

File No. 201163

Committee Item No. 1

Board Item No. 3

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date November 4, 2020

Board of Supervisors Meeting

Date November 17, 2020

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Port Commission Resolution No. 20-41</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Department Presentation</u> |
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Completed by: Linda Wong

Date October 30, 2020

Completed by: Linda Wong

Date November 5, 2020

1 [Amendments to Port Leases - Forgive Tenant Rent During COVID-19 Pandemic]

2

3 **Ordinance authorizing the Port Commission to amend certain leases under the Port’s**
4 **Rent Forgiveness Program with nonresidential tenants without Board of Supervisors**
5 **approval under Charter, Section 9.118, and waiving Administrative Code and**
6 **Environment Code requirements enacted after the most recent modification of each**
7 **lease for lease amendments under the Port’s Rent Forgiveness Program, in order to**
8 **allow for expeditious rent forgiveness necessitated by Port tenants’ financial hardships**
9 **caused by the public health emergency related to the COVID-19 pandemic.**

10

11 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
12 **Additions to Codes** are in *single-underline italics Times New Roman*;
13 **Deletions to Codes** are in ~~*italics Times New Roman*~~.
14 **Board amendment additions** are in double underlined Arial font.
15 **Board amendment deletions** are in ~~Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code
subsections or parts of tables.

15

16 Be it ordained by the People of the City and County of San Francisco:

17

18 Section 1. Findings and Purpose.

19 (a) On February 25, 2020, Mayor London Breed proclaimed a state of emergency in
20 response to the spread of the novel coronavirus COVID-19. On March 3, 2020, the Board of
21 Supervisors concurred in the February 25 Proclamation and in the actions taken by the Mayor
22 to meet the emergency.

23 (b) To mitigate the spread of COVID-19, on March 16, 2020, the Local Health
24 Officer issued Order No. C19-07 generally requiring individuals to stay in their homes, and
25 requiring businesses to cease many non-essential operations at physical locations in the City.

1 The Health Officer's Order continues to be updated and revised to address public health
2 issues presented by the pandemic.

3 (c) The COVID-19 pandemic has caused, and will likely continue to cause, abrupt
4 and serious impacts on the local economy, on the operations of local businesses and
5 nonprofit organizations, and on the job security of employees. Many of the affected
6 businesses and other entities, including the Port's commercial tenants, are experiencing
7 significant operating deficits and hardships in paying rent for a variety of reasons, including
8 reductions in income due to lower customer demand or required closures or limits on full-scale
9 operations. And many of these entities face unprecedented challenges to remain financially
10 solvent during the public health emergency. These difficulties cascade beyond the operators
11 to their employees, whose jobs may be eliminated or hours cut due to the reduced customer
12 demand or required closures or limitations on full-scale operations.

13 (d) The Port Commission leases space to approximately 540 nonresidential tenants
14 for a variety of business and recreational uses. In response to the severe economic impacts
15 on Port's tenants, the Port Commission has adopted several relief measures including a
16 "Broad-Based Rent Deferral Program" (Port Commission Resolution 20-18) and an "Opt-In
17 Extended Deferral Program" (Port Commission Resolution 20-30), which defer rent due under
18 Port leases. The Port Commission has also determined that rent forgiveness, not just rent
19 deferral, is necessary to maintain its rental revenues in the long-term in order to fund its
20 operations as an enterprise department. Unlike rent deferral, which changes the timing of rent
21 payments that are due under a lease but does not change the lease terms, rent forgiveness
22 reduces or eliminates rent payments that are due.

23 (e) Based on its review of the Port's rental portfolio and budget, on
24 August 25, 2020, the Port Commission adopted Resolution 20-41, the Port's Rent
25 Forgiveness Program, which identified three targeted tenant sectors for past and future rent

1 forgiveness: (1) restaurant, retail, maritime excursion, and parking tenants who pay both base
2 and percentage rent (“Percentage Rent Tenants”); (2) certain maritime tenants; and
3 (3) certified Local Business Enterprise (“LBE”) tenants. In adopting the Port’s Rent
4 Forgiveness Program, the Port Commission determined, among other things, that the
5 program would improve the financial feasibility of its leases and preserve its tenants’ ability to
6 continue operations at the Port, which is of considerable value to both parties, while at the
7 same time meeting the Port’s own goals, including protecting its revenue streams and assets;
8 would support the Port’s maritime mission and its small local business tenants and align the
9 Port’s and tenants’ interest in promoting a shared prosperity partnership; and is in the best
10 interests of the Port’s long-term financial health. The Port’s Rent Forgiveness Program
11 authorizes the Port’s Executive Director, or the Director’s designee, to execute lease
12 amendments with a specific list of tenants in the three sectors using a form lease amendment
13 to establish the following relief: base rent forgiveness for Percentage Rent Tenants for up to
14 14 months starting in March 2020 (subject to a number of conditions including the payment of
15 percentage rent as required under the lease and as calculated based on actual sales);
16 complete rent forgiveness from March through August 2020 for maritime tenants; and
17 complete rent forgiveness for LBE tenants from March through May 2020.

18 (f) Charter Section 9.118 requires the Board of Supervisors to review and approve
19 certain leases and amendments to those leases. Approximately 32 leases that qualify for the
20 Port’s Rent Forgiveness Program would require Board of Supervisors approval under
21 subsection (a) or (c) of Charter Section 9.118.

22 (g) In addition, many of the leases targeted under the Port’s Rent Forgiveness
23 Program are long-term leases that commenced many years ago, in some cases reaching
24 back to the 1970s. The City has over the years adopted a number of Administrative Code and
25 Environment Code ordinances the requirements of which must be included in new leases or

1 amendments of existing leases entered by City agencies. To require tenants to comply with
2 certain ordinances enacted after execution of the tenant’s lease or, if applicable, the most
3 recent amendment of the lease, as a condition of now entering into a lease amendment to
4 qualify for rent forgiveness, would in some cases impose costs and new business models that
5 would frustrate the purpose of providing relief to ensure a tenant’s ability to sustain operations
6 through this challenging period.

7 (h) By waiving the requirement of Board of Supervisors approval of each specific
8 lease amendment regarding rent forgiveness under the Port’s Rent Forgiveness Program, and
9 also waiving Administrative Code and Environment Code requirements imposed on leases
10 and lease amendments when said requirements were enacted after execution of the tenant’s
11 lease or, if applicable, most recent lease amendment, this ordinance will minimize delays in
12 implementing the Port’s Rent Forgiveness Program. As a result, this ordinance will increase
13 the chances that Port tenants will be able to effectively sustain operations, and thereby avoid
14 the cascade of negative impacts to the Port, the tenant, and the tenant’s employees, if rent
15 forgiveness is delayed. In addition, because of the similarity of the circumstances facing the
16 approximately 32 Port businesses that would be accorded rent forgiveness under the Port’s
17 Rent Forgiveness Program, and in light of the safeguards contained in this ordinance, there is
18 little need for the Board of Supervisors to individually review each of those 32 lease
19 amendments providing for rent forgiveness.

20 Section 2. Definitions.

21 For purposes of this ordinance:

22 “Administrative Code and Environment Code Requirements” shall mean the
23 requirements of those Codes that are required to be included in Leases. These requirements
24 include the following provisions of the Administrative Code: Section 4.1-3 (All-Gender Toilet
25 Facilities); Section 4.9-1(c) (Vending Machines; Nutritional Standards and Calorie Labeling

1 Requirements; Offerings); Section 4.20 (Tobacco Product And Alcoholic Beverage Advertising
2 Prohibition); Chapters 12B and 12C (Nondiscrimination in Contracts and Property Contracts);
3 Section 12F (MacBride Principles—Northern Ireland); Chapter 12K (Salary History);
4 Chapter 12Q (Health Care Accountability); Chapter 12T (Criminal History in Hiring and
5 Employment Decisions); Chapter 21C (Miscellaneous Prevailing Wage Requirements);
6 Sections 23.50-23.56 (Labor Representation Procedures In Hotel And Restaurant
7 Developments); Section 23.61 (Prevailing Wage and Apprenticeship Requirements and Local
8 Hire Requirements); Section 23.70 (Labor Peace for Excursion Vessel Operations); and
9 Sections 83.1 et seq. (First Source Hiring Program). Further, these requirements include the
10 following provisions of the Environment Code: Chapter 3 (Restrictions on Use of Pesticides);
11 Section 703(b) (Indoor Air Quality); Sections 802(b) and 803(b) (Tropical Hardwood and Virgin
12 Redwood Ban); Chapter 13 (Preservative-Treated Wood Containing Arsenic); Chapter 16
13 (Food Service and Packaging Waste Reduction Ordinance); and Chapter 24 (San Francisco
14 Packaged Water Ordinance). The listing in the two preceding sentences of specific
15 requirements in the Administrative Code and Environment Code is not necessarily an
16 exhaustive list; this definition of “Administrative Code and Environment Code Requirements”
17 is intended to include all requirements of those Codes that are required to be included in
18 Leases.

19 “Lease” shall mean a lease or other means of granting a right to occupy or use real
20 property, and shall also include a license, permit to enter, use permit, or other similar
21 instrument.

22 Section 3. Amendment of Existing Leases to Forgive Rent; Waiver of Requirements for
23 Board of Supervisors Approval; Waiver of Administrative Code and Environment Code
24 Requirements.

25

1 The Port may amend an existing Lease of Port property for nonresidential purposes,
2 without approval of the amendment by the Board of Supervisors under Charter
3 Section 9.118(a) or (c), and without modifying the Lease to include Administrative Code and
4 Environment Code Requirements that were enacted since the most recent modification to
5 each Lease, provided that all the following conditions are satisfied:

6 (a) The Lease has already been approved by the Board of Supervisors under
7 Charter Section 9.118, if required;

8 (b) The Lease amendment, which must be in the appropriate standardized form
9 amendment without exception and without negotiation, modifies the Lease only to forgive rent
10 in the manner allowed and subject to the Port's Rent Forgiveness Program and the conditions
11 set forth in Port Commission Resolution No. 20-41 including without limitation, the following
12 terms:

13 (1) The Tenant must comply with all existing lease provisions;

14 (2) Rent is forgiven starting on March 1, 2020 for the "Forgiveness Period":

15 (A) For Percentage Rent Tenants: Base rent is waived for up to 14
16 months or less if the tenant's sales reach the threshold where percentage rent due exceeds
17 minimum base rent due for three consecutive months under existing lease terms;

18 (B) For maritime tenants: All rent for March 2020 through
19 August 2020;

20 (C) For LBE tenants: All rent for March 2020 through May 2020.

21 (3) The Tenant is required to disclose information regarding all monies
22 received from any government-funded financial aid, grant, or loan program intended for rent;
23 such funds are not eligible for forgiveness and will be deducted from any forgiveness amount;

24 (4) In order to achieve fairness for tenants that chose to pay instead of defer
25 rent under the Port's COVID-19 rent deferral programs, amounts paid during the Forgiveness

1 Period will be applied as a rent credit in equal amounts against rent payments due in the
2 period of July 1, 2021 through June 30, 2022. If a tenant's lease expires prior to July 1, 2022,
3 the lease will be extended solely for the purpose of exhausting the rent credit. Any rent credit
4 will be applied first to any pre-COVID-19 outstanding balance and unused rent credits will be
5 forfeited upon lease expiration or termination;

6 (5) The parties will release each other from claims for rent forgiven under the
7 amendment;

8 (6) In order to benefit from rent forgiveness, Percentage Rent Tenants must
9 additionally: (i) operate at least 10 days per calendar month subject to compliance with any
10 order of the San Francisco Health Officer; and (ii) report and pay percentage rent in the
11 percentage required by the existing lease. To further reduce barriers to operating, these
12 tenants are eligible for additional rent credits that can be taken immediately against
13 percentage rent owed for verified costs of improvements and equipment necessary to operate
14 under COVID-19-related restrictions;

15 (7) A tenant's failure to comply with the Lease or the amendment will result in
16 termination of rent forgiveness as of the date of default;

17 (c) The amendment does not waive, suspend, or modify any other provision or
18 obligation of either party under the existing Lease; and

19 (d) Tenants must comply with all applicable laws including all "back to work"
20 requirements and other workforce-related ordinances, orders, and laws relating to the
21 COVID- 19 pandemic, including those addressing workplace safety and employment rights.

22 Section 4. Port Discretion.

23 This ordinance does not mandate that the Port amend any Lease, grant any rent
24 forgiveness, or require the Port to take any other action. The Port retains discretion under this
25

1 ordinance to make decisions regarding Port property in a manner that serves the needs of the
2 Port.

3 Section 5. Transmittal to the Clerk of the Board.

4 The Port shall submit a copy of each Lease amendment of a Lease that has already
5 been approved by the Board of Supervisors under Charter Section 9.118, and that is executed
6 under the authority of Section 3 of this ordinance, to the Clerk of the Board of Supervisors
7 within 30 days of execution of the Lease amendment.

8 Section 6. Effective Date.

9 This ordinance shall become effective 30 days after enactment. Enactment occurs
10 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not
11 sign the ordinance within 10 days of receiving it, or the Board of Supervisors overrides the
12 Mayor's veto of the ordinance.

13

14

15 APPROVED AS TO FORM:
16 DENNIS J. HERRERA, City Attorney

17

18 By: /s/
RONA H. SANDLER
Deputy City Attorney

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LEGISLATIVE DIGEST

[Amendments to Port Leases - Forgive Tenant Rent During COVID-19 Pandemic]

Ordinance authorizing the Port Commission to amend certain leases under the Port's Rent Forgiveness Program with nonresidential tenants without Board of Supervisors approval under Charter, Section 9.118, and waiving Administrative Code and Environment Code requirements enacted after the most recent modification of each lease for lease amendments under the Port's Rent Forgiveness Program, in order to allow for expeditious rent forgiveness necessitated by Port tenants' financial hardships caused by the public health emergency related to the COVID-19 pandemic.

Existing Law

Charter Section 9.118 requires the Board of Supervisors by resolution to review and approve certain types of leases and amendments to those leases.

In light of the extended and significant adverse impacts of the COVID-19 pandemic on nonresidential tenants, in August 2020, the Port Commission adopted a rent forgiveness program to grant standardized relief to certain targeted tenant sectors and authorized the Port's Executive Director to execute lease amendments with a specific list of eligible tenants using a form lease amendment. Under Charter Section 9.118, approximately 32 lease amendments authorized under the Port's program would require Board of Supervisors approval.

City law requires departments to include specific terms in lease agreements. Most of those requirements are codified in the City's Administrative and Environment Codes. When departments amend lease with their tenants, departments generally are required to modify the terms of the leases to incorporate recent changes in the Administrative and Environment Codes that have been enacted since the department initially executed the lease.

Amendments to Current Law

This ordinance would waive the requirement for Board of Supervisors approval of certain amendments to Port leases that are authorized under the Port's rent forgiveness program. The ordinance would also allow the Port to amend leases covered under the Port's rent forgiveness program without modifying the leases to comply with recently added requirements in the Administrative or Environment Codes.

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The Port would be required to submit a copy of each amendment to a lease that has previously been approved by Board of Supervisors to the Board of Supervisors within 30 days after execution.

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| | |
|--|---|
| <p>Item 1 File 20-1163</p> | <p>Department: Port of San Francisco</p> |
| <p>EXECUTIVE SUMMARY</p> | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance authorizes (1) the Port Commission to amend certain leases under the Port’s Rent Forgiveness Program with nonresidential tenants without the Board of Supervisors approval under City Charter, Section 9.118, and, (2) waives the Administrative Code and Environmental Code requirements enacted after the most recent modification of each lease for those lease amendments that are conducted under the Rent Forgiveness Program. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Port’s 2020 Rent Forgiveness Program allows the Port Executive Director to amend eligible leases to waive base rent for certain periods related to COVID-19. Tenants would still have to pay applicable percentage rents on any revenues generated during that time. • The Program is anticipated to provide rent relief to 197 leases across three sectors of Port leases: (1) Percentage Rent Tenants, which includes restaurants, retail, off-street parking, excursions, and maritime attractions that pay both base rent and percentage rent determined by their revenue; (2) Maritime, including commercial fishing, crabbing, fish processing and other maritime support; and, (3) Local Business Enterprises. • Thirty-eight of the leases eligible for participation in the Program would typically require Board of Supervisors approval for amendments, as outlined in Section 9.118 (c) of the City Charter. The proposed ordinance would waive Board of Supervisors’ approval for these leases so the Port may quickly implement the program and provide tenant relief. • The proposed ordinance would also waive Administrative and Environmental Code provisions for eligible leases enacted after a tenant’s original lease or most recent amendments. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • In total, the Port Rent Forgiveness Program is estimated to cost \$13.45 million in base rent forgiveness across the 197 eligible leases. The estimated 38 leases that would have Board of Supervisors’ approval waived total \$8.4 million in estimated rent forgiveness. • The Program will be partially offset by some revenues that would continue to be paid by a subset of the tenants. The Port estimates that depending on sales performance during the rent forgiveness period, \$6.6 to \$13.3 million could be recovered. • According to the Port, the cost of the Program is accounted for in its FY 2020-21 budget. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • Because the proposed ordinance waives Administrative and Environmental Code provisions and Board of Supervisors’ approval of lease amendments under Charter Section 9.118(c), approval of the proposed ordinance is a policy matter for the Board of Supervisors. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. | |

MANDATE STATEMENT

City Charter Section 9.118(c) states that (1) any lease of real property for ten or more years, including options to renew, (2) have anticipated revenues to the City of \$1,000,000, or (3) the modification, amendment or termination of these leases is subject to Board of Supervisors approval. Leases of property under the Port Commission for maritime use are exempt from this provision of the City Charter.

BACKGROUND

On August 25, 2020, the Port Commission adopted Resolution 20-41, creating the Port’s Rent Forgiveness Program. This program is aimed at providing past and future rent forgiveness for three sectors of Port leases: (1) Percentage Rent Tenants, which includes restaurants, retail, off-street parking, excursions, and maritime attractions that pay both base rent and percentage rent determined by their revenue; (2) Maritime, including commercial fishing, crabbing, fish processing and other maritime support; and, (3) Local Business Enterprises.

The program allows the Port Executive Director to amend eligible leases to forgive rent, with certain conditions depending on sector, helping to ease tenant financial losses due to the ongoing COVID-19 pandemic and its effects on the local economy. The Port’s rent relief program is anticipated to provide up to \$13.45 million in rent relief to 197 leases.

The rent relief program was designed with the following goals, including but not limited to: (1) Protecting the Port’s revenue streams and assets by temporarily reducing tenants’ rent burdens due to changing operating conditions and current inability to pay; (2) Supporting the Port’s maritime mission; and, (3) Providing relief to small local businesses.

This program builds off of earlier Port actions to provide relief to tenants, including implementing a rent deferral program from March 1, 2020 through July 31, 2020, and offering tenants the opportunity to continue rent deferral through December 31, 2020, through the opt-in rent deferral program. According to the Port Commission Staff Report from August 21, 2020, despite the support of this rent deferral program and other federal, state, and local legislation, the Port finds that many tenants continue to struggle to pay rent. The staff report cites that between March 1 and July 15, 2020, the payment rate for Port tenants was 56 percent, or rent receipts of \$16.7 million compared to \$30.5 million invoiced.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance authorizes (1) the Port Commission to amend certain leases under the Port’s Rent Forgiveness Program with nonresidential tenants without the Board of Supervisors approval under City Charter, Section 9.118, and (2) waives the Administrative Code and Environmental Code requirements enacted after the most recent modification of each lease for those lease amendments that are conducted under the Rent Forgiveness Program.

Waiver of Administrative and Environmental Code Provisions

Administrative and Environmental Code provisions that were enacted after the commencement of the original Port lease or amendments to the original Port lease must be included in subsequent amendments to the Port lease. These provisions are detailed in Appendix I of the Rent Forgiveness Program and include but are not limited to Administrative Code: Section 4.1-3 (All Gender Toilet Facilities), Section 4.9-1(c) (Vending Machines; Nutritional Standards and Calories Labeling Requirements and Offerings), Chapter 12B and 12C (Nondiscrimination in Contracts and Property Contracts), Chapter 12K (Salary History); and, Environmental Codes: Chapter 3 (Restrictions on Use of Pesticides), Chapter 13 (Preservative-Treated Wood Containing Arsenic), and Chapter 16 (Food Service and Packaging Waste Reduction Ordinance). According to the proposed ordinance, to require tenants to comply with Administrative and Environmental Code provisions enacted after execution of the tenant's original lease or most recent amendments to that lease as a condition to enter into a Rent Forgiveness Program lease amendment would in some cases impose costs counter to the intent of the Rent Forgiveness Program.

Impact on Port Tenants

Approximately 38¹ of the leases eligible for participation in the Rent Forgiveness Program would typically require Board of Supervisors approval for amendments, as outlined in Section 9.118 (c) of the City Charter. The Port is asking to waive Board of Supervisors approval for making lease amendments under the Rent Forgiveness Program in order to quickly implement the program.

As detailed below, the Rent Forgiveness Program waives base rent for certain periods related to COVID-19. Tenants would still have to pay applicable percentage rents on any revenues generated during that time.

Rent Relief Program Requirements and Benefits

Port Tenants who want to participate in the program will be required to submit the following information to Port Staff:

- Description of impact and need for aid due to COVID-19.
- Description of its business plan for operating safely during COVID-19.
- Provide revenue projections and project anticipated cash flow, indicating whether the tenant can resume payment at the end of the program or rent deferral (if applicable).
- Submissions to federal, state, and local relief programs and an update on the application/forgiveness status; and, if no applications were submitted describe why.

Port staff will review this information and determine tenant eligibility.

Program requirements and benefits vary depending on the tenants' sector. Table 1 below outlines the specific requirements for program participation by sector and the benefits that participating tenants will receive.

¹ Note: The proposed ordinance lists approximately 32 leases, but in discussions with the Port the unique number of leases requiring waiver is closer to 38, so this number is used throughout the report.

Table 1. Port Rent Relief Program Proposal Overview by Tenant Sector

| Sector | Rent Relief Requirements | Rent Relief Benefits Received | Months of Rent Forgiveness |
|---|--|--|--|
| A. Percentage Rent Tenants (i.e. restaurants, retail, certain maritime activities, and parking) | <ul style="list-style-type: none"> Report rent amounts that will not be forgiven (government assistance used for rent) Report sales monthly or as required by the lease and pay percentage rent under lease Satisfy existing lease requirements State and maintain agreed upon hours of operation, with a minimum of 10 operating days per month | <ul style="list-style-type: none"> Port will forgive base rents from (a) March 1, 2020 - April 30, 2021 OR (b) until a tenant's percentage rent is equal to or greater than base rent for three consecutive months, if this occurs prior to April 30, 2021 Rent credits for retail and restaurant tenants for purchase of items needed to safely reopen Rent credits for rent paid during forgiveness period that could have been forgiven prior to executing lease amendment. These are applicable to rent payable in FY 2021-22 | Up to 14 months of minimum rent forgiveness; Percentage rent is still due based upon sales |
| B. Select Maritime | <ul style="list-style-type: none"> Report rent amounts that will not be forgiven (government assistance used for rent) Satisfy existing lease requirements | <ul style="list-style-type: none"> Port will forgive base rents from March 1 - August 31, 2020 Rent credits for rent paid during forgiveness period that could have been forgiven prior to executing lease amendment. These are applicable to rent payable in FY 2021-22 | 6 months of rent forgiveness |
| C. Local Business Enterprise Tenants | <ul style="list-style-type: none"> Report rent amounts that will not be forgiven (government assistance used for rent, including Port's Hardship Emergency Loan & Grant Program) Satisfy existing lease requirements | <ul style="list-style-type: none"> Port will forgive base rent from March 1 – May 31, 2020 Rent credits for rent paid during forgiveness period that could have been forgiven prior to executing lease amendment. These are applicable to rent payable in FY 2021-22 | 3 months of rent forgiveness |

Source: Port Commission

According to the August 21, 2020 Port Commission staff report, the length of rent forgiveness corresponds with impact of shelter-in-place on business operations, with tenants in the Percent Rent Tenant sector taking the most direct reduction to their operations, while maritime tenants were indirectly affected as restaurant customers were shut down. The effect on LBE tenants is

less direct, but providing relief aligns with the Port’s goal of ensuring the long-term financial viability of existing tenants.

Upon approval and lease execution, the Port will include language in the lease amendments that states a tenant failing to comply with terms of the amendment would result in termination of rent forgiveness as well as release the Port from mutual liability for occurrences under this amendment.

FISCAL IMPACT

In total, the Port Rent Forgiveness program is estimated to cost \$13.45 million in base rent forgiveness. The estimated 38 leases that would have Board of Supervisors approval waived total \$8.4 million in estimated rent forgiveness. Table 2 summarizes the estimates for amount of rent forgiven.

Rent Forgiveness Program Costs

Table 2. Estimated Rent Forgiveness Costs (Board-Waived Leases and Program Total)

| Leases Affected by Board Waiver | Est. # of Leases | Est. Cost Per Month | Months of Rent Forgiveness | Est. Total Rent Forgiven |
|--|-------------------------|----------------------------|-----------------------------------|---------------------------------|
| Percentage Rent Tenants | 38 | \$600,962 | 14 (maximum) | \$8,413,464 |
| Sector | Est. # of Leases | Est. Cost Per Month | Months of Rent Forgiveness | Est. Total Rent Forgiven |
| A. Percentage Rent Tenants | 48 | \$846,354 | 14 (maximum) | \$11,848,956 |
| B. Select Maritime Total | 121 | 240,562 | 6 | 1,443,375 |
| C. Local Business Enterprise Total | 28 | 51,601 | 3 | 154,802 |
| Program Total | 197 | | | \$13,447,133 |

Source: Port Commission

The estimates in Table 2 for program rent forgiveness do not include potential rent credits for purchases made to safely re-open during COVID-19. According to Ms. Crezia Tano-Lee, Port Business Strategy and Optimization Manager, at the time the Port Commission approved the Rent Forgiveness Program, re-opening guidelines had not been published, and estimates of those potential expenses are not available as of this writing. In addition, Ms. Tano-Lee reports that many of Port tenants report continued uncertainty of what will be required for safe re-opening and continued operations.

Rent Forgiveness Program Funding Sources

The program will be partially offset by some revenues paid by the Percentage Rent Tenant sector as a percent of sales. The Port estimates that depending on sales performance during the rent forgiveness period, \$6.6 to \$13.3 million could be recovered. This is based on assuming 25 to 50 percent of 2019 sales performance will occur during the 14-month forgiveness period. Table 3 provides an overview of this potential revenue range.

Table 3. Estimated Sources from Percentage Tenant Rent Sales Revenues

| Function | 2019 Sales | 25% of 2019 Sales | 50% of 2019 Sales |
|-----------------------|---------------------|--------------------|---------------------|
| Restaurants | \$6,611,981 | \$1,652,995 | \$3,305,990 |
| Other Food & Beverage | 4,258,810 | 1,064,703 | 2,129,405 |
| Excursion | 6,636,048 | 1,659,012 | 3,318,024 |
| Retail | 750,669 | 187,667 | 375,334 |
| Attraction | 1,197,837 | 299,459 | 598,919 |
| Parking | 7,057,953 | 1,764,488 | 3,528,976 |
| Total | \$26,513,298 | \$6,628,324 | \$13,256,649 |

Source: Port Commission

According to Ms. Tano-Lee, the cost of the Port’s Rent Forgiveness Program is accounted for in the Port’s FY 2020-21 budget. To accommodate the decrease in revenues in FY 2020-21, the Port eliminated funding for 13.94 positions, reduced capital spending by \$30.6 million for the Mission Bay Ferry Landing, the Southern Waterfront Beautification Fund, the Wood Pile Repair Crew, and other projects, and appropriated \$55.3 million from its fund balance. According to the Port, \$10.4 million remains in fund balance.

POLICY CONSIDERATION

The proposed ordinance will waive the Board of Supervisors’ approval of lease amendments for a subset of the approximately 197 leases in the Rent Forgiveness Program (estimated to be 38 leases which are subject to Board of Supervisors’ approval). It will also waive compliance requirements under the Administrative Code and Environmental Code enacted after the most recent modification of each lease for those lease amendments that are entered into under the Program. Because the proposed ordinance waives Administrative and Environmental Code provisions and Board of Supervisors’ approval of lease amendments under Charter Section 9.118(c), we consider approval of the proposed ordinance to be a policy matter for the Board of Supervisors.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.



MEMORANDUM

August 21, 2020

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Request Approval of Rent Forgiveness Program for Eligible Port Tenants in Three Sectors as follows: (A) Percentage Rent Tenants; (B) Maritime Tenants; and (C) Local Business Enterprise Tenants

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution No. 20-41

EXECUTIVE SUMMARY

At the Port Commission's August 11, 2020 meeting, Port staff provided an informational presentation on a proposed rent forgiveness strategy for Port tenants along with information on the Opt-In Rent Deferral Program. The Port Commission asked that staff return with an action item for rent forgiveness. This Staff Report proposes a rent forgiveness program for targeted sectors under which the Port Commission would delegate to the Executive Director the authority to enter into a standardized amendment in the forms attached with eligible tenants (if approved, the "Rent Forgiveness Program").

In addition to the proposed rent forgiveness action sought by the Port Commission, this memorandum summarizes background information including anticipated fiscal impacts to the Port; for convenience, new or edited terms of the rent forgiveness program are underlined and new sections are indicated with an asterisk ("*").

The rent forgiveness program aims to mitigate the crippling financial effects of the COVID-19 pandemic for existing Port tenants, in a fiscally sustainable and implementable manner for the Port. Tenants in the below sectors may be eligible for forgiveness so long as they meet certain criteria, such as settling unresolved disputes (pre-dating COVID-19) as determined by the Executive Director. Port staff seeks Port Commissioners' approval of the following:

THIS PRINT COVERS CALENDAR ITEM NO. 6A

(1) **RESTAURANT, RETAIL AND EXCURSION SECTOR.** For eligible tenants with leases which have a base or minimum rent and a percentage rent component, forgive base rent from March 1, 2020 through the earlier of: (a) April 30, 2021 or (b) when a tenant's sales are sufficient to trigger base rent. Applies to eligible direct restaurant, retail, excursion, and parking leases with the Port which have a base and percentage rent component. If approved, these tenants and licensees could apply for rent forgiveness as follows:

- a. The amendment will be in the form attached to this staff report and with the following key tenant requirements:
- Report rent amounts that will not be forgiven because, for example, the Tenant received government-funded financial aid to be used for rent.
 - Report sales monthly or as required by the existing lease
 - Pay monthly rent in the percentage of sales amount required by the existing lease
 - Satisfy all responsibilities under the existing lease
 - State and maintain agreed upon hours of operation, with not fewer than 10 operating days per month

In exchange for the following tenant benefits:

- Base rents forgiven from March 1, 2020 through the earlier of (a) April 30, 2021 or (b) when a tenant's percentage rents equal or exceed the base rent otherwise payable under the lease for 3 consecutive months¹
- Rent credits for retail and restaurant tenants for eligible furniture and equipment costs to safely reopen during the shelter in place restrictions; such rent credits can be applied to rent payable immediately upon execution of the relevant lease amendment
- Rent credits for rent paid during forgiveness period that could have been deferred prior to lease amendment execution; tenants would be able to apply such rent credits to rent payable during Fiscal Year 2021-2022
- Rent credits will first be applied to any amounts owed prior to beginning of forgiveness period

- b. Amendments to leases that were approved by the Board of Supervisors are subject to approval by the Board of Supervisors.

(2) **MARITIME SECTOR.** Forgive all rent from March 1, 2020 to August 31, 2020 for targeted eligible maritime tenants including commercial fishing, crabbing, fish processing and other maritime support. If approved, these tenants could apply for rent forgiveness as follows:

- a. The amendment will be in the form attached to this staff report and with the following key tenant requirements:

¹ Leases in this sector generally have the following base and percentage rent construction: Tenant pays Port the greater of: (a) base rent) or (b) gross sales multiplied by a percent negotiated in the lease. When sales are high enough for (b) to be the larger number, then sales have exceeded the "break point", meaning the point at which sales reach a level such that the percentage rent calculations governs the rent due.

- Satisfy all responsibilities under the existing lease
- Report rent amounts that will not be forgiven because, for example, the Tenant received government-funded financial aid to be used for rent.

In exchange for the following tenant benefits:

- Base rents forgiven from March 1, 2020 through August 31, 2020
- Rent credits for rent paid during forgiveness period that could have been deferred prior to lease amendment execution; tenants would be able to apply such rent credits to rent payable during Fiscal Year 2021-2022.
- Rent credits will first be applied to any amounts owed prior to beginning of forgiveness period

(3) LBE SECTOR. Forgive all rent from March 1, 2020 to May 31, 2020 for Port tenants who are also registered Local Business Enterprises (LBEs). If approved, these tenants could apply for rent forgiveness as follows:

- a. Tenant must demonstrate LBE status during the rent forgiveness period.
- b. The amendment will be in the form attached to this staff report and with the following tenant requirements:
 - Satisfy all responsibilities under the existing lease
 - Report rent amounts that will not be forgiven because, for example, the Tenant received government-funded financial aid to be used for rent and from the Port’s Hardship Emergency Loan and Grant Program (Item 7A on the August 11 Port Commission agenda)

In exchange for the following tenant benefits:

- Base rents forgiven from March 1, 2020 through May 31, 2020.
- Rent credits for rent paid during forgiveness period that could have been deferred prior to lease amendment execution; tenants would be able to apply such rent credits to rent payable during Fiscal Year 2021-2022.
- Rent credits will first be applied to any amounts owed prior to beginning of forgiveness period
- Any rent that is forgiven shall not be an allowable expense in the LBE Hardship Emergency Loan and Grant Program.

Port staff estimate the maximum rent forgiven amount to be approximately \$13.45 million with this amount partially offset by percentage rent paid based upon gross sales generated by the retail/excursion sector tenants.

BACKGROUND

Port’s Existing Tenant Relief and Other Tenant Relief

The Port has taken a number of actions to provide relief to tenants including: delaying CPI increases, opening the Port Shared Spaces program for restaurant and retail businesses, providing a Broad Based Rent Deferral between March 1 and July 31, and offering tenants the opportunity to continue rent deferral through December 31 through the Opt-In Rent

Deferral program.

Federal, State, and City legislation has provided support through the Paycheck Protection Program (\$10M limit), Economic Injury Disaster Loan (\$2M limit), African American Small Business Loan Revolving fund (\$50,000 limit), and deferral of several types of tax payments including sales, property, and income taxes. Three other programs (SF Help, Mini Grants, and Resiliency Fund) have all been exhausted and require replenishment to reopen. In addition, based on authority granted under the State's emergency declaration, the Mayor put a commercial tenant eviction moratorium in place, which at this time expires on September 14, 2020, but may be extended.

Need for Rent Forgiveness

Despite the different types of support provided through the programs listed above, the Port understands that many Port tenants are having and will continue to have difficulty paying rent. Like many commercial landlords throughout the country, the Port recognizes that keeping tenants in place rather than pursuing broad evictions makes financial sense during this downturn. This allows the Port to maintain business ties with known partners rather than to attempt to bring in new tenants in such constrained economic conditions and allows tenants to avoid the disruption and cost of a relocation in the midst of the pandemic. Port staff have concluded that rent forgiveness is needed for some tenant sectors to keep those tenants and leases in place.

Port staff note the Port Commission's concern about the impacts of any such program on the Port's budget and the Port's own financial obligations to lenders and bond holders. The proposed Rent Forgiveness Program aims to balance the need for relief for some tenant sectors with the Port's need for a balanced budget and financial interests.

March – July Revenue Performance

Below is a summary of rent receipts through July 15, 2020. Key takeaways from this period are:

- Of the \$30.5 million invoiced, \$16.7 million was received representing a 56% collections rate
- During the month of March, the collections rate was approximately 97%, this is due largely to our invoice and payment cycle, many tenants had made payments prior to the Covid-19 economic effects.
- During the months of April – June, revenue shortfalls were spread throughout all portfolios, Fisherman's Wharf portfolio experienced the largest average percentage uncollected at 81%
- For the same period of time, China Basin portfolio experienced the largest average amount uncollected at \$1.3 million

Figure 1. Monthly Revenue Paid vs Unpaid

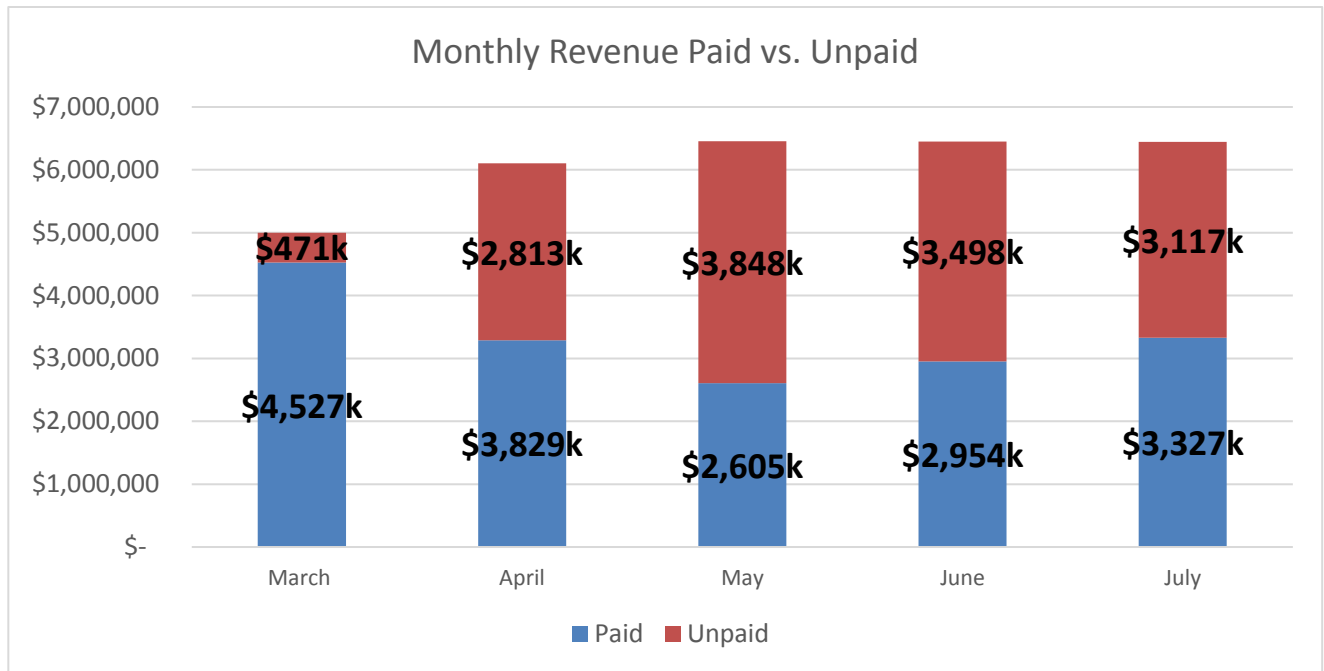
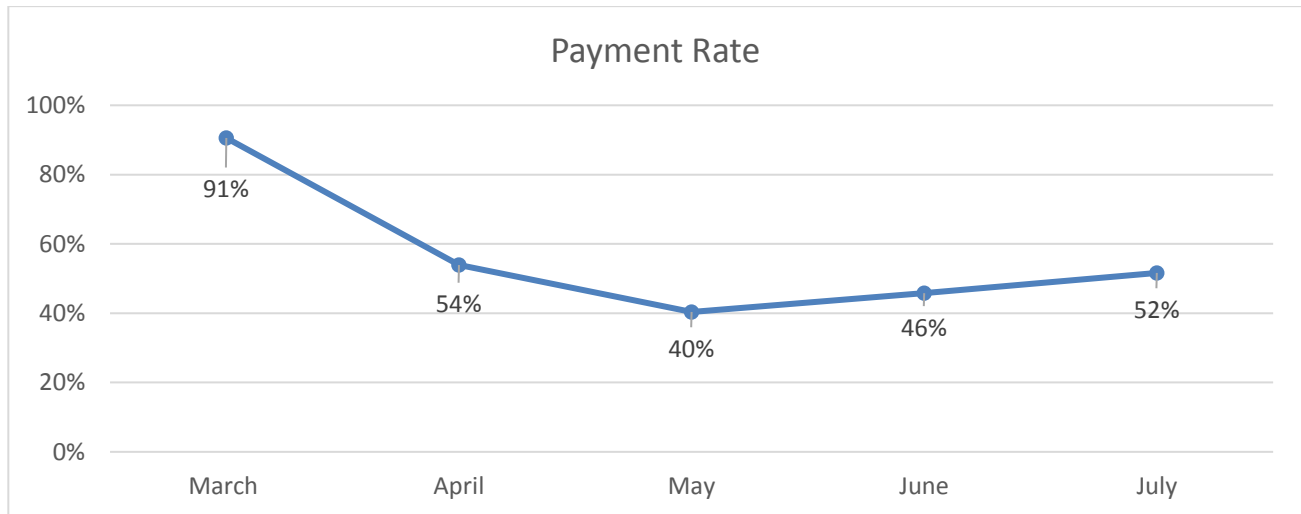


Figure 2. Payment Rates



RENT FORGIVENSS PROGRAM FOR ACTION TODAY

Overview of Program

The proposed rent forgiveness program is guided by the following principles:

- Protect Port’s revenue streams and assets by reducing rent burdens that tenants temporarily cannot pay due to the drastic change in operating conditions.
- Support Port’s maritime mission.
- Provide relief for small local businesses who are least able to weather this downturn.

- Formulate relief such that Port’s & Tenant’s interests are aligned and promote a shared prosperity partnership.
- Recognize this is a step based on best but limited and evolving information; new information may result in course corrections or additional steps.

At the Port Commission’s April 28, July 14, and August 11 meetings, Port staff introduced and discussed the concept of a sector-based rent forgiveness strategy. The program described here and in the attached resolution provides rent forgiveness for three categories of tenants:

- Percentage rent tenants with base or minimum rent obligations (i.e. restaurants, retail, off-street parking maritime, excursions, and maritime attractions);
- Certain categories of maritime tenants; and
- Local Business Enterprise tenants.

With the intent of providing urgent assistance while balancing the financial impacts to the Port’s Budget, Port staff propose that these categories are the most impacted by the Covid-19 crisis and are aligned with the Port’s mission of managing the waterfront as a thriving, working waterfront and destination. Staff considered the Port’s financial sustainability and commitment to maritime, recreational and economic opportunities to serve the public, while applying an equity lens that is critical in achieving the Port’s vision of delivering vibrant and diverse waterfront experiences that enrich the City, Region, and State.

The section below provides an overview of this strategy (see **Table 1**) a proposed set of implementation criteria, current estimates of the potential fiscal impact of this program to the Port, and key questions to be answered to continue to develop the strategy.

Table 1. Strategy Overview

| Sector | Proposal | Relief Period | | Months | Est. # Tenants Affect-ed | Est. Rent Forgiven or Deferred |
|----------------------------|--|---------------|---|---------------|--------------------------|---|
| | | | | | | |
| A. Percentage Rent Tenants | Port will forgive all base rents, and require payment of percentage rent as defined in the current lease agreement | March 1, 2020 | April 30, 2021 or when tenant triggers percentage rent for 3 consecutive months | Maximum of 14 | 48 | \$11.8 M (offset by percentage rent paid throughout period) |
| B. Select Maritime Tenants | Port will forgive all base rents | March 1, 2020 | August 31, 2020 | 6 | 121 | \$1.5 M |
| C. LBE Tenants | Port will forgive all base rents | March 1, 2020 | May 31, 2020 | 3 | 27 | \$0.15 M |

Sector A – Forgiveness for “Percentage Rent” Tenants

Proposed Rent Forgiveness

Staff proposes that for most leases which require the payment of percentage rent subject to a minimum or base rent, the Port will forgive all base rents from March 1, 2020 through the earlier of April 30, 2021 or when tenant’s percentage rents equal or exceed the base rent otherwise payable under the lease for 3 consecutive months. Despite variations in the terms of each lease, the percentage rent provisions are fairly uniform within categories. For example, dine in restaurants typically have a 6%-7% percentage share, where take out restaurant have a 10%-11% percentage share, and parking is typically 66%. By removing base rent, and relying on percentage share rates in lease agreements, the Port and the tenant reaffirm the partnership to weather impacts of COVID-19, and move toward a shared prosperity model.

Key Tenant Requirements

- Report rent amounts that will not be forgiven because, for example, the Tenant received government-funded financial aid to be used for rent
- Report sales monthly or as required by the existing lease
- Pay monthly rent in the percentage of sales amount required by the existing lease
- Satisfy all responsibilities under the existing lease
- State and maintain agreed upon hours of operation, with not fewer than 10 operating days per month

Key Tenant Benefits

The Rent Forgiveness Program would provide the following *tenant benefits* (not exhaustive):

- Base rents forgiven from March 1, 2020 through the earlier of (a) April 30, 2021 or (b) when a tenant’s percentage rents equal or exceed the base rent otherwise payable under the lease for 3 consecutive months
- Rent credits for restaurant and retail tenants for eligible furniture and equipment costs to safely reopen during the shelter in place restrictions; tenants would be able to apply such rent credits immediately upon execution of the relevant lease amendment
- Rent credits for rent paid during forgiveness period that could have been deferred prior to lease amendment execution; tenants would be able to apply such rent credits to rent payable during Fiscal Year 2021-2022
- Rent credits will first be applied to any amounts owed prior to beginning of forgiveness period

Some percentage rent tenants paid base rent between March and June, even though they had the option to defer. For those tenants, Port staff propose allowing rent credits in order to achieve a retroactive fairness as compared to tenants that opted to defer such payments. As a further reduction of barriers to restaurants’ ability to operate profitably in the current environment, staff also propose a rent credit for startup costs of fixtures and equipment required for operating a dining or retail establishment under health orders as further described below.

Eligible tenants for this forgiveness include restaurants, retail, parking operators, tenants with maritime excursion operations, and other maritime attractions (e.g. Jeremiah O'Brien). The Port has approximately 48 tenants who fall under this category.

Master tenants (e.g., Pier 39, Ferry Building, Exploratorium, Oracle Ballpark, Pier 1, Piers 11/2 -5, Waterfront Plaza, Pier 70 Historic Core) where rent is calculated based on the unique mix of retail and non-retail uses cannot be addressed with a one-size approach. Accordingly, master tenant agreements will not be covered in this rent forgiveness program. To the extent relief is required, it may be negotiated on as-needed basis with the tenants. Port staff will analyze what relief was provided to subtenants, as part of the negotiations. Amendments to these leases will be subject to Port Commission and potentially Board of Supervisor approval.

Rationale for Rent Forgiveness Action for Restaurant, Retail, and Excursion Sector

Tenants in this category attract the most visitors and are heavily dependent on in-person transactions, and undoubtedly are the most impacted by COVID-19. These businesses are core to the Port's mission in bringing people to the waterfront and generating revenues to manage the waterfront; they are critical partners in ensuring the Port remains a vibrant waterfront for the public. These tenants were directly impacted by health crisis because they were ordered to stop their business. More broadly, the Mayor has recognized the need for public policy strategies to help these types of businesses get back on their feet to reduce the economic dislocation of the pandemic.

This proposal promotes a "shared prosperity" model, which in current economic conditions is in the Port's business interest. Tenants in this sector have made a compelling case that they cannot pay base rent until their revenues stabilize significantly above the 0% to 25% rate they are currently achieving. Without the forgiveness of base rent and implementing percentage rent payments, restaurant tenants have made it clear they cannot keep restaurants open and would have to either shutdown operations for a prolonged period of time or terminate leases. In both cases, the lack of operations would increase demands on Port security and maintenance, which are already strained.

With respect to retail vacancies in particular, any effort to fill vacancies would be subject to the City's competitive bidding policies and the Port's Retail Leasing Policy which generally require retail opportunities be competitively bid. Without indoor dining and with the winter season soon approaching, leasing of empty restaurant spaces will undoubtedly be challenging. Lengthy bidding processes paired with constrained staffing bandwidth would likely create extended periods of vacancies.

Therefore, staff recommends deployment of this strategy for the lesser of: 14 months or the point at which sales trigger payment above minimum base rent three months in a row which aims to encourage closed businesses to reopen and to keep all such businesses operating to the greatest extent possible.

Sector B – Select Maritime Tenant Rent Forgiveness

Proposed Rent Forgiveness

Within the maritime portfolio, rent from commercial fishing and crabbing and fish processing tenants is proposed for forgiveness, for a six-month period from March 1, 2020 through August 31, 2020. These tenants are the heart of the Port's commercial maritime businesses which have been particularly hard hit in the pandemic as their commercial restaurant customers were shut down. Conditions of participation include satisfying all responsibilities under the applicable lease.

Key Tenant Requirements

- Satisfy all responsibilities under the existing lease
- Report rent amounts that will not be forgiven because, for example, the Tenant received government-funded financial aid to be used for rent.

Key Tenant Benefits

- Base rents forgiven from March 1, 2020 through August 31, 2020
- Rent credits for rent paid during forgiveness period that could have been deferred prior to lease amendment execution.
- Rent credits will first be applied to any amounts owed prior to beginning of forgiveness period; tenants would be able to apply such rent credits to rent payable during Fiscal Year 2021-2022

Some maritime tenants did pay base rent during this period even though they had the option to defer. Similar to the Sector A proposal, those tenants would be allowed to take a rent credit for rent paid between March and August, should the Port adopt the forgiveness strategy.

Eligible tenants for this forgiveness include fishing, crabbing, fish processing, and maritime support tenants at Fisherman's Wharf. Tenants with force majeure clauses in their leases may benefit from the rent forgiveness program, but only to the extent that base rent is otherwise payable during the applicable timeframe.²

Tenants such as the Terminal Operators (e.g. Pasha, Metro,) will require more individualized analysis. Accordingly, these agreements will not be covered in this rent forgiveness program. To the extent relief is required, it may be negotiated on as-needed basis with the tenants and amendments to these leases will be subject to Port Commission.

The Port has approximately 121 Maritime Tenants that could obtain relief under this program, and amendment of these agreements are not generally subject to Board of Supervisor Approval.

Rationale for Rent Forgiveness Action for Maritime Sector

Maritime tenants are the heart of the Port's commercial maritime businesses and have been indirectly affected by SiP orders, as their restaurant customers were shut down. Forgiveness during the three-month SIP is coupled with rent deferral through December for those tenants in the Opt-In program. This forgiveness program will likely affect 121 Port tenants.

² In other words, there will be no extension of the base rent forgiveness timeframe and no additional base rent forgiveness for any tenant attempting to use force majeure as the basis of that tenant having been excused from payment of base rent for some portion of the period between March 1, 2020 and April 30, 2021.

Sector C - Local Business Enterprise Forgiveness

All currently registered LBE tenants would be offered rent forgiveness for the three-month period most impacted by the shelter-in-place orders. The Port will forgive all base rents from March 1, 2020 through May 31, 2020. The Port Commission has emphasized the need to support LBEs through many of the Port's contracting practices. These LBEs range from sole proprietor trucking companies who lease drayage stalls to small construction companies who lease office and laydown space. It is critical to sustain the Port's vibrant and diverse population of micro professional service and construction LBEs.

Key Tenant Requirements

- Satisfy all responsibilities under the existing lease
- Report rent amounts that will not be forgiven because, for example, the Tenant received government-funded financial aid to be used for rent and from the Port's Hardship Emergency Loan and Grant Program (Item 7A on the August 11 Port Commission agenda)

Key Tenant Benefits

- Base rents forgiven from March 1, 2020 through May 31, 2020.
- Rent credits for rent paid during forgiveness period that could have been deferred prior to lease amendment execution; tenants would be able to apply such rent credits to rent payable during Fiscal Year 2021-2022.
- Rent credits will first be applied to any amounts owed prior to beginning of forgiveness period
- Any rent that is forgiven shall not be an allowable expense in the LBE Hardship Emergency Loan and Grant Program.

Some LBE tenants did pay base rent during this period even though they had the option to defer. For those tenants, Port staff proposes allowing rent credits to be applied for rent, should the forgiveness program be adopted. The Port has approximately 27 LBE tenants that would be covered under this program, and amendments to these agreements would not be subject to Board of Supervisor approval.

Rationale for Rent Forgiveness Action for LBE Sector

Tenants in these categories are generally in industries either indirectly affected by SIP or generally affected by the health crisis. The Port's mission and values drive Staff's proposal to provide an appropriate level of forgiveness to support these businesses while keeping tenants' and Port's interests as aligned as possible. Supporting LBEs are clearly articulated goals of the Port Commission and providing tenants rent forgiveness will provide financial relief to these sectors.

While staff do not have specific data on how Port's LBE tenants have been affected by the pandemic, some are suppliers to heavily impacted sectors and others are in less impacted lines of business. Along with rent deferral to December 31 under the Opt-In Program, Port staff propose supporting these LBEs through rent forgiveness during the core SIP period. This forgiveness program will likely affect about 2 Port tenants. Any rent that is forgiven

shall not be an allowable expense in the LBE Hardship Emergency Loan and Grant Program (Item 7A on the August 11 Port Commission agenda).

***PROGRAM ADMINISTRATION**

Tenants wishing to participate in the Rent Forgiveness Program will be required to submit the following information:

- Describes impact from COVID-19 and need for relief.
- Describes business plan to operate safely while COVID-19 is still circulating in the community.
- Provides revenue projections through in light of current economic conditions.
- Using the revenue estimates above, projects anticipated cash flow that indicates whether the tenants can resume current rent payments at the end of the forgiveness program or the end of the rent deferral period, as applicable
- Documentation to be submitted of any and all submittals to federal, state and local relief programs and summary of application or forgiveness status.
- If no such applications were filed, tenant would be asked to explain reasons (ineligibility, etc.).

Port staff will notify tenants about the Rent Forgiveness Program through various outlets including email, the website, and phone alerts. Staff from the Real Estate & Development, Maritime, and Finance Divisions will be available to provide support to tenants through the process.

Delegation to the Executive Director and Form Amendments

In order to implement this program fairly and efficiently, Port staff propose to use the attached standardized form amendments per sector which include standardized language, terms, and provisions attached as **Exhibit A**. A list of tenants fitting into each of the above three categories is attached as **Exhibit B**. Should these tenants elect to apply, they will be required, without exception and without negotiation, to enter into the appropriate form amendment.³

Port staff requests Port Commission delegation to: determine final eligibility and execute form amendments with tenants who elect to participate in the forgiveness program. The Executive Director may determine, in her sole discretion, that a tenant in any unsettled dispute with the Port regarding its existing lease or with the Port or City regarding any other existing agreement with the Port or City which dispute pre-dated the COVID-19 pandemic will not be eligible for rent forgiveness under the program until such dispute is resolved. As part of the rent forgiveness program, the Port will include terms such as: (i) a tenant's failure to comply with terms of the amendment means termination of rent forgiveness in addition to other lease remedies and (ii) mutually release from liability for matters related to the amendment. Port staff also recommends allowance of Rent Credits for Rent Paid and for

³ Some real property agreements in the proposed sectors, such as agreements with pedicab operators, are licenses rather than leases. The program applies the same way to licensees as to tenants.

Start Up Costs as detailed below and in the form lease amendment.

Rent Credits

Start Up Rent Credit for Restaurants and Retail Tenants

Restaurant and retail tenants in Sector A are eligible for a rent credit for verified expenditures for improvements and equipment necessary to maximize operations safely under COVID-19-related restrictions such as furniture, tents, bollards, canopies, diverters, stanchions, signage and other articles of personal property such as removable barriers to enforce social distancing (“**Start Up Rent Credit**”). Ongoing operational costs, such as the cost of personal protective equipment, hand sanitizer and other cleaning products, and plastic utensils are not eligible for a rent credit.

With respect to the allowance of Start Up Rent Credit, Port staff proposes the following:

- Tenant must provide to Port and Port must review and approve proof of payment including as applicable: copies of receipts, cancelled checks, invoices marked "Paid," unconditional lien waivers from all contractors, subcontractors, suppliers and materialmen who provided any labor, materials or services related to any Alterations or Improvements, and other items reasonably acceptable to Port evidencing proof of such expenditures.
- Tenant shall be authorized to take Start Up Rent Credit immediately. The Start Up Rent Credit shall be applied first to any balance outstanding prior to March 1, 2020 and then applied against percentage rents next due and each successive month until June 30, 2021 at which time any unapplied Start Up Rent Credit will expire and the Rent Paid Rent Credit, as described below, will apply.
- Termination or earlier surrender of the lease will extinguish any unapplied rent credits.

Rent Paid Rent Credit for All Sectors

Tenants are eligible for a rent credit for rent paid during the Forgiveness Period, even though the tenant could have instead deferred such payments under the Port’s COVID-19 tenant relief policies in Port Commission Resolutions 20-18; 20-27 and 20-30. Therefore, Port Staff recommend a “Rent Paid Rent Credit” as follows:

- Port and tenant will calculate the total amount of the excess rent paid to the Port above what would have been due under the rent provisions in the existing agreement (“Excess Rent Amount”)
- The Excess Rent Amount shall be applied first to any balance outstanding prior to March 1, 2020
- Tenant shall be then authorized to take 1/12 of the remaining amount (with no escalation) as a Rent Paid Rent Credit” in July 2021 and in each of the next 11 months (through June 2022). The Rent Paid Rent Credit can be taken against rent, but not against any other fee or charge under the lease. The credit is only usable to the extent rent is payable to the Port and will be extinguished if the lease is terminated.

- Port staff may extend leases that would otherwise expire so as to allow for such rent credit recapture, but the rent per square foot may not change and the expiration date may not exceed such timeframe without further Port Commission approval.
- Termination or earlier surrender of the lease will extinguish any unapplied rent credits.

Further Board of Supervisors Approvals

Port staff notes two additional dynamics of entering lease amendments that may reduce the efficiency and effectiveness of the proposed relief programs and proposes to pursue additional legislative measures to address them.

First, for some tenants, a lease amendment will also require Board of Supervisors approval where the existing lease required Board of Supervisors approval under Charter Section 9.118 because it met the revenue or duration thresholds in the Charter. Staff estimate approximately 32 leases in Sector A are subject to Charter Section 9.118.

In addition, for all lease amendments, City ordinances require certain provisions to be included in lease amendments entered into by City agencies, including the Port. These ordinances are generally applied on a prospective basis to new leases or amendments executed after the effective date of the ordinance. Therefore, a longtime Port tenant is often not required to comply with contracting ordinances adopted more recently than its lease. In that situation, if such an ordinance requires operational changes or other added startup costs, it may discourage that tenant from entering a lease amendment to avail itself of the Port's rent forgiveness program.

In order to provide relief in as efficient a manner as possible, and to avoid these potential costs on our tenants, Port staff intends to seek Port-specific legislation from the Board of Supervisors that would (a) approve all of the rent relief amendments approved by the Port Commission under the proposed Rent Forgiveness Program either by delegating approval authority to the Port or through a single consolidated approval action for the approximately 32 Port leases that are subject to Charter Section 9.118 and (b) waiving City requirements in cases where a Port tenant is not already subject to those provisions under its existing lease (whether or not that lease amendment is subject to Charter Section 9.118). If the Board of Supervisors determines not to approve such legislation, Port staff would proceed to administer the program under the current rules regarding Charter Section 9.118 and the applicable City contracting ordinances.

FISCAL IMPACT ANALYSIS OF RENT RELIEF MEASURES

For the forgiveness of base rent, Port staff compared total base rents receivable by sector to the percentage rent performance of that sector, at various performance rates (25%, 35%, and 50%, see **Table 2** below) for the same period in 2019 in order to provide illustrations of what this forgiveness could cost by category. Key findings of this analysis are:

- Total Base Rent forgiven is estimated to be approximately \$13.45 million.
- Total estimated percentage rent projected to be collected over the same period – which is only available to the Port, should the Port forgive base rent in order to keep

tenants in place is – between \$6.6 million and \$13.3 million.

A major goal of the Rent Forgiveness Program is to assist heavily impacted tenants that are most aligned with Port’s operating mission and values to save their business. A tenant who benefits from rent forgiveness may provide more revenues to the Port over the course of this recession than one who was not forgiven, if the latter firm goes out of business and thus does not provide rent in future months. If a tenant does not survive then the Port must terminate the lease and re-let the premises before revenues can again begin flowing, creating a significant time lag that will only be exacerbated in a long downturn. Percentage rent tenants represent approximately 1.5 million square feet.

Table 2. Percentage Rent: Performance Illustrations

Assume Percentage Rent Tenants Achieve 25-50% of 2019 Sales Performance During Rent Forgiveness Period

| | 2019 Performance | 50% | 35% | 25% |
|--|-------------------------|---------------------|--------------------|--------------------|
| Restaurants | \$6,612,000 | \$3,306,000 | \$2,314,000 | \$1,653,000 |
| Other Food & Bev | \$4,259,000 | \$2,129,000 | \$1,491,000 | \$1,065,000 |
| Excursion | \$6,636,000 | \$3,318,000 | \$2,323,000 | \$1,659,000 |
| Retail | \$751,000 | \$375,000 | \$263,000 | \$188,000 |
| Attraction | \$1,198,000 | \$599,000 | \$419,000 | \$299,000 |
| Parking | \$7,058,000 | \$3,529,000 | \$2,470,000 | \$1,764,000 |
| Total Potential Percentage Rent to Port | \$26,513,000 | \$13,257,000 | \$9,280,000 | \$6,628,000 |

FURTHER TENANT RELIEF STRATEGIES & RELATED MATTERS

Port staff continues to research and intends to return to the Port Commission in the coming months to discuss further relief measures. These relief measures may include but are not limited to:

- A funds-limited, Criteria-Based Rent Forgiveness or loan program for tenants not covered by this Rent Forgiveness Program for tenants that are Trust-consistent or similarly public-serving in nature and who demonstrate a significant economic impact from the pandemic
- Marketing assistance by Port
- Streamlined permitting for Shared Spaces, outdoor activation and similar programs
- Delegation of authority to Port Staff to enter into mutual early terminations within certain parameters such as total monthly rent, term remaining on lease, condition of space allows for releasing, etc.

RECOMMENDATION

Port staff requests action on the Rent Forgiveness Program through Port Commission approval of the attached Resolution. Port staff will then implement the program as described in this Staff Report, pursue Board approval for required Program elements, and periodically report back to the Port Commission on implementation of the Program.

Prepared by: Crezia Tano-Lee
Manager, Business Strategy Real Estate
and Development

For: Rebecca Benassini
Acting Deputy Director
Real Estate and Development

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

RESOLUTION NO. 20-41

- WHEREAS, Charter Section B3.581 empowers the Port 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, On February 26, 2020, Mayor London Breed issued the Proclamation by the Mayor Declaring the Existence of a Local Emergency (the "Mayor's Emergency Declaration") under Sections 8550 et seq. of the Government Code, Section 3.100(13) of the San Francisco Charter, and Chapter 7 of the San Francisco Administrative Code, establishing the existence of an emergency within the City and County of San Francisco (the "City") due to the ongoing spread of COVID-19; and
- WHEREAS, On March 16, 2020, the City Health Officer issued an Order (the "March 16 Order") directing all residents to remain at their place of residence, except to conduct Essential Activities, Essential Businesses, and Essential Government Functions (as defined in the March 16 Order); and
- WHEREAS, Since that time, the Mayor and the Health Officer have regularly updated these orders in order to protect public health and re-open the economy; and
- WHEREAS, In response to these emergency measures and the severe impacts on Port's tenants, the Port has provided several relief measures including a Broad-Based Rent Deferral Program (Resolution 20-18), an Opt-In Extended Deferral Program (Resolution 20-30), and the Port Shared Spaces Program.
- WHEREAS, On June 9 2020, the Port Commission approved an Opt-In Rent Deferral Program, which includes many of the key terms and exclusions of the Extended Rent Deferral Policy and allows tenants that opted in to continue to defer rent through December 31, 2020, such that payment of March through December 2020 rent is deferred without financial or other penalty; provided that normal and timely payment of rent recommences on January 1, 2021; and
- WHEREAS, Despite the Port's various relief programs, including those described above, the Port understands that further relief, including the proposed rent forgiveness program is needed for some tenant sectors to keep those tenants and leases in place; and
- WHEREAS, The Port desires to forgive certain past due and future rent payments in order to address the devastating financial impacts of the COVID-19 pandemic on Port tenants and licensees (collectively, "tenants") in the

following targeted sectors: retail and similar tenants paying percentage rent; maritime tenants, and local business enterprise (“LBE”) tenants through a standardized lease or license amendment (an “amendment”); and

WHEREAS, Providing the proposed rent forgiveness is intended to improve the financial feasibility of the lease or license (collectively, a “lease”) and preserve a tenant’s ability to continue operations at the Port which is of considerable value to both parties, while at the same time meeting the Port’s own goals, including protecting its revenue streams and assets; supporting the Port’s maritime mission and it’s small local business tenants and aligning Port’s and tenant’s interest in promoting a shared prosperity partnership and is in the best interests of the Port’s long-term financial health; and

WHEREAS, The sector-by-sector list of tenants that may apply for rent forgiveness under the proposed program is attached to this memorandum, as may only be amended due to clerical error; and

WHEREAS, As determined in the sole discretion of the Executive Director, a tenant in any unsettled dispute with the Port regarding its existing lease or with the Port or City regarding any other existing agreement with the Port or City which dispute pre-dated the COVID-19 pandemic will not be eligible for rent forgiveness under the program until such dispute is resolved; and

WHEREAS, In order to implement this program fairly and efficiently, each amendment will be on the sector-appropriate standardized form amendment attached to the Memo without exception and without negotiation; and

WHEREAS, The amendments are narrowly-tailored to focus solely on rent obligations and forgiveness and the amendment forms are attached and the key terms of the form amendment are detailed in the memorandum; and

WHEREAS, Execution of an amendment approved under this program with many of the percentage/retail sector tenants will require Board of Supervisors’ approval under Charter Section 9.118; and all amendments must include certain City requirements that have been adopted by ordinance since execution of the existing lease; and

WHEREAS, In order to expeditiously provide the needed financial relief the amendments would provide without the inevitable delay and expenditure of limited staff and tenant resources in obtaining Board of Supervisor’s approval, Port staff, along with other City landlord departments, is seeking an ordinance which would delegate the Board’s approval authority to the Port so that amendments could be executed promptly to reduce uncertainty for tenants seeking to regain their financial footing; and in order to avoid

imposing additional operating requirements and costs beyond what is in a tenant's existing lease, the proposed ordinance would also waive the applicability of certain new City requirements that would otherwise be required in an amendment; and therefore be it

- RESOLVED, That the Commission supports the Board of Supervisors' delegation of approval authority to the Port Commission for amendments that would otherwise require Board of Supervisors' approval under Charter Section 9.118 (including those amendments that are approved by this Resolution) and urges adoption of implementing legislation either through adoption of an ordinance as described above or otherwise to expeditiously and efficiently review and approve amendments, including those approved under this Resolution; and be it further
- RESOLVED, That the Commission approves the form amendments attached to this memorandum; and be it further
- RESOLVED, That, subject to Board of Supervisor's approval for any amendment that is subject to such approval (unless the Board delegates such approval to the Commission or Executive Director), the Port Commission authorizes the Executive Director or her designee to execute the appropriate form amendment (without substantive revision except to complete the relevant facts) with each tenant meeting eligibility described in the memorandum as determined by the Executive Director; and be it further
- RESOLVED, That the Port Commission approves the Rent Forgiveness Program including start up rent credit for restaurants, retail, and excursion operators in Sector A and rent paid rent credit for All Sectors; and be it further
- RESOLVED, That the Port Commission directs staff to promptly advise affected tenants of the Rent Forgiveness Program, post notice on the Port website, and support tenants through the submittal process; and be it further
- RESOLVED, That the Commission authorizes the Executive Director to enter into any additions, amendments or other modifications to the standardized amendment forms that the Executive Director, in consultation with the City Attorney, determines, when taken as a whole, to be in the best interest of the Port, do not materially increase the obligations or liabilities of the City or the Port, and are necessary or advisable to complete the transactions which this Resolution contemplates 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 such amendments.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 25, 2020.

Carl Nicita

Secretary

Exhibit A Tenants Eligible for Forgiveness

Percentage Rent Tenants Potentially Eligible for Rent Forgiveness Program, Subject to Port Commission Approval

Below list include tenants who may be eligible to apply for rent forgiveness, should the Port Commission direct staff to move forward with the rent forgiveness program described in this staff report, under “Sector A Percentage Rent Tenants”. Rent forgiveness would be documented through a form lease amendment to be executed by Port and tenant, which may require Board approval. Eligibility for program includes resolution of disputes, among other criteria summarized in the staff report.

| # | Name on Agreement | Business Name | PORTFOLIO |
|----|--|--|-----------|
| 1 | 340 Jefferson, LLC | Pompeii’s Grotto | FW |
| 2 | 369-399 Embarcadero, LLC | Epic Steak and Water Bar Restaurants | FP/SB |
| 3 | Abraham Pedicabs, LLC | Cabrio Taxi Pedicabs | |
| 4 | Alcatraz Cruises, LLC | Alcatraz Cruises | NE |
| 5 | Alioto Fish Company, Ltd. | Alioto’s Restaurant | FW |
| 6 | Andre-Boudin Bakeries, Inc. | Chowder Hut Restaurant | FW |
| 7 | Bay Natives | Bay Natives Nursery | SO |
| 8 | Bike Hut Foundation | The Bike Hut | FP/SB |
| 9 | Blue & Gold Fleet, LP | Blue & Gold Fleet | FW |
| 10 | Boudin Properties, Inc. | Boudin’s Flagship Restaurant | FW |
| 11 | Bundox Restaurant, Inc. | The Waterfront Restaurant | NE |
| 12 | Castagnola's Restaurant | Castagnola’s Restaurant | FW |
| 13 | Choi, Ted | City Kayak | FP/SB |
| 14 | Chu, Frances Y. and Hwang, Jyi Jeng | The Crab Station | FW |
| 15 | D & G Company | Lou’s Blues Bar | FW |
| 16 | East Street Ventures, LLC | Atwater Tavern | CB |
| 17 | Ferryboat Santa Rosa Partners, Ltd. | Ferry Boat Santa Rosa | NE |
| 18 | Frank's Fisherman's Supply | Frank's Fisherman's Supply | FW |
| 19 | Frankie's Java House, LLC | Frankie’s Java House | FP/SB |
| 20 | Golden Bear Restaurant Co III, LLC | Mission Rock Resort | CB |
| 21 | Golden Gate National Parks Conservancy | Golden Gate National Parks Conservancy | NE |
| 22 | Golden Gate Scenic Steamship Corp. | Red and White Fleet | FW |
| 23 | Guardino's Souvenir & Gift Shop, Inc. | Guardino’s | FW |
| 24 | Henriquez, Reinaldo | Reinaldo Henriquez Pedicab | |
| 25 | Herringbone Tavern, Inc. | Grotto #9 & Tarantino’s | FW |

| # | Name on Agreement | Business Name | PORTFOLIO |
|----|---|-----------------------------------|-----------|
| 26 | Hoppe, Arthur N. | The Bay Company & The Wharf Store | FW |
| 27 | Hornblower Yachts, Inc. | Hornblower | NE |
| 28 | Imperial Parking (U.S.), Inc. | Impark | |
| 29 | JPPF 1300 Battery, L.P. | Fog City | NE |
| 30 | Mama Franceschi, L.P. | Capurro's | FW |
| 31 | National Liberty Ship | S/S Jeremiah O'Brien | FW |
| 32 | Pier 23 Cafe | Pier 23 Café | NE |
| 33 | Pisoni, Tiffany Marie | Red's Java House | FP/SB |
| 34 | Pollack Group, Ltd. | Nick's Lighthouse | FW |
| 35 | Portco, Inc | Cioppino's & Safe Harbor | FW |
| 36 | Queen's Louisiana Po-Boy Cafe, LLC | Queen's Po Boy Café | NE |
| 37 | Sabella & La Torre | Sabella & La Torre Restaurant | FW |
| 38 | Saggers, Keith R | SF Student Jobs Coalition Pedicab | |
| 39 | San Francisco Maritime National Park Assoc. | USS Pampanito | FW |
| 40 | San Francisco Museum and Historical Society | Musee Mechanique | FW |
| 41 | San Francisco Pedicab, LLC | Golden Gate Pedicab | |
| 42 | Scoma's Restaurant, Inc. | Scoma's | FW |
| 43 | SFS39, Inc. | The Franciscan | FW |
| 44 | Sitting By, Inc. | Hidive | FP/SB |
| 45 | South Beach Yacht Club | South Beach Yacht Club | FP/SB |
| 46 | SP Plus-Hyde Parking Joint Venture | SP+/Hyde | |
| 47 | St. Francis Marine Center, Inc. | The Ramp Restaurant | CB |
| 48 | Spinnaker | Spinnaker | FP/SB |

Maritime Tenants Potentially Eligible for Rent Forgiveness Program, Subject to Port Commission Approval

The below list includes tenants who may be eligible for rent forgiveness, should the Port Commission direct staff to move forward with the rent forgiveness program described in this staff report under Sector B – Maritime Tenants. Rent forgiveness would be documented through a form lease amendment to be executed by Port and tenant. Eligibility for program includes resolution of disputes, among other criteria summarized in the staff report.

| # | Tenant Name |
|----|------------------------------|
| 1 | 2 By C, LLC |
| 2 | A. La Rocca Seafood, Inc. |
| 3 | ABS Seafood Inc. |
| 4 | Alber Seafoods, Inc. |
| 5 | Alioto Fish Company, Ltd. |
| 6 | Alioto, Sal |
| 7 | Aloha Seafood, Inc. |
| 8 | Andreassen, Hans |
| 9 | Anfinson, Eric |
| 10 | Anna Marie Inc |
| 11 | Anselmo, Bennie |
| 12 | Atkinson, John Jr |
| 13 | Barnett, John |
| 14 | Bates, Sarah |
| 15 | Bertucci, Robert |
| 16 | Bishop, Gary |
| 17 | Bohannon, Robert A |
| 18 | Brooks, Elliott |
| 19 | Bugeja, Peter |
| 20 | Burchell, Robert |
| 21 | Caito Fisheries Inc. |
| 22 | California Shellfish Co. |
| 23 | Calvert, Tim |
| 24 | Calvi, Chris |
| 25 | Cannia, Anthony |
| 26 | Chen, Da Huan |
| 27 | Collier, Brian |
| 28 | Collins, Lawrence J. |
| 29 | Costarella Seafood, Inc. |
| 30 | Costello, Mike |
| 31 | Crab Boat Owners Association |
| 32 | Cresalia, Andrew |

| # | Tenant Name |
|----|---------------------------|
| 33 | Cross, Sean |
| 34 | Dalley, Sonia |
| 35 | Deaton, Mrs Tiffany |
| 36 | Dillard, James |
| 37 | Duba, Chris |
| 38 | East-West Seafood, Inc. |
| 39 | F. Alioto Fish Co. |
| 40 | Fitzpatrick, Richard |
| 41 | Fontes, Mike |
| 42 | Fox, Christopher |
| 43 | Franklin, Don |
| 44 | G.P. Resources |
| 45 | Gabriel Higi |
| 46 | Gritzfeld, Jym |
| 47 | Haja Services |
| 48 | Hanson, Craig |
| 49 | Hickey, Darryl |
| 50 | Hill, Steven |
| 51 | Hodges, Sean |
| 52 | Hunt, Dan & Linda |
| 53 | Icy Strait Seafoods, Inc. |
| 54 | Indie, David |
| 55 | Iversen, Chris |
| 56 | J&P Bait, LLC |
| 57 | Jennison, Ellsworth |
| 58 | Juanes, Matt |
| 59 | Kemp, David |
| 60 | Kesler, William |
| 61 | King, David |
| 62 | Krieger, Nicholas |
| 63 | Kurtz-Harvie, Michael |
| 64 | Kwasniza, Igor |
| 65 | Lafata, Phil |
| 66 | Lazzari, Daniel |
| 67 | Le, Johnny |
| 68 | Lee, Frank |
| 69 | Little, Brand |
| 70 | LoGrande, Beneditto |
| 71 | Louie, Chuck |

| # | Tenant Name |
|-----|---|
| 72 | Lucas, Maxwell |
| 73 | Luyen, John |
| 74 | Ly, Tho A. |
| 75 | M.F.M. Seafood, Inc. |
| 76 | Magner, Mark |
| 77 | Maharry, Robert |
| 78 | McCarthy, Tracy |
| 79 | McManigal, Bret |
| 80 | McWilliams, Brian Thomas |
| 81 | Medinas, Zachary |
| 82 | Mellor, John |
| 83 | Michael Kurtz-Harvie |
| 84 | Mitchell, Michael |
| 85 | Monterey Fish Company, Inc. |
| 86 | Nautilus Excursions LLC. |
| 87 | Nguyen, Nhung |
| 88 | Osprey Seafood of California, Inc. |
| 89 | P & T Flannery Seafoods, Inc. |
| 90 | Papetti, Savior |
| 91 | Peery, Mike |
| 92 | Peninsula Seafood of San Bruno, Inc. |
| 93 | Pezzolo Seafood, Inc |
| 94 | Phillips, James |
| 95 | Phillips, Michael |
| 96 | Powell, Michael B. |
| 97 | Reloba, Nick |
| 98 | Rescino, Frank |
| 99 | Reynolds, Robert |
| 100 | Rose Marie Inc. |
| 101 | Sadati, Jesse |
| 102 | Salvato, Jason |
| 103 | San Francisco Community Fishing Association |
| 104 | Schwarz, Mark |
| 105 | Scoma's Restaurant, Inc. |
| 106 | Seafood Producers Cooperative |
| 107 | SF Boat Support, LLC |
| 108 | Sien, Vincent |
| 109 | Sin, A Kiu |
| 110 | Smith, James |

| # | Tenant Name |
|-----|--------------------------------|
| 111 | Sullens, Isaac |
| 112 | Talmadge, Steve |
| 113 | Tanji, Gregg |
| 114 | Tarantino, John |
| 115 | Tarantino, John Paul Jr. |
| 116 | Walsh, Tomas |
| 117 | Ward, William |
| 118 | Wehr, Shane |
| 119 | West Bay Seafood Company, Inc. |
| 120 | Yuen, Truong Chun |
| 121 | Zizzo, Tom |

LBE Tenants Potentially Eligible for Rent Forgiveness Program, Subject to Port Commission Approval

The below list includes tenants who may be eligible to apply for rent forgiveness, should the Port Commission direct staff to move forward with the rent forgiveness program described in this staff report, under “Sector C: LBE Tenants”. Rent forgiveness would be documented through a form lease amendment to be executed by Port and tenant, which may require Board approval. Eligibility for program includes resolution of disputes, among other criteria summarized in the staff report.

| # | Tenant Name |
|----|--|
| 1 | A. Ruiz Construction |
| 2 | Acme Trucking |
| 3 | ADRIENNE WONG ASSOCIATES INC |
| 4 | Albion Partners |
| 5 | ALEX BUILDER INC. |
| 6 | AMC Consulting Engineers, Inc |
| 7 | AYER MEDIA, INC. DBA WEBB DESIGN |
| 8 | Baird Trucking, Inc. |
| 9 | Bay Line Cutting & Coring Inc |
| 10 | CELTIC SCAFFOLDING INC. |
| 11 | Crystal & Robin Trucking |
| 12 | Dirt Shop |
| 13 | E Butler Trucking Inc. |
| 14 | Erlinole Trucking |
| 15 | Flynn Transport |
| 16 | Henry Trucking |
| 17 | Hoseley Corporation |
| 18 | Ibarra Trucking |
| 19 | Jomar Trucking |
| 20 | MCD TRUCKING LLC |
| 21 | MICHAEL O'SHAUGHNESSY CONSTRUCTION, INC. |
| 22 | Pacific Bay Builders |
| 23 | RELIANCE ENGINEERING INC |
| 24 | Robert W. Poyas, Inc. |
| 25 | Rogers Trucks, Inc. |
| 26 | UNION SERVICE CO |
| 27 | Woodford Studio |

From: [Delepine, Boris \(PRT\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [SANDLER, RONA \(CAT\)](#)
Subject: FW: Port Introduction: Rent Relief Ordinance
Date: Friday, October 9, 2020 12:04:10 PM
Attachments: [01484736.docx](#)
[01483017.DOCX](#)

From: Delepine, Boris (PRT)
Sent: Friday, October 9, 2020 12:01 PM
To: BOS.Legislation@sfgov.org.
Cc: SANDLER, RONA (CAT) (Rona.Sandler@sfcityatty.org) <Rona.Sandler@sfcityatty.org>
Subject: Port Introduction: Rent Relief Ordinance

Good morning,

The Port of San Francisco wishes to introduce the attached ordinance for Board of Supervisors consideration.

Please let me know if you have any questions.

Thank you,
Boris

From: [Sandler, Rona \(CAT\)](#)
To: [Delepine, Boris \(PRT\)](#); [BOS Legislation, \(BOS\)](#)
Subject: RE: Port Introduction: Rent Relief Ordinance
Date: Friday, October 9, 2020 12:05:52 PM

Hello, I confirm that I have signed this as to form virtually. Please call with any questions.

Rona H. Sandler

Deputy City Attorney
Office of City Attorney Dennis Herrera
(415) 274-0531 Direct
www.sfcityattorney.org
Find us on: [Facebook](#) [Twitter](#) [Instagram](#)

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From: Delepine, Boris (PRT) <boris.delepine@sfport.com>
Sent: Friday, October 9, 2020 12:04 PM
To: BOS Legislation, (BOS) <bos.legislation@sfgov.org>
Cc: Sandler, Rona (CAT) <Rona.Sandler@sfcityatty.org>
Subject: FW: Port Introduction: Rent Relief Ordinance

From: Delepine, Boris (PRT)
Sent: Friday, October 9, 2020 12:01 PM
To: BOS.Legislation@sfgov.org.
Cc: SANDLER, RONA (CAT) (Rona.Sandler@sfcityatty.org) <Rona.Sandler@sfcityatty.org>
Subject: Port Introduction: Rent Relief Ordinance

Good morning,

The Port of San Francisco wishes to introduce the attached ordinance for Board of Supervisors consideration.

Please let me know if you have any questions.

Thank you,
Boris

From: [Low, Jen \(BOS\)](#)
To: [BOS Legislation, \(BOS\)](#); [BOS-Operations](#)
Cc: [Wong, Linda \(BOS\)](#); [Boillard, Chelsea \(BOS\)](#); [Hepner, Lee \(BOS\)](#); [Major, Erica \(BOS\)](#); [Delepine, Boris \(PRT\)](#); [Hsieh, Frances \(BOS\)](#)
Subject: Presidential Action Memo - File No. 201163 - Amendments to Port Leases - Forgive Tenant Rent During COVID-19 Pandemic
Date: Friday, October 16, 2020 6:07:15 PM
Attachments: [Presidential Action Form - File No. 201163 - Amendments to Port Leases - Forgive Tenant Rent During COVID-19 Pandemic.pdf](#)

Dear Clerk Staff,

Please find attached a Presidential Action Form transferring **File No. 201163 - Amendments to Port Leases - Forgive Tenant Rent During COVID-19 Pandemic** from the Land Use & Transportation Committee to the Budget & Finance Committee. The 30-Day Rule will also be waived.

Thank you,

Jen

President, District 7
BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. No. 554-6516
Fax No. 554-7674
TDD/TTY No. 544-6546

Norman Yee

PRESIDENTIAL ACTION

Date:

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,

Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No.

(Primary Sponsor)

Title.

Transferring (Board Rule No 3.3)

File No.

(Primary Sponsor)

Title.

From:

Committee

To:

Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor:

Replacing Supervisor:

For:

Meeting

(Date)

(Committee)

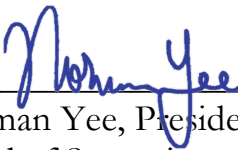
Start Time:

End Time:

Temporary Assignment:

Partial

Full Meeting

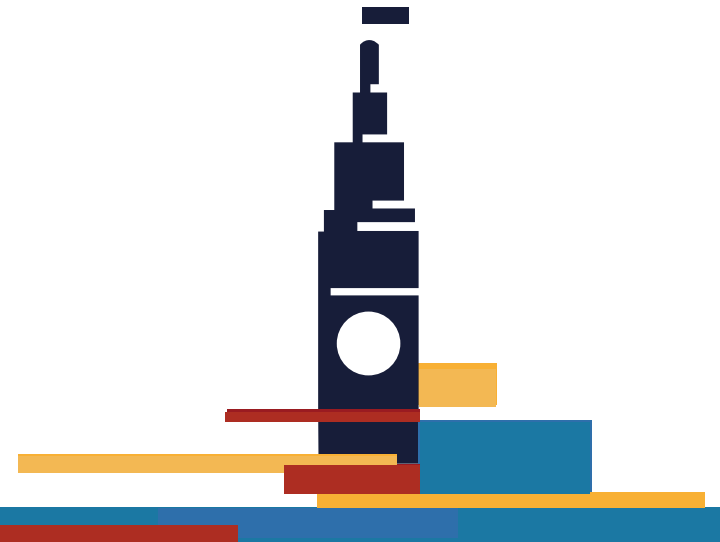


Norman Yee, President
Board of Supervisors

PROPOSED RENT FORGIVENESS

November 11, 2020

Presented By: Crezia Tano-Lee
Manager, Real Estate and Development



Rent Forgiveness

PROPOSED SECTORS



Percentage Rent Tenants



Select Maritime Tenants



Local Business Enterprise
Tenants

Broad-Based
Rent Deferral
PROPOSED SECTORS

| Sector | Proposal | Relief Period | |
|-----------------------------------|--|---------------|-----------------|
| A. Percentage Rent Tenants | Port will forgive all base rents, and require payment of percentage rent as defined in the current lease agreement | March 1, 2020 | April 30, 2021 |
| B. Select Maritime Tenants | Port will forgive all base rents | March 1, 2020 | August 31, 2020 |
| C. LBE Tenants | Port will forgive all base rents | March 1, 2020 | May 31, 2020 |

Rent Forgiveness
ESTIMATES

| Sector | Months | Est. # Tenants Affected | Est. Rent Forgiven or Deferred |
|-----------------------------------|-----------|-------------------------|---|
| A. Percentage Rent Tenants | up to 14* | 48 | \$11.8M (offset by percentage rent paid throughout period) |
| B. Select Maritime Tenants | 6 | 121 | \$1.5 M |
| C. LBE Tenants | 3 | 27 | \$0.15 M |
| TOTAL | 3 ~ 14 | 196 | \$13.45M |



*The lesser of (a) when tenant meets base rent for 3 consecutive months and (b) 14 months.

Rent Forgiveness

PROPOSED CONDITIONS

GENERAL CONDITIONS

- Satisfy all responsibilities under the lease
- Must state and maintain agreed upon hours of operation
- Submit an application similar to the Opt-In Program
- Tenants who have outstanding balances greater than \$10,000 prior to March 1, will not be allowed to participate in forgiveness programs

PERCENTAGE RENT TENANTS

- Report sales as required by the existing lease
- Pay percentage rent throughout the time period of base rent forgiveness, as required by the existing lease

LOCAL BUSINESS ENTERPRISE TENANTS

- Maintained LBE status during the forgiveness period

Rent Credits

- Rent Paid Rent Credit
- Start-Up Rent Credit

Program Administration

RENT PAID RENT CREDIT (All Sectors)

- Port and tenant will calculate the total amount of the excess rent paid to the Port above what would have been due under the rent provisions in the existing agreement (“Excess Rent Amount”)
- The Excess Rent Amount shall be applied first to any balance outstanding prior to March 1, 2020
- Tenant shall be then authorized to take 1/12 of the remaining amount (with no escalation) as a Rent Paid Rent Credit” in July 2021 and in each of the next 11 months (through June 2022).
- The Rent Paid Rent Credit can be taken against rent, but not against any other fee or charge under the lease.
- Port staff may extend leases that would otherwise expire so as to allow for such rent credit recapture.
- Termination or earlier surrender of the lease will extinguish any unapplied rent credits.

Program Administration

START UP RENT CREDIT

*(Excursions/Restaurant/Retail
Only)*

- Tenant must provide proof of payment and other items reasonably acceptable to Port evidencing **proof** of such expenditures.
- Tenant shall be authorized to take **Start Up Rent Credit immediately**.
- The Start Up Rent Credit shall be applied first to any balance outstanding prior to March 1, 2020 and then applied against rents next due until exhausted.
- The Start Up Rent Credit will expire if not exhausted prior to June 30, 2021
- Termination or earlier surrender of the lease will extinguish any unapplied rent credits.

Rent Forgiveness

FISCAL IMPACT

- **Total Base Rent forgiven** is estimated to be approximately **\$13.45 million**
- **Total estimated percentage rent** projected to be collected **\$6.6 and \$13.3 million**; large range reflects uncertainty of the future of public health crisis and the economic downturn.

QUESTIONS?