

1 [Real Property Lease - 2650 Bayshore Boulevard - Towed Car Operations and Other Transit  
2 Related Services]

3 **Resolution authorizing the lease of an approximate 12.72 acre property with 255,420**  
4 **rentable square feet of warehouse, office and parking lot space at 2650 Bayshore**  
5 **Boulevard, Daly City, California, from Prologis, L.P. for a 20-year term, plus two five-**  
6 **year extension options, at an initial annual base rent of \$2,449,642 with annual**  
7 **increases, for the San Francisco Municipal Transportation Agency's towed car**  
8 **operations and other transit related uses.**

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10 WHEREAS, The San Francisco Municipal Transportation Agency (SFMTA) and the  
11 Port of San Francisco (Port) entered into a Memorandum of Understanding (MOU – Port  
12 Reference M-13828) on July 30, 2005, as amended, for the use of approximately 13 acres  
13 of Port property on Pier 70 for the SFMTA's towed car operations, storage and uses through  
14 July 31, 2015; and,

15 WHEREAS, The Port intends to develop the Pier 70 area as a mixed-use opportunity  
16 area, as highlighted in the Port's Waterfront Land Use Plan and the Port's Pier 70 Area  
17 Preferred Master Plan; and,

18 WHEREAS, The SFMTA has been searching for an equivalent-sized site to house its  
19 towed car operations, and the SFMTA's timely relocation from Pier 70 would allow the Port  
20 an opportunity to effectively execute part of its waterfront revitalization Master Plan and  
21 create a win-win situation for both agencies on accomplishing their respective strategic  
22 goals and objectives; and,

23 WHEREAS, Prologis, L.P., a Delaware limited partnership (Prologis), is willing to  
24 lease certain premises at 2650 Bayshore Boulevard, Daly City, California (Premises), for the  
25 SFMTA towed car operations and other transit-related uses for a twenty year term, subject

1 to two options to extend the lease term by five (5) years each, at an initial annual base rent  
2 of \$2,449,642 that will increase by three percent annually, plus an additional four percent  
3 increase every five years, with Prologis paying for all operating expenses in Lease Year 1  
4 and SFMTA paying for all operating expense increases after Lease Year 1, all on the terms  
5 and conditions contained in a lease substantially in the form of lease (Lease) on file with the  
6 Clerk of the Board of Supervisors in File No. 120904, which is incorporated herein by  
7 reference; and,

8 WHEREAS, The Lease requires Prologis to install, at its own cost (capped at  
9 \$800,000), the initial tenant improvements described in the Lease, and provides SFMTA  
10 with the right to request that Prologis spend, subject to SFMTA's reimbursement obligations,  
11 up to \$1,000,000 to install additional tenant improvements if SFMTA submits such request  
12 prior to the third anniversary of the Lease rent commencement date; and,

13 WHEREAS, The Lease provides SFMTA with an early termination right on the tenth  
14 anniversary of the Lease rent commencement date and the payment of a termination fee  
15 and certain reimbursable costs; and,

16 WHEREAS, The Daly City Planning Division, acting as a lead agency under the  
17 California Environmental Quality Act (CEQA), issued a negative declaration for the proposed  
18 Lease (CEQA Findings), and Daly City Council approved, and the City's Planning  
19 Department concurred with, the CEQA Findings; and,

20 WHEREAS, On August 21, 2012, the SFMTA Board of Directors adopted the CEQA  
21 Findings and approved the proposed Lease through SFMTA Board Resolution No.12-109,  
22 and directed the Director of Transportation of the SFMTA to submit the proposed Lease to  
23 the City's Board of Supervisors and Mayor for approval; and ~~now, therefore, be it~~

24 WHEREAS, The SFMTA agrees to report back to the Budget and Finance Committee  
25 of the Board of Supervisors on the SFMTA Real Estate and Facilities Vision for the 21<sup>st</sup>

1 Century Report prior to December 31, 2012, and explain (a) how the SFMTA will reorganize  
2 its leased space to reduce total leasing costs; and (b) how the Lease fits into the SFMTA's  
3 long term space needs; and

4 WHEREAS, The SFMTA agrees to pay for any Phase II Landlord TIs (as defined in  
5 Addendum 2 of the Lease) at the time they are performed, rather than reimbursing Prologis,  
6 with interest, for its cost to make any Phase II Landlord TIs; now, therefore, be it

7 RESOLVED, That the Director of Transportation of the SFMTA is hereby authorized ,  
8 on behalf of the City, to execute the Lease and to take all actions under the Lease, including  
9 the exercise of the extension options, the right to request Prologis to perform up to  
10 \$1,000,000 of ~~additional tenant improvements, subject to SFMTA's reimbursement~~  
11 ~~obligation~~ Phase II Landlord TIs if the SFMTA provides the funding for those Phase II  
12 Landlord TIs at the time they are performed, and the right to exercise the early termination  
13 right described in the Lease; and, be it

14 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City  
15 with respect to the Lease are hereby approved, confirmed and ratified; and, be it

16 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
17 Transportation of the SFMTA to enter into any amendments or modifications to the Lease  
18 (including without limitation, the exhibits) that the Director of Transportation determines, in  
19 consultation with the City Attorney, are in the best interest of the City, do not increase the  
20 rent or otherwise materially increase the obligations or liabilities of the City, are necessary or  
21 advisable to effectuate the purposes of the Lease or this Resolution, and are in compliance  
22 with all applicable laws, including City's Charter; and, be it

23 FURTHER RESOLVED, That the Lease shall be subject to certification as to funds by  
24 the City's Controller, pursuant to Section 3.105 of the Charter.

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RECOMMENDED:  
SAN FRANCISCO MUNICIPAL  
TRANSPORTATION AGENCY

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Edward D. Reiskin  
Director of Transportation

Pursuant to SFMTA Board of Directors  
Resolution No. 12-109, Adopted: August 21, 2012