



MEMORANDUM

May 9, 2025

TO: MEMBERS, PORT COMMISSION
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-17253 with TEC of California, Inc., a California corporation ("TEC") for approximately 21,842 square feet of shed space and 11,540 square feet of paved land at Pier 80 for a term of three years with three one-year options to extend, subject to Board of Supervisors' approval.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 25-28

EXECUTIVE SUMMARY

TEC of California, Inc. ("TEC") is an existing Port tenant with two leases at Pier 80. Under Lease No. L-16782 and Lease No. L-16792, TEC leases approximately 14,326 square feet of shed space in Pier 80 G&M Building and 10,955 square feet of paved land adjacent to the Pier 80 G&M Building (collectively the "Pier 80 G&M Space") for the service, repair, and maintenance of commercial trucks and truck parts, general business administration, storage, and parking. Lease No. L-16782 expired on January 31, 2025, and is on a month-to-month holdover. Lease No. L-16792 will expire on June 30, 2025.

Port and TEC wish to consolidate the two agreements and enter into new Lease No. L-17253 (the "Lease") for an initial three (3) year term with three (3) one-year extension options. This new lease will allow TEC to continue its current use and also expand its leased footprint.

The Lease is being presented to the Port Commission because the proposed lease term, including extension options, exceeds five years (totaling 6 years) and the projected rent will generate more than \$1 million during the initial term (\$1,219,690), with an estimated total of \$2,735,362 if all extension options are exercised.

Pursuant to Charter Section 9.118, the Lease will also require approval by the Board of Supervisors because the anticipated revenue will exceed \$1 million over the term of the Lease.

STRATEGIC OBJECTIVE

If approved, the proposed Lease will advance the Economic Growth, Productivity, and Economic Recovery objectives of the Port's Strategic Plan by securing tenancy in the Southern Waterfront and ensuring continued economic benefits through a reliable rent-paying tenant for at least three years, with the potential to extend to six years.

BACKGROUND

TEC currently occupies both interior and exterior areas of the Pier 80 G&M Building (collectively the "Pier 80 G&M Space") under two separate leases. The premises are used for the service, repair, and maintenance of commercial trucks and truck parts, along with general business administration, storage, and parking. Under Lease No. L-16782, TEC leases approximately 12,326 square feet of shed space and 2,000 square feet of paved land. This lease commenced on February 1, 2021, expired on January 31, 2025, and is now on a month-to-month holdover. Additionally, under Lease No. L-16792, TEC leases approximately 7,535 square feet of shed space and 3,420 square feet of paved land. This lease commenced on July 1, 2021, and expires on June 30, 2025. TEC is a tenant in good standing under both of the existing leases.

Port and TEC wish to consolidate the currently leased spaces into a single agreement – Lease No. L-17253 (the "Lease"). The proposed Lease would allow TEC to continue occupying the Pier 80 G&M Space for an initial term of three years, with three one-year extension options.

During the first year of the Lease, the Port will be undertaking a roof repair project at the Pier 80 G&M Building. Recognizing the current condition of the roof and in alignment with the Ramp Up Leasing Incentive Program, the Port and TEC have negotiated a reduced rate for the shed space (Parcel A). Under Port Resolution No. 23-36, TEC qualifies for the Ramp Up Leasing Incentive Program, which phases rent for Parcel A over a three-year period – starting at 70% of the established parameter rate in the first year, increasing to 80% in the second year and reaching 100% in the third year. In contrast, the rent for the paved land spaces (Parcels B and C) will be charged at the full parameter rate, with no discounts.

To support its business growth, TEC is also requesting to expand the existing leased premises from 14,326 to approximately 21,842 square feet of shed space and from 10,955 to approximately 11,540 square feet of paved land.

TEC has been a reliable tenant, and approval of the proposed Lease will secure a consistent and stable revenue stream for the Port over the next three years. The initial monthly base rent will be \$29,281, totaling \$351,373 for the first year. Over the initial three-year term, the Port is projected to receive \$1,219,690 in rent and up to \$2,735,362 if all extension options are exercised.

All other terms and conditions, including Monthly Base Rents, conform to the Port Commission's approved FY 23/24 parameter terms and conditions (Port Resolution No. 23-36). A copy of the proposed Lease is on file with the Commission Secretary.

Port staff has determined that the proposed use is a continuation of existing and related uses and is therefore not a project subject to review under the California Environmental Quality Act.

PROPOSED LEASE TERMS

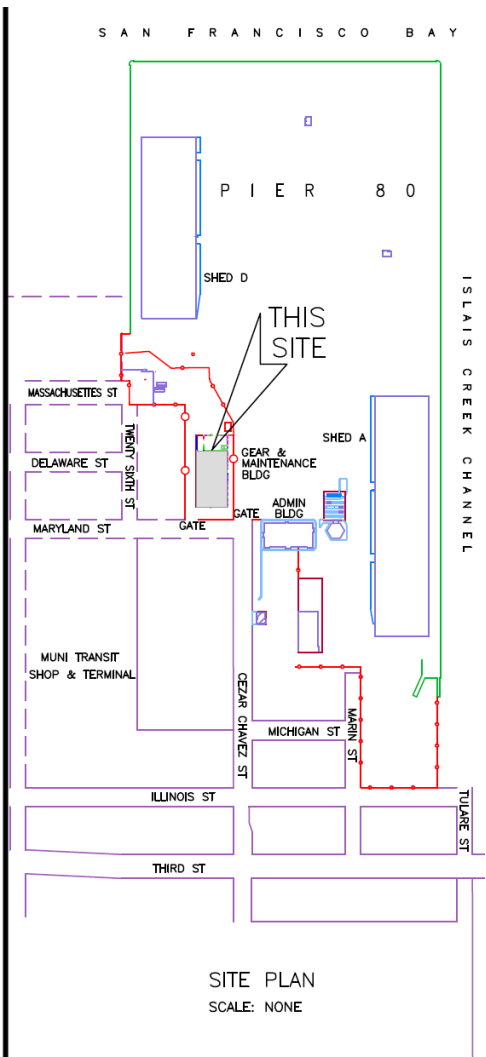
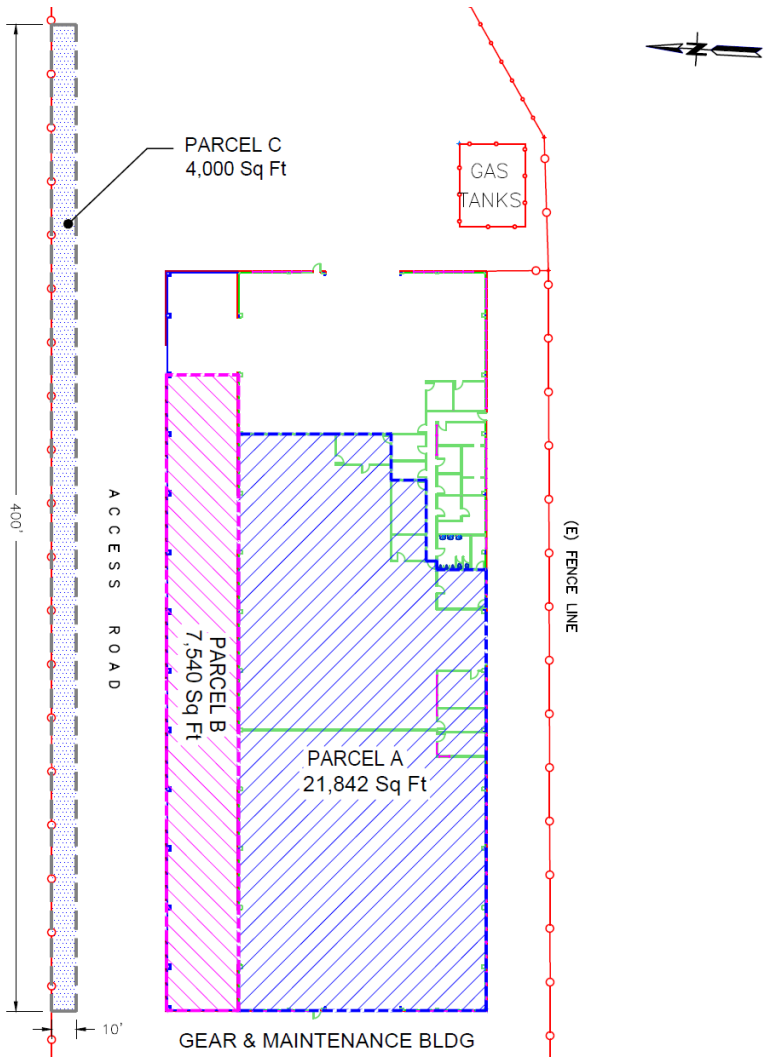
The proposed new Lease No. L-17253 contains the following terms:

<i>Premises:</i>	<p>The Premises consists of the following:</p> <p><u>Parcel A (Shed)</u> – Approx. 21,842 rentable square feet of shed space</p> <p><u>Parcel B (Paved Land)</u> – Approx. 7,540 square feet of paved land</p> <p><u>Parcel C (Paved Land)</u> – Approx. 4,000 square feet of paved land</p>
<i>Permitted Use:</i>	<p><u>Parcel A (Shed)</u> – the service, repair, and maintenance of commercial trucks and truck parts, general business administration, and storage</p> <p><u>Parcel B (Paved Land)</u> – parking</p> <p><u>Parcel C (Paved Land)</u> – parking</p>
<i>Length of Term:</i>	Thirty-six (36) months
<i>Extension Options:</i>	Three (3) one-year extension options
<i>Commencement Date:</i>	The first day of the first calendar month following approval of this Lease by the Board of Supervisors and full execution by Tenant and Port
<i>Rent Commencement Date:</i>	Commencement Date

<i>Expiration Date:</i>	Thirty-six (36) months from the Commencement Date			
<i>Monthly Base Rent:</i>	Months	Sq. Ft.	Monthly Base Rate	Total Monthly Base Rent
Parcel A	1-12	21,842	\$1.05	\$22,934.10
Parcel B		7,540	\$0.55	\$4,147.00
Parcel C		4,000	\$0.55	<u>\$2,200.00</u>
				\$29,281.10
Parcel A	13-24	21,842	\$1.20	\$26,210.40
Parcel B		7,540	\$0.57	\$4,297.80
Parcel C		4,000	\$0.57	<u>\$2,280.00</u>
				\$32,788.20
Parcel A	25-36	21,842	\$1.50	\$32,763.00
Parcel B		7,540	\$0.59	\$4,448.60
Parcel C		4,000	\$0.59	<u>\$2,360.00</u>
				\$39,571.60
Parcel A	37-48	21,842	\$1.55	\$33,855.10
Parcel B		7,540	\$0.60	\$4,524.00
Parcel C		4,000	\$0.60	<u>\$2,400.00</u>
<i>Extension Option 1</i>				\$40,779.10
Parcel A	49-60	21,842	\$1.60	\$34,947.20
Parcel B		7,540	\$0.62	\$4,674.80
Parcel C		4,000	\$0.62	<u>\$2,480.00</u>
<i>Extension Option 2</i>				\$42,102.00
Parcel A	61-72	21,842	\$1.65	\$36,039.30
Parcel B		7,540	\$0.64	\$4,825.60
Parcel C		4,000	\$0.64	<u>\$2,560.00</u>
<i>Extension Option 3</i>				\$43,424.90

<i>Security Deposit:</i>	Two times the Monthly Base Rent for the final year
<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 provisions, including, but not limited to, Hazardous Materials, Insurance, Indemnity and Release, Damage and Destruction, and all current City ordinances and requirements as necessary.

PROPOSED PREMISES



SOUTHERN WATERFRONT COMMUNITY BENEFITS AND BEAUTIFICATION POLICY

Consistent with the most recent adoption of Parameter Rates, 6.5% of lease revenues will be allocated to the Port's Southern Waterfront Community Benefits and Beautification Fund. This contribution is approximately \$22,839 in the first year of the lease, \$79,280 over the initial three-year term, and \$177,798 if all the extension options are exercised.

RECOMMENDATION

Port staff recommends that the Port Commission approve the attached resolution authorizing the Executive Director or her designee to: forward the Lease to the Board of Supervisors for approval and, upon the effectiveness of such approval, execute the Lease on the terms described in this memorandum and substantially in the form of the Lease on file with the Commission Secretary.

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. 25-28

- 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, TEC of California, Inc. ("TEC") is a tenant in good standing under its current Lease Nos. L-16782 and L-16792 in and outside Pier 80 G&M Building ("Pier 80 G&M Space") for the service, repair, and maintenance of commercial trucks and truck parts, general business administration, storage, and parking; and
- WHEREAS, Port and TEC have negotiated the terms of a new three (3) year Lease No. L-17253 (the "Lease") with three (3) one-year options to extend for approximately 21,842 square feet of shed space and 11,540 square feet of paved land at Pier 80 G&M Space; and
- WHEREAS, The proposed use is a continuation of existing and related uses and is therefore not a project subject to review under the California Environmental Quality Act; and
- WHEREAS, The Port Commission approved the Ramp Up Leasing Incentive Program that provides a ramp-up of lease rates at 70%, 80%, and 100% of parameter rate for shed leases with at least a three-year term pursuant to Port Resolution No. 23-36; and
- WHEREAS, TEC qualifies for the Ramp Up Leasing Incentive Program for Parcel A (Shed), and the rent for Parcel A shall be phased over a three-year period, beginning at 70% of the established parameter rate in the first year, increasing to 80% in the second year, and reaching 100% of the established parameter rate in the third year; and
- WHEREAS, The rent for Parcels B and C (Paved Land) is not subject to the Ramp Up Leasing Program and shall be charged at the full parameter rate from the commencement of the lease term; and
- WHEREAS, The total term, including extension options, exceeds five (5) years and revenue generated exceeds \$1 million – \$1,219,690 for the initial lease term and \$2,735,362 if all extension options are exercised; and
- WHEREAS, Port staff recommends approval of the proposed Lease with TEC of California, Inc. on the terms described in the Memorandum to the Port Commission dated May 9, 2025, 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-17253 with TEC of California, Inc. for a three-year lease term with three (3) one-year extension options for approximately 21,842 square feet of shed space and 11,540 feet of paved land at Pier 80 G&M Space for the service, repair, and maintenance of commercial trucks and truck parts, general business administration, storage and parking as described above, and 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 May 13, 2025.

Secretary