

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

April 4, 2014

TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst



SUBJECT: April 9, 2014 Budget and Finance Sub-Committee Meeting

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Item 2 File 14-0262	Department: Office of Economic Workforce Development
EXECUTIVE SUMMARY	
<p>Legislative Objective</p> <ul style="list-style-type: none"> • The proposed resolution would approve the final of two options to extend the existing lease between the City and County of San Francisco, on behalf of the Office of Economic and Workforce Development (OEWD), as tenant, and WCPI Commercial, as landlord, to lease approximately 3,900 square feet of space at 1449 Webster Street to operate the Western Addition Access Point, for the three-year period from September 1, 2014 through August 31, 2017. <p>Key Points</p> <ul style="list-style-type: none"> • The Western Addition Access Point is an employment program, providing comprehensive career planning and job search services. In 2012, OEWD selected Collective Impact to operate the Western Addition Access Point through a competitive RFP process. Collective Impact's contract with OEWD began on July 1, 2013 and extends through June 30, 2016. Collective Impact also has an office on 1050 McAlister in San Francisco and services a total of approximately 2,000 youths and adults per year. • The Board of Supervisors previously approved a three-year lease from September 1, 2008 through August 31, 2011 (Resolution 08-0882) which contained two three-year options to extend; the Board subsequently approved the first lease extension from September 1, 2011 to August 31, 2014 (Resolution 11-0339). <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The monthly rent of \$9,142 for the first year of the lease extension from September 1, 2014 through August 31, 2015 is \$267 or 3 percent more than the existing rent of \$8,875. Total estimated first year costs are \$137,628, which includes \$109,704 in rent and \$27,924 in operating costs. For each subsequent year of the lease, the rental rate will be adjusted according to the Consumer Price Index, with a minimum of two percent and a maximum of five percent per year. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer or with rent of \$5,000 or more and where the City is the tenant is subject to Board of Supervisors approval.

BACKGROUND

On July 29, 2008, the Board of Supervisors approved a three-year lease from September 1, 2008 through August 31, 2011 (Resolution 08-0882), on behalf of the Office of Economic and Workforce Development (OEWD) as tenant, and WCPI Commercial, LLC (WCPI Commercial), as landlord, for approximately 3,900 square feet of space at 1449 Webster Street to operate the Western Addition Access Point, an employment program as described below. The lease contained two three-year options to extend; the Board subsequently approved the first lease extension from September 1, 2011 to August 31, 2014 (Resolution 11-0339). The proposed resolution would exercise the second and final option to extend the lease for three years from September 1, 2014 through August 31, 2017.

The approximately 3,900 square feet of space at 1449 Webster Street includes a) a large common area for reception, display materials, and computer usage, b) three interview rooms, c) four shared offices for staff, and d) one room for classes and conferences. OEWD initially paid \$8,000 per month in 2008, approximately \$2.05 per square foot per month, or \$96,000 annually for the space, with annual Consumer Price Index¹ (CPI) increases. As shown below in Table 1, rent has increased between 1.7 percent and 2.3 percent each year from 2008 to 2013.

Table 1: OEWD Rent and Operating Costs for 1449 Webster Street from September 1, 2008 to August 31, 2014

Lease Year*	Price per Square Foot	Monthly Rent	Annual % Increase	Monthly Operating Costs	Monthly Total	Annual Total
2008-09	\$2.05	\$8,000		\$1,494	\$9,494	\$113,928
2009-10	2.09	8,160	2.0%	1,918	10,078	120,936
2010-11	2.13	8,299	1.7%	2,064	10,363	124,356
2011-12	2.17	8,489	2.3%	2,065	10,554	126,648
2012-13	2.22	8,667	2.1%	2,174	10,841	130,092
2013-14	2.28	8,875	2.4%	2,145**	11,020	132,240
Total						\$748,200

* Annual lease dates are from September 1 to August 31 of each stated year.

** Estimated through August 31, 2014.

¹ The Consumer Price Index represents changes in the prices of all goods and services for all urban consumers in the San Francisco-Oakland-San Jose area and is published by the Bureau of Labor Statistics under the United States Department of Labor.

Under the terms of the existing lease, OEWD is also responsible for paying monthly operating costs for (a) water, gas, and electricity, (b) maintenance and repairs, (c) janitorial services, (d) refuse and recycling services, and (e) pest control services, which ranged from \$1,494 to \$2,174 per month for the past six years, as shown in Table 1 above. The average percent change in operating costs is estimated to be 8% per year from September 1, 2008 to August 31, 2014.

OEWD has occupied the space at 1449 Webster Street for the Western Addition Access Point, which has been in operation since 2008 and provides comprehensive career planning and job search services for San Francisco residents in the Western Addition with job training and readiness tools, including (a) job search services, (b) job readiness skills training, (c) resume and interview coaching, (d) job training and education services, (e) access to public training funding, and (f) coordination with supportive services such as childcare and transportation assistance.

From July 1, 2008 through June 30, 2010, OEWD selected the nonprofit organization Rubicon Programs to operate the formerly named Western Addition One Stop Career Link Center through a competitive Request for Proposal (RFP) process. However, Rubicon Programs decided not to extend the contract beyond the original end date of June 30, 2010. From July 1, 2010 through August 31, 2013, the nonprofit Goodwill Industries contracted with OEWD to continue to provide the employment services at the Western Addition Access Point. Goodwill Industries was selected from the original list of competitive bids from the RFP process in 2008.

In 2012, OEWD held another competitive RFP process for the continued operation of the Western Addition Access Point and selected Collective Impact, a nonprofit organization. Collective Impact's three-year contract with OEWD began on July 1, 2013 and extends through June 30, 2016 for a total contract amount of approximately \$1.2 million. According to Mr. Merrick Pascual, Chief Financial Officer for OEWD, Collective Impact will operate the Western Addition Access Point comprehensive career planning and job search services program, including access to computer use, phone use, job search workshops, and training workshops for skill development for approximately 1,200 people per year. Additionally, approximately 250 people per year receive intensive case management services leading to employment or enrollment into further training. Collective Impact also has an office on 1050 McAlister in San Francisco and services a total of approximately 2,000 youths and adults per year.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the exercise of the second and final option to extend the existing lease between the City and County of San Francisco, on behalf of OEWD, as tenant, and WCPI Commercial, as landlord, for OEWD to continue to lease approximately 3,900 square feet of space at 1449 Webster Street to operate the Western Addition Access Point, for the three-year period from September 1, 2014 through August 31, 2017.

FISCAL IMPACT

Table 2 below lists the monthly rent, the estimated monthly operating costs, and the total estimated annual cost payable by OEWD to WCPI Commercial for the proposed three-year lease extension at 1449 Webster Street. According to Mr. Charlie Dunn, Senior Real Estate Office with the Real Estate Division, monthly rent for the first year of the lease extension of \$9,142 or approximately \$2.34 per square foot for the total space of approximately 3,900 square feet for the term of September 1, 2014 through August 31, 2015 was negotiated to be a 3 percent increase from the previous year's monthly rent of \$8,875. For each subsequent year of the lease, the rental rate will be adjusted according to the Consumer Price Index, with a minimum of 2 percent and a maximum of 5 percent per year.

Under the proposed lease extension, OEWD would continue to be responsible for program operating costs including (a) water, gas, and electricity, (b) maintenance and repairs, (c) janitorial services, (d) refuse and recycling services, and (e) pest control services.

The proposed lease extension provides the City with a unilateral right to terminate the lease with 180 days advanced written notice.

The annual rent and estimated operating costs payable by OEWD in the first year of the proposed three-year lease extension are \$137,628. Estimated total annual rent and operating costs for the proposed three-year lease extension will range from \$426,852 to \$436,944 depending on actual increases in operating costs and CPI-adjustments to the rent.

Table 2: Projected OEWD Rent and Operating Costs for 1449 Webster Street from September 1, 2014 to August 31, 2017.

	Monthly Rent	Estimated Monthly Operating Costs	Total Estimated Monthly Costs	Annual Total Estimated Costs
2014*	\$9,142	\$2,327	\$11,469	\$137,628
2015	9,325 - 9,599	2,525	11,850 - 12,124	142,200 - 145,488
2016	9,512 - 10,079	2,740	12,252 - 12,819	147,024 - 153,828
Total				\$426,852 - \$436,944

* Annual lease dates are from September 1 to August 31 of each stated year.

According to Mr. Pascual, OEWD will pay for the lease through the use of the City's General Funds, as appropriated by the Board of Supervisors in the OEWD annual budgets.

RECOMMENDATION

Approve the proposed resolution.