

**FILE NUMBER: 2025-139**

**DATE:** Tuesday, May 6, 2025

**SUBJECT: Amendment No. 2 to First Right To Negotiate Agreement with LPP Lane Field, LLC**

**DESCRIPTION: Ordinance Approving Amendment No. 2 to First Right to Negotiate Agreement with LPP Lane Field, LLC for the Property Located at 1220 Pacific Highway, in the City of San Diego Updating the Term and Other Provisions**

**EXECUTIVE SUMMARY:**

The District and LPP Lane Field, LLC ("**Lane Field**") are parties to a First Right to Negotiate Agreement ("**Agreement**")<sup>1</sup> that was entered into on April 28, 2014 and was later amended by Amendment No. 1<sup>2</sup> on February 15, 2024. The Agreement, as amended, allowed Lane Field to propose a development plan for the property located at 1220 Pacific Highway ("**Site**") (Attachment A – Location Map) within 180 days ("**Plan Period**") of the District providing notice to Lane Field of entering into a Lease Termination Agreement with the Navy (which notification was provided on October 19, 2023). After a development plan is submitted within the Plan Period and the District either approves or disapproves of the development plan, a 270-day negotiating period commences to negotiate an Option to Lease Agreement ("**Option**").

The District entered into a Lease Termination Agreement with the Navy on October 13, 2023. Upon notifying Lane Field, pursuant to the Agreement, Lane Field had until April 16, 2024 to submit a development plan for the Site. Lane Field then submitted a development plan within the Plan Period which was a mixed-use development of parcels 1 through 4 of the Site. The District ultimately rejected the proposed development plan and notified Lane Field of the commencement of the Negotiating Period for only parcels 3 and 4 on September 16, 2024, which Negotiating Period is set to expire on June 13, 2025.

Since September of 2024, Lane Field has been diligently working to revise their development plan to reflect a project for parcels 3 and 4 only. The revisions to the proposal include a redesign of the project and updates to the project financials. Staff has reviewed preliminary concepts for parcels 3 and 4 and is supportive of the direction Lane Field is taking thus far. Due to the additional work needed to revise the development plan, staff and Lane Field have found that the 270-day Negotiating Period has not been sufficient to update the development plan and negotiate an Option for the future development for Board consideration. Staff is requesting to add 180 days to the Negotiating Period extending the deadline from June 13, 2025 to December 10, 2025.

Staff also determined that the structure of the Agreement is no longer in alignment with current District real estate development practices. The current form of the Agreement

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<sup>1</sup> Office of the District Clerk Document No. 61818

<sup>2</sup> Office of the District Clerk Document No. 76421

provides for negotiation of an Option. However, the District's current practice is to enter into an exclusive negotiating agreement ("**ENA**") rather than an Option before CEQA review is completed. In addition to amending the term of the negotiating period, the Agreement will be amended to reflect negotiation of an ENA instead of an Option. Therefore, staff is recommending that the Board adopt an Ordinance approving Amendment No. 2 to the Agreement (Attachment B – Amendment No. 2 to the Agreement) to extend the Negotiating Period by 180 days and to update the Agreement to better reflect current District real estate development practices.

### **RECOMMENDATION:**

Adopt an Ordinance Approving Amendment No. 2 to First Right to Negotiate Agreement with LPP Lane Field, LLC for the Property Located at 1220 Pacific Highway, in the City of San Diego Updating the Term and Other Provisions

### **FISCAL IMPACT:**

This Board action will have no direct fiscal impact to the District.

### **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:**

Lane Field, the developer of the Lane Field North and South hotels, and the District entered into the Agreement which allows Lane Field to propose a development plan for the Site. The Site is currently occupied by the Navy through a Tidelands Use and Occupancy Permit<sup>3</sup> that became effective on December 12, 2023 after the District and the Navy executed a Lease Termination Agreement. The steps outlined in the Agreement are: i) District notifies Lane Field of entering into a termination agreement with the Navy; ii) A Plan Period, originally 90 days, then amended through Amendment No. 1 to the Agreement to be 180 days, during which Lane Field can submit a development plan for the Site; iii) A Negotiating Period of 270 days commences once the District either accepts or rejects the development plan, during which Negotiating Period the District and Lane Field agree to negotiate towards an Option for the Site to be presented to the Board for its consideration.

At the January 18, 2024 Board Meeting, the Board adopted an Ordinance approving Amendment No. 1 to the Agreement to allow for an extension of the Plan Period from 90 days to 180 days to allow additional time for Lane Field to analyze the opportunity of

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<sup>3</sup> Office of the District Clerk Document No. 76038

including an entertainment venue operator into the project. Lane Field submitted a development plan to the District during the extended Plan Period. The development plan included a mixed-use development over the four parcels of the Site which consisted of hospitality, retail, meeting space, parking, an entertainment/attraction space, and public improvements. After review and consideration of the development plan submitted by Lane Field, the District rejected the proposed development plan primarily due to feasibility issues driven by the market and site constraints. Pursuant to the Agreement, the 270-day Negotiating Period commenced on September 16, 2024 to negotiate an Option to Lease Agreement for parcels 3 and 4 of the Site only. Since the commencement of the Negotiating Period, Lane Field has been revising their development plan to reflect a project for parcels 3 and 4 of the Site only. Staff and Lane Field have determined that an extension to the Negotiating Period will be needed to adequately revise the development plan and to negotiate a future real estate document for the Site. In order for Lane Field to revise the development plan, the proposed project needs to be redesigned for the reduced area and the project financials will need to be updated to reflect the revised designs and program.

While staff and Lane Field continue to revise the development plan and negotiate the terms of a future agreement, staff determined that the final step outlined in the Agreement to negotiate an Option was no longer in alignment with current District real estate development practices. The District's current development process no longer allows tenants to enter into Option agreements prior to the completion of CEQA. Since it is typical District practice to enter into ENAs prior to CEQA instead of an Option, it would be appropriate to revise the Agreement to reflect negotiation of an ENA in the Agreement. An amendment to the Agreement would allow for the District to follow standard practice and would provide a legal and actionable path forward for this project.

A 180-day extension to the Negotiating Period would allow staff and Lane Field adequate time to revise the development plan and negotiate an ENA, and updating the Agreement to pursue negotiations of an ENA instead of an Option to Lease Agreement would align with the District's current real estate development practices. Staff recommends the Board adopt an Ordinance approving Amendment No. 2 to the Agreement to extend the term of the Negotiating Period and update other provisions to reflect negotiation of an ENA.

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

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

### **Environmental Review:**

The proposed Board action 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 proposed as a result of the presentation that requires the District or the Board's discretionary approval and would result 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 Considerations, if required. The exercise of this discretion is in no way limited by this proposed Board action. 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 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 Map

Attachment B: Amendment No. 2 to First Right to Negotiate Agreement