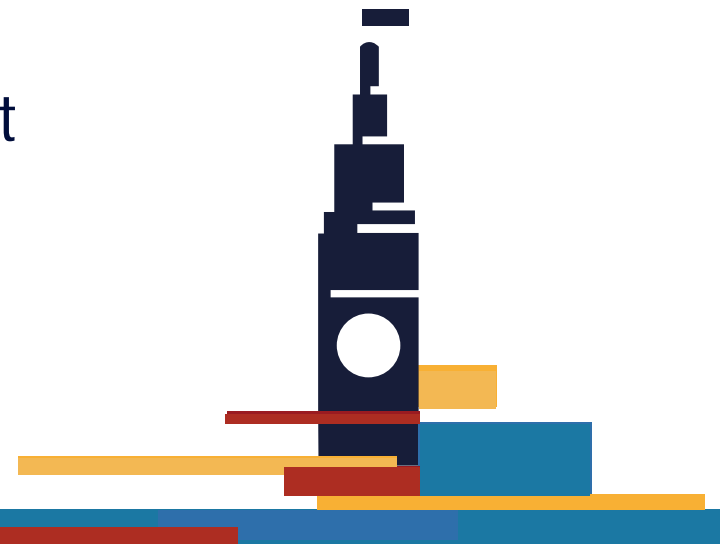


Real Property Lease - Recology San Francisco

Budget & Finance Committee, November 15, 2023

Presented by: Kimberley Beal

Port of San Francisco, Real Estate and Development



Proposed Lease to Operate a Recycling Center

- Recology currently leases shed, yard space and paved land at Pier 96
- Recology and Port request a new six-year lease
- Port Commission resolution approving lease with Recology San Francisco adopted unanimously October 10, 2023



Existing and Proposed New Lease Terms

Existing Lease

- Initial term 5 years, extended to 25 years
- Lease expired July 31, 2023
- Currently month-to-month
- Rent is \$369,500 per month

Proposed New Lease

- Approximately six years
- Monthly Base Rent – \$369,500 + 3% annual increases
- Base Rent will be adjusted to fair market with the fifth rent adjustment
- Tenant to pay for facilities conditions assessment and seismic evaluation and retrofit study
- Total revenues (first five years) approx. \$23.5 million



Policy Framework & Recommendation

- Port competitively solicits development and retail/restaurant lease opportunities
- Waterfront Plan prioritizes maritime uses at this location and contemplates interim uses that are not water-oriented for up to 10 years
- Uncertain whether site soil conditions can support development
- Site conditions include flood risks from storm surge and stormwater runoff
- Third-party appraisal concluded the highest and best use is continuation of the existing use