



MEMORANDUM

December 8, 2023

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Ed Harrington
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational presentation on proposal to amend and restate Lease No. L-16997 with the Young Men's Christian Association of San Francisco for Building 49 located within Crane Cove Park.

DIRECTOR'S RECOMMENDATION: Information Only – No Action Required

EXECUTIVE SUMMARY

Lease No. L-16997 ("Existing Lease", or "Lease") that was approved by the Port Commission¹ and the Board of Supervisors in late Spring and early Summer of this year, respectively, includes a commitment from the Young Men's Christian Association of San Francisco ("YMCA") to perform a partial, voluntary seismic retrofit of the building (the "Seismic Improvements"). The Existing Lease also stipulates that the Port will provide rent credits up to an amount equal to 50% of the total cost of the Seismic Improvement or \$500,000, whichever is less.

In early October 2023, the YMCA notified Port staff that, due to budgetary constraints owing in part to unexpected levels of hazmat disturbance that would be required to carry out the Seismic Improvements, along with overall construction costs escalation, they would not be able to perform the Seismic Improvements to Building 49. As a result, the YMCA has requested that their obligation to construct the Seismic Improvements be removed from the Existing Lease. Removing the Seismic Improvements would also eliminate the up

¹ https://sfport.com/files/2023-04/042523-7d_building_49_ymca_lease_and_license_approval_.pdf

to \$500K in rent credits that the Port had agreed to provide to partially offset the cost of the Seismic Improvement.

The YMCA is proposing a revised seismic scope that will result in far lower hazmat disturbance and be financially feasible for the YMCA to deliver. Port structural plan reviewers understand the general concept the YMCA has proposed and agree that subject to a detailed plan check review, the new concept can be designed in compliance with Port Building Code requirements and enhance the building's current structural condition and expected seismic performance.

BACKGROUND

On April 25, 2023, the Port Commission adopted Resolution 23-20 authorizing Port staff to execute the Existing Lease with the YMCA for the lease and development of Building 49 located at 701 Illinois Street within Crane Cove Park. The Existing Lease was also approved by the Board of Supervisors, on June 27, 2023 (Resolution 344-23). The Existing Lease was subsequently executed by the parties on July 28, 2023.

Based on further due diligence analysis and advanced project design by the YMCA since the execution of the Lease, the YMCA has concluded that the planned Seismic Improvements are beyond their budgetary resources to deliver, as further described in Exhibit 1 (Letter from YMCA's President and CEO dated October 5, 2023).

The YMCA has assured Port staff that they remain fully committed to the project as described in the Existing Lease (other than construction of the Seismic Improvements contemplated in the Existing Lease) and are prepared to proceed immediately with construction upon issuance of a Building Permit by the Port. Construction is expected to last approximately 6-8 months.

PROPOSED CHANGES TO EXISTING LEASE

Due primarily to project delays associated with the YMCA's need to re-think the seismic approach (i.e. redesign work to minimize hazmat disturbance and bring the project back into financial feasibility), the YMCA has requested a few additional changes to the Existing Lease which Port staff supports and which are intended to: (1) accommodate the current construction schedule which was originally expected to span 11 months from the Lease Commencement Date of August 1, 2023 (through June 30, 2024) but is now expected to take an additional 3 months to complete (through September 2024); (2) support the YMCA's goal of facilitating early occupancy (i.e. prior to full completion of construction for the entire building) of a portion of the building by one of their two Subtenants, Dogpatch Paddle, to the extent that can be achieved and authorized by Port Building Permits via issuance of a partial Temporary Certificate of Occupancy ("Partial TCO") for the Premises; and (3) ensure that the public restrooms located within the building are open and managed/maintained by the YMCA by no later than July 1, 2024.

While the most significant proposed change to the Existing Lease is the revision of the seismic improvements scope, Port staff supports each of the other proposed changes

and/or clarifications to the Existing Lease described below to facilitate successful project delivery and achieve the Port's project objectives, including but not limited to preserving the historic resource, providing community and visitor-serving uses, and enhanced activation of Crane Cove Park.

Port staff recommends that the Existing Lease be amended and restated (the "Amended and Restated Lease") in the following ways:

- YMCA's obligation to construct the Seismic Improvements described in the Existing Lease is to be removed and replaced with an alternate, reduced seismic scope that has been designed in the context of the specific tenant improvements being made and is consistent with Port Building Code requirements.
 - The Port's obligation to provide rent credits for any seismic improvement work is to be eliminated altogether.
- The public restrooms located within the building are to be open and operated/maintained by the YMCA in a manner consistent with the YMCA's obligation under the Existing Lease beginning on July 1, 2024, or upon issuance by the Port of a temporary certificate of occupancy (TCO) for any or all of the building Premises, whichever is earlier.
- So long as the YMCA opens the public restrooms by July 1, 2024 or, if earlier, within five days of any occupancy of any portion of the building Premises and manages the same in accordance with the Lease, the YMCA shall receive a \$2,000 monthly rent credit ("Restroom Rent Credit"). The Port will have remedies prescribed in the Amended and Restated Lease for any failure by the YMCA to comply with this requirement.
 - Failure by Tenant to satisfy the bathroom operations and maintenance requirements within five (5) days of July 1, 2024 or any occupancy prior to that date will constitute a default under the terms of the Amended and Restated Lease.
- If Dogpatch Paddle occupies the building pursuant to a Partial TCO, YMCA shall pay the Port the pro-rata base rent share for that portion of the premises based on the number of square feet of occupied space but, subject to the provisos above, may apply the Restroom Rent Credit against that rent obligation.
 - Example: per the Lease, the full amount of monthly base rent for Sublease Premises A (the Dogpatch Paddle space) is \$2,918; If Dogpatch Paddle is only able to occupy 75% of their space on an early, interim basis, the amount of base rent due to the Port would be $\$2,918 \times 75\%$, which is \$2,189.
 - If Dogpatch Paddle is unable to occupy the space early for any reason, and the YMCA is in compliance with the requirement to operate and maintain the public restrooms as described above, the Restroom Rent Credit shall be

retained by the YMCA but delayed (i.e. “banked”) until Rent Commencement, at which time it may then be applied immediately against any outstanding rent obligations (i.e. the full amount of any such banked Restroom Rent Credit shall be applied in full and at once against the amount of base rent due until fully exhausted).

- Full Rent Commencement on October 1, 2024 or upon issuance of a TCO for the full building, whichever is earlier (i.e. maximum of three months of additional construction period rent abatement as compared to the Existing Lease).

NEXT STEPS

Port staff intends to return to the Port Commission in January 2024 with a request to approve a Resolution authorizing the Port Executive Director to forward the approved Amended and Restated lease to the Board of Supervisors approval and execute the Amended and Restated Lease upon approval from the Board of Supervisors. If approved by the Port Commission, Port Staff will proceed promptly in seeking the Board of Supervisors' approval of the Amended and Restated Lease. In the meantime, the YMCA is proceeding in parallel with the process of finalizing the project design and securing the necessary building permit(s) through the Port under the Existing Lease.

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Exhibits: Letter from Jamie Bruning-Miles, YMCA SF President and CEO, dated
 October 5, 2023