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May 8, 2026

To:
President Gail Gilman
Vice President Stephen Engblom
Commissioner Willie Adams
Commissioner Steven Lee
Commissioner Ken McNeely

From:
Michael Martin, Acting Executive Director

DocuSigned by:
Michael Martin
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Subject:
Request approval to terminate existing Lease No. L-10388 with JPPF 1300 Battery, L.P., a Delaware limited partnership ("JPPF") and enter into new Lease No. L-17390 with JPPF retroactive to February 1, 2026, that reduces both base and percentage rent and provides JPPF with up to $188,192 in rent credits for tenant improvements on the same lease term, for approximately 4,635 square feet of a single-story restaurant space along with 2,992 square feet of outdoor dining area at 1300 Battery Street between Greenwich and Lombard Streets.

Acting Executive Director's Recommendation:
Approve the Attached Resolution No. 26-27

EXECUTIVE SUMMARY

JPPF 1300 Battery, L.P., a Delaware limited partnership ("**JPPF**"), is a Port tenant in good standing and assumed Lease No. L-10388 (the "**Existing Lease**") in 2019, with Fog City Diner as subtenant. The premises represent a stand-alone restaurant suitable for only one tenant.

The Existing Lease was originally conceived as a retail development opportunity, and as such, the ground rent was structured with a base and percentage - effectively, the sublease rent was passed through to pay the ground rent.

Currently, the ground rent stands at a base rent of $16,172/month ($3.50 PSF), and percentage rent of 6.75%. This rent is well above current retail restaurant market levels. Fog City Diner ceased operations on May 30, 2025, after 40 years, citing declining post-pandemic sales and the burden of "a very high rent". In advance of closure, Fog City reached out to the Port for a rent reduction to facilitate continued operation. The structure of the original ground lease to JPPF and subtenancy prevented an easy/quick resolution. Despite the closure, JPPF has continued paying full base rent due under the Ground Lease without the sublease income to support it.

As JPPF solicited new tenants for the property in 2025, it became evident that without a significant adjustment to the ground rent structure, a deal with a new tenant “at market” would leave JPPF underwater on the ground rent payments, and with no ability to recover investments for needed capital improvements, tenant allowances, and commissions necessary to secure the operator. It would make more financial sense to walk away from the ground lease (which is independent of other JPPF affiliate holdings such as the nearby Waterfront Plaza lease with Port). However, JPPF was motivated as a steward of the district, as was the Port, to reopen the landmark site to support the improving post-pandemic office environment of the North Waterfront.

To facilitate new investment and occupancy of the premises with a new sublease, Port staff propose entering a new Lease No. L-17390 (the “**New Lease**”) with JPPF, with terms described below that provide an incentive for JPPF to remain a tenant of the premises:

- Base Rent paid to Port is $5,000/month, with 15% increases every five years (including option periods). Under the Existing Lease, base rent paid to Port is $15,628/month, but that was based on the rent paid by Fog City to JPPF.

- Percentage Rent is 1% of gross sales (20% of new sublease’s 5% percentage rent). This compares to 6.75% under the Existing Lease.

- Rent Credit: Up to $1,568.26/month for 120 months, of the actual documented cost of landlord work and tenant improvements.

    - The rent reduction is terminated from and after the year after annual gross sales are $5 million or more.

This revised structure ensures continued Port revenue while avoiding the return of the restaurant while mitigating downtime, lease-up, and operational risks involved in taking back and leasing the premises.

Figure 1 Fog City Diner in its heyday

STRATEGIC PLAN ALIGNMENT

Entering into the New Lease that restructures the terms of the Existing Lease at 1300 Battery Street will support the Port's following Strategic Objectives:

Exceptional Service:
Port Staff are engaged with JPPF on restructuring the ground lease. The restructured lease enables JPPF to move forward with a new sublease, preserving restaurant use and maintaining stable - though reduced - revenue to the Port.

Economic Growth:
JPPF's investment in tenant improvements will enhance the property's value, support the success of the new operator, attract foot traffic, and stimulate activity at nearby Port properties, including Pier 23 Café.

Evolve:
Fog City Diner was a beloved local institution. Its replacement will generate public interest and reinforce the Port's efforts to stabilize and revitalize its restaurant portfolio.

Equity:
The new restaurant will create jobs and support local suppliers - such as food vendors, beverage distributors, and service providers, all contributing to broader economic inclusion.

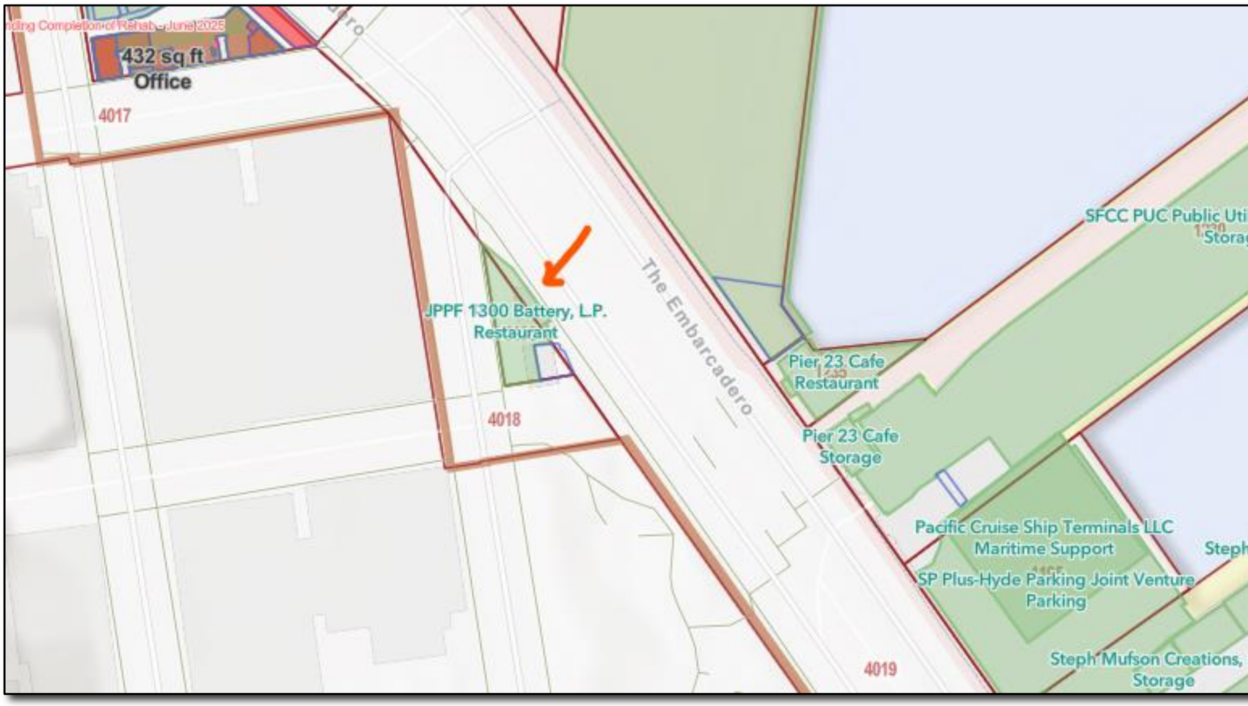

Figure 2 - JPPF 1300 Battery - Ground Lease location

BACKGROUND

JPPF 1300 Battery L.P. (Ground Lessor)

JPPF's general partner, JPPF 1300B GP, LLC, is based in Atlanta, GA, and is owned and managed by Jamestown L.P., a private real estate investment firm with over 40 years of experience in managing office, retail, and residential properties nationwide. JPPF's affiliate is the Port's master tenant of Waterfront Plaza under Lease No. L-17224.

JPPF assumed the Existing Lease in 2019, with Fog City Diner as the subtenant. Fog City Diner closed on May 30, 2025, after 40 years of operation, due to declining post-pandemic sales.

JPPF has entered a new sublease dated January 23, 2026 (the "**Sublease**"), with Moon Child Restaurant LLC ("**Moon Child**"). See sublease terms in the next section. However, the Sublease terms reflect current market conditions and do not support the financial structure of the Existing Lease.

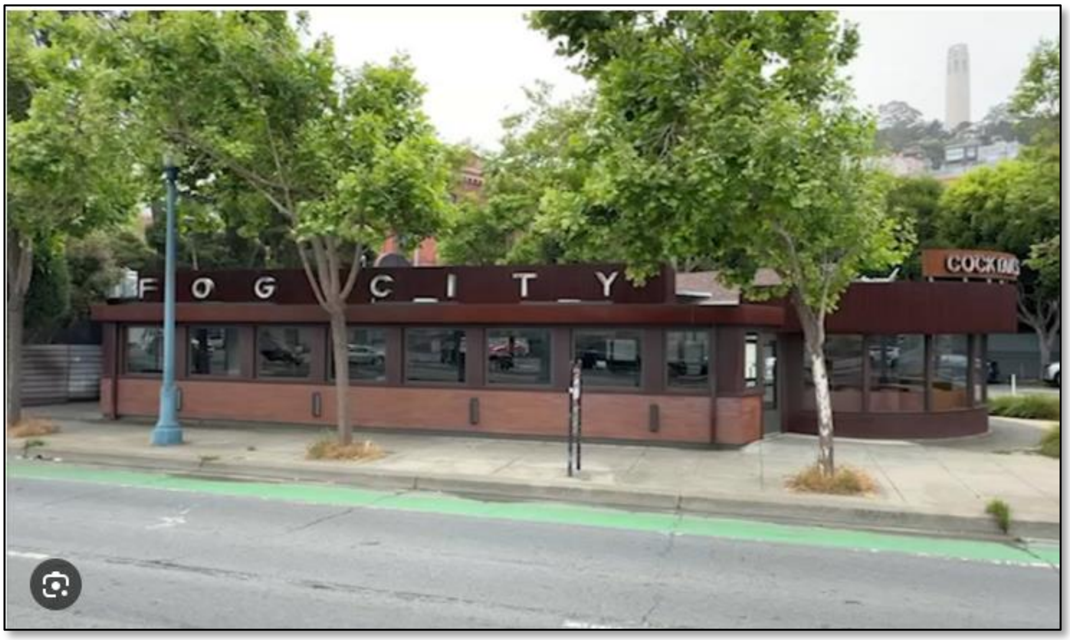

Figure 2 - Current appearance of the JPPF leasehold

Moon Child Restaurant LLC (Subtenant)
Moon Child is a husband-and-wife team with professional experience at acclaimed establishments, including Quince, Benu, and Scribe Winery. Their background reflects a strong foundation in fine dining, hospitality, and culinary innovation.

Under the working name "Moon Child", the team plans to open a chef-led, wine-focused restaurant that will bring a vibrant and refined dining experience to San Francisco's waterfront. The concept emphasizes seasonality, creativity, and hospitality, designed to appeal to a broad audience - residents, office workers, visitors, and culinary enthusiasts - while contributing to the vitality of the Port's restaurant landscape.

Moon Child plans to design the space to be welcoming, polished, and unpretentious, where food, wine, and atmosphere come together in harmony. The project aligns with the Port's strategic goals of fostering high-quality, locally rooted businesses that enhance the public realm and contribute to the economic and cultural vitality of the waterfront.

SUMMARY OF EXISTING LEASE, SUBLEASE, AND NEW LEASE TERMS:

<u>Existing Lease Terms (Lease No. L-10388):</u>

- Monthly base rent: $16,172 (approximately $3.49 per square foot)
- Percentage rent: 6.75% of gross sales

<u>Moon Child Sublease Terms:</u>

- Monthly base rent: $12,000 (approximately $3.00 per square foot), with 3% annual increases

- Percentage rent: 5% of gross sales
- One year of free rent
- Tenant improvement allowance: $50 per square foot, totaling approximately $199,850
- Term: Ten years, with two five-year renewal options. If both options are exercised, the sublease would expire near the Existing Lease's expiration date of May 5, 2046

Proposed New Lease Terms (Lease No. L-17390):

- Monthly base rent: $5,000, with 15% increases every five years, including renewal periods. This monthly rent is to commence **retroactively** to February 1, 2026, due to delays in processing caused by limited staff resources.
- Percentage rent: 1% of gross sales (equivalent to 20% of the sublease's 5% percentage rent)
- Rent credit: Up to $1,568.26 per month for up to 120 months, not to exceed $188,192, based on approximately 50% of landlord base building and tenant improvement costs
    - Rent credit is terminated the year after annual gross sales are $5 million or more.

STAFF ANALYSIS

Market Conditions and Lease Considerations – 1300 Battery Street
The northern waterfront continues to face challenges, including high office vacancies (as of early 2026, vacancy is 31.3% and seeing positive net absorption[1]) and limited foot traffic. Nearby Port tenants, such as Pier 23 Café, report similar operational difficulties. However, there are signs of recovery, particularly with increased leasing activity from AI companies in the area.

It is critical that this space is occupied to support the continued growth of the district. While the proposed New Lease terms result in reduced revenue for the Port, entering the New Lease helps avoid the risks and costs associated with the Port recovering another vacant restaurant. These risks include extended downtime, landlord base building improvements, releasing expenses, including leasing commissions and legal fees, and uncertainty around future operating performance.

Port staff evaluated several alternatives:

- Decline the proposed terms and pursue JPPF for specific performance
    - This approach carries the same risks as above and could negatively impact Port's relationship with JPPF.
- Attempt to renegotiate more favorable lease terms
    - Port staff conducted lengthy negotiations and determined that further improvements to the terms are unlikely.

[1] Source: Avison Young and Transwestern market reports

The alternatives considered - enforcing specific performance, or renegotiating - pose higher risks and costs for the Port. The restructuring is the most viable option to maintain occupancy and economic activity.

PORT STAFF RECOMMENDATION

Port staff recommend entering the New Lease with JPPF to replace the Existing Lease on the terms described in this memorandum. The New Lease reflects revised economic terms that support continued restaurant operations at 1300 Battery Street while balancing Port interests.

In accordance with San Francisco Administrative Code Chapter 31, Port staff have determined that this action does not constitute a project under the California Environmental Quality Act (Public Resources Code Sections 21000 et seq.).

A copy of the proposed New Lease is on file with the Port Commission Secretary.

RECOMMENDATION

Port staff recommend that the Port Commission approve the termination of the Existing Lease and entering into a New Lease with JPPF on terms described in this memorandum and approve the attached resolution authorizing the Acting Executive Director to forward the New Lease to the Board of Supervisors for their consideration and approval, and upon the effectiveness of such approval, authorize the Acting Executive Director or his designee to execute the New Lease.

Prepared by:
Don Kavanagh, Senior Property Manager
Real Estate and Development

For:
Scott Landsittel, Deputy Director
Real Estate and Development

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 26-27

WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate, and control the Port area of the City and County of San Francisco; and

WHEREAS, JPPF 1300 Battery Street, L.P. ("JPPF") is a Port tenant in good standing under Lease No. L-10388 ("Existing Lease") at 1300 Battery Street in the City and County of San Francisco; and

WHEREAS, JPPF acquired the Existing Lease in 2019, with subtenant Fog City Diner, which closed May 31, 2025, and JPPF has continued to pay Port the required rent under the Existing Lease; and

WHEREAS, JPPF and Port staff have negotiated terms for new Lease No. L-17390 (the "New Lease") that restructures the rent under the Existing Lease to be consistent with the proposed terms of a new sublease with Moon Child Restaurant LLC, as further described in the memorandum accompanying this Resolution; and

WHEREAS, A copy of the draft New Lease is on file with the Port Commission Secretary; now, therefore be it

RESOLVED, That the Port Commission hereby approves the terms of the New Lease as described in the memorandum accompanying this Resolution and as set forth in the New Lease, a copy of which is on file with the Port Commission Secretary; and be it further

RESOLVED, That the Port Commission authorizes the Acting Executive Director or his designee to forward the New Lease to the Board of Supervisors ("Board") for approval, pursuant to the Board's authority under Charter Section 9.118, and upon the effectiveness of such approval, to execute the New Lease in substantially the same form on file with the Port Commission Secretary; and be it further

RESOLVED, That the Port Commission authorizes the Acting Executive Director or his designee, to enter into any additions, amendments or other modifications to the New Lease that the Acting Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Acting Executive Director of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting on May 12, 2026.

DocuSigned by:
Jenica Liu
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Secretary