



London N. Breed, Mayor
Naomi M. Kelly, City Administrator



Andrico Q. Penick
Director of Real Estate

August 10, 2020

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-five 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 from the current \$9,465.51 per month to \$16,683.33 per month or \$200,200 per year (\$13.81 per square foot per year) as supported by 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 twenty-five (25) years with one 5-year renewal option.

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 October 2015, the Board approved Resolution 394-15, authorizing the current lease of the site to Tenant for another five years.

In 2019, the Real Estate Division commenced extensive negotiations with Tenant for this new lease. Tenant desired to enter into a new long term lease rather than the five year option the current lease provides.

Proposed Lease

In addition to the above base rent and term, the new lease provides that Tenant will be replacing the underground storage tanks before the end of 2025 as required by code.

Given the substantial investment in the equipment and fixtures and trade equipment Tenant has installed at the Premises (all the tanks, dispensers, canopy, signs, etc.), the cost to remove same, and the Tenant's legacy business status, it would be impractical to have completed competitive bidding.

We recommend approval of the proposed lease. Should you have any questions, please contact Claudia J. Gorham of our office at 415.713-6020 (mobile).

Respectfully,

Andrico Q. Penick
Director of Property