



MEMORANDUM

July 7, 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: Proposed Fiscal Year 2023-2024 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event Rates (Parameter Rates).

DIRECTOR'S RECOMMENDATION: Information – Possible Action to Approve the Attached Resolution No. 23-36

EXECUTIVE SUMMARY

As an enterprise department, the Port relies on revenue generated from the use of its property to operate and maintain its 7.5 miles of San Francisco waterfront. The Port typically updates its rental rates annually for its properties to keep rents consistent with market conditions. To establish these rents, Port staff hired a consultant team to obtain and analyze comparable market data for its portfolio. These rates are compiled into the proposed Rental Rate Schedule (see **Exhibit A**) for Port Commission and public review and discussion.

The overall San Francisco and regional commercial real estate markets continue to be significantly and negatively impacted post-pandemic. Key economic metrics include:

- Weekly office attendance is at 45% of pre-pandemic levels, up from 40% one year ago.

- Downtown BART exits at 36% of pre-pandemic levels; up from 27% one year ago.
- Meetings and conventions showing signs of rebounding with Moscone Center hosting 33 events in 2022 compared to five following its reopening in September 2021.

According to CBRE:

- The San Francisco office market closed Q2 2023 with an overall vacancy rate of 31.8%. This is up from 29.4% at the end of Q1 2023 and 27.6% at the end of Q4 2022.
- Including sublease availability, the vacancy rate stands at 35.0%.

Per Colliers Real Estate's San Francisco Office Market Research Report Q1 2023:

- Citywide overall effective rents have dropped 20% from pre-pandemic asking rents.

Office vacancy continues to rise due to the technology sector restructuring and remote work throughout San Francisco. Landlords are continuing to offer concessions and rents are lower due to historically high vacancy.

The Port's portfolio performance is closely tied to regional and San Francisco real estate trends in many respects, as evidenced by office vacancy rates. The Port's Class B and Class C office portfolio performance is 17.2% (April 2023) vacant compared to the City's 16.8% for Class B and 15.3% for Class C vacancy rates.

The Port's portfolio diverges from these trends in other metrics. For example, the Port's shed vacancy rate is well above the City-average for industrial spaces (11.9% versus 5% Citywide as of Q1 2023) due to the physical limitations of the sheds in terms of accommodating much of the industrial tenant demands (weight, clearance, convenient power, water, drainage hook-ups, loading docks, among others).

Port staff worked closely with a third-party real estate consulting team as well as across divisions (Real Estate, Development, and Maritime staff) to review market trends and our own leasing activity, which has fallen in square feet since COVID, to craft appropriate rental rates and leasing incentives to keep vacancies low and receive fair market rent.

More than 115 rental rates are listed on the Rental Rate Schedule (**Exhibit A**). Port staff proposes to keep most of the rates the same as FY 22/23, and lower about 3% of the rates (for locations with continued longstanding vacancy). In addition, staff propose leasing incentives to include offering ½ month free rent for new long-term office and shed leases with a term of 3-5 years; ramp up of lease rates of 70%, 80%, and 100% of parameter rent for office leases with a minimum 3-year term; ramp up of lease rates at 70%, 80% and 100% of parameter for shed leases with a minimum 3-year term and keeping the maritime leasing incentives for new leases which include three of the following four uses: office, shed, apron and/or submerged land. Finally, the rate schedule includes the continuance of

the annual Port-sponsored special events with fee waivers and fee reductions for nonprofit and equity-focused event types.

This staff report is organized as follows:

- I. Strategic Plan Alignment
- II. Background
- III. Port's Rental Portfolio
- IV. Rate Setting Methodology & New Rates
- V. Recommended Rates and Key Implementation Clarifications
- VI. Strategic Leasing Incentives

STRATEGIC PLAN ALIGNMENT

A successful portfolio management strategy will support key Strategic Plan objectives (2021-2025 Strategic Plan):

Property Portfolio

Increase the Port's Port leasing revenue to pre-COVID-19 pandemic levels and beyond by 2025 by ensuring the Port generates market rate values of rents.

Economic Recovery and Economic Growth

Implement policies and programs that attract diverse communities and activate the waterfront.

BACKGROUND

Policy Background

The Rental Rate Schedule is one of several Port Commission directives and policies to address real property agreements in accordance with the Port's mission to manage its diverse real estate portfolio. Port's management of its portfolio includes an obligation to charge market rent for its properties. **Exhibit B** (attached) provides a synopsis of Port Leasing Policies delegating authority to the Executive Director to execute agreements.

In 1993, the Port Commission delegated authority to the Executive Director to approve and execute: (i) leases, (ii) licenses and (iii) Memoranda of Understanding ("MOU") provided that the terms of these agreements do not fall below minimum parameter terms. These parameters include a schedule of minimum rental rates, incentives, and other adjustments for such agreements and locations listed in the Rental Rate Schedule that the Executive Director may execute without Port Commission approval actions for each.

The parameter rate schedule, the landing fee schedule ¹, Port's tariff ², South Beach Harbor rates ⁴, and Fisherman's Wharf Harbor rates ⁵ comprise the land and water-use rates established by the Port.

Process

The Port Commission periodically reviews and sets rental rates for its commercial properties. These rates include monthly rental rates, monthly parking stall rates, and special event rates (together, the "Rental Rate Schedule").

Typically, the Port Commission reviews rates on an annual basis and enacts a new Rental Rate Schedule to reflect market conditions. Port staff provides the following research of such current market conditions (see "Rate Setting Methodology" below) for the Port Commission's consideration.

Last Resetting Process: 2022-2023

The Port's current Rental Rate Schedule was adopted for Fiscal Year 2022-2023 (FY 22-23) in August 2022. Port staff presented market information that supported modification of certain rates and approved leasing tools to retain tenants and incentivize new leases of at least three years ³.

San Francisco Market Summary

San Francisco's real estate market continues to be significantly impacted in its post-pandemic recovery, specifically in the office and hospitality (food, beverage, lodging, and entertainment) sectors. This is largely due to employers adopting full-remote work or hybrid work policies which have affected the number of workers in the city and demand for office space. A set of factors - reduced need for office space, firms moving out of San Francisco to lower-cost areas, rising interest rates, and layoffs - has had a significant impact on the office market. The overall office vacancy rate has increased from 21.9% to 31.8% since first quarter 2022. Subleases make up a significant number of the current office deals and turnkey spaces, including offices that are furnished, are becoming more common in the market for all office classes.

Although market trends have shown a slight increase in overall industrial vacancy, the San Francisco industrial market has remained relatively stable post pandemic as supply

¹ Approved in December 2021, this staff report and resolution set the landing fees for ferries to the Port:
https://sfport.com/files/2021-12/12142021_Item%2011A%20Landing%20Rights%20License%205yr%20Fee%20Schedule_final.pdf

² See latest Port Tariff No. 5 issued Aug 2009 locate. Tariff amendments require Port Commission, California Association of Port Authorities, and Federal Maritime Commission approvals.

<https://sfport.com/sites/default/files/Maritime/Docs/Tariff/Tariff%202021.pdf>

³ See staff report for August 5, 2022 meeting and resolution here:

https://sfport.com/files/2022-08/08092022_minimum_parameter_final.pdf

⁴ See latest South Beach Harbor berthing rates 2022 located here:

<https://sfport.com/files/2021-12/2022%20Berthing%20Rates.pdf>

⁵ See latest Hyde Street Harbor berthing rates 2022 located here:

https://sfport.com/files/2022-06/Hyde%20Street%20Harbor%20Berth%20Rates_2022.pdf

remains limited. Overall industrial vacancy is currently 5.0%, which is a slight increase over 2022. This increase is primarily the result of an increase in flex space which is a commercial use comprised of a combination of warehouse, office and retail space. This has a current vacancy rate of 11.9% compared to logistics space which is primarily used for fulfillment centers and distribution facilities at 4.4%. Vacancy rates have also increased particularly for smaller dated warehouses that do not easily tie into e-commerce distribution. Land constraints, zoning, and prohibitive construction costs have constrained new development.

According to the San Francisco Travel Association, the San Francisco hotel market has shown growth in occupancy. In 2022, hotel occupancy was 58.4% compared to 25.4% in 2021. Leisure travel is expected to continue its steady recovery and tourism is expected to continue to improve with the return of Asian visitors. This should improve the performance of the many Port properties that serve visitors, including restaurants, retail, entertainment, ferry excursion, and parking venues.

While BART ridership to SF downtown is only 36% of pre-pandemic ridership numbers, current traffic counts on the Bay Bridge and the Golden Gate Bridge are 89% and 74% respectively, of pre-pandemic levels (see Figure 1 for more metrics). This is relevant for the Port's portfolio of parking spaces and indicates that market conditions remain relatively strong for the "commuter" sector of parking demand. This is helpful for the Port's parking portfolio; however, several lots in the Northern Waterfront still suffer from low levels of demand for visitor-oriented parking.

Figure 1. San Francisco Metrics



I. PORT'S RENTAL PORTFOLIO

(1) Overview of Space

The Port's real estate portfolio consists of 7½ miles of waterfront property in San Francisco, from Hyde Street Pier in the north to India Basin in the south as well as several discontinuous parcels near Yosemite Slough. Total land area includes more than 834 acres of property, with 629 acres of space on land, while the remaining 205 acres of property consist of marine structures and leasable submerged land.

Commercial operations on Port property include industrial warehousing, storage, office, professional sports, restaurants, retail shopping, land, and marine excursions, cultural attractions, parking lot operations, ferry service, commercial fishing, cargo operations, marine salvage, and cruise ship calls.

The Port's commercial leasing portfolio consists of approximately 590 commercial property contracts occupying 22.5 million square feet, which represents approximately 490 tenants. These contracts range from short-term licenses covering days of property use (such as for walks and races) to long-term ground leases at Fisherman's Wharf, Pier 39, Piers 15-17, Piers 1½-3-5, Pier 1, the Ferry Building, Oracle Park, Mission Rock, and Pier 70.

Total Port property available for commercial leasing consists of approximately 31.9 million square feet. As of June 1st, 2023, the Port of San Francisco had 22.5 million square feet under contract. Of that space, the Port has leased approximately 7.2 million square feet as ground leases to master tenants. The remaining 15.3 million square feet of occupancy is directly managed by Port Real Estate and Development Division and the Maritime Division, as described below. When a property agreement expires and the user remains in place, the rent is usually increased to the current Parameter Rate through an amendment, a new lease or notice letter if the user is in holdover status.

(2) Port Leasing Volume




The chart below provides data on leasing volumes over the last five years measured in square feet and number of agreements. Although the dollar amount for new leases increased significantly in FY 2022, there is a noticeable decrease in leasing volume since FY 2019. The increase in annual rent during FY 2022 can be attributed to bringing newly expired long-term leases to current parameters, such as with the renewal of Aardvark Storage Unlimited and Autodesk.

Item	FY19	FY20	FY21	F22	FY23
Number of New Agreements	76	84	79	50	67
Square Footage	2,527,013	1,547,083	1,026,508	515,797	708,967
Annual Rent - New Agreements	\$2.9M	\$13.4M	\$4.7M	\$7.6M	\$6.4M
*Through June 1, 2023					

Source: Port RED internal records, June 15, 2023

(3) Port Vacancy

As of April 2023, the Port's overall vacancy rate was 4.7% which is an improvement compared to the 6.3% vacancy rate in January 2022. Vacancies in the Portfolio sub-types are shown in the below chart.

Space Type	Jan-22	Jul-22	Oct-22	Jan-23	Apr-23	Trend Summary
Shed	25.4%	17.1%	14.5%	14.8%	11.9%	
Office	14.5%	18.0%	18.1%	17.7%	17.2%	
Overall	6.3%	5.5%	4.9%	4.9%	4.7%	

Source: Port Finance division as of June 15, 2023.

(4) Port Portfolio Comments

Fisherman's Wharf

Demand remains strong for maritime industrial properties in Fisherman's Wharf while businesses relying on foot traffic (tourism) continue to struggle to recover post-pandemic. Current vacancies include a dilapidated office space at 490 Jefferson Street, storage space on Al Scoma Way, a warehouse and fish processing compound on Jefferson Street, and the former Alioto's restaurant on Taylor Street.

In addition to the vacancies referenced, two of the larger restaurants in Fisherman's Wharf, Tarantino's and Castagnola's, have not reopened since closing in 2020, with Fisherman's Grotto #9 only opening sporadically. It is anticipated that two smaller restaurants (Lou's Pier 47 and Pompei's Grotto) will be coming back to the Port under termination agreements in August 2023.

Northeast Waterfront

The Northeast Waterfront has experienced on-going vacancies in Piers 19, 29, & 33 due to both lack of suitable prospects and the need for capital improvements, particularly at Pier 29.

Ferry Plaza & South Beach

The Ferry Plaza/South Beach portfolio had a slight increase in vacancy rate due to tenants opting to relinquish office space in the Agricultural Building. Current vacancy rates do not account for Pier 38, which is not occupied due to code compliance and weight restriction issues in addition, to the active Exclusive Negotiations Agreement affecting Piers 38-40.

China Basin & Central Basin

While China Basin and the Central Basin both had an increase in vacancies during the pandemic, current vacancy rates have been gradually decreasing since 2022.

Demand for space remains steady due to the completion of the Mission Bay development, several buildings in the Mission Rock development, the construction of Bayfront Park, scheduled to open in late 2023, and events at Oracle Park, Chase Center, and Crane Cove Park. Due to its structural issues, this analysis does not include Pier 54.

Southern Waterfront

The Southern Waterfront's vacancy rate is low and has held relatively steady over the last year. Vacancy rates for office space here remain steady. While the demand for industrial space in the Eco-Industrial Complex remains high due to a shortage of industrial space in San Francisco, the lack of utilities and paving remains a challenge when marketing the sites to prospective tenants.

II. RATE SETTING METHODOLOGY & NEW RATES

Port staff reviews market data to create rent schedules suited for each of the Port's assets. Generally, the data used to establish rents comes from:

1. *Third-party consultant data analysis.* The Port retained a third-party consultant to review and analyze market conditions, review the Port's current monthly rate schedule and leasing incentives, and propose adjustments to rates or leasing incentives. Their findings are included in the staff report as **Exhibit D**.
2. *Port Leasing Activity, Accounts Receivable, and Sales Reports:* Port staff reviewed Port leasing activity for the prior 3 years and used this data to assess current market conditions of the Port's unique spaces.

(1) Port Office Space

The Port manages approximately 330,000 square feet of Class B and C office space. While there is Class A office space within the Port's portfolio, it is managed by master tenants such as Hudson One Ferry Operating L.P. (Ferry Building), Prologis (Pier 1), SF Piers (Piers 1½-3-5), and Orton Development (20th Street Historic Core at Pier 70). This will also be the case with the office space under construction at Mission Rock and to be under construction at the Pier 70 development site. The Port does not manage any Class A office space directly; thus, none of such space is subject to the Rental Rate Schedule.

Post-pandemic, prospective tenants are looking for turnkey and high-end office space as weakening office metrics now favor tenants. Some of the Port's key office properties with views and proximity to parking and public transportation will be desirable; however, tenants have a significant amount of offices in San Francisco from which to select.

The Port manages 17 Class C office properties and seven Class B buildings. These directly managed office holdings are itemized in **Table 3**.

Table 3.1 Directly Managed Properties by Class Type

Building Class	Name of Building
Class B	Roundhouse Plaza
Class B	Pier 9 Bulkhead
Class B	Pier 9 Pier Offices
Class B	Pier 26 Annex
Class B	Pier 33 ½ North
Class B	Pier 33 Bulkhead
Class B	Pier 35 Bulkhead
Class C	Agriculture Building
Class C	401 Terry Francois
Class C	Piers 23 Bulkhead
Class C	Pier 29 Annex
Class C	Pier 29 ½
Class C	490 Jefferson St.
Class C	Piers 26 Bulkhead
Class C	Pier 28 Bulkhead
Class C	Pier 38 Bulkhead
Class C	Piers 50 Bulkhead
Class C	Pier 54 Office
Class C	Pier 70, Building 11
Class C	671 Illinois Street
Class C	501 Cesar Chavez
Class C	601 Cesar Chavez
Class C	696 Amador
Class C	Pier 96 Admin. Bldg.

Full Service & Net Leases

Full-Service leases include maintenance, janitorial, and utility costs in the monthly rent amount. Net leases do not include services meaning tenants pay directly for maintenance, janitorial, and utilities costs in addition to the monthly rent. Typically, rent for a full-service lease is approximately \$1.50 to \$2.00 psf/mo more than a net lease.

Class B

The Port manages approximately 150,000 square feet of Class B office space in seven locations. These assets are often good-quality older properties that may need capital investment to remain competitive.

Class C

The Port manages approximately 180,000 square feet of Class C office space in 17 locations. Class C spaces are older (usually 15-25 years) and exhibit functional obsolescence and deferred maintenance. These properties can be in less desirable locations and may need renovation and rehabilitation to be competitive. Class C space typically rents for less due to its inferior attributes. Class C spaces can be vacant longer than Class A or Class B spaces and are often targeted for redevelopment. Several of

the Class C office spaces in the Port’s inventory are not office buildings but rather walk-up office spaces above retail or service businesses or within sheds.

(2) Port Industrial and Warehouse Space

The Bay Area has approximately 159 million square feet of warehouse rental space along the East Bay I-80/880 Corridor and in Santa Clara, San Mateo, and San Francisco Counties. The market experienced modest negative absorption as a low vacancy at 3.8% hinders the ability of tenants to move. The supply and demand imbalance continues, with little relief expected on the supply side with only 2.2 million square feet under construction.

The San Francisco County industrial market comprises 15.8 million square feet and is concentrated in the below major submarkets:

Submarket	SF (million)	Rent (psf/mo)*
Potrero east of Highway 101	5.9	\$2.20
Bayview Hunter's Point	2.7	\$1.95
Potrero west of Highway 101	1.9	\$2.08
Dogpatch/Pier 70	1.3	\$2.35
India Basin	1.1	\$2.10

* Average Asking rent as of 1Q 2023 from JLL

According to JLL as of 1Q 2023, Industrial/warehouse vacancy rates in San Francisco remained at 5.0% over the past year with no new properties under construction. Typical tenants seeking industrial space are in the e-commerce, building, biotech, and logistics sectors. There is no new construction of industrial property in San Francisco reported. The average rent for industrial space in San Francisco is approximately \$2.14 psf/mo.

The Port directly manages approximately 1.6 million square feet of industrial and warehouse shed space which represents approximately 10% of the industrial market in San Francisco. Most of the Port warehouse and shed space is Class C quality.

The Port’s industrial properties have various levels of improvements including wood or chain-link partitions, front fencing, and the availability of utilities and plumbing systems. Most of these spaces lack truck access infrastructure - truck-high docks and marshaling driveways and turn areas, contiguous office space, non-permeable concrete floors, and sprinklers. Due to the lower rents available outside of San Francisco and infrastructure limitations, Port will likely see rental rates remain flat this fiscal year for shed space.

III. RECOMMENDED RATES AND KEY IMPLEMENTATION CLARIFICATIONS

(1) Introduction

Port staff recommends the adjustment of the minimum rental rates as set forth in **Exhibit A** to better reflect current market conditions. These recommendations are based on Port staff's market research, the Port's leasing experience over the past 12 months, and the market analysis and rental rate review conducted by third-party consultants.

The proposed Rental Rate Schedule is presented for Port Commission review and consideration. The Rental Rate Schedule sets minimum rental rates and gives Port staff authority to negotiate higher rates or the flexibility to quote rates in the mid-range or lower range of the Rental Rate Schedule when justified based on property characteristics.

The proposed Rental Rate Schedule lists all commercial properties and associated Minimum Initial Rental Rates and Net Effective Rental Rates. Net Effective Rent is calculated based on the base rent revenue over the term less any concessions. The Rental Rate Schedule is organized first by use and lease type and second by property/geographical location.

For leases with terms of longer than one-year, monthly base rents typically have fixed annual increases ranging from 3% to 4% or CPI. Most of the Port's leases provide for an adjustment to parameter rent on extension or exercise of an option. Most also provide for a market adjustment upon expiration when the lease continues on a month-to-month holdover status while a new lease is negotiated. The current lease form states that for a holdover the base rent increases by 150% for a Port-approved holdover, 200% without Port consent, and no increase if the Port is actively working on a lease renewal. Since Port is actively managing renewals, the increase in base rent due to holding over is rarely required. In many lease renewals, Port staff uses the then-current parameter rates as the market adjustment, unless the lease language provides for another market resetting process.

The rate tables and narratives are organized as follows – Note that only a selection of the rates is highlighted here, please see **Exhibit A** for a full suite of rates.

1. New Rates and Key Implementation Clarifications
2. Office Space
3. Piers: Sheds and Open Pier Areas
4. Fish Processing, Fish Gear, and Pier 40 Lockers Rates:
5. Parking
6. Special Events & Pop-Up RFQ
7. Development Projects: Subsurface Utilities, Public Improvements, and License Fees

1. New Rates and Key Implementation Clarifications
Development projects-- maintenance and liability for Port-owned structures in the right-of-way, sidewalk, or open space by 3rd parties. Both Mission Rock and Pier 70 projects have enhanced public improvements in the new streets and open spaces. In cases where the Port owns such public improvements and has assigned all

maintenance and liability to another party the proposed fee schedule waives charges for the placement of these improvements in Port-owned streets, sidewalks, and open spaces.

2. Office Space

Based on the economic conditions for the San Francisco office market, Port staff recommends maintaining the FY 22/23 rates with a few locations being reduced and retaining FY 22/23 leasing incentives for leases of three or more years (described in the next section). The below charts show the changes to the rates and new rates; the full parameter rent schedule is attached as **Exhibit A**. Green highlighting represents a proposed decrease in rates and orange represents an increase.

Full Service Office – Class B			
Sub-Area	Location	Current (PSF)	Proposed (PSF)
NE Waterfront	Roundhouse 2	\$4.25	\$4.00

Full Service Office – Class C			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Ferry Plaza	Ag Building Window	\$3.75	\$3.75
Ferry Plaza	Ag Building Interior	\$1.75	\$2.00
China Basin	401 Terry Francois	\$3.60	\$3.60
Southern Waterfront	501 Cesar Chavez	\$1.60	\$1.60

Net Office Leases – Class B			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Northeast Waterfront	Roundhouse 1	\$4.00	\$4.00
Northeast Waterfront	Pier 33 ½ North	\$3.50	\$3.50
Northeast Waterfront	Pier 33 Bulkhead	\$3.25	\$3.50
Northeast Waterfront	Pier 35 Bulkhead	\$3.50	\$3.50
Northeast Waterfront	Pier 9 Bulkhead	\$4.25	\$4.25
Northeast Waterfront	Pier 9 Office - Shed	\$4.25	\$4.25
South Beach	Pier 26 Annex	\$3.25	\$3.25

Net Office – Class C			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Fisherman’s Wharf	490 Jefferson	\$3.00	\$3.00
Fisherman’s Wharf	SWL 302, Building 3 - 2nd Floor Office	--	\$1.50
Fisherman’s Wharf	SWL 302 Building 6 - 2nd Floor Office	--	\$3.00
Northeast Waterfront	Pier 29 ½	\$2.25	\$2.25
Northeast Waterfront	Pier 29 Annex “Beltline”	\$2.25	\$2.25
Northeast Waterfront	Pier 35 Interior Office	\$2.50	\$2.25
Northeast Waterfront	Pier 23 Bulkhead	\$2.00	\$2.00
South Beach	Pier 28 Bulkhead	\$2.75	\$2.50
China Basin	Pier 54 Office	\$1.95	\$1.95
China Basin	Pier 50 Bulkhead	\$3.40	\$3.10
Southern Waterfront	Pier 70, Building 11 “Noonan”	\$1.20	\$1.20
Southern Waterfront	601 Cesar Chavez	\$1.30	\$1.30
Southern Waterfront	671 Illinois (Kneass)	\$1.00	\$1.00
Southern Waterfront	696 Amador	\$1.35	\$1.35
Southern Waterfront	Pier 96 Admin Bldg	\$1.50	\$1.70
Southern Waterfront	Pier 68 Shipyard Bldg 127	--	\$1.15

3. Piers: Sheds and Open Pier Areas

Port staff propose to increase the shed rates at Piers 45 to reflect market demand for industrial warehouse space in the area. This rate does not apply to fishing industry tenants who have a separate rate for operations at Pier 45 as shown below. Most other rates are either flat or have been reduced slightly to reflect ongoing vacancies. Note that staff has added: leasable buildings in the Pier 68 shipyard (shed space and Building 127); and leasable buildings on Seawall Lot 302 (see Exhibit A for a full array of rates, the below are building rates only).

Fisherman’s Wharf - Pier & Shed Rates			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Fisherman’s Wharf	Pier 45 & 47	\$1.65	\$1.65

Northeast Waterfront - Pier & Shed Rates			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Northeast Waterfront	Pier 35	\$1.60	\$1.60
Northeast Waterfront	Pier 33	\$1.60	\$1.60
Northeast Waterfront	Piers 23, 29, 31	\$1.65	\$1.65
Northeast Waterfront	Pier 19	\$1.65	\$1.65
Northeast Waterfront	Pier 9	\$1.75	\$1.75

Ferry Plaza & South Beach - Pier & Shed Rates			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
South Beach	Pier 24 Annex	\$3.40	\$3.40
South Beach	Pier 26	\$1.70	\$1.70
South Beach	Pier 28	\$1.70	\$1.70
South Beach	Pier 40	\$1.65	\$1.65
South Beach	Pier 40* maritime & visitor - serving	\$1.10	\$1.10

China Basin & Central Waterfront - Pier & Shed Rates			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
China Basin	Pier 50	\$1.75	\$1.75
China Basin	Pier 54 Shed	\$0.75	\$0.75
China Basin	SWL 343	\$1.30	\$1.30
China Basin	SWL 345	\$1.30	\$1.30

Southern Waterfront - Pier & Shed Rates			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Southern Waterfront	Pier 68 Shipyard Office Trailers	\$1.30	\$1.30
Southern Waterfront	Pier 68 Shipyard Bldg 36	\$1.20	\$1.20

Southern Waterfront	Pier 68 Shipyard Shed	--	\$1.35
Southern Waterfront	Pier 80	\$1.50	\$1.25
Southern Waterfront	SWL 354	\$1.25	\$1.25
Southern Waterfront	Pier 92	\$1.10	\$1.10
Southern Waterfront	SWL 344	\$1.25	\$1.25
Southern Waterfront	Pier 96 M&R Bldg.	\$1.30	\$1.30
Southern Waterfront	Fmr. RR ROW Facility 6019	\$0.75	\$0.75

4. Fish Processing, Fish Gear, and Pier 40 Lockers Rates

In support of our local commercial fishing industry, the Port maintains lower rates for fish processing and fish gear uses at Fisherman's Wharf and rates for water recreation lockers at Pier 40. Port staff is recommending these rates remain flat as shown below.

Fish Processing & Wholesale Industry Rates			
Sub-Area	Location	Current Rate PSF	Proposed Rate PSF
Fisherman's Wharf	Pier 45 2 nd Floor Mezzanine	\$1.15	\$1.15
Fisherman's Wharf	Pier 45 1 st Floor Office	\$1.40	\$1.40
Fisherman's Wharf	Pier 45 Shed	\$1.50	\$1.50
Fisherman's Wharf	Pier 45 2 nd Floor Warehouse	\$0.80	\$0.80
Fisherman's Wharf	SWL 302	\$1.30	\$1.30
Northeast Waterfront	Pier 33	\$1.50	\$1.50

Port staff recommends no change to the fishing industry rates to keep the industry competitive.

Fishing Gear Storage Rates			
Sub-Area	Location Type	Current Rate PSF	Proposed Rate PSF
Portwide	Non-Berthholders	\$1.65	\$1.65
Portwide	Berthholders	\$0.55	\$0.55

Pier 40 Storage Rates			
Sub-Area	Location Type	Current Rate	Proposed Rate
South Beach	Pier 40 Lockers	\$100	\$100

5. Parking

The Port operates several parking facilities where the Port offers month-to-month leases for approximately 375 stalls. A significant number of the stall holders are Port tenants.

In 2022, Port's summer intern assisted Port staff in conducting a survey of comparable parking facilities in the vicinity of Port property attached as **Exhibit C**. Port staff concluded that there has been little change in demand since then and recommends no change to the FY 23/24 parking rates.

6. Special Events and Pop-up RFQ

The methodology for deriving the fees described in the Special Events Schedule is a combination of market research, continuous dialog with special events promoters, the San Francisco Department of Recreation and Park, and the Port's own experience in negotiating fees.

Background

The Port's 7½ miles of waterfront property is a popular venue for special events each year in the City. Special events play an important role in contributing to the Port's cultural vibrancy for San Francisco residents and visitors to the waterfront and build a sense of community as many of the Port events draw attendees from around the world. Among the most notable special events are: Juneteenth, the 4th of July Celebration and Fireworks, the San Francisco Marathon, the Giant Race, the JP Morgan Corporate Challenge, Fleet Week, and the New Year's Eve Celebration.

To standardize the special event fees charged for various Port facilities, Port staff has established a Special Event Fee Schedule. The schedule is reviewed annually to reflect current market conditions and submitted to the Port Commission for approval.

Special events during FY22/23 generated a total of \$125,615 in revenues (July 2022 to June 2023).

Special Events – Proposed Fee Waivers and Fee Reductions

Specific Special Event Fee Waivers

There are several recurring Special Events/Uses that have strong maritime, trust benefit, and/or community connections to the Port of San Francisco and customarily have been given either a fee waiver or fee reduction by the Port Commission on an ad hoc basis. To streamline the administrative process and costs associated with preparing individual Port Commission agenda items for each event, the Port Commission typically approves the recommended fees for these events as part of its approval of the Rental Rate Schedule:

- i. Proposed 100% License Event Fee Waivers:
 - a. Chinatown YMCA Chinese New Year Run
 - b. Delancey Street Flower Sale
 - c. Black Health & Healing Summit
 - d. Bike to Work Day

- e. 4th of July Celebration & Fireworks
 - f. San Francisco Symphony Concert
 - g. SFPD Motorcycle Skills Training Competition
 - h. Fleet Week
 - i. EcoCenter Playday (formerly Bay Splash)
 - j. Wharf Fest
 - k. New Year's Eve Celebration & Fireworks
 - l. US Government Vessel Commissioning
 - m. Juneteenth
 - n. DPW Coastal Cleanup
 - o. DPW Beautification
 - p. EcoCenter Anniversary
 - q. Park Alliance Movie Night
 - r. SFPD Training
 - s. Homeless Church - Church Service
 - t. Port sponsored activations
 - u. Quarterly events on Embarcadero Ferry Terminal Plaza
 - v. and to accommodate other City agencies or departments.
- ii. Proposed 50% License Event Fee Reductions:
- a. Pawtrero's Annual Dog Day Afternoon and Adoption Event
 - b. Delancey Street Christmas Tree Lot
 - c. San Francisco Baykeepers Bay Parade and Picnic.

To accommodate special circumstances that may arise, staff recommends Port Commission delegate authority to the Executive Director to authorize fee waivers or fee reductions for other events as necessary when all the following conditions are met:

- a. Event will attract people to the waterfront
- b. Location is available with no conflicting use or loss of revenue
- c. Port will not need to expend any resources or revenue to support the event; and
- d. Event sponsor to accept all liability, maintain sufficient liability insurance, and indemnify the Port for all claims related to the event and use of Port property.

Port staff maintains a list of events receiving such waivers to help inform the Port Commission of the Executive Director's use of the delegated authority when requested.

Other Fee Reduction Categories

Nonprofit Events

Post-pandemic, nonprofit organizations continue to struggle to provide services and find ways to hold special events for the public. Special Event staff recommends updating the fee reduction schedule for nonprofits. For FY 23/24, Port staff recommends a 50% fee reduction for San Francisco nonprofit organizations with an annual budget of less than \$3 million and a 25% fee reduction for San Francisco nonprofit organizations with

an annual budget exceeding \$3 million. This partial fee waiver does not extend to nonprofits scheduling events at facilities leased or managed through other Port tenants and operators. The special event must be a fundraising event to benefit the nonprofit, be open to members of the public, and the fee paid must cover the costs of Port staff time.

Diversity & Equity Events

The Port is committed to equitable access to Port facilities for special events. Port's Racial Equity and Special Events staff recommend continuing the FY 22/23 pilot program into FY 23/24 for events that benefit communities of color or marginalized communities. The program includes waiving license event fees of up to \$60,000 annually and/or 12 events per year (maximum \$7,000 per event). When the maximum is exhausted, staff may waive 50% of the license event fee for an unlimited number of events.

Qualifying event sponsors must have an annual operating budget equal of no more than \$2 million, and the mission statement or goals and objectives of the organization identify the community served. Port staff will report the impacts of this pilot program to the Port Commission in the Port's Racial Equity Action Plan.

Pop Up Request for Qualified Operators and Similar Users

The Port identified a pool of Qualified Operators for short-term activation and programming of Port open spaces meeting the minimum criteria for the Pop-Up Request for Qualification (Pop-Up RFQ). For Qualified Operators with an annual budget of no more than \$2 million, Special Events staff is authorized to waive 25% of the payable license event fee.

The Port routinely inquiries from sponsors that want to participate in the Pop Up RFQ and Port staff recommend that the Port Commission continues to authorize efforts to expand the pool of Qualified Operators to future applicants.

The methodology for deriving the fees described in the Special Events Schedule is a combination of market research, continuous dialog with special events promoters, San Francisco Recreation and Parks rates, and the Port's own experience in negotiating fees.

7. Development Projects: Proportion Reduction for License Fees in City Accepted Right-of-Way, Sidewalk or Open space

In cases of "dual-jurisdiction" where Public Works (DPW) charges permit fees for outdoor dining, seating, and activation on City-accepted Port-owned streets, sidewalks, and open spaces, Port staff propose delegated authority be given to allow a reduction in Port's license fee in an amount equal to the DPW permit fee to ensure licensees are not paying DPW permit fees on top of the Port's standard licensee for the same use. This proposal also promotes parity among Port licensees using Port property for similar uses—there would be no DPW permit fee for Port licensees who use Port property for similar uses where the Port property is not accepted by the City.

IV. STRATEGIC LEASING TACTICS

Overview

Under Resolution 22-41, the Port Commission approved staff authority to offer leasing incentives for 3-to-5-year new leases and to alter the “excess rent” provisions of leases to incentive subleasing.⁴

For this year’s parameter rates, Port staff recommend:

- (1) Continuing the leasing incentives for 3-, 4-, and 5-year office leases
- (2) Reinstating leasing incentives for 3-, 4-, and 5-year shed leases
- (3) Continue the plan to offer a 50%/50% revenue split on sublease excess rent
- (4) Maintain the maritime “triple threat” incentives
- (5) Offer ½ month free rent for each lease year to prospective tenants that are also offered the ramp-up rent schedule above for both office and shed spaces.

Port Property managers have concluded that pricing is not the only reason for pier shed vacancies. Prospective shed tenants typically cannot use shed space due to a lack of adequate security, moist bay air (the marine layer), lack of adequate utilities, zoning restrictions, and seismic upgrade triggers. Port’s historic sheds have many physical limitations such as a lack of loading docks, old electrical distribution systems, inconvenient drain and water connections, and uncommon deferred maintenance issues with over-water facilities. Because of these limitations, Port must focus on incentives to overcome these hurdles.

1. Office

Office landlords in San Francisco are now providing flexible lease terms, free rent, move-in and tenant improvement allowances, furniture, and a softer approval process including smaller security deposits, and parking incentives to stimulate leasing.

The below bullets summarize Port staff’s proposed incentives:

- For:
 - Three-year leases,
 - ½ month free rent for each lease year based on monthly rent to be paid during that year,
 - ramp up of lease rates at 70%, 80%, and 100% of parameter rate as escalated annually,
 - A termination right for a fee equal to 1-month current rent multiplied by the number of years remaining on the lease (rounded to the nearest month) plus unamortized leasing incentives (defined as the total dollar value of the incentives divided by the months of the term)

⁴ See here for leasing incentives action item: https://sfport.com/files/2022-08/08092022_minimum_parameter_final.pdf and see Resolution No. 22-08 for maritime-focused incentives, https://sfport.com/files/2021-2/Item%207C%20Maritime%20Leasing%20Policy_final.pdf.

multiplied by the remaining months of the term), plus reimbursement of Port's costs for processing the termination.

- Four or five-year year lease
 - ½ month free rent for each lease year,
 - ramp up of lease rates at 70%, 80%, 90% 100% of parameter rate
 - same termination right as above.

The termination option is recommended by the Port's consultants who note that tenants are currently reluctant to sign multi-year leases and Port staff support this recommendation.

2. Shed Space

Even though San Francisco industrial landlords are in better shape than office landlords, industrial owners are implementing a variety of leasing strategies to maintain cashflow and value. These tactics intend to help increase rent, retain tenants, attract new tenants, and minimize vacancies.

For shed leases with at least a three-year term, Port staff recommend that the Port Commission allow staff the ability to offer a ramp-up of base rent and ½ month free rent for each lease year. The below bullets summarize the proposed incentives:

- For
 - 3-year leases
 - ½ month free rent for each lease year,
 - ramp up of lease rates at 70%, 80%, and 100% of parameter rate,

3. Maritime "Triple Threat" Leasing Incentives

Port staff recommend continuing the leasing tactics approved by the Port Commission for maritime tenants adopted, through Resolution 22-41 as outlined below:

1. Leasing tactics may be offered to: Existing tenants exercising options or amending leases or for new maritime tenants, maritime office leases.
2. Lease must include three out of the four following uses: office, shed, apron, and/or, submerged land
3. If conditions 1 and 2 are met, then:
 - Port staff may offer an office portion of a lease with a minimum to start at no less than 75% of the applicable parameter office rate; then a 3% increase each year, and
 - If tenant leases the following three use types: office, shed, and apron (on exclusive or non-exclusive basis), then Port staff may also offer submerged land along with the apron, for no additional charge to facilitate the intended water-dependent use.

RECOMMENDATION

Port staff requests that the Port Commission provide comments and approve the Fiscal Year 2023-24 Monthly Rental Rates Schedule, Monthly Parking Stall Rates and Special Event Rates, attached hereto as Exhibit A and the delegations described above. If approved, the new rates will be effective on August 1, 2023.

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

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Attachments:

- Exhibit A Fiscal Year 2023-24 Monthly Rental Rates Schedule, Monthly Parking Stall Rates and Special Event Rates
- Exhibit B Synopsis of Port Leasing Policies/Delegated Authorities
- Exhibit C Parking Facilities Located in the Vicinity 2019 and Map
- Exhibit D Third Party Review 2023 (*Keyser Marston & Maven memorandum*)

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

RESOLUTION NO. 23-36

- WHEREAS, By Resolution No. 93-127, adopted September 8, 1993, and as amended by Resolution 93-135, the Port Commission authorized the Executive Director to approve and execute certain transactional documents such as leases and licenses that conform to all of the parameters set forth in those Resolutions as amended (the “delegated authority”); and
- WHEREAS, Port staff has delegated authority to enter into leases, licenses, and Memorandums of Understanding with rents that conform to the applicable Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event Rates (Parameter Rates) as adopted and amended periodically by the Port Commission (last amended Resolution No. 22-41 for the fiscal year 2022-23); and
- WHEREAS, Port staff has reviewed current office/industrial-warehouse, parking, and special event market data and has prepared updated delegated authorities and updated the Fiscal Year 2023-24 Parameter Rents; and
- WHEREAS, Port staff recommends approval of proposed 100% license event fee waivers for the following special events: Chinatown YMCA Chinese New Year Run; Delancey Street Flower Sale; Black Health and Healing Summit; Bike to Work Day; 4th of July Celebration and Fireworks; San Francisco Symphony Concert; San Francisco Police Department Motorcycle Skills Training Competition; Fleet Week; EcoCenter Playday (formerly BaySplash); Fisherman’s Wharf–Wharf Fest; City’s New Year’s Eve Celebration & Fireworks; U.S. Government Vessel Commissioning; Juneteenth; DPW Coastal Cleanup; DPW Beautification; EcoCenter Anniversary; Park Alliance Movie Night; SFPD Training; Homeless Church – Church Service, Port sponsored activations; Quarterly events on Embarcadero Ferry Terminal Plaza and accommodation of other city agencies or departments; and
- WHEREAS, Port staff further recommends approval of 50% license event fee reductions for Pawtrero’s Annual Dog Day Afternoon and Adoption Event; Delancey Street Christmas Tree Lot; and San Francisco Baykeepers - Baykeeper Parade and Picnic; and
- WHEREAS, Port staff recommends Port Commission delegate authority to the Executive Director to authorize fee waivers or fee reductions for other special events as necessary when all of the following conditions are met: (1) event will attract people to the waterfront; (2) location is available with no conflicting use or loss of revenue; (3) Port will not need to

expend any resources or revenue to support the event and (4) event sponsor accept all liability, maintain sufficient liability insurance, and indemnify the Port for all claims related to the event and use of Port property to indemnify the Port and accept all liability; and

WHEREAS, Port staff recommends the approval of a 50% license event fee waiver for special events held by San Francisco nonprofit organizations with offices located in San Francisco with an annual budget equal to or less than \$3 million, excluding events at facilities leased or managed through other Port tenants and operators, provided the special event is a fundraising event to benefit the nonprofit, is open to members of the public and the fee must cover the costs of Port staff time; and

WHEREAS, Port staff recommends the approval of a 25% license event fee waiver for special events held by San Francisco nonprofit organizations with offices located in San Francisco with an annual budget exceeding \$3 million, excluding events at facilities leased or managed through other Port tenants and operators, provided the special event is a fundraising event to benefit the nonprofit, is open to members of the public and the fee must cover the costs of Port staff time; and

WHEREAS, Port staff recommends continuation of a pilot program for a waiver of license event fees up to \$60,000 annually and/or 12 events per year (maximum \$7,000 per event) for Fiscal Year 2023/24 for events that benefit communities of color or marginalized communities, and when the annual maximum is exhausted, staff may waive 50% of the license event fee for an unlimited number of events, and further subject to the terms and conditions set forth in the Memorandum dated July 7, 2023 accompanying this resolution; and

WHEREAS, Port staff recommends the approval of a 25% waiver of the license event fee for Qualified Operators with an annual budget of no more than \$2 million for short-term activation programming of Port open spaces meeting the minimum criteria for the Pop Up Request for Qualification (Pop Up RFQ), including similar waivers for certain future applicants as further described in the Memorandum dated July 7, 2023 accompanying this resolution; and

WHEREAS, In cases of “dual-jurisdiction” where Public Works (DPW) charges permit fees for outdoor dining, seating, and activation on City-accepted Port-owned streets, sidewalks, and open spaces, Port staff recommends the approval of a dollar-for-dollar reduction in the license fee equal to the permit fee charged by DPW for such uses—such reduction promotes parity among Port licensees using Port property for similar uses as there would be no DPW permit fee for Port licensees who use non-City accepted Port property for similar uses; and

- WHEREAS, To retain office tenants during the current economic downturn, Port staff recommends offering leasing incentives for (1) 3-year office leases with ½ month free rent for each lease year based on monthly rent to be paid during that year, and ramp up rates at 70%, 80% and 100% of the applicable Parameter Rent, as escalated annually, and (2) 4 and 5-year office leases with ½ month free rent for each lease year based on monthly rent to be paid during that year, and ramp up rates at 70%, 80%, 90%, 100% of Parameter Rent, as escalated annually, and for all such office tenants, granting them an early termination right subject to a set fee, as further described in the Memorandum dated July 7, 2023 accompanying this resolution; and
- WHEREAS, To retain shed tenants during the current economic downturn, Port staff recommends offering leasing incentives for shed leases with a term of at least 3 years, with ½ month free rent for each lease year based on monthly rent to be paid during that year, rates at 70%, 80% and 100% of the applicable Parameter Rent; and
- WHEREAS, Staff proposes continuing the excess rent sharing provisions approved by the Port Commission in Resolution 21-16 and Resolution 22-41, and additionally including such provisions in new leases as well as in amendments, and maintaining the maritime “triple threat” incentives approved by the Port Commission in Resolutions 22-08 and 22-41 for both new and existing tenants and also authorizing staff to offer submerged land at no cost to qualifying tenants, as further described in the Memorandum dated July 7, 2023 accompanying this resolution; and
- WHEREAS, Based on its review, Port staff has determined that the proposed Parameter Rates represent the fair market value rent as defined in Section 23.2 of the SF Administrative Code (“Market Rent” shall mean the most probable rent that real property should bring in a competitive and open market reflecting all conditions and restrictions of the property agreement); and
- WHEREAS, As further detailed in this Resolution, Port staff recommends approval of the additional delegated authorities specified in the Memorandum dated July 7, 2023 and the Fiscal Year 2023-24 Parameter Rates, including the strategic leasing tactics, which would set rental rates for office, shed, and land space, color curbs, telecommunication sites, monthly parking stalls, and special event rates; now, therefore be it
- RESOLVED, That the Port Commission hereby approves and adopts the Fiscal Year 2023-24 Monthly Rental Rate Schedule, Parking Rate Schedule, and Special Events Rates (Parameter Rates), including the leasing incentives and special event rates and waivers as described, effective as of August 1, 2023, to be implemented by Port staff in connection with the new and existing delegated authorities as described in the Memorandum

dated July 7, 2023 accompanying this resolution and in this resolution;
and be it further

RESOLVED, That the Port Commission finds that the Fiscal Year 2023-24 Monthly Rental Rate Schedule, Monthly Parking Stall Rate Schedule, and Special Events Rates (Parameter Rates) including the leasing incentives and various fee waivers, is equivalent to “Market Rent” as defined in Section 23.2 of the SF Administrative Code; and be it further

RESOLVED, That Port staff shall continue to provide the Port Commission, within thirty days following each calendar month, a summary of executed leases, licenses, and Memoranda of Understanding for that month.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 11, 2023.

Secretary

EXHIBIT A

Fiscal Year 2023-24 Monthly Rental Rates Schedule, Monthly Parking Stall Rates and Special Event Rates

See attached for parameter lease rate tables.

For each property, the Rental Rate Schedule provides a range of rents on a gross basis and a net effective basis. The gross basis, entitled *Minimum Initial Lease Rental Rates*, represents the market rent range for the first year of the lease. The net effective basis, entitled *Minimum Net Effective Rental Rates*, represents the net effective rent calculated and applied over the lease term after rent credits for flooring and wall coverings (maximum rent credit for these elements are described in **Exhibit B #6**) are amortized over the term of the lease. The Port Commission has previously approved the application of rent credits for flooring and wall coverings.

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 falling below the Minimum Net Effective Rental Rates found in the Rental Rate Schedule.

Full Service Office - Class B Rates		FY 23/24			
Sub-Area	Location Type	Monthly Rental Rate Range PSF		Monthly Net Eff. Rental Range PSF*	
NE Waterfront	Roundhouse Plaza-RH 2	\$ 4.00	\$ 4.50	\$ 3.00	- \$ 3.38

Full Service Office - Class C Rates		FY 23/24			
Sub-Area	Location Type	Monthly Rental Rate Range PSF		Monthly Net Eff. Rental Range PSF*	
Ferry Plaza	Ag. Building Interior	\$ 1.75	\$ 2.00	\$ 1.31	- \$ 1.50
Ferry Plaza	Ag. Building Window	\$ 3.75	- \$ 4.05	\$ 2.81	- \$ 3.04
China Basin	401 Terry Francois	\$ 3.60	- \$ 4.05	\$ 2.70	- \$ 3.04
Southern Waterfront	501 Cesar Chavez	\$ 1.60	- \$ 2.00	\$ 1.20	- \$ 1.50

Office NNN - Class B Rates		FY 23/24			
Sub-Area	Location	Monthly Rental Rate Range PSF		Monthly Net Eff. Rental Range PSF*	
NE Waterfront	Roundhouse Plaza-RH 1	\$ 4.00	- \$ 4.65	\$ 3.00	- \$ 3.49
NE Waterfront	Pier 33 ½ North	\$ 3.50	- \$ 4.05	\$ 2.63	- \$ 3.04
NE Waterfront	Pier 33 Bulkhead Bldg.	\$ 3.50	\$ 4.05	\$ 2.63	- \$ 3.04
NE Waterfront	Pier 35 Bulkhead Bldg.	\$ 3.50	- \$ 4.05	\$ 2.63	- \$ 3.04
NE Waterfront	Pier 9 Bulkhead Bldg.	\$ 4.25	- \$ 4.90	\$ 3.19	- \$ 3.68
NE Waterfront	Pier 9 Pier Office	\$ 4.25	- \$ 4.90	\$ 3.19	- \$ 3.68
South Beach	Pier 26 Annex Bldg.	\$ 3.25	- \$ 3.75	\$ 2.44	- \$ 2.81

Office NNN - Class C Rates		FY 23/24			
Sub-Area	Location	Monthly Rental Rate Range PSF		Monthly Net Eff. Rental Range PSF*	
Fishermen's Wharf	490 Jefferson St.	\$ 3.00	- \$ 3.50	\$ 2.25	- \$ 2.63
Fishermen's Wharf	SWL 302, Building 3 - 2nd Floor Office	\$ 1.50	- \$ 2.06	\$ 1.13	- \$ 1.55
Fishermen's Wharf	SWL 302 Building 6 - 2nd Floor Office	\$ 3.00	\$ 3.50	\$ 2.25	- \$ 2.63
NE Waterfront	Pier 29 ½	\$ 2.00	- \$ 2.75	\$ 1.50	- \$ 2.06
NE Waterfront	Pier 29 Annex "Beltline" Bldg	\$ 2.25	- \$ 2.75	\$ 1.69	- \$ 2.06
NE Waterfront	Pier 35 Interior Office	\$ 2.25	- \$ 2.75	\$ 1.69	- \$ 2.06
NE Waterfront	Pier 23 Bulkhead Bldg.	\$ 2.00	- \$ 2.50	\$ 1.50	- \$ 1.88
South Beach	Pier 28 Bulkhead Bldg.	\$ 2.50	\$ 3.00	\$ 1.88	- \$ 2.25
China Basin	Pier 54 Office	\$ 1.95	\$ 2.50	\$ 1.46	- \$ 1.88
China Basin	Pier 50 Bulkhead Bldg.	\$ 3.10	\$ 3.60	\$ 2.33	- \$ 2.70
Southern Waterfront	Pier 68 Shipyard Office Trailers	\$ 1.30	\$ 1.75	\$ 0.98	- \$ 1.31
Southern Waterfront	Pier 68 Shipyard Building 127	\$ 1.15	\$ 1.25	\$ 1.00	\$ 1.10
Southern Waterfront	Pier 70, Building 11 "Noonan Bldg"	\$ 1.20	- \$ 1.50	\$ 0.90	- \$ 1.13
Southern Waterfront	601 Cesar Chavez	\$ 1.30	- \$ 1.50	\$ 0.98	- \$ 1.13
Southern Waterfront	671 Illinois St.	\$ 1.00	- \$ 1.25	\$ 0.75	- \$ 0.94
Southern Waterfront	696 Amador	\$ 1.35	- \$ 1.55	\$ 1.01	- \$ 1.16
Southern Waterfront	Pier 96 Admin. Bldg.	\$ 1.70	\$ 1.95	\$ 1.28	- \$ 1.46

Office Storage Rates		FY 23/24			
Sub-Area	Location Type	Monthly Rental Rate Range PSF		Monthly Net Eff. Rental Range PSF*	
Portwide	Office Storage	\$ 1.75	\$ 2.25	\$ 1.31	- \$ 1.69

Pier and Shed Rates		FY 23/24			
Sub-Area	Location	Monthly Rental Rate Range PSF		Monthly Net Eff. Rental Range PSF*	
Fisherman's Wharf	Pier 47	\$ 1.65	- \$ 1.85	\$ 1.24	- \$ 1.39
Fisherman's Wharf	Pier 45	\$ 1.65	- \$ 1.85	\$ 1.24	- \$ 1.39
Fisherman's Wharf	SWL 302, Building 7 - CBOA (Shed)	\$ 1.30	- \$ 1.43	\$ 0.98	- \$ 1.07
Fisherman's Wharf	SWL 302, Building 6 - Alioto's Warehouse (Shed)	\$ 1.30	- \$ 1.43	\$ 0.98	- \$ 1.07
Fisherman's Wharf	SWL 302, Building 3 - Castagnola ex Storage (Shed)	\$ 1.30	\$ 1.43	\$ 0.98	- \$ 1.07
Northeast Waterfront	Pier 35	\$ 1.60	- \$ 1.80	\$ 1.20	- \$ 1.35
Northeast Waterfront	Pier 33	\$ 1.60	- \$ 1.80	\$ 1.20	- \$ 1.35
Northeast Waterfront	Pier 31	\$ 1.65	- \$ 1.85	\$ 1.24	- \$ 1.39
Northeast Waterfront	Pier 29	\$ 1.65	- \$ 1.85	\$ 1.24	- \$ 1.39
Northeast Waterfront	Pier 23	\$ 1.65	- \$ 1.85	\$ 1.24	- \$ 1.39
Northeast Waterfront	Pier 19	\$ 1.80	- \$ 2.00	\$ 1.35	- \$ 1.50
Northeast Waterfront	Pier 9	\$ 1.95	\$ 2.15	\$ 1.46	- \$ 1.61
South Beach	Pier 24 Annex	\$ 3.15	\$ 3.55	\$ 2.36	- \$ 2.66
South Beach	Pier 26	\$ 1.70	- \$ 1.80	\$ 1.28	- \$ 1.35
South Beach	Pier 28	\$ 1.70	- \$ 1.80	\$ 1.28	- \$ 1.35
South Beach	Pier 40	\$ 1.65	- \$ 1.85	\$ 1.24	- \$ 1.39
South Beach	Pier 40-Maritime-serving tenants ¹	\$ 1.10	- \$ 1.50	\$ 0.83	- \$ 1.13
China Basin	Pier 50	\$ 1.75	- \$ 1.95	\$ 1.31	- \$ 1.46
China Basin	Pier 54 Shed	\$ 0.75	- \$ 1.25	\$ 0.56	- \$ 0.94
China Basin	Seawall Lot 343	\$ 1.30	- \$ 1.45	\$ 0.98	- \$ 1.09
China Basin	Seawall Lot 345	\$ 1.30	\$ 1.45	\$ 0.98	- \$ 1.09
Southern Waterfront	Pier 68 Shipyard Shed	\$ 1.35	\$ 1.45	\$ 1.01	\$ 1.09
Southern Waterfront	Pier 68 Shipyard Building 36	\$ 1.20	\$ 1.40	\$ 0.90	- \$ 1.05
Southern Waterfront	Pier 80	\$ 1.50	\$ 1.75	\$ 1.13	- \$ 1.31
Southern Waterfront	Seawall Lot 354	\$ 1.25	\$ 1.40	\$ 0.94	- \$ 1.05
Southern Waterfront	Pier 90	\$ 1.10	\$ 1.20	\$ 0.83	- \$ 0.90
Southern Waterfront	Pier 92	\$ 1.10	\$ 1.20	\$ 0.83	- \$ 0.90
Southern Waterfront	Seawall Lot 352	\$ 1.25	\$ 1.40	\$ 0.94	- \$ 1.05
Southern Waterfront	Seawall Lot 344	\$ 1.25	\$ 1.40	\$ 0.94	- \$ 1.05
Southern Waterfront	Pier 96 - M&R Building	\$ 1.30	\$ 1.40	\$ 0.98	- \$ 1.05
Southern Waterfront	Fmr. RR ROW-Fac # 6019	\$ 0.75	\$ 0.83	\$ 0.56	- \$ 0.62
Open Land, Pier and Airspace Rates		FY 23/24			
Sub-Area	Location Type	Monthly Rental Rate Range PSF		Monthly Net Eff. Rental Range PSF	
Open Land	Improved Land & Sidewalk (including outdoor	\$ 0.85	- \$ 0.94	\$ 0.64	- \$ 0.71
Open Land	Sidewalk & Land for Port Percentage Rent tenants (largely outdoor dining) ²	\$ 0.45	- \$ 0.85	\$ 0.34	- \$ 0.64
Open Land	Pedicab, rate per pedicab	\$ 30.00	per cab per month		
Open Land	Paved Land	\$ 0.55	\$ 0.75	\$ 0.41	- \$ 0.56
Open Land	Unpaved Land	\$ 0.40	\$ 0.50	\$ 0.30	- \$ 0.38
Open Land	Paved Land w/ Industrial Power Capacity	\$ 0.75	\$ 0.95	\$ 0.56	- \$ 0.71
Open Land	Unpaved Land w/ Industrial Power Capacity	\$ 0.60	\$ 0.80	\$ 0.45	- \$ 0.60
Open Land	Subterranean Land	\$ 0.19	\$ 0.21	\$ 0.14	- \$ 0.16
Open Land	Submerged Land	\$ 0.20	\$ 0.30	\$ 0.15	- \$ 0.23
Open Land & Pier	Airspace (signage, overhangs)	\$ 0.40	- \$ 0.50	\$ 0.30	- \$ 0.38
Open Pier	Open Pier Space	\$ 0.40	\$ 0.44	\$ 0.30	- \$ 0.33
Open Pier	Apron Space	\$ 0.40	\$ 0.44	\$ 0.30	- \$ 0.33
China Basin	Pier 54 - apron	\$ 0.15	- \$ 0.25	\$ 0.11	- \$ 0.19
Power Hook-UP		FY 23/24			
Sub-Area	Location Type	Monthly Rental Rate		Monthly Net Eff. Rental	
All Areas	All industrial and land properties				

Fish Processing & Wholesale Industry Rates		FY 23/24					
Sub-Area	Location Type	Monthly Rental Rate Range			Monthly Net Eff. Rental		
		PSF			Range PSF		
Fisherman's Wharf	Pier 45 2nd Fl Mezz.	\$ 1.15	-	\$ 1.27	\$1.04	-	\$1.14
Fisherman's Wharf	Pier 45 Office 1st Fl Office	\$ 1.40	-	\$ 1.54	\$1.26	-	\$1.39
Fisherman's Wharf	Pier 45 Shed	\$ 1.50	-	\$ 1.75	\$1.17	-	\$1.29
Fisherman's Wharf	Second floor warehouse	\$ 0.80	-	\$ 0.88	\$0.72	-	\$0.79
Fisherman's Wharf	SWL 302	\$ 1.30	-	\$ 1.43	\$1.17	-	\$1.29
Northeast	Pier 33	\$ 1.50	-	\$ 1.65	\$1.35	-	\$1.49
Fishing Gear Storage Rates		FY 23/24					
Sub-Area	Location Type	Monthly Rental Rate Range			Monthly Net Eff. Rental		
		PSF			Range PSF		
Portwide	Berthholders	\$ 0.55	-	\$ 0.61	\$ 0.50	-	\$ 0.54
Portwide	Non-Berthholders	\$ 1.65	-	\$ 1.82	\$ 1.49	-	\$ 1.63
Pier 40 Storage Locker Rates		FY 23/24					
Sub-Area	Location Type	Base Rent					
South Beach	Pier 40 Lockers	\$ 100.00	Per Month per Locker				
Telecommunications Site Rates		FY 23/24					
Sub-Area	Location Type	Base Rent					
Portwide	Fixed Telecom Site	\$ 6,750.00	-	\$ 7,000.00	Per Month		
Portwide	Small Cell Site	\$ 3,600.00		\$ 4,700.00	Per Month		
Portwide	Temporary Telecom Site	\$ 500.00					Per Day
Yacht Club Rates		FY 23/24					
Sub-Area	Location Type	Monthly Rental Rate Range			Monthly Net Eff. Rental		
BV/HP	Bay View Boat Club	\$ 0.10					
BV/HP	Mariposa Hunter's Point Yacht Club	\$ 0.10		\$ 0.20			

Parking Stall Permit Rates		FY 23/24		
Facility	Stall Type	Pre-Tax		
		Rent	Parking Tax	Total
Agriculture Building	Building Tenant	\$ 360.00	\$ 90.00	\$ 450.00
Pier 9	Shed Tenant	\$ 360.00	\$ 90.00	\$ 450.00
SWL 302	Commercial Tenant	\$ 340.00	\$ 85.00	\$ 425.00
SWL 302	Restaurant Tenant	\$ 235.00	\$ 58.75	\$ 293.75
SWL 303	Commercial Tenant	\$ 340.00	\$ 85.00	\$ 425.00
SWL 303	Restaurant Tenant	\$ 235.00	\$ 58.75	\$ 293.75
Pier 45	Reserved Parking - Adj Shed B	\$ 340.00	\$ 85.00	\$ 425.00
Pier 45	Restaurant Staff - Grotto Wall	\$ 117.50	\$ 29.38	\$ 146.88
Pier 45	Fishers - btw Grotto and Chapel	Per Tariff		
Pier 45	Reserved Parking Shed C	\$ 340.00	\$ 85.00	\$ 425.00
Pier 26	Shed Tenant	\$ 220.00	\$ 55.00	\$ 275.00
Pier 40	Berthholder	\$ 110.00	\$ 27.50	\$ 137.50
601 Cesar Chavez	Building Tenant	\$ 165.00	\$ 41.25	\$ 206.25
Pier 80	Industrial Trucking	\$ 220.00	\$ 55.00	\$ 275.00
Pier 90	Industrial Trucking	\$ 220.00	\$ 55.00	\$ 275.00
Pier 94	Industrial Trucking	\$ 220.00	\$ 55.00	\$ 275.00
Pier 96	Industrial Trucking	\$ 220.00	\$ 55.00	\$ 275.00
Color Curb Program Licenses		FY 23/24		
Zone Type	Zone Use	Set-Up	Monthly	Size
Green Zone	Short Term Parking	\$ 425.00	\$ 325.00	Per 20 Feet
White Zone	Passenger Loading	\$ 425.00	\$ 325.00	Per 20 Feet
Yellow Zone	Commercial Delivery	\$ 425.00	0	Per 40 Feet
Temporary No Parking Fees		FY 23/24		
		Set-Up Fee	Per Meter	
			\$ 30.00	

SMALL FEE-BASED CLASSES PERMIT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Comments
Up to 1,600 sf; not fenced		45 Days			\$50		Per 2-hour session
LONGER TERM FEE-BASED CLASSES PERMIT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Comments
Up to 1,600 sf; not fenced		45 Days			\$20/hour		1 hour/day x # days
Up to 1,600 sf; not fenced		45 Days			\$25/hour		2 hour/day x # days
ATHLETIC EVENT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
Small	< 2,000 People	120 Days	\$1,850+	Per Day	\$3,700+	Per Day	Restrooms, Maintenance, Trash
Small	< 2,000 People	45 Days	\$2,750+	Per Day	\$5,500+	Per Day	Concession or Ticket Sale Fees May Apply
Medium	2,001 - 5,000 People	120 Days	\$2,600+	Per Day	\$5,200+	Per Day	Restrooms, Maintenance, Trash
Medium	2,001 - 5,000 People	45 Days	\$3,750+	Per Day	\$7,500+	Per Day	Concession or Ticket Sale Fees May Apply
Extra Large	> 5,000 People	120 Days	\$3,200+	Per Day	\$6,400+	Per Day	Restrooms, Maintenance, Trash
Extra Large	> 5,000 People	45 Days	\$4,700+	Per Day	\$9,400+	Per Day	Concession or Ticket Sale Fees May Apply
FREE PUBLIC OR PUBLIC TICKETED EVENT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
Small	1-50 people <10,000 sf	45 Days	\$250-500	Per Day	\$500-1000	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Medium	51-100 people <25,000 sf	45 Days	\$1,500+	Per Day	\$3,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Large	101-400** people	120 Days	\$2,500+	Per Day	\$5,000+	Per Day	Restrooms, Maintenance, Trash
	25,000+ sf	45 Days	\$3,625+	Per Day	\$7,250+	Per Day	Concession or Ticket Sale Fees May Apply
Extra Large	400->2000** people	120 Days	\$3,500+	Per Day	\$7,000+	Per Day	Restrooms, Maintenance, Trash
	25,000+ sf	45 Days	\$5,075+	Per Day	\$10,150+	Per Day	Concession or Ticket Sale Fees May Apply

PAID PUBLIC TICKETED EVENT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
Small	1-50 people <10,000 sf	45 Days	\$500-\$1,500+	Per Day	\$1,000-\$3,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Medium	51-100 people <25,000 sf	45 Days	\$2,000-\$3,000+	Per Day	\$4,000-\$6,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Large	101-400** people 25,000+ sf	120 Days 45 Days	\$3,000-\$8,000+	Per Day	\$6,000-\$8,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Extra Large	400->2,000 people 25,000+ sf	120 Days 45 Days	\$3,500+	Per Day	\$7,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply

CORPORATE OR PRIVATE EVENT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
Small	1-50 people <10,000 sf	45 Days	\$2,000+	Per Day	\$4,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Medium	51-100 people <25,000 sf	45 Days	\$4,000+	Per Day	\$8,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Large	101-400** people 25,000+ sf	120 Days 45 Days	\$5,000+	Per Day	10,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply
Extra Large	400->2000 25,000+ sf	120 Days 45 Days	\$7,500+	Per Day	15,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply

PIER 30/32 & VALLEY EVENT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
All Events		120 Days	\$ 8,000+	Per Day	\$ 25,000+	Per Day	Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply

FIREWORKS							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
All Events		120 Days	\$ -		\$ 1,100.00	Per Show	

*Additional fees may apply depending on number of locations and/or complexity of the event.

**An event over 400 people could be considered as a special request under certain circumstances

NONPROFIT AND GOVERNMENT RATES							
Event Size		Application Submittal Date	Set-up Fees*		Event Fees*		Additional Fees*
			50% of event fee		25%-50% off of event rate		Restrooms, Maintenance, Trash Concession or Ticket Sale Fees May Apply

Photo Shoot Rates			FY 23/24	
Sub-Area	Location Type	Description	Permit Fees	
Portwide	Outdoor	Simple	\$ 2,250.00	Per Day
Portwide	Indoor	Simple	\$ 2,750.00	Per Day
Portwide	Outdoor	Major	\$ 4,000.00	Per Day
Portwide	Indoor	Major	\$ 5,250.00	Per Day
Film Shoot Rates			FY 23/24	
Sub-Area	Location Type	Event Size	Permit	
Portwide	All	Simple	\$ 2,250.00	Per Day
Portwide	All	Major	\$ 4,250.00	Per Day

Fee Reductions for License Fees for Special Events

	Non-Profit Events	Diversity & Equity Events	Pop Up RFQ
Event Qualifications	<ul style="list-style-type: none"> Fundraising event to benefit the nonprofit Open to the public 	<ul style="list-style-type: none"> Benefits communities of color or marginalized communities Open to the public 	<ul style="list-style-type: none"> Interim activations may include but are not limited to cultural events and activations, food and beverage activations, retail markets, athletic showcases and art exhibitions and performances Open to the public
Sponsor Qualifications	<ul style="list-style-type: none"> 501 (c)(3) and Based in SF and Annual budget exceeding \$3M (25% fee reduction) Annual budget equal to or less than \$3M (50% fee reduction) 	<ul style="list-style-type: none"> Annual operating budget equal to or less than \$2M and Mission statement of the organization or the goals/objectives of the event must identify the community they are serving and San Francisco-based 	<ul style="list-style-type: none"> Named a Port Qualified Operator and Annual budget equal to or less than \$2M
License Fees	Fee Reduction – 25%-50% off license event fee <ul style="list-style-type: none"> Only reduction/waiver of license event fee permitted Regulatory permits and cost recovery not included Port will not expend any resources or revenue to support the event 	Fee Waiver – No fee waiver to exceed \$7,000. Program limited to \$60,000 and/or 12 events maximum per year Fee Reduction – 50% off license event fee; unlimited # events	Fee Reduction – 25% off license event fee <ul style="list-style-type: none"> Only reduction of license event fee permitted Regulatory permits and cost recovery not included Port will not expend any resources or revenue to support the event

	Non-Profit Events	Diversity & Equity Events	Pop Up RFQ
		<ul style="list-style-type: none"> • When fee waiver funds are exhausted, applicants can receive a license event fee reduction • Only reduction/waiver of license event fee permitted • Regulatory permits and cost recovery not included • Port will not expend any resources or revenue to support the event 	
Internal Process	<p>Applicant must:</p> <ul style="list-style-type: none"> • Submit 501(c)(3) documentation • Provide P&L statement 	<p>Applicant must:</p> <ul style="list-style-type: none"> • Submit a mission statement of the organization or the goals/objectives of the event and identify the community they are serving • Provide P&L statement • Disclose if a fiscal sponsor and who sponsors and amounts. 	<p>Applicant:</p> <ul style="list-style-type: none"> • Provide P&L statement

EXHIBIT B

Synopsis of Port Leasing Policies/Delegated Authorities

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 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. **Routine Supplemental Lease-Related Agreements:**
Unless otherwise explicitly provided by the Lease, staff is authorized to consent to assignments and subleases and execute other routine supplemental agreements and consents including those required for loans; security instruments; and subordination/ non-disturbance agreements; estoppels and similar routine agreements in a form approved by the City Attorney and provided the terms and the conditions of the agreement 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 and Memoranda of Understanding-executed pursuant to this policy.

12. Competitive Bidding:

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, 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. Public Art Fees:

The Port's Executive Director is authorized to waive Public Art use fees in license agreements and MOUs under the following circumstances: (i) there are no other uses for the space during the term of the license/MOU 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 staff would continue the practice of informing citizen advisory committees and presenting informational items on public art installations to the Port Commission. (Port Commission Resolution No. 15-21.)

14. Subsurface Utility Distribution and Infrastructure Use Fees:

The Port's Executive Director is authorized to proportionally waive Subsurface Utility Distribution and Infrastructure use fees in real property agreements including, license agreements, encroachment permits, and MOUs, under the following circumstances: (i) the utility infrastructure is intended to be utilized in whole or in part for distribution of public utility or fire suppression services to the Port or Port tenants; for clarity "public utility" includes the utilities serving Mission Rock by a private entity called Mission Rock Utilities and its successor and similar circumstances, should they arise, at the Pier 70 development site, (ii) the utility infrastructure is located beneath a current or future street right of way or dedicated public access area that is not anticipated for any other use and the applicable federal, state or local governmental agency, commission, or department has maintenance and repair obligations for the infrastructure; (iii) the term of the real property agreement does not exceed 66 years (subject to Board of Supervisors approval if otherwise required due to the term); and (iv) any real property agreement includes requirements for the removal of such infrastructure at no cost to Port if the street, public area, or right of way is vacated, abandoned, or if the use is no longer consistent with the public trust at some point in the future. The delegated authority would not extend to the issuance of real property agreements for non-public utilities or utilities that primarily support revenue-generating enterprise activities; transmission-only facilities (as opposed to distribution facilities) or telecommunications, cable, or wireless services. Such agreements will continue to be subject to compliance with the rental rate parameters established by the Commission. (Port Resolution 18-41, amended by Port Commission Resolution 22-41.)

15. Mutual Termination:

The Port Commission delegated authority to the Port Executive Director to partially or completely terminate by mutual agreement leases and licenses with a remaining term of less than five years and monthly rent not to exceed twenty thousand (\$20,000.00) when the following conditions are met: (a) Port staff has independently verified the tenant's financial condition; (b) Port staff has inspected the subject property, made a record of the condition of the property and documented any unfulfilled tenant obligations for maintenance, repair, tenant improvements, removal of personal property and/or restoration of the premises; (c) Port staff has determined it is more economically viable to allow tenant to terminate and vacate the premises rather than pursue an unlawful detainer action; (d) Tenant has provided documentation showing it is financially unable to continue to meet its lease obligation and continued occupancy will lead to an accrual of uncollectible rents; and (e) the Port Executive Director determines in her/his sole discretion that early termination of a lease in exchange for payment or other consideration made by the tenant is in the Port's best interests (see Resolution No. 21-15 for more information).

16. Southern Waterfront Beautification Set Aside Benefit Fund accounting:

The Port defines the Southern Waterfront as the area located from Mariposa Street in the north to India Basin in the south (the "Southern Waterfront"). The Southern Waterfront is home to the Port's industrial maritime operations and a mixture of other users. In November 2007 the Port Commission adopted its Policy for Southern Waterfront Benefits and Beautification, which includes a requirement that Port set aside a portion of monthly rents collected from Southern Waterfront property leases. The amounts set aside were intended to be, and have been, used to fund certain improvements, beautifications, and/or benefits in the Southern Waterfront. Port staff account for the set-aside by multiplying revenue from all leases in the Southern Waterfront by 6.5 percent and allocating that revenue to the Southern Waterfront Beautification Fund. As has been done in the last fiscal year budgets, the revenues are shown in the budget along with the approved uses for the funds.

17. San Francisco Film Commission:

Per Port Commission direction in 2018, Port staff have authority by Resolution 18-41 to waive of fees for use of public access and public rights of way areas on Port property and extending the associated delegation of authority to the San Francisco Film Commission to issue and enforce filming permits, with San Francisco Film Commission retaining all fees paid to it in order to defray its administrative costs. This arrangement is the continuation of long-established practice, whereby the San Francisco Film Commission requests permission from the Port prior to any issuance of a film permit for these public areas, imposes conditions requested by the Port, and ensures that the Port is indemnified and released, named as an additional insured on all required insurance policies and is otherwise covered under the San Francisco Film Commission's standard use agreement which includes repair of damage, compliance with laws and City requirements, and public safety precautions. Port will continue to issue use agreements and charge parameter rates for filming in indoor areas not otherwise subject to a lease or license (e.g., an empty pier shed and for special events).

18. Special Events:

To accommodate special circumstances that may arise, the Executive Director may grant fee waivers or fee reductions for special events as necessary when all of the following conditions are met: (1) event will attract people to the waterfront; (2) location is available with no conflicting use or loss of revenue; (3) Port will not need to expend any resources or revenue to support the event and (4) event to indemnify the Port and accept all liability. Port staff must maintain a list of events receiving such waivers to help inform Executive Director's use of the delegated authority when requested.

19. Mission Rock and Pier 70:

Specific to the development projects at Mission Rock and Pier 70, the Executive Director is authorized to waive Port-Owned Improvement use fees if the Port assigns any Port-Owned Improvements located in public right of way or dedicated public access areas so long as they confer associated maintenance and repair obligations to a non-Port entity that is either (a) each project's Master Developer, or (b) its direct affiliate, in real property agreements including, license agreements, encroachment permits, and MOUs, under the following circumstances: (i) the improvement is intended to be utilized solely for distribution or operational services to the Port or Port tenants, (ii) the improvement is located within Port-owned property that is subject to a current or future street right of way or dedicated public access area that is not anticipated for any other use and the applicable federal, state or local governmental agency, commission, or department has maintenance and repair obligations for the improvement; (iii) assigning the improvement(s) reduce obligations or liabilities otherwise created by the Port maintaining and repairing those improvements itself (iv) the term of the real property agreement does not exceed 66 years (subject to Board of Supervisors approval if otherwise required due to the term); and (v) any real property agreement includes requirements for the removal of such improvement at no cost to Port if the street, public area, or right of way is vacated, abandoned, or if the use is no longer consistent with the public trust at any point in the future. The delegated authority would not extend to the issuance of real property agreements for an improvement that primarily support revenue-generating enterprise activities of which the Port does not participate, directly or indirectly. Such agreements will continue to be subject to compliance with the rental rate parameters established by the Commission. (Port Resolution 18-41 as amended by Port Resolution 22-41.)

20. Tenant Improvement Allowance and Chapter 6 Waiver:

Per Resolution 23-08, Port staff may offer the use of tenant improvement allowances in the following limited circumstances (i) lease or lease amendment subject to Port Commission and Board of Supervisors approvals; (ii) property improvements spur economic recovery and generate additional rents to the Port; and (iii) not more than \$20 million in tenant improvement allowance funds may be committed cumulatively across all such leases.

EXHIBIT C

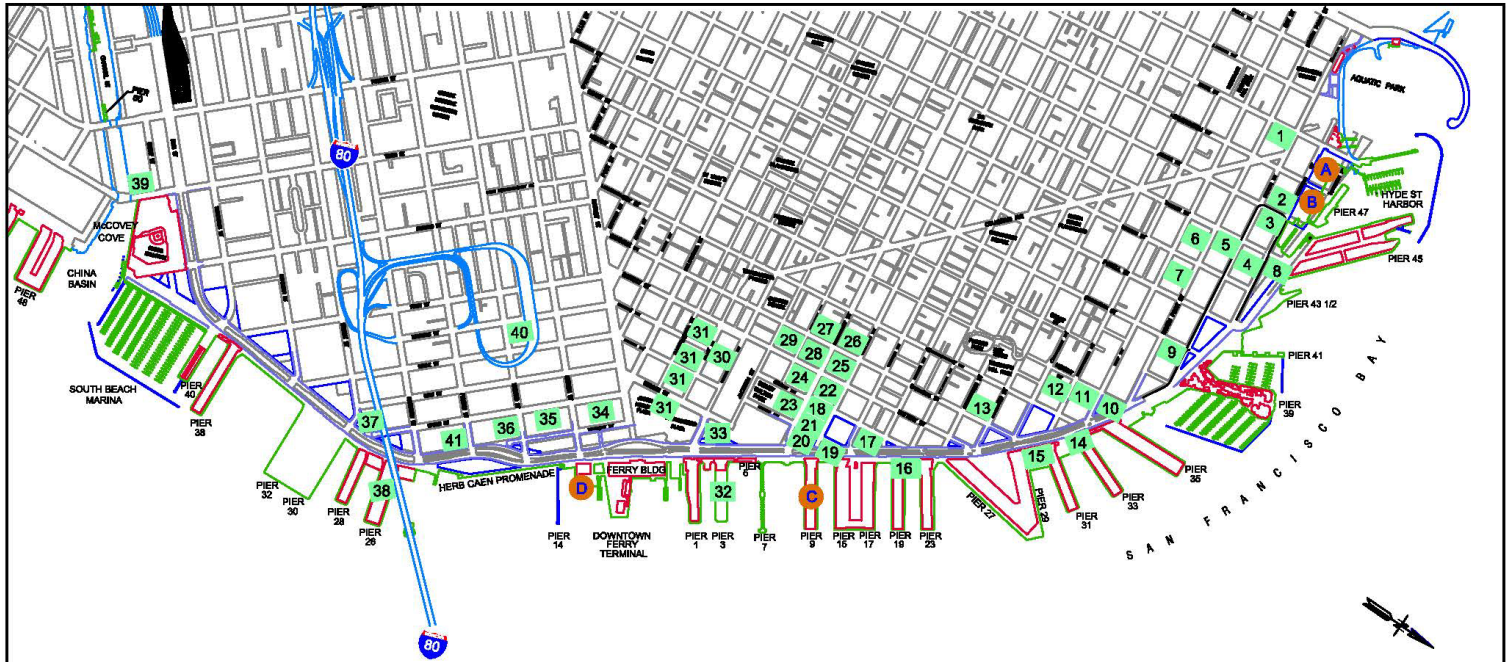
Parking Facilities Located in the Vicinity 2019 and Map

Attached is a parking survey conducted by Port staff and our summer intern in June of 2022. The survey resulted in the identification of three significant trends:

- **Digitization.** The pandemic has had major influences on both the market for parking in San Francisco as well as on the way Port's parking lots are conducting business. Following the previous trend toward automation and away from labor, companies have continued to further leverage their digital footprint by moving booking systems online. This has given rise to third-party apps such as SpotHero, Spot Angel, & ParkMe, which aggregate parking availability data from multiple operators and broker reservations.
- **Softened demand.** The reduction in both tourism and traditional commuter traffic has softened demand for both daily and monthly parking. Commuter traffic has seen a general reduction on Mondays and Fridays as work-from-home trends have continued, while tourism traffic remains steady but at reduced levels.
- **.. but stable demand.** That all said, a reduction in overall parking supply in the City has counteracted that softening demand and allowed prices to remain relatively stable. Over 500 parking spaces have been eliminated in the Downtown core in the last 3 years, including the 75 Howard Street garage which was demolished in 2021, and the Embarcadero enhancement project's progressive removal of parking along the waterside of the roadway.

As it has been for the past decade, the Northern waterfront is primarily tourism serving, the central waterfront is primarily commuter serving, the Ballpark/Warriors Arena/Boat Launch is special event-oriented, and the southern waterfront is fleet/industrial focused. By having the best located parking for these specific types, the Port maintains a competitive advantage in parking stall leasing. Port's parking lags behind digitization trends, however, and several lots would benefit from maintenance and capital improvements.

Port's parking inventory remains stable and its valuation should be maintained with the pace of current inflation. As such, parking rates have been increasing parking rates between 5% – 10%, with a progressive increase in percentage value moving south from Fisherman's Wharf Portfolio.



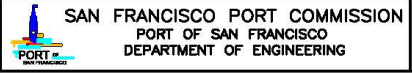
Port-managed Parking Facilities

- 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 / Steuart & 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



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

c:\07 STAFF\EDUSTODD\edl\sa\strip map-TINA.dwg

Parking Lot Survey – June 2022

Parking Lot	Beach & Hyde Garage	Anchorage Shopping Center Garage	Fisherman's Wharf Parking	Wharf Garage	Longshoremen's Hall Parking Lot	Cost Plus Plaza Garage	North Point Center Garage	Triangle Parking Lot	Pier 39 Garage	Bay / Embarcadero & Kearny	80 Francisco Parking Garage	55 Francisco Parking Garage	Levi's Plaza Garage	Pier 33	Pier 29.5	Pier 19.5	SWL 321	SWL 322-1	SWL 323	
Alt. Address	655 Beach	500 Beach	2850 Jones	350 Beach	400 Northpoint	425 Northpoint	350 Bay	170 Jefferson	2550 Powell	2 Bay	Waterfront Plaza	55 francisco strret	1453 sansome street	seawall lot 314	1282 the embarcadero	920 the embarcadero	1050 Front	50 Broadway		
Operator	ProPark America	Ace Parking	Wharf Properties, Inc	Imperial Parking	City Park	ABM Parking	Imperial Parking	SP+ Parking	Ampco System	Central Parking	Imperial Parking	Ace Parking	Ampco System	SP+ Parking	SP+ Parking	SP+ Parking	SP+ Parking	SP+ Parking	SP+ Parking	
Phone	415-447-0232	415-440-2407	415-885-4884	415-227-0114	415-495-3909	415-351-4450	415-227-0114	415-441-4053	415-705-5418	877-717-0004	415-398-4162	415-398-0208	415-981-8213	415-715-4282	628-400-8020	415-558-1663	415-715-4282	415-715-4282	415-715-4282	
Covered?	Covered	Covered	Uncovered	Covered	Uncovered	Covered	Both	Uncovered	Covered	Uncovered	Covered	Covered	Covered	uncovered	uncovered	Covered	Uncovered	Uncovered	Uncovered	
Manned?	N	N	N	N	N	N	Y	N	Y	N			N	N	N	N	N	N	N	
In-Person Hours																				
Lot Op. Days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	7 days	M-F	7 days	7 days	7 days	7days	7 days		
Lot Op. Hours	7am-12pm	24 Hours	9AM-12AM	24Hour	5AM-12AM	6AM-10PM	24 Hours	24 Hours	24 Hours	24 Hours	6am-9pm	6am-10pm	6am-11pm	24 hours	8am-8:30pm	8am- 8:30pm	24 Hours	24 hours		
Weekday Weekend:	7AM-12AM 7AM-12AM		9am-12am 9am-2am			6am-10pm					6am-9pm 8am-9pm	6am -10pm 8am-10pm	6am-11pm 7am-7pm		8am-8:30 pm					
Monthly:																				
Reserved					\$ 225.00					\$ 450.00	\$ 300.00			\$ 450.00	\$ 310.00	\$ 290.00			\$ 310.00	
Non-Reserved																				
Vacancy																				
In/Out Priv.			N	N	N	N	N	N	N	N	N									
Notes:																				
Daily:																				
Weekday:																				
Oversize Max																				
Daily Max		\$ 41.60	\$ 40.00	\$ 36.00	\$ 20.00	\$ 20.00 - \$30.00	\$ 36.00	\$ 25.00	\$ 50.00	\$ 40.00	\$ 27.00	\$ 30.00	\$ 60.00	\$ 40.00	\$ 40.00	\$ 25.00	\$ 25.00	\$ 30.00	\$ 30.00	
Early Bird				\$ 14.00			\$ 14.00	\$ 22.00		\$ 20.00	\$ 19.00		\$ 18.00	\$ 20.00	\$ 20.00		\$ 22.00	\$ 22.00		
Weekend:																				
Oversize Max																				
Daily Max		\$ 41.60	\$ 40.00	\$ 35.00				\$ 30.00	\$ 60.00	\$ 48.00	\$ 20.00	\$ 20.00		\$ 48.00			\$ 30.00	\$ 35.00	\$ 35.00	
Early Bird																	\$ 15.00	\$ 22.00	\$ 22.00	
Notes:																				
Hourly:																				
Full Hourly		\$ 9.60	\$ 6.00	\$ 12.00		\$ 5.00	\$ 12.00			\$ 20.00		\$ 8.00		\$ 20.00					\$ 15.00	
1/2 Hourly																				
1/4 Hourly																				
Notes:	Closed		Early bird is in by 9:30 out by 6										6am-9pm out 6pm							

Parking Lot Survey – June 2022 (continued)

Parking Lot	847 Front Parking Garage	Golden Gate Commons	750 Battery Parking Garage	900 Sansome Parking Garage	955 Sansome Parking Garage	350 Pacific Parking Garage	768 Sansome Parking Garage	Golden Gateway Garage	Embarcadero Center Garage	Hornblower Landing Parking Lot	ferry building investors parking lot	1 Market Garage	Rincon Center Garage	75 Howard Parking Garage	Bayside Lot	Pier 26	Pier 30/32	Hills Plaza Garage	199 Fremont Garage	China Basin Landing
Alt. Address	250 clay street	750 Front	750 battery street	900 sansome street	955 sansome st	350 Pacific	768 sansome st	250 Clay	Buildings 1, 2, 3 & 4	Pier 3	201 N Embarcadero	55 spear st	160 spear street	75 howard st	1 Bryant st	1 bryant st	the embarcadero	345 spear street	199 fremont street	920 3rd
Operator	Imperial Parking	Pro Park	Ampco System	Liberty Parking	Liberty Parking	American West	California Parking	Five Star Parking	Ampco System	Hornblower Landing	Ace Parking	Ampco System	Standard Parking	Ampco System	Imperial Parking	Imperial Parking	Imperial Parking	ProPark	City Park	Ace Parking
Phone	415-433-4722	415-374-2047	415-956-8148	415-431-8400	650-342-3010	415-606-2071	415-468-4860	415-433-4722	415-772-0670	415-788-8866	415-777-2292	415-777-2292	415-882-9468	415-814-4462	415-227-0114	415-227-0114	415-227-0114	415-820-5908	415-357-0971	415-625-0755
Covered?	Covered	Covered	Covered	Covered	covered	Uncovered	Uncovered	Covered	Covered	Uncovered	covered	Covered	Covered	Covered	Uncovered	uncovered	Uncovered	Covered	Covered	Covered
Manned?	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	Y	N	N	N	N	N	N	N	N
In-Person Hours							6:30AM-7PM													
Lot Op. Days	M-F	M-F	M-F	M-F	M-F	M-S	7 days	7 days	7 days	7 days	M-F	M-F	M-F	M-F	7 days	7 days	M-S	7 days	M-F	M-F
Lot Op. Hours	4am-10pm	8am-4pm	7AM-7PM	6am-9pm	6AM-9PM	24 Hours	24 Hours	4/7/9-10PM	5am-12am 4	5am-12am	7am-4pm	6AM-7PM	7am-4pm	4pm-11pm	24 Hours	24 hours	6am-11pm	6:30am-11pm	6am-10pm	6AM-10pm
Weekday	4am-10pm	8am-4pm	7AM-7PM	6am-9pm	6am-9pm		6:30AM-7PM	4am-10pm	5am-12am	5am-12am	7am-4pm	6am-7pm	7am-4pm	4pm-11pm			6am-11pm	6:30am- 11pm	CLOSED	
Weekend		8am-8pm						7am - 7pm	& 3 7am-12am	5am-12am	CLOSED			4 hours			6am-11pm	7am-10pm		
Monthly:																				
Reserved		\$ 530.00		\$ 280.00	\$ 300.00	\$ 320.00		\$ 530.00							\$ 315.00	\$ 315.00				\$ 430.00
Non-Reserved		\$ 420.00							\$ 435.00				\$ 475.00							
Vacancy																				
In/Out Priv.	N	N		Y	N	N	Y & N	N		N	N			N	N	N	N		N	
Notes:																				
Daily:																				
Weekday:																				
Oversize Max				\$ 40.00	\$ 35.00							\$ 65.00								
Daily Max	\$ 44.00	\$ 44.00		\$ 25.00	\$ 20.00	\$ 5.00	\$ 27.00	\$ 44.00	\$ 35.00			\$ 44.00	\$ 30.00	\$ 31.00	\$ 20.00	\$ 20.00	\$ 17.00	\$ 60.00	\$ 35.00	\$ 26.00
Early Bird	\$ 20.00	\$ 20.00	\$ 18.00	\$ 15.00	\$ 15.00			\$ 20.00	\$ 20.00	\$ 30.00				\$ 24.00			\$ 15.00	\$ 24.00	\$ 24.00	
Weekend:																				
Oversize Max												\$ 65.00								
Daily Max	\$ 44.00	\$ 44.00	\$ 24.00			\$ 15.00	\$ 15.00		\$ 35.00			\$ 44.00					\$ 10.00	\$ 60.00		
Early Bird																	\$ 24.00			
Notes:																				
Hourly:																				
Full Hourly	\$ 7.00	\$ 7.00				\$ 23.00	\$ 7.00	\$ 7.00	\$ 3.00	\$ 10.00	\$ 6.00	\$ 12.00	\$ 6.00	\$ 6.00				\$ 12.00	\$ 12.00	
1/2 Hourly							\$ 4.00					\$ 6.00								
1/4 Hourly																				
Notes:				in 10am out 6pm	9:30am by 7pm									Demolished						

EXHIBIT D

Third-Party Review 2023 (Keyser Marston & Maven memorandum)



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May 2023

Office

San Francisco's office sector continues its uphill battle in its post-pandemic recovery, with negative net absorption recorded for the sixth consecutive quarter. This is largely due to the continued adoption of hybrid and work-from-home models by firms, which is affecting the demand for office space, especially for tech-based tenants. Many companies are revisiting their office space needs amid current economic insecurity, causing rents to fall across all submarkets, particularly in downtown San Francisco where Class A sublease space is available at very low-cost levels.

There is growing concern that many office assets are underwater on their mortgages, leading to a possible uptick in future foreclosures and distressed sales – likely resulting in further delay in leasing absorption, at least until those particular assets are stabilized. The San Francisco office vacancy rate has increased to 24.1%. The submarkets in San Mateo County and South San Francisco have fared better, with a significantly lower vacancy rate and positive net absorption in recent quarters. As one would expect, the low demand for office space in San Francisco, combined with increasing interest rates and construction costs, has diminished new construction activity.

Despite the challenges in the office market, an increase in tenant requirements suggests that companies are still interested in returning to the office (at least in part), although it will be the smaller users and downsizing ("right-sizing") requirements that will drive demand for space. As evidence of the return to office, Kastle Systems has reported Office badge swipes having increased to 43.3% in Q1 2023, its highest point in three years.

Trends & Leasing Strategy

As office vacancy continues to surge throughout San Francisco, turnkey spaces are inundating the market in all office classes. Effective rents have declined quarter-over-quarter and are expected to continue falling due to concessions offered by landlords to combat the historically high vacancies and availability rates. Tenant concessions are also predicted to rise in the next six months, placing further pressure on effective rents. The rising interest rates, widespread layoffs, and economic slowdown have slowed office leasing and sales activity, prompting many office users to rethink their space requirements.

San Francisco Office Market Trends, All Properties

	Q1 2020	Q1 2022	Q1 2023
Total Vacancy Rate	5.20%	21.9%	26.4%
YTD Net Absorption	374,000	-2,000,000	-1,140,896
Direct Monthly Asking Rent, FSG	\$93.24	\$85.92	\$ 77.88
Vacant Space	4 million SF	11 million SF	22.8 million SF

Source: JLL

San Francisco Office Market Trends, Class B and C Properties

	Q1 2020	Q1 2022	Q1 2023
Class B Properties			
Total Vacancy Rate	5.60%	27%	16.8%
QTR Net Absorption	-130,000	15,300	-387,929
Direct Monthly Asking Rate	\$81.60	\$71.76	\$52.80
Vacant Space	1 million SF	5 million SF	9.3 million
Class C Properties			
Total Vacancy Rate	7%	16.60%	15.30%
QTR Net Absorption	49,000	-62,000	-1,649
Direct Monthly Asking Rate	\$72.60	\$67.92	\$45.48
Vacant Space	2.2 million	3.8 Million	4.9 million

Source: CoStar

Submarket 12-Month Trailing, Class B and C Properties

Geography Name	Vacant Available (%)	Vacant Available SF	Vacancy Rate	Net Absorption SF	Market Rent Growth 12 Mo
Mission/Potrero	9.0%	330,877	9.0%	-31,300	-2.3%
Rincon/South Beach	24.5%	1,201,629	26.9%	-39,753	-3.0%
Waterfront/North Beach	18.3%	710,935	20.7%	-1,263	-1.7%

Source: CoStar

Leasing Concessions & Trends

In the San Francisco office market, landlords are offering various leasing incentives to attract and retain tenants in response to the challenges posed by the economic downturn. Some of these incentives include:

1. Tenant improvement allowances: Landlords are offering higher tenant improvement allowances to offset the costs of tenant improvements (and in some cases, furnishings) and make the space more attractive to tenants.
2. Move-in allowances: Moving allowances are being offered to help tenants cover the costs of moving and setting up their new space.
3. Furniture: More and more spaces are being offered fully or partially furnished to reduce move-in and furnishing costs for new tenants.
4. Free rent: Free rent continues to be an easy tool used as an incentive to attract tenants and help them get through the transaction and moving costs.
5. Flexible lease terms: With the uncertainty surrounding the economy and its impact on business operations, landlords are offering more flexible lease terms (including early termination rights) that allow tenants to adjust their space requirements more easily.
6. Softer Approval Process: Landlords are softening their approval criteria, more so on as-is transactions.
7. Reduced or waived security deposits: To reduce the upfront costs for tenants, some landlords are offering reduced or waived security deposits.
8. Parking incentives: Many landlords are offering discounted or free parking to tenants as an additional incentive.
9. Active Submarket. Large discounts continue to be available on sublease opportunities.

Strategy

In the current downturn, office landlords are using various leasing strategies to attract and retain tenants. Some of these strategies include:

1. Improved communication, service, and transparency: Landlords are improving communication and transparency with existing tenants to foster better relationships and address concerns more effectively, with a focus on retaining tenants.
2. Blend & Extend: Rent adjustments in exchange for lease extensions.
3. Providing Additional Building Amenities: Landlords are enhancing their buildings' amenities to attract and retain tenants, including fitness centers, shared conference rooms, showers, and outdoor spaces.
4. Amenity Retail Transactions: Property owners are providing attractive lease packages to retailers (more often to fitness and food & beverage purveyors) to lure them to their buildings in order to provide an additional amenity to office tenants.
5. Increased Broker Commissions & Incentives: Leasing commissions continue to rise to \$3.00 per square foot per year, and sometimes even higher. Landlords are offering vacations, gift certificates, and other bonus gifts to the leasing brokers in an effort to lure them to their buildings.
6. Technology upgrades: Landlords are upgrading their buildings' technology infrastructure to meet the needs of modern businesses, including high-speed internet and smart building systems.

It should also be noted that San Francisco landlords are also considering changing the uses of their office spaces. Specifically, the City government has put forth proposed legislation that may spark conversations around the possibility of converting offices into residential or other types of usable spaces. The legislation aims to offer additional flexibility and incentives for conversions in commercially zoned areas, potentially reinvigorating San Francisco's downtown region and creating a more vibrant neighborhood.

Recommended Leasing Incentives to the Port

In 2021, Port implemented the following leasing incentives:

- For new leases of at least three years, allow rents to ramp up at 70%, 80%, and then 100% of parameter lease rates (years 1, 2, and 3) or,
- If tenant constructs Port-approved tenant improvements, Port staff may offer rent abatement in a maximum amount equal to the cost of the improvement up to *7 months* of the monthly rent due, applied over a 5 year lease term

In 2022, Port modified the ramp-up period as follows:

- To retain office tenants during the current economic downturn, Port offers leasing incentives for 3 year office leases with rates at 70%, 80% and 100% of the applicable Parameter Rent and 4 and 5-year office leases with rates at 70%, 80%, 90%, 100% of Parameter Rent and granting the tenant an early termination right subject to a set fee equal to 1 months of rent multiplied by number of years remaining on the lease, plus reimbursement of Port's costs for processing the termination.

In 2023 we recommend that Port staff be provided the ability to offer ½ month free rent for each lease year to prospective tenants that are also offered the ramp-up rent schedule above. To be clear, Port Staff should continue to be able to offer rent abatement in a maximum amount equal to the cost of the improvement up to 7 months of the monthly rent due, applied over a 5 year lease term, if the prospective tenant is not offered or does not agree to the ramp-up period.

Industrial

Although San Francisco's industrial market trends have shown a slight decline, tenant demand in San Francisco has remained stable. Supply remains limited as the majority of construction activity in the market is focused on life science and residential. According to CoStar, overall vacancies have increased, and currently stand at 7.0%. The increase is primarily due to flex space, where vacancy has increased to 11.9%. In comparison, vacancies in the logistics sector remain close to its long-term average, at 4.4%.

San Francisco boasts the highest industrial property rents in the nation, largely due to a tight market and fierce competition with other land uses for limited space. The industrial market in San Francisco remains relatively stable compared to other property types, mainly due to a scarcity of new developments and overall supply limitations. According to CoStar, the current average asking rate for industrial properties is \$27.00/SF, while flex space commands an average rent of \$36.00/SF, and logistics space is offered for \$22.00/SF. These rates are approximately double the national average.

The industrial sector in San Francisco will likely outperform all other asset types. In addition to the Port, the industrial market is comprised of a few primary submarkets, namely SOMA, 3rd Street & Potrero Hill, Hunters Point/Candlestick Point, and the Bayview/India Basin submarket.

These industrial areas in San Francisco offer a variety of properties that cater to different business needs, including warehouses, distribution centers, manufacturing facilities, and research and development labs. In recent years, the city has seen increased demand for industrial properties due to the growth of e-commerce, which has led to a surge in the need for logistics facilities. The San Francisco industrial market is also easily accessible to the City's major transportation hubs, making it an attractive location for businesses. Despite the high rental rates, demand for industrial properties in the city is expected to remain strong, especially with the rise of last-mile delivery services and the overall growth of the logistics sector. Although San Francisco industrial landlords are not facing the demand hurdles of their office equivalents, industrial landlords are implementing a variety of leasing strategies to maximize their assets. These leasing strategies are designed to help industrial landlords drive rents, retain existing tenants, attract new tenants, and minimize vacancies during the current economic cycle.

1. Rent abatement: Free rent continues to be used as an incentive to attract tenants, and often to offset the prospective tenant's investment into the property.
2. Reduced Security Deposits. Landlords are offering lower security deposits to attract tenants, but generally limited to the stronger-credit tenants.
3. Flexible lease terms: Industrial landlords are offering flexible lease terms to accommodate the needs of tenants. This includes shorter lease terms, rights to expand and/or purchase, and the ability to expand or contract space as needed.
4. Improving building amenities: Landlords are investing in building upgrades and amenities such as improved HVAC systems, touchless entry systems, and indoor/outdoor gathering spaces to attract and retain tenants.
5. Enhancing tenant experience: Landlords are working to create a better tenant experience, including items like property management portals, for example, that allow tenants to easily make payments, communicate with management, and/or request maintenance services – all in the spirit of tenant retention.
6. Increasing marketing efforts: Industrial landlords are increasing their marketing efforts by using virtual leasing tools, online listing platforms, and social media to reach potential tenants and promote their properties.
7. Softer Approval Process: Landlords are softening their approval criteria, more so on as-is transactions.

Industrial Submarket/12 Month

Type	Geography Name	Vacant Available (%)	Vacant Available SF	Vacancy Rate	Net Absorption SF	Market Rent Growth 12 Mo
All	Mission Bay/China Basin	5.0%	258,068	5.5%	-59,952	4.6%
Logistics	Mission Bay/China Basin	7.1%	192,240	8.0%	-51,443	7.3%
All	Mission/Potrero	9.0%	917,159	9.6%	-27,234	4.8%
Logistics	Mission/Potrero	2.8%	192,772	3.0%	-14,240	6.8%
All	SF - North	6.9%	134,801	6.9%	-82,302	4.5%
Logistics	SF - North	4.5%	43,810	4.5%	-43,810	8.5%
All	South FiDi/South Beach	7.8%	104,209	9.7%	-47,500	2.4%
Logistics	South FiDi/South Beach	1.2%	3,500	1.2%		8.4%
All	Waterfront/North Beach	0.9%	10,078	0.9%	-3,718	4.8%
Logistics	Waterfront/North Beach	0.8%	4,918	0.8%	-4,918	9.0%

Source: CoStar

Recommended Leasing Incentives to the Port

Although the general industrial market is strong, Port property still faces challenges in loading dock heights, access, and other specifications for logistics. So while the private sector's industrial real estate is being absorbed, the Port will likely continue to face challenges with the physical attributes of the spaces. Currently, Port is offering the following leasing incentives:

- Allow new leases to ramp up at 80%, 90%, and then 100% of parameter lease rates (years 1, 2, and 3) or,
- If tenant constructs Port-approved infrastructure or improvements considered to be the landlord's work, Port staff may offer rent abatement in a maximum amount equal to the cost of the improvement up to 6 months of the monthly rent due, applied over the first 5 years of the lease.

In 2023 we recommend that Port staff be provided the ability to offer ½ month of free rent for each lease year to prospective shed tenants that are also offered the ramp-up rent schedule above. To be clear, Port Staff should continue to be able to offer rent abatement in a maximum amount equal to the cost of the improvement up to 6 months of the monthly rent due, applied over a 5-year lease term, if the prospective tenant is not offered or does not agree to the ramp-up period.

Retail

San Francisco's retail vacancy rate, which was one of the lowest in the nation in 2019, increased in the post-pandemic period and is now one of the nation's highest at 5.6%. Over the last three years, retailers have faced challenges such as reduced foot traffic, reduction in tourism, decreased sales, increases in property crimes, and adjacent vacancies. Nevertheless,

San Francisco's retail rents remain high. According to CoStar, San Francisco still has the second-highest rent levels in the nation, after New York. But annual market rent growth, however, which currently stands at 3.5% nationally, is 0.2% in San Francisco.

The 33 conventions in San Francisco in 2022 are still significantly lower than the 164 conventions held in 2019, and business visitors figures are still low. However, San Francisco has demonstrated some positive tourism numbers over recent quarters. Heavily reliant on tourism, the City's tourism numbers are on their way up and expected to surpass the 2019 numbers by 2025. In 2022, the city welcomed 21.9 million visitors, an increase from 2021 and 84.3% of the numbers that visited in 2019, before the COVID-19 pandemic. The City's tourism industry is expected to continue to grow in 2023, with a projected 23.9 million visitors. Although the City's unemployment rate rose slightly during the first quarter of 2023, according to the City of San Francisco, San Francisco's jobless rate continues to be the second lowest in the state and sits at 2.6% as of April 2023, significantly lower than the 2.6% national average. Although hotel occupancy has not reached 2019 levels on a consistent basis, it did enjoy a couple of summer months in 2022 when occupancy numbers were in line with similar periods in 2019.

Compared to the downtown areas, San Francisco's neighborhoods are thriving. Chestnut Street, Hayes Street, and Upper Fillmore Street are popular retail corridors with high occupancy rates, and retailers are once again struggling to establish their presence in these neighborhood retail cores. Although San Francisco's Financial District is still facing challenges in attracting and retaining tenants, there are signs of recovery in Union Square. While some prominent retailers like Crate & Barrel, Nordstrom, and Athleta have left or plan to leave Union Square, other retailers such as Omega, Patek Phillippe, and Van Cleef and Arpels have found new homes by leasing properties on the Square. Additionally, IKEA and Chanel have recently purchased buildings in the area, indicating confidence in the Union Square retail market.

Despite the current favorable conditions for retailers to secure prime spaces with favorable lease terms, many are hesitant to take action until they observe positive developments in San Francisco or a more optimistic outlook. Some retailers are opting for a compromise, opting for temporary leases with full option periods or pop-up concepts. More established retailers are signing long-term leases to secure lower rents, but with the inclusion of early termination rights, whether unilateral or triggered by low sales volumes.

Leasing Concessions & Strategy

Over the last three years, San Francisco landlords were forced to offer rent relief and other incentives to retain tenants. As the retail environment improves throughout the City, rent relief has diminished. However, landlords are being challenged to reduce rents to retain tenants and secure new ones. Landlord concessions are taking various forms such as rent reductions, rent-free periods, tenant improvement allowances, or extensive landlord work.

Tenant Incentives	Trends & Leasing Strategies
Tiered rent years 1-3	Extended permitting contingency periods
Extended rent abatement period	Percentage Rent
Limited personal guarantees	Norther neighborhoods continue to be most desirable
Gross leases	Lenient force majeure language
Delayed lease/rent start dates	Early termination clauses / often based on sale performance
Short term leases with longer options	As-is delivery condition (with or without TI Allowance)
Landlords performing more base building work	Offsetting TI allowance with abated rent
Full permitting time for zoning and building permits	Softer approval process on as-is transactions
	Pop-Ups
	Competitive broker commissions

Restaurants

San Francisco, historically known as a culinary epicenter, is now struggling to find its footing in the restaurant scene. According to the San Francisco Chronicle, Bay Area restaurants received only three James Beard nominations for the 2023 Chef and Restaurant Awards—the fewest the region has received since the awards were introduced in 1991. In a city that once ruled the nation in restaurants per capita, according to the Golden Gate Restaurant Association, in 2021, San Francisco saw a total of 546 restaurant closures and 268 openings, leaving over 200 restaurants vacant and available. Many of these were absorbed through 2022, but restaurant entrepreneurs continue to struggle with labor constraints, increased food and construction costs, raising capital, and most recently, the increase in interest rates.

Despite witnessing the closure of several iconic San Francisco eateries and the absence of award-winning restaurateurs, the restaurant industry has remained surprisingly active over the past year, despite its volatility. In the past, many of San Francisco's renowned dining spots were located in the downtown area, close to office buildings and hotels. However, the pandemic has shifted the focus to neighborhoods, outdoor spaces, and convenience.

Leasing Concessions, Trends & Strategy

Due to significant delays in City permitting, restaurant owners continue to seek out second-generation spaces that require minimal renovations and upgrades. During better economic times, landlords tend to provide minimal rent relief and allowances for tenant improvements. However, they are now offering more support in the form of time to obtain permits and landlord work contributions to assist tenants in opening sooner. Landlords are also continuing to offer rent relief instead of allowances for tenant improvements and are willing to limit or eliminate personal guarantees for experienced operators. With the surge in on-demand food delivery

services, restaurants are also changing their shape to allow for a dedicated area to these services, which now make up a significant portion of their revenue.

Landlords have adapted their rent strategies to offer tenants a sense of comfort during the current economic climate. One such approach is the implementation of a tiered rent structure, which provides a lower starting rent for the first year or two, gradually increasing over the lease term as business improves. Percentage rents, which were previously more common in larger venues, have emerged as a popular tool for landlords to accommodate tenants while safeguarding themselves against potential upside. Landlords have also employed percentage rent structures, often with a minimum base rent, to modify or extend existing leases and retain tenants. Additionally, tenants have successfully negotiated caps on operating expense reimbursements to landlords.

1. Tenant improvement allowances: Landlords are offering higher tenant improvement allowances to offset the costs of tenant improvements.
2. Rent Abatement: Free rent continues to be an easy tool used as an incentive to attract tenants and contribute to the planning and construction period and offset tenant improvement costs.
3. Percentage Rent. Percentage rent lease structures are becoming more common in the market. Such structures include percentage-rent-only terms, or a hybrid structure, where a minimum rent is established (potentially on a tiered rent schedule) with a percentage rent payable to the landlord above a natural or artificial breakpoint.
4. Softer Approval Process: Landlords are softening their approval criteria, focusing on concepts and track records versus financial strength.
5. Improved communication, service, and transparency: Landlords are improving communication, service, and transparency with existing tenants to foster better relationships and address concerns more effectively, with a focus on retaining tenants.
6. Blend & Extend: Rent adjustments in exchange for lease extensions. In some cases, transitioning to percentage rent lease structures.
7. Amenity Retail Transactions: Property owners are providing attractive lease packages to restaurateurs to lure them to their buildings in order to provide an additional amenity to attract very rare office tenants.
8. Tiered Rent Structures. Tenants have been attracted to tiered rent structures, which provide a lower starting rent for the first year or two, gradually increasing over the lease term as business improves.
9. Full permitting period. To avoid scenarios where they need to pay rent prior to opening for business, Tenants are requiring rent abatement during both the permitting and construction phases, which often results in over a year of little or no income to landlords.
10. Competitive broker commissions. As is the case in any economic downturn, brokerage commissions are being inflated to help lure tenants.
11. Alternative rent language. Landlords and tenants continue to discuss alternative rent schedules in the event that the business is forced to fully or partially close due to a pandemic.
12. Limited personal exposure. Landlords are taking on more risk and limiting guarantees to lure the right concept to their project.

Parking

Although parking transactions are occurring less frequently in San Francisco these days, the scarcity of available parking lots in San Francisco has forced many operators to maintain a search for more space, albeit cautiously. During the recent downturn, parking lot transactions have seemed to transition from a lease structure to more of a management agreement with a revenue-sharing component. Both the landlord and parking operator share the view that the current work-from-home trend and reduced tourism impact parking occupancy and pose significant risks to the operator when committing to a fixed rent. Therefore, what was once a landlord-friendly rent structure has morphed into the landlord contributing to the operator’s risk through a revenue-sharing model, resulting in lower rental income in slower months, but with the potential to participate in profits in the busier times.

According to the City of San Francisco’s Controller’s Office, parking tax revenue was budgeted at \$55.9 million in the fiscal year 2021-22, which is \$3.5 million (5.8 percent) less than what was budgeted in Fiscal Year 2020-21. Fiscal Year 2022-23 revenue is budgeted at \$68.8 million, which is \$12.9 million (23.1 percent) higher than the proposed FY 2021-22 budget. As businesses reopen, parking tax revenues will increase, but they are not expected to reach pre-pandemic levels in the next two years due to an increase in employees working from home rather than commuting into the City.

Maven's findings, based on input from multiple operators, indicate that parking revenue in 2021 was robust, primarily driven by a significant rise in tourism compared to 2020 and locals' renewed interest in public spaces. According to local operators, monthly parking income has increased with some employees returning to work. However, it should be noted that some parkers are avoiding the large monthly parking expense and paying daily rates since they are now only coming to the office two or three times per week.

As many developers pull the plug on their projects, new parking opportunities are resurfacing in their vacant lots. Due to the tight supply of parking lots and garages throughout San Francisco, parking lot landlords are not offering much in the way of leasing incentives. Although some abated rent is generally offered, it is often limited to 1-2 months. Tiered rent schedules are common and short-term leases are popular as they offer both parties flexibility.

Tenant Incentives	Trends & Leasing Strategies
Percentage Rent Deals (Net of Parking Tax)	Reduced management fee on management contracts
Tiered Rent Schedules	Guaranteed minimum rent structures plus percentage rent
Short term leases	