

City & County of San Francisco  
Daniel Lurie, Mayor



Office of the City Administrator  
Carmen Chu, City Administrator  
Sally Oerth, Director of Real Estate

May 8, 2026

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

Re: 1455 Market Street – 2nd Amendment to Lease

Dear Board Members:

Attached for your consideration is a Resolution approving a Second Amendment to the City's lease at 1455 Market Street (the "Lease") with Hudson Pacific Properties ("Landlord"). This Second Amendment would expand the City's premises by an additional 502,082 rentable square feet ("RSF") and extend the tenancy through April 30, 2049. This expansion supports the consolidation of administrative services from aging or above-market facilities into a modern, efficient building secured under favorable economic terms.

Under the leadership of the City Administrator, the Real Estate Division ("RED") has been evaluating strategies to improve operational efficiency, reduce reliance on outdated and costly facilities, and leverage current market conditions. On April 23, 2024, the Board approved Resolution No. 192-24, which authorized the initial Lease for approximately 157,154 RSF ("Phase 1"), enabling the relocation of several departments from 1155 Market Street after efforts to renew the City's office space lease there were unsuccessful.

The Lease included an option for the City to lease additional space in the building at the then same terms and conditions, and the City exercised this option in early 2024, culminating in the approval of Resolution No. 194-25 for 232,162 RSF ("Phase 2") to provide office and services space for the Human Services Agency and San Francisco Public Library IT. With the proposed Second Amendment, which will add 502,082 RSF ("Phase 3"), the total City occupancy would reach approximately 930,292 RSF.

Phase 3 facilitates the relocation of departments currently housed in facilities with significant operational, financial, or physical challenges, including:

- A full exit from 1 South Van Ness Avenue, a City-owned building that is overcrowded, operationally inefficient, and burdened by major systems at or near end-of-life, resulting in substantial deferred capital needs.
- A partial exit from 25 Van Ness Avenue, another City-owned site hosting administrative functions in outdated, overcrowded, and inefficient space. Partial relocation will enable consolidation into a footprint that better meets business needs at 1455 Market and allows essential building improvements at 25 Van Ness to proceed more efficiently.

- A full exit from 1390 Market Street, a leased property for City Attorney staff that is currently operating at above-market rental rates under a lease expiring in 2028.

Departments slated for relocation in Phase 3 include the San Francisco Municipal Transportation Agency, Department of Police Accountability, Department of Human Resources, Office of the City Administrator, Mayor’s Office of Housing and Community Development, Office of Community Investment and Infrastructure, Office of Economic and Workforce Development, Department of Technology, Department of Public Works, Civil Service Commission, Human Rights Commission, and City Attorney’s Office.

Centralizing these operations will reduce long-term costs, improve coordination, and bring critical administrative services together in a modern and resilient facility. 1455 Market has been structurally retrofit, is fully operable on generator power, has above-standard air filtration, and is a secure, Class A office building with a fully staffed lobby and destination elevators.

RED also negotiated several material economic benefits as part of the Second Amendment, summarized below:

<b>Lease Term</b>	<b>Second Amendment (Phase 3)</b>
<b>Base Rent</b>	Reset to \$40 per square foot beginning Jan 2027, reducing scheduled rent for Phases 1 & 2
<b>Rent Escalations</b>	Reduced from 3% annually to 1% annually for the first five years, then 3% thereafter
<b>Operating Expense Base Year</b>	Reset from 2027 to 2028, delaying operating expense pass-throughs by one year
<b>Base Year Reset</b>	Every 10 years, improving long term cost predictability
<b>Tenant Improvement Allowance</b>	Increased from \$100 to \$180 per square foot, retains \$15 per square foot moving allowance.
<b>Right of First Offer to Purchase</b>	If the City does not elect to trigger the existing purchase option before its expiration in 2027, it will now receive a right of first offer to purchase if the Landlord elects to sell during the term
<b>Additional Benefits</b>	Caps on controllable operating expenses, landlord provided space planning, additional electric-vehicle chargers at landlord cost, and a new shared conference facility on the 9 <sup>th</sup> floor at landlord cost

RED has engaged Public Works to support project management and design review, which will be centrally coordinated. As with Phases 1 and 2, the Phase 3 design envisions

efficient, flexible workspaces that reduce private offices while providing essential employee amenities including adequate gender-neutral restrooms, lactation rooms, and break areas.

Because RED secured a downward rent reset for Phases 1 and 2 effective January 2027, the City will realize immediate savings in Fiscal Year 2027/2028. The City will not incur Phase 3 tenant improvement costs or rent obligations until Fiscal Year 2027/2028, when the Phase 3 premises are delivered in Fall 2027 for departments relocating from 1 South Van Ness and 25 Van Ness, and in Spring 2028 for the City Attorney's Office staff exiting 1390 Market Street.

This amendment represents a major milestone in modernizing the City's administrative footprint, while continuing to support the Civic Center neighborhood. Should you have any questions regarding this matter, please don't hesitate to contact my office at 415-554-9860.

Sincerely,



Sally Oerth  
Director of Real Estate

