

COASTAL CONSERVANCY

Staff Recommendation
March 26, 2015

**HISTORIC SHIP SAN SALVADOR RECONSTRUCTION:
AMENDMENT OF GRANT REPAYMENT PROVISIONS & AUGMENTATION OF
GRANT**

Project No. 07-076
Project Manager: Prentiss F. Williams

RECOMMENDED ACTION: Authorization to augment by three hundred thousand dollars (\$300,000) previous Conservancy grants to the Maritime Museum Association of San Diego, towards the construction of a replica of the historic ship *San Salvador*, and to delete a repayment requirement of five hundred thousand dollars (\$500,000).

LOCATION: City of San Diego, San Diego County

PROGRAM CATEGORY: Urban Waterfront Restoration

EXHIBITS

- Exhibit 1: [Project Location and Site Map](#)
Exhibit 2: [Map of North Waterfront Area](#)
Exhibit 3: [September 20, 2007 Staff Recommendation](#)
Exhibit 4: [March 29, 2012 Staff Recommendation](#)
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RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 31300 - 31316 of the Public Resources Code:

“The State Coastal Conservancy hereby augments its authorizations of September 20, 2007 and May 11, 2012 to the Maritime Museum Association of San Diego by three hundred thousand dollars (\$300,000) to enable completion of a replica of the historic ship *San Salvador*. Additionally, notwithstanding the previous Conservancy authorizations, the Association shall not be obligated to repay any of these funds granted by the Conservancy or interest accrued on them.

1. Prior to the disbursement of any additional Conservancy funds, the Association shall submit for review and approval of the Executive Officer of the Conservancy (Executive Officer) a budget, schedule, final designs and plans, and the names of any contractors and subcontractors to be engaged; and a signing plan for the finished project acknowledging the Coastal Conservancy funding.

*HISTORIC SHIP SAN SALVADOR RECONSTRUCTION:
AMENDMENT TO GRANT REPAYMENT PROVISIONS*

2. The Association shall acknowledge the Coastal Conservancy's funding on educational materials, advertisements, and publications associated with the *San Salvador* in a manner that shall be approved in advance by the Executive Officer of the Conservancy."

Staff further recommends that the Conservancy adopt the following findings:

"Based on the accompanying staff report and attached exhibits, the State Coastal Conservancy hereby finds that:

1. Except as provided above or in the accompanying, current staff recommendation, the project remains consistent with the Conservancy's authorizations and staff recommendations of September 20, 2007 and March 29, 2012, attached respectively as Exhibits 3 and 4 to the accompanying staff recommendation.
2. The proposed project is consistent with the Project Selection Criteria and Guidelines adopted by the Conservancy on October 2, 2014."

PROJECT SUMMARY:

Staff is requesting authorization to augment a grant made previously by the Coastal Conservancy to the Maritime Museum Association of San Diego ("the Grantee") for the construction of a replica of the historic ship *San Salvador*, by disbursing an amount not to exceed \$300,000, and to modify the existing grant agreement to eliminate the repayment provision. This authorization will increase the total amount disbursed to the Grantee from \$1,500,000 to \$2,300,000.

On September 20, 2007, the Conservancy authorized the disbursement of an amount not to exceed two million dollars (\$2,000,000) to the Grantee for the construction of a replica of the historic ship, *San Salvador*, the flagship for the expedition of Juan Cabrillo in 1542 from New Spain (Mexico) to California and the first European ship to explore and survey the California coastline (Exhibit 2). This grant was intended to provide a portion of the total construction costs, which at the time were estimated to be approximately \$6,000,000.

The original authorization included a requirement that the Grantee repay the Conservancy \$750,000 of the total \$2,000,000 grant within two years of completion of the project or by December 30, 2013, whichever came earlier. However, the commencement of construction was delayed because fundraising for the rest of the construction costs took longer than anticipated. Once construction began, the Grantee experienced further delays and cost overruns because of the difficulty in obtaining certain materials necessary for constructing an historically accurate replica of a 14th century sailing vessel. The ultimate result of all these factors was that total project construction costs increased substantially and the construction schedule was extended by two years. Because of these factors, the Grantee requested, and the Coastal Conservancy authorized on March 29, 2012, the modification of the original grant agreement reducing the amount that the Grantee would be required to repay to the Coastal Conservancy from \$750,000 to \$500,000, reducing the interest rate on the loan, and extending the loan repayment period by two years (Exhibit 3).

Construction of the replica *San Salvador* is now nearing completion but total project costs have now increased from approximately \$6,000,000 in 2007 to \$11,200,000. Although a large proportion of the total construction costs have been provided through donations of labor and

*HISTORIC SHIP SAN SALVADOR RECONSTRUCTION:
AMENDMENT TO GRANT REPAYMENT PROVISIONS*

materials, the total cash need for the project has increased to \$6,200,000. Additionally, private fundraising efforts have not kept pace with the Grantee's expectations, further increasing the Grantee's cash shortfall. For this reason, the Grantee is requesting another \$300,000 from the Conservancy to complete the construction of the *San Salvador*.

The funds requested will be used to cover costs associated with the finishing of the ship's interiors, rigging, and sails; the purchase of safety equipment and life rafts; costs associated with the completion of the caulking of the ship; the purchase of any additional ballasting required; the installation of mechanical, plumbing, and electrical systems; the purchase of navigational equipment; the purchase of *San Salvador's* tender/rescue boat as directed by the U.S. Coast Guard; and the acquisition of artifacts that will be used to illustrate maritime life in the ship's various interpretation modes. Conservancy funding will also be used to support the technical and engineering costs incurred in the physical launch of the ship. On April 19, 2015 the partially completed *San Salvador* will be towed over land 2.5 miles from the current construction site at Spanish Landing to the Maritime Museum where it will be lifted into the water by crane for berthing while the final work is completed.

Because it was not able to raise sufficient grant funds to cover the total cash need for the completion the *San Salvador*, the Grantee borrowed funds from private sources as well as from the Conservancy in order to keep the construction of the *San Salvador* progressing on schedule. This has brought the total project indebtedness up to \$1,000,000, a level that will be difficult for the Grantee to repay.

In 2007 and again in 2012, the Grantee stipulated that the primary source of repayment of the Conservancy's loan was to have been the revenue produced by admission fees to the completed replica *San Salvador*, along with additional revenue generated by renting the vessel for private functions and through fundraising events held aboard the completed vessel. However, none of this revenue can be realized until the vessel is completed and launched and even then, the revenue can only be generated while the vessel is berthed at the Maritime Museum.

A major component of the Grantee's mission is education. To that end, the *San Salvador* will be sailed to ports along the coast of California over the years following its completion. The Grantee has consummated partnerships with seventeen hosting organizations in twelve California ports, ranging from Ocean Institute in Dana Point, to California Maritime Academy in Vallejo and the California and Railroad Museums in Sacramento. In each of these locations, *San Salvador* will be the locus of exhibitions, first person interpretations, theatrical performances, and an immersive experience for hundreds of thousands of public visitors and school children annually. While the *San Salvador* is performing this component of the Grantee's mission, it will not be at the Maritime Museum generating gate revenue. The Grantee has therefore had to greatly reduce earlier estimates of the amount of additional revenue the vessel will generate over its lifetime.

Taking all of the factors discussed above into account, the Grantee is requesting to be relieved of its obligation to repay any portion of the \$500,000 Conservancy loan as currently agreed.

Site Description: The *San Salvador* would be permanently berthed at the San Diego Maritime Museum, along San Diego's northern waterfront. The site is very accessible and visible from downtown, as well as from most flights arriving at San Diego Airport. The museum consists of a number of historic ships and replicas, including the *Star of India*, a massive iron-hulled ship from the 1860s; the *Berkeley*; the *Californian*; the *Surprise*; and others. Each ship features galleries and exhibits relating to maritime history, California history and local culture. The

*HISTORIC SHIP SAN SALVADOR RECONSTRUCTION:
AMENDMENT TO GRANT REPAYMENT PROVISIONS*

addition of the *San Salvador* replica will further enhance this popular waterfront museum and be an impetus for other major physical restoration projects now being planned along the waterfront. The ship will also be shared with other coastal cities, perhaps encouraging other waterfront restoration efforts.

PROJECT FINANCING

Coastal Conservancy	\$2,300,000.00*
Private Cash Donations/Other Grants	3,800,000.00
Donations of Materials & Labor	<u>5,100,000.00</u>
Total Project Costs:	\$11,200,000.00

**\$1,500,000 existing grant, \$500,000 loan forgiveness, plus \$300,000 additional funding currently requested*

\$1,500,000 of the current grant was made from the “Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84), as will be the \$300,000 grant included in this request. Consistent with the purposes of this funding source, the proposed project would be funded by the Coastal Conservancy pursuant to Division 21 of the Public Resources Code, and would entail development, preservation and interpretation.

The \$500,000 reimbursable grant, which will be converted to a non-reimbursable grant by the proposed action, was provided from the Conservancy’s FY2009/10 and 2010/11 appropriations from the Coastal Access Account. Consistent with the purposes of this funding source, the proposed project would provide a grant to a private, non-profit organization for the development a new facility that will provide public access to the coast.

**CONSISTENCY WITH CONSERVANCY'S
STRATEGIC PLAN GOAL(S) & OBJECTIVE(S):**

The proposed action supports Goal 3, Objective B of the Conservancy’s 2013 Strategic Plan concerning coastal and inland waterfronts insofar as it implements a project that will help revitalize a coastal waterfront to provide significant public benefits and promote sustainable economic development. Consistent with Objective 3B, the addition of the *San Salvador* replica to the exhibits at the Maritime Museum of San Diego will that increase accessibility, create more inclusive access opportunities, encourage economic revitalization of a waterfront area, promote excellence and innovation in urban design, enhance cultural and historic resources and that are resilient in a changing climate.

**CONSISTENCY WITH CONSERVANCY'S
PROJECT SELECTION CRITERIA & GUIDELINES:**

In 2007, the original project proposal was found consistent with the Conservancy's Project Selection Criteria and Guidelines adopted January 24, 2001. New Project Selection Criteria and Guidelines were adopted by the Conservancy on October 2, 2014 which include additional

*HISTORIC SHIP SAN SALVADOR RECONSTRUCTION:
AMENDMENT TO GRANT REPAYMENT PROVISIONS*

criteria. The proposed project as augmented and amended in this staff recommendation is consistent with the additional criteria as follows:

Required Criteria

• **Promotion and implementation of state plans and policies**

By developing the San Salvador as a public facility located at the San Diego waterfront, the proposed project would serve to promote and implement the goals of several state plans including:

- *Coastal Act (1976)*, Public Resources Code Section 30210 on public access and recreation calls for “maximum access, which shall be conspicuously posted, and recreational opportunities shall be provided for all the people consistent with public safety needs and the need to protect public rights, rights of private property owners, and natural resource areas from overuse.”

- *California @ 50 Million: The Environmental Goals and Policy Report* (Governor’s Office of Planning and Research, 2013 Draft) Chapter 4 – Goals for California’s Future, which states that “investments in . . . safe, walkable communities are needed to provide viable alternatives to driving” in order to reduce greenhouse gas emissions (page 15).

• **Sea level rise vulnerability**

According to the San Diego Bay Sea Level Rise Adaptation Strategy, published in January, 2012 by ICLEI – Local Governments for Sustainability USA, the wharfs and marinas along San Diego Bay are “some of the most vulnerable facilities to sea level rise due to their proximity to the water.” Although located at sea level, the facilities of the Maritime Museum of San Diego are all floating and therefore not vulnerable to the flooding and inundation associated with sea level rise. All of the vessels and wharfs of the Maritime Museum are moored adjacent to the Embarcadero, which is currently approximately 2 meters above sea level at extreme high tide. Current estimates of amount of sea level rise in San Diego Bay at the location of the Maritime Museum are approximately 0.5 meters in 2050 to 1.5 meters in 2100 under daily conditions. According to these estimates the facilities of the Maritime Museum would not be vulnerable to flooding or inundation due to sea level rise. The facilities of the Maritime Museum may become more vulnerable to the impacts of coastal storms as sea levels rise; but San Diego Bay is well-protected from ocean swells, and the range of potential storm damage impacts from winds blowing across the full width of the harbor may be expected to remain relatively constant with sea level rise.