SAN DIEGO UNIFIED PORT DISTRICT

ORDINANCE 2948

ORDINANCE AMENDING THE FISCAL YEAR (FY) 2020 BUDGET INCREASING THE FY 2020 EQUIPMENT OUTLAY AND OTHER CAPITAL PROJECTS APPROPRIATION BY $3 MILLION FOR TENANT IMPROVEMENT ALLOWANCES AT SEAPORT VILLAGE, WITH $3 MILLION TO BE FUNDED FROM CUMULATIVE UNRESTRICTED RESOURCES

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, pursuant to Section 47 of the Port Act, the Board of Port Commissioners (BPC) is required to meet for the purposes of fixing the final Budget; and

WHEREAS, at the February 12, 2019 Board meeting, staff presented an update to the Board on the interim management and operations of Seaport Village which included an update on the current leasing efforts with its broker, Retail Insite, and proposed strategies for the Board's consideration to secure tenancies quickly to increase occupancy, attract additional foot traffic and generate higher revenue to the District; and

WHEREAS, the Board provided feedback to staff to consider creative deal structures utilizing various strategies, including longer lease terms and tenant improvement (TI) allowances, to attract and secure leases with high caliber, prospective tenants with compatible uses; and

WHEREAS, staff has since begun to implement these interim strategies with Retail Insite as part of leasing and marketing efforts which has resulted in several competitive letters of intent for vacant food and beverage and retail spaces; and

WHEREAS, unfortunately, many of these spaces are in untenantable condition and will require investment from the District before they can be occupied by new tenants; and

WHEREAS, to achieve the District's goal of executing new market rate leases within Seaport Village, and to create the vibrant sense of place that will keep Seaport Village interesting and relevant in the near future, staff needs to be nimble in its ability to make decisions and agree to deal terms with prospective tenants like

TI allowances to bring the spaces up to a reasonable condition within the time parameters that are expected of retail landlords; and

WHEREAS, to execute on the District's leasing initiatives, a budget amendment is needed to establish a TI fund; and

WHEREAS, this fund would increase the FY 2020 Equipment Outlay and Other Capital Projects appropriation by $3 million to be funded from Cumulative Unrestricted Resources; and

WHEREAS, staff recommends the Board adopt an ordinance amending the FY 2020 Budget increasing the FY 2020 Equipment Outlay and Other Capital Projects appropriation by $3 million for tenant improvement allowances at Seaport Village, with $3 million to be funded from Cumulative Unrestricted Resources; and

WHEREAS, staff believes that these funds will result in a positive return on investment to the District, and its decisions to expend these funds will be based on analyses of the potential returns.

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

Section 1. The San Diego Unified Port District's FY2020 Budget is hereby amended by increasing the Fiscal Year 2020 Equipment Outlay and Other Capital Projects appropriation by $3 million for tenant improvement allowances at Seaport Village, with $3 million to be funded from Cumulative Unrestricted Resources.

Section 2. That this ordinance shall take effect upon the 31st day from the date of its passage by the Board of Port Commissioners.

APPROVED AS TO FORM AND LEGALITY:
GENERAL COUNSEL

By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 24th day of July 2019, by the following vote:

AYES: Bonelli, Castellanos, Malcolm, Merrifield, Moore, Valderrama, and Zucchet
NAYS: None.
EXCUSED: None.
ABSENT: None.
ABSTAIN: None.

Garry J. Bonelli, Chairman
Board of Port Commissioners

ATTEST:

Donna Morales
District Clerk

(Seal)