

SAN DIEGO UNIFIED PORT DISTRICT

ORDINANCE 2960

**ORDINANCE GRANTING A LEASE TO STB & POT
HEAD COFFEE SEAPORT, LLC DBA SPILL THE
BEANS (SPILL THE BEANS) FOR A SPECIALTY
COFFEE AND BAGEL SHOP LOCATED AT 849 W.
HARBOR DRIVE, SUITE C-7 IN SAN DIEGO FOR A
10-YEAR TERM**

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, Section 87(b) of the Port Act grants authority to the District to lease the tidelands or submerged lands, or parts thereof, for limited periods, not exceeding 66 years, for purposes consistent with the trusts upon which those lands are held, by the State of California; and

WHEREAS, Section 21 of the Port Act requires that all grants, franchises, leases, permits or privileges for more than five (5) years shall be made by ordinance; and

WHEREAS, Seaport Village is a tourist-oriented retail shopping center consisting of approximately 90,000 square feet of specialty retailers, restaurants, outdoor entertainment, and parking on an approximately 14-acre bayfront site located at 849 West Harbor Drive in San Diego, California; and

WHEREAS, on October 1, 2018, the District assumed ownership of the Seaport Village assets, which consist of 32 buildings, including one over-water structure; and

WHEREAS, the District has made strategic operational and financial investments to improve the overall experience and success of the shopping center for both locals and visitors alike; and

WHEREAS, an essential component to this success is the District's ability to secure tenancies quickly to increase occupancy, attract additional foot traffic, and generate higher revenue to the District; and

WHEREAS, one of staff's primary objectives has been to fill the existing vacancies at Seaport Village with new high-caliber tenants with Public Trust compliant uses; and

WHEREAS, staff seeks the Board of Port Commissioners' (BPC) approval of an ordinance granting a lease to STB & Pot Head Coffee Seaport, LLC dba Spill the Beans (Spill the Beans) to fill a current vacancy at Seaport Village; and

WHEREAS, Spill the Beans is a specialty coffee and bagel shop with one location in the Gaslamp District and has built a successful and unique brand since launching in 2017; and

WHEREAS, Spill the Beans would be located in a key boardwalk vacancy in the Lighthouse District, Suite C-7, a 518 square foot space, at Seaport Village; and

WHEREAS, staff has negotiated a 10-year lease; and

WHEREAS, consistent with past BPC feedback to staff, the proposed lease includes a termination provision which would enable the District to terminate the lease after a maximum of seven (7) years; this lease structure provides the District with flexibility in the event of future redevelopment of the Central Embarcadero; and

WHEREAS, the District will maintain the right to terminate the lease any time after the end of Lease Year 7, with no termination fee; and

WHEREAS, at the July 24, 2019 BPC meeting, the BPC approved a budget amendment that allocated \$3M towards the establishment of a tenant improvement (TI) allowance fund for Seaport Village tenants, providing staff with the ability to achieve the District's goal of executing new market rate leases involving TI allowances to bring existing vacancies up to a reasonable condition within the time parameters expected of retail landlords in the market; and

WHEREAS, the proposed lease contemplates a TI allowance of \$240,000, and staff estimates a 10-year initial rate of return of 26% and a net present value of \$289,000 (using an 8% discount rate); and

WHEREAS, Spill the Beans will fill a key vacancy in Seaport Village and generate a positive fiscal impact for the District, increase market demand for the remaining vacancies, and generate momentum and energy for the shopping center as a vibrant, waterfront destination with new and exciting offerings for its visitors; and

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WHEREAS, staff recommends the BPC adopt an ordinance granting a lease to Spill the Beans.

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


1. That the 10-year lease for STB & Pot Head Coffee Seaport, LLC dba Spill the Beans, a specialty coffee and bagel shop located at 849 W. Harbor Drive, Suite C-7 in San Diego, California, is hereby granted.
2. The Executive Director or her designated representative is hereby directed to execute said lease attached as Attachment H in the corresponding agenda sheet.
3. This Ordinance shall take effect on the 31st day from 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 5th day of November 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

