File No. 121115

Committee Item No. 9
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date 11/14/2012

Board of Supervisors Meeting Date _____

Cmte	Board	
☐	☐	Motion
☐	☐	Resolution
☐	☐	Ordinance
☐	☐	Legislative Digest
☒	☐	Budget and Legislative Analyst Report
☐	☐	Legislative Analyst Report
☐	☐	Youth Commission Report
☐	☐	Introduction Form (for hearings)
☒	☐	Department/Agency Cover Letter and/or Report
☐	☐	MOU
☐	☐	Grant Information Form
☐	☐	Grant Budget
☐	☐	Subcontract Budget
☐	☐	Contract/Agreement
☐	☐	Form 126 – Ethics Commission
☐	☐	Award Letter
☐	☐	Application
☐	☐	Public Correspondence

OTHER (Use back side if additional space is needed)

☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	

Completed by: Victor Young Date November 9, 2012
Completed by: Victor Young Date _____

Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

City and County of San Francisco
REAL ESTATE DIVISION
John Updike
Director of Real Estate

November 7, 2012

Honorable Carmen Chu
Chair, Budget and Finance Committee
Board of Supervisors
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 NOV -7 PM 2:24

RE: Release of $213,307 in reserved funds for Civic Center Relocation Project

Dear Supervisor Chu,

The Real Estate Division of the San Francisco General Services Agency requests the release of reserved funds in the amount of $213,307 to support the costs for the Civic Center Relocation Project.

In the FY06-07 Annual Appropriation Ordinance, the Board of Supervisors placed $800,000 on Board Financial Committee reserve for building structure and improvements pending the move of city agencies from 875 Stevenson. The city's lease for the building is expected to terminate in February 2013, pursuant to Board approval of a 4th Amendment to Lease (File No. 121047). Extraordinary relocation costs are anticipated associated with the relocation of ReproMail from 875 Stevenson into 110 12th Street, a new lease approved by the Board (file No. 121046). These funds were set-aside for this specific purpose. Therefore, I respectfully request the release of the $213,307 in funds remaining on reserve in project code CAD029.

Please contact Ken Bukowski, the agency's Chief Financial Officer, at 554-6172, or me at the number below, if you have any questions regarding this request. Thank you for your assistance with this matter.

Respectfully,

John Updike
Director of Real Estate

cc: Ben Rosenfield, Controller's Office
Kate Howard, Mayor's Office
Harvey Rose, Budget Analyst

I:\Managers\Admin JU\CAD029_reserve-rel f.doc

121115

Item 9 File 12-1115	Department: Real Estate Division Department of Administrative Services

EXECUTIVE SUMMARY

Legislative Objectives

Request to release $213,819 of funds previously placed on Budget and Finance Committee reserve for relocation costs of the Department of Administrative Services Reproduction and Mail Services (ReproMail) from its current location at 875 Stevenson Street to its new location at 110 12th Street. However, since the remaining balance of reserved funds is $213,819, the Real Estate Division is requesting a revised amount of $213,819 to be released instead of $213,307.

Key Points

- In FY 2006-07 the Board of Supervisors placed $800,000 on Budget and Finance Committee reserve for building structure and improvements pending the move of various City agencies from the leased space at 875 Stevenson Street. The Budget and Finance Committee previously approved the release of $586,181 of the reserved funds, leaving a balance of $213,819 on reserve.

- On November 6, 2012, the Board of Supervisors approved (1) Amendment #4 of the City's lease agreement for 875 Stevenson Street (File No. 12-1047), terminating the lease with SRI Nine Market Square on February 4, 2013, which includes the first floor lease, occupied by the Department of Administrative Services ReproMail and a termination payment of $3,250,000 from SRI Nine Market Square to the City because of the landlord's request to take back the leased space; and (2) a new ten-year lease (File No. 12-1046) between the City and St. James Family Partnership L.P., for 10,469 square feet at 110 12th Street (at 12th Street and Van Ness) for use by ReproMail from February 1, 2013 through January 31, 2023, with two five-year options to extend.

- According to Mr. John Updike, Director of Property, relocation of ReproMail from 875 Stevenson Street to 110 12th Street is estimated to cost $214,210, which includes the cost to physically move the ReproMail equipment, and connect 110 12th Street to the nearest City fiber optic hub. The physical move of the ReproMail will require the relocation of heavy equipment that requires special treatment due to size, weight and calibration issues.

Fiscal Impacts

- The current estimated budget of $214,210 is $391 more than the revised requested release of reserved funds of $213,819. According to Mr. Updike, any differential between the requested amount of $213,819 and the estimated total relocation costs of $214,210 would be paid from the $3,250,000 termination payment noted above.

Recommendation

- Approve the revised requested release of $213,819 on reserve.

MANDATE STATEMENT

Section 3.3 of the City's Administrative Code provides that the committee of the Board of Supervisors that has jurisdiction over the budget (i.e., Budget and Finance Committee) may place requested expenditures on reserve which are then subject to release by the Budget and Finance Committee.

BACKGROUND

In the FY 2006-07 Annual Appropriation Ordinance, the Board of Supervisors placed $800,000 on reserve for building structure and improvements pending the move of various City agencies from the leased space at 875 Stevenson Street. The $800,000 reserved funds were budgeted for relocation if the option to extend the lease at 875 Stevenson Street beyond November 2007 was not exercised; subsequently, the City exercised partial termination of the lease in 2008. To date, the Board of Supervisors has approved release of $586,181 of the $800,000 reserved, leaving $213,819 on reserve.

On November 6, 2012, the Board of Supervisors approved Amendment #4 of the City's lease agreement for 875 Stevenson Street (File No. 12-1047) terminating the lease with SRI Nine Market Square on February 4, 2013, which includes a termination payment of $3,250,000 to the City because of the landlord's request to take back the leased space. The City's lease agreement with SRI Nine Market Square includes a portion of the first floor and the entire third and fourth floors of 875 Stevenson Street to provide office space for five City departments: Department of Administrative Services ReproMail[1], Department of Public Works (DPW), General Services Agency (GSA) Human Resources, Treasurer/Tax Collector's Office, and Assessor/Recorder's Office. The termination of the lease on February 4, 2012, includes the first floor lease, which is occupied by the Department of Administrative Services ReproMail on a month-to-month holdover option; however, SRI Nine Market Square agreed to a termination date of February 4, 2012 as is consistent with the terms of the rest of the building.

On November 6, 2012 the Board of Supervisors approved a new ten-year term lease (File No. 12-1046) with St. James Family Partnership L.P., for 10,469 square feet at 110 12th Street (at 12th Street and Van Ness) for use by ReproMail from February 1, 2013 through January 31, 2023, with two five-year options to extend. According to Mr. John Updike, Director of Property, ReproMail will be the sole tenant at 110 12th Street, which is a two-story building with a small enclosed parking area that allows for (a) the print operations to be primarily on the lower level of the building to accommodate large printing machines that require a powerful heating system and ventilation system; (b) easy vehicular access; (c) reasonable proximity to the Civic Center; and (d) offices on the 2nd level.

Under the previously approved resolution, the estimated rent for the five remaining months in FY 2012-13 is $156,816.

[1] ReproMail is the Reprographics and Mail Services of the Department of Administrative Service's Office of Contract Administration and is an industrial print shop does all printing services for the city and county.

DETAILS OF PROPOSED LEGISLATION

The Real Estate Division of the General Services Agency is requesting the release of $213,307 on reserve to pay the costs of the relocation of the ReproMail from 875 Stevenson Street to 110 12th Street. However, since the remaining balance of reserved funds is $213,819, the Real Estate Division is now requesting a revised amount of $213,819 to be released instead of $213,307.

According to Mr. Updike, the City's cost to relocate ReproMail includes the cost to physically move the operation from 875 Stevenson to 110 12th Street, as well as the cost to create connectivity with the nearest fiber hub[2]. The physical move of the ReproMail operations to the new facility at 110 12th Street will require the relocation of heavy equipment that requires special treatment due to size, weight and calibration issues. The heavy equipment will have to be dismantled before relocation and reconstructed and recalibrated following relocation.

FISCAL IMPACTS

The Budget and Finance Committee previously approved the release of previously reserved funds of $586,181 of the $800,000 on reserve for the costs associated with the termination of the 875 Stevenson Street lease, leaving a balance of $213,819 on reserve.

According to Mr. Updike, the exact budget for the ReproMail relocation from 875 Stevenson Street to 110 12th Street has not yet been determined, but total current estimated needed expentidures are $214, 210 as shown in Table 2.

Table 2: ReproMail Relocation to 110 12th Street Estimated Cost

Fiber Optic Connection to the City Network	$19,960
Physical relocation – 1st Floor*	$173,250 ($33 per Square Foot for 5,250 Square Feet)
Physical relocation – 2nd Floor**	$21,000 ($4 per Square Foot for 5250 Square Feet)
Total	$214,210

* The majority of the heavy equipment requiring specialty treatment due to size, weight and calibration issues are to be located on the first floor. According to Mr. Updike, based on prior estimates, $33 per square foot is a reasonable estimate for the dismantling, relocation, reconstruction, calibration, and data/power connections required to be operational at the new location.

** The second floor is primarily standard office, and Mr. Updike reports a cost of $4 per square foot is reasonable to address a relocation of an office environment based on past City relocations.

[2] According to Mr. Updike, the fiber hub is the connection, via fiber optics, of the new facility at 110 12th Street, to the nearest available point in the street with the City's fiber optic network for internet connectivity, which will also facilitate the conversion of the City's phone system to Voice Over Internet Protocol (VOIP).

The current estimated budget for the ReproMail relocation to 110 12th Street of $214,210 is $391 more than the revised requested amount for the release of reserved funds of $213,819. Mr. Updike states that any differential between the revised requested amount of $213,819 and the estimated total need of $214,210 would be paid from the termination payment of $3,250,000 from SRI Nine Market Square (owners of 875 Stevenson).

RECOMMENDATION

Approve the revised requested release of $213,819 on reserve.