



SFMTA
Municipal
Transportation
Agency

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May 9, 2016

Supervisor Mark Farrell
Chairperson, Budget and Finance Committee
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102

Re: Lease Agreement between the City and County of San Francisco and the City of San Francisco Uptown Parking Corporation

Dear Supervisor Farrell:

This letter is written in support of the proposed lease between the City and County of San Francisco and the Uptown Parking Corporation (UPC) for the UPC to provide management and oversight of a parking-operations vendor at the Union Square Garage and of retail tenants at both the Union Square garage and the Union Square Plaza.

The proposed lease is in the same general format as two similar leases with non-profit garage corporations that were entered into in February 2013 following approval from the SFMTA Board of Directors and the Board of Supervisors. During the consideration of those two prior leases, the SFMTA outlined in detail its support of the non-profit corporations in a letter dated February 6, 2013 (attached).

For the reasons outlined in detail in the SFMTA's 2013 letter, and also pursuant to support of the lease by the Recreation and Park Department, which will be the UPC's landlord under the lease, the SFMTA recommends that the Board of Supervisors approve the proposed lease between the City and County of San Francisco and the City of San Francisco Uptown Parking Corporation.

Please feel free to contact me with any questions.

Sincerely,

Edward D. Reiskin
Director of Transportation

cc: Board of Supervisors
SFMTA Board of Directors

Attachment



February 6, 2013

Supervisor Mark Farrell
Chairperson, Budget and Finance Committee
Board of Supervisors
City and County of San Francisco
1 Carlton B. Goodlett Place, Room 244
San Francisco, California 94102

RE: Lease Agreements between the City and County of San Francisco and Non-Profit Garage Corporations

Dear Supervisor Farrell:

The purpose of this letter is to provide the Budget and Finance Committee with additional information and to address concerns related to the proposed lease agreement with the Japan Center Garage Corporation (JCGC) for the Japan Center Garage and with the Uptown Parking Corporation (UPC) for the Sutter Stockton Garage.

Background

Edwin M. Lee
Mayor
Tom Nolan
Chairman
Cheryl Brinkman
Vice-Chairman
Leona Bridges
Director
Malcolm Heinicke
Director
Jerry Lee
Director
Joël Ramos
Director
Cristina Rubke
Director
Edward D. Reiskin
Director of
Transportation

Non-profit garage corporations have existed since the late 1950's and were originally formed for the purpose of and their ability to issue bonds for the construction of publicly owned garages where long-term leases were established between these corporations and the City. Several of these corporations have dissolved upon repayment of their debt, relinquishing management to the City and several continued to exist through refinancing for garage expansion and/or major renovations. Some of the latter have since evolved into a community-oriented role, bringing neighborhood-specific perspective, concern, and knowledge to bear on the management of the respective garages. The governing boards of these garages comprise neighborhood business leaders, owners, and other stakeholders that provide stewardship over the garages and the role they play in their neighborhoods.

In 2008, Proposition A was approved by the voters, giving the SFMTA the authority to issue bonds; therefore, non-profit garage corporations were no longer needed for that particular purpose. Last year, as the SFMTA prepared to issue bonds for the repayment of existing public garage debt held by non-profit garage corporations, and to fund garage capital improvements, it became necessary to work with the corporations and get them to agree to pay off their debt. The City only had buyback rights for debt held by the UPC in connection with the Union Square Plaza and Garage Renovation Project in 2001. The City did not have buyback rights for debt held by the Ellis O'Farrell Parking Corporation (Ellis O'Farrell Garage) and the Downtown Parking Corporation (Fifth & Mission Garage). The current JCGC Lease, dated July 1, 2002, was not based on debt issuance and does not expire until 2017. The corporations with debt expressed their desire to continue a lease arrangement similar to the JCGC to provide oversight that benefits the SFMTA in representing the community and merchants.

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The SFMTA Board of Directors therefore approved a lease form for this purpose and negotiations began with the intent to enter into a new lease with the four non-profit corporations. The JCGC agreed to participate and was included in these negotiations so that the SFMTA would have a consistent lease that would contain updated lease provisions and address conditions called out in the June 2011 Controller's Audit Report of the SFMTA's Sustainable Street Division. Near the time of the SFMTA bond issuance in July 2012, both the Ellis O'Farrell and Downtown Parking Corporations had reservations about the final lease provisions and were given the option to terminate their existing lease and continue as an advisory body if the bonds were paid. These two corporations chose to terminate, leaving two new leases and two termination agreements submitted for your consideration.

Lease Provisions and Garage Overview

	Japan Center Garage Corporation Japan Center Garages	Uptown Parking Corporation Sutter Stockton Garage
Term	10-years	10-years
Options	(2) 5-year extensions	(2) 5-year extensions
Termination	90 day notice <ul style="list-style-type: none"> • By Director for default • By Board for convenience 	90 day notice <ul style="list-style-type: none"> • By Director for default • By Board for convenience
General Description	<ul style="list-style-type: none"> • Totals 920 spaces • Parks over 500,000 transient vehicles annually • Gross Revenue - \$4.2M • Operating Expense - \$2.0M • Parking Tax \$828K • Net Income to SFMTA \$1.1M 	<ul style="list-style-type: none"> • Totals 1,865 spaces on 12 levels • Parks over 1,000,000 transient vehicles annually • Gross Revenue - \$12.3M • Operating Expense - \$2.7M • Parking Tax - \$2.2M • Net Income to SFMTA \$6.2M
Current Lease	Dated 2002 expires in 2017 with 15-year option to extend	Month-to-month until new lease or termination with formation of advisory body
Formation of Corporation	Formed in 1998 to replace the Western Addition Parking Corporation (WAPC) after the WAPC debt was paid. Current corporation was not formed to issue debt.	Formed in 1956 to issue bonds to construct the Sutter Stockton Garage. Uptown bonds for Sutter Stockton Garage were paid in 1996 but its revenue was pledged to the Downtown Corporation bond issue of 1992 for the expansion of the 5th & Mission Garage. In April 2001, the Uptown Corporation issued bonds to assist the City in the renovation of the Union Square Plaza and Garage and their lease was extended to 2035 or until the bonds were paid.

Compliance with Controller's Audit

On June 9, 2011, the Controller's Office issued an audit report on the performance of the SFMTA's Sustainable Street Division which, in addition to other functions, oversees the off-street garage operations. The audit contained six recommendations related to existing non-profit garage corporation lease conditions. The SFMTA is proposing a lease that would address these concerns.

Specifically:

- The SFMTA has assumed all outstanding debt and the corporations are prohibited from further bond issuance.
- Corporations are required to submit their proposed by-laws to the SFMTA for review and approval.
- Extensive and specific oversight of expenditures with strict procedures and limits on spending.
- Corporation manager hiring guidelines are approved by SFMTA with minimum job descriptions and clearly defined duties and responsibilities.
- A Corporation manager compensation scale that is commensurate with the size and complexity of the garage managed.
- Consideration of whether the corporation manager should work under employment contract, which will be addressed in the hiring guidelines.

The proposed leases go further to require that the corporations comply with the SFMTA Parking Facility Operation and Management Regulations, adopted by the SFMTA Board, that outline procedures related to garage operations, cash handling, reporting, accounting, maintenance, etc. Additionally, restrictions are placed on commercial sub-leases and corporation expenditures.

Garage Improvement Funds

For several years prior to the issuance of bonds, SFMTA has been contemplating bond issuance for garage capital improvement efforts and deferred various improvements unless absolutely necessary to benefit from economies of scale for similar work across all garages. As a result, capital fund balances held by the corporations have accumulated. The JCGC currently retains 25% and the UPC retained 15% of annual net income both with a \$2 million maximum allowable balance. Regular on-going maintenance is supported by the individual garage operating budgets.

The SFMTA allocated \$5 million of the July 2012 bond issuance for the purpose of conducting a detailed garage capital improvement assessment. DPW is currently conducting the assessment to evaluate all SFMTA owned garages in terms of structural, mechanical, electrical, and parking equipment conditions that will lead to staging for actual implementation of improvements. This assessment will size the next SFMTA bond issuance anticipated in the summer of 2013. UPC has already transferred \$1.6 million to support the SFMTA Operating Budget. Upon approval of this lease, the JCGC will also transfer their reserve balance of \$2 million to the SFMTA.

The two proposed leases contain a provision where the capital set-asides are fixed amounts and would commence beginning the fourth year of the initial term. The annual set amount for Japan Center Garage is proposed at \$450,000 with an accumulated balance cap of \$1.35 million and the Sutter Stockton Garage at \$550,000 with an accumulated balance cap of \$1.65 million. Any

amounts above the cap would be transferred to the SFMTA as net income. These amounts are proposed to ensure availability of funds beyond the completion of the anticipated improvements.

Alternatives Considered

If the proposed leases are not approved, the current lease for the Japan Center Garage would continue with existing provisions and expire in 2017. The SFMTA would have to unilaterally terminate the leases with the Uptown Parking Corporation for the Sutter Stockton and Union Square Garages and directly administer the day-to-day operations.

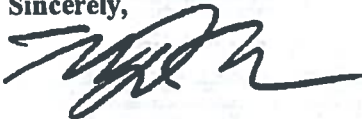
While the SFMTA certainly has the knowledge and ability to directly administer these two garages, the SFMTA considers the added oversight and community relations provided by these corporations to be in the best interest of the garages and the City.

Recommendation

The SFMTA recommends that the Board of Supervisors approve the proposed leases between the City and County of San Francisco and the City of San Francisco Japan Center Garage Corporation for the Japan Center Garage and the Uptown Parking Corporation for the Sutter Stockton Garage.

Please do not hesitate to contact me if you have any concerns.

Sincerely,



Edward D. Reiskin
Director of Transportation

cc: Board of Supervisors
SFMTA Board of Directors