



## MEMORANDUM

August 8, 2025

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

**FROM:** Elaine Forbes  
Executive Director

**SUBJECT:** Request approval of Proposed Lease No. L-17335 with Sofar Ocean Technologies, Inc., a Delaware corporation for approximately 27,224 square feet of office space and approximately 1,440 square feet of apron space at Pier 26 Annex and Proposed Lease No. L-17336 for approximately 5,693 square feet of shed space at Pier 28, each for a term of three years with one (1) three-year option to extend.

**DIRECTOR'S RECOMMENDATION:** Approve the Attached Resolution No. 25-50

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### EXECUTIVE SUMMARY

Sofar Ocean Technologies, Inc. ("Sofar") is a maritime logistics and research company that offers a voyage optimization platform utilizing ocean weather forecasts to enhance maritime shipping operations and makes underwater drones for marine research. Currently Sofar is a subtenant of IDEO at Pier 26 Annex. IDEO's lease will expire at the end of September 2025 and Port and Sofar have agreed to terms for a direct lease following IDEO's decision not to renew. The proposed lease, L-17335 (the "Office Lease"), is for a three-year term with one (1) three-year option to extend. This will enable Sofar to continue its occupancy, preserve the revenue stream to Port, and avoid any downtime associated with turnover of the space.

Sofar also occupies shed space at Pier 28 under Lease No. L-16882 for light fabrication and storage. The lease expired on February 28, 2023, and Sofar's tenancy has been month-to-month. Port staff have negotiated terms for a new lease, Lease No. L-17336 (the

“Shed Lease”), which will also be for a three-year term with one three-year option to renew and be coterminous with the Office Lease.

This matter is being brought before the Port Commission because the Office Lease will generate over \$1M in rent during the initial term (~\$4.48M). If Tenant exercises the option to extend, the total rent to Port over the initial and extended terms will equal \$10.5M. All terms and conditions, including rent, are in accordance with the Port Commission’s approved FY 23/24 parameter terms and conditions (Port Resolution 23-36). As this lease covers ancillary services and activities for a Maritime support use for cargo shipping, the Office Lease is a maritime lease and will not require approval by the Board of Supervisors under the Port’s Maritime Leasing Policy (Resolution 80-95).

The total rent for the Shed Lease over the initial term will be \$380K, with the total rent for both the initial and extended terms combined being \$796K. The Shed Lease is being brought before the Port Commission as the term will exceed five (5) years if Tenant exercises the option.

## **STRATEGIC OBJECTIVE**

### Economic Growth and Recovery:

If approved, the proposed leases will further the Port’s Economic Growth and Recovery goals by eliminating the time and costs associated with releasing office space in a downturn market. The new office lease and the renewal of the shed space will provide stable, ongoing income for the Port.

### Sustainability:

Leasing to Sofar also supports the Port’s sustainability goals as the technology created and used by Tenant supports climate science by monitoring ocean temperatures and currents to help scientists track climate change. The ocean data gathered also improves navigational safety and efficiency for the shipping industry.

## **BACKGROUND**

In 2018, Sofar, formerly Spoondrift Technologies, Inc. (“Spoondrift”), was a direct tenant of Port, leasing 2,318 square feet of bulkhead office space and 734 square feet of storage space at Pier 50 Shed B. Spoondrift merged with OpenRO in 2019 forming Sofar Technologies, Inc., quickly outgrowing its space. In its search for more space, Sofar learned that IDEO was offering its office at the Pier 26 Annex for sublease. While the space was larger than needed initially, subleasing it would allow Sofar to stay on the waterfront and provide room for future expansion. The Port consented to the sublease on March 1, 2022, and Sofar vacated the premises at Pier 50 on April 14, 2022. With Port’s consent, Sofar was later allowed to sub-sublease approximately 10,000 square feet of the premises.

IDEO’s lease will expire on September 30, 2025, and they have opted not to renew. The sublease with Sofar will therefore terminate, however, Sofar has indicated it wishes to remain in the premises and Sofar and Port staff have come to an agreement on terms for a new lease under Lease No. L-17335.

The current rent under the lease with IDEO is \$4.42 per square foot, or \$120,337 per month. Under the new Office Lease, the rent for the office space for the first year is based on \$5.15 per square foot per month (\$140,837) which will be escalated annually by 3%. The apron space will be billed at \$0.44 per square foot or \$633.60 per month, escalated annually by 3%.

In accordance with Port Commission Resolution 23-36, under the Office Lease, Sofar will receive a rent concession of one month of free rent for each year of the lease term for the office space. The total concession of \$420,610.80 will be used to turnover the sub-subleased area and make additional improvements to the premises. The amount will be amortized over the first year of the Office Lease, applied as a monthly credit to the Tenant's rent, resulting in an initial monthly base rent of \$105,718.24 (\$951,464 annually). In the second lease year, the monthly base rent will increase to \$144,935 per month (~\$1.7M annually).

If Sofar vacates the premises or otherwise terminates the Office Lease prior to the end of the initial three-year term, Sofar will be required to repay Port the equivalent of one month of free rent for each year of the remaining term not completed. The payment will be based on the Monthly Base Rent at the time of termination with the repayment amount due and payable immediately upon termination of the Office Lease.

## **CROSS DEFAULT**

Both the Office Lease and the Shed Lease include a cross-default provision, meaning that a default under one lease will also constitute a default under the other.

## **PROPOSED OFFICE LEASE TERMS**

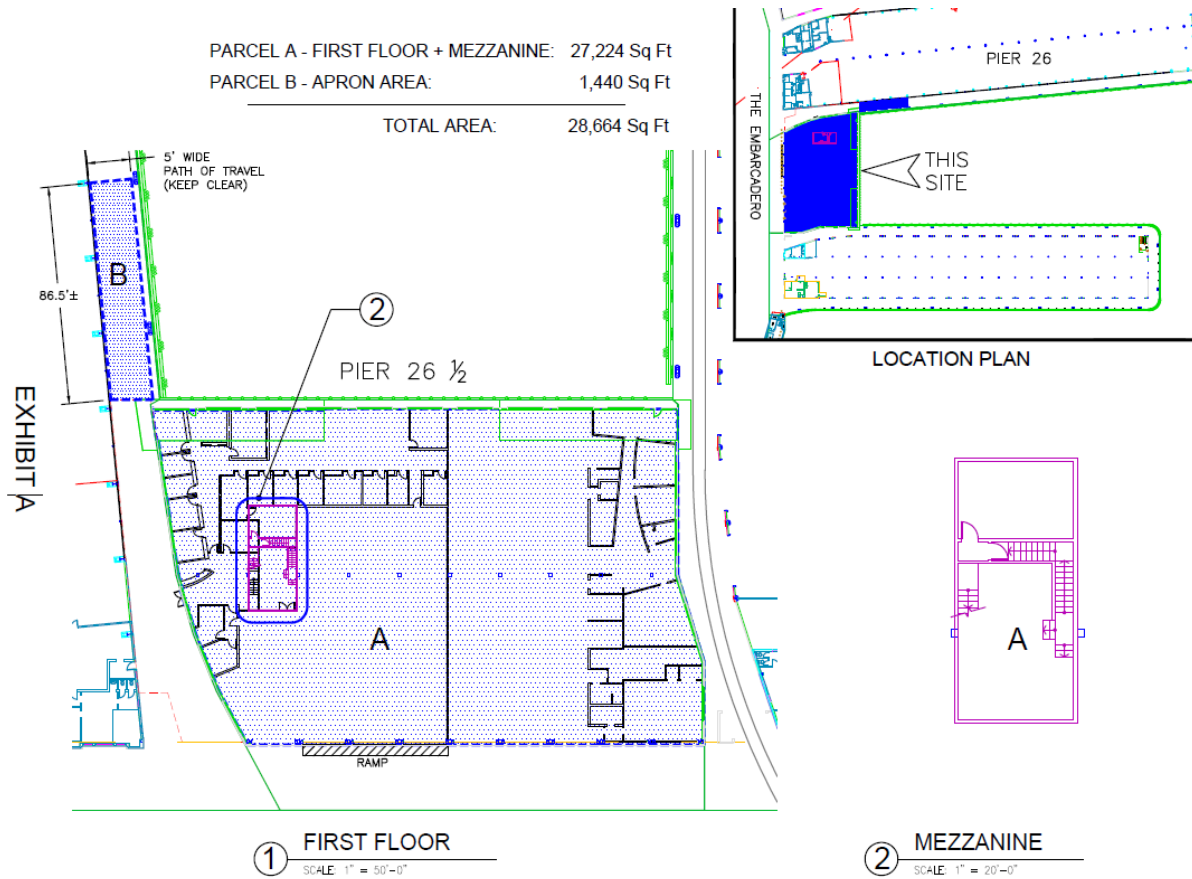
The following are key terms of proposed new Lease No. L-17335:

<i>Premises</i>	Parcel A (Pier 26 Annex) – approx. 27,224 rentable square feet of office space  Parcel B (Pier 26 Annex North Apron) – approx. 1,440 rentable square feet of apron space
<i>Permitted Use</i>	Parcel A – Office, light manufacturing, storage and for no other purpose.  Parcel B – A seating area to include portable furniture, fixtures and equipment and for no other purpose.
<i>Length of Term</i>	Thirty-Six (36) Months
<i>Extension Option</i>	Tenant shall have one (1) three-year option to extend the term, mutually agreeable by both parties.

<i>Commencement Date</i>	October 1, 2025			
<i>Expiration Date</i>	September 30, 2028			
<i>Monthly Base Rent</i>	Months	Sq. Ft.	Monthly Base Rate	Total Monthly Base Rent
Parcel A Parcel B Parcel A Rent Credit	October 1, 2025 – September 30, 2026	27,224 1,440	\$5.15 \$0.44 (\$35,050.90)	\$140,203.60 \$633.60 <u>(\$35,050.90)</u> <b>\$105,786.30</b>
Parcel A Parcel B	October 1, 2026 – September 30, 2027	27,224 1,440	\$5.30 \$0.45	\$144,287.20 <u>\$648.00</u> <b>\$144,935.20</b>
Parcel A Parcel B	October 1, 2027 – September 30, 2028	27,224 1,440	\$5.46 \$0.46	\$148,643.04 <u>\$662.40</u> <b>\$149,305.44</b>
<b>OPTION TO EXTEND</b>  <i>Parcel A</i> <i>Parcel B</i>	October 1, 2028 – September 30, 2029	27,224 1,440	\$5.62 \$0.47	\$152,998.88 <u>\$676.80</u> <b>\$153,675.68</b>
<i>Parcel A</i> <i>Parcel B</i>	October 1, 2029 – September 30, 2030	27,224 1,440	\$5.79 \$0.48	\$157,626.96 <u>\$691.20</u> <b>\$158,318.16</b>
<i>Parcel A</i> <i>Parcel B</i>	October 1, 2030 – September 30, 2031	27,224 1,440	\$5.96 \$0.49	\$162,255.04 <u>\$705.60</u> <b>\$162,960.64</b>
<i>Security Deposit</i>	Two Hundred Ninety-Eight Thousand Six Hundred Ten Dollars and 88/100 (\$298,610.88).			

<i>Rent Credit/Early Termination</i>	<p>Pursuant to Resolution 23-36, Tenant shall be granted (3) months free rent (one month for each year of the term). The free rent will be amortized over the first 12 months of the lease term.</p> <p>If Tenant vacates the Premises or otherwise terminates the Lease prior to the end of the initial three (3) year Lease term, Tenant shall be required to repay Port the equivalent of one month of free rent for each year of the remaining term not completed. The payment shall be based on the Monthly Base Rent at the time of termination, with the repayment amount due and payable immediately upon Tenant's early termination of the Lease.</p>
<i>Excess Rent</i>	Pursuant to Reso. 23-36, the revenue split on any excess sublease rent shall be 50/50.
<i>Maintenance/Utilities</i>	Tenant to arrange and pay for all utilities and services, maintain water lines from deduct meters, sewer lines within the Premises, gas lines from connection points, electrical feeder and branch circuits, and any new fire sprinkler systems.
<i>Form Lease; City Requirements</i>	The new lease shall be on the Port's form lease and includes all standard Hazardous Materials, Insurance, Indemnity and Release, Damage and Destruction and all current City ordinances and requirements as necessary.

## PROPOSED OFFICE PREMISES



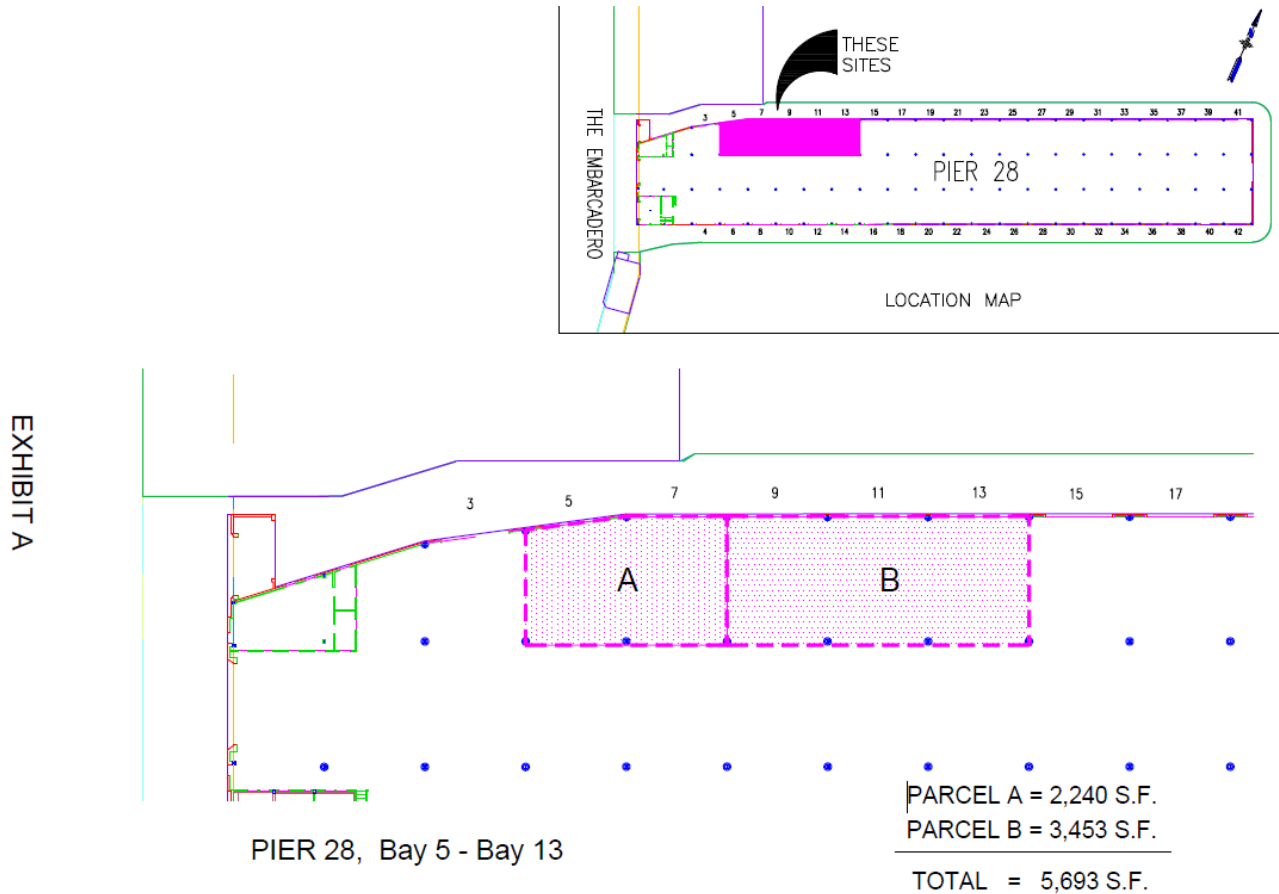
## SHED LEASE TERMS

The chart below provides a summary of the key terms of the Shed Lease that differ from the Office Lease:

<i>Premises</i>	Pier 28 Bays 5-13			
<i>Permitted Use</i>	Light manufacturing and storage and for no other purpose.			
<i>Period</i>	Months	Sq. Ft.	Rate PSF	Total Monthly Base Rent
October 1, 2025 – September 30, 2026	1-12	5,693	\$1.80	\$10,247.40
October 1, 2026 – September 30, 2027	13-24	5,693	\$1.85	\$10,532.05

October 1, 2027 – September 30, 2028	25-36	5,693	\$1.91	\$10,873.63
<b><i>OPTION TO EXTEND</i></b> October 1, 2028 – September 30, 2029	37-48	5,693	\$1.97	\$11,215.21
October 1, 2029 – September 30, 2030	49-60	5,693	\$2.03	\$11,556.79
October 1, 2030 – September 30, 2031	61-72	5,693	\$2.09	\$11,898.37
<i>Security Deposit</i>	Twenty-Three Thousand Seven Hundred Ninety-Six and 74/100 (\$23,796.74).			
<i>Maintenance/Utilities</i>	Tenant's sole responsibility.			
<i>Prior Lease</i>	As of the Commencement Date, Lease 17336 will replace Lease No. L-16882 dated March 11, 2022.			

## SHED PREMISES



As a Port Tenant, Sofar was a reliable tenant and approval of the proposed Leases will secure a consistent and stable revenue stream for the Port over the next three years without any downtime or Port making any improvements to either space.

## RECOMMENDATION

Port staff recommends that the Port Commission approve the attached resolution authorizing the Executive Director or her designee to execute the Office Lease and the Shed Lease on the terms described in this memorandum and substantially in the form of the Leases on file with the Commission Secretary.

Prepared by: Kimberley Beal, Assistant Deputy Director  
Real Estate and Development

For: Andre Coleman, Deputy Director  
Maritime Division

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

**RESOLUTION NO. 25-50**

- 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, Port and Sofar Ocean Technologies, Inc. have negotiated the terms of a new three-year Lease, No. L-17335 (the “Office Lease”) with one (1) three-year option to extend for approximately 27,224 square feet of office space and approximately 1,440 square feet of apron space at Pier 26 Annex; and
- WHEREAS, Port and Sofar Ocean Technologies, Inc. have negotiated the terms of a new three-year Lease, No. L-17336 (the “Shed Lease”) with one (1) three-year option to extend for approximately 5,693 square feet of shed space at Pier 28 Annex; and
- WHEREAS, The 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, Port staff recommends approval of the proposed leases with Sofar Ocean Technologies, Inc. on the terms described in the Memorandum to the Port Commission dated August 8, 2025, and substantially in the form of the leases on file with the Commission Secretary; now, therefore be it
- RESOLVED, That the Port Commission authorizes the Executive Director or her designee to enter a new three-year lease with one (1) three-year option to extend with Sofar Ocean Technologies, Inc. for approximately 127,224 square feet of bulkhead office space and approximately 1,440 square feet of apron space located at Pier 26 Annex at rents set forth in the attached Memorandum; and be it further
- RESOLVED, That the Port Commission authorizes the Executive Director or her designee to enter a new three-year lease with one (1) three-year option to extend with Sofar Ocean Technologies, Inc. for approximately 5,693 square feet of shed space at Pier 28 at rents set forth in the attached Memorandum; 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 new 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 City or Port or materially decrease the benefits to the City or Port, and are necessary or advisable to complete the actions which the new leases contemplate and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of any such additions, amendments or modifications.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 12, 2025.***

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Secretary