



MEMORANDUM

June 10, 2022

TO: MEMBERS, PORT COMMISSION
Hon. Willie Adams, President
Hon. Kimberly Brandon, Vice President
Hon. John Burton
Hon. Gail Gilman

FROM: Elaine Forbes
Executive Director 

SUBJECT: Request approval of Lease No. L-16873 between the Port and Cross Link, Inc., dba Westar Marine Services, for Premises located at Pier 50 for a term of 5 years

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 22-31

Background

Cross Link, Inc. dba Westar Marine Services ("Westar") is a female owned and operated harbor service company providing a wide range of services on the San Francisco Bay. Westar's operations include, operating 4 escort tugs, 13 harbor tugs, 10 water taxis, a molasses barge, 2 aggregate barges, and 16 flat-deck barges. The experienced, professional personnel who operate and maintain this equipment are available 24 hours a day, seven days a week. Services include marine construction support (including the new Bay Bridge), barge towing, tank vessel escorts, ship assists, stores deliveries, water taxi transportation of passengers, molasses transportation, and tug/barge services for fireworks. A Port tenant since 1976, Westar's operations were originally situated at Pier 46. In 1997, due to the construction of the San Francisco Giants' ballpark, Westar was relocated to its current premises at Pier 50.

On November 19, 2007, the Port entered into Lease No. L-14399 dated November 19, 2007, as amended by a First Amendment dated July 1, 2016. The current total monthly rent for Lease No. L-14399 is \$41,144.49 with approximately 87,854 square feet of leased space. The existing lease expired on June 30, 2020 and has been in holdover status as the parties worked through lease negotiations.

Proposed Lease Terms Lease No. L-16873

The Port and Westar have negotiated a proposed 5-year lease (Lease No. L-16873) that will retain Westar as maritime tenant. The proposed 5-year lease reduces the premises under Lease No. L-14399 at Pier 50, Shed C, to approximately 80,880 square feet to facilitate Westar’s current space needs.

This Lease also includes provisions as set forth in the Port’s Environmental Risk Management Policy which provides for financial assurance requirements for real property agreements.

Westar is one of the Bay Area’s leading maritime service providers which contributes to the Port’s maritime public trust mission. Throughout its tenancy with the Port, Westar has been a “tenant in good standing” and has complied with the terms and conditions of its leases with the Port. Terms of the lease are as follows:

Tenant: Crosslink, Inc. a California corporation, dba Westar Marine Services

Premises: The Premises shall be comprised of approximately 80,880 square feet of office, office storage, shed, apron and pier space as described below:

<u>Use</u>	<u>Sq. Ft.</u>	<u>Monthly Rate</u>
Parcel A (Office)	3,089	\$2.38
Parcel B (Office Storage)	486	\$1.70
Parcel C (Office)	256	\$2.38
Parcel D (Shed)	19,574	\$1.40
Parcel E (Apron)	46,833	\$0.40
Parcel F (Parking Area 1)	612	\$0.45
Parcel G (Parking Area 2)	7,780	\$0.45
Parcel H (Parking Area 3)	2,250	\$0.45

Term: The Term of the Lease shall be for five (5) years, commencing on July 1, 2022 and terminating on June 30, 2027

Initial Monthly Base Rent: \$59,713.00 (\$716,556.00 annually)

Rental Adjustments: Ramp up method as described in the strategic leasing tactics for office space and shed space under Port Commission Resolution No. 21-16, which will allow the rent to be brought to parameter in stages. Under the proposed methodology, the office rental rate will be 70% of parameter in year 1, 80% in year 2 and 100% in year 3 with 3% annual increases for year 4

and 5. The shed rental rate will be 80% of parameter in year 1, 90% in year 2 and 100% in year 3 with 3% annual increases for year 4 and 5. For spaces that do not qualify for the ramp up method, the rental rate is at parameter for year 1 with 3% annual increases for years 2-5.

Rent Credit for Tenant Overpayment on Prior Lease: Tenant terminated the Pier 48½ portion of the Prior Lease as of October 31, 2021, but continued to pay after November 1, 2021 until May 1, 2022, \$15,982.56 in rent on such terminated portion (the "Overpayment"). The Parties have agreed that in lieu of Port returning the Overpayment to Tenant by check, Tenant will instead receive a rent credit equal to the Overpayment against the immediately following Monthly Base Rent due.

Tenant agrees that it waives any Claim against Port related to the Overpayment or for the earlier termination of the Pier 48½ portion of the Prior Lease and that Tenant will not seek any additional remedies, adjustments or rent credits for the Overpayment or earlier termination of Pier 48½.

Security Deposit: \$119,426.00 (equal to two months of year 5 Base Rent)

Environmental Oversight Deposit: \$10,000.00

The Environmental Oversight Deposit is a cash deposit to reimburse the Port for additional staff time and administrative expenses due to a notice of violation or other regulatory order that is issued to a tenant. Administrative expenses include staff time for inspecting and monitoring the condition of the tenant's premises, corresponding with regulatory agencies, and otherwise enforcing and administering the tenant's environmental obligations.

Environmental Performance Deposit: \$50,000.00

The Environmental Performance Deposit is secured to cure any defaults on the part of the tenant, or to compensate the Port for any damage it might incur as a result of the tenant's failure to perform its obligations, environmental or other. It is a component of the security deposit to be applied as such, without restriction.

Permitted Use: The Premises shall be used solely for the following and for no other purposes:

Parcel A – office

Parcel B – office storage

Parcel C – office

Parcel D and E:

- Operation of tugboats, water taxis, crane barges and deck barges. While at the Premises, the barges may contain dry bulk cargoes (such as sand and aggregate materials), liquid bulk cargoes (such as fuel oil and lubricating oil) and break bulk cargoes (such as piles and structures).
- Transportation and temporary storage of Hazardous Materials (such as hazardous waste and garbage)
- Transfer of fresh water, fuel and occasional transfer of bulk oil from trucks to vessels in areas where the load factor is not exceeded, as shown in **Schedule 2**
- Mooring and service to vessels and craft
- Service to water taxi passengers
- Storage and handling of equipment and supplies for vessels and craft
- Loading and unloading fireworks

Parcel F, G and H – employee and customer parking provided that all Permitted Uses are conducted in accordance with Tenant’s Operations Plan(s). Tenant must prepare and maintain such Operations Plan(s) to document its procedures are consistent with law, industry standards and best management practices and good housekeeping. Port may, from time to time, review Tenant’s Operations Plan(s) and recommend revisions.

Maintenance and Repair:

Tenant’s sole responsibility, as further described in Section 11 of the lease.

Other New Lease Provisions

The Lease will include new City Requirements now in effect since the prior leases were executed.

In addition, the new Lease will include current standard lease provisions relating to use of security deposits, payment of rent, tenant defaults, updated insurance requirements, and hazardous materials, among others.

Ramp Up Strategic Leasing Incentive

The proposed lease incorporates the Ramp Up leasing incentive which will allow the rent for office and shed space to be brought to parameter in stages under Port Commission Resolution No. 21-16. All other rental rates for office storage, apron, and pier spaces are set at current parameter rates.

RECOMMENDATION

Westar has been a long-term Port tenant since 1976 with a history of being in good standing, and a tenant that contributes to the Port's maritime mission of retaining and advancing maritime activity. Port staff recommends approval of Lease No. L-16873 between the Port and Westar Marine Services for premises located at Pier 50.

Prepared by: Jennifer Gee, Property Manager, Real Estate

For: Andre Coleman, Deputy Director of Maritime
Rebecca Benassini, Deputy Director of Real Estate

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

RESOLUTION NO. 22-31

- 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, On November 19, 2007, the Port entered Lease No. L-14399 with Westar Marine Services, a California corporation (“Westar”), as amended by a First Amendment dated July 1, 2016, for premises located at Pier 50, Shed C;
- WHEREAS, Westar has been a long-term Port tenant since 1997 with a history of being in good standing with the Port, a tenant that contributes to the Port’s maritime mission, and wants to remain a Port tenant into the foreseeable future; and
- WHEREAS, The Port and Westar have negotiated a new 5-year lease (Lease No. L-16873) which consolidates the premises under Lease No. L-14399 at Pier 50, Shed C, to approximately 80,880 square feet to facilitate Westar’s current space needs on the terms described in the memorandum accompanying this resolution and a copy of Lease No. L-16873 incorporating such terms is on file with the Port Commission secretary; and now therefore, be it
- RESOLVED, That the Port Commission hereby approves Lease No. L-16873 with Crosslink, Inc., dba Westar Marine Services for premises located at Pier 50, Shed C, and such other terms described in the memorandum accompanying this resolution and a copy of Lease No. L-16873 incorporating such terms is on file with the Port Commission secretary; and be it further
- RESOLVED, That the Executive Director or her designee is hereby authorized to execute all such appropriate documentation as she deems necessary or appropriate to implement this Resolution in a form approved by the City Attorney's office.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 14, 2022.

Secretary