

Approval of Andre-Boudin Bakeries Chowder Hut Lease No. L-16697

San Francisco Board of Supervisors

Budget and Finance Committee

December 2, 2020




Presented By: Jay Edwards / Port Senior Property Manager

Boris Delephine / Port Legislative Analyst

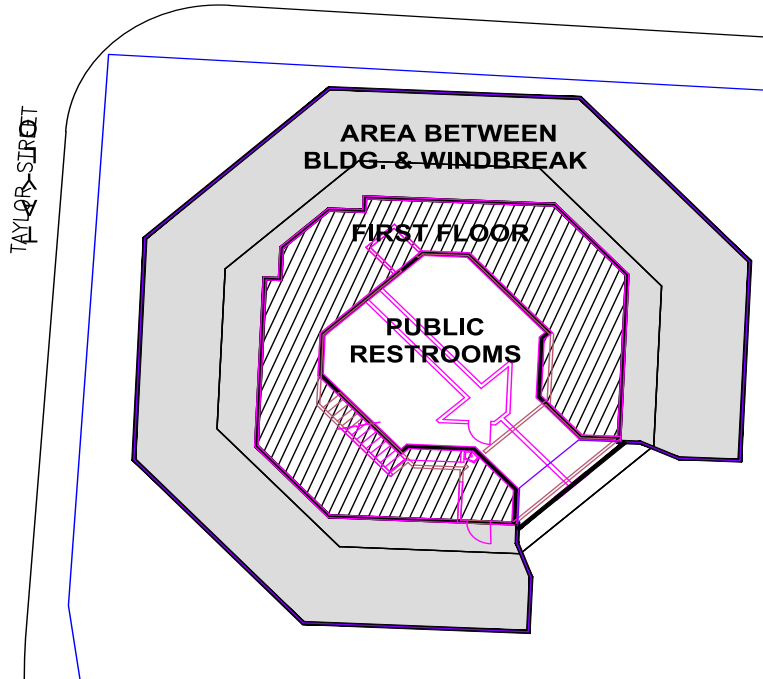
Libby Seifel / Seifel Consulting



Chowder Hut Premises

- PARCEL B  MEZZANINE AREA = 660 SQ. FT.
- PARCEL C  AREA BETWEEN BLDG. & GLASS WINDBREAK = 2,749 SQ. FT.
- PARCEL D  PUBLIC RESTROOMS = 765 SQ. FT.

T R O P I C A N S T A I N



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New Atrium Rendering



Key Business Terms

- 10-year lease extension of the premises with a 5-year option to extend at fair market value.
- Total Rent shall be equal to the higher of Base or Percentage Rent calculated on a monthly basis.
- Current monthly Base Rent is \$7,950 and increases to \$19,087 less rent credit of \$4,000 per month for maintaining the public restrooms.
- Percentage Rent will remain at 9% of gross monthly sales.
 - Higher rent than comparable Port properties, which range between 6% to 8%
- Proposed investment of \$800,000 for a patio atrium for year-round outdoor dining.
- The new lease shall be on the Port's form lease for retail uses and include all current City ordinances and requirements as necessary.

Summary of Financial Analysis

Lease Amendment Compared to Obtaining New Tenant

Scenario 1A– Lease Amendment assumes all proposed lease extension terms, with economic recovery in 3 years

Scenario 2A– Lease Expiration and Bid assumes re-bid process delays sales/rent for two years, lowers percentage and may require rent credits to offset construction time and portion of new tenant improvements

Port Value Analysis (Based on Projected Lease Revenues)	Scenario 1A- Lease Amendment With Recovery in 3 Years	Scenario 2A- Lease Expiration and Bid With Recovery in 3 Years	Value Benefit from Lease Amendment	Percent Increase
Total Value (Nominal \$)	\$5,679,832	\$4,008,867	\$1,670,965	41.7%
Total Net Present Value (2020 \$)	\$3,599,135	\$2,385,625	\$1,213,510	50.9%

The value analysis compares projected performance to the Port based on projected revenues from 2020 through 2035 (nominal value \$) and the net present value of projected revenues for the same period based on a six percent discount rate (2020 \$).



Summary of Benefits from Lease Amendment

- Andre Boudin Bakeries Chowder Hut has a ten year + track record of performing well above comparable restaurants on a sales per square foot basis.
- The business model of flexible indoor / outdoor seating through the construction of the proposed retractable atrium enclosure will be well suited to changing nature of the public dining experience.
- Financial analysis shows the value to the Port is projected to be significantly higher than allowing the lease to expire and seeking a new tenant.
 - \$1.7 million or 42% higher on a nominal basis
 - \$1.2 million or 51% higher on a Net Present Value basis
- Over the entire term, including the 5-year option, Port would also share in future proceeds from sale/refinancing of the property (calculated based on a higher sales volume resulting from the proposed capital investments).