

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. 190305-028

WHEREAS, The Ellis-O'Farrell Garage (Garage), located at 123 O'Farrell Street, is owned by the City and County of San Francisco and under the jurisdiction of the SFMTA; and,

WHEREAS, On May 17, 2013, the SFMTA issued a Request for Proposal for the retail space designated as 44 Ellis Street and comprised of approximately 5,368 square feet, and only received one response from Les Joulins USA Inc. (Les Joulins); and,

WHEREAS, On March 1, 2015, the SFMTA entered into a lease agreement with Les Joulins for an initial term of ten years (Lease); and,

WHEREAS, On March 1, 2017, the Lease was assumed by Tad's Inc. (Tenant); and,

WHEREAS, The Lease agreement includes a rent schedule for the ten-year initial term that will result in \$5,127,000 in revenue to the city and includes \$250,000 in rent credits upon completion of pre-authorized improvements; and,

WHEREAS, For over 20 years, the retail space had no major improvements and the Tenant determined the space needed additional work on top of the pre-authorized work in order to comply with current building codes; and,

WHEREAS, Tenant desires to enter into a new lease agreement which allows them to make investments in the necessary improvements to the space and lease the property for a longer term than the six years that remain in the lease; and,

WHEREAS, In November 2018, the SFMTA hired an independent appraiser R. Blum and Associates (R. Blum), and R. Blum concluded a range of rental rate between \$82.50 and \$87.50 per square foot per year; and,

WHEREAS, With consideration of nine months of rent abatement, the market rent is adjusted upward and concluded at \$87.56 per square foot per year. A second independent appraiser, David Tattersall, was hired to provide an appraisal review and concluded in agreement with the R. Blum report; and,

WHEREAS, The proposed new lease agreement is for a ten-year term and nine months of rent abatement which will result in \$5,317,064 in revenue, and includes two five-year options to extend the lease; and,

WHEREAS, Rent for the first five-year option to extend will be at 103% of the base rent from the lease year immediately prior; and

WHEREAS, Rent for the second five-year option to extend is at the greater of 103% of the base rent from the lease year immediately prior or 95% of the market rent; and,

WHEREAS, Comparing the current Lease with the proposed lease over a ten year term, the result is a net revenue increase of \$190,154; and,

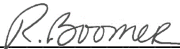
WHEREAS, Tenant has been operating in the greater Union Square for over 45 years and retaining a local small business contributes to a proper public purpose; and,

WHEREAS, On January 3, 2019, the SFMTA, under authority delegated by the Planning Department, determined that the Commercial Lease Agreement with Tad's Inc. is not defined as a "project" under the California Environmental Quality Act (CEQA) pursuant Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b); and, now therefore, be it

RESOLVED, That the SFMTA Board of Directors authorizes the Director of Transportation to execute a Commercial Lease Agreement with Tad's Inc. for retail space, located at 44 Ellis Street in the Ellis-O'Farrell Garage, for a ten-year term and two five-year options to extend the lease that will result in \$5,317,064 in revenue to the SFMTA; and be it further,

RESOLVED, That the SFMTA Board of Directors requests the Board of Supervisors' approval of the Commercial Lease Agreement.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of March 5, 2019.



Secretary to the Board of Directors
San Francisco Municipal Transportation Agency