

August 23, 2012

San Diego Unified Port District
Government Relations
P.O. Box 120488
San Diego, CA 92112-0488
Attn: **Ms. Michelle White**

Subject: Mitigation Stakeholder Team, Letter of Interest

Attachments:

- 1. Mitigation Stakeholder Team (MST), Pond 20 Letter of Interest**
- 2. MST Pond 20, Letter of Support, San Diego Port Tenants Association**
- 3. MST Pond 20, Letter of Support, WILD COAST, SWIA, and EHC**
- 4. MST Pond 20, Letter of Support, Sunroad Enterprises**
- 5. MST Pond 20, Letter of Support, Hornblower Cruises and Events**
- 6. MST Pond 20, Letter of Support, BAE Systems**

Dear Ms. White:

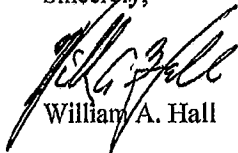
Ms. White, it is with considerable pleasure that the Mitigation Stakeholder Team (MST), submits the attached Letter of Interest for development of Pond 20.

We have collectively developed concepts approved and endorsed by a disparate Team of stakeholders that includes the following:

- The San Diego Port Tenants Association
- Sunroad Enterprises
- WILD COAST
- Hornblower Cruises and Events
- BAE Systems
- The Environmental Health Coalition
- Southwest Wetlands Interpretive Association

For your convenience, I have included letters of support that we have received thus far relative to our Letter of Interest. We look forward to further discussion as you consider the potential merits of our approach and we stand ready to assist the Port and the Port's evaluation Team in your deliberations.

Sincerely,



William A. Hall

On behalf of the Mitigation Stakeholder Team

Letter of Interest

MITIGATION STAKEHOLDER TEAM (MST)

**HABITAT MITIGATION AND RESTORATION PROPOSAL FOR POND 20
WITH ECONOMIC AND COMMUNITY BENEFIT FOR THE CITIES OF SAN DIEGO AND IMPERIAL BEACH**

Section 1: Conceptual Project Description:

a. Type of Improvements –

- Mitigation—Creation of a Port-oriented mitigation bank that complies with the Army Corps of Engineers' *Compensatory Mitigation Rules for Losses of Aquatic Resources*. Mitigation opportunities at Pond 20 would likely work to restore eelgrass, shallow sub-tidal, intertidal and wetland/upland transition habitat and the diversity of species that depend on this habitat range. These habitat types are most often impacted by Port, Port Tenant, or Navy projects, and are the most difficult to mitigate.
- Adaptation—Where appropriate, a significant portion of Pond 20 should be designed to create new marsh and sub-tidal areas to offset the expected loss of salt marsh and shallow-water habitat in the Bay and to re-create the carbon sinks that have been diminished due to loss of marsh habitat.
- Community Access –
 - Removal of the Pond 20 perimeter chain link fence for the length of the Palm Avenue segment
 - Construction of a multi-use, path for walkers, cyclists, and accessible to those with disabilities, similar to the broader Capital Improvement Project proposal submitted by WILDCOAST. This path will connect the western end of the Otay Valley Regional Park to the new Bikeway Village at the end of 13th St.
 - Construction of low sitting walls or benches located on the multi-use path
 - Incorporation of interpretive signage, focused on the historical land use, San Diego Skyline, ecology of south San Diego Bay, and/or the role of the Unified Port of San Diego in managing public state trust lands and tidelands
 - Enhanced trash mitigation and vegetation management
 - Incorporation of publicly designed art at the site
 - Incorporation of an unobtrusive, north facing wildlife and skyline viewing platform that does not impede future economic development opportunities on Pond 20

b. Revenue Generation -

- The primary source of project revenue will be San Diego Port Tenant funded mitigation measures. The mitigation project development will be managed through a non-profit corporation, with corporate governance provided by a combined force of commercial project development and environmental stakeholders. Management costs will be minimized. Funds that normally would provide return on Investment (ROI) to commercial investors will be used for community benefit in Imperial Beach and south San Diego.
- In addition, the stakeholders participating in this initiative have enjoyed documented, historical success garnering grant funding to support both initial project implementation and the ongoing maintenance of regional habitat restoration projects.

- c. **Community Benefits – Economic, Mitigation, Benefits to the Local Communities**
 - The Stakeholder Team will develop and provide the Port with plan objectives, project characteristics, and a funding plan that will create direct economic, environmental, and aesthetic benefits to the communities of Imperial Beach and the southern portion of the City of San Diego (District 8). These benefits could include:
 - Revenue sharing between the Port, the City of San Diego, and City of Imperial Beach, acquiring proceeds from the sale of mitigation credits.
 - Funding for a self-sustaining endowment to ensure that the restored habitat on Pond 20 shall be permanently and adequately maintained over time, and will contribute as a high-functioning mitigation and community enhancement asset.
 - Funding for either on-parcel or perimeter development in concert with the primary use of the site as a mitigation site supporting native habitat restoration.
 - On-site uses could include features such as a kayak dock, bike and walking refreshment areas or an eco-tourism based facility.
 - Off-site development could include more aggressive development such as an eco-tourism hotel and dining facilities. As the “gateway to the south county beaches”, recreation/visitor serving businesses that reflect that theme could be developed.

Section 2: Project Suitability -

- a. The regulatory hurdles to develop Pond 20 as a commercial property are formidable and perhaps insurmountable. Pond 20 lies in the historic Otay River channel, has floodplain status, current nesting of federally listed species under the Endangered Species Act, and is subject to liquefaction.
- b. Natural resources, particularly salt marsh, are threatened by future sea level rise. The Unified Port District of San Diego has committed to adopting and implementing a meaningful Climate Mitigation Adaptation Plan. Pond 20 survives as one of very few areas available to support salt marsh, shallow-water, intertidal, and wetland/upland habitat replacement.
- c. Mitigation opportunities for existing Port Tenants are extremely limited. The lack of mitigation options will impact the pace of revenue-generating development within the Port District.
- d. The mitigation project will address habitat protection, development features as outlined in Section 1 above, and the economic needs of the Port and stakeholder cities.
- e. Final Conceptual Development Plan Apportionment will be determined after the master planning but will include the following uses:
 - Habitat Mitigation Bank
 - Grant-based habitat and public access features
 - Public paths, recreational access routes, educational and viewing facilities
- f. Estimated apportionment:
 - Climate adaptation, mitigation and grant-based habitat restoration: 85 percent
 - Structured public access: 15 percent
 - Promenades, channel restoration, paths, and viewing platforms

Section 3: Cost and Financing

Economic Incentives for the Port and Port cities - The Port will receive economic benefit:

- a. Development Projects throughout the San Diego Port Tidelands will be enabled and over time, generate incremental revenue moving forward more easily with a tangible, dedicated mitigation bank.

- b. Unlike a uni-dimensional project, the MST Pond 20 Initiative will enable a chain of viable Port projects, new tenant investment, and incremental development that will support ongoing investment and facility improvements that will, in turn, spawn new Port revenues.
- c. Funding that otherwise provides investor return on investment would be generated to support community benefit, including other Tideland projects and projects immediately adjacent to or complementing Port development.

With the right combination of project stakeholders, the opportunities to obtain a combination of private and public funding through grants, tenant and prospective tenant contributions, are substantial.

The initial cost to create the mitigation bank plan, the habitat restoration design, and the near-term execution of early phased mitigation projects shall be provided, in large measure, by tenants with known or anticipated mitigation requirements.

In addition, the environmental community stakeholders participating in this initiative have enjoyed documented, historical success garnering grant funding to support both initial project implementation and the ongoing maintenance of the regional habitats. Grant funds will have defined limitations and will primarily be established for habitat restoration in distinct zones within Pond 20. Grants received will help accelerate the process of habitat creation, in synch with the mitigation projects.

Section 4: Stakeholder Consideration

A Mitigation Stakeholder Team will define and develop the guidance and direction for the project. Our Team was deliberately structured to ensure that the major regional and Port stakeholders were not simply considered, but would have ongoing involvement in the Pond 20 project development efforts.

Before designating members of our Mitigation Stakeholder Team we reviewed the history of the Pond 20 location, interviewed members of the EHC, WILD COAST, the Audubon Society, Southwest Wetlands Interpretive Association, current and former Port staff members, elected and appointed officials from the City of Imperial Beach, San Diego County, the City of San Diego, and the Port of San Diego.

We reviewed much of the literature developed by the stakeholder organizations spanning a period exceeding the last decade. We successfully and thoroughly interviewed individual members of the public that have engaged in the outreach process for the property designated as Pond 20.

Our permanent Stakeholder Board includes representatives designated by:

1. Environmental Health Coalition/Southwest Wetlands Interpretive Association
2. WILD COAST
3. San Diego Audubon Society
4. The San Diego Port Tenants Association
5. South County Economic Development Corporation
6. The City of Imperial Beach (ex-officio)
7. San Diego Unified Port District, Environmental Department (ex-officio)
8. San Diego City Council District 8 (ex-officio)
9. US Fish and Wildlife Service (ex-officio)

Further, our Team will facilitate regular, noticed, outreach sessions to solicit additional public input, provide status and progress reports on site habitat and adaptation measures at least quarterly until the initial development phase is completed. We will coordinate with Port staff to provide website updates on project progress, contact data for key stakeholders, and develop the necessary public outreach sessions.

Section 5: Profile of Team Partnership

The following describes both the team members that will serve as members of the permanent stakeholder governing Board as well as those Team Members that will engage in mitigation and habitat restoration support efforts.

Our MST Governing Board includes representatives designated by:

- Environmental Health Coalition/SWIA
- WILDCOAST
- San Diego Audubon Society
- The San Diego Port Tenants Association (Current Board Chair and Executive Director)

Additional Governing Board Members shall include:

- San Diego Port Tenants with funding and project development responsibility (1 representative from each commercial entity). As of this date, the following San Diego Port Tenant activities have expressed substantial interest in utilizing the Mitigation Bank and, consequently providing the majority of the project funding:
 - San Diego Gas and Electric
 - BAE Systems
 - Hornblower Cruises
 - Sunroad Development
- San Diego Port Commission Emeritus (One each)

We have attached letters of support from the stakeholder organizations, as well as major supporting entities from the San Diego region.

Section 6: Process to Implement:

- a. Port selects the Mitigation Stakeholder Team (MST) Adaptation and Mitigation Proposal for Pond 20.
- b. Port and MST conduct Master Planning for Pond 20 to determine the types and acreage of adaptation and habitat mitigation areas.
- c. The MST supports the Port as it pursues and secures approval of the MST Mitigation Bank with the regulatory and oversight agencies.
- d. The MST presents and assists the Port, City of Imperial Beach, and City of San Diego (District 8) in the development of an economic mitigation agreement that supports the CMAP, tenant, and stakeholder requirements.
- e. Stakeholders pursue grant funding in support of initial project implementation and the ongoing maintenance of the habitat restoration projects.

BOARD OF DIRECTORS
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HORNBLOWER CRUISES & EVENTS
Richard Bartell, Vice Chairman
BARTELL HOTELS



SAN DIEGO PORT TENANTS ASSOCIATION

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Mark Bailey
CHESAPEAKE FISH COMPANY
Susan Baumann
BAU HSI & TOM HAN'S RESTAURANTS
Gregory Boeh
GB CAPITAL HOLDINGS, LLC
Terry Buils
BAE SYSTEMS SAN DIEGO SHIP REPAIR

* **Raymond Carpenter**
R.E. STAFF ENGINEERING
Paul Corso
PRO BUILD
Randy Dick
AMPCO SYSTEM PARKING
Thomas Driscoll
DRISCOLL INC.
Uri Feldman
SUNROAD ENTERPRISES
Tom Fetter
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SPORTFISHING ASSOCIATION OF CALIFORNIA

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William Hall
VIVISER
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Scott Hermes
SHERATON SAN DIEGO HOTEL & MARINA

Barrett Jung
DOLF FRESH FRUIT CO.
Eric Leslie
HARBOR ISLAND WEST MARINA
Giovanni LoCoco
KNIGHT & CARVER
Richard Luther
RICHARD LUTHER, ATTORNEY AT LAW

Beverly Mascari
ANTHONY'S SEAFOOD GROUP
Mike McDowell
ATLAS KONA KM
Mae McLaughlin
USS MIDWAY MUSEUM
Jack Monger
THE MONGER COMPANY
Steve Pagano
SAN DIEGO MARRIOTT MARQUIS & MARINA

* **George Palermo**
SAN DIEGO HARBOR EXCURSION
John Pasha
PASHA AUTOMOTIVE SERVICES
* **Edward Plant**
SAN DIEGO REFRIGERATED SERVICES
* **H.P. "Sandy" Purdon**
SHELTER COVE MARINA
Bill Roberts
SHELTER ISLAND BOATYARD
Todd Roberts
MARINE GROUP BOAT WORKS
John Schafer
MANCHESTER GRAND HYATT SAN DIEGO
Amber Starbuck
SDG&E
Bruce Walton
TERESMARK REPAIR CENTERS
* **Lee Wilson**
NORTHROP GRUMMAN CONTINENTAL MARITIME
Perry Wright
CONSIDINI & CONSIDINI

DIRECTOR EMERITUS

* **Arthur Engel**
* **Rick Ghio**
Douglas Manchester
Karen McElliott

STAFF
Sharon Bernie-Cloward
PRESIDENT
Sophie Silvestri
DIRECTOR OF OPERATIONS

* **SDPTA Past Chairmen**

August 15, 2012

San Diego Unified Port District
3165 Pacific Coast Highway
San Diego, CA 92112-0488

Subject: Mitigation Stakeholder Team, LOI Pond 20: Letter of Support

To the Leadership of the San Diego Unified Port District:

Mr. Darbeau, SDUPD Commissioners and Staff, the San Diego Port Tenants Association has reviewed and discussed, the concepts and benefits associated the Mitigation Stakeholder Team (MST), Pond 20 Letter of Interest (LOI) to the San Diego Unified Port District.

We strongly support the strategy captured in the LOI including the intent to utilize a significant portion of Pond 20 as a mitigation bank for the Port and Port Tenant projects, as well as the benefits that will accrue to the citizens of Imperial Beach, San Diego and the region.

Please approve and adopt the MST LOI, as presented, and move forward on this important effort.

Sincerely,

Sharon Cloward, President
San Diego Port Tenants Association

August 15, 2012

San Diego Unified Port District
3165 Pacific Coast Highway
San Diego, CA 92112-0488

Subject: Mitigation Stakeholder Team, LOI Pond 20: Letter of Support

To the Leadership of the San Diego Unified Port District:

Mr. Darbeau, SDUPD Commissioners and Staff, Sunroad Enterprises leadership team has reviewed and discussed the concepts and benefits associated the Mitigation Stakeholder Team (MST), Pond 20 Letter of Interest (LOI) to the San Diego Unified Port District.

We strongly support the strategy captured in the LOI including the intent to utilize a significant portion of Pond 20 as a mitigation bank for the Port and Port Tenant projects.

In addition, we are interested in utilizing the Pond 20 Mitigation Bank to permit Sunroad, project development in the Port Tidelands. The near-term availability of tidelands property for mitigation purposes should help expedite approval of our upcoming projects and consequently expedite the out-year revenue streams to the San Diego Unified Port District that may accompany our leasehold improvements.

Please approve and adopt the MST LOI, as presented, and move forward on this important effort.

Sincerely,



Uri Feldman

BAE Systems
San Diego Ship Repair
2205 East Belt Street
PO Box 13308
San Diego, California 92170-3308
619-238-1000

BAE SYSTEMS

In Reply refer to:
BAE SDSR Serial #12-462

August 16, 2012

San Diego Unified Port District
3165 Pacific Coast Highway
San Diego, CA 92112-0488

Re: Mitigation Stakeholder Team, LOI Pond 20: Letter of Support

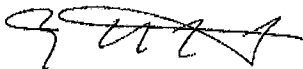
Mr. Darbeau, SDUPD Commissioners and Staff:

BAE Systems recently received Port approval to replace our Pier 4 and revitalize the southern end of our leasehold, replacing decade's old shoreline and other features. A component of that leasehold development includes a requirement for mitigation to construct the improvements in a manner that supports our current and future business plans. And, as you are aware, there are very limited opportunities to obtain necessary mitigation to support projects such as these that enhance the Port's assets and the attendant economic benefits to the region. In this regard, BAE Systems supports the concepts and benefits associated the Mitigation Stakeholder Team (MST), Pond 20 Letter of Interest (LOI) to the San Diego Unified Port District.

We strongly support the strategy captured in the LOI including the intent to utilize a significant portion of Pond 20 as a mitigation bank for the Port and Port Tenant projects and we are interested in utilizing the Pond 20 Mitigation Bank to permit additional future project development within our facility. The availability of tidelands property for mitigation purposes is a vital component to maintaining and growing our business and therefore requests that you consider the mutual benefit of this resource.

Please approve and adopt the MST LOI, as presented, and move forward on this important effort.

Sincerely,



Robert A. Kilpatrick
Vice President & General Manager
BAE Systems, San Diego Ship Repair

August 17, 2012

San Diego Unified Port District
3165 Pacific Coast Highway
San Diego, CA 92112-0488

Subject: Support for Mitigation Stakeholder Team, LOI Pond 20

Dear Chairman Smith and Port Commissioners:

WILDCOAST, Southwest Wetlands Interpretive Association (SWIA), and Environmental Health Coalition have reviewed and had input on the Mitigation Stakeholder Team (MST), Pond 20 Letter of Interest (LOI) to the San Diego Unified Port District and offer our support today.

We believe an approach like this has the best chance of improving the aesthetics and biological productivity in Pond 20 in a cost-effective and timely manner. We also believe this process is the best opportunity to develop a plan that is consistent with the stringent regulatory constraints at the site and the significant need for mitigation opportunities in the Bay.

The habitat mitigation bank, if designed to meet standards described in the LOI, will benefit existing Port Tenants and create some revenue stream for Imperial Beach and District 8. Other areas of restoration will help the Port meet adaptation and mitigation goals of its Climate Action Plan. It is also possible that carbon credits resulting from the restoration could be a revenue source.

It will be important that the stakeholder group prioritize and maximize the needs and benefits of the natural resources; the more sustainable projects can be, the better the resulting plan will be. Protection and restoration of this site is necessary due to the over 90% loss of wetlands in California. The ecological and economic services provided by these intact coastal salt marsh ecosystems are extremely valuable and irreplaceable.

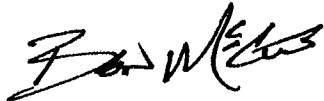
Properly designed, there is also opportunity for some of the perimeter public access components (bike path, walking trails, and overlooks) to be integrated into a comprehensive ecotourism plan that can facilitate more economic benefits on properties near Pond 20 and in Imperial Beach. This area provides a strong opportunity to link up the many recreational assets in the region including the Coastal Trail, Bicycle Village, Bayshore Bikeway, Palm Avenue, Otay River Trail connections, and proposed salt works historical staging area.

While public access must be restricted from sensitive habitat areas and mitigation banks, there are ways to design around critical habitat and still meet public needs. The development of a plan with multi-stakeholders offers the best opportunity to design with natural systems in a way that can benefit both the public and the natural resources we treasure.

Finally, we believe that a plan can be developed acceptable to the many local residents and neighbors who have requested that restoration and protection of this sensitive habitat be completed.

We request that you pursue the MST LOI and move forward on this important effort.

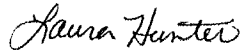
Sincerely,



Ben McCue
Conservation Director
WildCoast



Dr. Mike McCoy
Chairman
Southwest Wetlands Interpretive Association



Laura Hunter
Policy Advisor
Environmental Health Coalition

cc. Wayne Darbeau, President



HORNBLOWER
CRUISES & EVENTS

2625 FIFTH AVENUE, SAN DIEGO, CA 92103 TEL: 619-886-8700 FAX: 619-686-8733 hornblower.com

August 19, 2012

San Diego Unified Port District
3165 Pacific Coast Highway
San Diego, CA 92112-0488

Subject: Mitigation Stakeholder Team, LOI Pond 20: Letter of Support

To the Leadership of the San Diego Unified Port District:

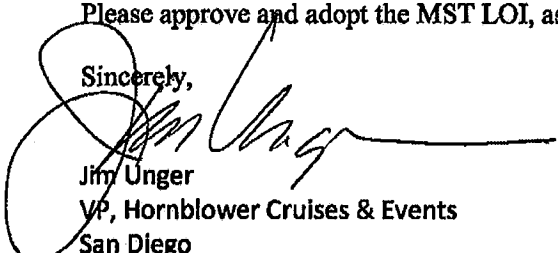
Mr. Darbeau, SDUPD Commissioners and Staff, Hornblower Cruises & Events has reviewed and discussed the concepts and benefits associated the Mitigation Stakeholder Team (MST), Pond 20 Letter of Interest (LOI) to the San Diego Unified Port District.

We strongly support the strategy captured in the LOI including the intent to utilize a significant portion of Pond 20 as a mitigation bank for the Port and Port Tenant projects. As you know, in the case of Hornblower's recent embarcadero dock construction project, the mitigation approval alternatives were very vague, and wrought with interagency conflicts.

We are interested in utilizing the Pond 20 Mitigation Bank to Hornblower Cruises & Events project development in the Port Tidelands. The near-term availability of tidelands property for mitigation purposes should help expedite approval of any upcoming projects and consequently expedite the out-year revenue streams to the San Diego Unified Port District that may accompany our leasehold improvements.

Please approve and adopt the MST LOI, as presented, and move forward on this important effort.

Sincerely,



Jim Unger
VP, Hornblower Cruises & Events
San Diego