




## MEMORANDUM

October 4, 2024

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Gail Gilman, Vice President  
Hon. Willie Adams  
Hon. Stephen Engblom  
Hon. Steven Lee

**FROM:** Elaine Forbes  
Executive Director 

**SUBJECT:** Request approval of proposed Lease No. L-17189 with Silverado Contractors, Inc., a California corporation for approximately 223 square feet of office space, 5,875 square feet of shed space, 99,311 square feet of open pier space and 23,750 square feet of nonexclusive submerged land all at Pier 96 for a term of five years.

**DIRECTOR'S RECOMMENDATION:** Approve the Attached Resolution No. 24-47

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### EXECUTIVE SUMMARY

Silverado Contractors, Inc. ("Silverado") is a tenant at the Port with three agreements at Pier 96. Under Lease No. L-14998, Silverado leases approximately 223 square feet of office space and 5,875 square feet of shed space at Pier 96 M&R Building and 19,116 square feet of paved land adjacent to Pier 96 M&R Building (collectively the "Pier 96 M&R Space") and 1,445 square feet of open pier and 15,000 square feet of submerged land on a southern portion of Pier 96 (collectively "Pier 96 South"). Silverado also leases approximately 45,000 square feet of paved land under License No. 15038 and 700 linear feet of exterior dock space under a Berthing Agreement on a northern portion of Pier 96 (collectively "Pier 96 North").

Port and Silverado wish to consolidate the three existing agreements into new Lease L-17189 (the "**Lease**") for a five-year term for Silverado's continued use of the Pier 96 M&R Space, Pier 96 North and Pier 96 South for office, office storage, equipment maintenance

and storage, barge loading and unloading, berthing, storage and preparation of materials from construction projects and parking.

The proposed Lease is presented to the Port Commission because the revenue generated is more than \$1 million (\$3,093,068) in rent over the lease term. Under Charter Section 9.118, the Lease is not subject to approval by the Board of Supervisors due to its maritime focus.

## **STRATEGIC OBJECTIVE**

Approval of the proposed Lease will advance Port's Strategic Plan objectives related to Economic Growth, Productivity, and Economic Recovery. It will support the Port's maritime portfolio by continuing to activate Pier 96 and generating a stable revenue stream through a reliable rent-paying maritime tenant.

## **BACKGROUND**

Under Lease No. L-14998, Silverado leases approximately 223 square feet of office space, 5,875 square feet of shed space at Pier 96 M&R Building and 19,116 square feet of paved land adjacent to Pier 96 M&R Building (collectively "Pier 96 M&R Space") and 1,445 square feet of open pier and 15,000 square feet of submerged land at a southern portion of Pier 96 ("Pier 96 South") for office, office storage and equipment maintenance and storage. Lease No. L-14998 commenced on July 1, 2011, expired on June 30, 2016, and is on a month-to-month holdover. The current monthly rent for Lease No. L-14998 is \$22,108.40.

Under License No. 15038 (the "License"), Silverado licenses approximately 10,000 square feet of paved land at a northern portion of Pier 96 ("Pier 96 North") for barge loading and unloading, berthing, storage, and preparation of materials from construction projects. The License commenced on September 1, 2011, and expired on June 30, 2016. In February 2024, Port staff observed Silverado expanded its use beyond the license area without Port approval. A review confirmed the encroachment had been ongoing for at least twelve months. As a result, Port charged Silverado an encroachment fee of \$184,000 for the initial encroachment, plus an ongoing monthly fee of \$0.40 per square foot for the approximately 35,000 square feet of excess space used. The encroachment led to an administrative audit of the License, which revealed the License had expired without a subsequent review or renewal, resulting in Silverado's continued occupation of the license area. Since the expiration date, Silverado has continued to pay the license fee and ongoing encroachment fees. Including the encroachment charge, the monthly revenues for License No. 15308 is \$18,900.

Under a Berth Agreement, Silverado leases approximately 700 linear feet of exterior dock space at Pier 96 North. The Berth Agreement is a month-to-month agreement that commenced on May 1, 2017. The monthly rent for the Berth Agreement is \$7,500.

Port and Silverado wish to consolidate the three agreements into new Lease No. L-17189 (the "Lease"). This Lease will cover Silverado's continued use of the Pier 96 M&R Space,

Pier 96 North, and Pier 96 South for office, office storage, equipment maintenance and storage, barge loading and unloading, berthing, storage and preparation of materials from construction projects and parking. The Lease will expand the premises at Pier 96 to 223 square feet of office space, 5,875 square feet of shed space, 99,311 square feet of open pier space, and 23,750 square feet of nonexclusive submerged land. In 2025, a portion of the premises will be temporarily returned to Port for the Crane Demolition Project, and the premises and rent will be adjusted accordingly.

Silverado qualifies for the Maritime Triple Threat Leasing Incentive Program, which provides discounted rates for maritime tenants utilizing three of the following four categories: office, shed, apron, and submerged land (Port Resolution 23-36). Silverado is a reliable tenant, and Port staff recommends the continuation of its use of the premises for maritime purposes, which will ensure a steady revenue stream for the Port over the next five years. Currently, the total revenue for all three agreements (including the encroachment fee) is \$48,508. With the application of the leasing incentive, the initial monthly base rent will be \$46,569, generating approximately \$558,828 for the first year and \$3,093,068 in total revenue over the five-year term.

All other terms and conditions conform to the Port Commission's approved FY 23/24 parameter terms and conditions (Port Resolution No. 23-36).

## PROPOSED LEASE TERMS

The proposed new Lease No. L-17189 contains the following terms:

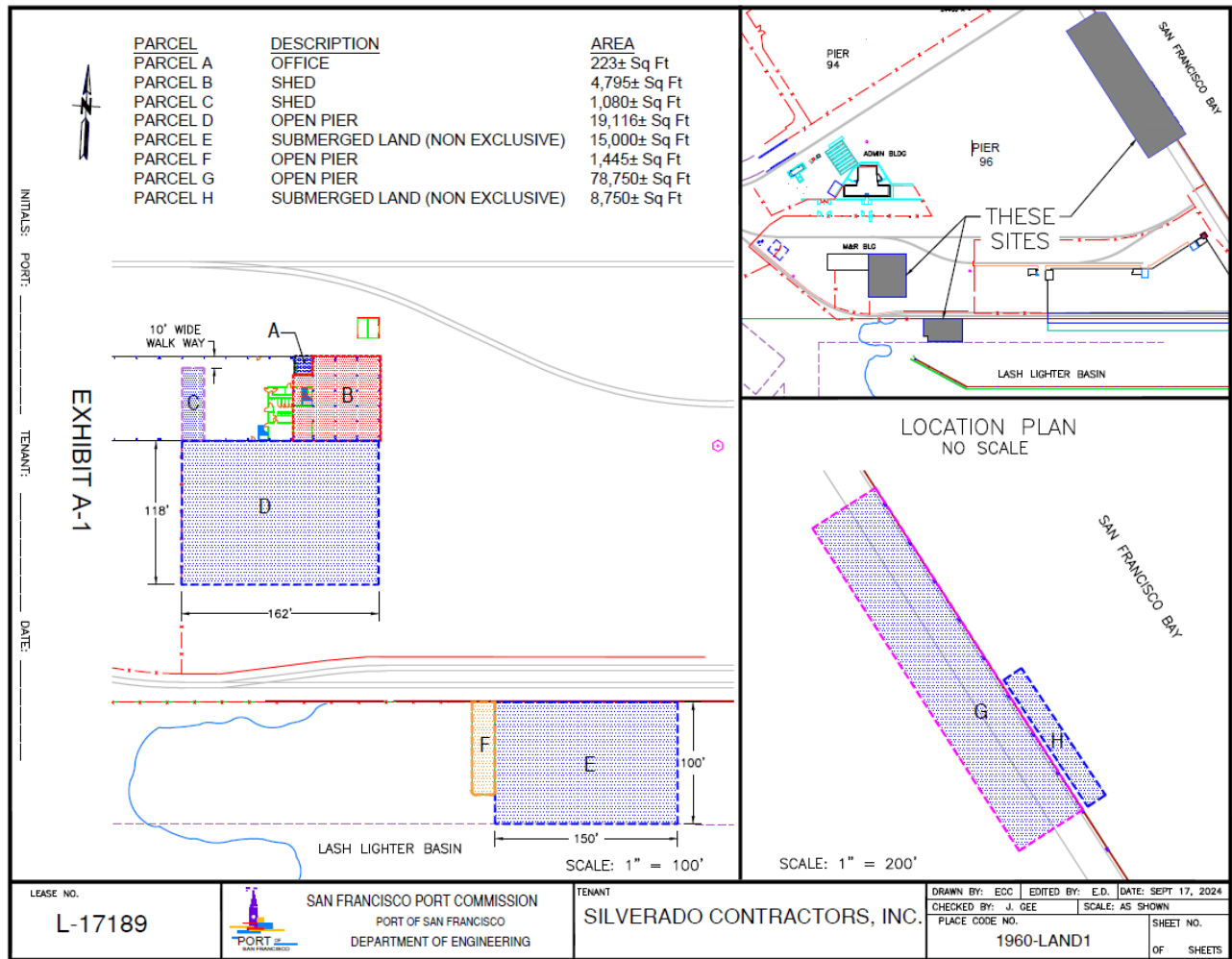
<i>Premises:</i>	Pier 96 M&R Building and a portion of Pier 96
<i>Premises Rentable Square Footage:</i>	<p>The Premises consists of the following:</p> <p><u>Pier 96 M&amp;R:</u></p> <p>Parcel A – approx. 223 rentable square feet of office space</p> <p>Parcel B – approx. 4,795 rentable square feet of shed space</p> <p>Parcel C – approx. 1,080 rentable square feet of shed space</p> <p>Parcel D – approx. 19,116 rentable square feet of open pier space</p> <p><u>Pier 96 South:</u></p> <p>Parcel E – approx. 15,000 rentable square feet of nonexclusive submerged land</p> <p>Parcel F – approx. 1,445 rentable square feet of open pier space</p>

	<u>Pier 96 North:</u> Parcel G – approx. 78,750 rentable square feet of open pier space Parcel H – approx. 8,750 rentable square feet of nonexclusive submerged land			
<i>Length of Term:</i>	Sixty (60) Months			
<i>Commencement Date:</i>	November 1, 2024			
<i>Rent Commencement:</i>	November 1, 2024			
<i>Expiration Date:</i>	October 31, 2029			
<i>Monthly Base Rent:</i>	Months	Sq. Ft.	Monthly Base Rate	Total Monthly Base Rent
Parcel A (office)	1-12	223	\$1.45	\$323.35
Parcel B (shed)		4,795	\$1.11	\$5,322.45
Parcel C (shed)		1,080	\$1.11	\$1,198.80
Parcel D (open pier)		19,116	\$0.40	\$7,646.40
Parcel E (submerged land)		15,000	\$0.00	\$0.00
Parcel F (open pier)		1,445	\$0.40	\$578.00
Parcel G (open pier)		78,750	\$0.40	\$31,500.00
Parcel H (submerged land)		8,750	\$0.00	<u>\$0.00</u>
<i>11/1/2024 – 10/31/2025</i>				<b>\$46,569.00</b>
Parcel A (office)	13-24	223	\$1.53	\$341.19
Parcel B (shed)		4,795	\$1.17	\$5,610.15
Parcel C (shed)		1,080	\$1.17	\$1,263.60
Parcel D (open pier)		19,116	\$0.42	\$8,028.72
Parcel E (submerged land)		15,000	\$0.00	\$0.00
Parcel F (open pier)		1,445	\$0.42	\$606.90
Parcel G (open pier)		78,750	\$0.42	\$33,075.00
Parcel H (submerged land)		8,750	\$0.00	<u>\$0.00</u>
<i>11/1/2025 – 10/31/2026</i>				<b>\$48,925.56</b>
Parcel A (office)	25-36	223	\$1.62	\$361.26
Parcel B (shed)		4,795	\$1.24	\$5,945.80
Parcel C (shed)		1,080	\$1.24	\$1,339.20
Parcel D (open pier)		19,116	\$0.44	\$8,411.04
Parcel E (submerged land)		15,000	\$0.00	\$0.00
Parcel F (open pier)		1,445	\$0.44	\$635.80

Parcel G (open pier)		78,750	\$0.44	\$34,650.00
Parcel H (submerged land)		8,750	\$0.00	<u>\$0.00</u>
<i>11/1/2026 – 10/31/2027</i>				<b>\$51,343.10</b>
Parcel A (office)	37-48	223	\$1.70	\$379.10
Parcel B (shed)		4,795	\$1.30	\$6,233.50
Parcel C (shed)		1,080	\$1.40	\$1,512.00
Parcel D (open pier)		19,116	\$0.46	\$8,793.36
Parcel E (submerged land)		15,000	\$0.00	\$0.00
Parcel F (open pier)		1,445	\$0.46	\$664.70
Parcel G (open pier)		78,750	\$0.46	\$36,225.00
Parcel H (submerged land)		8,750	\$0.00	<u>\$0.00</u>
<i>11/1/2027 – 10/31/2028</i>				<b>\$53,807.66</b>
Parcel A (office)	49-60	223	\$1.79	\$399.17
Parcel B (shed)		4,795	\$1.37	\$6,569.15
Parcel C (shed)		1,080	\$1.37	\$1,479.60
Parcel D (open pier)		19,116	\$0.49	\$9,366.84
Parcel E (submerged land)		15,000	\$0.00	\$0.00
Parcel F (open pier)		1,445	\$0.49	\$708.05
Parcel G (open pier)		78,750	\$0.49	\$38,587.50
Parcel H (submerged land)		8,750	\$0.00	<u>\$0.00</u>
<i>11/1/2028 – 10/31/2029</i>				<b>\$57,110.31</b>
<i>Parcel G:</i>	Pier 96 Crane Demolition Project will occur during the Term and a portion of Parcel G may be reduced to accommodate the project. Either party may terminate all or a portion of Parcel G at any time throughout the Term, and rent shall be recalculated to reflect the new square footage.			
<i>Security Deposit:</i>	Two times the Monthly Base Rent for the final year			
<i>Environmental Security:</i>	\$10,000 Environmental Oversight Deposit and \$10,000 Letter of Credit for reimbursement for environmental clean-up costs incurred as a result of Tenant's failure to abide by the environmental regulatory terms of the Lease.			
<i>Permitted Use:</i>	Parcel A (office) – office and office storage Parcel B (shed) – equipment maintenance and storage Parcel C (shed) – equipment maintenance and storage			

	<p>Parcel D (open pier) – parking</p> <p>Parcel E (non-exclusive submerged land) – barge loading and unloading</p> <p>Parcel F (open pier) – berthing of Tenant-owned vessels</p> <p>Parcel G (open pier) – storage and preparation of materials from marine construction projects (including timber piling and deck structures, water floats, gangways, and ramps) for transportation and recycling/reuse/disposal</p> <p>Parcel H – (non-exclusive submerged land) - barge loading and unloading</p>
<i>Maintenance/Utilities:</i>	Tenant's sole responsibility
<i>Community Benefits:</i>	<p>The collective vision of Port's Race and Equity action plan is to ensure the San Francisco Waterfront intentionally welcomes and includes diverse communities, specifically Black, Indigenous, and People of Color (BIPOC), by partnering with Port tenants to provide maritime-related events, free of charge to the public, and in coordination with the Port. Tenant shall use best efforts to host a minimum of one event per year that aims to achieve the Port's goals stated herein.</p>

## PROPOSED LEASE PREMISES



## SOUTHERN WATERFRONT COMMUNITY BENEFITS AND BEAUTIFICATION POLICY

Consistent with the latest adoption of Parameter Rates, 6.5% of lease revenues will be set aside in the Port's Southern Waterfront Community Benefits and Beautification fund. This equates to approximately \$36,323 in the first year of the lease and \$201,049 during the five-year term.

## RECOMMENDATION

Port staff recommends the Port Commission adopt the attached resolution authorizing the Executive Director or her designee to enter Lease No. L-17189 with Silverado Contractors, Inc. for the Pier 96 M&R Space, Pier 96 North, and Pier 96 South at the Maritime Triple Threat Incentive Program rental rate.

Prepared by: Jennifer Gee, Senior Property Manager  
Real Estate and Development

Through: Kimberley Beal, Assistant Deputy Director  
Real Estate and Development

For: Andre Coleman, Deputy Director  
Maritime



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 24-47**

- WHEREAS, Charter B3.581 empowers the Commission with the power and duty to use, conduct, operate, maintain, manage, regulate, and control the Port area of the City and County of San Francisco; and
- WHEREAS, Silverado Contractors, Inc. (“Silverado”) is current on rent under its current Lease No. L-14998, License 15038 and Berthing Agreement in and outside the Pier 96 M&R Building (“Pier 96 M&R Space”), a northern portion of Pier 96 (“Pier 96 North”), and a southern portion of Pier 96 (“Pier 96 South”) for office, storage, construction laydown, loading, and unloading of barges and parking; and
- WHEREAS, License No. 15038 expired on June 30, 2016, and Port staff observed Silverado expanded its use beyond the license area without Port approval which led to an internal audit revealing the License had expired and Silverado has paid an encroachment fee of \$184,000 for the prior twelve month period and continues to pay an ongoing monthly encroachment fee of \$0.40 per square foot for the excess space used; and
- WHEREAS, Port and Silverado have negotiated the terms of a new five (5) year Lease No. L-17189 (the “Lease”) for Silverado’s continued use of 223 square feet of office space, 5,875 square feet of shed space, 99,311 square feet of open pier space, and 23,750 square feet of submerged land all at Pier 96 for office, storage, construction laydown, loading, and unloading of barges and parking; and
- WHEREAS, The Port Commission approved the Maritime Triple Threat Leasing Incentive Program for maritime tenants that provides discounted rates for maritime tenants utilizing three of the following four categories: office, shed, apron, and submerged land pursuant to Port Resolution 23-36; and
- WHEREAS, The proposed Lease is presented to the Port Commission because the revenue generated is more than \$1 million (\$3,093,068) in rent over the lease term, but is not subject to approval by the Board of Supervisors due to its maritime focus under Charter Section 9.118; and
- WHEREAS, Port staff recommends approval of the proposed Lease L-17189 with Silverado Contractors, Inc. on the terms on the terms described in the Memorandum to the Port Commission dated October 8, 2024, and substantially in the form of the Lease on file with the Commission Secretary; now, therefore be it

RESOLVED, That the Port Commission hereby approves the terms of proposed Lease L-17189 with Silverado Contractors, Inc. for a five-year term for approximately 223 square feet of office space, 5,875 square feet of shed space, 99,311 square feet of open pier space and 23,750 square feet of submerged land all at Pier 96 for office, storage, construction laydown, loading and unloading of barges and parking as described above; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee, to enter into any additions, amendments, or other modifications to the Lease that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 8, 2024.***

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Secretary