



Exempt Selected Tenant-Managed Construction from Chapter 6 Requirements

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Background

- Context
 - Vacancies
 - Economic recovery budget
 - Current retail market is riskier
- Without changes:
 - requires a lot of up-front capital
 - long process and up-front capital are difficult for BIPCO and other local small businesses to compete. Current retail market is also riskier.



Rationale for Limited Waiver

- **Competitive.** Landlords are offering \$150-\$200 for existing restaurant space and \$500-\$750+ per square foot for new restaurant space in TIs.
- **Reduce barriers.** Reduces barriers for small businesses by reducing upfront capital needs (unlike the rent credit tool Port has used in the past).
- **Market rent.** Allows the Port to have regular ongoing payments of fair market rent (*higher than without TI allowance investment*).
- **Efficient.** Tenant can contract for and direct improvements to the space that suits their operational needs.
- **Project delivery.** Subject to lease remedies to ensure promised improvements delivered.
- **Volume.** Increases the number of improvement projects on Port property as Port's has limited project management staff.



If Ordinance is Enacted

Chapter 6 rules will not apply to construction funded by the Port in cases as follows:

1. Leases or lease amendments subject to Port Commission and Board of Supervisors approval;
2. Property improvements that spur economic recovery and generate additional rents to the Port; and
3. Total amount no more than \$20 million cumulatively.