



Daniel Lurie, Mayor

Janet Tarlov, Chair
Stephanie Cajina, Vice Chair
Mike Chen, Director
Alfonso Felder, Director

Steve Heminger, Director
Dominica Henderson, Director
Fiona Hinze, Director

Julie Kirschbaum, Director of Transportation

May 1, 2026

**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: Request for Approval –Execute Amended and Restated Commercial Lease Agreement,
Tad’s Inc.***

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) requests that the San Francisco Board of Supervisors approve the Amended and Restated Commercial Lease Agreement between Tad’s, Inc., as Tenant, and the San Francisco Municipal Transportation Agency, as Landlord, for the retail space located at 44 Ellis Street within the Ellis-O’Farrell Garage. This amendment converts the calculation of base rent to a percentage-based model, adjusts the water charges, amends the calculation of base rent and water charge during the first option to extend, mandates minimum hours of operation, imposes a \$4,000 administrative fee and formalizes the waiver of certain rent and water charges.

Background and Tenant Investment

The Ellis-O’Farrell Garage, located at 123 O’Farrell Street, is owned by the City and County of San Francisco and under the jurisdiction of the SFMTA. The garage provides approximately 950 parking spaces and three commercial retail spaces totaling 11,000 square feet. The retail space associated with Tad’s is approximately 5,368 square feet (sf) space.

Tad’s Steakhouse is a legacy brand that relocated to 44 Ellis Street in 2017. In 2019, Tad’s entered into a new lease with SFMTA and committed to a \$2.7 million renovation (the 2019 Lease). This renovation was completed in March 2020 and included:

- full replacement of the hood ventilation system;
- comprehensive upgrades to fire and life safety, electrical, and plumbing systems; and new ceiling, flooring, and ADA-compliant bathroom installations to bring the 1980s-era space to modern code.

Pandemic Relief and Informal Agreement

The restaurant’s grand opening coincided exactly with the Covid-related lockdowns in

March 2020. Following the June 1, 2020 directive issued by former City Administrator, Naomi Kelly - advising departments to provide tenant relief (Enclosure 3), the SFMTA worked with Tad's to prevent a total lease default. The SFMTA informally agreed to modify the calculation of rent to shift from a fixed price-per-square-foot model to a percentage-of-gross-revenue model. This allowed the business to survive the 40% drop in garage traffic and the 35% vacancy rate currently seen in the Union Square district.

Financial Restructuring of Rent and Water

The proposed Amended and Restated Lease converts the following:

- **Rent Structure:** Under the new 8% gross revenue model, Tad's has paid an average of \$241,281 annually over the last three years. The average annual rent paid by Tad's under the percentage rent model equates to approximately \$44.95/sq. ft., this exceeds the November 2025 independent appraisal of \$43.03/sq. ft.. Under the existing lease, the base rent was calculated as price per square foot.
- **Fixed Water Rate:** The water charge under the 2019 Lease agreement was determined from an estimate because there is no separate water meter at this facility and the water meter is shared with the parking garage and other tenants. The Amended and Restated Lease sets the water charge at \$2,400 per month, retroactive to February 2024. This amount is still an estimate but aligns Tad's water charge (approximately 12% of gross revenue) with water rates paid by sub-metered restaurants of similar size in the SFMTA portfolio.

Future Options and Operations

- **Extension Terms:** Under the Amended and Restated Lease, if Tad's exercises its five-year option to extend the term of the lease, the base rent due during the extension term will be calculated as the greater of the average percentage rent for the prior 12 months or the then-current fair market value. This ensures the SFMTA captures the upside as the downtown economy recovers.
- **Operational Requirements:** Tad's must maintain minimum hours (Sun 9am–9pm; Mon–Sat 7am–7pm) to maximize the gross revenue from which the SFMTA collects rent.
- **Administrative Fee:** Tad's will pay a one-time \$4,000 fee to cover the SFMTA's administrative costs for this amendment.

In November 2025, the SFMTA hired an independent appraiser, R. Blum, to appraise the market rent for 44 Ellis Street. R. Blum used the direct comparison method and based on recent comparables, the rental rate range for the space leased by Tad's is between \$22.66 and \$50.00 per square foot per year. R. Blum determined the market rent as of November 19, 2025, in as-is condition, is estimated to be \$43.03 per square foot per year.

Waiver of certain Rent and Water

The proposed Amended and Restated Lease formalizes the following modifications to the 2019 Lease:

- **Rent Forgiveness:** Waives \$332,145 in rent accrued between April 1, 2020 and December 31, 2020 due to the pandemic and pursuant to City Administrator Naomi Kelly's Memo to City Departments, dated June 1, 2020.
- **Water Charge Forgiveness:** The SFMTA waives \$65,400 in water charges from February 1, 2020 to January 31, 2024. This extended period of relief was justified by the understanding that the flat charge was excessive in light of the economic activity in the area.

Stakeholder Engagements

Tad's has been fully engaged. No other additional stakeholder engagement was done for this Commercial Lease Agreement.

Alternatives Considered

This Amended and Restated Lease would memorialize an informal agreement for providing certain financial relief to Tad's pursuant to City Administrator Naomi Kelly's memo to all City agencies, dated June 1, 2020, to provide rent relief due to the pandemic. An amendment to reduce the price-per-square-foot base rent amount was considered, but this property location has not fully recovered and the economy continues to be unstable. Calculating base rent at 8% of gross revenues provides for a mutual benefit as the economy recovers.

Funding Impact

When compared to the original lease, the proposed Amended and Restated Lease reduces the rent expected during the term of the lease by approximately \$3,000,000, from \$5,317,024 to an estimated \$2,300,000. Despite the negative financial impact when compared with the original lease terms, given current market conditions, the proposed Amended and Restated Lease maximizes revenue in the current economic climate. The projected rent of about \$241,281 per year is equivalent to \$44.95 per square foot per year, which is above the fair market rental rate.

Environmental Review

On December 22, 2025, the SFMTA, under authority delegated by the Planning Department, determined that the Commercial Lease Agreement is not defined as a "project" under the California Environmental Quality Act (CEQA) pursuant to Title 14 of

the California Code of Regulations Sections 15060(c) and 15378(b).

A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors and is incorporated herein by reference.

Other Approvals Received or Still Required

Board of Supervisors approval is required pursuant to Charter Section 9.118 (c) for any lease for a period of ten or more years, including options to renew, or having anticipated revenue of \$1,000,000 or more.

Recommendation

Staff respectfully requests that the San Francisco Board of Supervisors approve the Amended and Restated Commercial Lease Agreement between Tad's, Inc., as Tenant, and the San Francisco Municipal Transportation Agency, as Landlord, for the retail space located at 44 Ellis Street within the Ellis-O'Farrell Garage. This amendment converts the calculation of base rent to a percentage-based model, adjusts the water charges, amends the calculation of base rent and water charge during the first option to extend, mandates minimum hours of operation, imposes a \$4000 administrative fee and formalizes the waiver of certain rent and water charges.

Sincerely,



Julie Kirschbaum
Director of Transportation