

RESOLUTION 2019-139

RESOLUTION AUTHORIZING AMENDMENT NO. 2 TO THE AGREEMENT WITH R.I. PROPERTIES, INC., DBA RETAIL INSITE FOR COMMERCIAL REAL ESTATE BROKER SERVICES FOR SEAPORT VILLAGE TO AMEND THE COMMISSION FEE STRUCTURE FOR LEASES OF MORE THAN FIVE YEARS, AND WAIVING BOARD OF PORT COMMISSIONERS POLICY NO. 114 PAYMENT OF COMMISSIONS FOR THE LEASING OF TIDELANDS

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 (BPC) meeting, the BPC selected and authorized an Agreement between the District and R.I. Properties, Inc. dba Retail Insite (Retail Insite) for Real Estate Broker Services (Agreement) to provide commercial real estate broker services for Seaport Village for the period from July 18, 2018 through June 30, 2021; and

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

WHEREAS, on May 14, 2019, the BPC approved Amendment No. 1 to the Agreement to increase the maximum amount payable under the Agreement to a total aggregate amount not to exceed \$600,000 and to waive BPC Policy No. 114; and

WHEREAS, the BPC provided feedback to staff to consider longer lease terms of up to five (5) 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 implemented these interim strategies with Retail Insite as part of leasing and marketing efforts, which implementation has generated an increased level of interest in the vacancies at Seaport Village, including interest from prospective tenants proposing lease terms exceeding five (5) years; and

WHEREAS, the current Agreement contemplated that Retail Insite would oversee all new lease proposal negotiations at Seaport Village for lease terms of up to five (5) years, including relocation of existing tenants; and

WHEREAS, in order to ensure market rates for commissions on lease terms of more than five (5) years, Retail Insite has proposed a revised compensation structure whereby Retail Insite would receive, for leases with terms in excess of five (5) years (excluding option terms), six percent (6%) of the total minimum annual rent for the first five (5) years of the term and three percent (3%) of the total minimum annual rent for the remaining years of the term (excluding option terms and excluding operating expense reimbursements) per lease; and

WHEREAS, since the revised compensation structure would provide fair and reasonable commission fees to Retail Insite on lease terms of more than five (5) years, staff recommends the BPC authorize an amendment to the Agreement with Retail Insite to amend the commission fee structure to include a commission fee structure for leases with terms in excess of five (5) years, and waive BPC Policy No. 114.

NOW, THEREFORE, BE IT RESOLVED that the Board of Port Commissioners of the San Diego Unified Port District hereby waives BPC Policy No. 114 and authorizes Amendment No. 2 to Agreement between San Diego Unified Port District and R.I. Properties, Inc. dba Retail Insite for Real Estate Broker Services to amend the commission fee structure for leases of more than five (5) years.

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

(Seal)