

December 08, 2025

San Diego County Board of Supervisors
1600 Pacific Highway
Fourth Floor, Room 402
San Diego, California 92101

Re: Compensation Agreements for Future Development Sites, Including Chinese Historical Museum Site, Naval Training Center/Liberty Station, and Walker Scott Property

Consent Agenda Items 15, 16, and 17 at County Board of Supervisors Meeting on December 9, 2025

Honorable Chair and Members of the Board of Supervisors:

On September 24, 2024, the County Board of Supervisors, by a unanimous 4-0 vote (with then-Chair Nora Vargas absent), approved consent agenda items 5 and 6 related to two compensation agreements between the City of San Diego ("City") and other local taxing entities, including the County of San Diego ("County"). In compliance with the statewide redevelopment dissolution laws ("Dissolution Laws"), those agreements required the City to pay specified compensation amounts to the local taxing entities in exchange for the City retaining the ownership of "legacy" redevelopment properties – Linda Vista retail sites and the downtown Balboa Theatre – for future development purposes.

On December 9, 2025, the Board of Supervisors will be asked to approve consent agenda items 15, 16, and 17 involving very similar compensation agreements between the City and other local taxing entities related to three additional future development sites, namely the Chinese Historical Museum site, the Naval Training Center/Liberty Station site ("Liberty Station"), and the Walker Scott site.

The purpose of this letter is to address various comments that the Seligman developer entities ("Seligman"), the City's long-term lessee at substantial portions of NTC, made in opposition to the Linda Vista and Balboa Theatre agreements, including a comment letter dated September 23, 2024, and in-person testimony to the Board of Supervisors on September 24, 2024. The City expects that Seligman may raise similar comments in opposition to the three compensation agreements under consideration on December 9, 2025. The City wishes to supplement the record with accurate background information and a rebuttal to profoundly

inaccurate points made by Seligman aimed solely at serving its own financial motives with respect to Liberty Station, to the detriment of worthy public interests.

I. Background

A. Seligman's Leasehold Interests at Liberty Station

The Seligman developer entities ("Seligman") hold long-term ground lease interests in substantial portions of Liberty Station, which is owned by the City. Liberty Station is a former military base, known as the Naval Training Center, closed in the late 1990s and then converted into an award-winning redevelopment project over the ensuing 20-plus years under the direction of the City's former Redevelopment Agency. Seligman purchased its Liberty Station leasehold interests several years ago from McMillin-NTC, LLC, the initial master developer of the Liberty Station redevelopment project, for a total purchase price of \$159 million.

B. Seligman's Unsolicited Purchase Offer

Shortly after acquiring the Liberty Station leasehold interests, Seligman made an unsolicited offer in 2021 to purchase the City's remnant fee title interest in Liberty Station for a proposed price of \$2,631,000. The City holds a "remnant" interest in that its fee title is encumbered by long-term ground leases, mainly in favor of Seligman, extending generally until the 2050s and 2060s; the City will not regain unencumbered fee title to Liberty Station until the long-term leases expire.

In support of its purchase offer, Seligman presented the City with two appraisals paid for by Seligman. Seligman's purchase offer of \$2,631,000 equaled the average of the two appraised amounts for the City's remnant interest in Liberty Station. In both of those appraisals, the appraisers considered that the existing long-term leases yield virtually no ongoing financial value to the City because they are prepaid leases with rent of one dollar per year. The appraisers also assumed, at Seligman's request, that the existing leases would be extended, up to a period of 99 years, with no additional rent payable by Seligman – a tremendous financial benefit to Seligman that would not be agreeable to the City.

The City rejected Seligman's purchase offer in 2021 for two main reasons. First, the City's goal is to retain long-term public control and ownership of this important public asset, which is widely recognized as a successful redevelopment project that provides numerous recreational, cultural, historical, and other public benefits to the local community. Second, even if the City had any openness toward

selling this important public asset, the City would not want to sell the property without being able to solicit truly competitive offers. Given that Seligman holds various long-term ground lease interests in Liberty Station and pays no rent to the City, Seligman would be the only viable buyer of the site, resulting in a lack of competitive offers and a substantially deflated purchase price. The City's sale of Liberty Station to Seligman under these circumstances would be a phenomenal deal for Seligman, but an imprudent decision for the City and its taxpayers (as well as the wider regional population that benefits from enjoyment of Liberty Station).

C. Seligman's Lawsuit Against the City

In 2022, after the City rejected Seligman's unsolicited purchase offer, Seligman filed a lawsuit against the City in Sacramento County Superior Court seeking to force the City's involuntary sale of its remaining future development sites (i.e., "legacy" redevelopment sites formerly owned by the dissolved Redevelopment Agency), including the City's remnant fee title interest in Liberty Station. The trial court in Sacramento denied Seligman's demand for a forced sale of the remaining future development sites. However, the court issued a writ order in October 2023, requiring the City to demonstrate its diligent efforts to enter into a compensation agreement for the remaining future development sites, which include the Liberty Station site and eight other sites. The City has been engaged diligently in complying with the court's order, having obtained the approval of all the local taxing agencies on the compensation agreements for the Linda Vista retail sites and the Balboa Theatre site by mid-2025, and having negotiated the content of the proposed compensation agreements for the three additional sites being routed now for each local taxing entity's formal approval. Consistent with past practice, the formal approval process is starting with the Board of Supervisors.

Compliance with the court's order requires the City to arrange for the completion of an appraisal for each remaining future development site based on a 2011 valuation date prescribed by the Dissolution Laws and to negotiate a compensation agreement with other local taxing entities for each remaining future development site. Each compensation agreement requires the City to pay a compensation amount for the benefit of other local taxing entities, such as the County, the local school districts, and local special districts, in exchange for the City being allowed to acquire ownership of each future development site and carry out legacy redevelopment objectives on the sites.

II. City's Rebuttal to Points Raised Previously by Seligman

When seeking in September 2024 to convince the Board of Supervisors to either postpone or deny the proposed compensation agreements for the Linda Vista retail site and the Balboa Theatre site, and in multiple court filings over the past two years, Seligman has mischaracterized several key background facts and called for government actions on the compensation agreements that run contrary to prior precedent and applicable law. The City wishes to correct the record so that the local taxing entities can make a decision based on the actual facts and applicable law.

A. The Compensation Agreements Are Not Precedent-Setting

In the September 2024 letter, Seligman characterized the Linda Vista and Balboa Theatre compensation agreements as “potentially precedent-setting.” However, the City, the County, and the other local taxing entities already entered into several other compensation agreements before September 2024 for future development sites in similar form and content. The three compensation agreements being routed for the local taxing agencies’ formal approval now likewise follow a similar form and content as all the earlier agreements.

The compensation agreements are not precedent-setting because they simply follow the process laid out in the pertinent statute, California Health and Safety Code (H&S Code) section 34180(f). Seligman apparently views the compensation agreements as establishing a negative precedent because, once a compensation agreement for the Liberty Station site is signed, Seligman will have run out of viable options to compel the City’s sale of its remnant fee title interest to Seligman at a price point beneficial only to Seligman.

B. The Court Granted Only Limited Relief to Seligman

Seligman took credit in the September 2024 letter for obtaining a legal victory that would result in the County and other local taxing entities receiving substantial funds related to 23 future development sites. Seligman’s claim of a legal victory grossly exaggerated the actual circumstances in several ways.

The court in Sacramento declined to issue Seligman’s requested writ, which would have compelled the City to reclassify the future development sites, including Liberty Station, from the future development category to the liquidation category and then sell Liberty Station to Seligman, as the only viable buyer, in response to Seligman’s unsolicited purchase offer of approximately \$2.6 million (given that no other entity would realistically want to buy a remnant fee title interest encumbered for the next several decades by long-term ground leases). Instead, the court issued

a writ order compelling the City to either enter into a compensation agreement for the remaining future development sites or reclassify certain future development sites to the liquidation category. The court's narrow order deprived Seligman of its sole, self-interested objective in pursuing litigation: to force the City's immediate "fire-sale" of Liberty Station to Seligman, with no realistic possibility of competitive offers that could drive up the price.

Moreover, regardless of the outcome of Seligman's lawsuit, the local taxing entities would ultimately receive substantial funds related to the future development sites due to the statutory process for winding down redevelopment operations. That process requires the City to enter into a compensation agreement with the other local taxing entities for each future development site. The City has consistently acknowledged and complied with this statutory requirement.

The court's order has a limited impact in that the writ only applies to nine future development sites that remain unresolved, not 23 sites as claimed in Seligman's 2024 letter. Seligman inflated the impact of the court's writ on actual sites by over 250 percent. The court issued the writ after the City already had entered into compensation agreements with respect to three future development sites and had reclassified ten sites from the future development category to the liquidation category and sold those ten sites. Also, the approved long-range property management plan identifies 22, not 23, future development sites.

C. The City Is Not Required to Pay Compensation Immediately, But Is Agreeing to a Specific Payment Deadline for Certain Sites

Seligman contended in the September 2024 letter that the Board of Supervisors should insist on including a new provision in the compensation agreements requiring the City's unconditional, immediate payment of the compensation amount to the other local taxing entities.

Seligman's contention is without merit for at least three reasons. First, the pertinent language in the two prior compensation agreements – conditioning the compensation payment on the City's disposition of the underlying future development site to a third party – is the same language contained in earlier compensation agreements signed by the City and other local taxing entities. Second, nothing in the Dissolution Laws dictates the precise content of the negotiated compensation agreements, other than the provision in H&S Code section 34180(f) fixing the compensation amount at the 2011 appraised fair market value of the site. Third, in any situations where the City intends to sell a future

development site to a third party, it is equitable and sensible for the City to be allowed to derive the compensation amount funds from the City's sale of the property that is the subject matter of each compensation agreement.

As the court's order acknowledged, the City has no obligation to sell any future development site; this is a purely discretionary decision on the City's part. Although the Dissolution Laws do not impose any payment deadline for amounts owed under a compensation agreement, the City is willing to voluntarily self-impose a payment deadline for any compensation agreement where the City has no present intention to sell a future development site for the foreseeable future. Accordingly, the three compensation agreements now under consideration include the City's self-imposed payment deadline of January 1, 2027, for Liberty Station, and June 30, 2027, for the Chinese Historical Museum site and the Walker Scott property. If for any reason the City has not timely paid the compensation amount by the applicable payment deadline, the unpaid balance will accrue interest at a rate of four percent per annum. The payment deadlines for the three proposed compensation agreements are designed to allow the City to include funding for the three payments in the City's General Fund budget for Fiscal Year 2026-2027.

D. The Compensation Amount Must Be Fixed at a 2011 Site Value

Seligman asserted in the September 2024 letter that the City should be required to pay a compensation amount for each future development site based on the site's current fair market value, not its 2011 value. Nonetheless, H&S Code section 34180(f) plainly dictates that the compensation agreement parties will rely on the 2011 appraised fair market value. There is no legal basis for requiring the City to agree to pay a higher compensation amount, despite Seligman's attempt to make the compensation agreement for Liberty Station so expensive that the City will decide to sell Liberty Station to Seligman at Seligman's preferred price. The City has no reason to, and should not, disadvantage its taxpayers by agreeing to pay a compensation amount that exceeds the City's statutory obligation. Further, the court's order does not require the City to pay any compensation amount that would exceed its express statutory obligation under the Dissolution Laws.

E. The Appraisers Who Determined the 2011 Fair Market Value of Each Future Development Site Used Appropriate Appraisal Methodologies

Seligman contended in the September 2024 letter that the 2011 appraised fair market value should be based on a concept of "highest and best use," not "reuse value." Contrary to Seligman's suggestion, the appraiser approved by the

Oversight Board determined the 2011 fair market value of all pertinent future development sites (Linda Vista, Balboa Theatre, Chinese Historical Museum, Liberty Station, and Walker Scott) based on the concept of highest and best use. County staff with expertise in property appraisals closely vetted all the appraisals underlying these compensation agreements and found that the methodologies used by the appraisers appropriately follow acceptable appraisal practices and satisfy the unambiguous appraisal requirement stated in the Dissolution Laws.

In the case of Liberty Station, the Oversight Board-approved appraiser properly considered the effect of the prepaid long-term ground leases encumbering the Liberty Station site when arriving at an appraised fair market value of \$1,895,000 for the City's remnant fee title interest in Liberty Station. The compensation amount of \$1,895,000 is relatively close to Seligman's earlier purchase offer of \$2,631,000, which as discussed above, assumed a substantial financial benefit to Seligman in that the existing leases would be extended, up to a period of 99 years, with no additional rent payable by Seligman. By Seligman's own admission in its 2021 purchase offer, the value of the City's remnant fee title interest in Liberty Station is a mere fraction of the value of Seligman's lucrative existing leasehold interest in Liberty Station (acquired at a whopping purchase price of \$159 million). Seligman is now trying to make its leasehold interest even more lucrative – or posture Liberty Station for a profit-generating sale of its own to another developer or investor – by acquiring fee title ownership and thereby eliminating any current leasehold limitations, most notably the expiration dates of the leases over the next several decades. Enriching Seligman to the likely tune of tens of millions of dollars, at the expense of taxpayers and the local and regional community who benefit greatly from continued use of Liberty Station as a community-serving public asset, would be a terrible public policy outcome.

F. The City Will Not Deduct Holding Costs from the Compensation

Seligman asserted in the September 2024 letter that the City should not be permitted to deduct its holding costs or other so-called “hidden costs” from the compensation amount payable under any compensation agreement. This assertion is, again, without merit for at least two reasons.

First, the compensation agreement parties, not Seligman, are the entities responsible for negotiating the provisions of the compensation agreements. In this instance, any deductions from the compensation amount are the same in the proposed compensation agreements for the three sites as they are in the earlier

compensation agreements between the City and other local taxing entities.

Second, the proposed compensation agreements do not call for any deduction of holding costs, management fees, or anything that could be properly characterized as a hidden cost. Instead, Section 1 of each compensation agreement states that the only deductions from the compensation amount will consist of “Qualified Property Expenses,” which include the City’s cost of obtaining the site appraisal required under H&S Code section 34180(f) and, if applicable, the City’s share of actual escrow and closing costs upon the City’s disposition of the site to a third party.

III. Concluding Remarks

Seligman wants to acquire the City’s remnant fee title interest in Liberty Station by any means possible because doing so would significantly increase the value of Seligman’s existing leasehold interests in Liberty Station. Seligman initially tried to obtain a court order compelling the City to transition the remaining future development sites (including Liberty Station) to the liquidation category, then immediately sell Liberty Station to Seligman in a “fire-sale.” Now that the court has denied Seligman’s initial tactic, Seligman has pivoted to opposing the administrative approval process for the compensation agreements to manufacture negotiating leverage against the City for Seligman’s desired purchase of Liberty Station.

Liberty Station is an important public asset that should remain in the City’s control for the long term. The City has neither any legal obligation nor any intention to sell the Liberty Station site to Seligman or any other entity. The City’s legal obligation is to enter into a compensation agreement for each remaining future development site, and the City is in the process of fulfilling that obligation.