



January 11, 2013

**The Honorable Board of Supervisors
City and County of San Francisco
1 Carlton B. Goodlett Place, Room 244
San Francisco, California 94102**

***RE: Termination of the Lease Agreement between the City and County of
San Francisco and the Ellis-O'Farrell Parking Corporation***

Dear Members of the Board of Supervisors:

Enclosed for your consideration is a Resolution authorizing the termination of the lease agreement (Lease) between the City and County of San Francisco and the Ellis O'Farrell Parking Corporation (Corporation).

Background

The Garage was built in 1964 and provides nearly 950 parking spaces and three retail/commercial lease spaces at the ground level. The facility generates approximately \$6 million in annual gross revenue.

The Corporation is a non-profit 501(c)(2) entity, formed in 1963 for the sole purpose of assisting the City with the acquisition of, and improvements to, the Garage by financing the costs through the sale of bonds. In 1965, the City leased the Garage to the Corporation through a lease agreement, which was subsequently replaced with another lease agreement dated June 1, 1991. Under the Lease, the Corporation manages the day-to-day operation of the Garage with oversight and policy direction from the San Francisco Municipal Transportation Agency (SFMTA).

In October 2002, the Corporation issued certain parking revenue bonds in the amount of \$5,465,000 to refinance existing bonds issued by the Corporation to finance the acquisition of, and improvements to, the Garage.

In June 2012, the Corporation's Board of Directors executed a Lease Amendment with the SFMTA to modify and continue the term of the Lease on an interim basis until an agreement to terminate the Lease and set up an Advisory Committee was in place. The parties agreed to terminate the existing lease and create an advisory body within 180 days of the Lease Amendment. The Corporation's Board of Directors and the SFMTA are developing bylaws to enable the establishment of an Advisory Committee to advise the Director on various matters related to the Garage.

In July 2012, the bonds were fully paid off through the issuance of a revenue bond by the SFMTA. Since the bonds issued by the Corporation have been fully paid, the Corporation's Board of Directors wishes to terminate the Lease and be relieved of its obligations and liability as the leaseholder of the Garage.

In anticipation of the lease termination, the SFMTA assumed the day-to-day operation of the garage effective January 1, 2013 through its current agreement for garage

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management with LAZ Parking. Staff from the Corporation, SFMTA and City Attorney's Office have reviewed all current tenant leases and agreements with various service providers and vendors. The SFMTA will assume all leases and agreements that are required for the continued operation of the Garage and/or that support SFMTA operations. It is anticipated that the termination of the Lease, effective 11:59 p.m. on January 31, 2013, will have no material effect on Garage operations or on its tenants.

Funding Impact

The termination of the Lease will result in discontinuing redundant services, which is anticipated to save the City over \$160,000 annually. This action is consistent with the analysis and findings of the June 2011 audit by the City Services Auditor that questioned the need and benefit for continuing such leases to non-profit Corporations.

Alternatives Considered

The Corporation's Board of Directors evaluated the pros and cons of a new long-term lease versus termination, and decided to terminate the Lease since payment of the debt fulfilled the main objective of the formation of the Corporation.

SFMTA Board of Directors' Approval

The SFMTA Board will be hearing this item at its January 15, 2013 Board meeting. A resolution authorizing the Director of Transportation to execute a Lease Termination Agreement is expected to be received at that time.

Recommendation

The SFMTA recommends that the San Francisco Board of Supervisors approve this termination of the lease agreement between the City and County of San Francisco and the Ellis-O'Farrell Parking Corporation and authorize the Director of Transportation to execute the termination agreement with the Corporation, as well as agreements with vendors, consultants and commercial tenants of the Garage to effect assignment of their respective contracts and subleases to the SFMTA.

If you have any questions regarding this matter, please contact Amit Kothari, Director of Off-Street Parking at 701-4462 or amit.kothari@sfmta.com.

Sincerely,

Edward D. Reiskin
Director of Transportation

Enclosures

cc: Bond Yee, SFMTA Director of Sustainable Streets
Sonali Bose, SFMTA CFO
Amit Kothari, SFMTA Director of Off-Street Parking
Janet Martinsen, SFMTA Local Government Affairs Liaison