

RESOLUTION 2019-056

RESOLUTION AUTHORIZING AMENDMENT NO. 1 TO THE AGREEMENT WITH R.I. PROPERTIES, INC., DBA RETAIL INSITE FOR COMMERCIAL REAL ESTATE BROKER SERVICES FOR SEAPORT VILLAGE, TO INCREASE THE MAXIMUM AMOUNT PAYABLE UNDER THE AGREEMENT BY \$400,000 FOR A TOTAL AGGREGATE AMOUNT NOT TO EXCEED \$600,000, AND WAIVING BOARD OF PORT COMMISSIONERS POLICY NO. 114 – PAYMENT OF COMMISSIONS FOR THE LEASING OF TIDELANDS. ALL FUNDS REQUIRED FOR FUTURE FISCAL YEARS WILL BE BUDGETED IN THE APPROPRIATE FISCAL YEAR, SUBJECT TO BOARD APPROVAL UPON ADOPTION OF EACH FISCAL YEAR’S BUDGET.

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 1, (Port Act); and

WHEREAS, at the July 17, 2018 Board of Port Commissioners (Board) meeting, the Board selected and authorized an agreement (Agreement) with R.I. Properties, Inc. dba Retail Insite (Retail Insite) to provide commercial real estate broker services for Seaport Village for the period from July 18, 2018 through June 30, 2021 in an amount not to exceed \$200,000; 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 current leasing efforts with Retail Insite and proposed leasing initiatives 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 longer lease terms of up to five years and creative deal structures involving tenant improvement allowances to attract and secure leases with high caliber, prospective tenants with compatible uses; and

WHEREAS, Staff has begun to implement these interim strategies with Retail Insite as part of leasing and marketing efforts which has generated an increased level of interest in the vacancies at Seaport Village; and

WHEREAS, these strategies also support the following key principles to set the framework for long-term success with the future vision for the redevelopment

of the Central Embarcadero:

- Invest in creation of leasable spaces to attract high caliber tenants;
- Create excitement and energy to enhance visitor experience;
- Strengthen existing tenant relationships to secure lease renewals; and
- Preserve flexibility based on the 1HWY1 Seaport San Diego Project anticipated timeline.

WHEREAS, to execute on the District's leasing initiatives, additional funding for potential commission fees is required in the amount of \$400,000 for the Agreement; and

WHEREAS, a maximum amount of up to \$200,000 would be payable per year under the amended Agreement for a total aggregate amount not to exceed \$600,000; and

WHEREAS, since the existing Agreement scope of services and commission fee structure only contemplates shorter term leases, Retail Insite has provided staff with an expanded scope of services to encompass the entirety of the District's leasing efforts to fill vacancies at Seaport Village; and

WHEREAS, the expanded scope of services would allow Retail Insite to oversee all new lease proposal negotiations at Seaport Village for lease terms of up to five years, including relocations of existing tenants; and

WHEREAS, in addition, Retail Insite has proposed a revised compensation structure to reflect market rates for commissions on the expanded scope of services as the current compensation structure would not provide for fair and reasonable commissions on lease terms of up to five years; and

WHEREAS, the expanded scope of services and compensation structure proposed as part of this amendment will enable Retail Insite to identify and source prospective tenants from a larger and stronger tenant base that supports the vision for Seaport Village and also enables the District to negotiate leases that provide increased rental income to the District during this interim phase; and

WHEREAS, based on staff's review of comparable market rates for leasing commissions and analysis of Retail Insite's expanded scope of services and revised compensation structure, staff recommends the Board authorize an amendment to the Agreement with Retail Insite to increase the maximum amount payable under the agreement by \$400,000 for a total aggregate amount not to exceed \$600,000 and to waive Board of Port Commissioners Policy No. 114.

NOW, THEREFORE, BE IT RESOLVED that the Board of Port Commissioners of the San Diego Unified Port District hereby waives Board Policy No. 114 and Amendment No. 1 to the Agreement with R.I. Properties, Inc. dba

Retail Insite for Commercial Real Estate Broker Services for Seaport Village, to increase the maximum amount payable under the Agreement by \$400,000 for a total aggregate amount not to exceed \$600,000.


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 14th day of May, 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)