




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-17209 with Steph Mufson Creations, LLC dba The Parade Guys, a California limited liability company for approximately 15,042 square feet of shed space at Pier 19 for a term of one year with four (4) one-year extensions.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 24-48

EXECUTIVE SUMMARY

In 2011, Port entered into Lease No. L-15062 with the Chinese Chamber of Commerce ("Chinese Chamber"), as amended by a First Amendment dated July 27, 2022, for approximately 6,340 square feet of shed space and 694 square feet of apron space located at Pier 54 ("Pier 54"). The lease commenced December 1, 2011, expired on November 30, 2012, and has been on month-to-month holdover status. The Chinese Chamber subleases the premises to Steph Mufson Creations, LLC, dba The Parade Guys ("The Parade Guys"), who uses the premises for designing, building, and storing parade floats for the Chinese New Year's Parade and other events throughout the San Francisco Bay Area.

Due to the deteriorating condition of Pier 54 and with no plans to repair, Port Engineering has recommended Pier 54's closure for safety reasons. As part of Port staff's efforts to find alternate space for affected tenants wishing to remain on Port property, Pier 19 has been identified as a suitable relocation site for The Parade Guys. Pier 19 offers a versatile

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rectangular space that is fully enclosed and protected from the elements, providing an ideal environment for the fabrication and storage of art sculptures and parade floats. The fenced-in area(s) add a layer of security and privacy.

Port and The Parade Guys wish to enter a direct lease, Lease No. L-17209 (the “Lease”), for approximately 15,042 square feet of shed space at Pier 19. The term would be for one (1) year with four (4) one-year options to extend. As part of the rent structure, a discounted rental rate is proposed contingent upon The Parade Guys' implementation of a Community Benefits Program that is intended to enhance local engagement, promote equity, and foster a vibrant waterfront experience.

Port staff is requesting approval of the rental structure for the proposed Lease with Steph Mufson Creations, LLC dba The Parade Guys.

STRATEGIC OBJECTIVE

The proposed Lease supports the Economic Recovery, Equity, Evolution, and Engagement objectives of the Port's Strategic Plan by leasing a significant portion of a vacant shed while partnering with an arts community-serving tenant to activate Port property. The program will also provide opportunities for Port-adjacent communities through ongoing programming and community engagement efforts, including hosting local artists, offering internships, and providing career exposure for youth.

BACKGROUND

The Chinese Chamber of Commerce, a Port tenant since 2005, was relocated to Pier 54 under Lease No. L-15062 due to the Pier 27 Cruise Terminal construction in 2011. The lease covered approximately 6,340 square feet of shed space and 694 square feet of apron space (the “Original Premises”) and commenced December 1, 2011. The lease expired on November 30, 2012, and has been on month-to-month holdover status since that time. Currently, Steph Mufson Creations, LLC dba The Parade Guys subleases the Original Premises at Pier 54 from the Chinese Chamber for the design, fabrication, and storage of parade floats and installations for events throughout the San Francisco Bay Area.

Under the Civic Impact Tenant COVID-19 Relief Program, Port and Chinese Chamber/The Parade Guys entered a First Amendment to forgive a portion of back rent accrued during the pandemic, with a repayment plan for the remaining balance. In addition to timely ongoing rent obligations, the Chinese Chamber/The Parade Guys has continued to meet the obligations of the repayment plan. As of August 2024, six monthly installments remain, totaling \$3,357.54.

Due to Pier 54's deterioration and impending closure by December 31, 2024, the Port Commission approved the Pier 54 Relocation Program (Port Resolution 24-37) on August 13, 2024. This program temporarily offsets the initial rent increase Pier 54 tenants would incur at alternative Port locations by allowing Pier 54 tenants to pay the same price per square foot under their existing lease, gradually increasing the rate to parameter. As

structured, the program would still result in a significant increase in rent for The Parade Guys as they occupy apron space at Pier 54 which is not available at Pier 19, causing them to pay for shed space, and the amount of space needed for their operations (approximately 20,000 sq. ft.) is substantially more than what is covered under the existing lease (approximately 7,000 sq. ft.).

Port staff is committed to identifying locations for Pier 54 tenants wishing to remain on Port property and Pier 19 has been identified as a suitable site for The Parade Guys' operation. Port and The Parade Guys wish to enter a new lease, Lease No. L-17209, for approximately 15,042 square feet of shed space at Pier 19 (the "New Premises") for an initial term of one (1) year, with four (4) one-year extension options, for the building and storage of parade floats. Under the proposed lease, the leasehold would increase to address the different configurations at Pier 19. The Parade Guys is a tenant in good standing and will be required to pay the remaining repayment plan balance in full upon termination of the lease at Pier 54. The Parade Guys will also be required to implement a Community Benefits Program as part of a reduced rent structure.

THE PARADE GUYS

Steph Mufson Creations LLC, dba The Parade Guys, is a female-owned and operated small business in the San Francisco Bay Area whose operations include the design and creation of custom floats and rolling stages for local parades and events in San Francisco, including the Chinese New Year Parade, LGBTQ+ Pride Parade, Carnival, Juneteenth, Italian Heritage, and many other local events. Their portfolio also includes the parade floats for championship celebrations for the Golden State Warriors and the San Francisco Giants.

COMMUNITY BENEFITS PROGRAM

The Parade Guys has expressed concerns about its ability to meet the rent obligations under the Pier 54 Relocation Program due to increased material costs and because revenues have not returned to pre-pandemic levels. Given the unique civic benefit, The Parade Guys brings to San Francisco, Port staff proposes a rent structure at a reduced monthly base rate allowing them to sustain its operations in San Francisco and on Port property. A comparison of the monthly rental rates for the current lease at Pier 54, the Pier 54 Relocation Program, and the proposed new Lease are shown below.

Monthly Rent - Current Pier 54

	Year 1	Year 2	Year 3	Year 4	Year 5
7,034 sq. ft.	\$6,049	n/a	n/a	n/a	n/a

Monthly Rent - Pier 54 Relocation Program

	Year 1	Year 2	Year 3	Year 4	Year 5
15,042 sq. ft.	\$7,346	\$7,714	\$18,953	\$21,660	\$27,076

Monthly Rent - Proposed New Lease

	Year 1	Year 2	Year 3	Year 4	Year 5
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15,042 sq. ft.	\$7,346	\$7,640	\$7,934	\$8,299	\$8,593
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In exchange for a reduced rental rate, The Parade Guys will be required to provide a Community Benefits Program that may include:

- Providing services and displays for Port-approved events and activations
- Partnering with Port to showcase local artists, including those from Bayview/Hunters Point and Chinatown
- Offering internship and mentorship opportunities to Port-adjacent communities and local educational institutions
- Providing career exposure opportunities and field trips for San Francisco Unified School District high school students
- Participating in Port career days
- Providing annual equity reporting for the internship, mentorship, programming, and outreach efforts

Throughout the term of the lease, Port staff will partner with The Parade Guys to create programming in line with the Port's strategic, equity, and inclusion goals. Should The Parade Guys fail to meet the community benefits obligation, the Monthly Base Rent will be subject to the then-current parameter rate for the New Premises. At this time, the current parameter rate for Pier 19 is \$1.80 per square foot.

PROPOSED LEASE TERMS

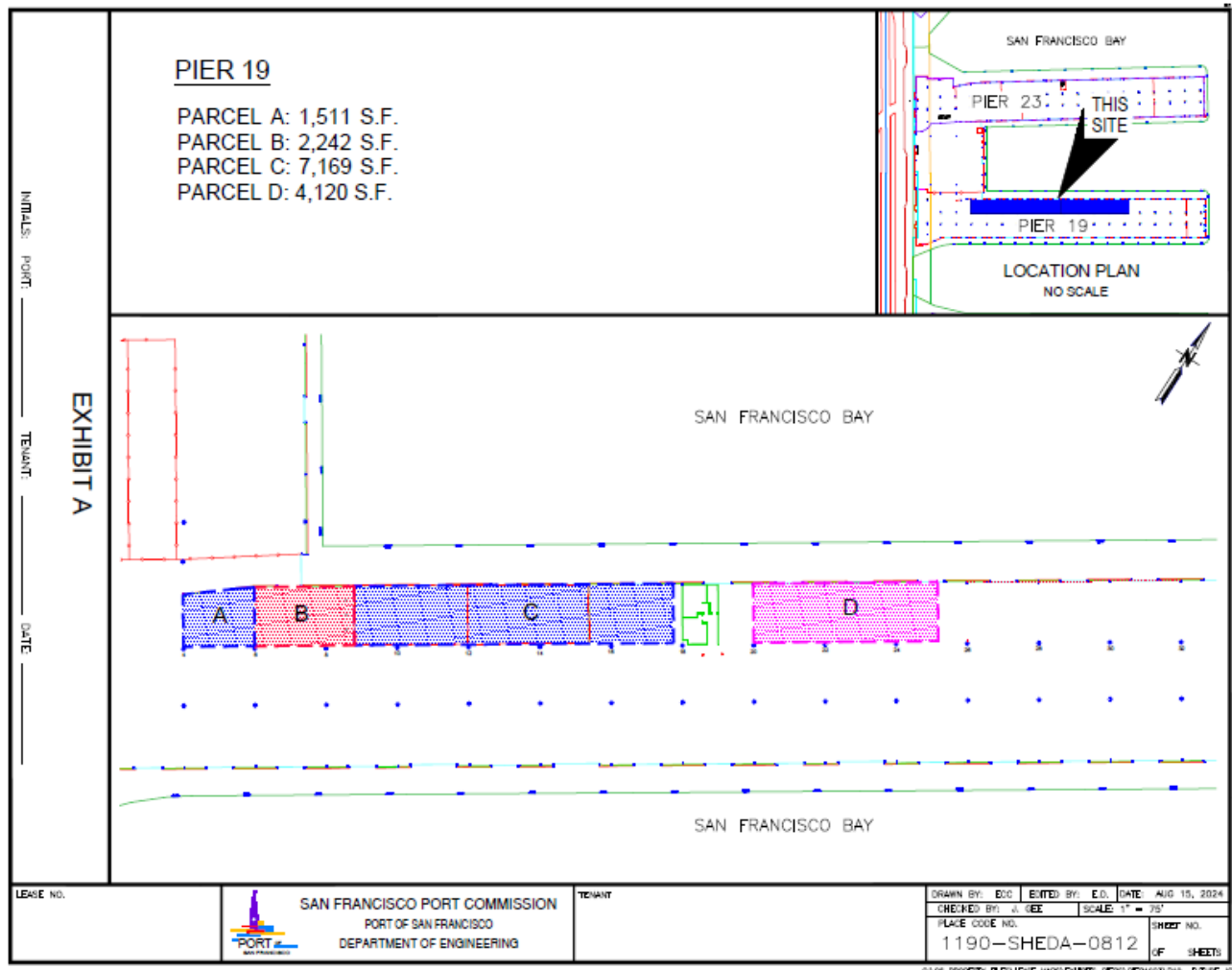
The proposed new Lease contains the following terms:

<i>Premises:</i>	Pier 19, Bays 4-18, Bays 20-25 and Bays 26-32
<i>Premises Rentable Square Footage:</i>	The Premises is comprised of the following Parcels A: Parcel A: Approx. 1,511 rentable square feet of shed space Parcel B: Approx. 2,242 rentable square feet of shed space Parcel C: Approx. 7,169 rentable square feet of shed space Parcel D: Approx. 4,120 rentable square feet of shed space
<i>Length of Term:</i>	Twelve (12) months
<i>Extension Option:</i>	Tenant shall have four (4) consecutive options to extend the term for a period of twelve (12) months.
<i>Commencement Date:</i>	November 1, 2024
<i>Rent Commencement:</i>	December 1, 2024
<i>Expiration Date:</i>	October 31, 2025

<i>Monthly Base Rent:</i>	Months	Sq. Ft.	Monthly Base Rate	Total Monthly Base Rent
Parcel A	0-1	1,511	\$0.00	\$0.00
Parcel B		2,242	\$0.00	\$0.00
Parcel C		7,169	\$0.00	\$0.00
Parcel D		4,120	\$0.00	\$0.00
Electrical Charge			\$0.00	TBD
<i>11/1/2024 – 11/30/2024</i>		<u>15,042</u>		\$0.00
<i>Base Rent Waived</i>				
Parcel A	2-12	1,511	\$0.15	\$226.65
Parcel B		2,242	\$0.15	\$336.30
Parcel C		7,169	\$0.86	\$6,165.34
Parcel D		4,120	\$0.15	\$618.00
Electrical Charge			TBD	TBD
<i>12/1/2024 – 10/31/2025</i>		<u>15,042</u>		\$7,346.29
Parcel A	13-24	1,511	\$0.16	\$241.76
Parcel B		2,242	\$0.16	\$358.72
Parcel C		7,169	\$0.89	\$6,380.41
Parcel D		4,120	\$0.16	\$659.20
Electrical Charge			TBD	TBD
<i>11/1/2025 – 10/31/2026</i>		<u>15,042</u>		\$7,640.09
<i>Extension Option 1</i>				
Parcel A	25-36	1,511	\$0.17	\$256.87
Parcel B		2,242	\$0.17	\$381.14
Parcel C		7,169	\$0.92	\$6,595.48
Parcel D		4,120	\$0.17	\$700.40
Electrical Charge			TBD	TBD
<i>11/1/2026 – 10/31/2027</i>		<u>15,042</u>		\$7,933.89
<i>Extension Option 2</i>				
Parcel A	37-48	1,511	\$0.18	\$271.98
Parcel B		2,242	\$0.18	\$403.56
Parcel C		7,169	\$0.96	\$6,882.24
Parcel D		4,120	\$0.18	\$741.60
Electrical Charge			TBD	TBD

11/1/2027 – 10/31/2028 <i>Extension Option 3</i>		15,042		\$8,299.38
Parcel A	49-60	1,511	\$0.19	\$287.09
Parcel B		2,242	\$0.19	\$425.98
Parcel C		7,169	\$0.99	\$7,097.31
Parcel D		4,120	\$0.19	\$782.80
Electrical Charge			TBD	TBD
11/1/2028 – 10/31/2029 <i>Extension Option 4</i>		<u>15,042</u>		\$8,593.18
<i>Security Deposit:</i>	Two times the Monthly Base Rent for the first year			
<i>Electrical Charge:</i>	Until Port's installation of the electrical meter is completed, Tenant shall pay a monthly Electrical Charge calculated at a pro-rata rate for the Pier 54 shed.			
<i>Permitted Use:</i>	The Premises shall be used solely for the design, fabrication, assembly, dismantling, and storage of artwork, props, and structures for parade floats, installations, and events and for no other purpose.			
<i>Community Benefits Program:</i>	In exchange for a reduced rental rate, Tenant shall provide, subject to Port's written approval, a continued Community Benefits Program throughout the Term. Throughout the term of the Lease, Port staff will partner with Tenant to create programming in line with the Port's strategic, equity, and inclusion goals. Should Tenant fail to meet the Community Benefits Program obligation(s), the Monthly Base Rent shall increase to the then-current parameter rate for the Premises.			
<i>Maintenance/Utilities:</i>	Tenant's sole responsibility			
<i>Form Lease; City Requirements:</i>	The new lease shall be on the Port's form lease and include all standard Hazardous Materials, Insurance, Indemnity and Release, Damage and Destruction, and all current City ordinances and requirements as necessary.			

PROPOSED LEASE PREMISES



RECOMMENDATION

Port staff recommends the Port Commission adopt the attached resolution authorizing the Executive Director or her designee to enter direct Lease No. L-17209 with The Parade Guys for Pier 19 at a reduced rate in exchange for a Community Benefits Program.

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

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

For: Scott Landsittel, Deputy Director
 Real Estate and Development

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

RESOLUTION NO. 24-48

- WHEREAS, Charter B3.581 empowers the Port 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, The Chinese Chamber of Commerce (“Chinese Chamber”) and its subtenant Steph Mufson Creations, LLC dba The Parade Guys (“The Parade Guys”) are in good standing under the Chinese Chamber’s current Lease No. L-15062, occupying approximately 6,340 square feet of shed space and 694 square feet of apron space at Pier 54, for the design, fabrication, and storage of parade floats and installations for events in the San Francisco Bay Area; and
- WHEREAS, Due to the deteriorating condition and closure of Pier 54, Chinese Chamber/The Parade Guys must vacate Pier 54 by December 31, 2024, and Port staff have identified Pier 19 as a suitable location for the tenant; and
- WHEREAS, Chinese Chamber/The Parade Guys entered into a First Amendment (L-15062) under the Civic Impact COVID-19 Rent Forgiveness Program with a repayment plan for the back rent balance incurred during the pandemic, which Chinese Chamber/The Parade Guys will be required to pay in full on or prior to termination of Lease No. L-15062; and
- WHEREAS, Port staff have negotiated the terms of a one (1) year Lease No. L-17209 (the “Lease”) with four (4) one-year extension options directly with Steph Mufson Creations, LLC dba The Parade Guys for approximately 15,042 square feet of shed space at Pier 19 for a reduced rent structure in exchange for a community benefits program (a “Community Benefits Program”); and
- WHEREAS, Port staff recommends approval of the proposed Lease No. L-17029 with Steph Mufson Creations, LLC dba The Parade Guys on the terms described in the Memorandum to the Port Commission dated October 4, 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 No. L-17209 with Steph Mufson, LLC dba The Parade Guys for a one-year term with four (4) one-year extension options for approximately 15,042 square feet of shed space at Pier 19 for the design, fabrication, and storage parade floats and installations with a reduced rent structure in exchange for the tenant providing a Community Benefits Program; 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.

Secretary