

STAFF REPORT FOR CALENDAR ITEM NO.: 8.4
FOR THE MEETING OF: September 11, 2025

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Authorize the Executive Director to execute a fifth amendment to the lease agreement with Onsite Dental, LLC for commercial/retail space on the second floor of the Transit Center (Suites 216, 218, and 220).

EXPLANATION:

Original Lease

On July 12, 2018, the TJPA Board authorized the Executive Director to complete negotiations and execute a lease agreement with Onsite Dental, LLC (“Tenant”) for about 3,475 square feet of commercial/retail space on the second level of the new transit center (Suites 216/218/220) for a 10-year term with one five-year option to renew at full market value. On February 27, 2019, TJPA and Tenant entered a First Amendment to Lease, to document certain terms and understandings between TJPA and Tenant with respect to the completion of construction drawings by Tenant. The stated base rent over the initial term of the Lease is \$2,987,774, expressed as a gross lease with no percentage rent owed beyond base rent (average \$86 psf per year). The TJPA’s tenant improvement allowance was \$139,000 (\$40 per square foot), and the Tenant’s total capital investment in the space was \$1,623,325. The business terms under the lease were within or more favorable than the proforma for the premises at the time of Board approval.

Tenant Prior Request for Relief

Tenant opened for business on November 18, 2019, immediately following completion of tenant improvements. Just four months later, 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”). Tenant closed operations at the transit center pursuant to the SIP Order of March 16, 2020.

Tenant was able to resume operations under applicable health orders that outlined restricted operating conditions on June 22, 2020. Nonetheless, there was very little time to build its business before the SIP Order. Tenant relies on a business model that benefits from proximity to office workers, usually their locations are imbedded within an office building, and identified through the anchor tenant, making dental visits convenient to the worker. Their model of downtown locations primarily draws from those office employees, not from residential occupants, thus the continued closure of adjacent non-essential offices in downtown has directly affected revenues.

This circumstance negatively affected Tenant’s revenues after re-opening. As a result, Tenant requested certain relief from its obligations under the lease.

On December 10, 2020, the TJPA Board of Directors authorized a Second Amendment to the Lease. Under the Second Amendment, Tenant's rental obligation was a common area base fee of \$2,000/month plus percentage rent equal to 8% of gross revenues for the period from August 1, 2020, until June 30, 2021. Tenant resumed paying base rent in July of 2021.

On August 10, 2023, the TJPA Board of Directors authorized a Third Amendment to the Lease. Under the Third Amendment, Tenant's rental obligation was a common area base fee of \$2,500/month plus percentage rent equal to 6% of gross revenues for the period from April 1, 2023, until March 31, 2024.

On May 9, 2024, the TJPA Board of Directors authorized a Fourth Amendment to the Lease. Under the Fourth Amendment, Tenant's rental obligation was a common area base fee of \$2,500/month plus percentage rent equal to 6.5% of gross revenues for the period from April 1, 2024, until March 31, 2025.

Tenant paid the full monthly rent of \$25,182.17 per month for May and June 2025, while negotiating the terms of the proposed Fifth Amendment with staff.

Tenant Current Request for Relief

Tenant recently approached TJPA staff seeking economic relief.

Staff have been monitoring tenant's sales reports and operating costs (non-audited), transit ridership, the downtown San Francisco leasing market, and business activity in the neighborhood and throughout the City. While key indicators are generally improving, office space vacancies remain high (35%), and office attendance remains low (43%), compared to pre-COVID numbers. Additionally, gross revenue reports provided to TJPA by Tenant reflect gross revenues of roughly half of originally projected revenue, making full contract rent at this time economically infeasible.

As a result of that due diligence review and negotiations, a proposed Fifth Amendment to the Lease has been executed by the Tenant, enclosed herewith. Under the negotiated Fifth Amendment to Lease:

- The Alternative Rent will be \$20,270.83 per month from July 1, 2025 to June 30, 2026.

The fiscal impact of approving the Fifth Amendment is estimated at \$64,227 for the period July 1, 2025, through June 30, 2026 when comparing the Fifth Amendment revenue versus the original lease revenue. There is no fiscal impact to the FY2025-26 Budget as a result of this amendment. The form of relief proposed under the Fifth Amendment is similar to the relief the TJPA has granted other tenants materially affected by current economic conditions in downtown San Francisco.

RECOMMENDATION:

Authorize the Executive Director to execute the Fifth Amendment to the Lease with Onsite Dental, LLC as presented herein, adjusting terms and conditions of the Lease.

ENCLOSURES:

1. Resolution
2. Fifth 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 complete negotiations and execute a lease agreement with Onsite Dental, LLC ("Tenant") for about 3,475 square feet of commercial/retail space on the second level of the new transit center (Suites 216/218/220) for a 10 year term with one five-year option to renew at full market value ("Lease"). On February 27, 2019, TJPA and Tenant entered a First Amendment to the Lease; and

WHEREAS, Tenant occupied the leased premises and opened for business on November 18, 2019; and

WHEREAS, On March 4, 2020, Governor Newsom proclaimed a state of emergency in California in connection with the Coronavirus Disease 2019 ("COVID-19") pandemic. On February 25, 2020, the Mayor of the City and County of San Francisco declared a local emergency, and on March 6, 2020, the City's Health Officer declared a local health emergency. 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. Since these original proclamations, orders, and declarations were issued, there have been subsequent updates, supplements, and refinements, guiding the City to recovery (collectively, "Health Orders"); and

WHEREAS, As a result of COVID-19 and the Health Orders, Tenant requested relief from its obligations under the Lease. On December 10, 2020, the TJPA Board approved a Second Amendment to the Lease that provided certain economic relief to Tenant; and

WHEREAS, On August 10, 2023, the TJPA Board approved a Third Amendment to the Lease that provided certain economic relief to Tenant; and

WHEREAS, On May 9, 2024, the TJPA Board approved a Fourth Amendment to the Lease that provided certain economic relief to Tenant; and

WHEREAS, While the COVID-19 emergency and associated Health Orders have been lifted, as a result of COVID-19, including associated delayed re-occupancy of downtown office buildings and temporary but substantive reduction in transit passenger use of the Transit Center, Tenant has requested additional relief from its obligations under the Lease, after which negotiations with Tenant ensued; and

WHEREAS, Tenant and the TJPA have negotiated a Fifth Amendment to the Lease that provides certain short term economic relief to Tenant, consistent with the relief offered to other similarly situated tenants; 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 fiscal impact of executing the Fifth Amendment to the Lease is accounted for in the overall adopted budget for Fiscal Year 2025-2026; now, therefore, be it

RESOLVED, That the TJPA Board of Directors finds the terms and conditions of the Fifth Amendment to the lease 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 Fifth Amendment to the Lease with Onsite Dental, LLC for Suites 216, 218, and 220 in the form presented herewith.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of September 11, 2025.

Secretary, Transbay Joint Powers Authority

FIFTH AMENDMENT TO LEASE

This FIFTH AMENDMENT TO LEASE (this “**Amendment**”) is made and entered into as of the ____ day of _____, 2025, 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 ONSITE DENTAL, LLC, a Delaware limited liability company, dba Onsite Dental (“**Tenant**”), with reference to the following facts and understandings:

RECITALS

A. Landlord and Tenant entered into that certain “Salesforce Transit Center Lease” dated as of July 12, 2018 (together with all exhibits and addenda attached thereto, the “**Original Lease**”), as amended by that certain First Amendment to Lease dated February 27, 2019, that certain Second Amendment to Lease dated December 10, 2020, that certain Third Amendment to Lease dated August 10, 2023, and that certain Fourth Amendment to Lease dated May 9, 2024 (the Original Lease as so amended, the “**Existing Lease**”), whereby Tenant leased from Landlord approximately 3,475 usable square feet of retail space (the “**Premises**”) known as Space Numbers 216, 218 and 220, located in the retail usage area on the second 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. The continuation of the unprecedented circumstances surrounding the COVID-19 pandemic has impacted Tenant’s ability to operate its business at the Premises and accordingly, Tenant has requested additional rent abatement.

C. Landlord has agreed to make certain additional adjustments to the Rent payable by Tenant under 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 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

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.

Alternative Rent Period.

Payment of Alternative Rent in lieu of Base Rent.

Alternative Rent Period. Notwithstanding anything to the contrary contained in the Existing Lease, during the period (the “**Alternative Rent Period**”) commencing on July 1, 2025 and ending on June 30, 2026 (the “**Alternative Rent Period Expiration Date**”), Tenant shall pay Alternative Rent (as defined in Section 2(a)(ii) below) in lieu of paying the Base Rent specified in the schedule of Base Rent set forth in the Basic Lease Information (as modified by Section 4 below) for such Alternative Rent Period. Tenant acknowledges and agrees that, notwithstanding anything to the contrary contained herein, from and after the expiration of the Alternate Rent Period, Tenant shall be obligated to pay the then applicable Base Rent specified in the schedule of Base Rent set forth in the Basic Lease Information (as modified by Section 4 below).

Alternative Rent. Notwithstanding anything to the contrary contained in the Existing Lease, including but not limited to Section 2(b)(iii) thereof, during the Alternative Rent Period, Tenant shall pay to Landlord an amount equal Twenty Thousand Two Hundred Seventy and 83/100 Dollars (\$20,270.83) per month (“**Alternative Rent**”) in lieu of paying the Base Rent specified in the schedule of Base Rent set forth in the Basic Lease Information for such Alternative Rent Period. Alternative Rent 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.

Reversion to Base Rent. Tenant shall resume paying Base Rent in accordance with the schedule of Base Rent set forth in the Basic Lease Information (as modified by Section 4 below), and Tenant shall no longer be obligated to pay Alternative Rent, from and after July 1, 2026.

Expiration Date. All references to the “Expiration Date” in the Existing Lease are hereby amended to be November 30, 2031, which date is approximately one hundred forty-four and one-half (144.5) months following the Commencement Date.

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/Dates</u>	<u>Annual Rate per Useable Square Foot</u>	<u>Monthly Installment of Base Rent</u>	<u>Annual Base Rent</u>
1-12 November 15, 2019- November 30, 2020	\$75.00	\$21,718.75	\$260,625.00
13-24 December 1, 2020- November 30, 2021	\$77.25	\$22,370.32	\$268,443.75
25-36 December 1, 2021- November 30, 2022	\$79.57	\$23,042.15	\$276,505.75

37-48 December 1, 2022- November 30, 2023	\$81.96	\$23,734.25	\$284,811.00
49-60 December 1, 2023- November 30, 2024	\$84.42	\$24,446.63	\$293,359.50
61-72 December 1, 2024- November 30, 2025	\$86.96	\$25,182.17	\$302,186.00
73-84 December 1, 2025- November 30, 2026	\$89.57	\$25,937.98	\$311,255.75
85-96 December 1, 2026- November 30, 2027	\$92.26	\$26,716.96	\$320,603.50
97-108 December 1, 2027- November 30, 2028	\$95.03	\$27,519.11	\$330,229.25
109-120 December 1, 2028- November 30, 2029	\$97.89	\$28,347.32	\$340,167.75
121-132 December 1, 2029- November 30, 2030	\$100.83	\$29,198.69	\$350,384.25
133-144 December 1, 2030- November 30, 2031	\$103.86	\$30,076.13	\$360,913.50

Preservation of Claims and Defenses. Landlord and Tenant acknowledge and agree that if an Event of Default in the payments to be made by Tenant under Section 2, above, shall occur (following any applicable notice and cure periods set forth in Section 19(a) of the Existing Lease), 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.

Miscellaneous.

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.

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.

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.

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

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.

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.

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.

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: Adam Van de Water
Its: Executive Director

Date: _____, 2025

TENANT:

ONSITE DENTAL, LLC,
a Delaware limited liability company

By: _____
Name: _____
Its: _____

Date: _____, 2025

APPROVED AS TO FORM.

By: _____
Legal counsel, TJPA

Transbay Joint Powers Authority Board of Directors

Resolution No.: _____

Adopted: _____

Attest: _____
Secretary, TJPA Board