



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

John Updike
Director of Real Estate

February 8, 2018

Through Naomi Kelly
City Administrator

Lease Renewal
720 Sacramento St
DPH
Chinatown Child Development Center

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

Re: DPH Lease extension at 720 Sacramento Street

Dear Board Members:

Enclosed for your consideration is a Resolution requesting authorization for a Third Amendment to Lease (the "Amendment") for approximately 9,250 sq. ft. at 720 Sacramento Street for the Department of Public Health (DPH) for their Chinatown Child Development Center.

The Chinatown Child Development Center (CCDC) provides community based programs and outpatient mental health services to children (age 0-18) and their families. CCDC offers parenting education and consultation services for the Chinatown community. On an annualized basis the clinic supports more than 400 school aged and preschool aged youth as well as their multi-generational families.

CCDC mental health services include individual and group psychotherapy, psychological and medication evaluations, treatment groups for preschool age and elementary school age children, mental health education and an infant development program. Parenting services include workshops, parent support groups and an early intervention program for parents and children. CCDC Provides consultation services to community agencies about children's mental health and parenting issues. The program provides culturally competent services in the following languages: Cantonese, Mandarin, Shanghaiese, Toisanese, Cambodian, Spanish.

DPH has occupied 720 Sacramento Street for over 20 years. The Premises consists of approximately 9,250 sq. ft. on the 2nd and 3rd floors of the building with exclusive use of the ground floor entry and elevator. The facility includes specialized areas for children washrooms and multiple rooms for interviews and training (see photos attached). The current monthly rent for the Premises is \$26,980 (or approximately \$35.00 per square foot per year). The City also pays approximately \$817 per month in operating expenses.

The current lease expires on June 30, 2018 with no further options to extend the Term.

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In an attempt to purchase the property, the Real Estate Division began negotiations and submitted a letter of intent (LOI) to purchase the property at the property's appraised value (and assuming the other leases within the building). The owner refused to even consider many of the terms and conditions of the LOI, including but not limited to (i) time necessary to obtain CEQA and Board of Supervisors approvals, (ii) including, in the purchase agreement and closing documents, the City's required Seller's representation and warranties and (iii) an appropriate Due Diligence period to investigate the property.

Alternately, DPH has begun investigations and preliminary cost estimating for renovating the City owned facility at 1490 Mason St. (the 3 story, 22,500 SF Chinatown Public Health Center) and then combining facilities. (The Chinatown Public Health Center facility was one of the five (5) original City medical centers built in the 1960s and it requires major upgrades including seismic renovation prior to moving any children's programs into the facility.) DPH is currently working with SFPW on potential required renovations. During this coming budget cycle, DPH intends to submit to Capital Planning appropriate requests for funding or inclusion in the 2022 General Obligation Bond. DPH estimates that it will take 5 years to investigate, do the community outreach, fund, design, bid and construct these necessary improvements at 1490 Mason St., in order to relocate the Chinatown Child Development Center into 1490 Mason St. Thus, the proposed lease renewal has a term of 5 years.

The proposed Third Amendment extends the term of the Lease for another five (5) years (from July 1, 2018, to June 30, 2023), at the fair market monthly rental rate of \$39,312.50, (or approximately \$51.00 per square foot per year) with 3% increases annually. In addition, the City shall continue to pay for utilities at the approximate \$817 per month and will reimburse landlord for some janitorial services at the approximately \$300 per month.

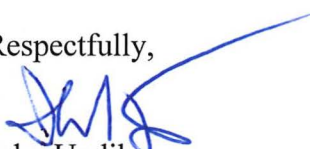
Attachment #1 provides a before and after table.

An appraisal dated January 4, 2018 of Fair Market Rent by Cushman Wakefield Western, Melissa Bach, MAI, has confirmed the proposed rent of \$51 per sq. ft. with 3% annual increases to be fair market rent.

The Department of Public Health and the Real Estate Division recommend approval of the Third Amendment to Lease.

If you have any questions regarding the lease extension, please contact Charlie Dunn of my staff at 554-9861. If you have any questions regarding the DPH programs run from 720 Sacramento St., please contact David Borgognoni with the Department of Public Health at 255-3405. If you have any questions about plans to seismically retrofit and upgrade 1490 Mason St., please contact Kathy Jung at 554-2858, also with the Department of Public Health.

Respectfully,


John Updike
Director of Property

Enclosure

cc: Barbara Garcia, Director, Department of Public Health
Greg Wagner, Department of Public Health
Kathy Jung, Department of Public Health
Naomi Kelly, City Administrator

Attachment #1

Table 1. Summary of Current and Proposed Lease Details

	Current Lease	Proposed Lease
Premises	9,250 square feet	No change
Base Rent (monthly)	\$26,980.00	\$39,312.50
Operating Expenses (monthly)	Separately metered electricity is paid by City at a cost of \$817 per month. Janitorial services, maintenance and other operating costs to be paid by the landlord.	Separately metered electricity and some janitorial services are paid by City at a cost of \$1,117 per month. Maintenance and other operating costs to be paid by the landlord.
Term	July 1, 2013 to June 30, 2018	July 1, 2018 to June 30, 2023
Base Rent Increase Date	NA	Annually on July 1, starting July 1, 2019
Base Rent Increase Amount	None	3% (annually)
Extension Options	None	1 for 5 years at 95% of FMR, subject to further Board approval

Attachment #2



Children's washrooms

Counseling Office