

1 [Real Property Lease - Double Wood Investment, Inc. - 111 Pine Street - Initial Base Rent
2 \$2,089,208 - Up to \$4,748,200 in Tenant Improvements]

3 **Resolution approving and authorizing the Director of Property, on behalf of the San**
4 **Francisco Employees' Retirement System (SFERS), to execute a lease agreement with**
5 **Double Wood Investment, Inc., a California Corporation, as landlord, for use of a**
6 **portion of 111 Pine Street, consisting of 47,482 rentable square feet for an initial term of**
7 **10 years with two five-year extension options to renew and 12 months of rent credit**
8 **with an initial annual base rent of \$2,089,208 with 3% annual increases; SFERS to**
9 **contribute up to \$4,748,200 on tenant improvement; effective upon approval of the**
10 **Resolution by the Board of Supervisors and the Mayor and upon execution of the lease**
11 **by the Director of Property; and authorizing the Director of Property to execute any**
12 **amendments, make certain modifications and take certain actions that do not**
13 **materially increase the obligations or liabilities to the City, do not materially decrease**
14 **the benefits to the City and are necessary or advisable to effectuate the purposes of**
15 **the lease agreement or this Resolution**

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17 WHEREAS, The San Francisco Retirement System (SFERS) administers a Defined
18 Benefit trust fund established for the exclusive purposes of providing benefits to participants
19 and their beneficiaries, and defraying reasonable expenses of administering the system;

20 WHEREAS, SFERS is currently located at 1145 Market Street and has been in its
21 current location since 2013; and

22 WHEREAS, SFERS managed approximately \$18,400,000,000 in Defined Benefit Plan
23 assets in 2013 and currently manages approximately \$38,900,000,000; and

24 WHEREAS, SFERS managed approximately \$2,400,000,000 in Deferred
25 Compensation Plan assets in 2013 and now manages approximately \$6,500,000,000; and

1 WHEREAS, SFERS also invests the Retiree Health Care Trust Fund assets valued at
2 approximately \$1,500,000,000; and

3 WHEREAS, SFERS current facilities were designed to handle approximately 59,400
4 Defined Benefit Plan members; and

5 WHEREAS, SFERS Defined Benefit Plan members have grown 37 percent from
6 approximately 59,400 members in 2013 to 81,200 members in 2025, and Deferred
7 Compensation members have grown 52 percent from approximately 24,100 members in 2013
8 to 36,600 members in 2025; and

9 WHEREAS, SFERS desires to provide better service to its members by providing
10 sufficient private retirement counseling space and by expanding its waiting areas,
11 presentation rooms and other member areas to adequately accommodate the increase in the
12 members it serves; and

13 WHEREAS, SFERS desires sufficient conference room space to collaborate and to
14 meet with the increased number of Investment Managers and other service providers; and

15 WHEREAS, SFERS needs space that is sufficient to accommodate the number of
16 offices and cubicles necessary for its FTEs; and

17 WHEREAS, SFERS desires to relocate into the San Francisco Central Business
18 District, in close proximity to major transit hubs; and

19 WHEREAS, The Real Estate Division and SFERS located available space at 111 Pine
20 Street that accommodates SFERS needs; and

21 WHEREAS, On behalf of SFERS, the Real Estate Division (RED) negotiated an
22 agreement with Double Wood Investment, Inc., for 47,482 square feet of office space; and

23 WHEREAS, The City, through RED, with consultation from SFERS and the Office of
24 the City Attorney, have negotiated the proposed lease (Lease) with Landlord, which provides

1 a base rent of \$2,089,208 per year (\$174,100.67 per month), with annual adjustments of 3%,
2 a copy of the proposed lease is on file with the Clerk of the Board in File No. 260017; and

3 WHEREAS, The Landlord shall provide a turnkey buildout of the office space; and

4 WHEREAS, The Landlord shall provide a Tenant Improvement Allowance of \$100 per
5 square foot ("PSF"), approximately \$4,748,200 and City will contribute up to 4,748,200 of any
6 tenant improvement costs ("Excess T&I Costs"), which Excess T&I Costs shall be borne by
7 SFERS; and

8 WHEREAS, The Landlord at its sole expense, shall provide services to the Premises,
9 including janitorial, security, water, electricity, and HVAC, Monday through Friday 7:00 a.m. to
10 6:00 p.m., with City responsible for supplemental HVAC and after-hours HVAC; and

11 WHEREAS, During the term, City will also be responsible for its proportional share of
12 taxes and Landlord's operating expense increases over the base year of 2026, as set forth in
13 the Lease; and

14 WHEREAS, The initial term of the Lease shall be for 10 years, commencing the date
15 that the Landlord delivers the premises with the leasehold improvements substantially and
16 confirmed by the City; and

17 WHEREAS, Under the proposed Lease, the City has two additional five-year options to
18 extend, with rent to be the then fair market rental value as of the exercise date of the option,
19 and continuing to be subject to 3% annual increases thereafter; and

20 WHEREAS, SFERS shall pay the base rent and annual base rent escalation directly to
21 the Landlord and expects to occupy the described premises during the entirety of the Lease
22 term; and

23 WHEREAS, The proposed rent of \$44 per square foot ("PSF") escalating annually at
24 3% with 12 months of rent credit (approximately \$2,121,024.04), turnkey buildout, was
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1 determined by appraisal to be at or below fair market rental value, a second confirming
2 appraisal was not required by Administrative Code, Chapter 23; and be it

3 RESOLVED, In accordance with the recommendation of the Director of Property, The
4 Chief Executive Officer and Chief Investment Officer of SFERS, and the City Attorney, the
5 Director of Property on behalf of the City, as Tenant, is hereby authorized to take all actions
6 necessary to execute the Lease at 111 Pine Street, floors 8, 9, 10 and 11 in San Francisco, at
7 a base rent of \$2,089,208 per year, with an annual base rent escalation of 3%, for an initial
8 ten-year term, plus two five-year options to extend; and, be it

9 FURTHER RESOLVED, The Board of Supervisors approves the Lease in substantially
10 the form in the Board's File and authorizes the Director of Property to take all actions, on
11 behalf of the City to enter into any additions, amendments or other modifications (including
12 without limitation, the exhibits) to the Lease that the Director of Property determines, in
13 consultation with the Chief Executive Officer and Chief Investment Officer of SFERS and the
14 City Attorney, are in the best interests of the City, do not materially increase the obligations or
15 liabilities of the City, and are necessary or advisable to complete the transaction and
16 effectuate the purpose and intent of this Resolution and are in compliance with all applicable
17 laws, including City's Charter; and, be it

18 FURTHER RESOLVED, That the Lease contains language indemnifying and holding
19 harmless the Landlord from, and agreeing to defend the Landlord against any and all claims,
20 costs and expenses, including, without limitation, reasonable attorney's fees, incurred as a
21 result of Tenant's use of the Premises, or any negligent acts or omissions of City or its Agents
22 in, on, or about the Premises or the Building; except those claims, costs and expenses
23 incurred to the extent any Claim arises out of the negligence or willful misconduct of Landlord
24 or its Agents ; and, be it

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1 FURTHER RESOLVED, in the event another City department occupies any portion of
2 the described premises at any time during the Lease term, such City department shall
3 reimburse SFERS for its pro rata share of the Excess T&I Costs, and any rent abated during
4 the Lease term shall be allocated pro rata between SFERS and such City department; and be
5 it

6 FURTHER RESOLVED, That any action taken by the Director of Property and other
7 officers of the City with respect to the Lease are hereby approved, confirmed and ratified; and,
8 be it

9 FURTHER RESOLVED, That within thirty (30) days of the agreement being fully
10 executed by all parties, the Director of Real Estate shall provide a copy of the executed
11 agreement to the Clerk of the Board for inclusion into the official file.

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1 Available: \$0.00
2 (base rent for period 4/1/2026 through
3 6/30/26)

4	Fund ID:	31330
5	Department ID:	232320
6	Project ID:	10026788
7	Authority ID:	10000
8	Account ID:	530110
9	Activity ID:	0001

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15 Available: \$4,748,200
16 (City Tenant Improvements for period
17 4/1/2026 through 6/30/26)

18	Fund ID:	31330
19	Department ID:	232320
20	Project ID:	10026788
21	Authority ID:	10000

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Account ID:	528990
Activity ID:	0001

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/s/

7 Michelle Allersma, Budget and Analysis
8 Division Director on behalf of
9 Greg Wagner, Controller

10 Funding for Fiscal Year 2026/2027 is
11 subject to the enactment of the Annual
12 Appropriation Ordinance for Fiscal Year
13 2026/2027

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1 RECOMMENDED:
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4 /s/
5 Alison Romano
6 Chief Executive Officer &
7 Chief Investment Officer
8 San Francisco Employees' Retirement System

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10 RECOMMENDED:
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/s/
Sarah R. Oerth
Director of Real Estate