

DRAFT**RESOLUTION 20xx-xxx****RESOLUTION AUTHORIZING THE WRITE-OFF OF
UNCOLLECTIBLE 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**

WHEREAS, the San Diego Unified Port District (District) is a public corporation created by the Legislature in 1962 pursuant to Harbors and Navigation Code Appendix I, (Port Act); and

WHEREAS, BPC Policy No. 105, Uncollectible Accounts, provides that the President/CEO shall recommend to the Board of Port Commissioners (BPC) that the District purge from its financial records contingent accounts receivable greater than \$5,000, which are determined to be uncollectible; and

WHEREAS, any of the following criteria deems an account uncollectible and should 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; or
- (2) The responsible party has declared bankruptcy; or
- (3) The tenant relationship has terminated, and the tenant has either an insufficient security deposit or no security deposit available to offset the balance due the District; or
- (4) A legal settlement has been reached with the responsible party and a determination has been made as to the amount owed the District; or
- (5) The responsible party has died and left no estate; or
- (6) A court of law has denied the District a judgment for the money due; or
- (7) The statute of limitations has expired for claiming the money due the District; and

WHEREAS, upon authorization of the BPC, the uncollectible accounts receivable will be removed from the District's financial accounting records as active

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accounts receivable; and

WHEREAS, under BPC Policy No. 105, the following accounts relating to Seaport Village have been determined to be uncollectible:

- 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. The uncollectible balance is \$8,709.23.
- 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. The uncollectible balance is \$147,834.93.
- 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. The uncollectible balance is \$147,292.77.
- 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. The uncollectible balance is \$55,802.88.

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- 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. The uncollectible balance is \$152,898.82.

WHEREAS, 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.

WHEREAS, it is projected that there will be a minimal adjustment to the allowance for FY 2025 receivables; and

WHEREAS, staff recommends the BPC 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.

NOW, THEREFORE, BE IT RESOLVED that the Board of Port Commissioners (BPC) of the San Diego Unified Port District hereby authorizes the write-off of uncollectible accounts receivable totaling \$545,991.20 and the removal of said accounts from the District's financial accounting records effective June 30, 2025; provided, however, that such write-off shall not constitute a waiver, release, or compromise of any legal rights, claims, or remedies the District may have with respect to such amounts.

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APPROVED AS TO FORM AND LEGALITY:
GENERAL COUNSEL

By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the
San Diego Unified Port District, this 15th day of July 2025, by the following vote: