

1 [Real Property Lease Amendments - K LW Investments, LLC - 3119 Mission Street and
2 3120 Mission Street - \$2,072,836.48 Annual Base Rent]

3 **Resolution authorizing the Director of Property to exercise Lease Amendments for**
4 **leases of real property located at 3119 Mission Street and 3120 Mission Street for**
5 **office and service spaces, with K LW Investments, LLC as landlord, each for five-year**
6 **terms to commence on July 1, 2020, and to expire on June 30, 2025, at the combined**
7 **monthly base rent of \$172,736.37 for a total annual base rent of \$2,072,836.48 with**
8 **base rent increasing at 3% per year.**

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10 WHEREAS, The City and County of San Francisco (the “City”), on behalf of its
11 Human Services Agency (“HSA”), entered into a lease of real property dated June 19,
12 2015, (“3119 Mission Lease”), with K LW Investments, LLC (“Landlord”), for approximately
13 11,085 square feet of office and service spaces (“3119 Mission Premises”), located in and
14 around the building located at 3119 Mission Street; and

15 WHEREAS, The City concurrently entered into a separate lease of real property
16 dated June 23, 2015, (“3120 Mission Lease”), with Landlord, for approximately 39,251
17 square feet of office and service spaces (“3120 Mission Premises”), located in and around
18 the building located at 3120 Mission Street; and

19 WHEREAS, The 3119 Mission Lease and the 3120 Mission Lease are collectively,
20 the “Leases”; and

21 WHEREAS, The Leases are both set to expire on June 30, 2020, and HSA desires
22 to extend the term of the Leases and make certain amendments to each; and

23 WHEREAS, The Leases provide options to extend the terms of the Leases
24 (“Extension Options”), for an additional five (5) (for each Lease, an “Extended Term”), with
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1 base rent in the first year of each Extended Term to be adjusted to equal ninety-five
2 percent (95%) of the prevailing market rate; and

3 WHEREAS, The Real Estate Division, on behalf of HSA, and after consultation with
4 the Office of the City Attorney, negotiated amendments to the Leases, copies of the 3119
5 Mission Lease Amendment and 3120 Mission Lease Amendment (collectively, the
6 “Amendments”), in addition to copies of the original Leases, are on file with the Clerk of the
7 Board in File No. 200315; and

8 WHEREAS, The Real Estate Division negotiated an annual rental rate of \$41.18 per
9 sq. ft. per year (\$3.43 per sq. ft. per month), which the Director of Property determined to
10 be at or below ninety-five percent (95%) of fair market rental value; and

11 WHEREAS, Under the proposed Amendments, the base rent beginning on July 1,
12 2020 will be \$456,480.30 per year (\$38,040.03 per month) for the 3119 Mission Lease
13 Amendment and \$1,616,356.18 per year (\$134,696.35 per month) for the 3120 Mission
14 Lease Amendment, for a total annual rent of \$2,072,836.48 (\$172,736.37 per month); and

15 WHEREAS, Under the proposed Amendments, base rent for the amended Leases
16 will escalate at three percent (3%) per year instead of \$1 per sq. ft. per year, along with
17 other non-fiscal modifications to the Lease, including expanding the permitted uses allowed
18 under the Leases; now, therefore, be it

19 RESOLVED, That in accordance with the recommendation of HSA, the Director of
20 Property is hereby authorized to take all actions on behalf of the City, to execute the
21 Amendments, extending the terms of the Leases from July 1, 2020, (“Commencement
22 Date”), until June 30, 2025; and, be it

23 FURTHER RESOLVED, That on the Commencement Date, the base rental rate
24 under both Leases shall be adjusted to \$41.18 per sq. ft. per year, increasing annually at
25 three percent (3%); and, be it

1 FURTHER RESOLVED, That aside from any terms and conditions modified through
2 the Amendments, all other applicable terms and conditions of the Leases shall apply during
3 the Extended Terms; and

4 FURTHER RESOLVED, That any action taken by any City employee or official with
5 respect to executing these Amendments is hereby ratified and affirmed; and be it

6 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
7 Property to execute the Amendments and to make any amendments or modifications to the
8 Leases and Amendments (including without limitation, the exhibits) that the Director of Real
9 Property determines, in consultation with the City Attorney and the Executive Director of HSA,
10 are in the best interest of the City, do not increase the rent or otherwise materially increase
11 the obligations or liabilities of the City, are necessary or advisable to effectuate the purposes
12 of the Lease or this resolution, and are in compliance with all applicable laws, including City's
13 Charter; and

14 FURTHER RESOLVED, That within 30 days of the Amendments being fully
15 executed by all parties, the Director of Real Estate shall provide copies of each to the Clerk
16 of the Board for inclusion into the official file.

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