5 million
- 2,000-square-foot facility in Glorietta Bay Park
- Will provide storage for kayaks and other equipment for water activities
- The public will be able to use the facilities
- Project striving for LEED silver certification

Upcoming Development Projects



San Diego Convention Center Expansion



- Built in 1989
- Port, City of San Diego and the San Diego Convention Center Corporation working together on its expansion
- Additional 200,000 square feet of exhibit space
- 100,000 square feet of meeting rooms
- Will allow San Diego to attract larger conventions
- Estimated cost: \$550 million

Expansion of Hilton Hotel

- Part of Convention Center Phase III Expansion
- New guestroom tower to be constructed
- 500 guestrooms, new ballroom/meeting facility
- Hotel expansion project to be LEED certified



Lane Field

- Former site of San Diego Padres ballpark
- Will include 1.66-acre setback park
- Phased development with one hotel tower



Old Police Headquarters/Seaport Village Re-visioning



Chula Vista Bayfront Master Plan



Chula Vista Bayfront Master Plan

- Our largest future project
- Will create 7,000 construction jobs
- 2,200 permanent jobs
- Numerous indirect jobs



Chula Vista Bayfront Master Plan

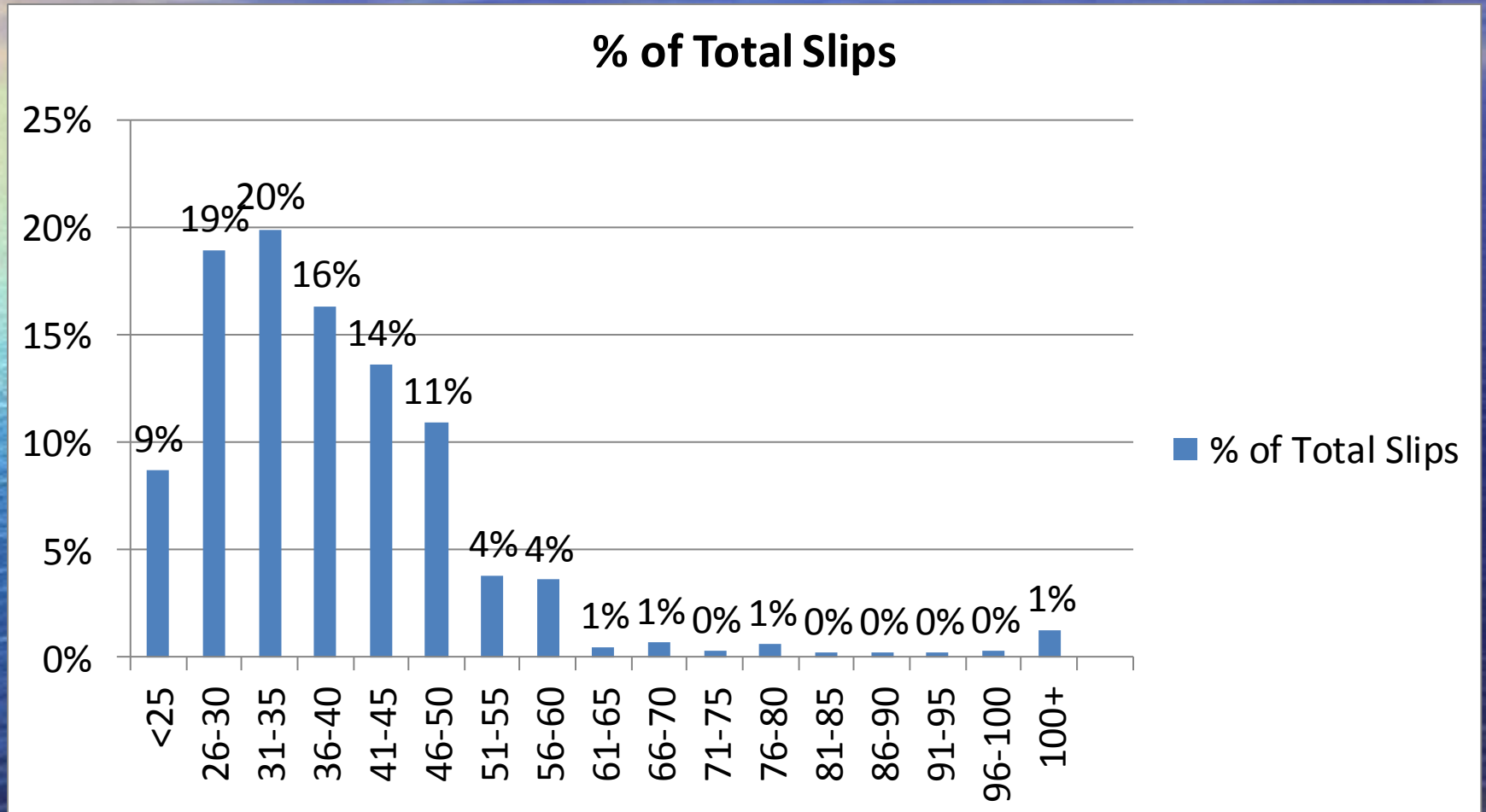
- Represents the last significant waterfront development opportunity in Southern California
- Anticipated to generate \$1.3 billion for the regional economy



Port of San Diego Marinas

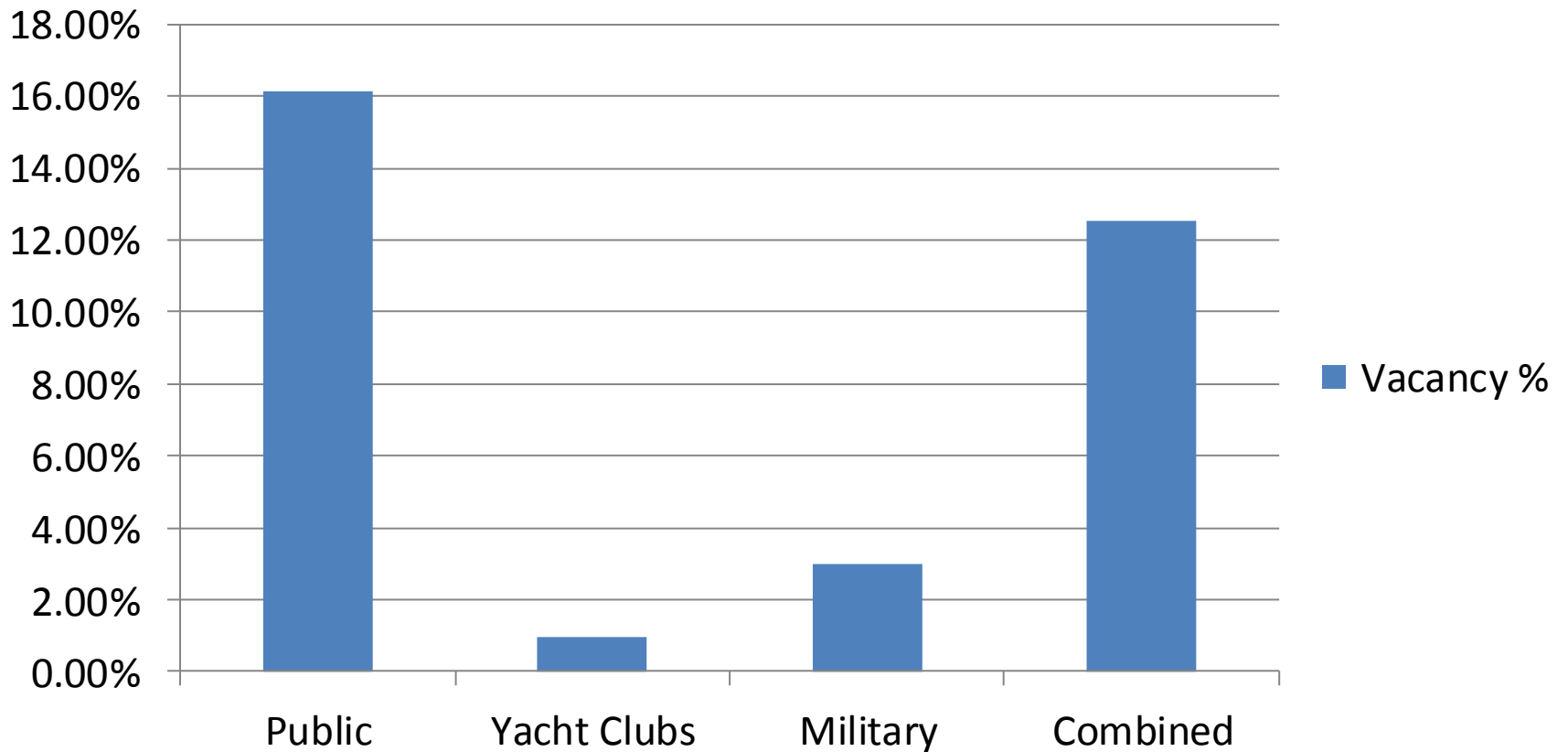
- Public Slips: 5,436
- Yacht Club Slips: 1,429
- Military Slips: 336
- Total Recreational Slips: 7,201

Slip Size Distribution



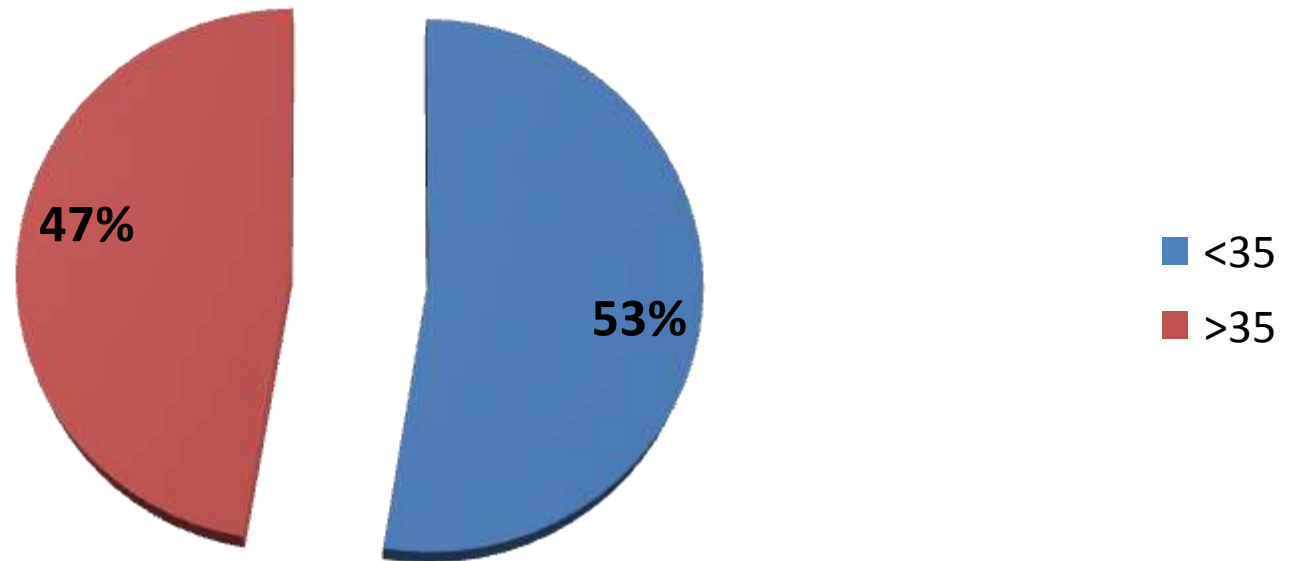
Marina Vacancy

Vacancy %



Marina Vacancy by Slip Size

% Vacant



Questions?



LUNCH!

Harbor/Port Real Estate Trends in the Past 5 Years

- **General Economic Sluggishness resulting in:**
 - Recreational slip occupancy down
 - Difficulty financing infrastructure improvements
 - Deferred maintenance backlog
 - “Adaptive Management” repurposing portions of harbor property
- **Waterfront Gentrification Pressures**
- **Specific Economic Factors that Affect Harbor Property**

Participant Q&A

- What are your financing needs?

How to Utilize CMIA Services

- Interest Forms
- Membership Process
- Contact Us to Schedule a Project Financing Evaluation

– David Hull, Executive Director

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www.californiamaritimeinfrastructureauthority.org



Thank You!

