

File No. 111317

Committee Item No. 9

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: January 4, 2012

Board of Supervisors Meeting

Date _____

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OTHER

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Completed by: Victor Young

Date: December 30, 2011

Completed by: Victor Young

Date: _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

FILE NO. 111317

1 [Lease of Property - Bauer Intelligent Transportation, Inc. - Pier 50]

2
3 **Resolution approving Port Commission Lease No. L-15004 with Bauer Intelligent**
4 **Transportation, Inc., a California Corporation, for certain real property located at**
5 **Pier 50, Sheds A and C, in the City and County of San Francisco, for a term of ten**
6 **years.**

7
8 WHEREAS, California Statutes of 1968, Chapter 1333 (the "Burton Act") and the
9 San Francisco Charter Section 4.114 and B3.581 empower the San Francisco Port
10 Commission with the power and duty to use, conduct, operate, maintain, manage,
11 regulate and control the lands within Port Commission jurisdiction; and

12 WHEREAS, Since August 15, 1999, Bauer Intelligent Transportation, Inc. (Bauer)
13 through its predecessor entity, Bauer California Coach Sales and Service, Inc., has
14 been a tenant of the Port of San Francisco at Pier 27 with premises comprised of shed,
15 office and exterior paved space directly related to the operation, maintenance and
16 storage of motor coach services for private, corporate and governmental use; and

17 WHEREAS, Since 1999, Bauer has been a tenant of the Port under a series of
18 leases, the latest of which expired on September 30, 2004 and has been on a mutual
19 month-to-month basis since; and,

20 WHEREAS, Pier 27 is currently occupied by a variety of maritime, office and
21 industrial tenants with often conflicting uses; and

22 WHEREAS, Due to its ability to berth large Cruise ships, Pier 27 has
23 experienced a significant increase in cruise calls in the last several years and in 2010,
24 there were over 40 scheduled visits; and

25 //

WHEREAS, To accommodate passenger boarding, provisioning and security mandates, significant portions of the shed and exterior yard at Pier 27 are required to be vacated for an extended period; and

WHEREAS, Cruise ship operations have significantly impacted Bauer's operations; and

WHEREAS, Bauer has been working closely with the Port for a suitable location to accommodate their expanding operations, maintenance, storage and parking needs in a way that is not possible at Pier 27 due to existing maritime uses; and

WHEREAS, Pier 50 was selected by both Bauer and the Port due to its large contiguous shed space, central location to major highways and less traffic congestion than in the Northern waterfront; and

WHEREAS, Bauer is a Tenant in Good Standing pursuant to Port Commission policy; and

WHEREAS, On December 16, 2011, the Port Commission approved Resolution No. 11-83, approving Lease No. L-15004 with Bauer for 4,370 square feet of office space in Pier 50 Shed A, approximately 68,777 square feet of shed space in Pier 50 Shed C and approximately 50,347 square feet of exterior paved fenced yard and dock space adjacent to Pier 50 Shed C; and

WHEREAS, A copy of the form of lease is on file with the Clerk of the Board of Supervisors in File No. 111317 and is hereby declared to be part of this Resolution as is fully set forth herein (the "Lease"); and

WHEREAS, San Francisco Charter Section 9.118 requires Board of Supervisors approval of leases having a term of ten (10) or more years or having anticipated revenue to the City of One Million Dollars (\$1,000,000.00) or more; and

//

WHEREAS, This Lease is likely to meet the One Million Dollar (\$1,000,000.00) threshold; and

WHEREAS, The lease term will be ten years commencing upon Board of Supervisor approval and upon full execution by the Port; and

WHEREAS, The lease will provide for an initial seven month rent abatement period to construct tenant improvements and up to \$515,000 in rent credits for core and shell improvements to Shed A and C to be deducted from the monthly rent starting in the eighth month; and

WHEREAS, The first year's total annual rent is approximately \$610,000 and will escalate incrementally on an annual basis to approximately \$1,198,000 in the tenth lease year for total rent over the term of the lease of approximately \$9,000,000 inclusive of rent abatement but not rent credits; now, therefore, be it

RESOLVED, That the Board of Supervisors approves the Lease; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Executive Director of the Port (the "Executive Director") or her designee to execute the Lease in a form approved by the City Attorney and in substantially the form of the lease on file; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Executive Director to enter into any additions, amendments or other modifications to the Lease (including, without limitation, preparation and attachment of, or changes to, any or all of the exhibits and ancillary agreements) that the Executive Director, in consultation with the City Attorney, determines is in the best interest of the Port, do not alter the rent or the Port's projected income from the Lease, do not materially increase the obligations or liabilities of the Port or City or materially decrease the public benefits accruing to the Port, and are necessary or advisable to complete the transactions contemplate 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 any such documents.

Item 9
File 11-1317

Department:
Port

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would approve a new ten-year lease between the Port and Bauer Intelligent Transportation, Inc. (Bauer) for the use of Pier 50 Sheds A and C and exterior space for private transportation services and related storage and maintenance of vehicles.

Key Points

- Bauer has leased from the Port office, shed and exterior paved space on Pier 27 since 1999 for its private transportation services. The existing lease between Bauer and the Port has been month-to-month since 2005, because the Port has wanted the flexibility to terminate the lease on 30-day notice to develop a new cruise terminal on Pier 27.
- The Port anticipates development of the new Pier 27 Cruise Terminal commencing in January 2012, which requires immediate relocation of Bauer from the existing leased space. The Port is proposing a new ten-year lease with Bauer for office, shed, and paved exterior space on Pier 50.
- The proposed lease requires Bauer to make an estimated \$687,358 in tenant improvements and improvements to Port property. The proposed lease provides for rent credits of \$515,000 to Bauer for the costs of improvements to Port property. In addition, the proposed lease abates Bauer's rent payments for the first seven months of the lease, to allow time to complete the tenant and Port improvements, resulting in a reduction in rent payments to the Port of \$356,199. Total rent credits and rent abatements are \$871,199.
- According to Port Commission policy, leases with terms of less than five years may include free rent as a move-in incentive or rent credits for tenant improvements, provided that the free rent or rent credits do not cause rent revenues over the term of the lease to fall below the minimum rent for the space, based on the rent parameters set by the Port Commission. According to Mr. Nathan Cruz, Principal Administrative Analyst at the Port, although this policy for leases with terms of less than five years does not apply to the proposed ten-year lease, Port staff used this policy as a guideline when negotiating the proposed lease with Bauer.

Fiscal Impacts

- Total net rent revenues to the Port over the ten-year term of the proposed lease are \$8,447,857 (\$9,319,056 in total rent revenues, less \$871,199 in rent credits and rent abatement).
- Although Port Commission policy does not specifically address this proposed ten-year lease, it is noted that the total rent revenues over the ten-year term of the proposed lease, after adjusting for the costs of the rent credits and the seven-month rent abatement, will be greater than the net effective rent parameters set by the Port Commission. Net revenues to the Port of \$8,447,857 are \$19,807 more than estimated rent to the Port of \$8,428,050, based on rental rate parameters established by the Port Commission.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

In accordance with City Charter Section 9.118(c), any lease exceeding ten years and/or having anticipated revenue of \$1,000,000 or more is subject to approval by the Board of Supervisors.

Background

Bauer's Intelligent Transportation, Inc. (Bauer) provides private transportation to corporations, government agencies, and other organizations. The Port first entered into a four-year lease with Bauer from August 15, 1999 through December 31, 2003 for shed, office, and exterior paved space on Pier 27.

In 2004, the Port entered into a new nine-month lease agreement with the Port for the shed, office, and exterior space on Pier 27. Since the lease's expiration in 2005 after the initial nine-month term, the existing lease has continued as a month-to-month lease. Currently, Bauer leases these facilities and land on Pier 27 at a total cost of \$264,798 annually.

According to Mr. Nathan Cruz, Principal Administrative Analyst at the Port, the Port entered into the nine-month lease term with subsequent month-to-month extensions as part of the Port's long-term effort to develop a new cruise terminal. Because Pier 27 was one of the main locations considered by the Port for development of a new cruise terminal, the Port wanted the flexibility to terminate the existing lease with Bauer with 30 days' notice.

The Port is now planning development of the Pier 27 Cruise Terminal to accommodate larger cruise ships and replace inadequate cruise ship facilities currently located on Pier 35. The proposed Pier 27 Cruise Terminal is in the design and entitlement phase, with completion of entitlements and commencement of construction of Phase I of the Cruise Terminal anticipated in January 2012. Phase I consists of demolition of the existing maritime shed, partial demolition of the non-historic portion of the adjacent Pier 27 shed, relocation of shoreside power equipment, and construction of the core and shell of the new Cruise Terminal.

The Port Commission adopted the Environmental Impact Report (EIR) on the Pier 27 Cruise Terminal development on December 16, 2011. The Port plans to relocate the seven existing Pier 27 tenants, including Bauer, beginning immediately, to allow for commencement of the Phase I Cruise Terminal construction as soon as possible. Bauer elected to negotiate a new lease with the Port to relocate to Pier 50 prior to the completion of the EIR.

DETAILS OF PROPOSED LEGISLATION

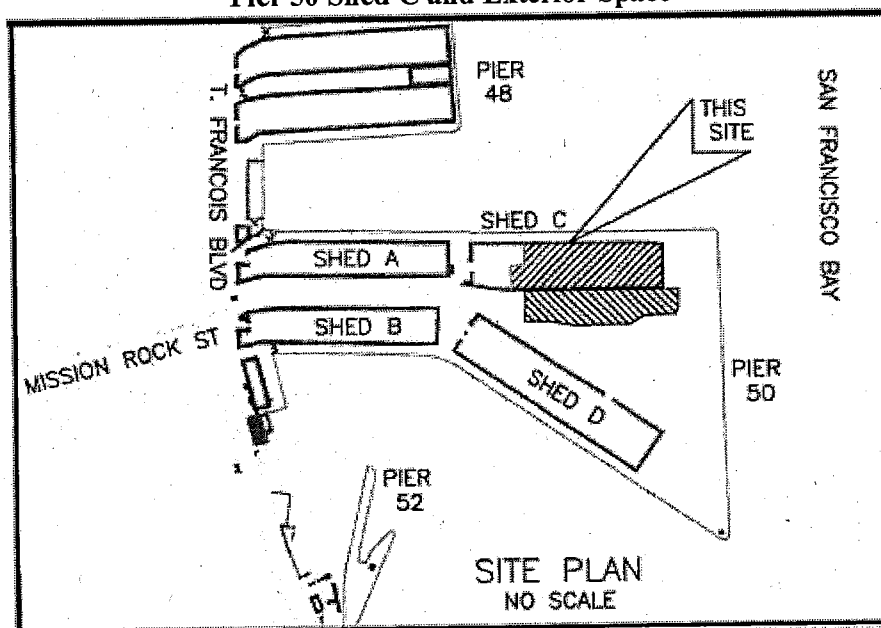
The resolution would approve a new ten-year lease between the Port and Bauer for the use of Pier 50 Sheds A and C and exterior space for the operation of the transportation business and associated storage and maintenance of vehicles. Details of the proposed lease are provided in Attachment I, prepared by the Budget and Legislative Analyst.

Proposed Lease Space

As shown in Chart 1 below, the proposed lease contains:

- (1) 68,777 square feet of shed space in Shed C for storage, maintenance, and washing of company vehicles; and
- (2) 50,347 square feet of paved exterior fenced yard and dock and pier space for parking and storage of company and employee vehicles.

Chart 1
Pier 50 Shed C and Exterior Space



In addition to the Pier 50 Shed C and exterior space outlined in Chart 1 above, the proposed lease would also contain:

- (3) 4,370 of office space in Shed A on Pier 50, adjacent to Terry Francois Boulevard and Mission Rock Street.

Tenant Improvements

The Pier 50 Sheds A and C and exterior space would be rented to the tenant "as is" without any improvements or alterations by the Port. The tenant would be required to make improvements to the leased property, which include improvements to Port property and improvements that benefit the tenant. These improvements include: (1) improvements to Shed A and C core and shell; (2) build out of general office space in Shed A, including telephone and data cabling, and plumbing, electrical and lighting upgrades; (3) installation of security cameras; (4) construction of fencing; and (5) new bathrooms in Shed C.

Rent Credits

Under the proposed lease, the tenant would receive rent credits up to \$515,000, which are intended to offset the tenant's costs for improvements to the Port's property.

The tenant's total estimated construction costs are \$687,358, which include:

- (1) \$515,000 for improvements to the Pier 50 Sheds A and C shell and core, which are Port property, and
- (2) \$172,358 for improvements to Pier 50 that benefit the tenant.

According to Mr. Cruz, the proposed rent credits to pay for the costs of improvements to Port property are consistent with other Port commercial leases and industry standards.

Seven Month Rent Abatement

Under the proposed lease, the tenant would not be required to pay rent for the first seven months of the lease, coinciding with the expected length of time to construct the above-noted improvements. The foregone rent during this seven-month period is approximately \$356,199.

According to Mr. Cruz, the rent abatement is consistent with other Port commercial leases and industry standards. The Port has policies for leases with terms of less than five years that state:

"The lease may include free rent as a move-in incentive or rent credit for tenant improvements, provided that the free rent credit when amortized over the term of the lease does not result in the Net Effective Rent over the term of the lease to fall below the minimum for the space as shown on (parameter rent schedule)."

According to Mr. Cruz, while this policy does not apply to the proposed lease, which is for a term of ten years, rather than less than five years, the Port used the policy as a guideline when negotiating the proposed lease (see Fiscal Impact Section below).

Temporary License Agreements

The Port Commission approved two license agreements when it approved the proposed lease on December 16, 2011. These license agreements are not subject to Board of Supervisors approval.

- (1) License Agreement L-15074 allows Bauer to occupy 2,900 square feet of office space in 401 Terry Francois Boulevard for up to six months during construction of the tenant improvements at no cost to the tenant. The Budget and Legislative Analyst estimates that the rent for this space for the six month period would be \$43,500. According to Mr. Cruz, this space is being provided to Bauer so that they may continue operations after relocating from Pier 27 until construction of the new office space at Pier 50 is completed.
- (2) License Agreement L-15075 allows Bauer temporary use of Pier 50 Shed C and temporary access to Pier 50 Shed A. This license will expire upon approval of the proposed lease by the Board of Supervisors.

FISCAL IMPACTS

The Port has negotiated rent increases with Bauer over the ten-year term of the proposed lease. As shown in Table 1 below, Bauer would not pay rent to the Port during the first year of the proposed lease due to the seven-month rent abatement and the rent credits.

Table 1
Total Rent under the Proposed Lease

Year	Annual Rent	Seven-Month Rent Abatement	Rent Credits	Total	Percent Change from Prior Year
1	\$610,627	(\$356,199)	(\$254,428)	\$0	n/a
2	684,199	0	(260,572)	423,627	n/a
3	746,212	0	0	746,212	76%
4	843,450	0	0	843,450	13%
5	947,254	0	0	947,254	12%
6	996,659	0	0	996,659	5%
7	1,047,113	0	0	1,047,113	5%
8	1,097,568	0	0	1,097,568	5%
9	1,148,022	0	0	1,148,022	5%
10	1,197,952	0	0	1,197,952	4%
Total	\$9,319,056	(\$356,199)	(\$515,000)	\$8,447,857	

Source: Budget and Legislative Analyst

Rent Schedule

Each year, the Port Commission establishes "net effective rent parameters", according to commercial property use and location, and based on fair market value. These net effective rent parameters serve as the baseline for the Port's lease negotiations.

According to Mr. Cruz, the Port required that the total lease revenues paid by Bauer to the Port over the ten-year term of the lease should be at fair market value, consistent with net effective rent parameters established by the Port Commission. According to the December 9, 2011 staff memorandum to the Port Commission, the rent schedule for the proposed lease sets lower rental rates during the initial years of the lease and higher rental rates during the later years of the lease at the request of Bauer to assist in their transition to the new lease terms.

As noted above, currently, Bauer leases facilities and land on Pier 27 at a total cost of \$264,798 annually. Under the proposed new lease at Pier 50, Bauer's lease costs will increase to \$610,627 the first year, an increase of \$345,829 or 130 percent. However, as shown in Table 1 above, Bauer will not be required to pay this additional cost the first year of the new lease, due to rent credits and seven months of rent abatement. However, as shown in Table 1 above, beginning in the second year of the lease, based on annual rent costs of \$684,199 discounted with \$260,572 of additional rent credits, Bauer would be required to pay the Port \$423,627. By the third year of the lease, there would be no further rent abatements or credits, such that Bauer would be required to pay the Port the full \$746,212 in rental payments, and continue at increasing annual rental payments for the remainder of the ten year lease term.

Mr. Cruz notes that Port Commission policy for leases with terms of less than five years currently allows the Port to provide rent credits and rent abatements to tenants as long as the total rent received by the Port, after adjusting for the rent credits and rent abatements, is greater than the net effective rent parameters set by the Port Commission, as noted above. According to Mr. Cruz, although this policy for leases with terms of less than five years does not apply to the proposed ten-year lease, Port staff used the policy as a guideline when negotiating the proposed lease with Bauer. As shown in Table 2 below, total net revenues to the Port of \$8,447,857 are \$19,807 more than estimated rent to the Port of \$8,428,050, based on rental rate parameters established by the Port Commission.¹

Table 2
Total Rent under the Proposed Lease Compared to Estimated Rent
Based on the Port Commission's Net Effective Rent Parameters

Year	Total Net Revenues Under the Proposed Lease	Estimated Revenues Under the Port Commission's Parameters	Increase/ (Decrease) Lease Revenues Compared to Port Commission Parameters
1	\$0	\$738,575	(\$738,575)
2	423,627	759,994	(336,367)
3	746,212	782,034	(35,822)
4	843,450	804,713	38,737
5	947,254	828,050	119,204
6	996,659	852,063	144,596
7	1,047,113	876,773	170,341
8	1,097,568	902,199	195,368
9	1,148,022	928,363	219,659
10	1,197,952	955,286	242,666
Total	\$8,447,857	\$8,428,050	\$19,807

Source: Budget and Legislative Analyst

¹ The Budget and Legislative Analyst projected an annual 2.9 percent increase in Port Commission net effective parameter rental rates for the nine-year period from 2013 through 2021, based on the median increases in the Consumer Price Index for San Francisco, compiled by the U.S. Department of Labor, for the period from January 1, 2006 through October, 2011.

RECOMMENDATION

Approve the proposed resolution.

Term	10 years
Commencement Date	Approximately January 15, 2012, upon Board of Supervisors approval and Port execution of lease
Premises	4,370 square feet of general office space, Pier 50, Shed A 68,777 square feet of shed space, Pier 50, Shed C for storage, maintenance, and washing of company vehicles 50,347 square feet of paved exterior fenced yard and dock and pier space for parking and storage of company and employee vehicles
Rent	\$1.26 per square foot per month for 4,370 square feet of general office space, Pier 50, Shed A \$0.55 per square foot per month for 68,777 square feet of shed space, Pier 50, Shed C \$0.15 per square foot per month for 50,347 square feet of paved exterior yard and dock space Table 1 provides details of total rent to the Port over the 10 year term of the proposed lease
Rent Commencement Date	First day of the 8 th month after the lease commencement date
Rent Increase	Negotiated annual increase Table 1 provides details of total rent to the Port over the 10 year term of the proposed lease
Tenant Improvements	\$687,357, in building and system improvements payable by the tenant, conforming to American with Disabilities Act and Port Building Code requirements
Rent Credits	\$515,000 reduction in rent payable by the tenant to the Port to offset the costs of tenant improvements, deducted from monthly rent payments over a 17 month period
Security Deposit	\$44,118 until the 16 th month, increasing to \$99,829 in the 16 th month
Termination Rights	Port may terminate the lease with 90 days' written notice if the space is needed for Port programs or projects

Attachment I

Maintenance and Repair	Port is responsible for exterior structures, substructures, and sump pump Tenant is responsible for tenant improvements, roll up doors, fencing, paving, security system, and Port-owned vehicle wash rack
Utilities	Tenant is responsible
Additional Parking	7 spaces directly in front of Pier 50, Shed A for employee parking at no additional cost



MEMORANDUM

December 9, 2011

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Ann Lazarus, Vice President
Hon. Francis X. Crowley
Hon. Doreen Woo Ho
Hon. Leslie Katz

FROM: Monique Moyer *M. Moyer*
Executive Director

SUBJECT: Request approval of Lease No. L-15004 with Bauer's Intelligent Transportation, Inc. subject to approval by the Board of Supervisors, for a ten year lease of Office, Shed and Yard space at Pier 50, Sheds A & C (Resolution No. 11-83); Approval of License No. L-15074 with Bauer's Intelligent Transportation Inc. for interim use of Office space at 401 Terry Francois Boulevard with a one year term and an initial six month free rent period (Resolution No. 11-84); and approval of License No. L-15075 with Bauer's Intelligent Transportation Inc. for interim use of Shed and Yard space and access to Office space at Pier 50 Shed A & C, with no rent (Resolution No. 11-85).

DIRECTOR'S RECOMMENDATION: Approve Attached Resolutions

BACKGROUND

Since August 15, 1999 Bauer's Intelligent Transportation Inc. ("Bauer's") through its predecessor entity, Bauer's California Coach Sales and Service, Inc., has been a tenant of the Port of San Francisco at Pier 27. The premises has been comprised of shed, office and exterior paved space directly related to the operation, maintenance and storage of motor coach services. Bauer's is a Tenant in Good Standing pursuant to Port Commission policy.

Bauer's Intelligent Transportation, a California corporation, provides a diversified suite of transportation solutions and luxury vehicles for corporations, government agencies, transit systems, schools, airports and transportation managers. Bauer's won the 2009 distinguished Ebby Award presented by the San Francisco business community for the

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company that has demonstrated a capacity for creativity and innovation, experienced growth and established itself as a leader in its industry.

The United Motor Coach Association presented Bauer's the prestigious "Green Highway" award in 2009 for the company's green practices and industry leadership. In addition Bauer's was presented the coveted "Silver Cup" award for safety performance and safety program innovation for four of the past five years.

Bauer's specializes in the application of strategies and programs to reduce travel demand - specifically that of single-occupancy private vehicles. Managing demand can be a cost-effective alternative to increasing capacity. A demand management approach to transportation has the additional potential to deliver better environmental outcomes, improved public health, stronger communities, and more prosperous and livable cities.

Bauer's has created one of the largest private eco-friendly fleets in the industry using CNG, propane, hybrid and bio diesel vehicles. Today, fully 97% of all the company's miles traveled are green miles, meeting the most stringent air quality standards developed by the California Air Resources Board to be put into effect in 2013.

Since its beginning as a Port tenant in 1999, Bauer's transitioned from a limousine company for the individual luxury passenger market into a full service transportation company. The business now primarily services corporate accounts such as Google, Yahoo and Cisco as well as large special events such as Outside Lands, Treasure Island Music Festival and the recent America's Cup World Series race in San Diego.

Bauer's business approach integrates three core principles; sustainability, luxury and technology into the motor coach customer experience. This revamped business approach required a major investment in the type, number and size of its fleet vehicles along with a corresponding increase in its required real estate facilities.

In 2004, in an effort to expand its operations, the Port and Bauer's entered into Lease No. L-13562 (the "Original Lease") which allowed for approximately 36,000 square feet of shed space; 1,400 square feet of office space; and 2,600 square feet of paved yard space at Pier 27. In order to maintain maximum flexibility for both parties, the lease term was limited to nine months and has been a month to month tenancy since.

In 2007, Bauer's entered into a parking agreement with Central Parking and more recently with Priority Parking, for additional monthly parking to accommodate another expansion of its fleet as well as new employee parking. Both parking operators serve under leases with the Port, providing the parking services for the exterior paved lot ("valley") between Pier 27 and 29, the Pier 27 apron and the adjacent Pier 29 Shed.

Pier 27-29 is currently occupied by a variety of maritime, office, entertainment and industrial tenants with often conflicting uses. Due to its ability to berth large cruise ships, Pier 27 has experienced an increase in number and duration of cruise calls over the last several years. To accommodate passenger boarding, provisioning and security mandates, significant portions of the shed and the valley parking lot are required to be vacated for an extended period, which significantly impacts Bauer's operations.

In October of 2011, portions of Pier 29, operated under the Priority Parking lease including the area where Bauer's employees parked their personal vehicles, were deemed structurally deficient by the Port Engineering Division, which has further compromised Bauer's ability to operate at Pier 27. The unsafe areas have now been fenced off and are no longer available for Bauer's employees to park. While an interim solution with Priority Parking has been agreed to in the valley, it requires additional staff and management time to rotate vehicles in the allotted space and has constricted Bauer's operations.

Due to its continuing efforts to expand and the restrictions associated with operating from Pier 27, Bauer's desires to secure a new site that would provide a long term lease, major identity for its corporate headquarters, increased shed space for operations and sufficient exterior paved yard space for vehicle storage.

Over the past year, Bauer's conducted an extensive search for potential sites, including several off-Port properties and outside San Francisco. Both Bauer's and the Port agreed that Pier 50 is the most feasible location for a variety of reasons. Shed C contains the Port's largest available contiguous interior Shed space, provides good circulation for its fleet, has an existing environmentally approved wash station and offers an adjacent fenced yard separate from any other Port tenants. Shed A offers vacant office space enabling Bauer's to consolidate its management and administrative staff in one facility and has signage facing Terry Francois Boulevard. Overall the site is in close proximity to major highways, is centrally located within the city and has the desired corporate identity being adjacent to AT&T Park.

The lease agreement for Pier 50 ("New Lease"), as proposed to the Port Commission and subject to Board of Supervisor approval, provides seven months initial rent abatement to offset an anticipated extended construction period and higher than normal infrastructure costs in connecting its telecommunications/data lines to multiple buildings. Bauer's will invest approximately \$687,000 in improvements to both Sheds A and C and in return, the Port will provide \$515,000 in rent credits to offset the core and shell portion of the improvements. All rent credits are subject to verification by the Port through receipts and inspections of any work performed. The rent credits will commence after the rent abatement period, starting on the 8th month continuing until approximately the 17th month. Thereafter there are no more rent offsets and Bauer's will be responsible for the full monthly rent as scheduled.

Per Bauer's request to assist in the transition to larger space, the rent schedule is structured to provide lower rates during the initial years of the New Lease then escalate on a higher than typical incremental basis over the remainder of the ten year term. For comparison purposes, the second year's monthly rent under the New Lease represents an approximate 183% increase over Bauer's existing Pier 27 monthly rent. The proposed rent structure for the New Lease reflects market rate terms given the size of transaction, the cost savings and probability of lost revenue to the Port of not having to divide the premises for multiple tenants and the upfront investment in core and shell improvements to be made by Bauer's.

The New Lease will provide the Port the following financial and operational benefits: a long term lease in the Port's largest contiguous vacancy, an expanded capacity to operate

tenant's business in a more compatible location, tenant's investment of approximately \$600,000 in core and shell improvements, approximately \$9 million in total rent over the term of the lease, tenant assumes full responsibility for its pro rata share of utilities and retention of a long-term tenant.

The Port and Bauer's now desire to terminate the Original Lease and enter into a comprehensive New Lease for expanded office, shed space and exterior paved yard space, for a term of ten (10) years. The New Lease agreed upon terms are outlined as follows:

PROPOSAL

Tenant: Bauer's Intelligent Transportation, a California corporation.

Premises: Parcel A: Approximately 4,370 square feet of office space located at Pier 50 Shed A. (See Exhibit A)

Parcel B: Approximately 68,777 square feet of shed space located at Pier 50 Shed C. (See Exhibit A-1)

Parcel C: Approximately 50,347 square feet of paved exterior fenced yard and dock space located on the east side of Pier 50 Shed C. (See Exhibit A-1)

Term: Ten (10) years.

Commencement Date: The date after approval of this Lease by the Board of Supervisors and upon full execution by the Port.

Rent Commencement: The first day of the eighth (8th) month after the Commencement Date.

Use: The premises will be used as the headquarters for the operation of a motor coach business including the storage, maintenance and minor repair of company owned vehicles.

Monthly Base Rent:

Year	Monthly Rent	Annual Rent
1	50,885	610,627
2	57,016	684,199
3	62,184	746,212
4	70,287	843,450
5	78,938	947,253
6	83,055	999,659
7	87,259	1,047,113
8	91,464	1,097,568
9	95,668	1,148,022
10	99,829	1,197,952

Security Deposit:

Port shall retain Tenant's existing Security Deposit of \$44,118.23 under Lease No. L-13562 which will be used as a Security Deposit for the New Lease. No later than the first day of the 16th month of the Term, Tenant shall increase its Security Deposit by \$55,711.08 to a total of \$99,829.31. No later than the first day of the 61st month of the Term, Tenant shall increase its Security Deposit by \$99,829.31, which at Tenant's option, may be secured by an irrevocable standby Letter of Credit on a form and from a financial institution acceptable to the Port, in its sole discretion.

Tenant Improvements:

Tenant, at its sole cost and expense, must complete the following Initial Tenant Improvements: building core and shell improvements and general office buildout in Shed A including plumbing, lighting, electrical upgrades, telephone and data cabling, security cameras, fencing, and new bathrooms in Shed C. The Initial Tenant Improvements shall remain on the Premises upon expiration or earlier termination of this Lease. Tenant estimates the total cost of the Initial Tenant Improvements to be approximately \$687,000.

Rent Credit:

Tenant shall be entitled to a rent credit not to exceed Five Hundred Fifteen Thousand Dollars \$515,000 to be taken monthly against Monthly Base Rent in months 8-17 of the Term. The Executive Director will have the authority to adjust the timing, but not the maximum amount, of the rent credit.

Maintenance and Repair:

Except for maintenance and repair of the exterior structure and substructure of Sheds A and C and the sump pump in Parcel B, Tenant shall be responsible for all other maintenance and repair for the entire Premises.

Utilities:

Tenant shall be responsible for its pro rata share of all utilities and all other services to be furnished on, in or to the Premises.

Operations Plan:

Tenant must maintain an Operations Plan acceptable to the Port including the following elements consistent with laws, industry standards, best practices and good house-keeping: spill prevention and response; allowable vehicle maintenance and repair activities; and storage and handling of hazardous materials. Port may, from time to time, review Tenant's Operations Plan and make recommendations for revisions.

Parking:

Tenant shall have the use of the seven (7) parking spaces directly in front of its corporate office in Shed A at no charge during the Term. (See Exhibit A-2)

Standard Provisions:

The Lease contains all current lease provisions on the standard form approved by the City Attorney including Port's Right to Terminate, Insurance, Indemnity and Exculpation, Hazardous Materials, etc.

Proposed License Agreement L-15074

Bauer's will require a license agreement to allow temporary use of up to 2,900 square feet of office space located in 401 Terry Francois Blvd. (see Exhibits B and B-1) for up to one year to allow sufficient time to construct the office portion of the New Lease No. L-15004. To facilitate the New Lease, the Port has provided the license area for the initial six months at no charge. In the event Bauer's is using the license area beyond the six month period, monthly fees shall be due at the current parameter rate of \$2.42 per square foot.

The license area will be delivered in its current "as is" condition with no improvements required by the Port. The license agreement will be the Port's standard license agreement and will use Bauer's existing security deposit.

Proposed License Agreement L-15075

Bauer's will require a license agreement to allow temporary use of the proposed Pier 50 Shed C premises and temporary access to the Shed A premises (see Exhibits C and C-1) to further accommodate the Port's own maritime activities at Pier 27. In addition, through use of a license agreement, Bauer's may temporarily relocate operations into Pier 50 enabling the Port's scheduled Hazardous Material Removal action plan in Pier 27 to be fully implemented in a timely manner. The license will incorporate the Operations Plan required under the New Lease.

The proposed license has no fees and will terminate upon commencement of the proposed New Lease. The license agreement will be the Port's standard license agreement and will use Bauer's existing security deposit.

RECOMMENDATION

Port staff recommends the Port Commission approve the New Lease and direct the Executive Director to seek Board of Supervisor's approval of the New Lease No. L-15004 (Resolution No. 11-83).

Port staff recommends the Port Commission adopt the attached resolutions approving License Agreement L-15074 (Resolution No. 11-84) for temporary office space and License Agreement L-15075 (Resolution No. 11-85) for temporary fleet parking with Bauer's Intelligent Transportation Inc.

Prepared by: Jay Edwards, Senior Property Manager

For: Susan Reynolds, Deputy Director, Real Estate

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

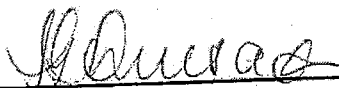
RESOLUTION NO. 11-83

- WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within the Port jurisdiction; and
- WHEREAS, Bauer's Intelligent Transportation, Inc. ("Bauer's"), through its predecessor entity, Bauer's California Coach Sales and Service, Inc., has been a Port tenant at Pier 27 since 1999 and a tenant under its current Port Lease No. L-13562 (the "Original Lease") since 2004; and
- WHEREAS, The premises has been comprised of shed, office and exterior paved space directly related to the operation, maintenance and storage of motor coach services and Bauer's is a Tenant in Good Standing pursuant to Port Commission policy; and
- WHEREAS, Pier 27 is currently occupied by a variety of maritime, office and industrial tenants with often conflicting uses. Due to its ability to berth large cruise ships, Pier 27 has experienced a significant increase in cruise calls over the last several years. To accommodate passenger boarding, provisioning and security mandates, significant portions of the shed and exterior yard are required to be vacated for an extended period; and
- WHEREAS, Bauer's has now outgrown the existing premises and has had to lease additional space for parking; and
- WHEREAS, In October of 2011, some of this additional space became unusable due to structural deficiencies; and
- WHEREAS, Bauer's desires to secure a site on Port property that would accommodate its current operation and desired continued expansion and where the Port could offer a long term lease; and
- WHEREAS, The Port and Bauer's now desire to terminate the Original Lease and enter into a comprehensive new long term lease for expanded office, shed space and exterior paved yard space; and
- WHEREAS, The Port and Bauer's have completed negotiations regarding a new ten year lease for space at Pier 50, Sheds A and C under terms and conditions as outlined in the Memorandum dated December 9, 2011 accompanying this Resolution; and, now, therefore, be it

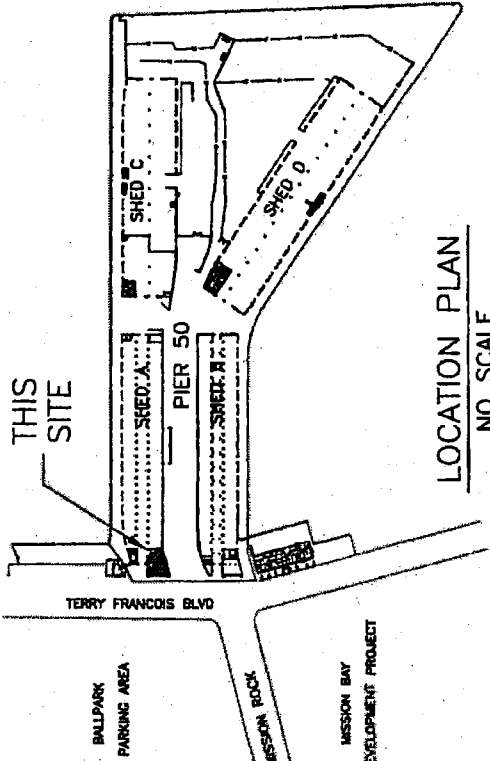
RESOLVED, That the Port Commission approves, subject to Board of Supervisors' approval, Lease No. L-15004 and authorizes and directs the Executive Director or her designee to forward the Lease to the Board of Supervisors (the "Board") for approval, pursuant to the Board's authority under Charter Section 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 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 interests 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 contemplate and effectuate the purpose and intent of this Resolution, such determination to be exclusively evidenced by the execution and delivery by the Executive Director of the Lease.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of December 16, 2011.



Secretary



PARCEL A
 PIER 50 SHED A
 OFFICE = 3,532 Sq Ft
 MEZZANINE = 838 Sq Ft
 4,370 Sq Ft

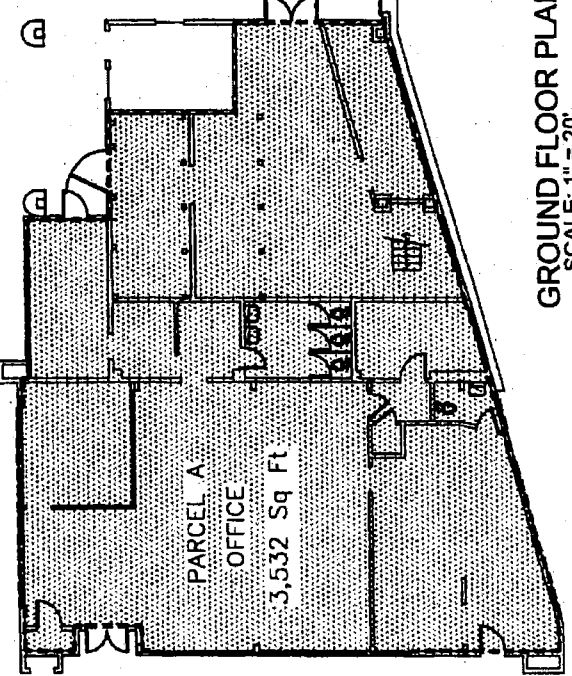
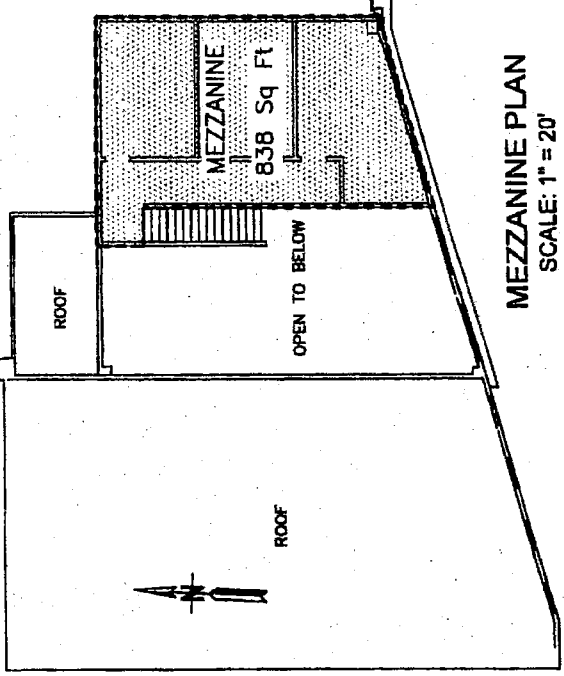
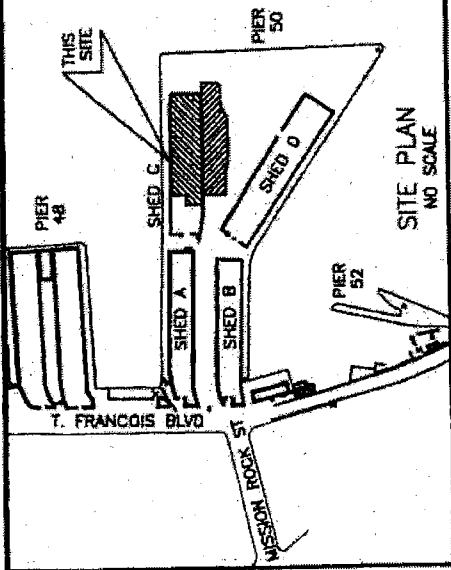


EXHIBIT A

INITIALS: PORT: _____ TENANT: _____ DATE: _____

LEASE NO. L-15004	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TENANT BAUER INTELLIGENT TRANSPORTATION	DRAWN BY: ECC CHECKED BY: J. EDWARDS PLACE CODE NO. 1500-SHEDA	DATE: NOV 22, 2011 SCALE: AS SHOWN SHEET NO. OF SHEETS
			800 PROPERTY FILE NUMBER: 1500-SHEDA	

SAN FRANCISCO BAY

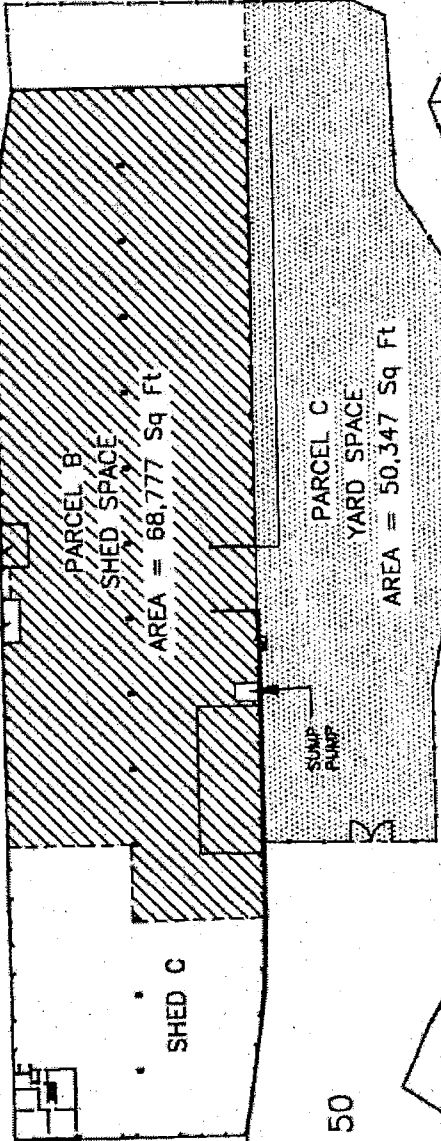


TOILETS

ELECTRICAL ROOM

EDGE OF DECK

EXHIBIT A-1

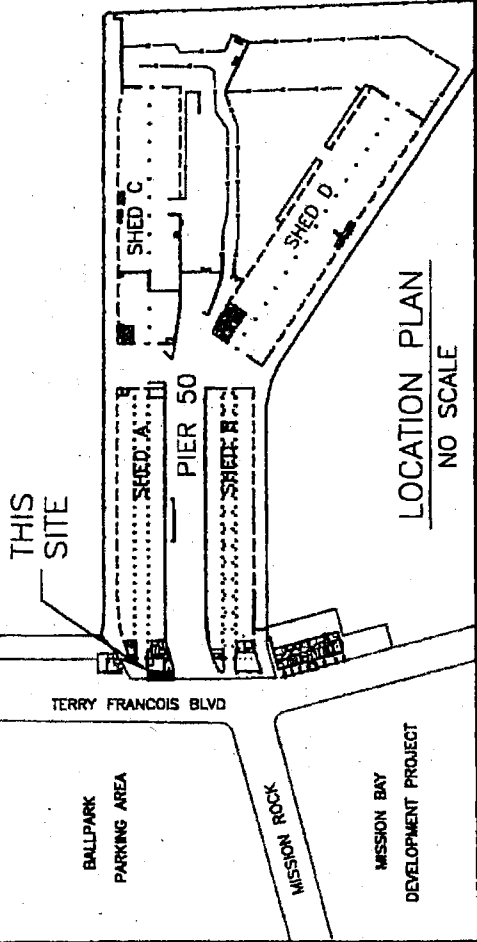


LEASE NO. L-15004	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TENANT BAUER INTELLIGENT TRANSPORTATION	DRAWN BY: EOC	DATE: SEPT 12, 2011
			CHECKED BY: J. EDWARDS	SCALE: 1" = 100'
			PLAGE CODE NO.	SHEET NO.
			1500-SHEDC	OF SHEETS

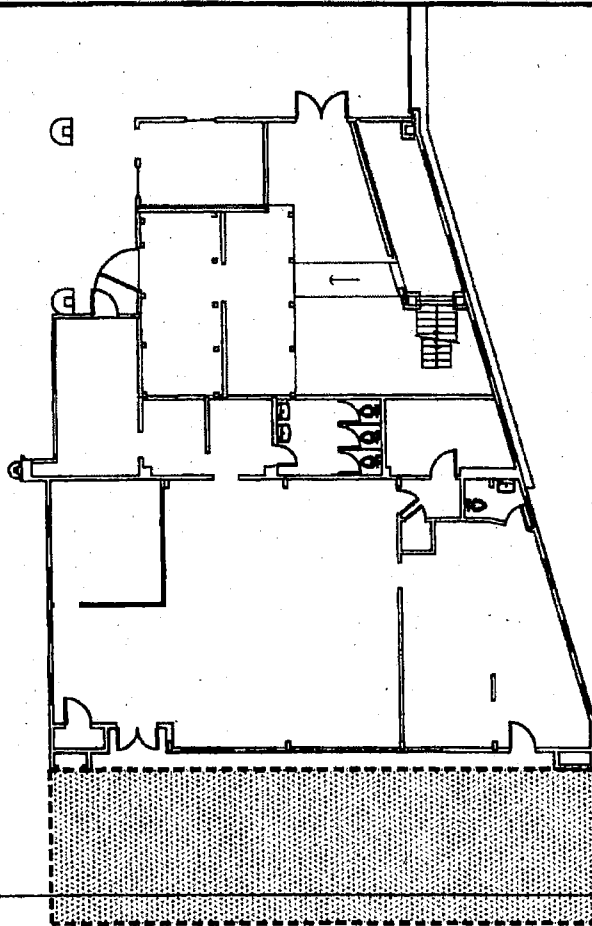
INITIALS: _____ PORT: _____ TENANT: _____ DATE: _____

6308 PROPERTY FILES/Leases Maps/Utilities-Piers/Vessels/Storage/Support/Log

SAN FRANCISCO BAY



TENANT PARKING
PIER 50 SHED A



DATE: NOV 22, 2011
 SCALE AS SHOWN
 DRAWN BY: ECC
 CHECKED BY: J. EDWARDS
 PLACE CODE NO.
 SHEET NO. 1500-SHEDA
 OF SHEETS

BAUER INTELLIGENT
TRANSPORTATION

SAN FRANCISCO PORT COMMISSION
 PORT OF SAN FRANCISCO
 DEPARTMENT OF ENGINEERING

LEASE NO. L-15004

EXHIBIT A-2

INITIALS: PORT: _____ TENANT: _____ DATE: _____



**CITY AND COUNTY OF SAN FRANCISCO
EDWIN M. LEE, MAYOR**

LEASE NO. L-15004

BY AND BETWEEN

**THE CITY AND COUNTY OF SAN FRANCISCO
OPERATING BY AND THROUGH THE
SAN FRANCISCO PORT COMMISSION**

AND

**BAUER INTELLIGENT TRANSPORTATION, INC.,
A CALIFORNIA CORPORATION**

PIER 50

**MONIQUE MOYER
EXECUTIVE DIRECTOR**

SAN FRANCISCO PORT COMMISSION

**KIMBERLY BRANDON, PRESIDENT
ANN LAZARUS, VICE PRESIDENT
FRANCIS X. CROWLEY, COMMISSIONER
DOREEN WOO HO, COMMISSIONER
LESLIE KATZ, COMMISSIONER**

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors

Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: Bauer's Intelligent Transportation, Inc.	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
Gary Bauer, President and CEO Gary Schwartz, Secretary	
Contractor address: Current: Pier 27 The Embarcadero, San Francisco, CA 94111 Future: Pier 50 Shed A and Shed C, San Francisco, CA 94158	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contract: \$9,318,984
Describe the nature of the contract that was approved: Port of San Francisco, Lease Term 10 years	
Comments: Tenant is moving from Pier 27 to Pier 50 Sheds A and C	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves: San Francisco Board of Supervisors
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

