[Real Property Lease - 2650 Bayshore Boulevard - Towed Car Operations and Other Transit Related Services]

Resolution authorizing the lease of an approximate 12.72 acre property with 255,420 rentable square feet of warehouse, office and parking lot space at 2650 Bayshore Boulevard, Daly City, California, from Prologis, L.P. for a 20-year term, plus two five-year extension options, at an initial annual base rent of $2,449,642 with annual increases, for the San Francisco Municipal Transportation Agency's towed car operations and other transit related uses.

WHEREAS, The San Francisco Municipal Transportation Agency (SFMTA) and the Port of San Francisco (Port) entered into a Memorandum of Understanding (MOU – Port Reference M-13828) on July 30, 2005, as amended, for the use of approximately 13 acres of Port property on Pier 70 for the SFMTA's towed car operations, storage and uses through July 31, 2015; and,

WHEREAS, The Port intends to develop the Pier 70 area as a mixed-use opportunity area, as highlighted in the Port’s Waterfront Land Use Plan and the Port’s Pier 70 Area Preferred Master Plan; and,

WHEREAS, The SFMTA has been searching for an equivalent-sized site to house its towed car operations, and the SFMTA’s timely relocation from Pier 70 would allow the Port an opportunity to effectively execute part of its waterfront revitalization Master Plan and create a win-win situation for both agencies on accomplishing their respective strategic goals and objectives; and,

WHEREAS, Prologis, L.P., a Delaware limited partnership (Prologis), is willing to lease certain premises at 2650 Bayshore Boulevard, Daly City, California (Premises), for the SFMTA towed car operations and other transit-related uses for a twenty year term, subject
to two options to extend the lease term by five (5) years each, at an initial annual base rent of $2,449,642 that will increase by three percent annually, plus an additional four percent increase every five years, with Prologis paying for all operating expenses in Lease Year 1 and SFMTA paying for all operating expense increases after Lease Year 1, all on the terms and conditions contained in a lease substantially in the form of lease (Lease) on file with the Clerk of the Board of Supervisors in File No. 120904, which is incorporated herein by reference; and,

WHEREAS, The Lease requires Prologis to install, at its own cost (capped at $800,000), the initial tenant improvements described in the Lease, and provides SFMTA with the right to request that Prologis spend, subject to SFMTA's reimbursement obligations, up to $1,000,000 to install additional tenant improvements if SFMTA submits such request prior to the third anniversary of the Lease rent commencement date; and,

WHEREAS, The Lease provides SFMTA with an early termination right on the tenth anniversary of the Lease rent commencement date and the payment of a termination fee and certain reimbursable costs; and,

WHEREAS, The Daly City Planning Division, acting as a lead agency under the California Environmental Quality Act (CEQA), issued a negative declaration for the proposed Lease (CEQA Findings), and Daly City Council approved, and the City's Planning Department concurred with, the CEQA Findings; and,

WHEREAS, On August 21, 2012, the SFMTA Board of Directors adopted the CEQA Findings and approved the proposed Lease through SFMTA Board Resolution No.12-109, and directed the Director of Transportation of the SFMTA to submit the proposed Lease to the City's Board of Supervisors and Mayor for approval; and now, therefore, be it

WHEREAS, The SFMTA agrees to report back to the Budget and Finance Committee of the Board of Supervisors on the SFMTA Real Estate and Facilities Vision for the 21st
Century Report prior to December 31, 2012, and explain (a) how the SFMTA will reorganize its leased space to reduce total leasing costs; and (b) how the Lease fits into the SFMTA’s long term space needs; and

WHEREAS, The SFMTA agrees to pay for any Phase II Landlord TIs (as defined in Addendum 2 of the Lease) at the time they are performed, rather than reimbursing Prologis, with interest, for its cost to make any Phase II Landlord TIs; now, therefore, be it

RESOLVED, That the Director of Transportation of the SFMTA is hereby authorized, on behalf of the City, to execute the Lease and to take all actions under the Lease, including the exercise of the extension options, the right to request Prologis to perform up to $1,000,000 of additional tenant improvements, subject to SFMTA’s reimbursement obligation Phase II Landlord TIs if the SFMTA provides the funding for those Phase II Landlord TIs at the time they are performed, and the right to exercise the early termination right described in the Lease; and, be it

FURTHER RESOLVED, That all actions heretofore taken by the officers of the City with respect to the Lease are hereby approved, confirmed and ratified; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of Transportation of the SFMTA to enter into any amendments or modifications to the Lease (including without limitation, the exhibits) that the Director of Transportation determines, in consultation with the City Attorney, are in the best interest of the City, do not increase the rent or otherwise materially increase the obligations or liabilities of the City, are necessary or advisable to effectuate the purposes of the Lease or this Resolution, and are in compliance with all applicable laws, including City’s Charter; and, be it

FURTHER RESOLVED, That the Lease shall be subject to certification as to funds by the City’s Controller, pursuant to Section 3.105 of the Charter.
RECOMMENDED:
SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

Edward D. Reiskin
Director of Transportation

Pursuant to SFMTA Board of Directors
Resolution No. 12-109, Adopted: August 21, 2012
Resolution authorizing the lease of an approximate 12.72 acre property with 255,420 rentable square feet of warehouse, office and parking lot space at 2650 Bayshore Boulevard, Daly City, California, from Prologis, L.P. for a 20-year term, plus two five-year extension options, at an initial annual base rent of $2,449,642 with annual increases, for the San Francisco Municipal Transportation Agency's towed car operations and other transit related uses.

October 03, 2012 Budget and Finance Committee - CONTINUED

October 10, 2012 Budget and Finance Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

October 10, 2012 Budget and Finance Committee - REFERRED WITHOUT RECOMMENDATION AS AMENDED

October 16, 2012 Board of Supervisors - ADOPTED

Ayes: 8 - Chiu, Chu, Cohen, Elsbernd, Farrell, Kim, Mar and Wiener
Noes: 3 - Avalos, Campos and Olague

I hereby certify that the foregoing Resolution was ADOPTED on 10/16/2012 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Mayor

Date Approved