

**DRAFT**

**SAN DIEGO UNIFIED PORT DISTRICT**

**ORDINANCE xxxx**

**ORDINANCE GRANTING FINAL FORM LEASE  
BETWEEN THE SAN DIEGO UNIFIED PORT  
DISTRICT AND LPP LANE FIELD, LLC, FOR THE  
LANE FIELD SOUTH HOTEL PROJECT LOCATED  
IN THE CITY OF SAN DIEGO, FOR A 66-YEAR  
TERM, 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 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 (Developer) has an option to lease agreement (Option) with the District for development of a 400-room hotel on the Lane Field South site which was approved at the December 2014 Board of Port Commissioners meeting; and

**WHEREAS**, the Developer is a partnership made up of Robert Lankford, Portman Holdings and Hensel Phelps Construction which are collectively funding approximately \$11.7 million in equity with Portman Holdings as the managing member; and

**WHEREAS**, the Developer has been working diligently to progress the design of the hotel tower, secure their equity and debt financing and a hotel brand, and prepare the Option to be exercised and start construction by the end of 2015; and

**WHEREAS**, the Developer is currently in final negotiations with InterContinental Hotels Group (IHG) to manage and brand the hotel as an InterContinental hotel, which is their signature brand; and

**WHEREAS**, with InterContinental as the brand for all 400 rooms, the overall economics of the project for the District have improved from what was originally anticipated when the Option was approved in December 2014 resulting in increases in the projected rent the District is estimated to receive immediately upon completion of the project; and

**WHEREAS**, the Developer has executed an equity term sheet with China Orient Asset Management (COAM) which is a state-owned asset management company with assets in excess of \$36 billion, to provide approximately 83% of the required equity with the Developer and IHG providing the balance; and

**WHEREAS**, a debt term sheet has been executed with PNC Bank (PNC) to secure approximately \$114.4 million in financing for the project; and

**WHEREAS**, the overall cost of the project has increased by approximately \$11 million, the Developer, and its partners, have absorbed most of these increases; and

**WHEREAS**, to help offset these increased costs and lower loan proceeds, the Developer has requested waivers to the performance bond and security deposit requirements outlined in Option Section 5.0.

**WHEREAS**, staff believes that these waivers will have no direct economic impact to the District as the District has adequate coverage through the completion guaranty; and

**WHEREAS**, the completion guaranty is backed by the balance sheet and net worth of Hensel Phelps Construction Co., currently valued at more than \$400 million; and

**WHEREAS**, the District waives the Security Deposit condition precedent in Section 5.0 of the Option; and

**WHEREAS**, staff recommends the Board of Port Commissioners consent to the Lease conditioned on the Developer fulfilling all conditions precedent and exercising the Option.

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

Section 1. That the final form lease between the San Diego Unified Port District and LPP Lane Field, LLC, for the Lane Field South Hotel Project located in the City of San Diego, for a 66-year term, with conditions is hereby granted.

Section 2. The Executive Director or her designated representative is hereby directed to execute said lease.

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

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APPROVED AS TO FORM AND LEGALITY:  
GENERAL COUNSEL

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By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 17<sup>th</sup> day of November 2015, by the following vote: