

MEMORANDUM

November 7, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer
Executive Director

SUBJECT: Request approval of two leases between the Port, as landlord, and Affordable Self Storage, Inc., a California corporation, as tenant for locations within Seawall Lot 349 (Pier 70) in the southern waterfront: (i) Lease No. L-15690, for a mini-storage facility, comprising approximately 74,742 square feet of paved land; and (ii) Lease No. L-15691, for vehicle parking and self-storage containers, comprising approximately 144,818 square feet of paved land, subject to approval by the Board of Supervisors

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

I. BACKGROUND

Affordable Self Storage, Inc., a California corporation ("Affordable"), began leasing paved land from the Port in multiple locations in March 2000. Affordable is a tenant in good standing with the Port. Affordable currently operates a mini-storage facility located at the southeast corner of 20th & Illinois Streets under two holdover leases, L-12867 and L-12871, which comprise a total rentable area of 116,099 square feet within Seawall Lot 349 (Pier 70). As a result of the phasing requirements of the Pier 70 Development Project, these leases could not be renewed and therefore Affordable wishes to enter into Lease No. L-15690 to move the mini-storage facility to another, slightly smaller, location in Seawall Lot 349 (Pier 70), which is a portion of the former AutoReturn lease premises.

On two other locations within Seawall Lot 349 (Pier 70), Affordable has a vehicle, bus and truck parking and short-term storage container operation under a holdover lease, L-14574 and an expired license, License No. 14092, which comprise a total rentable area

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of approximately 28,000 square feet. With the availability of additional paved land for lease on the former AutoReturn site, Affordable wishes to enter into a second lease, Lease No. L-15691, to continue and expand its vehicle, bus and truck parking and short-term storage container operation. Their new space will be 144,818 square feet or four times larger. The two attached exhibits and the aerial photograph illustrate and identify the lease premises of the two proposed leases.

Lease No. L-15690 is brought before the Port Commission because the term of the lease exceeds the standard approved maximum term of sixty months. The proposed initial lease has a term of fifty-eight (58) months with an extension term of up to five options, at the Port's sole discretion, to extend the lease for twelve (12) months each. Port Real Estate staff believes the proposed term is justifiable due to the availability of similar land in the area and the tenant's status as a tenant in good standing with the Port for more than thirteen years. All other terms and conditions, including rental rate, conform to the Port Commission's previously approved standard terms and conditions.

Both Lease No. L-15690 and Lease No. L-15691 require approval by the City's Board of Supervisors under Charter Section 9.118 due to the anticipated rent revenues of each lease exceeding One Million Dollars (\$1,000,000).

Pursuant to requirements under the California Environmental Quality Act (CEQA), the environmental effects of these two leases were reviewed and determined to be exempt from CEQA under a General Rule Exclusion issued by the San Francisco Planning Department to the Port, dated August 23, 2013, which allows the Port to lease and manage property where there is no change or substantial intensification to existing use and no new construction.

II. PROPOSED LEASE TERMS

Lease No. L-15690

Port Real Estate staff and representatives of Affordable have negotiated the proposed Lease No. L-15690 providing for the following terms and conditions:

Tenant: Affordable Self Storage, Inc., a California corporation, which is an existing Port tenant in good standing.

Premises: Approximately 74,742 rentable square feet of vacant paved land within Seawall Lot 349, which equals approximately 1.71 acres as shown on Exhibit A.

Use: The premises shall be used solely for operation of a mini-storage facility consisting of the temporary placement of portable storage containers, administrative offices directly related thereto, vehicle parking directly related thereto and for no other purpose.

Term: The lease shall have a term of fifty-eight (58) months with up to five (5) twelve (12) month options to extend the lease, at the Port's sole discretion, as described below.

Lease Commencement Date: The lease shall commence on the first day of the first month following execution of the subject lease by the Port after approval by the Port Commission and the Board of Supervisors (the "Lease Commencement Date").

Rent Commencement: Rent shall begin on the first day of the fourth month after the Lease Commencement Date.

Base Rent: Base rent in the first year equals the Port Commission's FY 2013-14 Rental Rate for this property less the Port Commission approved five (5%) percent discount on paved land parcels of one acre or greater. Thereafter the annual rent is escalated at three (3%) per year. Annual monthly rents are as follows:

Initial Term

Year One: \$24,664.86 per month for months 4-12

Year Two: \$25,412.28 per month

Year Three: \$26,159.70 per month

Year Four: \$26,907.12 per month

Year Five: \$27,654.54 per month

Extension Term

Year Six: \$28,401.96 per month

Year Seven: \$29,149.38 per month

Year Eight: \$29,896.80 per month

Year Nine: \$30,664.22 per month

Year Ten: \$31,391.64 per month

Extension Option: Port may, in its sole discretion, offer tenant up to five (5) options to extend the lease for twelve (12) months each ("Extension Option"), commencing after expiration of the initial term. If Port offers an Extension Option, it will do so no later than one hundred fifty (150) days prior to the expiration of the initial term or any subsequent twelve month extension. Tenant may exercise an Extension Option by giving Port written notice that it accepts the Extension Option no later than thirty (30) days after the date of Port's notice of an Extension Option.

During negotiations between the Port and Forest City on the exclusive negotiating agreement ("ENA") for Forest City's development of Pier 70, Forest City provided the Port with a phasing plan on its development timeline. Forest City identified this parcel as the last in their phasing plan to be developed with an outside date of approximately

ten years. As a result the Port negotiated a lease with Affordable with an initial term of fifty-eight (58) months with up to five (5) options of twelve months each for a maximum lease term of ten (10) years. This mechanism provides the Port with a continuous revenue stream for the entire time until Forest City is ready to develop this area.

Reconfiguration: At any time after the first day of the Forty-Ninth (49th) month of the lease (including any twelve month extension), Port may require tenant to reconfigure or move the entire lease premises to a reasonably comparable space with equivalent square footage within Seawall Lot 349 or other Port property upon one hundred fifty (150) days' prior written notice to tenant.

Maintenance and Repair: Tenant shall, at the sole cost and expense, maintain the premises in good working order, condition and repair.

Utilities and Services: Tenant shall be responsible for all services and utilities provided to or consumed on the premises.

Security Deposit: Tenant shall provide a security deposit of \$55,309.08, which equates to two months' rent in Year 5 as required by Port.

Insurance: Tenant shall provide insurance coverage acceptable to Port and City Risk Manager.

Southern Waterfront Community Benefits and Beautification Policy: The lease premises lie within the Policy boundaries. Tenant shall provide community benefits and beautification measures in accordance with said Policy.

Standard Lease Provisions: The Lease contains all current lease provisions on the standard form approved by the City Attorney's Office including compliance with laws, Port's Right to Terminate, Indemnity and Exculpation, and Hazardous Materials.

Lease No. L-15691

Port Real Estate staff and representatives of Affordable have negotiated the proposed Lease No. L-15691 providing for the following terms and conditions:

Tenant: Affordable Self Storage, Inc., a California corporation, which is an existing Port tenant in good standing.

Premises: Approximately 144,818 rentable square feet of vacant paved land within Seawall Lot 349, which equals approximately 3.32 acres as shown on Exhibit B.

Use: The premises shall be used solely for storage of motorized and non-motorized vehicles, including boats, recreational vehicles, trucks and buses and self-storage containers and for no other purpose.

Term: The lease shall have a term of thirty-one (31) months.

Lease Commencement Date: The lease shall commence on the first day of the first month following execution of the subject lease by the Port after approval by the Port Commission and the Board of Supervisors (the "Lease Commencement Date").

Rent Commencement: Rent shall begin on the first day of the second month after the Lease Commencement Date.

Base Rent: Base rent in the first year equals the Port Commission's FY 2013-14 Rate for this property less the Port Commission approved five (5%) percent discount on paved land parcels of one acre or greater. Thereafter the annual rent is escalated at three (3%) per year. Annual monthly rents are as follows:

Year One: \$47,789.94 per month for months 2-12

Year Two: \$49,238.12 per month

Year Three: \$50,686.30 per month

Reconfiguration: At any time after the first day of the Twenty-Fifth (25th) month of the lease, Port may require tenant to reconfigure or move the entire lease premises to a reasonably comparable space with equivalent square footage within Seawall Lot 349 or other Port property upon ninety (90) days' prior written notice to tenant.

Maintenance and Repair: Tenant shall, at the sole cost and expense, maintain the premises in good working order, condition and repair.

Utilities and Services: Tenant shall be responsible for all services and utilities provided to or consumed on the premises.

Security Deposit: Tenant shall provide a security deposit of \$101,372.60, which equates to two months' rent in Year 3 of the lease as required by Port.

Insurance: Tenant shall provide insurance coverage acceptable to Port and City Risk Manager.

Southern Waterfront Community Benefits and Beautification Policy: The lease premises lie within the Policy boundaries. Tenant shall provide community benefits and beautification measures in accordance with said Policy.

Standard Lease Provisions: The Lease contains all current lease provisions on the standard form approved by the City Attorney's Office including compliance with laws, Port's Right to Terminate, Indemnity and Exculpation, and Hazardous Materials.

III. RECOMMENDATION

Port staff recommends that the San Francisco Port Commission adopt the attached proposed resolutions approving Lease No. L-15690, a fifty-eight (58) month ground lease, which contains an extension option of up to five (5) twelve (12) month options and Lease No. L-15691, a thirty-one (31) month ground lease, with Affordable Self Storage, Inc. and authorize the Executive Director to forward said leases to the Board of Supervisors for its respective approval and upon the effectiveness of such approval, authorize the Executive Director or her designee to execute said leases.

Prepared by: Jerry Romani
Commercial Property Manager

For: Susan Reynolds
Deputy Director, Real Estate

Exhibits:

- Exhibit A: Map of Premises for Lease No. L-15690 for Mini-Storage Facility
- Exhibit B: Map of Premises for Lease No. L-15691 for Vehicle Parking/Self-Storage Container Use
- Exhibit C: Aerial Photograph of Pier 70 Identifying Location of the Two Leases (L-15690 and L-15691)

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

RESOLUTION NO. 13-45

- 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, Affordable Self Storage, Inc. ("Affordable"), is a tenant in good standing and occupies two separate lease premises located at the southeast corner of 20th & Illinois Streets, which lie within Seawall Lot 349 (Pier 70) in the Southern Waterfront where Affordable operates a mini-storage facility under Lease Nos. L-12867 and L-12871; and
- WHEREAS, Port staff recommends approval of the proposed lease with Affordable because the mini-storage facility is a good, appropriate use for the property which will pay market rent that will initially generate revenues of approximately \$24,700 per month; and
- WHEREAS, Port staff has negotiated a new fifty-eight (58) month lease, Lease No. L-15690 (the "Lease"), for approximately 74,742 rentable square feet of paved land for use as a mini-storage facility, which includes an extension term of up to five options to extend the Lease for twelve (12) months each, at the Port's sole discretion, with Affordable upon the terms described in the attached memorandum to the Port Commission dated November 7, 2013; and
- WHEREAS, the use is a continuation of existing and related uses and is therefore covered under the General Rule Exclusion pursuant to the California Environmental Quality Act; now, therefore be it
- RESOLVED, that the Port Commission approves, subject to Board of Supervisors' approval, the Lease and authorizes the Executive Director or her designee to forward the Lease to the Board of Supervisors (the "Board") for approval, pursuant to the Board's authority under Charter Section 9.118, and upon the effectiveness of such approval, to execute the Lease; and, be it further

RESOLVED, that the Port Commission authorizes the Executive Director or her designee to enter into any additions, amendments or other modifications to the Lease that the 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 City or Port, and are necessary or advisable to complete the transactions which the Lease 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 or her designee of the Lease, and any such amendments thereto.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of November 12, 2013.

Secretary

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

RESOLUTION NO. 13-46

- 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, Affordable Self Storage, Inc. (“Affordable”), is a tenant in good standing and occupies two separate premises located within Seawall Lot 349 (Pier 70) in the Southern Waterfront where Affordable conducts vehicle storage and self-storage container operations under Lease No. 14574 and License No. 14092; and
- WHEREAS, Port staff recommends approval of the proposed lease with Affordable because parking of motorized and non-motorized vehicles, including boats, recreational vehicles, trucks and buses and self- storage containers is an appropriate use for the property which will pay market rent that will initially generate revenues of approximately \$47,800 per month; and
- WHEREAS, Port staff has negotiated a new thirty-one (31) month lease, Lease No. L-15691 (the “Lease”), for approximately 144,818 rentable square feet of paved land for parking of vehicles and storage containers upon the terms described in the attached memorandum to the Port Commission dated November 7, 2013; and
- WHEREAS, the use is a continuation of existing and related uses and is therefore covered under the General Rule Exclusion pursuant to the California Environmental Quality Act; now, therefore be it
- RESOLVED, that the Port Commission approves, subject to Board of Supervisors’ approval, the Lease and authorizes the Executive Director or her designee to forward the Lease to the Board of Supervisors (the “Board”) for approval, pursuant to the Board’s authority under Charter Section 9.118, and upon the effectiveness of such approval, to execute the Lease; and, be it further

RESOLVED, that the Port Commission authorizes the Executive Director or her designee to enter into any additions, amendments or other modifications to the Lease that the 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 City or Port, and are necessary or advisable to complete the transactions which the Lease 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 or her designee of the Lease, and any such amendments thereto.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of November 12, 2013.

Secretary