

SAN DIEGO UNIFIED PORT DISTRICT

ORDINANCE 2793

ORDINANCE GRANTING AN OPTION TO LEASE AGREEMENT TO LPP LANE FIELD, LLC FOR A TERM OF ONE YEAR COMMENCING JANUARY 1, 2015 WITH TWO, THREE-MONTH OPTIONS TO EXTEND THE TERM FOR DEVELOPMENT OF THE LANE FIELD SOUTH HOTEL PROJECT, LOCATED IN THE CITY OF SAN DIEGO AT THE CORNER OF WEST BROADWAY AND PACIFIC HIGHWAY

WHEREAS, the San Diego Unified Port District (District) is a public corporation created by the Legislature in 1962 pursuant to Harbors and Navigation Code Appendix I (Port Act); and

WHEREAS, Section 87(b) of the Port Act grants authority to the District to lease the tidelands or submerged lands, or parts thereof, for limited periods, not exceeding 66 years, for purposes consistent with the trusts upon which those lands are held, by the State of California; and

WHEREAS, LPP Lane Field, LLC (LPP) holds an Exclusive Negotiating Agreement (ENA) to develop a 400-room dual or single-branded hotel in a single tower on the Lane Field South site located in the city of San Diego at the corner of West Broadway and Pacific Highway (Lane Field South Hotel Project); and

WHEREAS, the Lane Field South Hotel Project must have a minimum of one hotel brand must be comparable or superior in quality to an InterContinental Hotel, and the Lane Field South Hotel Project must include associated retail, meeting space, and a minimum of 686 parking spaces, of which 271 must be available to the general public; and

WHEREAS, originally the ENA negotiating period was set to expire on September 30, 2014; and

WHEREAS, at the September 16, 2014 meeting, the Board of Port Commissioners (BPC) granted an extension of the ENA negotiating period to December 31, 2014 to allow Staff time to assess the market for development of a hotel at the Lane Field South site and to compare LPP's proposal to the market assessment; and

WHEREAS, Staff commissioned an imputed land value study from Maurice Robinson & Associates, LLC and had the report verified by PKF Consulting USA; and

WHEREAS, these reports show LPP's proposal is above-market for comparable hotel properties; and

WHEREAS, at \$102,000 per room, would be valued at the high end of the District's hotel portfolio; and

WHEREAS, Staff has negotiated an Option to Lease Agreement (Option) with LPP that includes a 25-year ramp-up of the percentage rent payable with rent payable immediately upon the opening of the hotel on the Lane Field South site; and

WHEREAS, the rent structure includes future, fixed percentage rental rate increases in rooms, food and beverage, which are the main revenue producing rate categories for the project; and

WHEREAS, participation rent is also included if LPP performs above certain gross revenue thresholds and a sale participation of .85% of the gross sale price above certain thresholds that would be paid to the District upon a partial or full sale event throughout the term of the lease; and

WHEREAS, after analyzing the rent proposal and reviewing the market for new hotel development for the Lane Field South site, Staff believes that the LPP proposal represents a good investment for the District due to, percentage rent beginning from the opening of the hotel, participation in future hotel sales and additional rent for enhanced hotel performance; and

WHEREAS, for these reasons Staff recommends the BPC grant LPP an Option to enter into a lease and develop the Lane Field South Hotel Project.

NOW, THEREFORE, the Board of Port Commissioners of the San Diego Unified Port District does ordain as follows:

Section 1. The Option to Lease Agreement to LPP Lane Field, LLC for a term of one year commencing January 1, 2015 with two, three-month options to extend the term for development of the Lane Field South Hotel Project, located in the City of San Diego at the corner of West Broadway and Pacific Highway is hereby granted.

Section 2. The Executive Director or his designated representative is hereby directed to execute said Option to Lease Agreement.

Section 3. This Ordinance shall take effect on the 31st day from its passage by the Board of Port Commissioners.

APPROVED AS TO FORM AND LEGALITY:
GENERAL COUNSEL



By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 9th day of December 2014, by the following vote:

AYES: Bonelli, Castellanos, Malcolm, Moore, Nelson, and Valderrama.

NAYS: None.

EXCUSED: Merrifield.

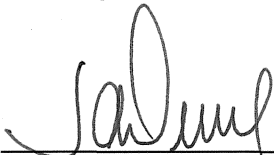
ABSENT: None.

ABSTAIN: None.



Robert E. Nelson, Chairman
Board of Port Commissioners

ATTEST:



Timothy A. Deuel
District Clerk



(Seal)