RECREATION & PARK COMMISSION
RESOLUTION NO. __________

RECOMMENDING THAT THE BOARD OF SUPERVISORS APPROVE AND AUTHORIZE THE GENERAL MANAGER OF THE RECREATION AND PARK DEPARTMENT TO EXECUTE A TEN-YEAR LEASE AGREEMENT WITH THE UPTOWN PARKING CORPORATION FOR THE UNION SQUARE GARAGE AND PORTIONS OF THE SURFACE OF UNION SQUARE PARK, WITH CERTAIN SUPPLEMENTAL MAINTENANCE AND SERVICE OBLIGATIONS FOR THE BALANCE OF UNION SQUARE PARK.

WHEREAS, The City owns the public plaza bordered by Geary, Powell, Post and Stockton Streets in downtown San Francisco, commonly known as Union Square Plaza, and Union Square Plaza is under the jurisdiction of the San Francisco Recreation and Park Commission (the “Commission”) and is operated by the San Francisco Recreation and Park Department (“the Department”); and

WHEREAS, The Union Square Parking Garage is a municipal parking garage, located beneath Union Square Plaza; and

WHEREAS, The City of San Francisco Uptown Parking Corporation (“Uptown”) is a non-profit entity created for the purpose of assisting the City and County of San Francisco (“City”) in financing and managing the Union Square Parking Garage; and

WHEREAS, Uptown has operated the Union Square Parking Garage since May 5, 1959; and

WHEREAS, On May 1, 1999, the City, on behalf of the Department, entered into a garage lease agreement with Uptown for the purpose of issuing debt in the amount of $19 million to fund the renovation of Union Square Plaza and Parking Garage; and
WHEREAS, Pursuant to section 49 of the 1999 garage lease agreement, the lease would terminate 90 days after repayment of said debt; and

WHEREAS, In the summer of 2012, the Department and Uptown negotiated a short term extension of the garage lease, which was approved by the Commission and Board of Supervisors, to continue operation of Union Square Parking Garage while a new lease was negotiated and finalized; and

WHEREAS, Pursuant to a lease, dated February 20, 2003, as amended, between City, as landlord, and Uptown, as tenant (the “Café Lease”), Uptown leases certain premises in Union Square Plaza for the operation of a café, with the expectation that the Uptown will sublease the café premises to a café operator subtenant; and

WHEREAS, The term of the Café Lease has expired and is presently on a month to month holdover basis; and

WHEREAS, Pursuant to a Supplemental Maintenance Agreement, dated August 15, 2002, as amended, between the Commission and Uptown, Uptown provides certain supplemental maintenance and services to Union Square Plaza in addition to maintenance services provided by City, and Uptown has entered into a subcontract with MJM Management Group, Inc. (“MJM”) for such services; and

WHEREAS, By its terms, the supplemental maintenance agreement terminates on the expiration or termination of the 1999 garage lease agreement; and

WHEREAS, The Department and Uptown desire to consolidate into one agreement the lease of the garage, the lease of the café premises, and the agreement for supplemental maintenance services for Union Square Plaza; and

WHEREAS, With the negotiations now complete, the Department desires to execute a ten-year lease agreement with Uptown in substantially the form presented to the Commission (the “Lease”); and

WHEREAS, The proposed Lease includes the following key terms and conditions:
(a) Premises. Union Square Parking Garage and the premises presently covered by the Café Lease.

(b) Term. Ten (10) years.

(c) Option Terms. City has two (2) five-year options to extend the term with respect to
   (i) the entire premises and supplemental services, or (ii) the garage premises and
   the supplemental services, or (iii) only the garage premises.

(d) Termination for Convenience. City has the right to terminate early for convenience with respect to (i) the entire premises and supplemental services, or (ii) the garage premises and the supplemental services, or (iii) only the garage premises, on the terms described in the Lease.

(e) Rent. Rent for the garage is all revenue in excess of Uptown’s operating costs for the garage operations and certain approved expenses incurred in connection with the café premises and the supplemental park maintenance services; rent for the café premises is all revenues collected or generated by Uptown in connection with the café (including revenue collected by Uptown under a sublease of the café premises), less café sublease management expenses described in the Lease.

(f) Maintenance Fund. Beginning the second (2nd) year of the Term, Uptown is required to establish a Garage Capital Account. Each month, Uptown is obligated to transfer Twenty Thousand Eight Hundred Thirty-Three Dollars ($20,833) into the Garage Capital Account, provided each year the balance transferred into the Garage Capital Account shall not exceed Two Hundred Fifty Thousand Dollars ($250,000) and in no event will the total balance of the Garage Capital Account exceed Seven Hundred Fifty Thousand Dollars ($750,000). In the event of a surplus in the Garage Capital Account, such excess shall be transferred to City.

(g) Supplemental Maintenance. In order to ensure the highest level of use and enjoyment of Union Square Plaza, and to preserve Union Square Plaza in a first
class condition, the Lease requires Uptown to provide certain supplemental maintenance services and other services such as security and event management to Union Square Plaza. Such supplemental maintenance services will be in addition to maintenance services currently performed by City; and

WHEREAS, In order to provide sufficient time for Uptown to enter into a new sublease of the café premises and a new subcontract for the supplemental services contemplated by the Lease, the Department has requested that Commission approve (i) an initial month-to-month café sublease on the terms of the existing café sublease, revised to be subject to the new Lease, for a term not to exceed twelve (12) months, as provided in the Lease (the “Initial Short Term Café Sublease”), and (ii) a subcontract between Uptown and MJM in the form of the existing supplemental services subcontract, with an expiration not later than August 15, 2017 (the “Initial Short Term Supplemental Park Services Agreement”); now, therefore, be it

RESOLVED, That the Recreation and Park Commission hereby recommends that the Board of Supervisors approve a ten-year lease agreement with the Uptown Parking Corporation in substantially the form of the Lease presented to the Commission and authorize the General Manager of the Recreation and Park Department to execute such Lease, with all revenue in excess of operating costs to be transferred to the Recreation and Park Department, and, be it

FURTHER RESOLVED, that upon execution of the Lease the Recreation and Park Commission hereby consents to the Initial Short Term Café Sublease and to the Initial Short Term Supplemental Park Services Agreement.