



MEMORANDUM

April 18, 2025

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 a proposed new lease ("Lease No. L-17181" or "Lease") with 340 Jefferson Street Partners, LLC, a California limited liability company ("340 Jefferson Street Partners"), for approximately 3,750 square feet of a single-story restaurant space located at 340 Jefferson Street for a term of 10 years with two five-year options to renew.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 25-24

EXECUTIVE SUMMARY

On July 12, 2022, the Port Commission adopted Resolution No. 22-37 approving the Interim Broker Policy ("Policy") allowing Port staff to select a commercial retail broker to support the marketing and leasing of critical retail locations that were vacated during the pandemic. Following the process outlined in the Policy, staff selected Maven Commercial ("Maven") as the broker.

On June 13, 2023, the Port Commission adopted Resolution No. 23-29, authorizing Port staff to pursue new tenants for certain retail vacancies, including 340 Jefferson Street ("340 Jefferson"), in accordance with the Policy and setting forth formal selection criteria. Following the process outlined in the Policy, Maven marketed the vacant 340

Jefferson restaurant space on behalf of the Port¹. Maven undertook an extensive marketing campaign for 340 Jefferson and after assessing interest and qualifications, Maven identified two viable proposals for 340 Jefferson to advance to a selection panel. One proposal was from the key individuals behind 340 Jefferson Street Partners (the “340 Jefferson Team”) with Rao’s, an owner/operator of several high-end Italian restaurants in the country. The other proposal was for a pizza restaurant with an experienced operator.

Port staff convened a selection panel to review and rank the proposals. The panel unanimously selected the 340 Jefferson Team as the winning prospect with Rao’s as the proposed operator.

Rao’s subsequently elected to pursue another opportunity.

The 340 Jefferson Team is now proposing to pivot to a new concept for the space, Chasca Rio, based on El Salvadorian cuisine. Port staff believe that the proposal offered by the 340 Jefferson Team, even without Rao’s, continues to be the best proposal as the members of the 340 Jefferson Team and 340 Jefferson Street Partners remain the same, along with their proposed financial structure for the lease of 340 Jefferson. Additionally, the proposed operator of the Chasca Rio concept has experience with high-end restaurant operations, including Foreign Cinema and restaurants operated by the Vine Hospitality Group.

Port staff believe 340 Jefferson Street Partners, with the team behind Chasca Rio, remains an excellent addition to Port’s restaurant community in terms of a new concept with a seasoned operator. The lease will generate an average of \$151,000 per year in base rent (estimated to be \$1.51 million over the initial 10-year term), not including percentage rent.

STRATEGIC PLAN ALIGNMENT

A new restaurant at 340 Jefferson will support Port’s following Strategic Objectives:

Economic Recovery:

The 340 Jefferson restaurant space has been vacant for approximately five years. Successful activation of this space by an experienced operator will generate new, stable income for the Port.

Economic Growth:

Port investment in tenant improvements at 340 Jefferson will improve the value of the property, increase the likelihood of success for the new operator, and catalyze increased investment in nearby Port property.

¹ Agreements for Broker Services for 490 Jefferson Street (vacant office), 2829 Taylor Street (former Alioto’s), and 300 Jefferson Street (former Pompeii’s) were also authorized. Marketing for all four properties commenced at the same time.

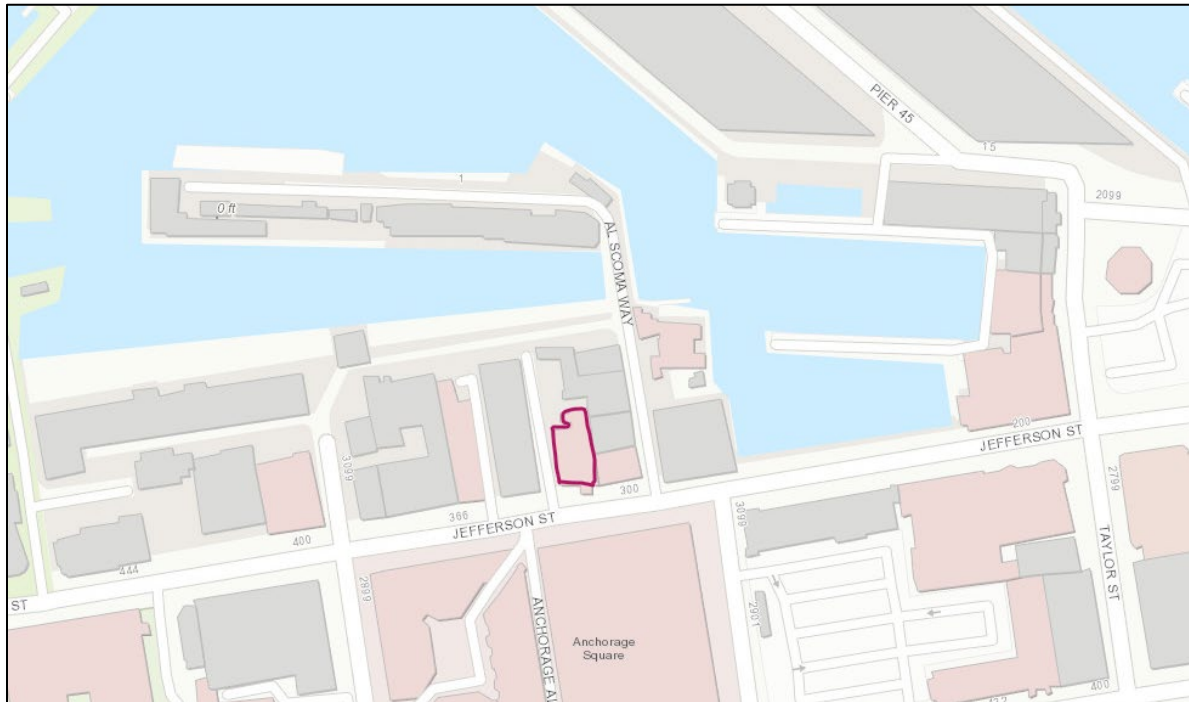
Engagement and Public Awareness:

With Everett & Jones BBQ next door and the reopening of 340 Jefferson with Chasca Rio, Jefferson Street will be reinvigorated with two new restaurants.

BACKGROUND

The 3,750 square-foot restaurant space at 340 Jefferson was in operation for many years, most recently as “Pompeii’s Grotto”, but has been vacant since the restaurant ceased operations in March 2020 after the onset of the COVID pandemic.

This site fronts Jefferson Street, the major pedestrian thoroughfare between Pier 39 and Ghirardelli Square, near Al Scoma Way. This location is close to hotels, tourist attractions, various local businesses, and residential neighborhoods. See the vicinity map below with the premises outlined in red.



Representative photo of 340 Jefferson Street in 2024.



Maven's leasing efforts for 340 Jefferson included:

- Listing the property on CoStar, Crexi (an online listing site), and others, along with the Maven website, including an Instagram advertisement for social media exposure.
- Contacting approximately 2,000 people through emails, flyers, phone calls, and network outreach.
- Direct calls to more than 100 people in the restaurant industry including owners, chefs, and brokers representing tenants.
- Contacting multiple local chambers and various parties who had previously indicated an interest in Port restaurant locations.
- Posting marketing flyers on the Maven and Port websites. An advertisement was also posted on Instagram, exposing the property on social media.
- Maven and Port public relations teams successfully launched a news story in the San Francisco Chronicle about this and other Fisherman's Wharf restaurants coming to market.

Maven recommended two proposals for consideration by Port's selection panel.

SELECTION PROCESS

The two proposals were presented to a selection panel consisting of two Port staff not involved in the leasing process and one outside consultant. The panel reviewed the proposals, conducted virtual interviews with the two candidates, and ranked them accordingly. The proposals were scored on the 100-point scale described in Port Commission Resolution No. 23-29.

Both proposers submitted letters of intent on a standardized form allowing side-by-side comparisons of each proposal. The selection panel found the information provided by each proposer sufficient to evaluate each proposal.

OUTCOME

Based on the formal criteria approved by the Port Commission in Resolution No. 23-29, the highest scoring proposal was submitted by the 340 Jefferson Team and Rao's with 79 points². The other proposal received 71 points.

Several months after the 340 Jefferson Team and Rao's were selected, Port staff were informed that Rao's decided to pursue another opportunity and was unwilling to work on a lease at 340 Jefferson Street for at least 12 months. Port staff felt there was a good chance that Rao's may not return and was unwilling to hold 340 Jefferson Street off the market on the chance Rao's would return. The 340 Jefferson Team then proposed Chasca Rio with a focus on El Salvadorian traditional soups, stews, pupusas, whole fish preparations, and other regionally inspired food items. Since the individuals of the 340 Jefferson Team did not change, the proposed financial terms for the lease remained the same, and the team behind Chasca Rio has successfully operated high-end restaurants in the Bay Area, Port staff believed the pivot to the Chasca Rio concept for the restaurant space was an acceptable change.

Port staff believe the other path available to Port now that Rao's is no longer a part of the 340 Jefferson Team proposal, is to terminate discussions with the 340 Jefferson Team and re-market the space, which staff does not believe is in the best interest of the Port or the economic success of Fisherman's Wharf. The 340 Jefferson Team remains the same, the lease terms have not changed from what they originally proposed and the team behind Chasca Rio are experienced restaurateurs. Therefore, Port staff believe the best course of action is to remain with the 340 Jefferson Team with the Chasca Rio concept at 340 Jefferson.

² Based on the average of three panelists scores.

340 JEFFERSON STREET PARTNERS AND CHASCA RIO BACKGROUND

340 Jefferson Street Partners LLC

The members of 340 Jefferson Street Partners, LLC are Lou Giraudo, Chris McGarry, and Seth Hamalian, the same members of the 340 Jefferson Team. They are well known by the Port and are active in Fisherman's Wharf including the Fisherman's Wharf Revitalized development proposal, operate Guardino's on behalf of the Guardino family, and are working to revive Castagnola's. The team presented a financial statement to Port's development staff showing good financial capacity to perform for the FW Revitalized project and now 340 Jefferson Street. Note the actual tenant is an LLC, not linked to the team's financial capacity.

Chasca Rio

Chasca Rio is a Central American seafood-forward concept that will feature authentic El Salvadoran cuisine, a new concept for Fisherman's Wharf. The menu will spotlight traditional soups, stews, pupusas, whole fish preparations, and other food items inspired by El Salvadorian and Honduran cuisines.

Chasca Rio is led by a team with strong roots in Central American culture, and who together have more than 75 years of experience in some of San Francisco's most recognizable restaurants including Foreign Cinema and the Vine Hospitality Group³. The Chasca Rio team remains active in the San Francisco market.

The 340 Jefferson Street Partners team with Chasca Rio affirms its commitment to investing in the near-term reactivation of Fisherman's Wharf sorely in need of such investment.

LEASE TERMS

The proposed key business terms for Lease No. L-17181 between Port and 340 Jefferson Street Partners for the 340 Jefferson space are as follows:

Use

Premises shall be used solely for a full-service restaurant and bar (including outdoor dining), for meetings and events, and for no other purpose.

³ Vine Hospitality owns and operates the Left Bank, LB Steak, Petite Left Bank, Camper, MESO Modern Mediterranean & Rollati Ristorante family of restaurants, located in the San Francisco Bay Area.

Term

Ten (10) years starting on the Rent Commencement Date⁴ with two five-year options to extend.

- For 340 Jefferson Street Partners to open by the Rent Commencement Date, they need to complete tenant improvements and comply with the requirements in the lease Work Letter:
 - Develop a schedule of performance
 - Finalize construction documents
 - Obtain a building permit
 - Timely commence construction
 - Submit progress reports

Port staff will use the above steps to monitor and track the progress of reopening the restaurant.

- If the improvements are not complete within one year of the Commencement Date Port may impose a penalty of \$300 per day in addition to rent until the restaurant reopens.

Base Rent

Base Rent will commence 270 days from the Commencement Date or when the restaurant opens, whichever is earlier.

- Year 1 – Base Rent of \$10,395/month; \$2.75 psf/mo; \$33.00 psf/yr
- Year 2 – Base Rent increases to \$11,340/month; \$3.02 psf/mo; \$36.29 psf/yr
- Three Percent (3%) annual increases thereafter

Percentage Rent

Five percent (5.5%) of Gross Revenues over Base Rent, paid quarterly

Minimum Gross Sales Threshold

If 340 Jefferson Street Partners fails to achieve \$2.079 million in annual gross sales (~\$554 psf/year) by the end of the third lease year, Port has the right, but not the obligation, to terminate the lease.

Tenant Improvement Allowance

Port to provide up to \$470,000 (\$125 psf) as a tenant improvement allowance, funded by the ARPA Tenant Attraction & Retention Fund (TARF).

- The allowance will be paid directly to 340 Jefferson Street Partners subject to the conditions in the Work Letter.
 - Work must be completed and paid for by 340 Jefferson Street Partners
 - 340 Jefferson Street Partners must be a City-approved vendor to receive payment from the Controller's office.

⁴ Commencement Date is the last date signed by the parties after Port Commission and Board of Supervisors approval. Rent Commencement Date is 270-days after the Commencement Date

- Disbursements will be no more than monthly.
 - Port requires a standard construction draw package including a request for reimbursement, copies of paid invoices, and mechanic's lien releases.
 - Final disbursement requires Tenant's Architect to provide a certificate that all work has been completed.

A copy of the proposed Lease No. L-17181 is on file with the Port Commission Secretary.

Under SF Administrative Code Chapter 31, Port staff has determined the proposed Port action is not a project under the California Environmental Quality Act, CA Public Resources Code Sections 21000 et seq.

RECOMMENDATION

Port staff recommend that the Port Commission determine 340 Jefferson Street Partners, LLC as the successful proposer for 340 Jefferson and approve the attached resolution authorizing the Executive Director to forward the Lease to the Board of Supervisors for approval and upon the effectiveness of such approval, authorize the Executive Director or her designee to execute the Lease.

Prepared by: Don Kavanagh, Senior Property Manager
Real Estate and Development

For: Scott Landsittel, Deputy Director
Real Estate and Development

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

RESOLUTION NO. 25-24

- WHEREAS, Charter Section 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 Port Commission adopted Resolution Nos. 23-28 and 23-29 on June 13, 2023, which authorized the payment of Broker Commissions under the Broker Payment Policy (“Policy”) and authorized Port staff to pursue tenants for certain space in a broker-assisted competitive bidding process respectively; and
- WHEREAS, Port hired Maven Commercial (“Maven”) in November 2023 to pursue a new tenant for 340 Jefferson Street under a broker-assisted competitive bidding process; and
- WHEREAS, Maven submitted two prospects to a selection panel for consideration and such panel selected a team comprised of Lou Giraudo, Seth Hamalian, and Chris McGarry (the “340 Jefferson Team”) as the successful proposer for the 340 Jefferson Street space; and
- WHEREAS, The 340 Jefferson Team originally planned to have Rao’s as the operator of the restaurant-- Rao’s subsequently withdrew to pursue another opportunity; and
- WHEREAS, The 340 Jefferson Team pivoted to a new concept based on Central American Cuisine (“Chasca Rio”) from another experienced and successful restaurant operator; and
- WHEREAS, Port staff believe the 340 Jefferson Team with the new operator remains the best party to enter into a lease with the Port for the 340 Jefferson Street space; and
- WHEREAS, The 340 Jefferson Team has formed 340 Jefferson Street Partners, LLC (“340 Jefferson Street Partners”) to be the tenant entity for the 340 Jefferson Street space; and
- WHEREAS, The proposed terms for Lease No. L-17181 (“Lease”) at 340 Jefferson Street with 340 Jefferson Street Partners are described in the staff report accompanying this Resolution and set forth in the Lease, a copy of which is on file with the Port Commission Secretary; now, therefore be it

RESOLVED, The Port Commission hereby approves the terms of the Lease at 340 Jefferson Street with 340 Jefferson Street Partners as described in the staff report accompanying this Resolution and as set forth in the Lease, a copy of which is on file with the Port Commission Secretary; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee to forward the Lease to the Board of Supervisors ("Board") for approval, pursuant to the Board's authority under Charter Section 9.118, and upon the effectiveness of such approval, to execute the Lease; 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 April 22, 2025.

Secretary