

1 [Lease of Real Property]

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3 **Resolution authorizing the lease of 139,956 sq. ft. of office space in the building located**
4 **at 1155 Market Street, San Francisco for the City and County of San Francisco Public**
5 **Utilities Commission for consolidation of staff from various locations and authorizing**
6 **the termination of an existing lease for certain office space at 1155 Market Street, San**
7 **Francisco.**

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9 WHEREAS, The City, on behalf of the City and County of San Francisco Public Utilities
10 Commission (“SFPUC”), entered into a lease dated June 25, 1998 (the “Initial Lease”) for
11 certain premises consisting of approximately 53,138 rentable square feet (the “Initial Space”)
12 located on floors 4, 5, 7 and 9 of the building located at 1155 Market Street, San Francisco
13 (the “Building”), for an initial term of four years, which commenced February 1, 1999 and will
14 expire January 31, 2003; and

15 WHEREAS, SFPUC desires to consolidate its administrative offices into one location;
16 and

17 WHEREAS, The owner of the Building, 1155 II, LLC (“Landlord”) has advised City that
18 certain additional premises consisting of approximately 86,818 rentable square feet (the
19 “Expansion Space”) located on floors 1, 2, 3, 6, 8, 10 and 11 of the Building, will become
20 available for City’s exclusive use effective September 30, 2002; and

21 WHEREAS, After discussions between SFPUC and City’s Real Estate Division, a letter
22 of intent was executed by Landlord and City to provide City the opportunity to lease both the
23 Initial Space and the Expansion Space, totaling approximately 139,956 rentable square feet
24 (collectively, the Initial Space and Expansion Space are referred to herein as the “Premises”),
25 along with the right to exercise an option to purchase the Building; and

1 WHEREAS, The SFPUC adopted Resolution No. 02-0175 on August 27, 2002, on file
2 with the Clerk of the Board of Supervisors in File No. _____, which approved the
3 proposed lease of the Premises for a term of five (5) years with two options to extend the
4 lease (an "Extension Option") each for an additional five (5) years, plus an option to purchase
5 the Building (the "Purchase Option"), and upon approval of such lease by the Board of
6 Supervisors and the Mayor, authorized the General Manager, SFPUC, to execute such lease;
7 now, therefore, be it

8 RESOLVED, That in accordance with the recommendation of the General Manager,
9 SFPUC, and the Director of Property, the Director of Property is hereby authorized, on behalf
10 of the City and County of San Francisco, as tenant, to execute a written lease (the "Lease")
11 for the Premises and a lease termination agreement related to the Initial Lease (the "Initial
12 Lease Termination Agreement"), substantially in the form on file with the Clerk of the Board of
13 Supervisors in File No. _____, along with other related documents with Landlord;
14 and, be it

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16 FURTHER RESOLVED, That the Lease shall commence as of the date City's Board of
17 Supervisors and Mayor approve a resolution authorizing the Lease (the "Commencement
18 Date") and expire five years after the Commencement Date and shall contain two five-year
19 Extension Options and a Purchase Option; and, be it

20 FURTHER RESOLVED, That the Director of Property shall be authorized to exercise
21 the two five-year Extension Options without obtaining any further approvals by the Public
22 Utilities Commission, the Board of Supervisors and the Mayor; and, be it

23 FURTHER RESOLVED, That the Initial Lease Termination Agreement shall not be
24 effective unless and until the Commencement Date under the Lease occurs; and, be it

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1 FURTHER RESOLVED, That City’s obligation to pay rent on a floor-by-floor basis for
2 the Expansion Space shall not commence until Landlord completes and City accepts all
3 tenant improvement work required by City on each particular floor of the Expansion Space;
4 and, be it

5 FURTHER RESOLVED, That the initial base rent for the Premises shall be
6 \$122,599.54 per month (includes just the Initial Space), net of electricity and the base rent
7 shall be increased as the aforementioned tenant improvement work is completed and
8 accepted in the Expansion Space, at a monthly rental rate of \$2.00 per square foot, provided
9 that in no event shall the base rent exceed \$279,912.00 per month during the initial five-year
10 term; and, be it

11 FURTHER RESOLVED, That Landlord shall perform tenant improvement work and
12 provide a tenant improvement allowance of \$15.00 per square foot for the 86,818 square feet
13 of Expansion Space in an amount equal to \$1,302,270.00 (the “Allowance”) and City shall
14 reimburse Landlord for such costs in excess of the Allowance in an amount not to exceed
15 \$774,868.00, subject to City’s prior approval of such costs and work in accordance with the
16 Lease; and, be it

17 FURTHER RESOLVED, That in the event City purchases the Building, City will
18 reimburse Landlord for any unamortized portion of the Allowance used for tenant
19 improvement work based upon an amortization schedule of sixty (60) months from the date of
20 completion and acceptance of such work; and, be it

21 FURTHER RESOLVED, That the Director of Property shall be authorized to exercise
22 the Purchase Option on behalf of City, provided that City’s obligation to purchase the Building
23 shall be subject to subsequent approvals of the Public Utilities Commission, the Board of
24 Supervisors and the Mayor of the purchase of the Building pursuant to the terms and
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1 conditions of a purchase and sale agreement in form and content acceptable to City (the
2 “Purchase Agreement”) and all related documents necessary for such purchase; and, be it

3 FURTHER RESOLVED, That the Lease shall include a clause approved by the City
4 Attorney, indemnifying and holding harmless the Landlord, from and agreeing to defend the
5 Landlord against any and all claims, costs and expenses, including, without limitation,
6 reasonable attorney’s fees, incurred as a result of City’s use of the Premises, any default by
7 the City in the performance of any of its obligations under the Lease, or any acts or omissions
8 of City or its agents, in, on or about the Premises or the property on which the Premises are
9 located, excluding those claims, costs and expenses incurred as a result of the active
10 negligence or willful misconduct of Landlord or its agents; and, be it

11 FURTHER RESOLVED, That any action taken by any City employee or official with
12 respect to this Lease is hereby ratified and affirmed; and, be it

13 FURTHER RESOLVED, That the Director of Property shall be authorized to enter
14 into any amendments or modifications to the Lease, including without limitation, the
15 exhibits, that the Director of Property determines, in consultation with the City Attorney, are
16 in the best interest of the City, do not increase the rent or otherwise materially increase the
17 obligations or liabilities of the City, are necessary or advisable to effectuate the purposes
18 and intent of the Lease or this resolution, and are in compliance with all applicable laws,
19 including City’s Charter.

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\$2,633,495.00 Available
Appropriation Nos.

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400810.081WB \$339,134

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400500.03000 \$139,782

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400922.03000 \$275,120

400410.081RE \$759,942

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400100.03011	\$467,898
400400.03011	\$301,619
400416.03011	\$350,000

RECOMMENDED:

General Manager
Public Utilities Commission

Controller

Director of Property