Item 5 JPPF 1300 Battery, L.P., Proposed Ground Lease Amendment

Request approval of a proposed amendment of ground lease L-10388 (“Lease No. 10388 or “Ground Lease”) with JPPF 1300 Battery, L.P., a Delaware limited partnership (“JPPF”), which Lease includes a sublease 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.

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Presented by: Scott Landsittel, Deputy Director of Real Estate and Development

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Background

Underlying Issue

- JPPF 1300 Battery, L.P., ("JPPF") is sublessor to Fog City under its Ground Lease. The ground lease and sublease terms were linked with interdependent financial structure. Fog City closed in May 2025.
- JPPF was faced with an immediate loss of revenue and a restaurant market weakened by COVID. The property was marketed by JPPF through Maven and found good demand from prospects, but no prospect could replace what Fog City was paying.
- A new subtenant, Moon Child, was found for the space, but at materially lower rent than Fog City paid. JPPF will incur legal fees, pay for landlord and tenant improves, a leasing commission, and offered 12-months of free rent to secure the Moon Child sublease.
- JPPF approached the Port to consent to this sublease, but requested a lower lease rent restructure under its to avoid ongoing operating losses – including lower base and percentage rent and assistance in the up-front costs
- Port and JPPF arrived at an agreement for the rent restructure and consent that reduced rent paid to Port.

Proposed Ground Lease (L-17390) Terms

Current Ground Lease Terms

- Monthly base rent is $16,172 (~$3.49 psf/mo)
- Percentage rent is 6.75% of gross sales
- JPPF continues to pay Port the ground rent until new sub lease is in place.

Moon Child Description and Sublease Terms

Moon Child's husband and wife team has professional experience at restaurants including Quince, Benu, and Scribe Winery. Financial terms are:

- Monthly base rent of $12,000 (approximately $3.00 per square foot), with 3% annual increases
- Percentage rent: 5% of gross sales

Proposed Amendments to JPPF Ground Lease for Port

- Base rent of $5,000 with 15% increases every five years
- Percentage rent: 1% of gross sales
- Rent credit: Up to $1,568 per month for 120 months, based on approximately 50% of JPPF paid landlord base building and tenant improvement costs.

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Proposed Ground Lease (L-17390) - Discussion

Market Context

- **Challenges:** High office vacancies and low foot traffic continue to pressure the district (e.g., Pier 23 Café).
- **Recovery:** Stabilization is emerging, driven by strong leasing interest from the AI sector.

Strategy & Risk Mitigation

The priority is to re-tenant the former Fog City restaurant space to support district growth. While the new lease terms reduce short-term revenue for the Port, they avoid the high costs and risks of recovering a vacant asset, including:

- Extended property downtime and loss of neighborhood activation.
- Landlord costs for base-building improvements, leasing commissions, and legal fees.
- Market uncertainty regarding future tenant performance.

Staff Recommendation

Approve the new ground lease (L-17390) with JPPF to replace the existing lease (L-10388).

Note: A new lease is required because the City Attorney's office determined the legacy agreement is too old to legally amend.