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June 5, 2026

To:
President Gail Gilman
Vice President Stephen Engblom
Commissioner Willie Adams
Commissioner Steven Lee
Commissioner Ken McNeely

From:
Michael Martin, Acting Executive Director

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Michael Martin
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Subject:
Request approval of a First Amendment to Management Agreement 16114 ("Agreement") with Pasha Automotive Services ("Pasha"), a California corporation.

Acting Executive Director's Recommendation:
Approve the Attached Resolution No. 26-37

EXECUTIVE SUMMARY

The Port entered into a Management Agreement (Agreement) with Pasha Automotive Services (Pasha) on July 1, 2016, giving Pasha the exclusive right to provide services to marine terminal users at the Pier 80 Terminal for a fifteen (15) year term with the option to extend the Agreement for two (2) additional successive five (5) year periods.

Over the term of the Agreement to date, Pasha has provided a high level of professional and operational services with no complaints from current and previous terminal users. However, revenues and job creation have not materialized as Pasha originally projected in 2016, and current projections indicate a continued downward trend of maritime-related automobile import/export services. With these and other changes in the terminal's operating environment more fully detailed below, Port staff determined that the terms of the Agreement no longer matched up with the Port's business goals. Accordingly, Port staff has negotiated a first amendment to the Agreement with Pasha to stabilize and potentially increase the Port's revenue generated from Pier 80 services and activities, also as more fully described below. Port staff recommends approval of the proposed amendments as a means to stabilize and potentially increase revenue for this valuable Port asset.

STRATEGIC PLAN OBJECTIVES

The proposed item supports the Port's 2026-30 Strategic Plan by advancing the following goals:

Economic Growth
Allowing more entertainment and corporate events at Pier 80 creates new jobs on the waterfront for nearby community restaurants and hospitality by providing pop-up vending stands at Pier 80 events.

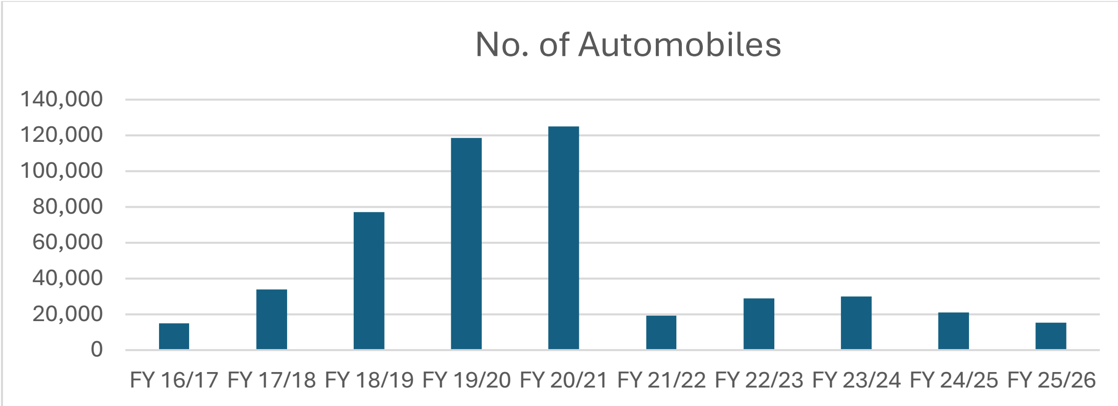
Evolve
Allowing additional entertainment and corporate events and cruise vessels to depart from Pier 80 expands and enhances the public's waterfront experience, provides additional access to the public, and makes Pier 80 an economically successful destination that supports San Francisco and the region.

Public Collaboration
Pasha and its event organizers have and will continue to communicate closely with nearby community organizations such as the Port's Southern Waterfront Advisory Committee and the Dogpatch Business Association to share information about upcoming events, hiring, and small business opportunities, and post-event feedback.

BACKGROUND

As noted above, the Port entered into a Management Agreement with Pasha on July 1, 2016, giving Pasha the exclusive right to provide services to marine terminal users at the Pier 80 Terminal for a fifteen (15) year term with the option to extend the Agreement for two (2) additional successive five (5) year periods. Pursuant to the Management Agreement, the Port agreed to pay Pasha a monthly management fee of $50,000 to market the terminal, manage operations, keep it clean and safe for customers and laborers, and provide security of the terminal. In return, both parties agreed to share revenues generated at the terminal.

During the first five years of Pasha marketing and operating the terminal, the number of automobiles increased year after year, reaching a peak of 125,174 automobiles for fiscal year 2020/21, as shown in the graph below. However, the following fiscal year (FY 21/22) experienced a severe drop in the number of vehicles, and the years that followed have not seen much improvement.

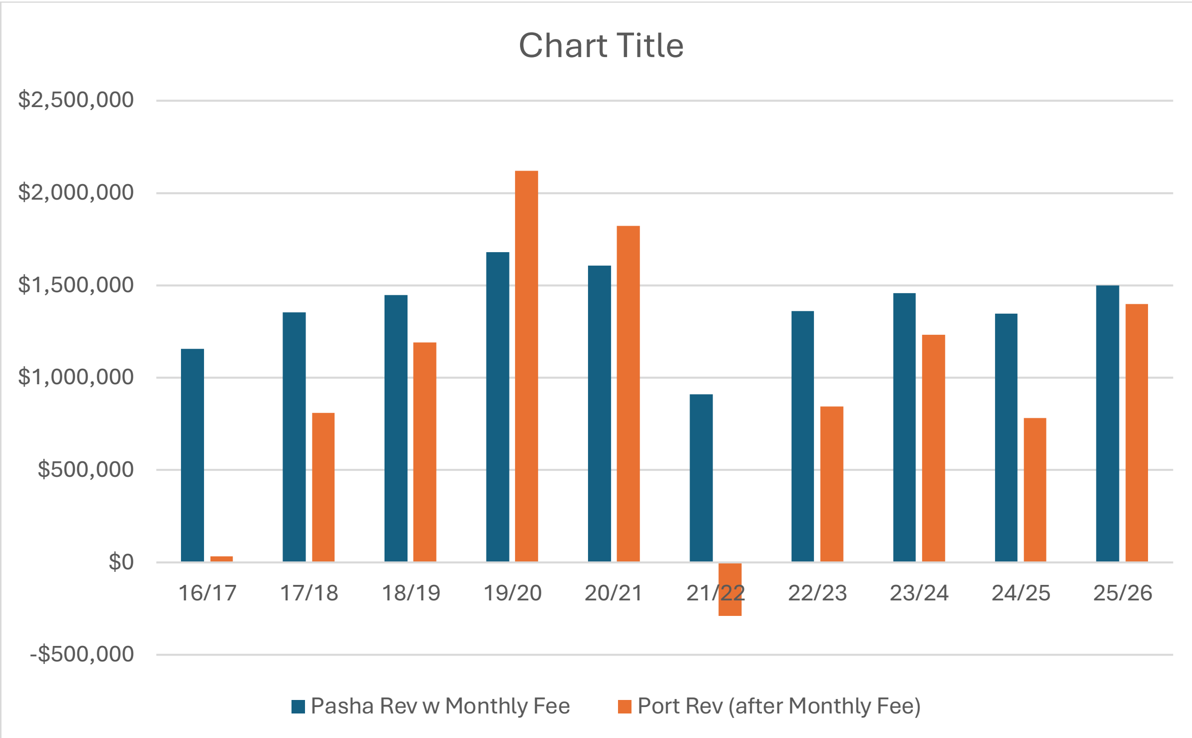


Even though Pasha has provided a high level of professional and operational services with no complaints from current and previous terminal users, automobile throughput has not continued to materialize as Pasha originally projected in 2016. While FY21/22 may have been impacted by the COVID pandemic and global economic slowdown, according to Pasha, the major and continuing shifts are mostly attributed to automobile market dynamics. Tesla, Pasha's primary customer at Pier 80, opened new manufacturing plants in China and Germany for cars sold in those regions, which impacted the number of cars built at its Fremont, CA, factory and exported from Pier 80. In addition to Tesla's new foreign factories, the EV global market has become more competitive and has eroded Tesla's foreign export market share. In previous years, Tesla had provided Pasha with a minimum annual guarantee (MAG) for the number of cars it would export; last year (2025), Tesla did not commit to a MAG.

Pasha was able to generate some new business by handling Toyota and GM cars and trucks imported from their respective factories in Mexico and destined for U.S. West Coast markets; however, the number of vehicles has not made up for the decrease in Tesla's business. There continues to be uncertainty in automobile import markets due to the impact of US tariffs and global fuel price increases. In addition, other than one import breakbulk cargo (underwater digital cable), Pasha has not been successful in generating additional revenues from other cargoes.

Port staff became increasingly concerned with its Pier 80 automobile business after the severe drop in FY21/22. The Agreement's 15-year term means that Port staff have less control of revenues to shore up the financial downtrend. In 2022, Port staff were approached by Non-Plus Ultra, promoter of the Portola Music Festival, requesting the Port to consider holding a festival at Pier 80. Upon learning that the Port could generate significant revenue ($999,450) and provide public benefit by hosting Portola at Pier 80, Port staff, in coordination with Pasha, agreed to enter into a license agreement with NPU for the first festival in the fall of 2022. The festival has successfully continued annually through 2025, with plans for continuation of the festival.

Although Portola and other recent events (Sail GP, New Year's Eve, and Super Bowl parties) have helped to partially mitigate the loss in automobile revenues, the Port's revenue under the Agreement from Pier 80 in comparison to Pasha's has been disproportionately less. The disparity is attributed to the monthly $50,000 ($600,000 annually) management fee the Port continues to pay Pasha, as shown in the following graph.



The monthly management fee was intended to pay Pasha's marketing and operating expenses for the automobile business, which has decreased significantly with no signs of substantial improvement. Port staff approached Pasha's management to share its financial concerns, which led to discussions to amend the Agreement.

PROPOSED AMENDMENTS

The following are the key terms of the Agreement proposed by Port staff:

1. Discontinue $50,000 monthly Management Fee:
   This will result in an immediate positive impact and save $600,000/year.

2. New revenue sharing program and allowance for more events:
   a. 40/60 split of gross tariff revenues up to $4.5 million. 40% for Port; 60% for Pasha. Pasha would receive 100% of tariff revenues in excess of $4.5M.
   b. 50/50 split of event revenues (including Portola).

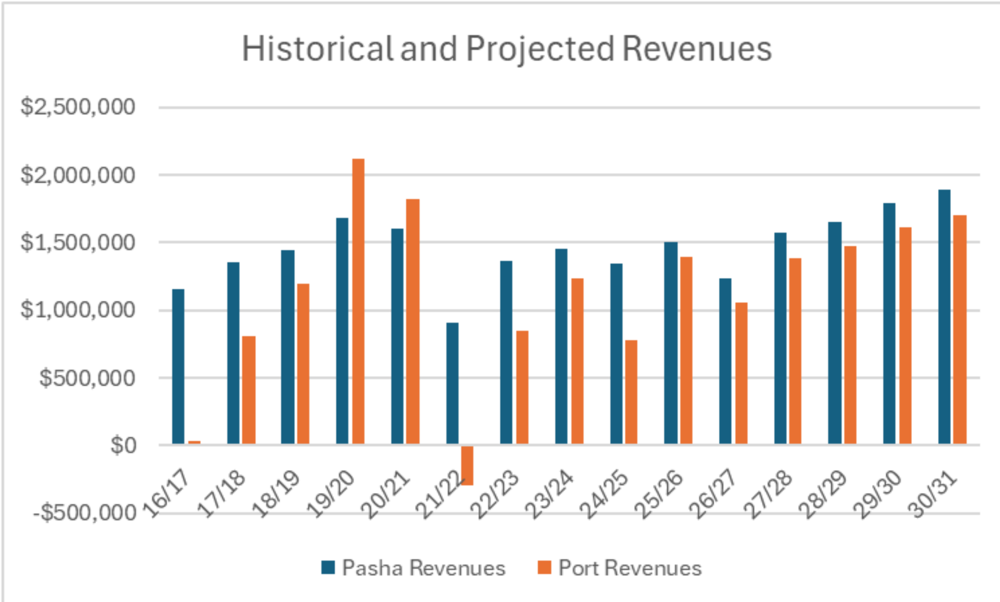
3. Restructure Pasha's exclusive use of terminal:
   Port and its cruise ship operator, Metro Services, will be able to use up to 15 acres of the Pier 80 facility for cruise ship services. Port will credit Pasha for up to $2,000 per cruise ship call to cover confirmed management costs that Pasha may encounter when preparing the terminal (moving automobiles) for when a cruise ship is scheduled to arrive.

PREMISES

Pier 80 Marine Terminal

ANALYSIS

The proposed Agreement aligns with the Port's objectives to monitor the financial conditions of its revenue-generating assets and take corrective actions when necessary to minimize financial instability. New revenues from increasing the number of events allow Pasha to make up the difference from the discontinued monthly fee as shown in the following graph.



The amendment clarifies the Port and Pasha's rights with respect to cruise ship operations, which will present new opportunities for the Port to expand its cruise ship business and the potential of increasing revenues. Port staff believe that the negotiated terms are reasonable, equitable, and sustainable and recommend approving this First Amendment to Management Agreement 16114.

RECOMMENDATION

Port staff recommend that the Port Commission approve the attached resolution authorizing the Executive Director to enter into the proposed First Amendment to Management Agreement with Pasha, and authorize the Executive Director to forward the First Amendment to Management Agreement to the Board of Supervisors for approval, and upon the effectiveness of such approval, authorize the Executive Director or designee to execute the First Amendment to Management Agreement.

Prepared by:
Charles Labitan, Manager, Business Development
Maritime

For:
Dominic Moreno, Acting Deputy Director
Maritime

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 26-36

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, Pasha Automotive Services, a California corporation ("Pasha"), an established operator of several marine terminals on the U.S. West Coast, entered into Management Agreement 16114, dated for reference purposes as of April 12, 2016, with the Port to manage and operate the Port's Pier 80 terminal predominantly for automobile import and export; and

WHEREAS, Management Agreement 16114 payment terms were based on a tiered revenue sharing program based on annual gross tariff revenues generated at the facility, and a $50,000 monthly management fee paid by the Port to Pasha; and

WHEREAS, Changes in the automobile market have negatively impacted the number of automobiles exported and imported through Pier 80, significantly decreasing annual gross tariff revenues since 2021; and

WHEREAS, Payment of the monthly management fee and the tiered revenue sharing program is no longer beneficial to the Port; and

WHEREAS, In addition, the Port desires to use Pier 80 as additional space for cruise ship operations and for non-maritime special events such as the Portola Music Festival, both resulting in increased revenues generated from the facility; and

WHEREAS, Port staff and Pasha have negotiated the First Amendment to Management Agreement that eliminates the monthly management fee, restructures the tiered revenue sharing program, clarifies the Port's ability to the use the facility for cruise operations, and addresses limited use of the facility for non-maritime special events, as described in the memorandum accompanying this Resolution, and a copy of which is on file with the Commission Secretary (the "First Amendment"); and

WHEREAS, The First Amendment requires approval by the Board of Supervisors; now, therefore be it

RESOLVED, That the Port Commission hereby approves the First Amendment in substantially the same form as on file with the Commission Secretary, subject to approval by the Board of Supervisors; and be it further

RESOLVED, That the Port Commission recommends that the Board of Supervisors approve the First Amendment; and be it further

RESOLVED, That, upon approval, the Port Commission authorizes the Acting Executive Director, or the Acting Executive Director's designee, to execute the First Amendment; and be it further

RESOLVED, That the Port Commission authorizes the Acting Executive Director or the Acting Executive Director's designee, to enter into any additions, amendments or other modifications to Management Agreement 16114 that the Acting Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Acting Executive Director of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting on June 9, 2026.

DocuSigned by:

Jenica Liu

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Secretary