

**FILE NUMBER: 2025-130**

**DATE:** Friday, June 6, 2025

**SUBJECT:** Seaport Village Operating Company, LLC dba The Headquarters, located at 789 West Harbor Drive, in the City of San Diego:

**DESCRIPTION:** A) Resolution Consenting to the Assignment and Assumption of the Leasehold Interest from Seaport Village Operating Company, LLC dba The Headquarters to LBX Headquarters at Seaport LLC; and B) Ordinance Granting an Amended and Restated Lease to LBX Headquarters at Seaport LLC to Update Lease to Current Terms.

**EXECUTIVE SUMMARY:**

Seaport Village Operating Company, LLC (“SVOC”) dba The Headquarters, operates as an entertainment-oriented specialty retail development (formerly known as the Old Police Headquarters) located at 789 West Harbor Drive in the City of San Diego (see, Attachment A - Location Map). SVOC’s existing Lease with the District currently expires January 10, 2052<sup>1</sup> (the “Current Lease”). SVOC is a tenant in good standing in accordance with the standards outlined in the Board of Port Commissioners Policy No. 355 and is proposing to assign its rights and obligations under the Current Lease (the “Assignment”) to LBX Headquarters at Seaport LLC, a Delaware limited liability company (“LBX Seaport”).

LBX Seaport is indirectly owned by LBX Investments LLC, a Delaware limited liability company (“LBX Investments”) and diversified commercial real estate investment firm with a primary focus on investing in retail properties nationally. LBX Investments currently owns and operates a portfolio of 19 open-air shopping centers and multifamily properties on a national scale, with the goal of owning and operating best in class real estate in thriving demographic markets and continuously re-investing in those assets to ensure an exceptional guest and customer experience. Founded by a team of highly experienced institutional real estate professionals with deep experience in multiple asset classes and with a robust and vertically integrated platform that oversees leasing, property management, asset management, construction, marketing, finance, accounting, and legal efforts, LBX Investments has acquired 23 properties exceeding \$650 million in total capitalization since mid-2018.

The Current Lease provides that the Assignment requires District consent and entitles the District to update the terms and provisions of the Current Lease as well as to a participation fee of .85% of the gross process from the Assignment, which totals \$296,437 (the “Participation Fee”).

LBX Seaport has agreed to the Amended and Restated Lease in the form attached hereto as Attachment B (the “Restated Lease”), which is on the District’s current lease template and includes updated terms in comparison to the Current Lease. In addition, the Restated Lease requires LBX Investments to execute a Continuing Guaranty (“Guaranty”) to

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<sup>1</sup> Lease dated March 14, 2012 on file in the Office of the District Clerk as Document No. 58599 (as amended by that certain Amendment No. 1 dated February 14, 2017 on file in the Office of the District Clerk as Document No. 66166) Collectively, “Current Lease”.

guaranty all of LBX Seaport's obligations under the Restated Lease and to maintain a net worth of no less than \$15,000,000 throughout the Restated Lease's term.

In light of the foregoing, staff recommends the Board consent to the Assignment and approve the Restated Lease.

### **RECOMMENDATION:**

A) Resolution Consenting to the Assignment and Assumption of the Leasehold Interest from Seaport Village Operating Company, LLC dba The Headquarters to LBX Headquarters at Seaport LLC; and B) Ordinance Granting an Amended and Restated Lease to LBX Headquarters at Seaport LLC to Update Lease to Current Terms.

### **FISCAL IMPACT:**

Upon the closing of the Assignment, the proposed Board action would result in the District receiving a \$296,437 payment in FY 2026.

### **COMPASS STRATEGIC GOALS:**

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

- A Port that the public understands and trusts.
- A financially sustainable Port that drives job creation and regional economic vitality.

### **DISCUSSION:**

#### ***Background***

The Headquarters leasehold is comprised of approximately 273,887 square feet of land and is located at 789 West Harbor Drive in the City of San Diego. In March 2012, SVOC entered into the Current Lease with the District and began construction for the adaptive reuse of the Old Police Headquarters building, thereafter re-branded to be called "The Headquarters". The Headquarters operates as an entertainment-oriented specialty retail development of approximately 100,000 square feet of restaurants, specialty retail shopping, entertainment facilities, offices for merchants, and parking. The Headquarters is listed on The National Register of Historic Places.

SVOC entered into a Purchase and Sale Agreement with LBX Seaport on March 10, 2025 and thereafter requested District consent to the Assignment. Pursuant to the Current Lease, and except for the rent structure, the District has the right to update the terms and provisions of the Current Lease in connection with the Assignment. Staff's proposed action includes the approval of the Restated Lease pursuant to the terms detailed below.

#### ***Assignment and Assumption of Leasehold Interest***

Subject to Board approval, SVOC plans to assign, and LBX Seaport plans to assume, all of SVOC's rights and interests in the Current Lease.

The proposed ownership structure of LBX Seaport is shown on Attachment C. The highly experienced management team of LBX Investments has a demonstrated history of providing a first-rate service to its customers. The District anticipates that LBX Seaport's management team, coupled with LBX Investments' well-capitalized structure, will allow for continued expansion and investment into the leasehold. As a result, LBX Seaport will be well positioned and qualified to ensure the ongoing success and growth of the entertainment-oriented specialty retail development following the Assignment.

The Current Lease provides that the Assignment requires District consent and should such consent be provided, that the District is entitled to a Participation Fee of 0.85% of the gross proceeds from the change in ownership. The Participation Fee calculated from the ownership transfer totals \$296,437.

### ***Amended and Restated Lease***

As a condition of granting consent to the Assignment, the District is permitted under the Current Lease to update the lease to include new or revised lease provisions. Staff negotiated the Restated Lease that includes terms such as a preservation work and remediation security fund to backstop end of term obligations as well as updates to environmental and other provisions; provided, however, that the Current Lease does not permit updates to the rental structure as a condition of consenting to the Assignment.

In addition, the Restated Lease obligates LBX Investments to execute a Continuing Guaranty (see Exhibit D to Restated Lease), pursuant to which LBX Investments will guaranty all of LBX Seaport's lease obligations. Further, the Restated Lease contains a covenant requiring LBX Investments to maintain a net worth of at least \$15 million throughout the term of the Restated Lease.

### ***Conclusion and Recommendation***

The proposed Assignment from SVOC to LBX Seaport looks to provide for the future success and top performance of the entertainment-oriented specialty retail development and significantly increase the capitalization for ongoing operations and potential future improvements. The proposed Assignment is consistent with BPC Policy No. 355 and will authorize the execution of the Restated Lease upon satisfaction of enumerated closing conditions. Therefore, conditioned upon the conditions outlined in the accompanying proposed Resolution and Ordinance, District staff recommends the Board consent to the Assignment of the Current Lease from SVOC to LBX Seaport and approve the Amended and Restated Lease with LBX Seaport in the form of Attachment B to this agenda.

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

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

### **Environmental Review:**

The proposed Board actions, including without limitation a resolution consenting to the assignment and assumption of the leasehold interest from Seaport Village Operating Company, LLC dba The Headquarters to LBX Seaport at Seaport, LLC, and an ordinance granting an amended and restated lease to LBX Seaport at Seaport, LLC to update lease to current terms, do not constitute a project under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because there is not a potential to result in a direct or indirect physical change in the environment. Therefore, the proposed Board actions are not subject to CEQA and no further action under CEQA is required.

The proposed Board actions comply with Section 21 and 35 of the Port Act, which allow 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 actions are consistent with the Public Trust Doctrine.

The proposed Board actions do 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 Regulations. Therefore, issuance of a Coastal Development Permit or an exclusion finding is not required.

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

Not applicable.

**PREPARED BY:**

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**Attachment(s):**

Attachment A:	Location Map
Attachment B:	Amended and Restated Lease
Attachment C:	LBX Seaport Ownership Structure