



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator



John Updike
Director of Real Estate

August 3, 2015

Through Naomi Kelly,
City Administrator

Honorable Board of Supervisors
City & County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 224
San Francisco, CA 94102

Re: 598 Portola Drive – Twin Peaks Gas Station

Dear Board Members:

Attached for your consideration is a Resolution approving and authorizing the Director of Property to lease approximately 14,499 square feet at 598 Portola Drive to Twin Peaks Petroleum, Inc., a California corporation, successor-in-interest to Michael Gharib ("Tenant"). Tenant has leased the property for over twenty years doing business as "Twin Peaks Auto Care," for the operation of a service station with a small convenience store and garage.

The proposed lease increases the Base Rent to \$6.96 per square foot per year for \$100,913.00 per year (\$8,410 per month or \$0.58 per square foot per month) based upon an independent appraisal and negotiations with Tenant. Thereafter, rent shall increase annually by three (3) percent. Tenant is responsible for all utilities and services. The proposed lease term is five (5) years with one 5-year renewal option upon one hundred eighty (180) days prior written notice to City.

Background

In August 1994, the Board approved Resolution No. 279-94, authorizing a lease of the site to Tenant. Subsequently, in June 2004, the Board approved Resolution No. 364-04, to extend the lease through June 2014 and allowing the Tenant to make mandated improvements necessary to comply with regulations set by the State of California.

As amended, the 2004 Option Rent for approximately 15,000 square feet was \$6,806.25 per month (approximately \$0.45 per square foot per month or \$5.45 per square foot annually) with annual rent adjustments to reflect changes in the Consumer Price Index.

In 2013, the Real Estate Division commenced extensive negotiations with Tenant for this new lease. Negotiations included measuring the property after the City repaved a driveway for the Youth

Guidance Center immediately adjacent to the property. Accordingly, the rentable area was adjusted down to 14,499 square feet from 15,000 square feet.

Proposed Lease

In addition to updating the Base Rent and Term provisions, the proposed lease requires the Tenant (if so desired by the City) to remove the underground gasoline storage tanks, underground gas lines and gasoline dispensers upon termination, increases the security deposit, and insurance coverage amounts. The proposed lease also adds numerous other provisions lacking from the 2004 Option Renewal, including, Food Service Waste Reduction, San Francisco Bottled Water Ordinance, Local Hiring Requirements, Graffiti, Prohibition of Tobacco Sales and Advertising and Prohibition of Alcoholic Beverage Advertising.

We recommend approval of the proposed lease. Should you have any questions, please contact Claudia J. Gorham of our office at 415.554.9871.

Respectfully,



John Updike
Director of Property

CJG:kb