



August 15, 2022

Office of the Clerk of the Board of Supervisors
City Hall, Room 244
1 Carlton B. Goodlett Place
San Francisco, CA 94102

Re: Introduction of Resolution Approving a Fifth Amendment to the Lease at 1390 Market Street

Dear Madame Clerk:

Attached for introduction is a proposed resolution authorizing a fifth lease amendment to the lease at Fox Plaza (1390 Market Street), for a new term of ten (10) years, for use by the City Attorney's Office as law offices.

The City Attorney has leased space at Fox Plaza for over 30 years. The City Attorney's Office occupies approximately 69,402 square feet (the "Premises"). The Premises includes approximately 1,737 square feet of space used for infant and young toddler care services under a program formerly operated by Marin Day Schools for a nominal rent of \$1 per year. Marin Day terminated operations during the COVID shelter in place due to lack of business. The City Attorney, in conjunction with the Real Estate Division, plans to issue a competitive solicitation for another infant and young toddler care provider.

The Real Estate Division, in conjunction with the City Attorney's Office, negotiated the following:

- Rent:

| Period | Annual Rate per Rentable Square Foot | Base Monthly Rent |
|---|---|--------------------------|
| Ten Year Extension Commencement Date – December 31, 2023* | \$66.00 | \$413,253.50 |
| January 1, 2024- December 31, 2024 | \$67.98 | \$425,651.11 |
| January 1, 2025- December 31, 2025 | \$70.02 | \$438,420.64 |
| January 1, 2026- December 31, 2026 | \$72.12 | \$451,573.26 |
| January 1, 2027- December 31, 2027 | \$74.28 | \$465,120.46 |

| Period | Annual Rate per Rentable Square Foot | Base Monthly Rent |
|------------------------------------|---|--------------------------|
| January 1, 2028- December 31, 2028 | \$76.15 | \$479,074.07 |
| January 1, 2029- December 31, 2029 | \$78.81 | \$493,446.29 |
| January 1, 2030- December 31, 2030 | \$81.17 | \$508,249.68 |
| January 1, 2031- December 31, 2031 | \$83.61 | \$523,497.17 |
| January 1, 2032- December 31, 2032 | \$86.12 | \$539,202.08 |

- Rent Rate: \$66.00 psf per year (currently \$69.99 psf)
- Rent Credit: First 4 months free (\$1,526,844 credit)
- Rent Escalation: 3% per year
- Term: Ten (10) years from January 1, 2023 – December 31, 2032.
- Option to Extend: City has one additional 5 year extension option.
- Premises: 69,402 square feet (part of 1st floor, part of 4th floor, 5th, 6th and 7th floors, and part of 10th floor – prior to relocation).
- Landlord Concessions: Relocate City Attorney’s Offices from the 10th Floor to the 4th Floor at Landlords costs and expense, build out new space to City’s specifications and increase the total square footage of the premises by approximately 5,735 square feet.
- Base Year: 2023. The City will continue to pay the standard increases in operating expenses over a new Base Year of 2023.
- Right of first offer to purchase the building.

The fair market rent has been appraised by MAI appraisal Lance Dore of the Dore Group. The appraisal review is pending.

The Premises provide the City Attorney close proximity to state and federal courts, City Hall and City client departments in the Civic Center area. The continuation of the existing lease will also result in significant cost savings by avoiding the costs of moving and tenant improvements, lost productivity, and lost billable hours that would be associated with moving to alternative space.

I recommend approval of the proposed lease. If you have any questions regarding this lease amendment, please feel free to contact me at 554-9860.

Sincerely,

A handwritten signature in blue ink, appearing to read 'A. Penick', with a stylized flourish at the end.

Andrico Q. Penick
Director of Property