



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

John Updike
Director of Real Estate

September 28, 2017

Through Naomi Kelly
Acting City Administrator

**Lease Renewal
1145 Market Street
Law Library
Assignment #7130**

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

Dear Board Members:

Attached for your consideration is a Resolution authorizing the exercise of a five (5) year option to extend a lease of approximately 20,000 square feet at 1145 Market Street for the San Francisco Law Library.

Pursuant to State Law, the 1870 Act, the City and County of San Francisco is required to provide a Law Library for public use. The 1870 Act established the Law Library as a legal entity, separate from the City and County, and requires the Board of Supervisors to appropriate General Fund monies for "fuel, lights and stationary and all necessary conveniences and care, rooms convenient and accessible to the Courts, sufficient for the use and accommodation of said law library and those who have occasion for its use."

San Francisco Charter Section 8.103 is consistent with the 1870 Act and states that the City must provide "suitable" and "sufficient" accommodations for the Law Library as well as free access to the legal community and the general public. The Charter also requires the City to pay for the salaries of three positions in the Law Library budget including the: 1) Librarian, 2) Assistant Librarian, and 3) Bookbinder.

The Law Library was originally located in City Hall until City Hall closed for seismic renovations in 1995. As part of the City Hall relocations, the Law Library was relocated to the War Memorial Building. In 2013, the City leased 20,000 square feet of space for the Law Library at 1145 Market Street pursuant to Board of Supervisors' Resolution 196-13 and did so under the threat of litigation from the Law Library. That lease expires June 30, 2018 but includes an option to extend the term for an additional 5 years at 95% of Fair Market Rent.

The proposed Resolution exercises the option to extend the term.

Pursuant to the terms of the lease, the rent during the five-year option period term is 95% of the fair market rent. The Real Estate Division and the Landlord have negotiated a renewal rate of \$59.00 per square foot (or \$1,180,000 annually) with typical annual market rate increases of 3%.

Pursuant to Administrative Code Section 23, a Fair Market Rent appraisal by MAI appraisers Colliers International Valuation & Advisory Service (Alex Khasin, MAI) established the Fair Market Rent as \$65.50 per square foot (or \$1,310,000 annually). 95% of that Fair Market Rent determination is \$1,244,500 (or approximately \$62.23 per square foot). The proposed rent is \$64,500 per year less than the 95% of that Fair Market Rent.

The lease is fully serviced except for electricity estimated to add approximately \$1,476 per month (approximately \$.89 psf annually) and ventilation for Saturday hours adds approximately \$546 per month (approximately \$.33 psf annually).

Attachment #1 provides a "Before and After" table.

We recommend approval of the proposed lease extension. If you have any questions regarding this matter, please contact Charlie Dunn of our office at 554-9861.

Respectfully



John Updike
Director of Real Estate

cc: Marcia Bell, SF Law Library

Attachment #1
1145 Market St
San Francisco Law Library Lease

	Current	Proposed
Premises	20,000 SF	No changed
Base Rent	\$912,489.72 annually (approx. \$45.62 psf)	\$1,180,000 annually (approx. \$59.00 psf)
Operating Expenses	\$2,021.18 monthly (approx. \$1.21 psf annually)	No change
Base Rent Increase Date	Annually on July 1	No change
Base Rent Increase Amount	4%	3%
Term	July 1, 2013 - June 30, 2018	July 1, 2018 - June 30, 2023