

Parameter Rate Schedule  
Office Rents FY2018

Exhibit A

**Full Service Office - Class B**

Sub-Area	Location Type	Monthly Rental Rate Range PSF	Monthly Net Eff. Rental Range PSF
NE Waterfront	Roundhouse Plaza	\$ 4.25 - \$ 4.75	\$ 4.00 - \$ 4.50

**Full Service Office - Class C**

Sub-Area	Location Type	Monthly Rental Rate Range PSF	Monthly Net Eff. Rental Range PSF
Ferry Plaza	Ag. Building Interior	\$ 1.60 - \$ 2.00	\$ 1.25 - \$ 1.75
Ferry Plaza	Ag. Building Window	\$ 3.40 - \$ 3.75	\$ 3.00 - \$ 3.50
China Basin	401 Terry Francois	\$ 3.50 - \$ 3.75	\$ 3.20 - \$ 3.50

**Office NNN - Class B**

Sub-Area	Location Type	Monthly Rental Rate Range PSF	Monthly Net Eff. Rental Range PSF
NE Waterfront	Pier 33 ½ North	\$ 3.50 - \$ 3.95	\$ 3.25 - \$ 3.75
NE Waterfront	Pier 33 Bulkhead Bldg.	\$ 3.25 - \$ 3.50	\$ 3.00 - \$ 3.25
NE Waterfront	Pier 35 Bulkhead Bldg.	\$ 3.25 - \$ 3.50	\$ 3.00 - \$ 3.25
NE Waterfront	Pier 9 Bulkhead Bldg.	\$ 4.00 - \$ 4.50	\$ 3.75 - \$ 4.25
NE Waterfront	Pier 9 Pier Office	\$ 4.00 - \$ 4.50	\$ 3.75 - \$ 4.25
South Beach	Pier 26 Annex Bldg.	\$ 3.25 - \$ 3.75	\$ 2.93 - \$ 3.22

**Office NNN - Class C**

Sub-Area	Location Type	Monthly Rental Rate Range PSF	Monthly Net Eff. Rental Range PSF
Fishermen's Wharf	490 Jefferson St.	\$ 3.50 - \$ 3.75	\$ 3.25 - \$ 3.50
NE Waterfront	Pier 29 ½	\$ 2.25 - \$ 2.50	\$ 2.00 - \$ 2.25
NE Waterfront	Pier 29 Annex Bldg.	\$ 3.15 - \$ 3.50	\$ 3.00 - \$ 3.25
NE Waterfront	Pier 35 Interior Office	\$ 2.50 - \$ 3.00	\$ 2.50 - \$ 3.00
NE Waterfront	Piers 23 Bulkhead Bldgs.	\$ 3.35 - \$ 3.69	\$ 3.02 - \$ 3.32
South Beach	Pier 28 Bulkhead Bldg.	\$ 2.50 - \$ 2.75	\$ 2.25 - \$ 2.50
South Beach	Pier 38 Bulkhead Bldg.	\$ 2.50 - \$ 2.75	\$ 2.25 - \$ 2.50
South Beach	Piers 26 Bulkhead Bldg.	\$ 2.50 - \$ 2.75	\$ 2.10 - \$ 2.50
China Basin	Pier 54 Office	\$ 1.60 - \$ 1.75	\$ 1.40 - \$ 1.50
China Basin	Pier 70, Building 11	\$ 1.10 - \$ 1.25	\$ 0.80 - \$ 1.00
China Basin	Piers 50 Bulkhead Bldg.	\$ 3.40 - \$ 3.50	\$ 2.75 - \$ 3.25
Southern Waterfront	501 Cesar Chavez	\$ 1.30 - \$ 1.50	\$ 1.20 - \$ 1.25
Southern Waterfront	601 Cesar Chavez	\$ 1.80 - \$ 2.00	\$ 1.50 - \$ 1.75
Southern Waterfront	671 Illinois St.	\$ 1.00 - \$ 1.10	\$ 0.80 - \$ 1.00
Southern Waterfront	696 Amador	\$ 1.35 - \$ 1.50	\$ 1.10 - \$ 1.40
Southern Waterfront	Pier 96 Admin. Bldg.	\$ 1.40 - \$ 1.50	\$ 1.10 - \$ 1.25
Southern Waterfront	Pier 96 Gate House Bldg.	\$ 1.15 - \$ 1.25	\$ 1.00 - \$ 1.10

**Office Storage**

Sub-Area	Location Type	Monthly Rental Rate Range PSF	Monthly Net Eff. Rental Range PSF
Portwide	Office Storage	\$ 1.70 - \$ 2.00	\$ 1.65 - \$ 2.00

Parameter Rate Schedule  
Industrial/ Warehouse Rates FY2018

Exhibit A

Pier Shed & Land Leases			
Sub-Area	Location Type	Monthly Rental Rate Range PSF	Monthly Net Eff. Rental Range PSF
Northeast Waterfront	Pier 9	\$ 1.75 - \$ 1.93	\$ 1.58 - \$ 1.73
Northeast Waterfront	Pier 19	\$ 1.65 - \$ 1.82	\$ 1.49 - \$ 1.63
Northeast Waterfront	Pier 23	\$ 1.65 - \$ 1.82	\$ 1.49 - \$ 1.63
Northeast Waterfront	Pier 29	\$ 1.65 - \$ 1.82	\$ 1.49 - \$ 1.63
Northeast Waterfront	Pier 31	\$ 1.30 - \$ 1.43	\$ 1.17 - \$ 1.29
Northeast Waterfront	Pier 33, 35, 45	\$ 1.30 - \$ 1.43	\$ 1.17 - \$ 1.29
Northeast Waterfront	Pier 47 Shed Storage	\$ 0.80 - \$ 0.88	\$ 0.72 - \$ 0.79
South Beach	Pier 24 Annex	\$ 3.40 - \$ 3.74	\$ 3.06 - \$ 3.37
South Beach	Pier 40	\$ 1.50 - \$ 1.65	\$ 1.35 - \$ 1.49
South Beach	Pier 50	\$ 1.50 - \$ 1.65	\$ 1.35 - \$ 1.49
South Beach	Piers 26	\$ 1.50 - \$ 1.65	\$ 1.35 - \$ 1.49
China Basin	Pier 54 Shed	\$ 0.70 - \$ 0.77	\$ 0.63 - \$ 0.69
China Basin	Piers 48	\$ 1.60 - \$ 1.76	\$ 1.44 - \$ 1.58
Southern Waterfront	699 Illinois St.	\$ 1.10 - \$ 1.21	\$ 0.99 - \$ 1.09
Southern Waterfront	Facility 6019	\$ 0.75 - \$ 0.83	\$ 0.68 - \$ 0.74
Southern Waterfront	Pier 80	\$ 1.05 - \$ 1.16	\$ 0.95 - \$ 1.04
Southern Waterfront	Pier 92 & SWL's 344 & 349	\$ 1.00 - \$ 1.10	\$ 0.90 - \$ 0.99
Southern Waterfront	Pier 96 M & R Bldg.	\$ 1.10 - \$ 1.21	\$ 0.99 - \$ 1.09
Southern Waterfront	SWL 345	\$ 1.10 - \$ 1.21	\$ 0.99 - \$ 1.09
Southern Waterfront	SWL's 343 & 354	\$ 1.10 - \$ 1.21	\$ 0.99 - \$ 1.09

Pier Shed & Land Leases			
Sub-Area	Location Type	Monthly Rental Rate Range PSF	Monthly Net Eff. Rental Range PSF
Open Land & Pier	Improved Land	\$ 0.85 - \$ 0.94	\$ 0.77 - \$ 0.84
Open Land & Pier	Paved	\$ 0.45 - \$ 0.50	\$ 0.41 - \$ 0.45
Open Land & Pier	Submerged Land	\$ 0.19 - \$ 0.21	\$ 0.17 - \$ 0.19
Open Land & Pier	Unpaved	\$ 0.35 - \$ 0.39	\$ 0.32 - \$ 0.35
Open Land & Pier	Apron/ Open Pier	\$ 0.40 - \$ 0.44	\$ 0.36 - \$ 0.40

Parameter Rate Schedule  
Industry Rates FY2018

Exhibit A

**Fish Processing & Wholesale Space**

Sub-Area	Location Type	Monthly Rental Rate Range PSF	Monthly Net Eff. Rental Range PSF
Fisherman's Wharf	Pier 45 2nd Fl Mezz.	\$ 0.95 - \$ 1.05	\$ 0.86 - \$ 0.94
Fisherman's Wharf	Pier 45 Office 1st Fl Office	\$ 1.30 - \$ 1.43	\$ 1.17 - \$ 1.29
Fisherman's Wharf	Pier 45 Shed	\$ 1.10 - \$ 1.21	\$ 0.99 - \$ 1.09
Fisherman's Wharf	Second floor warehouse	\$ 0.60 - \$ 0.66	\$ 0.54 - \$ 0.59
Fisherman's Wharf	SWL 302	\$ 1.10 - \$ 1.21	\$ 0.99 - \$ 1.09
Northeast Waterfont	Pier 33	\$ 1.15 - \$ 1.27	\$ 1.04 - \$ 1.14
Fisherman's Wharf	Apron	\$ 0.40 - \$ 0.44	\$ 0.36 - \$ 0.40

**Fishing Gear Storage Space**

Sub-Area	Location Type	Monthly Rental Rate Range PSF	Monthly Net Eff. Rental Range PSF
Portwide	Berthholders	\$ 0.40 - \$ 0.44	\$ 0.36 - \$ 0.40
Portwide	Non-Berthholders	\$ 1.15 - \$ 1.27	\$ 1.04 - \$ 1.14

**Pier 40 Storage Locker Licenses**

Sub-Area	Location Type	Monthly Rent
South Beach	Pier 40 Lockers	\$ 80.00

**Telecommunications Leases**

Sub-Area	Location Type	Base Rent
Portwide	Fixed Telecom Sites	\$ 6,200.00 Per Month
Portwide	Temporary Telecom Sites	\$ 450.00 Per Day

Parameter Rate Schedule  
Pier 40 Storage Lockers FY2018

<b>Pier 40 Storage Locker Licenses</b>		
<b>Sub-Area</b>	<b>Location Type</b>	<b>Monthly Rent</b>
South Beach	Pier 40 Lockers	\$ 80.00

<b>Telecommunications Leases</b>		
<b>Sub-Area</b>	<b>Location Type</b>	<b>Base Rent</b>
Portwide	Fixed Telecom Sites	\$ 6,200.00 Per Month
Portwide	Temporary Telecom Sites	\$ 450.00 Per Day

Parameter Rate Schedule  
Telecommunications Leases FY2018

Telecommunications Leases		
Sub-Area	Location Type	Base Rent
Portwide	Fixed Telecom Sites	\$ 6,200.00 Per Month
Portwide	Temporary Telecom Sites	\$ 450.00 Per Day

Portwide Parking Rates  
FY2018

Exhibit A

**Parking Stall Rates**

Facility	Stall Type	Pre-Tax Rent	Parking Tax	Stall Rent
Ag. Building	Building Tenant	\$ 340.00	\$ 85.00	\$ 425.00
Pier 9	Shed Tenant	\$ 330.00	\$ 82.50	\$ 412.50
SWL 302	Commercial Tenant	\$ 310.00	\$ 77.50	\$ 387.50
SWL 302	Restaurant Tenant	\$ 210.00	\$ 52.50	\$ 262.50
SWL 303	Commercial Tenant	\$ 310.00	\$ 77.50	\$ 387.50
SWL 303	Restaurant Tenant	\$ 210.00	\$ 52.50	\$ 262.50
Pier 80	Admin Bldg. Tenant	\$ 80.00	\$ 20.00	\$ 100.00
Pier 80	Industrial Trucking	\$ 150.00	\$ 37.50	\$ 187.50
Pier 90	Industrial Trucking	\$ 160.00	\$ 40.00	\$ 200.00
Pier 94	Industrial Trucking	\$ 140.00	\$ 35.00	\$ 175.00
Pier 96	Industrial Trucking	\$ 140.00	\$ 35.00	\$ 175.00

**Color Curb Program Licenses**

Type	Use	Size	Set-Up Fees	Monthly Fees
White Zone	Passenger Loading	Per 20 Ft. Zone	\$ 400.00	\$ 300.00
Yellow Zone	Commercial Delivery	Per 40 Ft. Zone	\$ 400.00	\$ -

Special Event Rates  
FY2018

Exhibit A

Special Event Rates					
Event Type		Security Deposit	Set-up Fees		Event Fees
Athletic Event (Small)	< 2000 People	\$ 4,000.00	\$ -	Per Day	\$ 2,000.00 Per Day
Athletic Event (Large)	> 2000 People	\$ 8,000.00	\$ -	Per Day	\$ 4,000.00 Per Day
Private Event (Small)	< 2000 People	\$ 4,000.00	\$ 1,000.00	Per Day	\$ 2,000.00 Per Day
Private Event (Large)	> 2000 People	\$ 8,000.00	\$ 2,000.00	Per Day	\$ 4,000.00 Per Day
Public Event	< 2000 People	\$ 4,000.00	\$ 1,000.00	Per Day	\$ 2,000.00 Per Day
Public Event	> 2000 People	\$ 8,000.00	\$ 2,000.00	Per Day	\$ 4,000.00 Per Day
Pier 32 & Valley	All Events	\$ 25,000.00	\$ 12,500.00	Per Day	\$ 25,000.00 Per Day

Film & Photo Shoot Rates (Non-Film Commission)				
Event Type	Location	Description	Rate	
Still Photo Shoot	Outdoor	Simple	\$ 2,000.00	Per Day
Still Photo Shoot	Outdoor	Major	\$ 4,000.00	Per Day
Still Photo Shoot	Indoor	Simple	\$ 2,500.00	Per Day
Still Photo Shoot	Indoor	Major	\$ 5,000.00	Per Day
Film Shoot	Portwide	Simple	\$ 2,000.00	Per Day
Film Shoot	Portwide	Major	\$ 4,000.00	Per Day

\*Minor Film & Photo Shoots are those that require little to no support Functions;  
I.e. The Photographer, Subject, Minimal Equipment, etc.

\*Major Film & Photo Shoots are those that require substantial support;  
I.e. Film Crew, Props, Vehicles, Generators. Lighting, etc.

\*At no time shall the fee charged for Filming or a Photo Shoot at any facility be less than  
the Parameter Rental Rate for that facility as specified in the Rental Rate Schedule

In researching market conditions and rates, Port staff employed the following sources of information:

**Unemployment Rate: Federal Reserve Bank, April 2017**

**Office Market Summary:**

1. Cushman & Wakefield First Quarter Office Report 2017
2. 2017 Q1 San Francisco Office Report Jones Lange La Salle
3. 2017 Q1 Cornish & Carey Commercial San Francisco Office
4. 2017 Q1 Tri Commercial Real Estate San Francisco Office
5. 2017 Q1 Kidder Mathews San Francisco Office
6. Colliers International San Francisco Office Market 2017
7. CBRE Market Overview San Francisco Office 2017
8. Port of San Francisco Lease Activity April 1, 2016 to March 31, 2017

**Industrial Market Summary:**

1. Kidder Mathews San Francisco Industrial Report 1Q 2017
2. Cushman & Wakefield Industrial Report 4Q 2016

**Fishing Industry Pier Shed and Land:**

1. Port of San Francisco
2. Santa Cruz Harbor
3. Pillar Point Harbor
4. Spud Point Harbor
5. Morro Bay Harbor
6. Crescent City Harbor

**Parking Market Survey:**

1. Public Parking Facilities Located in the Vicinity
2. Private Parking Facilities Located in the Vicinity



Vacancy Report  
Portwide

Exhibit C

Report Date 5/1/2017

Row Labels	Total Space	Occupied Space	Available Space
<b>Office</b>			
<b>Bulkhead Office</b>			
Pier 15	4,084	4,084	-
Pier 17	2,774	2,774	-
Pier 23	12,300	12,300	-
Pier 26	18,433	18,433	-
Pier 28	6,187	6,187	-
Pier 29.5	6,264	6,264	-
Pier 33	3,500	3,500	-
Pier 35	9,994	9,994	-
Pier 50	7,743	7,743	-
Pier 54	3,000	3,000	-
Pier 9	72,000	72,000	-
<b>Bulkhead Office Total</b>	<b>146,279</b>	<b>146,279</b>	-
<b>Office</b>			
401 Terry Francois	10,764	9,764	1,000
501 Cesar Chavez	40,090	32,590	7,500
696 Amador	2,948	2,948	-
Ag Building	22,476	22,476	-
Pier 29 Beltline Building *1	3,440	3,440	-
Pier 70, Bldg 11	25,154	25,154	-
Pier 96	18,542	15,542	3,000
RoundHouse I	20,237	20,237	-
RoundHouse II	25,421	13,421	12,000
<b>Office Total</b>	<b>169,072</b>	<b>145,572</b>	<b>23,500</b>
<b>Office Total</b>	<b>315,351</b>	<b>291,851</b>	<b>23,500</b>

7.45%

Vacancy Report  
Portwide

Exhibit C

<b>Shed</b>				
<b>Shed</b>				
Pier 15	-	-	-	
Pier 17	-	-	-	
Pier 19 & 19 1/2	94,544	94,544	-	
Pier 23	54,000	54,000	-	
Pier 26	94,472	94,472	-	
Pier 28	44,644	44,644	-	
Pier 31	95,395	95,395	-	
Pier 33	61,192	61,192	-	
Pier 35	242,299	242,299	-	
Pier 38	-	-	-	
Pier 40	82,904	82,904	-	
Pier 48	200,000	200,000	-	
Pier 50	135,350	132,350	3,000	
Pier 54	20,000	20,000	-	
Pier 80 M&R Building	30,000	30,000	-	
Pier 9	29,754	29,754	-	
Pier 96	400,600	400,600	-	
Pier 96 M&R Building	30,000	30,000	-	
<b>Shed Total</b>	<b>1,615,154</b>	<b>1,612,154</b>	<b>3,000</b>	
<b>Shed Total</b>	<b>1,615,154</b>	<b>1,612,154</b>	<b>3,000</b>	<b>0.19%</b>
<b>Retail</b>				
<b>Retail</b>				
Coast Marine	20,915	20,915	-	
Frank's Fisherman's Supply	8,183	8,183	-	
Guardino's Souvenir and Gift	1,827	1,827	-	
Jeremiah O'Brien	9,406	9,406	-	
Pier 33 Retail	1,600	1,600	-	
Safe Harbor (Portco)	2,499	2,499	-	
SF Maritime (Pompanito)	6,842	6,842	-	
The Bay Company (A. Hoppe)	10,413	10,413	-	
<b>Retail Total</b>	<b>61,685</b>	<b>61,685</b>	<b>-</b>	
<b>Retail Total</b>	<b>61,685</b>	<b>61,685</b>	<b>-</b>	<b>0.00%</b>

Vacancy Report  
Portwide

Exhibit C

<b>Restaurant</b>			
<b>Restaurant</b>			
Alioto's	6,270	6,270	-
Andre Boudin's (Café)	5,400	5,400	-
Black Coalition on Aids	1,000	1,000	-
Boudin's	19,891	19,891	-
Butterfly	7,972	-	7,972
Capurro's	4,286	4,286	-
Carmen's	2,125	2,125	-
Castagnola's	9,107	9,107	-
Crab Station	927	927	-
D&G (Lou's Pier 47)	4,363	4,363	-
East Street Café	11,909	11,909	-
Fisherman's Grotto	18,796	18,796	-
Fog City Diner	7,627	7,627	-
Hi Dive	2,459	2,459	-
Java House	1,490	1,490	-
Mission Rock Resort	7,924	7,924	-
Nick's Lighthouse	2,238	2,238	-
Pier 23 Café	4,385	4,385	-
Pompei's	4,450	4,450	-
Red's Java House	772	772	-
Sabella & La Torre	2,236	2,236	-
Scoma's	12,221	12,221	-
SFO Forecast (Cioppino's)	7,430	7,430	-
SFS39 (Franciscan)	12,143	12,143	-
Taratino's	7,153	7,153	-
The Ramp	2,500	2,500	-
Waterfront	11,894	11,894	-
<b>Restaurant Total</b>	<b>178,968</b>	<b>170,996</b>	<b>7,972</b>
<b>Restaurant Total</b>	<b>178,968</b>	<b>170,996</b>	<b>7,972</b>
<b>Portwide Total</b>	<b>2,171,158</b>	<b>2,136,686</b>	<b>34,472</b>
			<b>4.45%</b>
			<b>1.59%</b>











- Port-managed Parking Facilities
- A SWL 303
- B SWL 302
- C Pier 9
- D Agriculture Building

Other Parking Facilities Located In The Vicinity

- |                               |                                     |                                    |
|-------------------------------|-------------------------------------|------------------------------------|
| 1 655 Beach / Leavenworth     | 14 Pier 33                          | 27 350 Pacific / Battery & Sansome |
| 2 500 Beach / Jones           | 15 Pier 29 1/2                      | 28 768 Sansome / Pacific & Jackson |
| 3 2850 Jones / Beach          | 16 Pier 19 1/2                      | 29 250 Clay / Battery & Front      |
| 4 350 Beach / Taylor          | 17 Green / Front                    | 30 Clay / Drumm, Davis & Front     |
| 5 400 North Point / Taylor    | 18 Front / Broadway                 | 31 Pier 3                          |
| 6 455 North Point / Taylor    | 19 Davis / Vallejo                  | 32 Embarcadero / Washington        |
| 7 350 Bay / Powell            | 20 Davis / Broadway                 | 33 1 Market / Spear                |
| 8 170 Jefferson               | 21 735 Davis / Broadway             | 34 121 Spear / Mission & Howard    |
| 9 Embarcadero / Stockton      | 22 847 Front / Broadway & Vallejo   | 35 75 Howard / Stuart & Spear      |
| 10 Bay / Embarcadero & Kearny | 23 750 Front / Broadway & Pacific   | 36 1 Bryant / Embarcadero / Beale  |
| 11 80 Francisco               | 24 Broadway / Battery & Front       | 37 Pier 26                         |
| 12 55 Francisco               | 25 900 Sansome / Broadway           | 38 Pier 30/32                      |
| 13 Sansome / Greenwich        | 26 955 Sansome / Broadway & Vallejo | 39 920 3rd Street                  |
|                               |                                     | 40 199 Fremont Street              |
|                               |                                     | 41 25 Folsom Street                |

APPROVED BY  
 SAN FRANCISCO PORT COMMISSION  
 DATE \_\_\_\_\_  
 \_\_\_\_\_  
 CHIEF HARBOR ENGINEER

**SAN FRANCISCO PORT COMMISSION**  
 PORT OF SAN FRANCISCO  
 DEPARTMENT OF ENGINEERING

EXHIBIT F-1

DRAWN BY: JLD	DATE: APRIL 03, 2017
CHECKED BY: T. LEE-LAM	SCALE: 1"=1750'
DRAWING NO.	SHEET NO.
	OF SHEETS





**KEYSER MARSTON ASSOCIATES™**  
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

**MEMORANDUM**

**ADVISORS IN:**  
REAL ESTATE  
REDEVELOPMENT  
AFFORDABLE HOUSING  
ECONOMIC DEVELOPMENT

**To:** Jeffrey Bauer  
Port of San Francisco

**From:** Keyser Marston Associates, Inc. (KMA)

**Date:** May 18, 2017

**Subject:** Review of 2017-18 Port Minimum Rent Schedule

**SAN FRANCISCO**  
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**SAN DIEGO**  
PAUL C. MARRA

**Introduction & Conclusions**

In accordance with your request, Keyser Marston Associates, Inc. (KMA) has undertaken a review of the Port of San Francisco's May 18, 2017 memorandum regarding the "Fiscal Year 2017-18 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates." KMA has been tasked to review the Port's 2017-18 schedule for the purpose of assessing the reasonableness of the rents for office, industrial/warehouse, and parking facilities. Special events and filming rates are not included in KMA's assessment.

As further described in this memorandum, KMA concludes that the minimum office, industrial/warehouse, and parking rates recommended in the Port's 2017-18 schedule are generally reasonable and consistent with overall market trends.

**Background & Approach**

The Port of San Francisco is a lessor of a wide variety of real property including office space, industrial/warehouse space, parking spaces, paved and unpaved land, and space for special events and filming. The Port annually updates a schedule of minimum rents for a number of the Port's properties. New leases and lease renewals with terms that equal or exceed the minimum parameters contained in the schedule can be approved by the Port's Executive Director. Leases that fall outside the parameters of the schedule must be approved by the Port Commission.

**To:** Jeffrey Bauer  
**Subject:** Review of 2017-18 Port Minimum Rent Schedule

May 18, 2017  
Page 2

The purpose of the rent schedule is to set minimum rents, which are intended to approximate the lower end of market, in order to keep to a reasonable number the leases the Port Commission needs to review and approve while at the same time providing additional assurance that the minimum rents are consistent with the market. Port leasing staff is free to lease properties at the highest rate that it can achieve from a certain tenant, and in fact we understand that the majority of leases are successfully negotiated with rents above the minimums.

While it is the Port's mandate to maximize lease revenues, it is KMA's understanding that the Port also has a strong desire to retain small, local-serving businesses and non-profits as much as possible, especially those that are consistent with the public trust regarding waterfront land. Port staff's recommended minimum rents take both of these policy objectives into consideration.

In addition, the Port sets rents at rates which maximizes the occupancy of Port properties and minimizes periods of prolonged building vacancies. For example, as noted in the Port's staff report the Port's current vacancy rate for industrial/warehouse space is just 0.19% compared to the citywide average of 3.6%. Low vacancy rates allow for a more consistent and stable income stream for the Port.

In performing this assignment, KMA undertook the following tasks:

- Reviewed the Port's proposed 2017-18 minimum rental rate schedule;
- Assessed changes from the Port's 2016-17 rent schedule;
- Reviewed the current rent roll of Port properties;
- Reviewed and analyzed current rent listings and other market data; and
- Discussed the Port's recent leasing activity with Port staff.

We are generally familiar with the Port's properties and have performed "windshield" visual inspections of those properties in prior years.

## **Analysis**

### *A. Office*

Overall, the San Francisco office market remains healthy although there a signs market growth is beginning to moderate. According to Newmark Cornish & Carey and Colliers International, the average asking rate for Class B office properties in San Francisco

**To:** Jeffrey Bauer  
**Subject:** Review of 2017-18 Port Minimum Rent Schedule

May 18, 2017  
Page 3

increased 2.5% and 3.6% respectively between Q1 2016 and Q1 2017<sup>1</sup>. Colliers notes that in the current quarter pro forma rents for some landlords are being achieved by providing incentives such as free rent periods and greater tenant improvement allowances. The overall office vacancy rate remains strong at 6.2%, although this represents an increase from 4.9% last year. In addition, Q1 2017 posted the first quarter of negative office absorption (-287,000 square feet) in many years. The Port's current office vacancy rate is 7.45%<sup>2</sup>.

Port leasing staff has indicated that certain of the Port's office properties continue to have low vacancy rates and are in high demand and on this basis staff recommends the minimum rents for many properties be increased from last year. Port staff is recommending that the minimum rents for many of the Port's office properties be increased in the range of 3% to 10% from last year. For the Port's office properties that are in less demand due to below average physical condition, dated layouts, location, or other factors, Port staff is recommending that the minimum rents remain unchanged from last year. Port staff is not recommending minimum rent reductions for any of the Port's properties.

Based on a review of third party market data, review of Port lease data for specific properties, and discussions with Port leasing staff, KMA concurs with Port staff's 2017-18 minimum office rent recommendations. It is noted that among the factors that puts downward pressure on the Port's rents relative to the overall San Francisco office market is the more advanced age and less optimal physical condition of many of the Port's facilities as well as the fact that the Port has limited ability to fund up front tenant improvement costs.

#### *B. Industrial/Warehouse*

Industrial market conditions in San Francisco have also improved from last year. A recent report by Kidder Mathews indicates industrial rents have increased approximately 10% year-over-year and the average market vacancy rate remains very low at approximately 3.6%. Port staff reports that, in general, demand is high for its industrial/shed space despite the fact that some of the Port's properties have physical limitations such as a lack of truck height loading bays and large clear interior spans. In recognition of improved market conditions, Port staff is recommending that the minimum rents for most of the Port's industrial shed space be increased in the range of 5-10%

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<sup>1</sup> The reason for the percentage range is due to differences in how the brokerage firms sort and calculate the data.

<sup>2</sup> It is noted that a significant portion of the Port's office vacancy is attributable to a large tenant recently vacating the Roundhouse II property. Excluding Roundhouse II, the Port's office vacancy rate is 4.0%.

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**Subject:** Review of 2017-18 Port Minimum Rent Schedule

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from last year. With these increases, most of the new minimum rents would cluster in the \$1.00 to \$1.65/sq.ft./month range, with the lower end of the range reflecting properties on the southern waterfront. According to Kidder Mathews, the average asking rent for all industrial properties in San Francisco is approximately \$1.50/sq.ft./month (triple net) and properties in the Bayview/Hunters Point and Mission Bay/China Basin are approximately \$1.10/sq.ft./month.

Based on a review of Port lease data for specific properties and discussions with Port leasing staff, KMA concurs with the Port's 2017-18 minimum industrial/warehouse rent recommendations.

### *C. Parking*

The Port owns and operates a number of parking facilities from Seawall Lots 302/303 on the northern waterfront to truck parking at Piers 90, 94, and 96. All the Port's parking spaces are leased on a monthly basis to current Port tenants. Port staff has prepared an update of its annual survey of rates for competitive parking facilities. Overall, Port staff's assessment is that market conditions have improved from last year. In order to reflect improved conditions in the market, Port staff is recommending that the minimum parking rates be increased by roughly 3% to 8% from last year. On the basis of the Port's survey of rates from competitive parking facilities, KMA concurs with Port staff's 2017-18 parking rate recommendations.

## Synopsis of Port Leasing Policies

The Port Commission has delegated authority to Port staff to execute certain leases, licenses and memoranda of understanding that meet the following criteria:

1. Use Type:  
The agreement is for an office building or bulkhead office space, open or enclosed pier shed space, paved or unpaved open space, or open pier or apron space or roof-top space but is not for a retail use.
2. Use Consistency:  
Except for temporary uses (with terms not exceeding six (6) months), the use under the agreement represents a like-kind use to the existing or the immediate prior use of the facility.
3. Assignments and Subleases:  
Unless otherwise explicitly provided by the Lease, staff is authorized to consent to assignments and subleases on a form approved by the City Attorney and provided the terms and the conditions of the sublease or assignment complies with the terms and conditions of the Lease.
4. As-Is Execution:  
The tenant executes the Port's appropriate\* standard form agreement with no alterations except for minor changes approved by the City Attorney or changes in insurance requirements approved by the City Risk Manager.
5. Term Limits:  
The term of the agreement does not exceed five (5) years, except for those leases in the Fisherman's Wharf Seafood Center at Pier 45 Sheds B and D that have a maximum lease term of ten (10) years (Port Resolution No. 94-122; Amended February 28, 2006, by Resolution No. 06-15). Leases for telecommunication sites may be up to nine (9) years (Port Resolution No. 96-123).
6. Select Tenant Improvement Allowance:  
Port staff has the authority to issue tenant improvement allowances for floor and wall coverings if those credits do not result in the net rent over the term of the lease to be below the Minimum Net Effective Rental Rates found in the Rental Rate Schedule. Allowances for paint (amended June 8, 2010 by Resolution 37-10) up to a maximum of \$3.50 per square foot, and for floor covering, up to a maximum of \$5.00 per square foot (amended July 10, 2012 by Resolution 12-52), are allowable when: 1) new paint and/or floor covering is necessary in order to lease space in full service office buildings; and 2) Port staff is unable to perform such work prior to the proposed lease commencement date. These allowances are considered "landlord's work"; therefore such work is not included in calculating the minimum Initial Lease Rental Rates.
7. Limited Early Entry:  
One month rent-free early entry to include rent abatement for each year of lease term may be granted, up to three months, for the purpose of space preparation (not to exceed three months). (Amended July 14, 2009 by Resolution No. 09-34).

8. Compliance with Laws:  
The standard forms require compliance with all laws, explicitly including requirements for compliance with environmental laws including hazardous materials handling and cleanup; City zoning laws; the Port Waterfront Land Use Plan; and consistency and compliance with the Secretary of the Interiors' Standards for the Treatment of Historic Properties and the Port of San Francisco Historic Preservation Review Guidelines for Pier and Bulkhead Wharf Substructures.
9. Large Land Discount:  
Port staff is authorized to offer a 5% discount for land transactions with minimum premises of 43,560 square feet and a minimum term of 36 months (Amended June 8, 2010 by Resolution 10-37).
10. Rental Rates:  
The Port's leasing policy provides for an annual update of the Rental Rate Schedule. The Rental Rate Schedule sets ranges of minimum lease/license rental rates per square foot and ranges of Minimum Net Effective Rental Rates per square foot (if any rent credits are to be provided) by type of use and facility for office, shed and industrial space.
11. Reporting to Port Commission:  
Port staff provides a monthly report to the Port Commission indicating Leases, Licenses, Memoranda of Understanding, consents to sublease, and assignments executed pursuant to this policy.
12. The City's administrative policy is to competitively solicit leasing opportunities, except where impractical or infeasible. The Port has a high volume of leases (about 550) for relatively small leased areas at nominal rental rates. To competitively bid such a large volume of leases would be impractical because the benefit of doing so does not outweigh the cost of resources that would be required just for this effort. Moreover, Port is generally able to accommodate most entities that wish to enter into leases for general special events, offices, and pier and open land storage space. As such, it is the policy of the Port not to competitively bid leases or licenses for special events, office, warehouse space, or unimproved land. Instead, for these fairly routine leases, the Port relies on the parameter rental rate structure that is based on an analysis of comparable rent charged in the private sector and/or based on existing conditions of individual properties as adjusted annually to reflect market conditions. However, where a business model is highly competitive and represents a major revenue opportunity for the Port (e.g., development opportunities, retail leases, parking lots, concrete batching, construction materials recycling), the Port would issue a competitive solicitation.
13. The Port's Executive Director is authorized to waive Public Art use fees under the following circumstances: (i) there are no other uses for the space during the term of the license that would generate rent to the Port; (ii) no uses would be displaced; (iii) the Port does not expend any or only minimal or incidental resources or revenues to support the installation; (iv) there is a direct benefit to the Port in that Public Art enlivens and attracts people to the waterfront, and (v) the sites that are most likely to be attractive for large scale public art, and that have adequate space for a variety of types of installations include: Pier 14, Cruise Terminal Plaza, Harry Bridges Plaza, Brannan Street Wharf, Crane Cove Park, and Heron's Head Park. (Port Commission Resolution No. 15-21.)



Office Leases  
April 1, 2016 - March 31, 2017

Exhibit G

**Northeast Waterfront Leases**

Tenant	Date	Facility	Contract #	Rate PSF	Sq Ft	Monthly Rent
Ammunition, LLC	3/1/2017	3180	L-16251	\$ 4.50	2,175.00	\$ 9,787.50
Northern California World Trade Center	4/1/2016	1335	L-16099	\$ 3.75	970.00	\$ 3,637.50
<b>Average Monthly Rate</b>				<b>\$ 4.13</b>		

**Ferry Plaza / South Beach Leases**

Tenant	Date	Facility	Contract #	Rate PSF	Sq Ft	Monthly Rent
Ferry Plaza Wine Merchant, LP	6/1/2016	2780	L-16120	\$ 2.41	1,552.00	\$ 3,746.40
SF Bay Area Water Emergency Transprtn Authority	3/1/2017	2780	L-16253	\$ 1.55	1,245.00	\$ 1,929.75
Swinerton Builders	9/1/2016	1260	L-16171	\$ 1.60	10,182.00	\$ 16,316.25
<b>Average Monthly Rate</b>				<b>\$ 1.86</b>		

**China Basin / Central Basin Leases**

Tenant	Date	Facility	Contract #	Rate PSF	Sq Ft	Monthly Rent
Ayer Media, Inc.	12/1/2016	2505	L-16212	\$ 2.78	317.00	\$ 881.80
Jack Scott & Associates, Construction Constultants	9/1/2016	1540	L-16172	\$ 1.71	834.00	\$ 1,424.80
Carpou, Peter C.	11/1/2016	1540	L-16192	\$ 2.00	177.00	\$ 354.00
<b>Average Monthly Rate</b>				<b>\$ 2.16</b>		

**Southern Waterfront Leases**

Tenant	Date	Facility	Contract #	Rate PSF	Sq Ft	Monthly Rent
Walker, Richard Turner	4/1/2016	3491	L-16103	\$ 1.10	1,630.00	\$ 1,793.00
Mortenson   Clark	3/1/2017	1960	16259	\$ 1.36	10,685.00	\$ 14,582.00
<b>Average Monthly Rate</b>				<b>\$ 1.23</b>		



Land Leases  
April 1 2016 - March 31 2017

Exhibit G

**China Basin / Central Basin Leases**

Tenant	Date	Facility	Contract #	Rate PSF	Sq Ft	Monthly Rent
Lend Lease (US) Construction Inc.	4/1/2016	4033	16098	\$ 0.50	1,759	\$ 879.50
San Francisco Wine Competition	5/1/2016	1500	16108	\$ 1.35	3,508	\$ 4,735.80
Mortenson   Clark	1/1/2017	3372	16214	\$ 0.50	25,260	\$ 12,648.00
<b>Average Monthly Rate</b>				<b>\$ 0.78</b>		

**Southern Waterfront Leases**

Tenant	Date	Facility	Contract #	Rate PSF	Sq Ft	Monthly Rent
Fontenoy Engineering, Inc.	6/1/2016	1940	L-16136	\$ 0.45	3,000	\$ 1,350.00
SFCC Dept. of Human Services	8/1/2016	1960	M-16139	\$ 0.42	5,000	\$ 2,100.00
Baird Trucking, Inc.	12/1/2016	1940	16217	\$ 0.52	2,000	\$ 1,040.00
Silverado Contractors, Inc.	1/1/2017	1960	15038	\$ 0.29	10,000	\$ 2,900.00
<b>Average Monthly Rate</b>				<b>\$ 0.42</b>		

Shed Leases  
April 1 2016 - March 31 2017

Exhibit G

**Northeast Waterfront Leases**

Tenant	Date	Facility	Document	Rate PSF	Sq Ft	Monthly Rent
SF Bay Area Water Emergency Transprtn Authority	11/1/2016	1090	L-16182	\$ 0.84	33,731	\$ 28,459.75
Pier 39 Limited Partnership	9/1/2016	1330	L-16168	\$ 1.30	4,790	\$ 6,227.00
Pier 39 Limited Partnership	9/1/2016	1351	L-16169	\$ 1.30	1,896	\$ 2,464.80
SFCC Dept. of Elections	3/1/2017	1310	M-16135	\$ 1.35	70,241	\$ 94,825.35
<b>Average Monthly Rate</b>				<b>\$ 1.20</b>		

**Ferry Plaza / South Beach Leases**

Tenant	Date	Facility	Document	Rate PSF	Sq Ft	Monthly Rent
Harrison Drywall, Inc.	8/1/2016	1280	L-16128	\$ 1.35	6,847	\$ 9,243.45
Field Construction, Inc.	9/1/2016	1260	L-16127	\$ 1.40	3,797	\$ 5,315.80
<b>Average Monthly Rate</b>				<b>\$ 1.38</b>		

**China Basin / Central Basin Leases**

Tenant	Date	Facility	Document	Rate PSF	Sq Ft	Monthly Rent
A.S.F. Electric	4/1/2016	1500	16096	\$ 1.35	840	\$ 1,134.00
Unpronounceable Productions, LLC	4/1/2016	1960	L-16045	\$ 2.00	8,286	\$ 16,572.40
ASN Natural Stone, Inc.	6/1/2016	1500	L-16123	\$ 1.46	4,787	\$ 6,986.82
Huckleberry Investment Corporation	6/1/2016	1500	L-16118	\$ 1.35	1,506	\$ 2,033.10
144 King Street Associates, LLC	8/1/2016	1500	L-16160	\$ 1.35	1,498	\$ 2,022.30
ARG Conservation Services	10/1/2016	1500	L-16190	\$ 1.40	2,335	\$ 3,269.00
Waterloo Beverages, LLC	10/1/2016	1500	L-16156	\$ 1.31	2,396	\$ 3,131.84
Imperial Parking (U.S.), LLC	11/1/2016	1500	L-16199	\$ 1.40	777	\$ 1,087.80
Principal Builders, Inc.	12/1/2016	1500	L-16222	\$ 1.40	1,554	\$ 2,175.60
Ferry Plaza Wine Merchant, LP	2/1/2017	1500	L-16246	\$ 1.40	745	\$ 1,043.00
Ferry Plaza Wine Merchant, LP	2/1/2017	1500	L-16249	\$ 1.35	2,950	\$ 3,982.50
Yrani, Robert	2/1/2017	1500	L-16250	\$ 1.40	778	\$ 1,089.20
<b>Average Monthly Rate</b>				<b>\$ 1.43</b>		

Shed Leases  
April 1 2016 - March 31 2017

Exhibit G

Southern Waterfront Leases							
Tenant	Date	Facility	Document	Rate PSF	Sq Ft	Monthly Rent	
Professional Charter Services LLC	10/1/2016	1900	L-16197	\$ 1.38	1,412	\$ 1,948.56	
One Big Man & One Big Truck Moving Co., Inc.	2/1/2017	1900	L-16241	\$ 1.40	1,328	\$ 1,859.20	
TEC of California	3/1/2017	1800	L-16223	\$ 0.90	14,326	\$ 12,919.48	
				<b>Average Monthly Rate</b>	<b>\$ 1.23</b>		