

COASTAL CONSERVANCY

Staff Recommendation

March 29, 2012

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

Project No. 07-076

Project Manager: Prentiss F. Williams

**RECOMMENDED ACTION:** Amendment of a resolution, adopted by the State Coastal Conservancy on September 20, 2007, to reduce the amount of total grant amount that must be repaid to the Conservancy by the San Diego Maritime Museum from \$750,000 to \$500,000, to reduce the interest rate charged, and to extend the repayment period.

**LOCATION:** City of San Diego, San Diego County

**PROGRAM CATEGORY:** Urban Waterfront Restoration

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**EXHIBITS**

Exhibit 1: Project Location and Site Map

Exhibit 2: September 20, 2007 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 amends its September 20, 2007 grant to the San Diego Maritime Museum Association for the construction of a replica of the historic ship *San Salvador* as follows:

The Association shall repay to the Conservancy \$500,000 of the grant amount, together with interest accruing on the outstanding balance at four percent (4.0%) per year, beginning on the date of disbursement of the funds to the grantee. The full amount, including interest, shall be repaid no later than two years following completion of the project, or by December 31, 2015, whichever is earlier.”

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, except with respect to the terms of repayment, the project remains consistent with the Conservancy’s action of September 20, 2007 (Exhibit 2 to the accompanying staff recommendation).”

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**PROJECT SUMMARY:**

Staff is requesting authorization to modify a grant agreement with the San Diego Maritime Museum Association (“the Grantee”), the terms of which were authorized by the State Coastal Conservancy on September 20, 2007 (Exhibit 2). At that time, 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. The Conservancy’s grant is providing a portion of the total construction costs, which will 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 14<sup>th</sup> century sailing vessel. The ultimate result of all these factors is that total project construction costs have increased by approximately \$1,000,000 and the construction schedule has been extended by two years.

Construction of the replica *San Salvador* is now proceeding satisfactorily pursuant to the revised budget and schedule and will be completed no later than December 30, 2013. However the increased project costs will make it difficult for the Grantee to repay the entire \$750,000 as originally agreed. The Grantee has therefore requested a reduction in the amount to be repaid to the Conservancy from \$750,000 to \$500,000, a reduction in the annual interest rate charged on the reimbursable amount from 5¼% to 4%.

The primary source of the repayment to the Conservancy identified by the Grantee is the revenue produced by admission fees to the completed replica *San Salvador*. The Grantee further expects to generate additional revenue by renting the vessel for private functions and through fundraising events held aboard the completed vessel. However, none of this revenue will be realized until the vessel is completed and launched. The Grantee has therefore requested an extension of the repayment period from December 30, 2013 to December 30, 2015.

Conservancy Staff has considered the Grantee’s financial situation and progress being made on the construction project and determined that current circumstances warrant the requested reduction in the repayment amount and interest rate and extension of the repayment period. Staff has further examined the Grantee’s revenue projections and concluded that they are realistic, based on current visitor numbers and the revenue streams generated from the existing exhibits at the San Diego Maritime Museum. Staff believes that the Grantee will be able to repay \$500,000 to the Coastal Conservancy on or before December 30, 2015. Staff has therefore concluded that the Grantee’s request can be accommodated and recommends that the State Coastal Conservancy adopt the proposed resolution.

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**PROJECT FINANCING**

<b>Coastal Conservancy</b>	\$1,500,000.00
	<i>(\$2,000,000 less \$500,000 to be reimbursed to the Conservancy)</i>
<b>Private Donations/Other Grants</b>	<u>4,503,214.00</u>
<b>Total Project Costs:</b>	<b>\$6,003,214.00</b>

The reimbursable portion of the grant would be provided from the Coastal Access Account.