



London Breed, Mayor
Naomi M. Kelly, City Administrator



Andrico Q. Penick
Director of Real Estate

December 15, 2020

Through Ken Bukowski,
Acting City Administrator

Honorable Board of Supervisors
City and County of San Francisco
Room 244, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Lease Amendment / Extension – 1390 Market Street – DCYF

Dear Board Members:

Attached for your consideration is a resolution authorizing the retroactive execution of an amendment to extend and reduce the rent payable for the lease by the City's Department of Children, Youth and Their Families ("DCYF") of approximately 10,846 sq. ft. of office space ("Premises") on the 9th floor of the building located at 1390 Market Street. This lease extension for DCYF's administrative offices will run retroactively (explained below) from December 1, 2020 until November 30, 2025 (unless earlier terminated, as explained below). Some important notes about this proposed amendment:

- The appraised fair market rental value (including discounts for COVID-19) for Year 1 of the proposed lease is \$64.00 per sq. ft. per year, with no rent abatement concessions. DCYF was paying \$57.00 per sq. ft. per year until November 30, 2020.
- The base rent under the proposed amendment is \$65.00 per sq. ft. per year (3% annual increase). However, Landlord is providing initial rent credits in excess of \$340,000, creating an *effective* rental rate in Year 1 at **\$49.40** per sq. ft. per year (\$50.90 in Year 2).
- City can terminate the lease early, such that it will expire on November 30, 2022. If the City *doesn't terminate early*, it will receive an *additional* \$111,973 in rental concessions.
- Retroactive approval (instead of beginning the extended term on the date the Board adopts the resolution) saves City \$19,752 per month by avoiding the existing 125% holding over premium.

If you have any questions regarding this matter, please contact Josh Keene of my staff by email at joshua.keene@sfgov.org. Thank you for your support in this matter.

Sincerely,

Andrico Q. Penick
Director of Property