



MEMORANDUM

April 22, 2022

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

FROM: Elaine Forbes
Executive Director 

SUBJECT: Informational presentation on a proposed new lease with Aardvark Storage Unlimited, Inc., a California corporation, dba American Storage Unlimited, Inc. for approximately 274,163 square feet of paved land at Seawall Lot 344 for a term of five years with a one (1) year option to extend

DIRECTOR'S RECOMMENDATION: Information Only – No Action Required

EXECUTIVE SUMMARY

Aardvark Storage Unlimited, Inc., doing business as American Storage Unlimited, Inc., operates a mini-storage facility on a portion of Seawall Lot 344 and is currently the tenant under Port Lease No. L-14819 which will expire on April 30, 2022. Aardvark and the Port wish to enter a new the lease for an additional five-year term. This is being brought to the Port Commission because the initial base rent is less than parameter and the lease will generate more than \$1 million in revenues. Tenant's rent under the existing lease is \$0.30 per square foot per month. The applicable parameter rent for the property is \$0.45 per square foot per month. The Tenant wished to maintain the existing lease's rent level under a new lease. Port staff sought to bring Tenant up to parameter rent. As a compromise, Port staff offered to apply the 'leasing incentives' concept of a stepped-up rent approved by the Port Commission in April 2021 for office and shed spaces, but applied to lease's land rates, subject to Commission approval. Under Charter Section 9.118, the lease will also require approval by the Board of Supervisors.

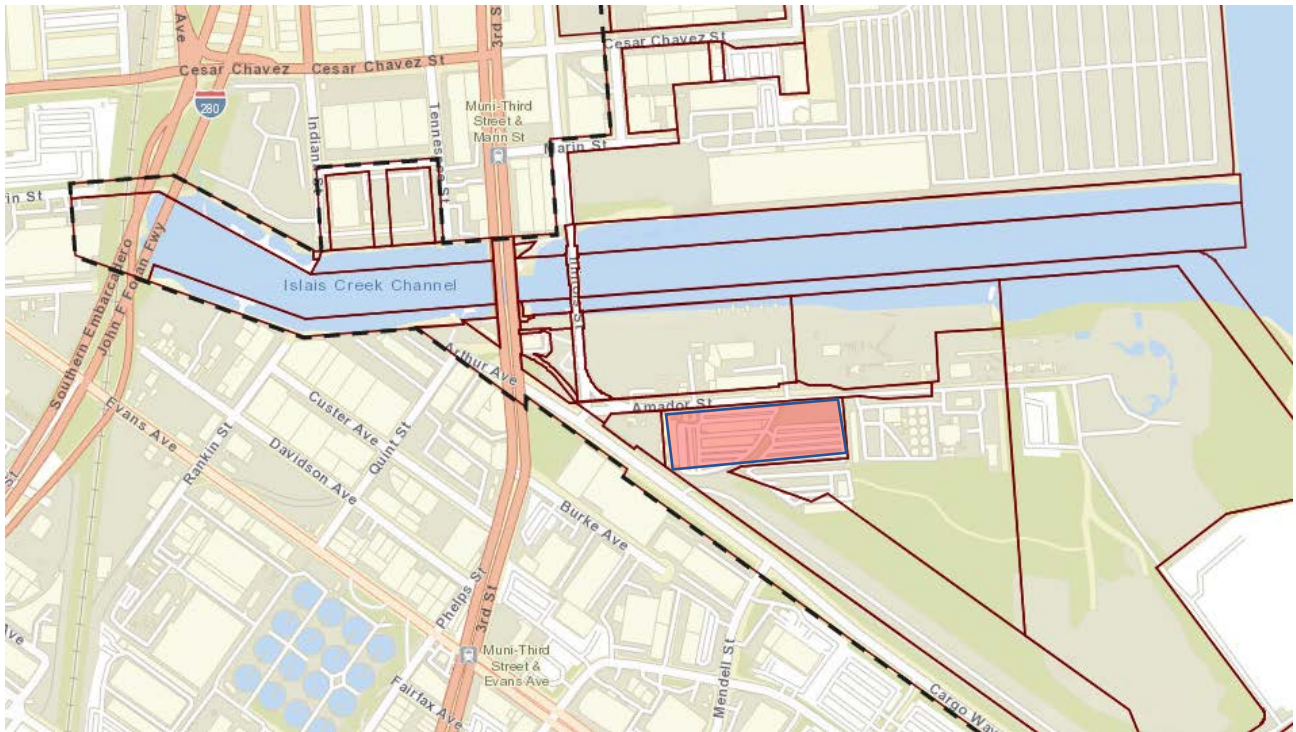
STRATEGIC OBJECTIVE

The proposed new lease will contribute to meeting the Stability Objective of the Port's Strategic Plan by managing the real estate portfolio to maximize value and income to the Port and to retain a tenant that can perform through economic cycles.

BACKGROUND

Aardvark Storage Unlimited, Inc. ("Aardvark"), dba American Storage Unlimited, has been a tenant of the Port since 1998. Aardvark leases approximately 274,163 square feet (6.29 acres) of paved land at Seawall Lot 344 located on Amador Street off Cargo Way for a mini-storage facility. The initial term for Lease L-14819, which commenced on May 1, 2012, as approved by the Port Commission by Resolution No. 98-67 and Board of Supervisors Resolution No. 123-12, was for 60 months with one 60-month option to renew which Aardvark exercised. The extended term will end on April 30, 2022, after which Aardvark's tenancy will be on a month-to-month basis pursuant to the holdover provision in the lease.

Figure 1. Location of Proposed Lease, Shown in Red Below



Current rent under the existing lease is \$82,248.90 per month which equates to \$0.30 psf. This is below current parameter for paved land which is \$0.45 psf. With market conditions still unstable, Port staff is focused on retaining tenants and immediately increasing the rent to parameter, a 51% increase, will present a hardship for the tenant.

Prior to Aardvark's tenancy, the site had been used as a staging area for rail cars and other light industrial uses. If the tenant were to vacate the site, alternative uses would be for laydown for construction projects or possible commercial truck parking and currently there is no immediate demand. Proximate to the site, the Port has nearly 306,000 square feet available for such uses.

Aardvark is a tenant in good standing and the mini-storage facility is a clean use for the area. To address the below parameter rental rate, Port staff proposes to use a similar ramp up method as outlined in the strategic leasing tactics for shed space under Port Commission Resolution No. 21-16, which will allow the rent to be brought to parameter in stages. Under the proposed ramp up methodology, the rental rate will be 80% of parameter in year 1, 90% in year 2 and 100% in year 3 with 3% annual increases for years 4 and 5. This will allow a continued revenue stream to Port without any capital outlay, bring the rent up to current parameter for paved land and phase in the financial burden of a 51% rent increase.

PROPOSED LEASE TERMS

The schedule below outlines the terms and conditions of the new lease.

<i>Tenant:</i>	Aardvark Storage Limited, Inc., a California corporation, dba American Storage Limited, Inc.			
<i>Premises:</i>	Approximately 274,163 rentable square feet (6.29 acres) of vacant paved land			
<i>Permitted Use:</i>	The premises shall be used solely for operation of a mini-storage facility consisting of the temporary placement of portable storage containers, administrative offices directly related thereto, vehicle parking directly related thereto and for no other purpose.			
<i>Term:</i>	Five (5) years			
<i>Extension Option</i>	Tenant shall have one (1) Option to Extend the Lease for one (1) year at fair market value			
<i>Commencement Date</i>	Upon the full execution of the Lease, which is subject to Port Commission and Board of Supervisors approval.			
<i>Monthly Base Rent:</i>	Months	Sq. Ft.	Rate PSF	Monthly Rent
	1-12	274,163	\$0.36	\$98,698.68
	13-24	274,163	\$0.405	\$111,036.01
	25-36	274,163	\$0.450	\$123,373.35
	37-48	274,163	\$0.464	\$127,211.63
	49-60	274,163	\$0.477	\$130,775.75

<i>Rent During the Option Period:</i>	Base Rent during the option period shall be increased to the then-current parameter rate for paved land.
<i>Surrender of Premises/Demolition Period</i>	Provided tenant is in good standing in accordance with Port Commission Resolution No. 09-49, during the demobilization of the site, rent will be reduced to 50% of the monthly rate immediately payable during the last year of the term for the final three months of the lease, to allow Tenant to remove all storage containers, trailers, and equipment prior to Tenant's surrender of premises.
<i>Security Deposit:</i>	Two Hundred Sixty-one Thousand Five Hundred Fifty-one Dollars and 50/100 (\$261,551.50)
<i>Form Lease; City Requirements</i>	The new lease shall be on the Port's form lease and include all standard Hazardous Materials, Insurance, Indemnity and Release, Damage and Destruction and all current City ordinances and requirements as necessary.
<i>Southern Waterfront Community Benefits and Beautification Policy¹ Elements</i>	Consistent with the latest adoption of Parameter Rates, 6.5% of lease revenues will be set aside in the Port's Southern Waterfront Community Benefits and Beautification fund. This equates to almost \$77,000 in the first year of the lease and about \$460,000 over the initial five-year term. In support of the Port's Southern Waterfront Community Benefits and Beautification Policy, Tenant has installed and maintains planters and greening along the exterior of the premises and supports neighborhood businesses such as Center Hardware for various supplies, the Deli Lama, the Wok-In Cafeteria and Vazquez Coffee Company for employee lunches and a local cleaners for laundry services for staff shirts.

NEXT STEPS

Port staff will notify the Port's Southern Advisory Committee regarding this proposal for the continuation of the use. Port staff then intends to return to the Port Commission to seek authorization to enter into a new lease with Aardvark Storage Unlimited. If the Port Commission approves, the Lease would be subject to approval by the Board of Supervisors.

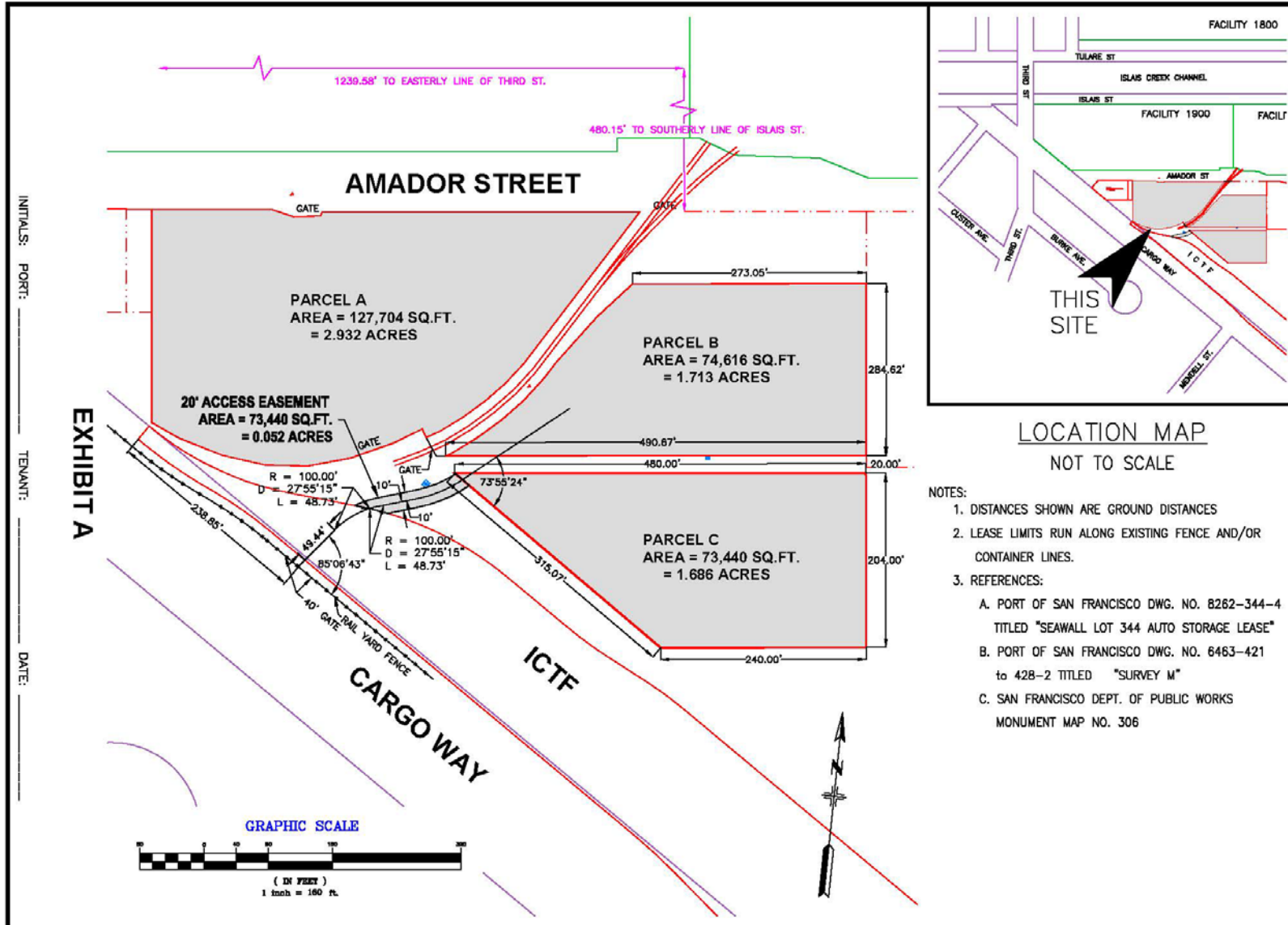
Prepared by: Kimberley Beal, Assistant Deputy Director
Real Estate and Development

¹ Pursuant to Resolution No. 07-77, this lease is subject to the Port's Southern Waterfront Community Benefits and Beautification Policy.

For: Rebecca Benassini, Deputy Director
Real Estate and Development

Attachments: Exhibit A – Site Plan

Exhibit A – Site Plan



LEASE NO. L-16846	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TENANT AARDVARK STORAGE UNLIMITED, INC., A CALIFORNIA CORPORATION	DRAWN BY: AMN CHECKED BY: K. BEAL PLACE CODE NO. 3440-00/6020-00	DATE: APRIL 20, 2022 SCALE: 1" = 100'	SHEET NO. 1 OF 1 SHEETS
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