



April 21, 2014

**The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton Goodlett Place, Room 244
San Francisco, CA 94102**

Subject: First Amendment and License Agreement – Towing Contract

Honorable Members of the Board of Supervisors:

The purpose of this briefing is to provide information to support the San Francisco Municipal Transportation Agency's (SFMTA) request that the Board of Supervisors Approve the First Amendment to the Amended and Restated Towing Agreement and Property Use License for Towing, Storage and Disposal of Abandoned and Illegally Parked Vehicles between the San Francisco Municipal Transportation Agency and TEGSCO, LLC, dba San Francisco AutoReturn. The proposed amendment and license agreement modifications have no impact to towing and storage fees.

Background

In 2012, the SFMTA entered into a lease for occupation of property located at 2650 Bayshore Blvd., and in May 2013 exercised its right to move the long-term vehicle storage facilities from Pier 70 to the Bayshore location. AutoReturn will share the property with other SFMTA operations, including the Signal Shop and employee training facilities.

To document the long-term towing storage facility's move from Pier 70 to the Bayshore location, two appendices to the towing agreement – the previous MOU with the Port of San Francisco (Appendix C) and the existing license agreement (Appendix D) – will be deleted and Appendix H will be added to reflect the new license agreement. In addition, modifications will be made to the Amended and Restated Towing Agreement to reflect changes in financial assurance requirements.

Contract Amendment and License Agreement

The proposed amendment to the towing contract and license agreement documents modifications that were negotiated between SFMTA and AutoReturn includes the following:

- **Rent Adjustment:** This rent adjustment is driven by SFMTA's relocation of towing services which required AutoReturn to move. The adjustment provides a rent credit of \$6,226 per month, over twenty-seven months, to compensate for AutoReturn's increased operating expenses at 2650 Bayshore and its relocation cost in moving from Pier 70. This adjustment totals \$168,115 paid over twenty-seven months.

AutoReturn paid \$110,191 in one-time move costs related to the transfer of more than 1,200 vehicles from Pier 70 to 2650 Bayshore, security services and staffing at both locations (the SFMTA was obligated to secure Pier 70 through June 30th, 2013), and the reinstallation of

surveillance and access control systems owned by the SFMTA. AutoReturn is also incurring additional monthly operating expenses, less operational savings, not contractually anticipated and mutually established at a net average increase of \$2,145 per month.

The proposed rent for the Bayshore location will remain unchanged at \$150,378.75 per month despite a 36 percent reduction in total square footage from 519,328 sq. ft. at Pier 70 to 330,771 sq. ft. at 2650 Bayshore and reflects a 57 percent increase rent paid per square foot from \$0.29 to \$0.45. Effective August 1, 2014, rent shall increase by 2.549 percent to \$154,212.23 per month for the remaining twelve months of the term. The reduction in space is offset by significantly improved facilities, including permanent office space with indoor plumbing and vehicle auction space free of roof leaks that will better accommodate the general public in a safe, secure and more efficient facility.

- **Financial Assurance Modification:** Modifying the current contract's financial assurances of a \$1 million Letter of Credit and \$1 million Performance Bond to a single \$2 million Performance Bond. The adjustment better reflects the function of the contract as a performance-based service agreement. In addition, insurance requirements have been increased to match the SFMTA's Bayshore lease insurance requirements.
- **Community Outreach:** The SFMTA and AutoReturn have met regularly with the Visitation Valley Neighborhood Association to ensure that transitioning the facility to the Bayshore location was done with minimal impact to the surrounding neighborhood, and have been working to address concerns related to vehicle traffic, city vehicle parking and beautification of the site. Going forward, based on community requests, AutoReturn will attend the association meetings on a monthly basis and the SFMTA will attend quarterly in order to hear any community concerns that may arise.

Recommendation

To support the City's efforts to provide the best customer service possible for the often arduous task of retrieving one's vehicle when towed, and to continue to ease traffic congestion and blight caused in part by illegally parked and abandoned vehicles, the SFMTA recommends approval of the Amendment to the Amended and Restated Towing Agreement and Property Use License for Towing, Storage and Disposal of Abandoned and Illegally Parked Vehicles between the SFMTA and TEGSCO, LLC, dba San Francisco AutoReturn.

Thank you for your consideration. Should you have any questions or require more information, please do not hesitate to contact me any time.

Sincerely,



Edward D. Reiskin
Director of Transportation