



Staff Report

TO: Board of Harbor Commissioners

FROM: James B. Pruet, General Manager

DATE: March 20, 2024

SUBJECT: Request for Rent Relief

Issue:

Based on construction and permitting delays, Pelagic Hospitality Group has requested a discounted rent through March 31, 2024.

Summary/Recommendation:

Approve rent relief in the amount not to exceed a total of \$15,000 and permit Pelagic Hospitality Group to pay \$6,600 for December 2023, \$7,350 for January 2024, \$10,000 for February 2024, and \$12,500 for March 2024 as total rent due.

Fiscal Implications/Budget Status:

Potential loss of \$14,999.92

Background/Discussion:

On November 10, 2023, Pelagic Hospitality Group entered a lease with the District for Parcel 1, 2, and 3 in the Pillar Point Retail Center.

Pelagic Hospitality Group encountered multiple construction and permitting delays in preparing the building to open. As a result, the first parcel to open, Parcel 3, did not open until December 6, 2023. Parcel 2, and 1 also faced construction and permitting delays, and are opening as they become available.

Pelagic's Request:

As a result of the delayed openings, Pelagic is requesting the following rent payments be accepted as full payments for the applicable months:

Date	Request
November 2023	\$0
December 2023	\$6,600
January 2024	\$7,350
February 2024	\$10,000
March 2024	Est. \$12,500
Totals	\$36,450

The lease provided for a scaled lease payment as Pelagic worked to open each parcel. That scale provided by the Lease for the following months is:

Date	Base Rent
Commencement Date Through October 31, 2023:	\$7,372.37
November 1, 2023, through December 31, 2023:	\$9,449.92
January 1, 2024, through June 30, 2024:	\$14,000.00
July 1, 2024, through June 30, 2025	\$17,500.00
July 1, 2025, through June 30, 2026:	\$20,500.00

Given the effective date of the Lease is November 10, 2023, the “Commencement Date through October 31” of \$7,372.37 is not applicable.

Summary:

If the Board approved Pelagic’s request, the difference between Pelagic’s request and the amount due per the lease would be \$14,999.92.

Date	Request	Req. by Lease	Difference
December 2023	\$6,600	\$9,449.92	\$2,849.92
January 2024	\$7,350	\$14,000	\$6,650.00
February 2024	\$10,000	\$14,000	\$4000.00
March 2024	Est. \$12,500	\$14,000	\$1,500.00
Totals	\$36,450	\$51,449.92	\$14,999.92

The opening of the parcels faced multiple permitting delays, which forced construction delays. The construction of the ADA restroom also conflicted with Pelagic’s construction schedule, as did the weather/heavy rains.

Pelagic Hospitality Group has also invested more than \$600,000 in preparing the building for opening to include ADA compliance, upgraded electrical, upgraded plumbing, and significant upgrades to the kitchen. Those upgrades continue as they build out the rest of the establishment in Parcel 1 and 2. This rent relief will assist Pelagic in completing these needed upgrades.

Based on the above, staff recommends the Board grant the rent relief requested by Pelagic Hospitality Group.

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