

## **RESOLUTION 2015-160**

### **RESOLUTION CONSENTING TO ASSIGNMENT AND ASSUMPTION OF LANE FIELD SOUTH OPTION AGREEMENT FOR LANE FIELD PROJECT LOCATED AT THE CORNER OF BROADWAY AND HARBOR DRIVE IN THE CITY OF SAN DIEGO, CA FROM LPP LANE FIELD, LLC TO LFS DEVELOPMENT, LLC WITH CONDITIONS**

**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 1 (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 (Developer) has an option to lease agreement with the District for development of a 400-room hotel on the Lane Field South site located at the corner of Broadway and Harbor Drive in the city of San Diego; and

**WHEREAS**, on November 17, 2015 the District consented to the final form lease (Lease) agreement which included modifications to the Lease as a result of negotiations with the Developer's proposed equity partner, China Orient Asset Management (COAM), their proposed lender, PNC Bank, National Association and BBVA Compass Bancshares, Inc. (Lender); their proposed credit enhancement provider, Six Continents Hotels, Inc. (Six Continents); and their proposed hotel franchisor and manager, IHG Management (Maryland), LLC (IHG); and

**WHEREAS**, the Developer is proposing to assign the option to lease agreement to a new, single-purpose entity which will become the District's lessee, LFS Development, LLC (LFS), comprised indirectly of the Developer (approximately 12%), and COAM (approximately 88%); and

**WHEREAS**, LFS will fund approximately \$90-\$95 million of equity (including predevelopment costs incurred to date), with \$114.4 million in project costs coming from the Lender secured by a first trust deed on the leasehold and the remaining \$9 million coming from IHG in Key Money; and

**WHEREAS**, COAM is a solely state-owned non-banking financial institution that is 100% owned by the Ministry of Finance of China; and

**WHEREAS**, COAM is one of four large asset management companies established by the Chinese government to mitigate financial risks, preserve state-owned assets, and promote the reform and development of China's financial system; and

**WHEREAS**, COAM has total assets in excess of \$36 billion, has over 40,000 employees and serves more than 8 million clients; and

**WHEREAS**, COAM would initially fund approximately 88% of the equity stake in Lane Field South which is estimated to be approximately \$83.6 million; and

**WHEREAS**, following close of escrow COAM is proposing to potentially transfer their interest into a fund that will be managed by either COAM, Portman Holdings or a combination of the two; and

**WHEREAS**, if there is a change of control in the fund manager it would be subject to the District's approval; and

**WHEREAS**, the District's consent shall be null and void and of no further force and effect if Developer does not assign its interests to LFS Development, LLC, as confirmed by receipt of an executed assignment and assumption agreement signed by both LPP Lane Field, LLC and LFS Development, LLC, within 90 days of District's consent.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Port Commissioners of the San Diego Unified Port District, hereby consents to the assignment and assumption of the Lane Field South Option Agreement for the Lane Field Project located at the corner of Broadway and Harbor Drive, San Diego, CA from LPP Lane Field, LLC to LFS Development, LLC subject to the terms and conditions set forth therein.

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 8<sup>th</sup> day of December, 2015, by the following vote:

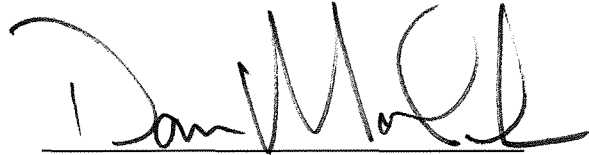
AYES: Bonelli, Castellanos, Malcolm, Merrifield, Moore, Nelson, and Valderrama.

NAYS: None.

EXCUSED: None.

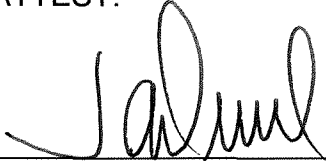
ABSENT: None.

ABSTAIN: None.



Dan Malcolm, Chairman  
Board of Port Commissioners

ATTEST:



Timothy A. Deuel  
District Clerk

(Seal)