

MEMORANDUM

June 9, 2016

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

FROM: Elaine Forbes
Interim Executive Director

SUBJECT: Request approval of Lease No. L-16141 between the Port of San Francisco and SP Plus – Hyde Parking Joint Venture for (i) a five year lease for SWL 321, bounded by the Embarcadero, Front Street and Green Street and (ii) a three year lease with two one-year Port options to renew for SWL 323-324 surface parking lots bounded by the Embarcadero, Broadway Street and Davis Street; and (iii) interim parking at (a) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street, (b) Pier 19½ on the Embarcadero at Greenwich Street, and (c) Pier 29½ on the Embarcadero at Chestnut Street

DIRECTOR'S RECOMMENDATION: Approve the attached resolution

EXECUTIVE SUMMARY

Port staff received authorization from the Port Commission on March 22, 2016 pursuant to Resolution No.16-12 authorizing staff to negotiate a Lease with the Joint Venture Partnership comprised of SP+ Corporation and Hyde Park Management LLC to operate surface parking lots in the Northern Waterfront including Seawall Lots 321, 323-324, 322-1 Pier Sheds 19½ and 29½ (collectively, the "Parking Sites"). These Parking Sites are currently operated on a month-to-month holdover basis.

SP+ Corporation ("SP+") and Hyde Park Management LLC ("Hyde Park"), a certified Local Business Enterprise (LBE) in San Francisco formed a joint venture partnership for the lease and operation of the Parking Sites for the Port. As required in the request for proposal, the joint venture is structured so both companies will share in the risk and reward under the terms of the Lease. The initial partnership percentage interest is 85% SP+ and 15% Hyde Park. There will be opportunities for Hyde Park to

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increase its respective share upon an annual review of partnership benchmarks more fully described below. Beyond the financial aspects of the partnership, SP+ will provide mentorship opportunities to Hyde Park in key operational aspects of running and managing large parking operations. It is the hope of both SP+ and Hyde Park that this innovative partnership will lead to future opportunities for both organizations jointly and individually.

Through this partnership the proposed Lease will generate an estimated \$3 million in revenue to the Port during the first full year of operation, an approximate \$210,000 increase over the current year. In addition the partnership will invest significant up front capital to improve the signage, install new revenue control equipment, add energy efficient lighting in SWL 321 and upgrade the overall appearance of the parking lots and improve the visitor experience.

Port staff requests authorization to enter into a Lease L-16141 with the Joint Venture Partnership of SP+ and Hyde Park.

STRATEGIC OBJECTIVE

The Lease meets the goals of the Port's Strategic Plan as follows:

Livability:

By expanding the Port's diversity in lease opportunities through increased outreach to the underserved communities and through developing partnerships.

Economic Vitality:

By planning and executing a holistic and balanced strategy to the real estate portfolio and asset management by maximizing asset value and income stream.

Stability:

By increasing Port annual revenues to \$125 million and continuing to expand ongoing revenue sources and by retaining a diversified tenant base that will perform through economic cycles.

BACKGROUND

On May 21, 2015, by Resolution No.15-20, the Port Commission authorized the issuance of a request for proposal (RFP) for the Northern Waterfront Parking lots. The RFP asked for a partnership of an established parking operator and a local business enterprise (LBE) parking operator. Port staff commenced an extensive community-based outreach program in September 2015 that included several organization, individuals, associations and agencies to promote the Parking RFP to the broadest possible audience.

Staff efforts increased the number of certified LBE parking management companies from five to nine. Additionally, two additional companies are in the process of reregistering their companies in order to bid on future parking lot management opportunities the Port or other City departments may have in the future.

The Request for Proposals was advertised on November 5, 2015 and due on December 22, 2015. The Port received four timely responses. Port staff issued a Notice of the Most Qualified Respondent on February 19, 2016 to the SP+ / Hyde Park partnership. On March 22, 2016, by Resolution No.16-12, the Port Commission awarded the opportunity to the joint venture partnership of SP + and Hyde Park and authorized Port staff to negotiate a lease for Port Commission review and approval.

JOINT VENTURE FRAMEWORK

According to their joint venture agreement, SP+ and Hyde Park will share proportionality in all revenue, expenses, profits, risks and capital requirements. Both will participate in the day-to-day activities of the parking operations and compliance with the Lease. Some of the key provisions of the joint venture agreement are described below:

Mentorship

SP+ will provide mentorship and training to the Hyde Park team with the goal of expanding Hyde Park's management experience and exposing the staff to industry best practices. SP+ management team will provide Hyde Park with detailed operational policies and best practices for every aspect of the parking operations including the following key topics:

- Accounting and reporting
- Audit compliance
- Claims processing
- Employee training
- Interactive marketing and online sales
- Maximizing revenue
- Revenue control
- Risk and safety compliance
- Subcontractor and vendor agreements
- Traditional marketing

Improvement of Other Hyde Park Operations

The Hyde Park partners will gain insight to effectively approach operational challenges which will enable them to deploy this experience to increase profits and efficiencies at their existing and future locations.

Expand Hyde Park Access to Future Opportunities

The experience from the partnership will significantly expand Hyde Park's access to pursue future opportunities independently and jointly with SP+. Within the joint venture agreement, Hyde Park will have the potential to increase its percentage of the partnership if additional parking facilities are added. Additionally, the partnership intends to pursue new opportunities with not only the Port but with other municipalities.

Annual Review of Partnership Benchmarks

SP+ and Hyde Park will meet within 60 days after each contract year to review the success of the partnership, accomplishments of the mentorship program and operational goals to discuss options to expand the Hyde Park partnership share. The

review will include financial goals, mentorship objectives and potential to increase capital contributions from Hyde Park and resulting profit sharing.

GROSS REVENUE PROJECTIONS

In response to the RFP the partnership of SP+ / Hyde Park provided the Port the following estimated annual gross revenue projections (net of parking taxes) for each parking site (subject to any reductions of parking spaces as provided in the Lease). The Port rent will be the greater of minimum monthly base rent or 66% of the monthly gross receipts, or 66% of the monthly gross receipts only as applicable to each parking site. Outlined in the table is the total projected revenue and estimated rent to the Port over a five year period:

Revenues	Year 1	Year 2	Year 3	Year 4	Year 5	Total
SWL 321	\$ 1,416,528	\$ 1,459,025	\$ 1,502,797	\$ 1,547,880	\$ 1,594,315	\$ 7,520,545
SWL 323-324	\$ 1,237,252	\$ 1,274,368	\$ 1,312,599	\$ 1,351,975	\$ 1,392,532	\$ 6,568,726
SWL 322-1	\$ 904,544	\$ 931,680	\$ 959,630	\$ 988,421	\$ 1,018,073	\$ 4,802,348
Pier 19 ½	\$ 353,789	\$ 364,403	\$ 375,338	\$ 386,601	\$ 398,199	\$ 1,878,330
Pier 29 ½	\$ 566,079	\$ 583,061	\$ 600,553	\$ 618,569	\$ 637,127	\$ 3,005,389
Gross Revenue	\$ 4,478,192	\$ 4,612,537	\$ 4,750,917	\$ 4,893,446	\$ 5,040,246	\$ 23,775,338
Port Share Est.	\$ 2,955,607	\$ 3,044,274	\$ 3,135,605	\$ 3,229,674	\$ 3,326,562	\$ 15,691,723

Notes:

1. Estimated Port Revenue is calculated at 66% Rent Only
2. Estimated Port Revenue does not account for months where base rent exceeds percentage rent

PROPOSED LEASE TERMS

1. Term: SWL 321: five (5) years; SWL 323-4 three (3) year term with two (2) one-year options to renew, at the sole discretion of the Port. Interim parking on SWL 322-1, Pier 19 ½ and Pier 29 1/2 are on a month to month basis.
2. Annual rent adjustment: 3.5%
3. Rent: For SWL 321 / 323-4: the greater of Minimum Monthly Base Rent or Percentage Rent of 66% of gross receipts net of city parking taxes per month. For SWL 322-1 / Pier 19 ½ / Pier 29 ½: rent will be percentage only with no Minimum Monthly Base Rent. Outlined below are the Minimum Monthly Base Rent requirements for the initial year of the Lease:
 - SWL 321: \$73,000 per month
 - SWL 323, 324: \$78,000 per month
 - SWL 322-1: 66% of Gross Revenue Only
 - Pier 19½ Shed: 66% of Gross Revenue Only
 - Pier 29½ Shed: 66% of Gross Revenue Only
4. Port Option to Expand Premises: The Port may add additional public parking lots that become available on an as-needed basis (“Expansion Site”). Tenant shall pay only percentage rent to the Port of 66% of gross receipts, after parking taxes.

5. Improvements: Tenant will be responsible for installing permanent energy efficient lighting on SWL 321 per an approved plan. Since this improvement will provide a long-term benefit to the Port, the Tenant shall receive rent credits of up to \$200,000 amortized on a straight line basis over the remaining term of the lease to be deducted against monthly base rent for SWL 321.

Throughout the term of the Lease, the Tenant will be required to maintain the parking surfaces, utilities, lighting, revenue equipment, attendant booths, bollards, signage striping in good repair and keep the general appearance in a condition satisfactory to the Port. Tenant will be responsible to secure any required permits from the Port for the improvements or from any other governmental agencies as required.

The Port, in its sole discretion, may request the Tenant perform additional improvements beyond its required maintenance and repair obligations defined in the lease. The Port requested improvements would correct any life, safety or fire code issues imposed after Lease commencement or would benefit the Port for financial reasons not anticipated on the Lease Commencement Date. Subject to the Port's prior written approval as to the scope and cost of the improvements, which shall be competitively bid, Tenant shall receive a credit directly related to those additional improvements against minimum base rent or percentage rent. The total maximum rent credit and associated requested improvements shall not exceed \$100,000, in any given 24-month period. Certified and approved rent credits may be deducted on a straight basis from monthly base or percentage rent, amortized over the remaining term of the Lease.

6. Security Deposit: An amount equal to three (3) months of the minimum base rent in Lease year 3.
7. Signage: Tenant will be required to provide all signage regarding rates, hours and any other conditions such as validation in a highly visible and professional manner that will be subject to the Port signage guidelines and permits. Tenant shall co-brand the signage as a Port of San Francisco lot and display the Port logo on any entrances to the lots.
8. Additional Port Requirements: The Port will have the right to require the Tenant to provide space for the Car Share Program, Zip Car Share, and to provide space for electric vehicle charging stations and equipment.
9. Termination and/or Recapture Rights: The Port will have the right to terminate the Lease for any reason upon no less than 180 days' written notice. Port will reimburse Tenant for any unamortized improvements that were installed on the Port's behalf. Port will have the right to recapture any portion of the premises with no less than a 10 day written notice.
10. Prevailing Wages: The Lease will include the City's prevailing wages and displaced worker protection requirements for parking lots pursuant to Section

21C.3 & 21c.7 of the City's Administrative Code.

11. Revenue Monitoring Equipment: The Lease will require the Tenant to install and utilize revenue control equipment approved by the City and County of San Francisco in location(s) approved by the Port.
12. Special Restrictions:
 - SWL 321: Operator must provide a maximum of 200 non-exclusive general parking spaces at the prevailing market rates and a maximum of up to 30 exclusive parking spaces for employees of the Exploratorium. Employees would pay the posted parking lot rates.
 - SWL 323: The operator must provide up to 40 stalls within the lot and up to 24 spaces along Davis Street to Port of San Francisco employees, which the Port will designate from time to time. Port employees pay monthly parking fees directly to the Port and shall be excluded from the lot's Gross Revenues.
13. Operations Plan: Tenant has provided an Operations Plan that outlines policies and procedures for: customer service, proposed rates and potential increases, signage, minimum staffing levels for peak and non-peak periods, hours of operations, equipment, security plan, reporting, maintenance schedule, job descriptions, cleaning schedule, environmental compliance plan, storm water management plan and other performance standards as required. Special event pricing shall be subject to Port review and approval. The Port, in its sole discretion, may request changes to the Operations Plan such as significantly increased hours of operation, staffing or security. To the extent the Port requested changes result in additional personnel costs to the Tenant, the Tenant shall be entitled to a credit of up to \$25,000 per annum against minimum rent or percentage rent to offset those additional costs as pre-approved by the Port and properly documented.
14. Standard Port Lease Provisions: The Lease will contain standard insurance, indemnity, hazardous material, audit rights, security deposit, maintenance and repair provisions and all City and Port requirements.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The permitted use will be a continuation of the existing use and is not a project subject to review under California Environmental Quality Act.

RECOMMENDATION

Port staff requests Port Commission approval of the Lease with SP+/Hyde Park Joint Venture based on the terms described in this staff report. After Port Commission approval, the Lease will be subject to Board of Supervisors' approval.

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Prepared For: Mark Lozovoy
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Attachments:

Maps for SWL 321, 322-1, 323-324; and Piers 19½, 29½

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

RESOLUTION NO. 16-26

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, on May 26, 2015, the Port Commission, by Resolution 15-20, authorized Port staff to issue a request for proposals for leasing opportunity at Seawall Lots 321, 322-1, and 323-324, and Pier Sheds 19½ and 29½ all located in the Northern Waterfront (collectively, the “Parking Sites”); and
- WHEREAS, on November 5, 2015, Port issued the Proposal Opportunity for Lease and Operation of Surface Parking Lots in the Northern Waterfront (the “Parking RFP”); and
- WHEREAS, on March 22, 2016, the Port Commission, by Resolution 16-12 awarded the opportunity to the team of SP+ Corp and Hyde Park Management and authorized Port staff to negotiate a Lease with the joint venture partnership for the Parking Sites; and
- WHEREAS, the Lease includes the terms and conditions as described in the Memorandum dated June 9, 2016 for a five year lease for SWL 321, bounded by the Embarcadero, Front Street and Green Street and (ii) a three year lease with two one-year Port options to renew for SWL 323-324 surface parking lots bounded by the Embarcadero, Broadway Street and Davis Street; and (iii) interim parking at (a) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street, (b) Pier 19½ on the Embarcadero at Greenwich Street, and (c) Pier 29½ on the Embarcadero at Chestnut Street; and
- WHEREAS, the permitted use will be a continuation of the existing use and is not a project subject to review under California Environmental Quality Act; now, therefore be it,
- RESOLVED, the Port Commission approves the Lease, subject to Board of Supervisors’ approval and authorizes the Executive Director or her designee to seek Board of Supervisors’ approval under Charter Section 9.118, and upon the effectiveness of such approval, execute the Lease; and, be it further

RESOLVED, that the Port Commission authorizes the Executive Director to enter into any additions, amendments or other modifications to the Lease that the Executive Director, in consultation with the City Attorney, determines to be 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 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 June 14, 2016.

Secretary