

FILE NUMBER: 2025-154

DATE: Tuesday, July 15, 2025

SUBJECT: FY 2025 Accounts Receivable Write-Offs

DESCRIPTION: Resolution Authorizing the Write-Off of Uncollectable Accounts Receivable Totaling \$545,991.20 as Required per BPC Policy No. 105 and the Removal of the Accounts Receivable from the District's Financial Accounting Records with an Effective Date of June 30, 2025

EXECUTIVE SUMMARY:

BPC Policy No. 105, Uncollectible Accounts, provides that the President/CEO shall recommend to the Board that the District purge from its financial records contingent accounts receivable greater than \$5,000, which are determined to be uncollectible. . Upon authorization of the Board, the uncollectible accounts receivable will be removed from the District's financial accounting records as active accounts receivable.

Under BPC No. 105, the following accounts have been determined to be uncollectible:

Seaport Village: It has been determined that \$512,538.63 in contingent accounts receivable related to rents due from former District tenants at Seaport Village for fiscal years 2020 through 2024 are uncollectible. As further described below, the balances are primarily due to tenant vacancies resulting from the COVID-19 pandemic and/or in response to a broader District initiative to fill spaces with new, transformative operators that generate market rent to the District. In coordination with the District's third-party property management company, Protea Property Management, Inc. (Protea) and the Office of the General Counsel (OGC), staff attempted to retain tenants and provide rent relief consistent with Board direction during the COVID-19 pandemic. Despite staff's best efforts, several tenants were unable to continue operating and vacated the shopping center with past due balances on the account. Protea, staff and the OGC attempted to collect past due account balances as set forth in the lease agreements. Collection efforts included formal notices (i.e. pay or quit, letters of default, etc.) and account statements to tenants, in-person meetings and negotiations on potential settlements and/or rent repayment plans. When collection efforts were exhausted, staff applied security deposits to the tenants' past due accounts. Further details of the contingent accounts receivable for Seaport Village are described below:

Summary of Seaport Village Contingent Accounts Receivable

Tenant	Accounts Receivable Balance	Write-Off
California Candle Gallery	\$8,709.23	2025
Harbor House	\$147,834.93	2025
Pier Café	\$147,292.77	2025
Swings n' Things	\$55,802.88	2025
Sinfulicious	\$152,898.82	2025

- Global Candle Gallery of San Diego, Inc. dba California Candle Gallery (California Candle Gallery): In September 2019, California Candle Gallery terminated its short-term lease with the District and vacated with a past due balance.
- H.H. Restaurant, Inc. dba Harbor House Restaurant (Harbor House): In February 2021, Harbor House terminated its short-term lease with the District due to the economic effects of the COVID-19 pandemic and the Board's approval of a long-term lease with Malibu Farm Seaport Village dba Malibu Farm (Malibu Farm) for the space. While staff was able to negotiate a rent deferral agreement with Harbor House during the COVID-19 pandemic, Harbor House terminated its lease prior to the repayment of rent to the District and vacated with a past due balance. In September 2023, Malibu Farm opened for business at the space and pays approximately \$602K in minimum annual rent to the District and generates approximately \$12M in annual gross sales.
- Water View Restaurants, Inc. dba San Diego Pier Café (Pier Café): In June 2022, the District terminated its short-term lease with Pier Café (a former District tenant with mutual ownership interests as the Harbor House) to facilitate delivery of the space to the District's future operator of the space, Hamptons Newport Beach, LLC dba Shorebird (Shorebird) as required under the Board approved, long-term lease with Shorebird. Staff negotiated a rent deferral agreement with Pier Café during the COVID-19 pandemic, however, the Pier Café lease was terminated prior to Pier Café's repayment of rent to the District who vacated with a past due balance. With the anticipated opening of Shorebird this summer, staff expects the new tenant to activate a highly visible, overwater space that will enhance the visitor experience and contribute to the ongoing transformation of Seaport Village.
- Kolenick Corporation dba Swings n' Things (Swings n' Things): In June 2021, the District terminated its short-term lease with Swings n' Things, a former tenant that vacated with a past due balance resulting from the COVID-19 pandemic. Swings n' Things was on a month-to-month holdover that expired in September 2020. Consistent with the District's initiative to fill spaces with transformative and experienced operators, staff negotiated an expansion of Louisiana Charlie's LLC (Louisiana Charlie's) leasehold into the former Swings n' Things space. Louisiana Charlie's pays approximately \$111K in minimum annual rent to the District and generates approximately \$2.7M in annual gross sales.
- Robert Jeffrey Cox and April May Cox dba Sinfulicious Bodycare (Sinfulicious): In July 2023, Sinfulicious experienced water damage at its premises caused by a second-story water heater leak. In August 2023, Sinfulicious vacated and removed all improvements from the premises without obtaining prior District consent or approval to do so. Protea formally notified Sinfulicious that any unauthorized cessation of operations within the premises, unapproved alterations or repairs, or failure to remit rent in accordance with the lease terms would constitute a default under the lease. Following this notice, Protea, staff and the OGC made multiple efforts to engage Sinfulicious in resolving the matter. Despite these efforts, Sinfulicious informed staff of its decision not to resume operations at Seaport Village and the lease expired in September 2024.

Other District accounts determined to be uncollectible include:

- Duncan McIntosh, a boat magazine publisher, was to host an annual boat show, dating back to 2020. Since the inception of their lease, no boat shows have been held, and no payments have been made to the district. Collection attempts have been unsuccessful. The total uncollectible balance is \$26,230.57.
- Semester at Sea, a study abroad program now discontinued at North America's ports, was considered for partial fee waivers in 2019 under the former Tidelands Activation Program. Staff determined that it is no longer eligible for TAP sponsorship under the current policy, and the debit is over five years old. The total uncollectible balance is \$7,222.

It is projected that there will be a minimal adjustment to the allowance for FY 2025 receivables. This is mainly a product of the Finance Accounts Receivable (A/R) team working in collaboration with the Maritime Operations team, as well as the Real Estate team. Every month since November of 2023, weekly A/R aging meetings have been held to discuss receivables older than 45 days. These collaborative discussions between Maritime, Real Estate, and Finance have not just been beneficial in collection efforts on current year's receivables, but they have also been helpful in cleaning up receivables from prior years. Highlights from FY 2025 include:

- Hornblower internal collection efforts totaling \$543k from 2024.
- Nassco internal collection efforts totaling \$25k from 2024.
- A combined total clean-up and internal collection effort covering the period from 2018 to 2023, totaling \$788k.

The table below lists all items transferred to the allowance for doubtful accounts since FY 2018, including the year they were added and the year they were written off. From FY 2018 to FY 2023, \$586,883.22 was transferred to the allowance, all of which was written off by the end of FY 2024. At the end of FY 2024, an additional \$794,903.43 was added to the allowance, followed by an additional \$26,230.57 in FY 2025. After this FY 2025 year-end write-off off the allowance for doubtful accounts balance will be \$275,142.80.

Accounts Receivable Allowance Transfers and Write-offs FY18-FY25

Tenant/Customer	Accounts		
	Receivable Balance (net of deposit)	Allowance Transfer	Write-Off
Sea Warrior Inc.	\$ 13,644.48	2018	2024
Charles Dorsh Ships Agent Inc	\$ 6,720.00	2018	2024
Mountain Sports International, Inc	\$ 15,612.91	2020	2024
Anthony's Fish Grotto	\$ 65,371.70	2021	2024
Eclipse Eyewear, Inc. DBA Eclipse Eyewerar	\$ 46,521.14	2022	2024
Eclipse Eyewear, Inc. DBA Seaport Village Shell Co.	\$ 126,940.26	2022	2024
Coci Of Seapor, Inc. dba Seaport Village Deli	\$ 98,027.01	2022	2024
Coci Of Seapor, Inc. dba Seaport Village Grill	\$ 50,758.00	2022	2024
Erkan and Denis Tantekin, dba Case Yard	\$ 57,385.95	2022	2024
Wyland Worldwide, LLC dba Wyland Galleries	\$ 105,901.77	2022	2024
Robert Jeffrey Cox and April May Cox dba Sinfulicious Bodycare	\$ 152,898.82	2024	2025
H.H. Restaurant, Inc. dba Harbor House Restaurant	\$ 147,834.93	2024	2025
Water View Restaurants, Inc. dba San Diego Pier Café	\$ 147,292.77	2024	2025
Kolenick Corporation dba Kite Flight	\$ 138,221.08	2024	
Kolenick Corporation dba Wind and Song	\$ 110,324.72	2024	
Kolenick Corporation dba Swings n' Things	\$ 55,802.88	2024	2025
A&A Logistics	\$ 18,195.00	2024	
Harold O'neal	\$ 8,402.00	2024	
Global Candle	\$ 8,709.23	2024	2025
Semester at Sea	\$ 7,222.00	2024	2025
Duncan McIntosh	\$ 26,230.57	2025	2025
TOTAL	\$ 1,381,786.65		

RECOMMENDATION:

Adopt a resolution authorizing the write-off of uncollectible accounts receivable totaling \$545,991.20 as required per BPC Policy No. 105 and the removal of these accounts receivable from the District's financial accounting records with an effective date of June 30, 2025.

FISCAL IMPACT:

This agenda item has no fiscal impact. An allowance for doubtful accounts was previously recorded.

COMPASS STRATEGIC GOALS:

Not applicable.

DISCUSSION:

BPC Policy 105 recognizes two types of delinquent accounts receivable: doubtful and uncollectible. Accounts receivable whose collection is doubtful will be transferred to contingent accounts receivable throughout the year. The Board will be notified of the accounts greater than \$5,000 transferred to contingent accounts receivable on a quarterly basis. District staff pursues collection of the contingent accounts receivable until such time that the collection efforts have been exhausted and an account is deemed uncollectible. Upon Board authorization, contingent accounts receivable determined to be

uncollectible will be removed from the District's financial accounting system. Further, BPC Policy 105 states that "accounts receivable meeting any one of the following criteria may be removed from the District's accounting records as an active account receivable."

1. The account receivable is older than 90 days and collection efforts have been unsuccessful.
2. The responsible party has declared bankruptcy.
3. The tenant relationship has terminated, and the tenant has either an insufficient or no security deposit available to offset the balance due the District.
4. A legal settlement has been reached with the responsible party and a determination has been made as to the amount owed the District.
5. The responsible party has died and left no estate.
6. A court of law has denied the District a judgment for the money due.
7. The statute of limitations has expired for claiming the money due the District.

General Counsel's Comments:

The Office of the General Counsel has reviewed this agenda as presented to it and approves the same as to form and legality.

Environmental Review:

The proposed Board action, including without limitation a resolution authorizing the write-off of uncollectable accounts receivable and the removal of the accounts receivable from the District's financial accounting records, does not constitute a project under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because there is not a potential to result in a direct or indirect physical change in the environment. Therefore, the proposed Board action is not subject to CEQA and no further action under CEQA is required.

The proposed Board action complies with Sections 21 and 35 of the Port Act, which allow the Board to pass resolutions and to do all acts necessary and convenient for the exercise of its powers. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

The proposed Board action does not allow for development, as defined in Section 30106 of the California Coastal Act, or new development, pursuant to Section 1.a. of the District's Coastal Development Permit Regulations. Therefore, issuance of a Coastal Development Permit or an exclusion finding is not required.

Diversity, Equity, and Inclusion Program:

Not applicable.

PREPARED BY:

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