

**FILE NUMBER: 2025-173**

**DATE:** Tuesday, July 15, 2025

**SUBJECT: Unsolicited Proposal for Property Located at 990 Bay Boulevard in Chula Vista**

**DESCRIPTION: Presentation by The McGarey Group on an Unsolicited Proposal Regarding the Property Located at 990 Bay Boulevard in Chula Vista and Resolution Waiving the Requirement for a Competitive Solicitation Process Pursuant to Board of Port Commissioners Policy No. 360 as well as Authorizing Staff to Negotiate and Enter into an Exclusive Negotiating Agreement with The McGarey Group for a Six-Month Period**

**EXECUTIVE SUMMARY:**

The San Diego Unified Port District (District) and the City of Chula Vista (City) have been working collaboratively for decades to plan and implement the Chula Vista Bayfront Master Plan (CVBMP). The CVBMP was broken into several phases with Phase I focused on the resort hotel and convention center and associated public improvements, construction of Sweetwater Park and Sun Outdoors RV Park, all of which have been constructed. Phase 2 contemplates the development of retail parcels around the northeastern edge of the marinas and development of a large parcel across the street from the resort hotel and convention center, which is entitled for hotel, retail and cultural use. The 124-acre Otay District, which includes the former South Bay Power Plant site, is identified as a part of Phase 3 of the CVBMP. A location map can be found on Attachment A.

In 2024, staff received an unsolicited proposal (Unsolicited Proposal) from a development team comprised of The Divaris Group of Companies (Divaris), The McGarey Group (McGarey Group), Tucker Sadler Architects (Tucker Sadler) and Provident Resources Group (Provident), (collectively, the “Development Team”) for a sports and hospitality concept affiliated with an elite professional athlete, located in the Otay District of the CVB. The proposed development would be anchored by a tennis center with supporting hotels and retail, as well as other adjacent uses to bring people to the project. The Unsolicited Proposal is attached as Attachment B.

The District has two guiding documents that outline the process for handling unsolicited proposals – the Port Code and Board of Port Commissioners Policy No. 360 (BPC 360). Section 3.01(c) of the Port Code allows for any Commissioner or staff to request to add an informational presentation of an unsolicited proposal to a Board agenda and recommend the Board of Port Commissioners (Board) direct staff to process the proposal. However, nothing in Article 3.01 requires that any action be taken on such a proposal.

BPC 360 establishes a policy for development proposals. In accordance with BPC 360, all development proposals shall be subject to a competitive process unless any of the following exceptions apply:

1. the Board has authorized staff to negotiate the redevelopment of a property with the existing tenant pursuant to BPC 355;
2. The development proposal will result in a real estate agreement with a term of five (5) years or less; or
3. the Board expressly waives, by a majority affirmative vote of four (4) or more of the members of the Board, the requirement for a competitive process.

In response to the Unsolicited Proposal, staff conducted preliminary due diligence (as is consistent with any development proposal) to assess the merits of the proposed project and whether a waiver of BPC 360 could be supported. Staff's due diligence included, among other items, meeting with the Development Team on several occasions and commissioning JLL to conduct a preliminary market demand. Staff also reviewed the proposed developer's background, qualifications, and project history and determined that they have a successful track record of financing and delivering complex mixed-use projects around the country. The preliminary market study concluded that there is underserved demand for tennis facilities in the region and that Southern California specifically has a high participation rate that has increased significantly since COVID. In addition, the proposed partnership with an elite professional athlete as well as certain unique features of the project, such as multi-surface tennis courts and public access features, would elevate demand for the proposed uses.

Staff also reviewed the existing land use designations and entitlements for the Otay District (the project site). Due to uncertainty with timing of the demolition of the South Bay Power Plant and the lack of a defined vision for the Otay District, the District made a commitment during the master planning process to submit a Port Master Plan Amendment (PMPA) to advance future development of the two parcels designated for Industrial Business Park. Consequently, the Otay District has always been considered an area of the CVB that would be revisited in the future and would require additional entitlement work prior to development.

This Unsolicited Proposal potentially represents a unique opportunity to partner with an experienced developer to introduce a demand-generating use in the Otay District while saving significant time and District resources compared to a traditional visioning and entitlement process.

Staff recommends that the Board take the following actions:

- Adopt a resolution waiving the requirement for a competitive process pursuant to Board of Port Commissioners Policy No. 360; and
- Adopt a resolution authorizing staff to negotiate and enter into a six (6) month Exclusive Negotiating Agreement (ENA) with The McGarey Group.

During the short-term ENA, the developer would be required to formalize the partnership with the elite professional athlete, conduct a market study to determine whether geographic exclusivity is required and analyze the other uses. The ENA would also require the developer to continue to explore the project description, outline their preliminary entitlement approach and engage relevant stakeholders in coordination with the District. The ENA would also require the Development Team's acknowledgement of

key plans, measures and agreements applicable to the Otay District. At the end of the ENA period staff would return to the Board to report on the progress made on these milestones and seek further direction.

### **RECOMMENDATION:**

Adopt a resolution waiving the requirement for a competitive process pursuant to Board of Port Commissioners Policy No. 360 as well as authorizing staff to negotiate and enter into a six (6) month Exclusive Negotiating Agreement with The McGarey Group.

### **FISCAL IMPACT:**

This agenda has no fiscal impact.

### **COMPASS STRATEGIC GOALS:**

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

- A vibrant waterfront destination where residents and visitors converge.
- A Port with a comprehensive vision for Port land and water uses integrated to regional plans.
- A financially sustainable Port that drives job creation and regional economic vitality.

### **DISCUSSION:**

#### **Background**

During the CVBMP planning efforts, there was not a specific vision for the Otay District and staff knew that additional entitlement and site programming would need to happen due to the large size of the site. The current entitlements, which are detailed below, do not adequately address the need for a demand driver in the Otay District due to the considerable distance from the Gaylord Resort and Convention Center and the marinas. Additionally, the existing entitlements require a substantial amount of public infrastructure, including the construction of a 24-acre public park, roadways and utilities, and habitat buffers, that would not be supported by the limited amount of revenue-generating uses currently planned for this district. Further, the district includes an RV park that is no longer supported as it has already been developed in the Sweetwater District of the CVB.

In 2024, staff received an Unsolicited Proposal from the Development Team for a sports and hospitality concept affiliated with an elite professional athlete, located in the Otay District in the CVB. Upon receiving the Unsolicited Proposal, staff conducted due diligence typical for a sophisticated development proposal including meeting with the Development Team on several occasions and commissioning JLL to conduct a preliminary market demand study. Staff also reviewed the proposed developer's background, qualifications, and project history and determined that they have a track record of financing and delivering complex mixed-use projects. An overview of the

Unsolicited Proposal and development program, development team, JLL's preliminary market analysis, and other relevant documents are summarized in the sections below.

### **Unsolicited Proposal and Development Program Overview**

The Unsolicited Proposal includes a mixed-use retail and hospitality development anchored by a tennis center affiliated with an elite professional athlete. Components include:

1. Tennis center;
2. Three hotels totaling up to 700 rooms (in first phase);
3. Public and local access components;
4. A water polo academy;
5. A multi-purpose stadium;
6. Health and wellness facility;
7. An approximately 300,000 square foot retail village;
8. Popstroke, a national leader in golf entertainment, featuring two 18-hole family and professional grade putting courses;
9. IMAX theater;
10. Approximately 150,000 square feet of aquaculture and bluetech space (in first phase); and
11. Parking.

The Development Team indicated they intend to finalize a partnership with an elite professional athlete that would bring brand-cache to the development and increase demand for the tennis center. It is important to note that if the Board authorizes staff to advance to an ENA, staff will need to work with the California State Lands Commission (State Lands) to determine Public Trust consistency similar to what it has done with other large development proposals. Staff believe the Development Team is committed to the proposed project as they have expressed a willingness to work with staff on the proposed uses and site layout and have secured several subconsultants to assist with the planning efforts.

### **Development Team**

The Development Team consists of Divaris, The McGarey Group, Tucker Sadler and Provident. As part of due diligence efforts, staff and JLL met with the Development Team and its references to determine the level of experience and expertise they have with a project of the Unsolicited Proposal's magnitude. After speaking with several references, and meeting with the Development Team, JLL and staff concluded the Development Team have a successful track record of mixed-use development across the United States and developing large, complex projects in partnership with multiple parties.

Divaris comprises one of the largest and most highly regarded full-service commercial real estate firms on the eastern seaboard of the United States. Founded in 1974 in South Africa, Divaris relocated its corporate headquarters to Virginia in 1981. Divaris is known for executing creative corporate leasing strategies that enhance the long-term value of their clients' real estate investments. Additionally, they offer a wide range of commercial

leasing services, including property marketing, identifying development leads, conducting market surveys, corporate lease negotiations, and landlord representation.

The McGarey Group is a subsidiary of Divaris and operates two offices in the United States; one in Pinehurst, North Carolina and one in Coronado, California. The McGarey Group, led by Denver McGarey, is internationally recognized for their successful comprehensive planning, advisory, and core leasing of signature mixed-use retail projects throughout the United States. Some notable projects include Grand Central Terminal in New York, USC Village in Los Angeles, California, and Union Station in Washington D.C.

Greg Mueller with Tucker Sadler is a well-known local architect that has successfully delivered multiple projects on tidelands including The Rady Shell at Jacob's Park, Portside Pier, and Sun Outdoors San Diego Bay RV Resort on the CVB.

Provident is a national non-profit that facilitates public-private partnership financings to ensure successful financial execution typically utilizing tax exempt bonds. Staff met with their past partners including representatives from Howard University and U.S. Airforce Association and Foundation to discuss their successful projects.

The Development Team also has several subconsultants for support with the proposed entitlements, environmental review, marketing, and construction.

### **Preliminary Market Analysis**

The preliminary market analysis conducted by JLL focused on the demand for a tennis facility of this magnitude within San Diego County, specifically on the CVB and concluded the following:

1. Local demand exists to support the proposed tennis facility at the CVB;
2. Tennis participation in the United States has increased significantly since COVID, with Southern California having the highest participation rate;
3. Demographics of tennis and pickleball players align well with the local population, explaining high participation and interest levels. Local residents also show above-average interest in watching professional tennis;
4. Local demand for tennis courts exceeds supply. The area would need approximately three times as many tennis courts to meet the national average ratio, not accounting for high local participation rates; and
5. The San Diego area is a great market for tennis tourism, attracting recreational players who visit the region for camps, clinics, retreats, and similar programs.

JLL then conducted a high-level feasibility analysis of the tennis center based on market research of comparable tennis complexes. The Development Team provided details on anticipated phasing, high-level financing, operations, and the overall impact to feasibility. JLL concluded that the key components of the project were likely feasible based on the

information provided in the proposal. Vetting of each assumption and the financing strategy would occur if the Board directs staff to proceed to an ENA. Based on JLL's initial findings, there is strong market demand for this type of use and a partnership with an elite professional athlete would add a unique feature to the project and increase demand.

### **CVBMP Otay District, CVBMP Settlement Agreement, and Public Trust Consistency**

The Otay District has always been considered an area of the CVB that would require additional entitlement work prior to development. The CVBMP was certified by the California Coastal Commission (CCC) in 2012. In the CVBMP, the Otay District is identified as part of Phase 3 and is entitled with the following development program:

- 237 space RV park (Commercial Recreation at 14 acres);
- Roadway and infrastructure improvements;
- Wetland and upland habitat creation, restoration and enhancement (Telegraph Canyon Creek and no-touch buffers);
- 24-acre passive public park; and
- Two parcels designated Industrial Business Park (O-1 at 18 acres and O-4 at 28 acres).

The District made a commitment during the CCC review process to submit a PMPA to advance future development of the two parcels designated for Industrial Business Park due to uncertainty with timing of the demolition of the South Bay Power Plant and the lack of a defined vision for the Otay District. Specifically, the following is language included in the CCC staff report supporting the CVBMP PMPA: *"No specific projects are proposed in the area designated Industrial Business Park, and future development projects in those areas would require a PMPA."*

In addition, the District, the City of Chula Vista, and the Bayfront Coalition<sup>1</sup> entered into the Chula Vista Bayfront Master Plan Settlement Agreement dated May 4, 2010 (Settlement Agreement). The Settlement Agreement provides that the Bayfront Coalition would not challenge the Environmental Impact Report and other entitlements, such as Coastal Development Permits, for the redevelopment of the CVB as currently contemplated by the CVBMP. In exchange, the District and the City agreed to implement additional environmental measures within the CVB.

The Development Team's proposal would also need to be analyzed for Public Trust consistency. If the Board directs staff to enter into the ENA, staff would engage with State Lands staff for a preliminary Public Trust consistency review.

Additionally, while an updated look at the Otay District is appropriate, development outside of current entitlements would require additional analysis, along with stakeholder engagement and community outreach.

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<sup>1</sup> Members of the Bayfront Coalition included the Environmental Health Coalition, San Diego Audubon Society, San Diego Coastkeeper, Coastal Environmental Rights Foundation, Southwest Wetlands Interpretative Association, Surfrider Foundation, and San Diego Chapter and Empower San Diego.

## **Port Code and Board of Port Commissioners Policy No. 360 - Unsolicited Proposals**

The District has two guiding documents that outline the process for handling unsolicited proposals – the Port Code and BPC 360.

Port Code: Section 3.01(c) of the Port Code allows for any Commissioner or staff to request to add an informational presentation of an unsolicited proposal to a Board agenda and recommend the Board direct staff to process the proposal. However, nothing in Article 3.01 requires that any action be taken on such a proposal.

BPC 360: BPC 360 establishes a policy for development proposals. In accordance with BPC 360, all development proposals shall be subject to a competitive process unless one of the following exceptions applies:

1. The Board has authorized staff to negotiate the redevelopment of a property with the existing tenant of that property pursuant to BPC 355.
2. The development proposal will result in a real estate agreement with a term of five (5) years or less.
3. The Board expressly waives, by a majority affirmative vote of four (4) or more of the members of the Board, the requirement for a competitive process.

Staff believes there is sufficient justification to waive the competitive process pursuant to BPC 360 based on the following:

### **Market Demand/Location:**

Tennis participation in the United States is on the rise, with Southern California having the highest participation rate. JLL's findings show that demand for tennis facilities greatly exceeds the current supply in the region. In addition, the project's proximity to Mexico would allow for cross-border demand.

### **Unique Project Features:**

The proposal includes a mix of tennis court surfaces, a mix of activating commercial uses and robust public access components and includes a significant green space buffer. Current entitlements for the Otay District lack a significant demand generator. This type of use could create demand for a mix of commercial uses and bring people to the waterfront.

The Development Team has indicated they would be able to solidify a partnership with an elite professional athlete which would bring brand-cache to the proposal and drive additional demand to the project.

### **Strength of Development Team:**

The Development Team has over three decades experience of mixed-use development across the United States and developing large, complex projects in

partnership with multiple parties and a proven track record of creating economic and social revitalization across numerous and diverse communities.

### *Time and Resource Savings:*

Due to the size of the Otay District and the need for additional entitlement planning, staff believes it would be challenging to attract development proposals via a competitive process without first updating the land use configuration and development program for this portion of the master plan. Conducting a District-led visioning exercise for the Otay District (conservatively estimated to take between 4-5 years) would come at a high cost to the District. If this proposal were to be successful, it would represent significant time and resource savings to the District while still achieving the goal of bringing people to the waterfront with robust public access and an exciting commercial development.

For all the reasons listed above, staff believe the Unsolicited Proposal paired with the successful track record of the Development Team provides a uniqueness that may not be accomplished by commencing a competitive solicitation process.

### **Exclusive Negotiating Agreement**

With tennis participation on the rise, specifically in Southern California, an elite professional athlete affiliated with the proposed project and a Development Team with a successful track record, this Unsolicited Proposal is unique. Staff believe this use is a demand driver that would attract locals and visitors from the region, including Mexico, to the CVB. This attraction would be ideal for the CVB, attracting new visitors from the region while giving those visitors already here for conventions, meetings, and leisure travel another reason to spend time on District tidelands. An ENA for a short period of six months would allow staff to complete further due diligence and give the Development Team a short window to solidify certain critical project elements and milestones as follows:

- Confirm agreement between elite professional athlete and developer;
- Prepare market study for primary and adjacent uses;
- Confirm the need for geographic exclusivity with elite professional athlete based on market study.
- Explore the project description/understand the adjacent uses;
- Outline preliminary development/entitlement approach; and
- In coordination with District, conduct outreach to CVB stakeholders, City of Chula Vista and the public.

During the term of the ENA, staff would conduct outreach to the City of Chula Vista and other stakeholders and engage with State Lands staff for a preliminary Public Trust consistency review. Staff will return to the Board at a future meeting and report on progress of the ENA milestones and seek direction from the Board.

### **Recommendation**



The decision to waive the competitive solicitation requirements in BPC 360 is in the Board's sole and absolute discretion. Given the unique opportunity presented by the Development Team, particularly in the context of future entitlement planning of a large site, and a use that would be an economic demand driver for the CVB and San Diego region, staff recommends the Board waive the requirement for a competitive solicitation process, consistent with BPC 360 and authorize staff to negotiate and enter into a six-month ENA with Development Team.

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

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

### **Environmental Review:**

The proposed Board actions, including without limitation, receiving a presentation on an Unsolicited Proposal from the Development Team, and adopting a resolution waiving the requirement for a competitive solicitation process and directing staff to enter into an exclusive negotiating agreement with the Development Team, does not constitute a "project" under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 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 Board's action that may require the District's or the Board's discretionary approval and which may result in a physical change to the environment will be analyzed in accordance with CEQA prior to such approval. Future CEQA review, if required, 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 Considerations, if required. The proposed Board action in no way limits the exercise of this discretion. Therefore, no further CEQA review is required at this time.

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 it will not result in, without limitation, a physical change, change in use or increase the 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, if any, as defined in Section 30106 of the Coastal Act, will remain subject to its own independent review pursuant to the District's certified CDP Regulations, PMP, and Chapters 3 and 8 of the Coastal Act. The Board's action in no

way limits the exercise of the District's discretion under the District's CDP Regulations. Therefore, issuance of a CDP or exclusion is not required at this time.

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

Not applicable.

**PREPARED BY:**

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Attachment(s):

Attachment A:	Location Map
Attachment B:	Unsolicited Proposal