

**FILE NUMBER: 2025-125**

**DATE:** Tuesday, April 15, 2025

**SUBJECT: Approval of a Change in Ownership of Safe Harbor Marinas, LLC, as 100% of SHM Cabrillo Isle, LLC, SHM South Bay, LLC, SHM Sunroad, LLC, and SHM Shelter Island, LLC, to BIP Poseidon Holdco L.P. and its Subsidiaries.**

**DESCRIPTION: Resolution Consenting to a Change in Ownership from Sun Communities to BIP Poseidon Holdco L.P. and its Subsidiaries, as 100% owner of Safe Harbor Marinas, LLC.**

**EXECUTIVE SUMMARY:**

Safe Harbor Marinas, LLC ("**SHM**") is a wholly owned subsidiary of Sun Communities, a publicly traded real estate investment trust specializing in manufactured housing and marina properties. Sun Communities previously acquired SHM in 2020 as part of a \$2.1 billion transaction. SHM currently operates 138 Safe Harbor locations in the United States and Puerto Rico.

Included in SHM's portfolio are the following District tenant entities of which SHM is the 100% sole owner: (a) SHM Cabrillo Isle, LLC ("**SHM Cabrillo Isle**"); (b) SHM South Bay, LLC, a Delaware limited liability company ("**SHM South Bay**"); (c) SHM Sunroad, LLC, a Delaware limited liability company ("**SHM Sunroad**"); and (d) SHM Shelter Island, LLC, a Delaware limited liability company ("**SHM Shelter Island**" and, collectively with SHM Cabrillo Isle, SHM South Bay, and SHM Sunroad, the "**Tenants**"). Collectively, the Tenants have the following six leases with the District (collectively, the "**Leases**"), all of which are on the District's current lease template:

- i. Second Amended and Restated Lease dated May 31, 2021 and recorded in the Office of the District Clerk as Document No. 72861 (as amended by Amendment No. 1 dated October 26, 2021 and recorded in the Office of the District Clerk as Document No. 73287 and Amendment No. 2 dated January 22, 2024 and recorded in the Office of the District Clerk as Document No. 76299, the "**Cabrillo Isle Lease**") between SHM Cabrillo Isle and Landlord;
- ii. Amended and Restated Lease dated December 13, 2021 and recorded in the Office of the District Clerk as Document No. 73446 (the "**California Yacht Marina Lease**") between SHM South Bay and Landlord;
- iii. Amended and Restated Lease dated November 1, 2022 and recorded in the Office of the District Clerk as Document No. 74684 (the "**CV Marina Lease**") between SHM South Bay and Landlord;
- iv. Lease dated March 23, 2021 and recorded in the Office of the District Clerk as Document No. 72382 (as amended by Amendment No. 1 dated November 1, 2021 and recorded in the Office of the District Clerk as Document No. 73299,

the “**Sunroad Marina Lease**”) between SHM Sunroad (as successor by assignment of Sunroad Marina Partners, L.P.) and Landlord;

- v. Amended and Restated Lease dated December 1, 2021 and recorded in the Office of the District Clerk as Document No. 73444 (the “**Sunroad Restaurant Lease**”) between SHM Sunroad and Landlord; and
- vi. Amended and Restated Lease dated May 17, 2021 and recorded in the Office of the District Clerk as Document No. 72862 (the “**Shelter Island Lease**”, and, collectively with the Cabrillo Isle Lease, the California Yacht Marina Lease, the CV Marnia Lease, the Sunroad Marina Lease, and the Sunroad Restaurant Lease, the “**Leases**”) between SHM Shelter Island and Landlord.

The corresponding District leaseholds include SHM Cabrillo Isle Marina, a 400-slip marina with landside improvements located in the West Harbor Island marina basin, two properties known as Safe Harbor South Bay that include a total of 959 marina slips as well as landside improvements in the Chula Vista marina basin, Safe Harbor Sunroad Restaurants, which includes the restaurants Coasterra, C Level, and Island Prime on East Harbor Island, Safe Harbor Sunroad Marnia, a 608 slip marina located in the East Harbor Island marina basin, and SHM Shelter Island Boatyard, a boat service yard located on Shelter Island.

BIP Poseidon Holdco L.P. (“**BIP**”), an affiliate of investment firm Blackstone, Inc. (“**Blackstone**”), has entered into an agreement to acquire 100% of the ownership interest of SHM for approximately \$5.65 billion (the “**Transaction**”). Included in the Transaction, which constitutes a “Change in Entity” under each of the Leases and requires prior District approval, are the aforementioned Tenants’ leasehold interests.

Blackstone brings significant financial strength, operational expertise, and a proven track record in infrastructure investment. Blackstone’s investment group has extensive experience managing and optimizing large-scale maritime and waterfront assets. Their deep capital resources and commitment to long-term value creation will help to ensure the continued maintenance and improvement of the aforementioned leaseholds, benefiting both the District and the San Diego boating community. Importantly, should the Transaction be consummated all existing SHM operations and staff will remain in place to maintain continuity of service, local knowledge, and the strong relationships that have been built with the community over time. SHM has confirmed that following the Transaction, SHM remains committed to moving forward with the proposed redevelopment projects of their Chula Vista leaseholds.

Each of the Leases provides that the Transaction constitutes a Change in Entity requiring District consent and also entitles the District to a participation fee of 2.5% of the gross proceeds associated with the Change in Entity under the Leases (the “**Participation Fee**”). The Participation Fee calculated from the ownership transfer of the six District properties totals \$6,318,654. (Attachment B – Participation Fee Calculation). As discussed further below, any District consent to the Transaction will be conditioned on the payment of the Participation Fee, SHM and BIP providing certain representations and warranties, and amending certain terms of the Leases.

The proposed Transaction is consistent with BPC Policy No. 355. In accordance with this policy, the District must be satisfied that the proposed new ownership group possesses adequate financial capacity, a solid reputation, and the managerial ability to operate the leaseholds successfully. Based on these considerations, staff recommends that the Board adopt a resolution consenting to a change in ownership from Sun Communities to BIP and its subsidiaries, as 100% owner of Safe Harbor Marinas, LLC .

### **RECOMMENDATION:**

Adopt a Resolution Consenting to a Change in Ownership from Sun Communities to BIP Poseidon Holdco L.P. and its Subsidiaries, as 100% owner of Safe Harbor Marinas, LLC.

### **FISCAL IMPACT:**

Upon the closing of the Transaction, the proposed Board action would result in the District receiving a \$6,318,654 payment in FY 2025.

This agenda item is subject to Board of Port Commissioners Policy No. 106 – Cost Recovery Fee Policy.

### **COMPASS STRATEGIC GOALS:**

This agenda item supports the following Strategic Goal(s).

- A Port that the public understands and trusts.
- A financially sustainable Port that drives job creation and regional economic vitality.

### **DISCUSSION:**

#### **Background**

SHM is the largest owner and operator of marinas and superyacht servicing facilities in the United States, managing 138 locations across the U.S. and Puerto Rico. SHM offers a comprehensive range of services, including boat storage, maintenance, and repair, catering to both recreational boaters and the yachting community.

The aforementioned four wholly owned subsidiaries of SHM – SHM Cabrillo Isle, SHM South Bay, SHM Sunroad, and SHM Shelter Island – currently operate the following six leaseholds on District tidelands pursuant to the Leases:

- i. SHM Cabrillo Isle operates a 400-slip marina located at 1450 Harbor Island Drive, San Diego, California, 92101 (Attachment A – Location Map, Page 1). The leasehold was assumed by SHM Cabrillo Isle, a wholly owned subsidiary of SHM, on April 21, 2016. The leasehold is comprised of approximately 704,902 square feet of water area and 123,538 square feet of land area. The Cabrillo Isle Lease with the District currently expires on February 29, 2044.

- ii. SHM South Bay dba Safe Harbor South Bay operates a 353-slip marina, located at 640 Marina Parkway Chula Vista California 91910 (Attachment A – Location Map, Page 2). The leasehold was assumed by SHM South Bay, a wholly owned subsidiary of Safe Harbor Marinas, on December 13, 2021. The leasehold is comprised of approximately 625,594 square feet of water area and 162,741 square feet of land area. The California Yacht Marina Lease with the District expires on June 30, 2032.
- iii. SHM South Bay dba Safe Harbor South Bay operates a 559-slip marina, located at 550 Marina Parkway Chula Vista, California, 91910 (Attachment A Location Map, Page 3). The leasehold was assumed by SHM South Bay, a wholly owned subsidiary of Safe Harbor Marinas, on November 1, 2022. The leasehold is comprised of approximately 856,522 square feet of water area and 223,549 square feet of land area. the CV Yacht Marina Lease with the District currently expires on November 30, 2030.
- iv. SHM Sunroad dba Safe Harbor Sunroad Marina operates a 608-slip marina, located at 955 Harbor Island Drive San Diego, California 92101 (Attachment A – Location Map, Page 4). The leasehold was assumed by SHM Sunroad, a wholly owned subsidiary of SHM, on August 16, 2021. The leasehold is comprised of approximately 1,056,263 square feet of water area and 259,090 square feet of land area. The Sunroad Marina Lease with the District currently expires on January 31, 2061.
- v. SHM Sunroad dba Safe Harbor Sunroad Restaurants operates three restaurants that total 1,140-seats, located at 880 Harbor Island Drive San Diego California 92101 (Attachment A – Location Map, Page 5). The three restaurants are the C Level Lounge, Island Prime, and Coasterra. The leasehold was assumed by SHM Sunroad, a wholly owned subsidiary of SHM, on December 1, 2021. The leasehold is comprised of approximately 104,422 square feet of water area and 145,979 square feet of land area. The Sunroad Restaurant Lease with the District currently expires on July 31, 2042.
- vi. SHM Shelter Island operates a 52-slip boatyard, located at 2330 Shelter Island Drive, San Diego, California 92106 (Attachment A – Location Map, Page 6). The leasehold was assumed by SHM Shelter Island, a subsidiary of SHM, on May 17, 2021. The leasehold is comprised of approximately 124,645 square feet of water area and 85,740 square feet of land area. The Shelter Island Lease with the District currently expires on September 30, 2044.

#### BIP's Proposal to Purchase the Ownership Interests in SHM

In February 2025, BIP entered into an agreement to acquire 100% of the ownership interests in SHM for approximately \$5.65 billion. Should the Transaction be consummated, the ownership of SHM would transfer from Sun Communities and its affiliates to BIP and its subsidiaries. Attachment C to this agenda reflects the current

ownership structure of SHM and the Tenants and the post-closing organizational structure of these entities should the Transaction be consummated.

Blackstone brings exceptional financial strength, operational expertise, and a long-term commitment to infrastructure investment. With a proven track record in managing large-scale assets, Blackstone ensures responsible stewardship and continuous improvement of marina operations. Leveraging extensive experience in commercial real estate, hospitality, and maritime assets, Blackstone is well-positioned to enhance the marinas, boatyard, and restaurant operations subject to the Leases while upholding high service standards. Staff believes Blackstone's focus on long-term value creation will help ensure the District's waterfront properties remain premier destinations for both boaters and visitors. Additionally, Blackstone has conveyed that all SHM operations and personnel will remain in place, preserving continuity for tenants, retaining valuable local expertise, and sustaining the strong relationships that have been established within the community.

#### District Consent and Participation Fee

Each of the Leases provides that the Transaction requires District consent, and should such consent be provided, that the District is entitled to a Participation Fee of 2.5% of the gross proceeds from the change in ownership of each of the Tenants. The Participation Fee calculated from the Change in Entity associated with the six District properties totals \$6,318,654 (see Attachment B). District staff hired Pro Forma Advisors, LLC, a third-party financial consulting and valuation firm who specialize in providing strategic guidance and analysis, to review and provide feedback on the participation fee amount. The review concluded that the calculated participation fee was appropriate and that the District's financial interests were properly accounted for in the Transaction.

In addition to consent to the Transaction being conditioned upon payment of the participation fee, staff also recommends conditioning the District's consent on execution of the Representation and Warranty Certificate in substantial form as Attachment D to this agenda ("**Reps and Warranty Certificate**") by BIP and SHM, and execution of the Omnibus Lease Amendment in substantial form as Attachment E to this agenda ("**Omnibus Amendment**") by each of the Tenants.

Pursuant to the Reps and Warranty Certificate, SHM will affirm to the District, among other items, that as of the date of the Certificate, (i) SHM will remain the 100% sole owner of the Tenants, (ii) the Leases, except as provided in the Omnibus Amendment, have not been modified, (iii) each of the Continuing Guaranties executed by SHM (including the new Continuing Guaranty executed as part of the Omnibus Amendment) will remain in effect following the closing of the Transaction, (iv) SHM satisfies the \$250M net worth requirement as required by the Leases, and (v) the past, present, and future liability of SHM and the Tenants shall remain unchanged.

The Omnibus Amendment will redefine the "Approved Parent" under each of the Leases following the closing of the Transaction in light of the proposed change in ownership of SHM. In addition, the Omnibus Amendment requires SHM to execute a Continuing Guaranty of all of SHM Sunroad's obligations under the Sunroad Marina Lease and to

maintain a minimum \$250M net worth during the term of such lease. SHM previously executed a Continuing Guaranty in connection with each of the other five Leases.

### Conclusion and Recommendation

Upon satisfaction of various preconditions, the proposed acquisition by BIP and its subsidiaries of all ownership interests in SHM is consistent with BPC 355. Blackstone's financial stability and commitment to excellence will help ensure that relevant leaseholds will be well-maintained and further enhanced, benefiting the local boating community and visitors. In addition, the preconditions to District consenting to the ownership transfer, which include the closing of the Transaction, payment of a participation fee equal to \$6,318,654, execution of the Reps and Warranties Certificate by BIP and SHM, and execution of the Omnibus Amendment, provide for additional District protections on a go forward basis and ensure that the District is receiving the appropriate participation fee as required under the Leases.

In light of these considerations, staff recommends that the Board adopt a resolution consenting to the acquisition of 100% of the issued and outstanding equity interests of Safe Harbor Marinas, LLC to BIP Poseidon Holdco L.P. and its subsidiaries.

### **General Counsel's Comments:**

The Office of the General Counsel has reviewed this agenda sheet and the attachments as presented to it and approves the same as to form and legality.

### **Environmental Review:**

The proposed Board Action, including without limitation a Resolution Consenting to the Change in Entity for Six (6) SHM properties to BIP Poseidon Holdco L.P., does not constitute a project under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Sections 15352 and 15378 because no direct or indirect changes to the physical environment would occur. CEQA requires that the District adequately assess the environmental impacts of projects and reasonably foreseeable activities that may result from projects prior to the approval of the same. Any project developed as a result of the Action requiring the District or the Board's discretionary approval resulting in a physical change to the environment would be analyzed in accordance with CEQA prior to such approval. CEQA review may result in the District, in its sole and absolute discretion, requiring implementation of mitigation measures, adopting an alternative, including without limitation, a "no project alternative" or adopting a Statement of Overriding Consideration, if required. The exercise of this discretion is in no way limited by this proposed Board Action. Therefore, no further CEQA review is required.

The proposed Board Action complies with Sections 21 and 35 of the Port Act, which allow for the Board to pass resolutions and to do all acts necessary and convenient for the exercise of its powers. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board Action is consistent with the Public Trust Doctrine.

The proposed Board Action does not allow for development, as defined in Section 30106 of the California Coastal Act, or new development, pursuant to Section 1.a. of the District's Coastal Development Permit (CDP) Regulations because there will not be, without limitation, a physical change, change in use or increase in intensity of uses. Therefore, issuance of a Coastal Development Permit or exclusion is not required. However, development within the District requires processing under the District's CDP Regulations. Future development would remain subject to its own independent review pursuant to the District's certified CDP Regulations, Port Master Plan (PMP), and the relevant chapter(s) of the Coastal Act. The exercise of the District's discretion under the District's CDP Regulations is in no way limited by the proposed Board Action.

**Diversity, Equity, and Inclusion Program:**

This agenda sheet has no direct impact on District workforce or contract reporting at this time.

**PREPARED BY:**

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**Attachment(s):**

Attachment A:	Location Maps
Attachment B:	Participation Fee Calculation
Attachment C:	Pre and Post Closing Organizational Charts
Attachment D:	Representation and Warranty Certificate
Attachment E:	Omnibus Lease Amendment