

City & County of San Francisco
Daniel Lurie, Mayor



Office of the City Administrator
Carmen Chu, City Administrator
Andrico Q. Penick, Director of Real Estate

July 21st, 2025

Honorable Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Lease Agreement – Fleet Management Department, 1908 - 1950 Innes Avenue, San Francisco

Dear Board Members:

Attached, for your consideration, is a Resolution authorizing and approving a lease agreement for two warehouse buildings comprising approximately 29,250 square feet on an approximately 46,274 square foot lot, located at 1908 – 1950 Innes Avenue, for the Fleet Management Department (“Central Shops”).

Central Shop provides fleet services to over 70 City departments with a combined municipal fleet of approximately 8,000 vehicles. Central Shops is responsible for asset management, maintenance and repairs, motor pools, fueling services, writing equipment specifications, and vehicle acquisition and disposition. Central Shops operates six maintenance and repair facilities across the City and maintains and repairs various types of vehicles and fleet equipment, ranging from passenger vehicles to highly specialized equipment like fire engines and street sweepers.

The purpose of this proposed lease is to accommodate two functions. The first is to construct a temporary fuel station to meet the requirements of the California State Water Resources Control Board, which calls for the removal of single wall underground fuel storage tanks by December 31st, 2025. To meet this requirement a temporary fuel station will be constructed at 1908 – 1950 Innes Avenue by the 4th quarter 2025 to allow the Department of Public Works to begin its replacement project of Citywide tanks at the end of 2025.

The second function is to accommodate the commissioning and decommissioning of City fleet vehicles. Due to the limited space at their six maintenance facilities, this function is currently being done at client department sites in the field, where it is inefficient, labor intensive, and costly. By relocating these functions to 1908 - 1950 Innes Avenue, Fleet Management expects to reduce costs and increase efficiency.

Central Shops, in consultation with the Real Estate Division (RED), negotiated the proposed new lease agreement with Innes Group, LLC (landlord) for an initial term of six years with one additional term of five years at a Base Annual Rent of \$631,800 (\$21.60 per square foot) with three percent annual increases during the initial term of the lease. In addition to the Base Annual Rent Central Shops pay for their own utilities and services in conjunction with their use of the property.

Landlord, in preparation for Central Shops tenancy, will provide tenant improvements which shall include electrical distribution in both warehouse buildings, one “man” door” in the large warehouse,

and two roll up doors in the small warehouse. After substantial completion of the tenant improvements City will pay for the improvements at a cost not to exceed \$349,092.00.

Included in this proposed lease is an Option to Purchase the property during the first three years of the lease term for \$12,000,000.

Central Shops and the Real Estate Division recommend approval of the proposed lease agreement.

If you have any questions regarding this matter, please get in touch with our office at 415-554-9865.

Respectfully,

A handwritten signature in blue ink, appearing to read "Andrico Q. Penick", is written over a faint, larger blue ink signature that is partially visible underneath.

Andrico Q. Penick
Director of Real Estate