

**STAFF REPORT FOR CALENDAR ITEM NO.: 11
FOR THE MEETING OF: January 13, 2022**

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Authorize the Executive Director to execute a second amendment to the lease agreement with Transbay Fitness, Inc. for commercial/retail space in suites 208 and 212 on the second floor of the transit center, consistent with the previously adopted Retail/Commercial Leasing Strategy to Address COVID-19 Impacts to tenancies.

EXPLANATION:

Background

On March 16, 2020, the City and County of San Francisco issued a Shelter-in-Place (“SIP”) Order to facilitate the reduction of the impact of the virus that causes coronavirus disease (“COVID-19”). Since the original SIP Order was issued, subsequent orders have been issued by the City and County of San Francisco updating and supplementing the original order. The TJPA anticipates that future orders may be issued, guiding the City to recovery (collectively, “Health Orders”).

On June 25, 2020, the TJPA Board adopted a Retail/Commercial Leasing Strategy to Address COVID-19 Impacts (“Strategy”), providing staff with guidance on appropriate considerations for potential lease amendments of tenancies claiming to have been directly or indirectly affected by COVID-19 and the associated Health Orders. The Strategy provides, among other things, that existing retail/commercial tenants open for business prior to the issuance of the original Health Order, that entirely or substantially cease operations as a result of such order, may be eligible for up to 100% rent relief or other concessions for the period from the effective date of the order until the date when operations are permitted to partially or fully resume (e.g., because the original Health Order and any subsequent orders expire or otherwise end, or are replaced).

As of the date of this report, the Health Order remains in effect. While the order was amended to allow certain resumption of activity, it continues to restrain activities across a wide range of sectors. The economy is slowly re-opening in San Francisco, however office occupancies remain very low, and transit ridership through the Salesforce Transit Center is approximately 15% of what it was pre-pandemic.

Original Lease

On July 12, 2018, the TJPA Board authorized the Executive Director to complete negotiations and execute a lease agreement with Transbay Fitness, Inc. (“Tenant”) for about 34,508 square feet of commercial/retail space on the second level of the new transit center (suites 208 and 212) for a 15 year term with three five-year options to renew. The lease was fully executed on September 11, 2018 (“Lease”). The initial year stated base rent of the Lease is \$1,449,336,

expressed as a gross lease with a percentage rent above the breakpoint of 6% owed beyond base rent. Base rent increases pursuant to the schedule contained in the Lease. The TJPA's tenant improvement allowance was \$3,450,800 (\$100 per square foot). Tenant invested a total of \$6,476,240 in improvements to the Lease premises prior to opening. The business terms under the Lease were within or more favorable than the proforma for the premises.

Tenant opened for business on December 27, 2019, following completion of tenant improvements. The SIP Order occurred three months later, allowing very little time for Tenant to ramp up membership. Tenant conducted one-on-one training for members in the Salesforce Park Amphitheater area once permitted under applicable Health Orders starting June 15, 2020. Unfortunately, these training sessions were negatively affected by the poor air quality during August 2020. Indoor fitness activities under limited capacity restrictions were permitted through subsequent Health Orders effective September 15, 2020, and Tenant immediately re-opened at that time. Capacity was limited to 25%, and given the serious erosion of this location's membership that occurred since the SIP Order, Tenant did not reach that limited capacity at this location. Subsequent Health Orders effective November 29, 2020 resulted in limiting indoor fitness to one-on-one training only, and TJPA afforded Tenant the opportunity to use open space adjacent to Natoma, consistent with Health Orders, for outdoor fitness activities, which was successfully utilized through end of January 2021. At that point, indoor fitness activities, while under certain restrictions, was permitted by Health Orders to resume.

Tenant Prior Request for Relief

As a result of COVID-19, Tenant requested relief from its obligations under the Lease. Consistent with the Board's Strategy, TJPA staff, with the assistance of Lincoln Property, Colliers, and retail legal counsel, engaged due diligence review and negotiations with the Tenant. Due diligence included, among other things, confirmation of Tenant's assertion that Tenant did not receive assistance through the Small Business Administration, but did receive a Payroll Protection Program ("PPP") loan of \$484,000. The PPP loan was for all of Tenant's locations, thus the amount of the loan that could be legally applied toward rent for the Lease premises was only \$15,125. TJPA staff has spoken with the landlord of Tenant at other similarly affected locations to confirm the rent relief package developed here is consistent with other offerings.

On December 10, 2020, the TJPA Board of Directors authorized an amendment to the Lease, and on that same day the TJPA and Tenant entered a First Amendment to Lease ("Amendment"). The key terms and conditions of the Amendment were:

- Suspension of rent for April through September 2020;
- Tenant's rental obligation shall be a common area base fee of \$5,000/month from the period October 1, 2020 through December 31, 2020;
- Tenant's rental obligation shall be a common area base fee of \$10,000/month from the period January 1, 2021 until June 30, 2021, plus percentage rent equal to 10% of gross revenues, unless explicitly extended by the Board, and if so, to no later than December 31, 2021;
- The 6 months of suspended rent period shall be deferred through an extension of the initial term by 6 months.

On May 13, 2021, the TJPA Board of Directors approved an extension of the above-described relief program through December 31, 2021.

Tenant Current Request for Continued Relief in 2022

Tenant recently approached TJPA staff and TJPA's asset management team at Lincoln Property seeking a further extension of economic relief through the calendar year 2022. Gross revenue reports provided to TJPA by Tenant clearly show a plateauing of membership since early Fall, 2021, and show payment of full contract rent at this time as economically infeasible.

A Second Amendment to Lease ("Second Amendment") has been negotiated with Tenant that is retroactive to January 1, 2022; that increases Tenant's base rental obligation (as a common area base fee) from \$10,000/month to \$20,000/month for the period from January 1, 2022 until June 30, 2022; and retains Tenant's percentage rent at 10% of gross revenues. The terms of the Second Amendment may be extended from July 1, 2022 until December 31, 2022, upon Tenant's timely request and subject to approval by the TJPA Board of Directors in their sole and absolute discretion, should economic conditions so warrant such extended relief. The initial term of the lease has been again extended to reflect the rent relief period, moving the initial termination date to March 31, 2036. This allows the TJPA to financially re-capture the relief granted.

The value of approving this Second Amendment is estimated at \$440,000 (for the period January 1, 2022 through June 30, 2022). The fiscal impact of approving the Second Amendment has already been accommodated in this fiscal year's budget.

RECOMMENDATION:

Authorize the Executive Director to execute the Second Amendment to Lease with Transbay Fitness Inc. as presented herein.

ENCLOSURE:

1. Resolution
2. Second Amendment to Lease

**TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS**

Resolution No. _____

WHEREAS, On July 12, 2018, the Transbay Joint Powers Authority (TJPA) Board of Directors authorized the TJPA’s Executive Director to finalize negotiations and execute a lease agreement with Transbay Fitness, Inc. (“Tenant”) for about 34,508 square feet of commercial/retail space on the second level of the new transit center (Suites 208 and 212) for a 15 year term with three five-year options to renew (“Lease”); and

WHEREAS, Tenant occupied the Lease premises and opened for business on December 27, 2019; and

WHEREAS, On March 16, 2020, the City and County of San Francisco issued a Shelter-in-Place (“SIP”) Order to facilitate the reduction of the impact of the virus that causes coronavirus disease 2019 (“COVID-19”), and that order generally required everyone to stay safe at home except for certain essential activities and work to provide essential businesses and government service or perform essential public infrastructure construction; and

WHEREAS, Since the SIP Order was issued, subsequent orders have been issued by the City and County of San Francisco updating and supplementing the original order. The TJPA anticipates that future orders may be issued, guiding the City to recovery (collectively, “Health Orders”); and

WHEREAS, TJPA staff have received requests from retail/commercial tenants for financial relief from direct or indirect impacts on their business from the Health Orders; and

WHEREAS, On June 25, 2020, the TJPA Board of Directors adopted a Retail/Commercial Leasing Strategy (“Strategy”) to respond to COVID-19 impacts to tenancies; and

WHEREAS, Tenant closed operations at the transit center on March 16, 2020 pursuant to the Health Orders. Tenant resumed limited operations under applicable Health Orders on September 15, 2020, however said limited operations (at a capacity of no greater than 25% of the facility) was restricted through subsequent Health Orders effective November 29, 2020 to only on-one training at no more than 10% of facility capacity. Tenant had only three months to establish a membership base after opening at the end of 2019 before the SIP Order was established, and since the time the SIP was put in place, had lost a substantive share of that membership. Former members either completed their fitness routines at home during the SIP or moved memberships to fitness clubs closer to their home, rather than their office location. As a result of COVID-19 and associated closures of non-essential office buildings, Tenant requested relief from its obligations under the Lease; and

WHEREAS, On December 10, 2020, TJPA Board of Directors authorized an amendment to the Lease, and on that same day the TJPA and Tenant entered a First Amendment to Lease (“Amendment”) consistent with the Strategy, which has been in effect since acceptance; and

WHEREAS, The Amendment was extended to December 31, 2021 as approved by the TJPA Board of Directors on May 13, 2021; and

WHEREAS, Tenant has submitted a request for further rent relief during calendar year 2022, after which negotiations with Tenant ensued; and

WHEREAS, A Second Amendment to Lease has been signed by Tenant and presented now to the TJPA Board of Directors for consideration retroactive to January 1, 2022, increasing Tenant’s base rental obligation (as a common area base fee) from \$10,000/month to \$20,000/month for the period from January 1, 2022 until June 30, 2022 and retaining Tenant’s percentage rent at 10% of gross revenues; and

WHEREAS, Every effort has been made to mitigate the fiscal impact of any rent relief afforded to affected tenancies through operating expense reductions and securing of unanticipated revenues; and

WHEREAS, The adopted budget for this Fiscal Year accommodates the fiscal impact of accepting the extension of the terms and conditions of the Amendment, reflecting appropriate cost savings and revenue enhancements elsewhere in transit center operations to offset the value of the extension; now, therefore, be it

RESOLVED, That the TJPA Board of Directors finds the terms and conditions of the Second Amendment to Lease to be consistent with the adopted Strategy and thus in the best interest of the public; and, be it

FURTHER RESOLVED, That the TJPA Board of Directors authorizes the Executive Director to execute the Second Amendment to Lease with Transbay Fitness, Inc. in the form substantially as presented herewith.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of January 13, 2022.

Interim Secretary, Transbay Joint Powers Authority

SECOND AMENDMENT TO LEASE

This SECOND AMENDMENT TO LEASE (this “**Amendment**”) is made and entered into as of the ___ day of January, 2022, by and among TRANSBAY JOINT POWERS AUTHORITY, a joint exercise of powers agency duly created and existing under the Joint Exercise of Powers Act of the State of California, California Government Code Sections 6500 et seq. (“**Landlord**”), and TRANSBAY FITNESS, INC., a California corporation, dba FITNESS SF Transbay (“**Tenant**”), with reference to the following facts and understandings:

RECITALS

A. Landlord and Tenant are parties to that certain “Salesforce Transit Center Lease” dated as of September 11, 2018, as amended by that certain First Amendment to Lease (the “**First Amendment**”) dated December 10, 2020 (together with all exhibits and addenda attached thereto and as so amended, the “**Existing Lease**”), whereby Tenant leases from Landlord approximately 34,508 usable square feet of retail space (the “**Premises**”) known as Space Numbers 208 and 212, located in the retail usage area on the second (2nd) floor of the Salesforce Transit Center in San Francisco, California (the “**Center**”). Capitalized terms used but not specifically defined herein shall be deemed to have the meanings ascribed to such terms in the Existing Lease.

B. Due to the continuation of the COVID-19 pandemic, Tenant has requested additional rent abatement from Landlord.

C. Landlord has agreed to continue to abate Base Rent due under the Lease as provided below, to make certain other adjustments to the Rent payable by Tenant under the Lease, and to otherwise amend the Lease, all on and subject to the terms and conditions set forth in this Amendment.

D. The parties acknowledge that this Amendment has been entered into at the request of Tenant as a result of the unprecedented circumstances surrounding the COVID-19 pandemic and that, in entering into this Amendment, Landlord is suffering an acknowledged financial loss on account of the waiver of, and adjustment to, the Base Rent otherwise payable to Landlord under the Lease provided for hereunder.

NOW THEREFORE, in consideration of the mutual promises and covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

AGREEMENT

1. References. All references to the “Lease” or “lease” appearing in this Amendment or in the Existing Lease shall mean, collectively, this Amendment and the Existing Lease, as amended by this Amendment.

2. Alternative Rent Period.

(a) Payment of Alternative Rent in lieu of Base Rent.

(i) Alternative Rent Period. Notwithstanding anything to the contrary contained in the Existing Lease but subject to Section 5 below, during the period (the “**Alternative Rent Period**”) commencing on January 1, 2022 and ending on the earlier of (A) the last day of the month immediately preceding the Rent Reversion Month (as defined in Section 2(b) below) and (B) June 30, 2022 (the “**Alternative Rent Period Outside Expiration Date**”), Tenant shall pay Alternative Rent (as defined in Section 2(b)(ii)(C) below) in lieu of paying the Base Rent specified in the Basic Lease Information for such Alternative Rent Period. If the Rent Reversion Month has not then occurred, Tenant may request an extension of the Alternative Rent Period Outside Expiration Date set forth in clause (B) above to December 31, 2022 by providing written notice of such request to Landlord on or before May 1, 2022; provided, however, that Tenant acknowledges and agrees that Landlord shall have no obligation to grant such request. If Landlord elects, in its sole and absolute discretion, to extend the Alternative Rent Period Outside Expiration Date following receipt of a request from Tenant to do so pursuant to the foregoing, then, (1) notwithstanding anything to the contrary contained herein, the Alternative Rent Period Outside Expiration Date set forth in clause (B) above shall be December 31, 2022 as opposed to June 30, 2022 and (2) as a condition to such extension, the “Expiration Date” of the Lease shall be extended by an additional six (6) months to September 30, 2036. Tenant acknowledges and agrees that, notwithstanding anything to the contrary contained herein, from and after the expiration of the Alternative Rent Period, Tenant shall be obligated to pay the Base Rent specified in the Basic Lease Information.

(ii) Alternative Rent.

(A) Expense Contribution. Notwithstanding anything to the contrary contained in the Existing Lease, during the Alternative Rent Period, Tenant shall pay to Landlord the applicable Monthly Expense Contribution (as hereinafter defined) as Tenant’s contribution towards costs relating to the operation, maintenance, repair and replacement of the Center. As used here, “**Tenant’s Monthly Expense Contribution**” shall mean an amount equal to Twenty Thousand and No/100 Dollars (\$20,000.00) per month. Tenant’s Monthly Expense Contribution for each month during the Alternative Rent Period shall be paid to Landlord, without notice, demand, setoff, deduction, or counterclaim, on or before the first (1st) day of the applicable month and otherwise in accordance with Section 2(a) of the Existing Lease.

(B) Percentage Rent. Notwithstanding anything to the contrary contained in the Existing Lease, including but not limited to Section 2(c) of the Existing Lease, in addition to the payment of Tenant’s Monthly Expense Contribution and in lieu of the Percentage Rent payments otherwise provided for in Section 2(c) of the Existing Lease, commencing with the month of January of 2022 and for each month thereafter during the Alternative Rent Period, Tenant shall pay to Landlord “**Alternative Percentage Rent**” in the manner provided under this Section 2(a)(ii)(B). Alternative Percentage Rent for each month during the Alternative Rent Period that the same is payable hereunder shall be calculated by multiplying Tenant’s Gross Sales for such month by ten percent (10%) and shall be due and paid to Landlord, without notice, demand, setoff, deduction, or counterclaim, within ten (10) days after the end of each month for which the same is due. For avoidance of doubt, the Alternative Percentage Rent payable by Tenant under this Section 2(a)(ii)(B) shall be calculated without regard to any breakpoint (including, but not limited to, the Breakpoint set forth in Section 2(c) of the Existing Lease). All references to “Percentage Rent” in Sections 2(a), 2(c)(vi), 2(d), 19(a)(i),

24(a) and 26(k) shall be deemed to include, without limitation, Alternative Percentage Rent. Tenant acknowledges and agrees that it will provide the quarterly and annual statements required under Section 2(c)(v) of the Existing Lease during the Alternative Rent Period.

(C) Alternative Rent. As used herein, “**Alternative Rent**” shall mean Tenant’s Monthly Expense Contribution and, if applicable, Alternative Percentage Rent.

(b) Reversion to Base Rent. Notwithstanding anything to the contrary contained in Section 2(a) above, if an amount equal to ten percent (10%) of Tenant’s Gross Sales for any month commencing with January of 2021 through and including the month in which the Alternative Rent Period Outside Expiration Date occurs equals or exceeds the amount of Base Rent specified in the Basic Lease Information that would otherwise be payable by Tenant for such month, then commencing with such month (such month being herein referred to as the “**Rent Reversion Month**”), Tenant shall resume paying the Base Rent specified in the Basic Lease Information (and, to the extent applicable, Percentage Rent as provided in Section 2(c) of the Existing Lease) and Tenant shall not be obligated to pay Tenant’s Monthly Expense Contribution or Alternative Percentage Rent for the Rent Reversion Month or for any month thereafter. If Tenant has already paid Tenant’s Monthly Expense Contribution for the Rent Reversion Month, Tenant shall pay the difference between the Base Rent specified in the Basic Lease Information for the Rent Reversion Month and Tenant’s Monthly Expense Contribution within ten (10) days following the last day of the Rent Reversion Month. For avoidance of doubt, Tenant acknowledges and agrees that commencing on the first day immediately following the Alternative Rent Period Outside Expiration Date, Tenant shall be obligated to return to paying the Base Rent specified in the Basic Lease Information (and, to the extent applicable, Percentage Rent as provided in Section 2(c) of the Existing Lease) regardless of whether ten percent (10%) of Tenant’s Gross Sales for a particular month equals or exceeds the Base Rent due for such month and that Tenant shall no longer be obligated to pay Tenant’s Monthly Expense Contribution or Alternative Percentage Rent from and after such date.

3. Expiration Date. All references to the “Expiration Date” in the Existing Lease are hereby amended to be March 31, 2036.

4. Schedule of Base Rent. The schedule of Base Rent set forth in the Basic Lease Information is hereby amended and restated as follows:

<u>Months</u>	<u>Annual Rate per Useable Square Foot</u>	<u>Monthly Installment of Base Rent</u>	<u>Annual Base Rent</u>
January 2020 – March 2020	\$42.00	\$120,778.00	\$1,449,336.00
April 2020 – September 2020	Waived by Landlord pursuant to Section 2(a) of the First Amendment.		

October 2020 – December 2021*	\$42.00*	\$120,778.00*	\$1,449,336.00*
January 2022 – September 2023**	\$42.00**	\$120,778.00**	\$1,449,336.00**
October 2023 – September 2025	\$44.00	\$126,529.34	\$1,518,352.00
October 2025 – September 2030	\$49.28	\$141,712.86	\$1,700,554.24
October 2030 – September 2035	\$55.19	\$158,708.05	\$1,904,496.52
October 2035 – March 2036	\$61.82	\$177,773.72	\$2,133,284.56

* Subject to payment of “Alternative Rent” (as defined in the First Amendment) in lieu of Base Rent to the extent provided in Sections 2(b) and 2(c) of the First Amendment.

** Subject to payment of Alternative Rent in lieu of Base Rent to the extent provided in Sections 2(a) and 2(b) above.

5. Preservation of Claims and Defenses. Landlord and Tenant acknowledge and agree that if the payments set forth in Section 2, above, are not made by Tenant, this Amendment shall become null and void and Landlord and Tenant may assert any and all claims and/or defenses, as if this Amendment had never been executed.

6. Miscellaneous.

(a) Severability. If any provision of this Amendment or the application of any provision of this Amendment to any person or circumstance is, to any extent, held to be invalid or unenforceable, the remainder of this Amendment or the application of that provision to persons or circumstances other than those as to which it is held invalid or unenforceable, will not be affected, and each provision of this Amendment will be valid and be enforced to the fullest extent permitted by law.

(b) Entire Agreement/Modification. This Amendment contains all of the agreements of the parties hereto with respect to the matters contained herein, and no prior agreement, arrangement or understanding pertaining to any such matters shall be effective for any purpose. Except for any subsequent amendments or modifications to the Lease made in accordance with the terms thereof, any agreement made after the date of this Amendment is ineffective to modify or amend the terms of this Amendment, in whole or in part, unless that agreement is in writing, is signed by the parties to this Amendment, and specifically states that that agreement modifies this Amendment.

(c) Counterparts. This Amendment may be executed in any number of counterparts and each counterpart shall be deemed to be an original document. All executed

counterparts together shall constitute one and the same document, and any counterpart signature pages may be detached and assembled to form a single original document.

(d) Heirs and Successors. This Amendment shall be binding upon the heirs, legal representatives, successors and permitted assigns of the parties hereto.

(e) Authority. Each individual executing this Amendment on behalf of his or her respective party represents and warrants that he or she is duly authorized to execute and deliver this Amendment on behalf of said entity in accordance with the governing documents of such entity, and that upon full execution and delivery this Amendment is binding upon said entity in accordance with its terms.

(f) Drafting. In the event of a dispute between any of the parties hereto over the meaning of this Amendment, both parties shall be deemed to have been the drafter hereof, and any applicable law that states that contracts are construed against the drafter shall not apply.

(g) Headings. Captions used herein are for convenience and reference only, and shall in no way be deemed to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Amendment.

(h) Ratification. Except as modified by this Amendment, the Existing Lease shall continue in full force and effect and Landlord and Tenant do hereby ratify and confirm all of the terms and provisions of the Existing Lease, subject to the modifications contained herein.

(Signature Page to Follow)

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed as of the dates below their respective signatures.

LANDLORD:
TRANSBAY JOINT POWERS AUTHORITY

By: _____
Name: _____
Its: _____

Date: _____, 2022

TENANT:
TRANSBAY FITNESS, INC.,
a California corporation

By: *Scott Jackovics*
Name: Scott Jackovics
Its: President

DocuSigned by:
SJ
By: _____
Name: SEBASTYEN JACKOVICS
Its: VP Director

12/6/2021

Date: _____, 2022

APPROVED AS TO FORM.

By: _____
Legal counsel, TJPA

Transbay Joint Powers Authority Board of
Directors

Resolution No.: _____

Adopted: _____

Attest: _____
Interim Secretary, TJPA Board

Fitness SF (Transbay Fitness, Inc) 2nd Amendment to Lease

January 13, 2022



COVID Rent Relief Strategy Rationale

It is in the public's best interest, and that of the TJPA, the facility and all of our partners to keep our retail/commercial tenancies viable, as they provide:

- a) Long-term space activation
- b) Critical long-term revenues
- c) Needed services for the neighborhood, our visitors and commuters
- d) Prevention of closures and deactivation of our retail/commercial space

Recap on Actions to Date

- TJPA Board approved Retail/Commercial Leasing Strategy to address COVID-19 impacts on June 25, 2020
- Negotiations with affected tenants ensued thereafter
- TJPA Board approved lease amendments for Fitness SF, Philz and Onsite Dental on December 10, 2020
- TJPA Board approved extensions to amendments for Fitness SF and Philz on May 13, 2021, extending relief terms to December 31, 2021
- TJPA Board also approved new lease amendments on May 13, 2021 for Acquolina, Tycoon Kitchen, Eddie Rickenbackers and Venga Empanadas

Strategy Implementation Considerations

- Application process
 - Reviewed on a case-by-case basis
 - Supported by documentation of impacts
 - Evaluated on an equitable and objective perspective
 - Conditioned on tenants' compliance with all other terms and conditions of the lease
- Potential relief options
 - Rent relief (full or partial; temporary deferral with repayment or permanent)
 - Date/term adjustments
 - Expanded outdoor use allowances
- Eligibility/amount of relief based on factors such as:
 - Financial resources of tenant
 - Breadth and depth of tenant operations, locally/regionally/nationally
 - Degree of success in securing alternative sources of grant or loan funds
 - Opportunities for partial or full resumption of operations under applicable orders by the County and State
 - Cost implications of conforming with federal, state and local requirements and best practices upon resumption of operations
 - Net revenue opportunities presented by partial operations

Strategy Implementation Tools

- Base rent suspended for specific period
 - Suspended base rent recaptured at the end of the lease term, at the CPI inflated value
- Alternative rent period assessing percentage rent varies based on specifics of tenant
- Monthly CAM (common area maintenance fee) assessed during alternative rent period in addition to percentage rent
- Triggers installed to return lease to contract rent upon meeting certain thresholds
- Adjustments to Tenant Improvement Allowances where warranted/justified

Fitness SF (Transbay Fitness, Inc) – Operating Background

- ❑ 8 locations in Bay Area
- ❑ Secured a PPP loan of \$484,000 in 2020 (\$15,125 available for rent/location), **no additional outside assistance received since that time**
- ❑ March 2020, closed as a result of SIP/health orders – partial re-opening September 15, 2020
- ❑ 1 on 1 training in Salesforce Park during closure, also effective November 2020 used portion of Natoma pedestrian-way for outdoor fitness
- ❑ Spring 2021 returned to indoor use, conditioned upon health orders
- ❑ Since Fall 2021, membership growth has flattened

Fitness SF (Transbay Fitness, Inc) – Negotiated 2nd Amendment to Lease

- ❑ Increase base rent established in 1st Amendment to Lease from \$10,000/month to \$20,000/month
- ❑ Retain percentage rent at 10% of gross (in addition to paying base)
- ❑ Effective retroactively to January 1, 2022
- ❑ Extension of relief beyond 6/30/22 subject to TJPA Board approval
- ❑ Extend original lease term to match new relief period
- ❑ Estimated value of 2nd Amendment to Lease is \$440,000*

*Adopted budget accommodates this negotiated Amendment

salesforce
transit
center

Questions

TJPA

TRANSBAY JOINT POWERS AUTHORITY

