

Pilara Family Foundation Pier 24 Photography New Lease with the Port of SF

Board of Supervisors
Budget & Finance Committee
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Presented By: Michael Martin,
Assistant Port Director



Pilara Family Foundation Background

- Nonprofit corporation operating Pier 24 Photography, a location for storage, display and limited public access to the nonprofit's photography collection
- Entered Lease L-14414 for Pier 24 Annex in 2007
- Performed approximately \$14 million of improvements, with approximately \$8.5 million of which verified as substructure, core and shell improvements



Pier 24 Photography

Pilara Family Foundation Background

- Lease expired in November 2017; parties negotiated for two years to address delinquent rent and extend term
- After the Port issued 30 day notice in December 2019, parties made one more attempt at a settlement and the Port Commission approved the Settlement and New Lease on March 10, 2020
- Because the new lease includes an operating requirement, the parties agreed to delay submission of the new lease for Board of Supervisors consideration until the Covid-19-related health orders allowed for the facility to reopen to the public



Pier 24 Photography

Port Commission-Approved Settlement Agreement

- Conditioned on entry of new lease (note: Board of Supervisors approval is required for the form of lease before the Port can execute it and the proposed settlement agreement)
- Acknowledges the \$5.5 million in remaining unamortized but verified substructure core and shell costs as rent credits to address rent delinquency from November 2017 to present
- Pays Port's attorney's fees

Proposed New Lease Terms

- Rent: set at the Port's current parameter rate (\$3.40/sf per month)
- Rent Credits:
 - Tenant may take remaining \$5.5 million of unamortized substructure, core and shell costs as rent credits (net of amounts used to address delinquent rent under settlement agreement)
 - Tenant may apply rent credits equivalent to \$3.21/sf per month, leaving a payment of \$0.19/sf or \$5,735.31 per month
- Term: Expires when rent credits are exhausted
- Extension Proposal: Port invites an extension proposal based on further capital improvements, if tenant completes and submits facility condition report and feasibility study for seismic upgrades to remove occupancy restriction
- Lease Provisions: Generally in accordance with Port form lease, with following exceptions
 - No "Port program or project" termination right, as with prior lease
 - Additional tenant termination rights
 - Retain security deposit on hand from prior lease
 - Transfers at Port's sole discretion

Port Staff Recommendation

Port staff believes that the proposed settlement and lease package achieves the following goals

- Continuation of Tenant's public-oriented operations at Pier 24 Annex
- Rent terms reflective of the current market and current facility condition
- Establishment of a path to negotiate further lease term in exchange for beneficial improvements that improve public safety and allow for more visitors to enjoy the collection
- Resolution of the parties' claims while avoiding costly litigation

For these reasons Port staff recommends approval of the resolution by the Board of Supervisors