

FILE NUMBER: 2025-253

DATE: Tuesday, December 9, 2025

SUBJECT: Coronado Ferry Landing

DESCRIPTION: Staff Presentation on Status and Board Direction to Staff on Coronado Ferry Landing Located at 1201 First Street in the City of Coronado Currently Under a 40-Year Lease With Port Coronado Associates, LLC

EXECUTIVE SUMMARY:

The Coronado Ferry Landing (Site) consists of an approximately 38,000 square foot specialty retail shopping center, two parking lots, a public ferry pier and public boat dock on an approximately 13-acre bayfront site located at 1201 First Street in the City of Coronado (Attachment A). The Site is currently under a 40-year lease (Lease) with Port Coronado Associates, LLC (PCA).

On October 23, 2025, San Diego Unified Port District (District) staff conveyed to PCA the rejection of PCA's Proposal (as defined below) for a renewed lease of the Site. Without an acceptable renewal proposal from PCA, the existing Lease is currently scheduled to expire in accordance with its terms on June 30, 2026.

As a steward of the public Tidelands, the District's goal is to ensure the future success of the Site as a vibrant and prosperous waterfront destination for residents, visitors and the businesses that operate within it for many years to come. Staff understand the City of Coronado and the community's vision of an improved center that retains its existing charm. As part of the Port Master Plan Update (PMPU) effort, in 2019 the Board directed staff not to allow any increases in development intensity for visitor-serving commercial uses, including restaurants, retail and hotel rooms for the Coronado Planning District.

In connection with the foregoing, at the December 9, 2025 open session, staff will present an update on the status of the Coronado Ferry Landing and receive Board direction with respect to the same.

RECOMMENDATION:

Receive presentation on status and provide direction to staff.

FISCAL IMPACT:

This agenda item has no fiscal impact.

COMPASS STRATEGIC GOALS:

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

- A Port that the public understands and trusts.
- 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.

DISCUSSION:

On July 1, 1986, the District entered into a 40-year lease with PCA for the development and operation of the Site. The Site's landside improvements include four leasable building spaces consisting of east and west wing retail centers, four free standing restaurant buildings, retail kiosks, and two surface parking lots, and the waterside improvements include a ferry pier and public floating boat dock (commonly known as the "Peohe's Dock"). Today, the Site has approximately 21 tenants and zero vacancies, including restaurants and specialty retailers, and provides ferry service operations and parking on approximately 13-acres of land and water area. The Site generates approximately \$29,416,964 in annual gross sales, and PCA paid the District approximately \$1,089,870 in rent in Fiscal Year 2025.

Over the years, PCA has developed various proposals to renovate or redevelop the Site. In 2016, PCA prepared a proposal for a limited renovation that primarily consisted of deferred maintenance repairs. In 2018, PCA proposed a combined parcel redevelopment including a hotel, parking structure, restaurants and retail center to which the City of Coronado and local community strongly objected. Staff notes that while these proposals were not formally submitted to the District or presented to the Board at an open session meeting, PCA shared these proposals with the community through its own public outreach efforts.

As part of the planning and public engagement process for the PMPU, a substantial amount of feedback was received regarding the Coronado Planning Districts with respect to the proposed development intensity for new hotel rooms and visitor-serving commercial uses. Specific direction to staff was provided by the Board at the September 19, 2019 PMPU public workshop to remove the proposed development increases for these uses from the PMPU Discussion Draft. Accordingly, the subsequent versions of the PMPU (the Revised Draft PMPU, the Draft PMPU, and the Final Draft PMPU that was approved by the Board on February 28, 2024) do not allow for any increases in development intensity for visitor-serving commercial uses within the Coronado Planning District, including restaurants, retail and hotel rooms.

In 2022, PCA developed a renovation project with a modern style building design, which was further refined after public outreach. In October 2022, PCA formally submitted its proposed Project to the District and in April 2023, submitted a preliminary price and terms of payment proposal to District staff (Proposal). The Project is divided into three distinct phases for the landside improvements that would commence in 2028 and be completed by 2030 at a total cost of approximately \$20 million. The Project excludes repairing or redeveloping the existing waterside improvements that are part of the existing Site.

Due Diligence

As part of Staff's due diligence efforts on PCA's Proposal, in February 2024 and May 2024, Staff commissioned two, third-party consultants to conduct facility condition assessments of the Site, including the landside improvements (JLL Report) and waterside improvements (Ball Maritime Group Report). The facility condition assessments identified approximately \$17.5 million in total deferred maintenance at the Site, with approximately \$12.5 million on the landside improvements and approximately \$5M on waterside improvements. Pursuant to the Lease, PCA is fully responsible for all painting, repairs, and replacements necessary to maintain and preserve the Site and improvements in a good, safe, healthy, and satisfactory condition.

Current Status

On October 23, 2025 Staff informed PCA of the District's decision to reject the Proposal. In the District's November 7, 2025 letters to the City of Coronado (Attachment B – Letter to City of Coronado) and PCA (Attachment C – Letter to PCA), Staff conveyed its overarching concerns with the Proposal, including:

1. Millions of landside and waterside deferred maintenance costs at the Site that PCA is obligated to address under the terms of its Lease;
2. Project costs going towards long-deferred leasehold maintenance, and the Proposal failing to address any repairs or improvements to the ferry pier, which is significantly degraded;
3. Delayed Project commencement;
4. Lack of strict contractual guardrails, milestones, and streamlined robust remedies to ensure timely compliance by PCA;
5. Need for realistic construction timeframes and projections that the District can reasonably rely on to become a reality; and
6. Insufficient security, including but not limited to personal guarantees to backstop PCA's obligations and further ensure timely performance under a corresponding lease and provide protections to the public.

Tenant's Updated Proposal

On November 12, 2025, PCA submitted an updated Proposal to the District, which was further revised in a term sheet submitted on November 24, 2025 (collectively referred to as the "Updated Proposal"). The Updated Proposal includes the following improved terms as compared to the initial Proposal:

- One year extension of current lease to negotiate new lease, satisfy pre-construction milestones, and provide assurances to subtenants;
- Project commencement anticipated to start in 2027 instead of 2028;
- Perform assessment and any resulting life-safety related repairs to waterside improvements, with any additional improvements to entitle PCA to additional lease term;
- Personal guaranty to be executed by Arthur Engel; and
- Additional contractual guardrails to better ensure future performance.

Additional due diligence and analysis is necessary to determine whether staff would recommend the Updated Proposal.

General Counsel's Comments:

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

Environmental Review:

The presentation regarding the Coronado Ferry Landing and 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 developed as a result of the presentation requiring the District or the Board's discretionary approval resulting 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 Consideration, if required. The exercise of this discretion is in no way limited by this presentation and the proposed Board action. Therefore, no further CEQA review is required.

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 chapters 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:

Not applicable.

PREPARED BY:

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Attachment(s):

Attachment A: Location Map

Attachment B: November 7, 2025 District Staff Letter to City of Coronado

Attachment C: November 7, 2025 District Staff Letter to Tenant