

STAFF REPORT

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R. Boggiano

S. Pemberton

INFORMATIONAL UPDATE ON THE IMPACT OF THE COVID-19 PANDEMIC ON THE STATE'S LOCAL TRUSTEES OF GRANTED PUBLIC TRUST LANDS AND RESOURCES

BACKGROUND:

There are 71 local entities with legislatively granted Public Trust lands. These local jurisdictions are called trustees because they manage these lands and resources not in a proprietary capacity, but as a trustee for the benefit of the statewide public and because these lands are subject to the common law Public Trust Doctrine. The Commission has oversight authority and provides advice to trustees to ensure the granted lands continue to be available for the statewide public. The revenue generated from the lands are required, by law, to be reinvested back into improving and maintaining the Public Trust lands and resources.

The COVID-19 pandemic is likely to have lasting economic impacts on many local trustees of legislatively granted Public Trust lands. A trustee's ability to generate revenues to fulfill its public stewardship mission is directly related to the health of its tenant businesses and their ability to pay rent. Orders mandating that citizens shelter in place and observe physical distancing precautions have required many businesses to temporarily close or severely curtail their operations, with the effect of significantly reducing economic activity on granted lands, both directly and indirectly. Hospitality and maritime trade economic activity have abruptly declined as a result of the pandemic. Most public recreational areas, including beaches, trails, and parks, are closed, and many people have retreated into their homes to shelter in place. Closures and loss of business on parking lots, piers, cruise terminals, marinas, cargo terminals, hotels and restaurants are expected to affect grantees' Public Trust revenues and tenant livelihoods.

Recreational fishing closures are also affecting trustees. Recreational salmon fishing was expected to open as early as April 4 in some locations but is now delayed until May 1 in the Fort Bragg, San Francisco and Monterey areas, and June 6 in the Klamath Management Zone.

In the weeks since the pandemic broke out, staff reached out to a number of trustees to learn how COVID-19 will affect them, their strategies for responding to

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the crisis, and to find out how staff can be a resource during this time. So far, trustees have reported that tenants are seeking rent deferments and late payment penalty waivers to allow them to keep their businesses operational and their workforce in place for when these shelter-in-place orders are lifted. Other tenants are seeking financial aid or loans from trustees. Many trustees are estimating significant revenue losses and longer-term effects that remain to be seen depending on the severity of the pandemic in the coming months and beyond. Staff will continue to work in tandem with trustees to provide guidance and serve as a resource during this emergency. Below is a snapshot, as of this writing, of how trustees are affected by the pandemic and how trustees are responding to it.

MAJOR PORTS:

Ports and infrastructure and the broader supply chain are considered essential businesses and remain open. The ripple effect of COVID-19, however, is affecting the supply chain. Port maritime operations are suffering from the earlier shutdowns in China and other Asian countries that halted a lot of production earlier this year, and as the economy recedes, that will mean fewer imports and shipping activity. Ports are reporting decreased cargo loads compared with cargo loads from last year. Complicating matters for the ports of Oakland, San Diego, and Los Angeles is that these ports are self-funded and do not receive any tax dollars. This dynamic means that these ports are ineligible for certain federal COVID-19 relief funds in the recently passed federal stimulus package.

The San Diego Unified Port District. The Port reports that, as a direct consequence of COVID-19, the hospitality and maritime trade economic activity that generates the revenues necessary for the Port's mission-critical work has dramatically declined. The Port estimates potential lost revenue of at least \$30 million across every major revenue category over the next 4 months and expects revenue losses to continue through the end of 2020. The hotels, restaurants, and retail shops operating on Port tidelands have asked the Port to waive their rent payments for 90 days to keep their companies afloat. The Port has roughly 800 tenants. A recent letter to the Port from the San Diego Port Tenant Association (Exhibit B) stated: "The financial impact from this pandemic virus cannot be compared to any previous event in our lifetime. There will be devastating financial impacts for all your tenants, especially in the hospitality sector, including restaurants, hotels, retail, harbor tours, sportfishing and yacht clubs/marinas."

The Port's operations and services are funded through leases and other business agreements with tenants along the waterfront. The Port is monitoring federal, state, and regional economic stimulus programs to see if any can be used to offset losses or assist its tenants. The Port compiled these resources, including information about forgivable loan programs, loan deferment programs,

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new loan opportunities, paid time off, and benefits services, into a repository on its website. The Port has also requested assistance from the Commission, as the Port's oversight body, to assist the Port in efforts to secure \$30 million in direct financial assistance from the State of California to confront the threat of COVID-19 and to mitigate associated impacts. The Port reports that it is ineligible for Title VI funding in the recently passed Coronavirus Aid, Relief, and Economic Security Act (CARES), which is part of the federal COVID-19 stimulus package. While the Port reports that it is eligible for loan assistance under Title IV of the CARES Act, it believes that the Title IV funding will not provide a significant amount of assistance given the decline the Port is facing. In Fiscal Year 2018, the Port generated approximately \$172 million in trust revenues.

The Port of Los Angeles. COVID-19 has had a significant impact on the Port's volumes and finances, as well as the operations and finances of its tenants. However, the Port continues to be able to function effectively as a gateway for international trade and is using its position in the logistics industry to help in the region's response to the pandemic. Gene Seroka, the Executive Director of the Port of Los Angeles, has been leading an effort to assist local hospitals in obtaining the vital supplies needed to battle COVID-19. Terminal operators and ILWU are working together to move cargo safely and reduce the likelihood of COVID-19 spread within the workforce. Working hours have also been altered to allow for the regular cleaning and disinfecting of equipment and physical distancing. For the first quarter of 2020, volumes decreased by 18.5 percent compared to the prior year. This is reportedly the lowest amount of monthly cargo moving through the Port since February 2009. Fruit imports, scrap metal, and steel volumes are considerably down.

The Port is not facing any congestion issues and is working closely with terminal operators, shipping lines, labor, and supply chain partners to predict future cargo volumes and prepare necessary capacity. As mentioned above, the Port is self-funded and does not receive taxpayer dollars. In Fiscal Year 2018, the Port generated approximately \$490 million in trust revenues.

The Port of Long Beach. The Port reports an increase in canceled sailings and a corresponding decline of 6.9 percent in shipped cargo containers compared to the prior year. An update from Port was not available for this report but they will be providing more information to staff in the coming weeks. In Fiscal Year 2018, the Port generated approximately \$603 million in trust revenues.

The Port of San Francisco. The Port circulated an economic impact survey to its tenants and asked tenants to submit ideas and strategies to help the Port develop solutions. Numerous tenants have contacted the Port seeking assurances and relief from the Port in its capacity as a landlord. Under directive

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from the Port's Executive Director, Port staff is waiving all charges, default interest, and associated penalties and fees for any delinquent rent payments that were or are due for the use of Port property from March 1 through April 30, 2020 (Exhibit A). The Port is not issuing any eviction notices for nonpayment of any portion of rent due during this timeframe due to the impact of COVID-19. Temporarily deferring rent payments during a tenant's cash crunch, subject to repayment later, is expected to result in better long-term and more stable revenues to the Port than eviction actions and the need to re-lease properties. These actions are intended to give tenants confidence in being able to retain their leasehold while they use their financial reserves on immediately pressing operational needs to remain solvent. The Port is monitoring rent collections and tenant operational conditions and will track and report on the amounts deferred and the parties that received relief. In Fiscal Year 2018, the Port generated approximately \$109 million in trust revenues.

The Port of Oakland. The Port, which launched a blog to provide COVID-19 updates, reports that loaded container volume declined 7.4 percent in March from 2019 totals. In March, containerized import volume dropped 10.3 percent from the prior year. Export loads were down 5 percent and the return of empty containers to Asia decreased 23 percent. Container shipping lines canceled 15 voyages to the Port that were scheduled for May and June 2020. That amounts to roughly 10 percent of the total number of visits ships are expected to make to the Port in that period. The Port also manages a portfolio of commercial real estate, including restaurants and retail leases, and is receiving requests for rent relief. The Port, which is self-funded and does not receive any taxpayer dollars, relies solely on rental revenue from its three business divisions—aviation, maritime, and commercial real estate. The Port is potentially eligible for some of the federal stimulus programs under the recently passed CARES Act but reports that additional debt obligations are not a priority or attractive option for the Port right now. In Fiscal Year 2018, the Port generated approximately \$381 million in trust revenues.

CITIES, COUNTIES, AND HARBOR AND PORT DISTRICTS:

The City of Morro Bay. The City anticipates drastic revenue shortfalls and a need to use its emergency reserves. The City has halted all non-essential purchases and hiring. The City closed its launch ramp to recreational fishing before April 1, 2020, which was to be the opening of the fishing season. Based on the inquiries the City was receiving, they anticipated a big surge of visitors for the beginning of the salmon season and preemptively closed the launch ramp to avoid large gatherings. The ramp is still open to commercial fishing, which has been deemed an essential activity. In Fiscal Year 2018, the City generated approximately \$2.1 million in trust revenues.

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The City of Redondo Beach. In coordination with the other beach cities and Los Angeles County, the City closed the pier to all public access. The City's pier and waterfront have a lot of leaseholders, and there is much concern about the financial impacts to restaurants and businesses. Most of the tenants in the harbor have requested some form of economic relief and the City has agreed to a rent deferral program for the months of April and May. The City estimates that about \$1.25 million in rent will be deferred and approximately \$1 million in losses from percentage rents during this fiscal year. In Fiscal Year 2018, the City generated approximately \$6.5 million in trust revenues.

The Moss Landing Harbor District. The District closed its launch ramps and will keep them closed until the shelter-in-place orders are lifted, and like other jurisdictions, temporarily closed its salmon season. The first weekend of April would have marked the beginning of the salmon season, which is usually the Harbor District's biggest revenue producing weekend of the year. The District is experiencing adverse financial impacts from the cancelation. Like other trustees, the District reports that the impacts will become more severe the longer the shelter-in-place orders remain in effect. The District is also concerned about potential financial losses due to tenants' inability to pay monthly berthing fees while out of work and the complete loss of parking income associated with the closures of whale watching and other tourist attractions that bring people to the Harbor. In Fiscal Year 2018, the Harbor District generated approximately \$2 million in trust revenues.

The City of Berkeley. The City projects deep reductions in lease revenue and expects losses of \$1.1 million this year and an additional \$1 million in losses next year. Even with immediate expenditure reductions (reductions in summer recreation programs, reductions in Marina non-career staff, and reductions to capital expenditures), there is an insufficient tidelands fund balance to absorb this impact. In Fiscal Year 2018, the City generated approximately \$5.7 million in trust revenues.

The Humboldt Bay Harbor, Recreation and Conservation District. The District reports that is losing substantial revenue from tenants and that several tenants have requested rent deferrals. Fishermen and shellfish farmers, a large component of the District's tenants, have been severely impacted by restaurant closures. The District is developing policies and researching potential loan and grant programs that might help meet their cash flow obligations, should that be needed. Humboldt County has deemed maritime commerce and commercial fisheries to be essential services. The District provides essential services such as hauling out boats and maintaining the Woodley Island Marina for tenants. The District reports that it has been able to meet these needs with limited staff. In

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Fiscal Year 2018, the Harbor District generated approximately \$1.7 million in trust revenues.

The San Mateo County Harbor District. The District suspended off-the-dock fish sales at Pillar Point Harbor and closed all public restrooms, launch ramps, parking lots and harbormaster offices. The Marina Fishing Pier at Oyster Point is also closed. In Fiscal Year 2018, the Harbor District generated approximately \$2.7 million in trust revenues.

The County of Santa Cruz/Santa Cruz Port District. The County has closed its harbor to public recreation. This closure includes walking, running, jogging, horseback riding, cycling, surfing, paddle boarding and kayaking. Public restrooms are closed, and visitor parking is limited to 20 minutes. The temporary parking is to support essential services. Several harbor restaurants are offering take-out food and grocery service. Some retailers are open on a limited basis to serve the commercial fishing industry. In Fiscal Year 2018, the District generated approximately \$9 million in trust revenues.

The City of Santa Monica. The City of Santa Monica issued an Executive Order under emergency powers on March 16 to temporarily close the Santa Monica Pier to the public. This means that all businesses on the pier have been closed. The City also approved an order to suspend rent payments for April for all City tenants on the pier. In Fiscal Year 2018, the City generated approximately \$16.5 million in trust revenues.

The City of Monterey. Most businesses are closed on both wharves I and II and fishery operations have drastically decreased. Tourism and hospitality, the main industries in Monterey, are at a standstill. Several wharf businesses have conducted mass layoffs of employees and some are closing permanently. The City is implementing a rent deferment program for tenants of City-owned properties, including the Public Trust lands. The rent deferment program will have a significant revenue impact on the Monterey Tidelands Fund. The City hopes to begin receiving some of the income from deferred rental payments in the fall of 2020. The City also passed a Resolution to develop and implement a Local Economic Stimulus Plan in Response to COVID-19. The Stimulus Plan will appropriate \$500,000 of Tideland Funds to reinvest into the tidelands areas to offset to help small businesses and their employees. Grants and loans will be offered to fishing operations, restaurants, and retail business on wharves 1 and 2. The objective is to augment Federal and State aid with the goal of reducing business closures, reducing workforce layoffs, providing employee rent payment assistance, and stimulating an early economic recovery for tideland businesses. The Stimulus Plan is a citywide program that includes other non-tideland sources of funds for use. All appropriated Tideland Funds will be documented and

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restricted to businesses located within the City's granted lands. In Fiscal Year 2018, the City generated approximately \$3.1 million in trust revenues.

FEDERAL COVID-19 RELIEF FUNDS:

Recent federal legislation has directed funding to states, local governments, and other entities to respond to the COVID-19 pandemic. The first bill, The Coronavirus Preparedness and Response Supplemental Appropriations Act (P.L. 116-123/H.R. 6074), provides \$8.3 billion in emergency funding for public health. The second bill, The Families First Coronavirus Response Act (P.L. 116-127/H.R. 6201), increases the federal match for state expenditures on Medicaid (Medi-Cal in California), provides for food assistance, grants for unemployment insurance programs, expanded paid and family sick leave, and addresses diagnostic testing costs. The third bill, The Coronavirus Aid, Relief, and Economic Security Act (CARES Act, H.R. 748), provides for an estimated \$2 trillion in aid, consisting of \$150 billion for assistance to states and local entities, assistance for education and child care, stimulus checks for taxpayers, unemployment insurance enhancements, and assistance for businesses, including the health care sector, as well as small businesses. Approximately \$139 billion of the \$150 billion is available for states based on population (local governments with populations of at least 500,000 are eligible). The Legislative Analyst's Office estimates that California is eligible for roughly \$15.4 billion to be shared between the state and local governments, with roughly \$6 or 7 billion going to local governments.

OTHER PERTINENT INFORMATION:

This action is consistent with Strategy 1.2 of the Commission's Strategic Plan to provide that the current and future management of ungranted sovereign land and resources and granted lands are consistent with evolving Public Trust principles and values, particularly amid challenges relating to climate change, sea-level rise, public access, and complex land use planning and marine freight transportation systems.

EXHIBITS:

- A. Port of San Francisco Executive Directive
- B. Port of San Diego Economic Relief Request

CONCLUSION:

While the lasting economic impact of the COVID-19 pandemic on the State's local trustees of granted Public Trust lands is still unknown, for many trustees, the short-term impacts are profound. It is too soon to precisely quantify impacts, both because many trustees are still discussing strategies with their boards or governing bodies regarding how best to adjust their budget projections, and because it is unclear how long restaurants and other visitor-serving uses will

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remain closed. Trustees are continuing to explore creative ways to retain and assist tenants and are continuing to ask Commission staff for guidance or advice about whether their proposed solutions can be done within the confines of the Public Trust Doctrine and the applicable granting statutes. The severity of the pandemic and its effect on trustees over the longer term remains to be seen. Staff will continue to monitor the impact of the COVID-19 pandemic on trustees and to serve as a resource for trustees as they navigate this difficult time.

MEMORANDUM

March 27, 2020

TO: Port Staff

FROM: Elaine Forbes
Executive Director

SUBJECT: Executive Directive Regarding Enforcement of Lease Obligations From March 1, 2020 through April 30, 2020 ("Directive").

Background

The actions described below are prompted by the remarkably rapid developments in the recognition of and reaction to the Covid-19 pandemic. Some major milestones over the past month include:

- On February 25, 2020, Mayor London Breed issued the Proclamation by the Mayor Declaring the Existence of a Local Emergency (the "Mayor's Emergency Declaration") under Sections 8550 et seq. of the Government Code, Section 3.100(13) of the San Francisco Charter, and Chapter 7 of the San Francisco Administrative Code, establishing the existence of an emergency within the City and County of San Francisco due to the ongoing spread of "Covid-19".
- On March 3, 2020, the Board of Supervisors passed a motion concurring in the Mayor's Emergency Declaration and in the actions taken by the Mayor to meet the emergency.
- On March 4, 2020, Governor Newsom issued the Proclamation of a State of Emergency ("Governor's Proclamation") under Section 8625 of the California Government Code and the California Emergency Services Act, establishing the existence of a state of emergency throughout California due to Covid-19.
- On March 16, 2020, Mayor Breed issued a further Order directing all residents to remain at their place of residence, except to conduct Essential Activities, Essential Businesses, and Essential Government Functions (as defined in the Order). Among other things this order closed bars and restaurants except for takeout and delivery service, which caused a great deal of dislocation among the Port's retail portfolio.

The impacts of the emergency on the small business community have been fairly immediate. In response to those impacts, on March 17, 2020, Mayor Breed issued a 30-day moratorium on commercial evictions related to financial impacts caused by COVID-19 for small and medium-sized businesses that have less than \$25 million in

annual gross receipts (the “Eviction Moratorium Order”). Under normal state law, localities are prohibited from regulating commercial evictions. San Francisco was allowed to take this action following Governor Newsom’s March 16, 2020 Executive Order lifting those restrictions. The moratorium can be extended and will be automatically rescinded if the Mayor’s Emergency Declaration ceases. On March 27, 2020, City Administrator Naomi Kelly issued a “City Policy Regarding Enforcement of Certain Tenant Lease Obligations by City Departments From March 17, 2020 through April 30, 2020” (the “Citywide Policy”). This Directive implements the recommendations in the Citywide Policy and extends additional relief as described below.

These orders mandating that citizens shelter in place and observe social distancing precautions have required many businesses to temporarily close or severely curtail their operations with the effect of greatly reducing economic activity on Port property, both directly and indirectly. Businesses both on and off Port property are in a precarious position in maintaining their operations and avoiding defaulting on their various legal agreements and/or insolvency. Port staff have been contacted by numerous tenants describing the negative impacts and seeking assurances and relief from the Port in its capacity as a landlord. Of course, the ability to grant such assurances and relief must be balanced with the Port’s own financial health and obligations and its role as a trustee of public lands.

I have consulted with the City Attorney’s Office and the City’s Risk Manager in formulating this Directive. This Directive supports the Port’s Strategic Plan goal of stability by taking steps to retain the Port’s diversified tenant base during this unprecedented economic slowdown.

Under Charter Section B3.581(h) and Port’s Operating Grants of Authority (Port Commission Resolutions 80-99 and 80-112), the Port’s Executive Director is responsible for the management of all the affairs and activities placed under the jurisdiction of the Port Commission including general management, administration and enforcement of leases. In issuing this Directive, I also rely on Port Commission Resolution 10-01, which delegates authority to the Executive Director to settle unlitigated claims of up to \$25,000 provided that the City Attorney approves such settlements.

Directive

The Port is in a position to assist tenants with immediate temporary relief to allow them to keep their businesses operational and their workforce in place for when these extraordinary orders are lifted. This Directive is intended to alleviate some financial pressure on tenants as we collectively face an uncertain period in fighting the Covid-19 virus outbreak over the coming weeks and months. Current projections of the course of the Covid-19 outbreak and the measures taken to protect public health indicate this situation will extend beyond the period covered by this Directive. Port staff will monitor Mayoral Orders and Health Department Orders and other developments and will supplement this Directive as needed, and in consultation with the Port Commission when it resumes regular meetings. In short, this is a temporary bridge to a more comprehensive and targeted rent relief policy once Port staff has an opportunity to study the impacts of this situation and the policy response from federal, state and City governments.

As with the Citywide Policy and the Eviction Moratorium Order, the Port is taking this action in acknowledgement that its ability to generate revenues to fulfill its public stewardship mission is directly related to the health of its tenant businesses and their ability to pay rent. In most scenarios where a tenant is in danger of default and seeking a workout plan, Port staff must weigh the foregone revenues against the potential costs, lost revenues and disruption resulting from a tenant default and/or bankruptcy. In our experience, in many instances, providing a benefit in terms of temporarily deferring rent payments during a tenant's cash crunch (subject to repayment later) results in better long term and more stable revenues to the Port than strict adherence to the lease terms which would dictate an eviction action and the need re-lease the property.

With that experience as our guide, the Port must now confront this unprecedented economic challenge using our best professional judgment.

1. Actions:

Under this Directive, Port staff will waive all late charges, default interest and associated penalties and fees for any delinquent rent payments that were or are due for use of Port property during the period of March 1 through April 30, 2020. Port staff will also follow the policies and timeframes set forth in the Eviction Moratorium Order with respect to the initiation of any default enforcement or eviction process due to the failure to pay rent owed under any commercial lease due to the impact of COVID-19 while the Eviction Moratorium Order is in effect. Further, between now and April 30, 2020 the Port will not issue any Three Day Notice to Pay or Quit for nonpayment of any portion of rent due during the period of March 1 through April 30, 2020 due to the impact of COVID-19.

These actions are intended to give tenants confidence in being able to retain their leasehold while they use their financial reserves on immediately pressing operational needs to remain solvent. All tenant rent is still due and payable in accordance with the applicable lease, license or other agreement; as such the Port will be issuing invoices in its normal course of business.

2. Lease Obligations and Payment Provisions:

The relief offered by this Directive is contingent upon the tenant's continued compliance with all lease obligations other than the payment of rent (such as maintenance and repair obligations and percentage rent reporting obligations), the tenant's resumption of normal timely rent payments on May 1, 2020 and payment of any rent arrearages (including for March and April 2020) in full no later than June 30, 2020 (subject to any extension of these deadlines and/or additional relief as noted above). Any amounts not paid in full as of June 30, 2020 would then be subject to interest and penalties from and after that date (subject to any further relief action taken by the Port before that date).

If a tenant is unable to fulfill non-monetary lease obligations due to impacts from the current emergency situation, Port staff will address those issues on a case-by-case basis. The forbearance program outlined in this Directive does not change the terms or conditions of any lease or other Port agreement.

This Directive will not affect ongoing lease enforcement actions or lease enforcement actions for defaults not related to the current emergency. For any tenant claiming the benefit of force majeure or similar provisions in its lease, those provisions will control.

3. Reporting:

Port staff will monitor rent collections and tenant operational conditions during this time and will track and report on the amounts deferred under this Directive and the parties that received relief. This information will be provided to the Port Commission as soon as possible, but no later than the next Port Commission meeting. Currently any concessions, amendments or other deferrals with a value of \$25,000 or more require Port Commission approval. Though this outcome is not expected due to the scope and timing of the relief, Port staff will monitor and advise management of any case where the amounts deferred approach \$25,000.

4. Other Sources of Relief:

Staff is directed to work with the Risk Manager to document and seek recovery from any possible private or public insurance program or other assistance that is forthcoming in the ongoing response to this situation. Tenants have been and should continue to be encouraged to investigate any coverage available to them under any business interruption or similar policies or programs along with public assistance efforts.

5. Eligibility:

This Directive applies to all leases, licenses and other agreements to use Port lands. This Directive also applies to our Maritime agreements with excursion operators and other similar maritime tenants. This Directive does not apply to MOUs with City departments, lay berthing agreements, and berthing agreements for small vessels at South Beach Harbor. In any scenario where a Port tenant has subleased some or all of its space, including master tenants, such relief will only be available to the extent that the Port's tenant has offered equivalent relief to the subtenant(s).

Analysis

The Port has engaged in similar rent relief efforts due to economic conditions in the past, notably including the 2016 Crab Industry Relief Program that among other things provided three months of rent forgiveness to the crab fishing industry in the face of the severely truncated crab season that year. There, as here, the goal was targeting assistance to help the industry survive so that it can endure the current challenges and regain its footing and ability to generate rent revenues for the Port in the future.

The impact of the specific actions proposed here will be primarily felt in the Port's cash flow and timing of receipts, depending on how many tenants take advantage of this relief. Based on tenant communications to date, the Port's cash flow is going to be impacted regardless, especially with regard to percentage rents and parking revenues. Port staff will continue to monitor these trends and report to the Port Commission. It is notable that the Port's budget does not assume recoveries for default interest or late fees as a source. In the most recently completed fiscal year (FY 2018-2019) this source amounted to 0.1% of Port revenues.

It is important to note that this Directive is simply an initial measure shifting the timing of otherwise due rent payments. In the current regulatory environment the Port fully expects that further deferrals and/or installment payment plans (with interest) will be worthy of consideration. This is especially the case with regard to certain Port tenant classes that support the Port's trust mission. In developing these strategies it will be

important to understand those tenants' plans as well as the overall economic and regulatory environment so that Port staff can strike the appropriate balance to safeguard the Port's revenue needs as described above.

As further actions become warranted, Port staff will communicate as much as possible with affected tenants and the Port Commission so that appropriate financial decisions can be made. As always, the goal is to take the steps that provide the best opportunity to regain the Port's economic footing at such time when the disease no longer necessitates these impactful defensive measures.

VIA EMAIL

March 30, 2020

Chair Betty T. Yee
California State Controller
300 Capitol Mall, #1850
Sacramento, CA 95814

Eleni Kounalakis
Lieutenant Governor
State Capitol, #1114
Sacramento, CA 95814

Keely Bosler
Director of the California Department of Finance
913 L Street
Sacramento, CA 95814

RE: Economic Relief to Seaports for COVID-19 Impacts

Dear State Lands Commissioners,

On behalf of the San Diego Unified Port District (District), I am writing to seek emergency direct financial assistance from the State of California. It is our hope that the State Lands Commission, as our oversight body, can help shepherd that request to the Governor's Office.

The Port of San Diego is a self-funded special district created by the State of California. The District collects no tax dollars, instead funding its operations and services through leases and other business agreements with tenants along the waterfront. These services funded by these revenues include public safety, economic development activities, and supply chain transportation services that are critical for our region, state, and nation especially in the midst of this pandemic.

Now, as a direct consequence of COVID-19, the hospitality and maritime trade economic activity that generates the revenues necessary for our mission-critical work has dropped into dramatic decline and **we currently estimate potential lost revenue of at least \$30 million across every major revenue category for the Port District as a result of the pandemic over the next four months** and we expect revenue losses to continue through the rest of calendar year 2020. Again, we receive no tax funds to help back stop us during this crisis.

This perfect storm has caused projected District revenues to fall in a number of areas based in part on industry information, information provided by our tenants and partners, and the number of current District tenants that have temporarily closed:

- The Port District's concessions revenues from hotels, restaurants, retail, and attractions is expected to fall by \$22.4 million for the fiscal year, which is 19% below FY2020 budget levels. **This is a result of a predicted drop of nearly 50% for these revenues beginning in March and extending through June.**

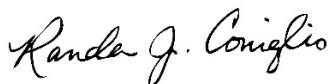
- Parking revenues from people visiting the Port Tidelands are expected to fall by \$3.8 million for the fiscal year, which is 23% below FY2020 budget levels. **This is a result of a predicted 80% drop in these revenues beginning in March and extending through June.**
- Maritime cargo and cruise revenues are expected to fall by 12%, or \$4.8 million, below FY2020 budget levels. **This is a result of a predicted 35% drop in these revenues beginning in March and extending through June.**
- Already, direct revenue loss to the District from **impacts to cruise business is over \$1,000,000**. Not only does this impact the District directly, but also represents a \$26.2 million impact to the San Diego region.

We are worried about the impact this crisis is having on worker retention around the Bay. People from around the region work in 800 businesses of all sizes along the District's waterfront including a convention center, 2 cargo terminals, 2 cruise terminals, 18 major hotels and resorts (with nearly 8,000 rooms), 20 marinas and related facilities, a commercial shipping fleet, 4 shipyards, and 105 restaurants. **Many of these tenants are seeking financial help from the District that we may not be able to provide without help from the State.** Additionally, we are wrestling with how to reduce expenses without severely impacting our environmental responsibilities. Even though we have built a responsible rainy-day reserve and have begun the difficult process of reducing expenses, the District faces a significant financial crisis as we expect our industries – which were among the first hit – to suffer through the rest of the 2020 calendar year.

Now more than ever, historic public partnerships among government agencies – such as the state government and California's public ports – must be bolstered to confront what lies ahead. **The District is asking Sacramento for \$30 million in direct assistance** to confront the threat of COVID-19 and to mitigate associated impacts. Unlike the State and many ports (that are divisions of their cities), the Port of San Diego is ineligible for federal Corona Virus Relief funds in Title VI of the recently passed stimulus package that are being distributed as block grants to the State and large cities around California. While we know that the state is experiencing its own financial pressures, the magnitude of our ask is small but will make a significant difference for the District, our tenants, and our workers along the waterfront.

Thank you for your leadership and willingness to work with the District in our responsibility to serve the public good and fulfill our economic and environmental mission. For more information, please feel free to contact my office at (619) 686-6201 or call Job Nelson, our Chief Policy Strategist, at 619-430-0953. The Port of San Diego stands ready to help in any way possible and is grateful for your support.

Sincerely,



Randa J. Coniglio
President/CEO
San Diego Unified Port District

cc: Jennifer Lucchesi, Executive Director, State Lands Commission
Senate President Pro Tempore Toni Atkins