

SAN FRANCISCO  
PARKING AUTHORITY COMMISSION

RESOLUTION No. 210504-062

WHEREAS, The San Francisco United School District (SFUSD) owns the land on which Lombard Garage, located at 2055 Lombard Street (Property), is built; and,

WHEREAS, In January 1984, SFUSD and the Parking Authority of the City and County of San Francisco (Authority) entered into a Joint Powers Ground Lease Agreement (Ground Lease); and,

WHEREAS, In 1985, pursuant to the Ground Lease, the Authority constructed the Lombard Garage (Garage) on the Property; and,

WHEREAS, The Ground Lease is a 60-year agreement whereby the SFUSD maintains ownership of the land and the Authority owns and manages the Garage. In accordance to the Ground Lease, the Authority shares the net income that is generated from the Garage: 43% of net income to SFUSD and 57% of net income to the Authority. The Ground Lease also provides that SFUSD has the right to review and approve any items that affect the income to the SFUSD; and,

WHEREAS, On June 22, 1989, with SFUSD's approval, the Authority entered into a lease agreement (Original Lease) with United States Postal Service (Tenant) for approximately 13,890 square feet of ground floor commercial space in the Garage that operates as a retail postal office; and,

WHEREAS, The Lease expired on April 30, 2019, and Tenant has continued leasing the space on a month-to-month basis; and,

WHEREAS, In October 2017, Tenant hired an independent appraiser, Valbridge Property Advisors (Valbridge), to appraise the space and determined the market rent on the new lease date of May 1, 2019, for the space in as-is condition, was estimated to be \$57.12 per square foot per year; and,

WHEREAS, In February 2018, the Authority consulted with the City's Director of Real Property and determined it is impractical to seek an appraisal and competitive bids because Tenant's business serves a public purpose as a retail postal office. The Authority staff agrees with the recommendation and accepted Valbridge's appraised market rent; and,

WHEREAS, The Authority negotiated a new Commercial Lease Agreement with the Tenant for a three-year term that will result in \$2,579,359 in revenue and includes four five-year options to extend the lease; and,

WHEREAS, For each of the four five-year options to extend, the rent due under the new lease agreement will be calculated by determining the fair market rent but shall not be less than

the rent immediately prior; and,

WHEREAS, The Tenant will also lease seven reserved parking spaces in the Lombard Garage at the current rate that will result in \$100,753.79 in revenue; and,

WHEREAS, The revenue from the new lease agreement will be shared with SFUSD pursuant to the Ground Lease, whereby the Authority will receive 57% of the net revenue or \$1,470,234.63 for the retail space and \$57,429.66 for the parking space; and,

WHEREAS, The Tenant has been leasing the space on a month-to-month basis since May 1, 2019 and agrees to pay the market value rent appraised by Valbridge for the period of May 1, 2019 to April 30, 2021. The Tenant will make a lump sum payment for the difference of market value rent and actual rent paid, which will result in \$565,281 additional revenue. The Authority will receive 57% of the net revenue or \$322,210.17 under the terms of the Ground Lease; and,

WHEREAS, On April 6, 2021, the San Francisco Municipal Transportation Agency, under authority delegated by the Planning Department, determined that the Commercial Lease Agreement with United States Postal Service is not defined as a “project” under the California Environmental Quality Act (CEQA) pursuant Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b); and, therefore be it,

RESOLVED, That the The San Francisco United School District Chief Facilities Officer approved the Commercial Lease Agreement with the United States Postal Service on April 20, 2021; and, be it further,

RESOLVED, That the Parking Authority Commission authorizes the Director to execute a Commercial Lease Agreement with the United States Postal Service for the retail space, located at 2055 Lombard Street in the Lombard Garage, for a three-year term that will result in \$2,579,359 in revenue and includes four five-year options to extend the lease, and authorizing the Director to execute the four options to extend.

I certify that the foregoing resolution was adopted by the Parking Authority Commission at its meeting of May 4, 2021.



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Secretary, Parking Authority Commission