

**DRAFT****SAN DIEGO UNIFIED PORT DISTRICT****ORDINANCE xxxx****ORDINANCE GRANTING A LEASE TO 807 SEAPORT LLC DBA 3<sup>RD</sup> BASE FOR A FULL-SERVICE RESTAURANT AND BAR LOCATED AT 807 W. HARBOR DRIVE IN SAN DIEGO FOR AN APPROXIMATELY 10-YEAR INITIAL TERM PLUS ONE 5-YEAR OPTION TO EXTEND (FOR A TOTAL POTENTIAL TERM OF APPROXIMATELY 15 YEARS) WITH \$760,000 IN TENANT IMPROVEMENT ALLOWANCE TO BE BUDGETED IN THE FISCAL YEAR (FY) 2024 EQUIPMENT OUTLAY AND OTHER CAPITAL PROJECTS APPROPRIATION FOR SEAPORT VILLAGE TENANT IMPROVEMENTS ALLOWANCES**

**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**, since assuming ownership of the Seaport Village assets in 2018, the District has successfully achieved its objectives of securing high-caliber, catalyst tenants to increase occupancy, generate greater momentum for the shopping center and secure higher revenue to the District; and

**WHEREAS**, staff has worked in close coordination with the District's property manager, Protea Property Management, Inc. and the District's broker, R.I. Properties, Inc. dba Retail Insite (Retail Insite), to transform Seaport Village into a vibrant waterfront destination along the San Diego bayfront for locals and visitors; and

**WHEREAS**, the District has filled 24 spaces with a variety of uses including specialty retail, full-service and fast-casual restaurants, walk-up cafés, and a specialty market, achieving approximately 92% occupancy; and

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**WHEREAS**, as a result of staff and Retail Insite's joint efforts, staff has negotiated a lease with 807 Seaport LLC dba 3rd Base (3rd Base), a subsidiary of Cedar Restaurant Group, LLC, a transformative and prominent restaurant operator, to fill a critical anchor space at Seaport Village in the Lighthouse District on the east side of the shopping center; and

**WHEREAS**, 3rd Base plans to offer patrons a first-class dining experience at Seaport Village by creating an inviting, warm bungalow-themed environment consisting of an elevated American fare menu and a full lineup of cocktails, craft beer, and wine; and

**WHEREAS**, 3rd Base would anchor the Lighthouse District, increase market demand for the remaining vacancies and attract additional foot traffic to the east side of the shopping center; and

**WHEREAS**, staff has negotiated an approximately 10-year lease with 3rd Base, which staff estimates will result in a 10-year Internal Rate of Return of 26% and a Net Present Value of \$1,158,985 (using an 8% discount rate); and

**WHEREAS**, the lease contemplates a tenant improvement (TI) allowance of \$760,000 and a minimum required tenant investment spend of \$2,500,000 to facilitate the necessary improvements in building infrastructure upgrades and to adequately activate the Lighthouse District; and

**WHEREAS**, as one of the conditions to disbursements of the TI allowance, the lease requires the tenant to provide final, unconditional lien waivers and releases in statutory form for all contractors, subcontractors, and materialmen who performed work or supplied materials in connection with the completion of the initial tenant improvements; and

**WHEREAS**, the lease also provides for a District termination right commencing on the first day of month fifty-six (56) of lease year 5; and

**WHEREAS**, commencing on the first day of month fifty-six (56) of lease year 5, the District would also have the right to relocate 3rd Base but would be responsible for paying certain costs and expenses; and

**WHEREAS**, staff recommends the Board of Port Commissioners adopt an ordinance granting the lease to 3<sup>rd</sup> Base with \$760,000 in TI allowance to be budgeted in the Fiscal Year 2024 Equipment Outlay and Other Capital Projects Appropriation for Seaport Village TI Allowances.

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

1. That the lease to 807 Seaport LLC dba 3rd Base (3rd Base) for a full-service restaurant and bar located at 807 W. Harbor drive in San Diego for an approximately 10-year initial term plus one 5-year option to extend (for a total potential term of approximately 15 years) with \$760,000 in tenant improvement allowance (Lease) to be budgeted in the fiscal year (FY) 2024 equipment outlay and other capital projects appropriation for Seaport Village tenant improvements allowances, is hereby granted.
2. The Executive Director or his designated representative is hereby authorized and directed to execute and deliver the Lease in substantially the same form as the version of the Lease attached to the corresponding agenda sheet.
3. This Ordinance shall take effect on the 31<sup>st</sup> day from its passage by the Board of Port Commissioners.

APPROVED AS TO FORM AND LEGALITY:  
GENERAL COUNSEL

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By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 11<sup>th</sup> day of October 2022, by the following vote: