



MEMORANDUM

October 6, 2023

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Ed Harrington
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director

SUBJECT: Request approval of proposed Lease No. L-17093 with Anderson Enterprises, Inc., a California corporation (“Anderson”) for approximately 116,343 square feet of paved land and 2,010 square feet of shed space at Pier 68/70 Shipyard for a term of three years with three mutually agreeable one-year options to extend, subject to Board of Supervisors’ approval.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 23-43

EXECUTIVE SUMMARY

Anderson Enterprises, Inc. (“Anderson”) has been an existing Port tenant leasing approximately 128,935 square feet of paved land and 2,010 square feet of shed space at Pier 68/70 for vehicle storage, detailing, vehicle preparation and pre-delivery inspections related to its San Francisco automotive dealership operations. Lease No. L-16471 commenced on December 20, 2018 and will expire on October 31, 2023.

Port and Anderson wish to enter into a new Lease L-17093 (the “Lease”) for an initial three (3) year term with three (3) one-year mutually agreeable extension options. This new lease will continue Anderson’s use with a reduced footprint at Pier 68/70 Shipyard.

This is being brought to the Port Commission because the proposed term including extension options exceeds five years (6 years) and will generate more than \$1 million (\$2,487,939) in rent for the initial term with total estimated rent equaling \$5,236,102 if the extension options are exercised. All other terms and conditions, including rent, conform to the Port Commission's approved FY 23/24 parameter terms and conditions (Port Resolution 23-36).

Under Charter Section 9.118, the Lease will also require approval by the Board of Supervisors because the length of the term is over five years and anticipated rent revenue exceeds \$1 million over the term of the Lease.

STRATEGIC OBJECTIVE

If approved, the proposed Lease will support the Economic Growth and Economic Recovery objectives of the Port's Strategic Plan by continuing to activate the Pier 68/70 Shipyard while generating economic benefits and maintaining a rent-paying tenant for three years (potentially six years) with annual rent increases over the term.

BACKGROUND

Since 2018, Anderson has been leasing approximately 128,935 square feet of paved land and 2,010 square feet of shed space at the Pier 68/70 Shipyard for the storage, detailing, preparation, and pre-delivery inspections of vehicles for its San Francisco-based automotive dealerships. Lease L-16471 commenced on December 20, 2018 and will expire on October 31, 2023. Under the current lease, rent is \$67,933.55 per month and at the then-Port Commission-approved parameter rate.

Port and Anderson now wish to enter into a new Lease L-17093 for the Tenant's continued use of Pier 68/70. Anderson is a tenant in good standing, and Port staff proposes its continued use of the facility allowing for interim activation of the Shipyard until a permanent Maritime tenancy is established as well as providing a continual revenue stream to Port over three years (and up to six years if the options are exercised).

Under the proposed Lease, the leasehold is reduced to accommodate construction and laydown space needed for the potential future sale and removal of the Dry Dock. The premises will be decreased to approximately 116,343 square feet of paved land and 2,010 square feet of shed space for a monthly base rent of \$66,702.15 with 3% annual increases each subsequent year. Additionally, the Lease provides three one-year mutually agreeable extension options giving the Port the flexibility to pursue future maritime uses and agreements.

All other terms and conditions, including Monthly Base Rents, conform to the Port Commission's approved FY 23/24 parameter terms and conditions (Port Resolution No. 23-36).

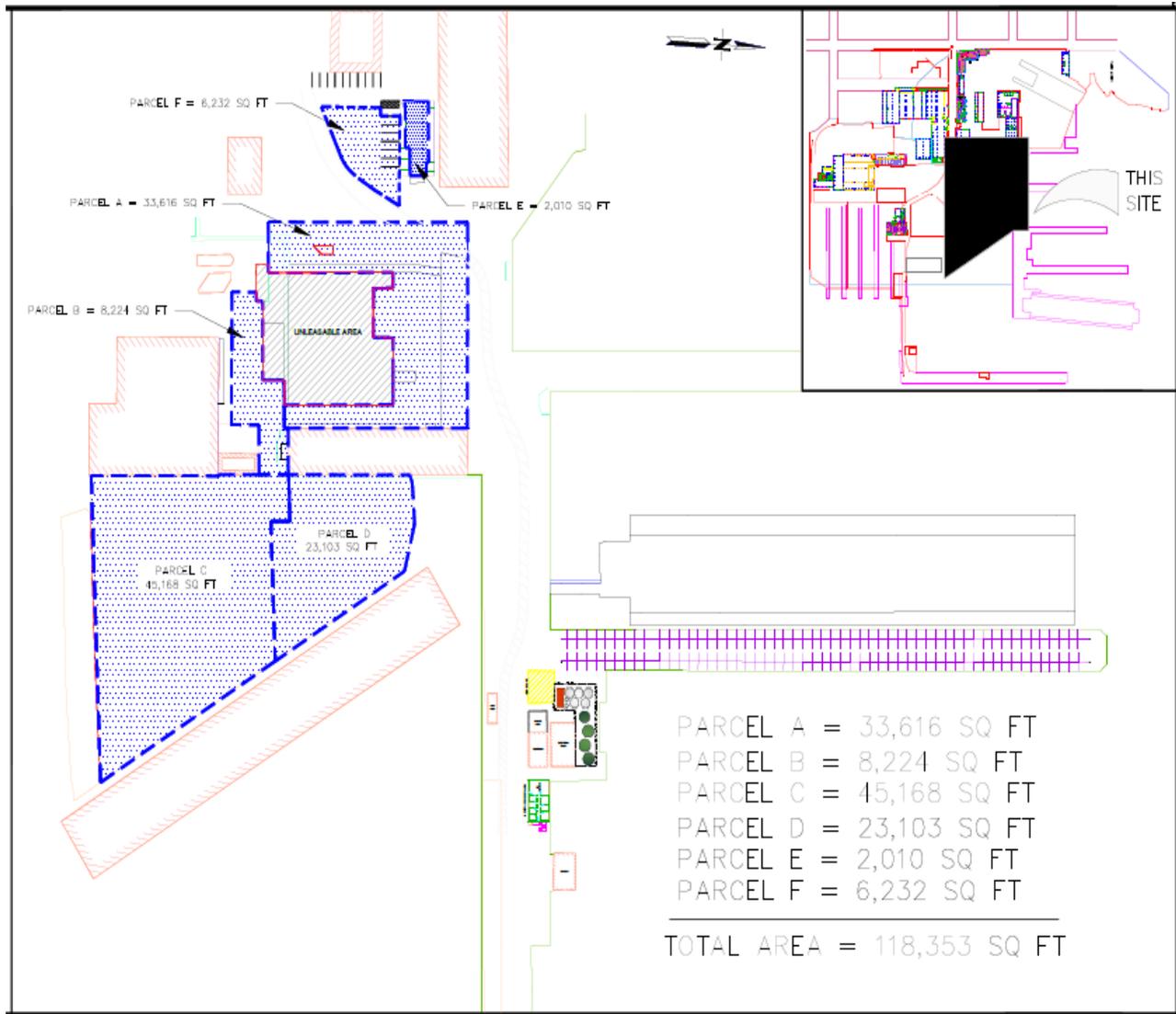
PROPOSED LEASE TERMS

The proposed new Lease No. L-17093 contains the following terms:

<i>Premises</i>	Portion of Pier 68/70 Shipyard Parcel A – approx. 33,616 rentable square feet of paved land Parcel B – approx. 8,224 rentable square feet of paved land Parcel C – approx. 45,168 rentable square feet of paved land Parcel D – approx. 23,103 rentable square feet of paved land Parcel E – approx. 2,010 rentable square feet of shed space Parcel F – approx. 6,232 rentable square feet of paved land			
<i>Permitted Use</i>	The Premises (Parcel A–F) shall be used solely for vehicle storage, vehicle detailing, vehicle preparation (removal of under-chassis plastic) and pre-delivery inspections and for no other purpose.			
<i>Length of Term</i>	Thirty-Six (36) Months			
<i>Extension Option</i>	Tenant shall have three (3) consecutive extension options to extend the term for a period of one (1) year, mutually agreeable by both parties. Should a permanent Maritime tenant be identified for the Pier 68/70 Shipyard, Port reserves the right to reject Tenant’s request to exercise an extension option within thirty (30) days after receipt of Tenant’s exercise notice.			
<i>Commencement Date</i>	The first day of the first calendar month following approval of this Lease by the Board of Supervisors and full execution by Tenant and the Port.			
<i>Rent Commencement Date:</i>	Commencement Date			
<i>Expiration Date</i>	Thirty-Six (36) months from the Commencement Date			
<i>Monthly Base Rent</i>	<i>Months</i>	<i>Sq. Ft.</i>	<i>Monthly Base Rate</i>	<i>Total Monthly Base Rent</i>
Parcel A	1-12	33,616	\$0.55	\$18,488.80
Parcel B		8,224	\$0.55	\$4,523.20
Parcel C		45,168	\$0.55	\$24,842.40
Parcel D		23,103	\$0.55	\$12,706.65
Parcel E		2,010	\$1.35	\$2,713.50
Parcel F		6,232	\$0.55	\$3,427.60
				\$66,702.15
Parcel A	13-24	33,616	\$0.57	\$19,161.12
Parcel B		8,224	\$0.57	\$4,687.68
Parcel C		45,168	\$0.57	\$25,745.76
Parcel D		23,103	\$0.57	\$13,168.71
Parcel E		2,010	\$1.39	\$2,793.90
Parcel F		6,232	\$0.57	\$3,552.24
				\$69,109.41
<i>Monthly Base Rent</i>	<i>Months</i>	<i>Sq. Ft.</i>	<i>Monthly Base Rate</i>	<i>Total Monthly Base Rent</i>
Parcel A	25-36	33,616	\$0.59	\$19,833.44

	Parcel B		8,224	\$0.59	\$4,852.16
	Parcel C		45,168	\$0.59	\$26,649.12
	Parcel D		23,103	\$0.59	\$13,630.77
	Parcel E		2,010	\$1.43	\$2,874.30
	Parcel F		6,232	\$0.59	<u>\$3,676.88</u>
					\$71,516.67
	Parcel A	37-48	33,616	\$0.61	\$20,505.76
	Parcel B		8,224	\$0.61	\$5,016.64
	Parcel C		45,168	\$0.61	\$27,552.48
	Parcel D		23,103	\$0.61	\$14,092.83
	Parcel E		2,010	\$1.47	\$2,954.70
	Parcel F		6,232	\$0.61	<u>\$3,801.52</u>
	<i>Extension Option 1</i>				\$73,923.93
	Parcel A	49-60	33,616	\$0.63	\$21,178.08
	Parcel B		8,224	\$0.63	\$5,181.12
	Parcel C		45,168	\$0.63	\$28,455.84
	Parcel D		23,103	\$0.63	\$14,554.89
	Parcel E		2,010	\$1.51	\$3,035.10
	Parcel F		6,232	\$0.63	<u>\$3,926.16</u>
	<i>Extension Option 2</i>				\$76,331.19
	Parcel A	61-72	33,616	\$0.65	\$21,850.40
	Parcel B		8,224	\$0.65	\$5,345.60
	Parcel C		45,168	\$0.65	\$29,359.20
	Parcel D		23,103	\$0.65	\$15,016.95
	Parcel E		2,010	\$1.56	\$3,135.60
	Parcel F		6,232	\$0.65	<u>\$4,050.80</u>
	<i>Extension Option 3</i>				\$78,758.55
	<i>Security Deposit</i>	Two times the Monthly Base Rent for the final year.			
	<i>Maintenance/Utilities</i>	Tenant's sole responsibility.			
	<i>Form Lease; City Requirements</i>	The new lease shall be on the Port's form lease and include all standard Hazardous Materials, Insurance, Indemnity and Release, Damage and Destruction, and all current City ordinances and requirements as necessary.			

PROPOSED PREMISES



SOUTHERN WATERFRONT COMMUNITY BENEFITS AND BEAUTIFICATION POLICY

Consistent with the latest adoption of Parameter Rates, 6.5% of lease revenues will be set aside in the Port's Southern Waterfront Community Benefits and Beautification fund. This equates to approximately \$52,000 in the first year of the lease, \$161,000 for the initial three-year term and \$340,000 if all the extension options are exercised.

OUTREACH

Both the Port's Southern Advisory Committee (SAC) and the Maritime Commerce Advisory Committee (MCAC) have been notified of Anderson's proposed use. At that time, members did not have any questions or comments about this item.

RECOMMENDATION

Port staff recommends that the Port Commission approve the attached resolution authorizing the Executive Director or her designee to forward the Lease to the Board of Supervisors for approval and, upon the effectiveness of such approval, execute the Lease on the terms described in this memorandum and substantially in the form of the Lease on file with the Commission Secretary.

Prepared by: Jennifer Gee, Senior Property Manager
Real Estate and Development

For: Kimberley Beal, Acting Deputy Director
Real Estate and Development

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 23-43

- WHEREAS, Charter B3.581 empowers the 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, Anderson Enterprises, Inc. (“Tenant”) is a tenant in good standing under its current Lease L-16471 for the storage, detailing, preparation, and pre-delivery inspections of vehicles on the Pier 68/70 Shipyard, in the City and County of San Francisco; and
- WHEREAS, Port staff has negotiated the terms of a new three-year Lease L-17093 (the “Lease”) with three (3) one-year mutually agreeable options to extend with Anderson Enterprises, Inc. for approximately 116,343 square feet of paved land and 2,010 square feet of shed space; and
- WHEREAS, The proposed use is a continuation of existing and related uses and is therefore not a project subject to review under the California Environmental Quality Act (CEQA); and
- WHEREAS, Port staff recommends approval of the proposed Lease with Anderson Enterprises, Inc. on the terms described in the Memorandum to the Port Commission dated October 6, 2023, and substantially in the form of the Lease on file with the Commission Secretary; and now therefore be it
- RESOLVED, The Port Commission hereby approves the terms of proposed Lease L-17093 with Anderson Enterprises, Inc. for a three-year lease with three (3) one-year mutually agreeable options to extend for approximately 116,343 square feet of paved land and 2,010 square feet of shed space for the storage, detailing, preparation and pre-delivery inspections of vehicles on the Pier 68/70 Shipyard as described above, and authorizes the Executive Director or her designee to forward the 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 Lease; and be it further
- RESOLVED, that the Port Commission authorizes the Executive Director or her designee, to enter into any additions, amendments, or other modifications to the Lease that the 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 Executive Director of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 10, 2023.

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Secretary
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