Revision to ASR and/or Attachments

Date: 07/28/2026

To: Clerk of the Board of Supervisors

From: Thomas A. Miller, Chief Real Estate Officer, CEO Real Estate

Re: Control #: 26001513, Meeting Date: 08/11/2026, Agenda Item No. #: 31

Subject: Ground Lease Agreements for Dana Point Harbor

Explanation:

Delete RA#5 in its entirety.

The Background Information was updated to include Community Benefits, a Marina Inn refurbishment option with reversion to the original lease term, the Marina Inn employee transition plan, construction schedules for all project components, and remove language prohibiting the refurbishment of the Marina Inn and execution of a Memorandum of Understanding.

Attachments A, B, and C were updated to incorporate and align with these revisions and Attachment E was deleted.

Revised Recommended Action(s):

~~5. Approve and authorize the Chief Real Estate Officer or designee to execute the Memorandum of Understanding between the County and Dana Point Harbor Partners Drystack LLC, regarding the parties' intentions to negotiate a Drystack Ground Lease Amendment and lease at the OC Sailing & Events Center over the next 180 days, in substantially the form attached, with minor modifications that do not materially change the County's rights or obligations, upon approval of County Counsel.~~

Revised Background Information:

Make modifications to the:

The background information on the ASR is being replaced with the language below.

BACKGROUND INFORMATION:
On July 17, 2018, after a competitive Request for Proposal process, the Board of Supervisors (Board) approved an option agreement and ground lease agreements with Dana Point Harbor Partners (DPHP) and Dana Point Harbor Partners Drystack (DPHP Drystack) to implement a comprehensive revitalization of Dana Point Harbor (Harbor), representing over $700 million in private investment and encompassing these primary components: the Commercial Core, the Marina, the Marina Inn and Drystack. The master leases

were executed in October 2018 following completion of option requirements, transferring responsibility for operation, maintenance, and redevelopment of these Harbor components to DPHP, with CEO Real Estate and OC Parks jointly overseeing development progress and lease compliance (each an Original Lease and collectively, the Original Leases).

In April 2020, the Chief Real Estate Officer, acting under the delegated authority granted by the Board, executed COVID 19 Tolling Amendments, extending all project deadlines, except the lease term and required rent payments, for the duration of the County's State of Emergency. On March 8, 2022, the Board approved the Second Amendments to the Original Leases to support permitting and financing efforts by extending hotel construction start dates, authorizing an alternative repair program for the Marina Inn if hotel entitlements or financing could not be secured, and terminating the prior Tolling Amendments.

On December 19, 2024, the Internal Audit Department conducted an audit of the Original Leases (Audit No. 2408). The audit assessed whether reported gross receipts and rent were supported and whether DPHP and DPHP Drystack complied with key financial related lease requirements. Audit No. 2408 resulted in three recommendations. The Final Close Out Follow Up Compliance Audit confirmed that all key financial related lease requirements and audit recommendations were resolved.

Community Benefits

The Dana Point Harbor Revitalization (Revitalization) provides substantial public benefits focused on enhanced coastal access, expanded recreational and educational opportunities, increased community programming, and long-term economic sustainability. The Project advances modernization of Harbor assets through ongoing and planned improvements, including construction of new hotels, reconstruction of retail and dining areas, upgraded promenades, enhanced parkscape features, modernized marina facilities, and improved pedestrian connectivity, collectively creating a safer, more accessible, and more vibrant visitor-serving destination.

The Revitalization expands coastal access and pedestrian connectivity by improving walkways, waterfront connections, and circulation throughout the Harbor, supporting greater public use of the shoreline and visitor-serving areas. Significant recreational upgrades are achieved through new docks, slips, boater facilities, upgraded infrastructure, and parkscape enhancements. These improvements elevate the quality, safety, and reliability of marina operations while increasing capacity for day-use recreation and boating activities.

Community programming and youth engagement are strengthened through improved public spaces and expanded activity areas. Environmental Justice commitments required through the California Coastal Commission (CCC), including free or low-cost coastal access, youth boating programs, and outreach to underserved communities, further broaden equitable access to Harbor amenities. Visitors benefit from a more cohesive and enjoyable waterfront experience through upgraded public amenities, improved promenades, new dining and retail offerings, and modernized facilities that enhance comfort, safety, and usability.

The Revitalization also supports economic growth and local employment through construction activity, job creation, expanded visitor-serving uses, and new revenue streams. By shifting major maintenance responsibilities, operational duties, and related risk to DPHP, the Revitalization significantly reduces the County's long term operational burden and supports sustained fiscal stability over the lease term. Enhanced operational efficiency is also achieved through a unified Harbor operator and modernized facilities, improving tenant experience and strengthening the Harbor's role as a regional recreation and tourism destination.

Key Public Benefits include:

- Expanded coastal access and pedestrian connectivity
- Modernized docks, slips, boater facilities, and parkscape improvements
- Increased community programming, youth activities, and Environmental Justice outreach
- Enhanced visitor experience through upgraded waterfront amenities
- Strengthened tourism and local economic activity
- Reduced County maintenance obligations and long-term operational risk

To illustrate how these public benefits are being delivered throughout the Harbor, the following Development Update summarizes the substantial entitlement, construction, and financing progress achieved to date across the Marina, Commercial Core, Hotel Component, and Drystack,

Development Update

To date, DPHP and DPHP Drystack have secured entitlements for the Marina, Commercial Core, and, most recently, the Hotel Component, completing the entitlement process through both the City of Dana Point and the California Coastal Commission (CCC) after significant delays due to the COVID-19 pandemic and the CCC administrative review and approval process. Entitlements for the Drystack are under development to allow construction of a new dry storage facility and associated improvements.

The Commercial Core improvements are covered under Final EIR No. 591, which was certified by the Orange County Board of Supervisors on January 31, 2006, and are authorized through City of Dana Point Coastal Development Permit (CDP) 13-0018, with multiple Substantial Compliance Determinations issued by the City confirming ongoing consistency with the approved CDP. Construction of the Commercial Core began in early 2024 with the commencement of Phase 1 and Phase 2 improvements. Phase 1 delivered the new three level parking structure, which provides 984 stalls, including 93 dedicated boater spaces, along with amenities such as restrooms, showers, and a cart corral. Phase 2, which included utility infrastructure, landscaping, site work, and the new Golden Lantern extension, was completed in July 2025. Phase 3, consisting of the new waterfront buildings, began in early 2026. Phases 4 and 5, which include development of the Wharf buildings and the surface parking lot, are scheduled to begin later in 2026. Overall project completion for the Commercial Core is anticipated by the fourth quarter of 2027. Financing for the Commercial Core and Marina components was secured earlier this year.

The Marina Improvement Project is covered under Final EIR No.591 and authorized through CDP 5-19-0971 for waterside improvements and environmental clearance for all 17 phases of the Marina construction. Construction began in August 2022, and substantial progress has been made. The project continues to advance and is more than halfway completed, including construction of approximately 2,200 new slips and related dock improvements, 10 boater-service buildings, nearly 1,400 designated parking spaces, parkscape enhancements, and seawall and revetment repairs. As of the first quarter of 2026, dock phases 1 through 11 have been completed, with work underway on Phase 12. Work also continues in the Fuel Dock and Outer Basin areas, including the completion and commissioning of the Fuel Dock Underground Storage Tank replacement in March 2026. Overall completion of the Marina Improvement Project remains on schedule for the fourth quarter of 2027.

The Hotel Component is supported by the program-level Final EIR No.591 and the project-specific Dana Point Harbor Hotels Final EIR, which was certified by the City of Dana Point on June 23, 2025, with City CDP 19-0017 authorizing demolition of the Marina Inn and construction of the two new hotels and associated boater-service facilities. The Hotel Component includes the development of two new hotels: a 169-room-restricted select-service hotel and a 130-room full-service hotel with boater service facilities (Hotels). Final design and permitting efforts are underway and ongoing, with construction expected to begin third quarter of 2026. Financing for the Hotels has yet to be secured, and the Original Lease structure presents complexities for lender underwriting due to the fact that the Hotels are currently combined with the Commercial Core/Marina, which have already received financing. Establishing a separate ground lease for the Hotel Component would provide the structure to facilitate financing for the Hotels.

As the Marina Inn prepares for demolition to allow construction of the two new hotels, DPHP and the Hotel operator have planned for the orderly transition of existing hotel operations, including support for the 20 current employees who will be affected by the closure. The operator has stated that retaining existing staff is a priority and that eligible employees will be redeployed or repositioned into other hotels within its portfolio whenever possible. For employees for whom placement opportunities are not available, the operator will implement a structured separation process that includes payment of all accrued and eligible paid time off balances and a rehire eligible termination status, allowing affected employees to be considered for future employment opportunities within the organization. This transition approach is intended to support continuity for employees while redevelopment of the Hotel Component advances.

The Drystack landside improvements are covered under Final EIR No. 591 and authorized through City of Dana Point CDP13-0018(l), while the Drystack waterside improvements will be subject to a separate CDP, with an application targeted for submittal in the second quarter of 2026. DPHP is refining the landside layout with the goal of submitting updated plans for approval-in-concept in the second quarter of 2026, concurrent with preparation of the waterside CDP application. Operations at the Drystack remain ongoing during redevelopment, with management adjusting activities on the premises to accommodate construction-related work.

Construction Schedule
Commercial Core & Marina

Component	Required Construction Commencement Date	Construction Commencement Date	Planned Completion	Required Construction Completion Date
Commercial Core	January 2024	January 2024	Q4 2027	January 2030
Marina	August 2022	August 2022	Q4 2027	December 2030

Hotel Construction Schedule Comparison
Current Approved Schedule vs. Proposed Lease Schedule)

Hotel	Milestone	Current Approved Schedule	Proposed Schedule (New Lease)	Time Savings
Affordable Hotel	**Required Construction**	March 2028	October 2026	1 year 5 months

	Commencement Date			
	Planned Completion	March 2028	March 2028	No change
	Required Construction Completion Date	August 2032	August 2032	No change
Boutique Hotel	**Required Construction Commencement Date**	July 2028	December 2027	7 months
	Planned Completion	August 2030	June 2028	2 years 2 months
	Required Construction Completion Date	August 2032	August 2032	No change

Development Costs

The project's costs have more than doubled since the 2018 Request For Proposals (RFP) due to pandemic-related construction delays, inflation in labor and materials, supply-chain disruptions, and extended timelines for approvals and entitlements that pushed construction into higher-cost years. These combined factors significantly escalated costs across all components of the development.

Development Costs per Development Component	2018 RFP Projections	Current Projections
Marina	$108,938,650	$177,250,000
Drystack	$19,492,075	$31,929,909
Select-Service Hotel	$27,722,090	$65,291,539
Full-Service Hotel	$90,626,750	$159,628,228
Commercial Core	$91,043,222	$271,189,105
Total Development Costs	$337,822,787	$705,288,781

Proposed New Leases

At the request of DPHP, and to satisfy lender underwriting requirements, CEO Real Estate is presenting new ground lease agreements for Board approval: one for the Commercial Core and Marina Component, a stand alone ground lease for the Hotel Component, and an updated Drystack Lease to ensure consistency across all Harbor operations (collectively New Leases). The Commercial Core and Marina Components have already secured financing and are under construction; however, lenders have determined that the Hotel Component requires its own independent lease structure to qualify for financing and advance construction of the two approved Hotels. The Original Lease is encumbered by a loan that funds the Commercial Core and Marina Components but does not provide funding for the Hotels.

To establish a stand alone Hotel Ground Lease, DPHP formed a new affiliated entity, DPHP Hotels LLC, to meet lender underwriting requirements specific to hotel financing, as permitted by the Original Leases. DPHP Hotels LLC was formed by the existing members of DPHP and function as an affiliate under the

Original Leases, enabling the Hotel Component to secure financing independently while maintaining continuity with the established ownership structure.

Development of the New Leases reflects significant changes in project financing needs and the unique challenges experienced during the Dana Point Harbor revitalization process. While the Commercial Core and Marina Components have successfully secured financing, the Hotel Component has faced substantial delays over the past eight years due to the impacts of the COVID 19 pandemic and extended CCC review and approval processes. These delays have prevented the Hotel Component from accessing the financing necessary to begin construction. Establishing a stand-alone Hotel Lease is therefore essential to facilitate favorable financing opportunities, restore project momentum, and allow the Hotel Component.

Creating a stand alone Hotel Ground Lease allows the developer to pursue financing terms tailored to the hotel market. The Hotel Ground Lease incorporates a revised rent schedule that adjusts base rent obligations to reflect Consumer Price Index (CPI) based inflation during the years when the Hotel Component was unable to advance. The updated Annual Minimum Rent schedule reflects a 32.71 percent CPI increase from December 2018 to April 2026, which updates the County's revenue baseline for the first five operating years. These updated AMR values replace the prior 2018 schedule. In addition, the Hotel Ground Lease includes a performance based payment mechanism by which the County receives an additional twenty-percent (20%) of percentage rent during the first four Operating Years if the Full-Service Hotel achieves a net operating income (NOI) of at least one hundred fifty percent (115%) of the County approved pro forma NOI. This structure provides the County access to early year financial upside if the hotel performance exceeds current projections. The Hotel Ground Lease also provides rent abatement during construction and includes force majeure protections similar to those included in the Original Lease to ensure financing feasibility under current market conditions. The remaining Hotel Component Ground Lease provisions remain substantially the same as in the Original Lease.

The Commercial Core and Marina Lease has been updated to remove hotel related requirements that no longer apply to the Commercial Core and Marina Component, and to clarify the rent schedule to ensure the next base rent adjustment occurs in January 2028, consistent with the originally approved rent adjustment cycle. This preserves the County's intended adjustment timeline and protects anticipated revenue. Finally, the Drystack Lease will remain separate and will be amended and replaced concurrently to align its terms with the new Hotel and Commercial Core and Marina Ground Leases, ensuring consistency across Harbor operations. This alignment clarifies revenue streams, simplifies lender underwriting, and ensures that all three components of the Harbor function under a unified and modernized leasing framework.

Each resulting New Lease will have a 66 year term, which DPHP states is necessary to secure financing given the multi year delays associated with entitlement processing and the pandemic. DPHP indicates that approval of the New Leases will allow them to secure financing in the coming months and maintain a targeted hotel opening in 2028, ensuring that the Hotels, Commercial Core, and new Marina facilities are operational in time for the Los Angeles Summer Olympics. This schedule positions the County to accommodate elevated regional visitation; support increased economic activity and showcase a fully revitalized Harbor to an international audience. The approval of the new leases with full 66-year terms is available through Government Code section 25536(a), which authorizes the Board to lease the Harbor, by a four-fifths vote, when the leases will result in uses such as beach, park, amusement, recreational activities or commercial development. In addition, the Hotel Component Lease allows DPHP the option to refurbish the existing Marina Inn in the event that they are unable to secure financing for the two new hotels. In the event that they pursue this refurbishment, all of the Harbor leases will revert to their original lease term, which is 66-years from their original commencement on October 28, 2018.

CEO Real Estate is also seeking authorization for the Chief Real Estate Officer, or designee, to execute the Full-Service Hotel Ground Lease and the Select-Service Hotel Ground Lease, in substantially the forms attached to the Hotel Ground Lease, upon receipt of separate financing for each hotel. These provisions ensure that the two hotel leases can be executed promptly after financing is secured, preserving project schedule certainty and supporting timely commencement of construction.

Together, these actions ensure that all Harbor components operate under leasing structures that support financing feasibility, align with current economic conditions, and maintain consistency across project elements. Approval of the proposed New Leases will allow the Hotel Component to advance into construction and keep the overall revitalization effort on schedule.

New and/or Revised Attachments (attach revised attachment(s) and redlined copy(s)):

Attachment A - Master Ground Lease Hotel Component Lease with DPHP Hotels, LLC
Attachment B - Master Ground Lease Commercial Core and Marina Component with DPHP, LLC
Attachment C - Master Ground Lease Drystack with DPHP Drystack, LLC
~~Attachment E - Memorandum of Understanding with DPHP, LLC~~