

1 [Real Property Lease - Employees' Retirement System - 1145 Market Street - \$16,401,813]
2 **Resolution authorizing a 10-year lease of 37,289 sq. ft. at 1145 Market Street, for office**
3 **space for the Employees' Retirement System from 1145 Market Street, LP, a California**
4 **Limited Partnership, for \$119,228.21 monthly for an approximate total of \$16,401,813 for**
5 **the period of July 1, 2014, through June 30, 2024.**

6 WHEREAS, The San Francisco Employees' Retirement System ("SFERS") is currently
7 located at 30 Van Ness Ave on the third floor and has been in its current location since 1999;
8 and

9 WHEREAS, SFERS managed approximately \$10.9 billion in Trust assets in 1999 and
10 currently manages \$18.4 billion in employer and member funds; and

11 WHEREAS, SFERS current facilities were designed to handle approximately 40,000
12 members; and

13 WHEREAS, SFERS members have grown over 30 percent from approximately 43,000
14 members in 1999 to approximately 59,400 members in 2013; and

15 WHEREAS, Currently, retirement counseling is provided in adjacent open cubicals with
16 limited privacy; and

17 WHEREAS, Retirement dates, payouts and options are of a very confidential and
18 personal nature to the SFERS members; and

19 WHEREAS, SFERS desires to provide better service to its members by providing
20 private retirement counseling and by expanding its waiting areas, presentation rooms, and
21 other member areas to adequately accommodate the approximate 38% increase in the
22 number of members it serves; and

23 WHEREAS, An increase in client service areas from its current 4,196 sq. ft. to a
24 proposed 8,814 sq. ft. will allow SFERS to provide private closed door counseling to its
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1 members, consolidate member service areas for SFERS members and the City's Deferred
2 Compensation Plan participants, provide adequate reception and waiting areas, provide
3 appropriate public space to accommodate larger seminar classes and allow greater public
4 seating for Retirement Board meetings; and

5 WHEREAS, 30 Van Ness Ave is 100% occupied by other City Departments and cannot
6 accommodate an expansion of SFERS; and

7 WHEREAS, The Health Service System (HSS) is located on the 1st and 3rd floors at
8 1145 Market Street in a 10-year lease authorized by Board Resolution 0191-13; and

9 WHEREAS, There is a synergy between SFERS and HSS and co locating SFERS and
10 HSS would have substantial benefits to City employees and retirees; and

11 WHEREAS, After exploring the costs and rental rates at alternative sites, SFERS
12 desires to co locate into leased space at 1145 Market Street; and

13 WHEREAS, The Director of Property has negotiated a new lease for a term of
14 approximately 10 years commencing upon Substantial Completion of Tenant Improvement
15 (anticipated Commencement Date of July 1, 2014) and terminating on June 30, 2024, (a copy
16 of the proposed Lease is on file with the Clerk of the Board in File No. 131218; the "Lease ");
17 and

18 WHEREAS, The Director of Property has determined that the proposed rental rate for
19 the ten (10) year term as set forth in the Lease is equal to or less than fair market rent for the
20 Premises; now, therefore, be it

21 RESOLVED, That in accordance with the recommendation of the SFERS Executive
22 Director and the Director of Property, the Board approves the Lease in substantially the form
23 in the Board's File and authorizes the Director of Property to execute and deliver the Lease,
24 and authorizes City staff to take all actions, on behalf of the City, to perform its obligations and
25 exercise its rights under the Lease; and, be it

1 FURTHER RESOLVED, As set forth in the Lease: (i) the Lease shall terminate
2 approximately ten (10) years after Substantial Completion of the Tenant Improvements
3 (anticipated Commencement Date of July 1, 2014) and Termination Date of June 30, 2024; (ii)
4 the initial annual rent (net of electricity) shall be \$1,430,738.50 (approximately \$38.37 per
5 square foot per year); (iii) the base rent shall increase at a rate of 3% annually; (iv) City shall
6 have an early Lease Termination Right exercisable by City after July 1, 2017; and (v) the
7 Landlord shall provide a tenant allowance of \$2,040,335 (approximately \$54.72 per square
8 foot) (the “Tenant Improvement Allowance”) and SFERS shall be responsible for the costs
9 exceeding the Tenant Improvement Allowance and for other typical tenant related moving
10 costs; and, be it

11 FURTHER RESOLVED, As set forth in the Lease, SFERS shall pay for its prorata
12 share of operating expenses over a 2013 base year and for other typical tenant expenses;
13 and, be it

14 FURTHER RESOLVED, That all actions heretofore taken by the offices of the City with
15 respect to the Lease are hereby approved, confirmed and ratified; and, be it

16 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
17 Property to enter into any amendments or modifications to the Lease (including without
18 limitation, the exhibits) that the Director of Property determines, in consultation with the City
19 Attorney, are in the best interest of the City, do not materially increase the obligations or
20 liabilities of the City, do not materially decrease the benefits to the City, or are necessary or
21 advisable to effectuate the purposes of the Lease or this resolution, and are in compliance
22 with all applicable laws, including City's Charter; and, be it

23 FURTHER RESOLVED, That the City shall occupy the entire Premises for the full term
24 of the Lease unless funds for the City's rental payments are not appropriated in any
25 subsequent fiscal year at which time City may terminate the Lease with reasonable advance

1 written notice to Landlord. Such termination shall then be effective upon surrender of the
2 Premises. Said Lease shall be subject to certification as to funds by the Controller, pursuant
3 to Section 3.105 of the Charter.

4 FURTHER RESOLVED, That within thirty (30) days of the agreements being fully
5 executed by all parties, the Director of Property shall provide the agreements to the Clerk of
6 the Board for inclusion into the official file.

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8 RECOMMENDED:

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John Updike
Director of Real Estate

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RECOMMENDED:
SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM

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Jay Huish
Executive Director

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