

File No. 250258

Committee Item No. 6

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date April 16, 2025

Board of Supervisors Meeting Date _____

Cmte Board

<input type="checkbox"/>	<input type="checkbox"/>	Motion
<input type="checkbox"/>	<input type="checkbox"/>	Resolution
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	<input type="checkbox"/>	Legislative Digest
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Budget and Legislative Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Youth Commission Report
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Department/Agency Cover Letter and/or Report
<input type="checkbox"/>	<input type="checkbox"/>	MOU
<input type="checkbox"/>	<input type="checkbox"/>	Grant Information Form
<input type="checkbox"/>	<input type="checkbox"/>	Grant Budget
<input type="checkbox"/>	<input type="checkbox"/>	Subcontract Budget
<input type="checkbox"/>	<input type="checkbox"/>	Contract/Agreement
<input type="checkbox"/>	<input type="checkbox"/>	Form 126 – Ethics Commission
<input type="checkbox"/>	<input type="checkbox"/>	Award Letter
<input type="checkbox"/>	<input type="checkbox"/>	Application
<input type="checkbox"/>	<input type="checkbox"/>	Public Correspondence

OTHER (Use back side if additional space is needed)

<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Presidential Action Memo – 30-Day Waiver 3/25/2025</u>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>RED-HSA Presentation 4/16/2025</u>
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Brent Jalipa Date April 10, 2025

Completed by: Brent Jalipa Date _____

[De-Appropriation - Building/Structure Improvement-Capital Renewal - 1235 Mission Street - \$3,346,898 - Appropriation - Projected Revenue Surplus - \$8,500,000 - Tenant Improvement - \$11,846,898 - 1145 Market Street - Human Services Agency - FY2024-2025]

Ordinance appropriating \$8,500,000 from projected revenue surplus, de-appropriating \$3,346,898 from building and structure improvement and capital renewal projects at 1235 Mission Street, and appropriating \$11,846,898 to interdepartmental services, rent paid to Real Estate, and in the Human Services Agency to fund one-time tenant improvement and furniture, fixtures, and equipment costs at 1145 Market Street, pursuant to the City's new lease for spaces designated for the Human Services Agency in Fiscal Year (FY) 2024-2025.

Note: Additions are *single-underline italics Times New Roman*;
deletions are ~~*strikethrough italics Times New Roman*~~.
Board amendment additions are double underlined.
Board amendment deletions are ~~strikethrough normal~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The sources of funding outlined below are herein appropriated and de-appropriated to reflect the projected sources of funding for FY2024-2025.

SOURCES Appropriation

Fund /	Project & Activity /	Account	Description	Amount
--------	----------------------	---------	-------------	--------

Department ID	Authority
---------------	-----------

10000 - Operating /	10001700 - HS AD County	445134	Food	\$3,694,650
---------------------	-------------------------	--------	------	-------------

149657 - HSA AM	Expense Claim 3 -		Stamps(State-	
-----------------	-------------------	--	---------------	--

Central	Agencywide Revenues /		Admin)	
---------	-----------------------	--	--------	--

Management	10000 - Operating			
------------	-------------------	--	--	--

10000 - Operating /	10001700 - HS AD County	445715	ChildWelfareS	\$2,651,374
---------------------	-------------------------	--------	---------------	-------------

149657 - HSA AM	Expense Claim 3 -		vc-Ab118-	
-----------------	-------------------	--	-----------	--

Central	Agencywide Revenues /		Abx1 16	
---------	-----------------------	--	---------	--

Management	10000 - Operating			
------------	-------------------	--	--	--

10000 - Operating /	10001700 - HS AD County	445301	Medi-Cal	\$2,153,976
---------------------	-------------------------	--------	----------	-------------

149657 - HSA AM	Expense Claim 3 -		Eligibility	
-----------------	-------------------	--	-------------	--

Central	Agencywide Revenues /		Determination	
---------	-----------------------	--	---------------	--

Management	10000 - Operating			
------------	-------------------	--	--	--

Total Sources Appropriation				\$8,500,000
------------------------------------	--	--	--	--------------------

USES De-appropriation

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
21784 - HS 1235	10037672 - 1235 Mission	567000	Bldgs,Struct&I	(\$1,575,000)
Mission / 149657 -	Elevator MODRN 1 - 1235		mprv Proj-	
HSA AM Central	Mission Elevator MODRN /		Budget	
Management	21784 - HS 1235 Mission			
21784 - HS 1235	10037673 - 1235 Mission	567000	Bldgs,Struct&I	(\$820,655)
Mission / 149657 -	window REPLC 1 - 1235		mprv Proj-	
HSA AM Central	Mission window REPLC /		Budget	
Management	21784 - HS 1235 Mission			
15811 - Facility	10037674 - 1235 Mission	584030	Capital	(\$951,243)
Impr & Maint /	HVAC MODRN 1 - 1235		Renewal	
149657 - HSA AM	Mission HVAC MODRN /		Projects	
Central	15811 - Facility Impr & Maint			
Management				
Total Uses De-appropriation				(\$3,346,898)

Section 2. The uses of funding outlined below are herein appropriated to reflect the projected funding available for FY2024-2025.

USES Appropriation

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
10000 - Operating /	10001700 - HS AD County	581890	GF-Rent Paid	\$11,846,898
149657 - HSA AM	Expense Claim 1 - Allocable		To Real	
Central	Staff&Overhd / 10000 -		Estate	
Management	Operating			
Total Uses Appropriation				<u>\$11,846,898</u>

Section 3. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform with Generally Accepted Accounting Principles and other laws.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

FUNDS AVAILABLE:
GREG WAGNER, Controller

By: /s/
BRADLEY RUSSI
Deputy City Attorney

By: /s/
GREG WAGNER
Controller

Items 5 & 6 Files 25-0265 & 25-0258	Department: Real Estate Division (RED), Human Services Agency (HSA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution (File 25-0265) would authorize the Director of Property to execute the First Amendment to the City’s lease with Hudson 1455 Market, LLC (Hudson) for office space at 1455 Market Street, expanding the leased premises by 225,883 square feet of office space and 6,279 square feet of basement storage, for total leased office space of 383,037 square feet, and increasing the annual base rent by \$9,306,380, for total annual base rent of \$15,781,124. The proposed ordinance (File 25-0258) would appropriate \$8,500,00 from projected revenue surplus, de-appropriate \$3,346,898 from capital renewal projects, and appropriate \$11,846,898 for rent paid to Real Estate, and tenant improvements in the Human Services Agency’s (HSA) FY 2024-25 budget for the move to 1455 Market Street. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> The City’s lease with Hudson at 1455 Market Street includes an option to expand to other spaces in the building. HSA occupies office space in a City-owned building at 170 Otis Street and a leased building at 1235 Mission Street. The buildings are both seismically unsafe, and HSA has determined that rather than retrofitting the buildings, it would be preferable to move staff to another location. The proposed lease expansion would accommodate HSA, the Library IT unit, and consolidate a separate lease for the San Francisco County Transportation Authority (SFCTA) into the same lease. RED and HSA, in consultation with Hudson, have determined that the estimated tenant improvements cost exceeds the lease allowance for tenant improvements by \$15.5 million. To fund this cost, HSA has proposed appropriating surplus revenues, de-appropriating \$3,346,898 in building improvements, and using other FY 2024-25 savings. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed lease amendment would increase the annual base rent by \$9,306,380, for total annual base rent of \$15,781,124. Over the initial 21-year term of the lease, the proposed amendment would increase the total rent paid by \$243,924,739, for total rent of \$417,903,557. With the savings from terminating existing leases, the total additional cost to the City from the proposed lease amendment is approximately \$126 million over 20 years. The tenant improvement cost could potentially be reduced by re-designing the office plans and/or by using existing or used furniture, instead of buying new furniture. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

City Administrative Code Section 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution.

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

In April 2024, the Board of Supervisors approved a lease with Hudson 1455 Market, LLC (Hudson) for approximately 157,154 square feet of office space, storage, and parking at 1455 Market Street, for a term of 21 years from May 2024 through April 2045, with two five-year options to extend through April 2055, and annual base rent of \$6,286,100 (\$40 per square foot) with three percent annual escalation (File 24-0312). The lease includes an option to expand to other spaces in the building under the same terms of the original lease through December 2027.

The Human Services Agency (HSA) occupies office space in a City-owned building at 170 Otis Street and a building owned by the San Francisco Unified School District (SFUSD) at 1235 Mission Street. The Department of Public Works (DPW) has evaluated the buildings and found them both to be seismically unsafe, with moderately high to high potentials of collapse in an earthquake. In 2017, DPW estimated that the cost for a potential retrofit of 170 Otis Street was approximately \$13.6 million, excluding soft costs and escalation. The retrofit would require relocating all staff, tearing the walls and flooring apart, and significant improvements to occupy the building again. HSA determined that the total cost may be approximately \$75 million and could take five years to complete. DPW did not estimate the costs for retrofitting 1235 Mission Street, but the City does not own the building, it is aging and difficult to maintain, and it has been impacted by poor street conditions outside. HSA has determined that rather than retrofitting the buildings, it would be preferable to move staff to another location.

After exploring other options in the Civic Center area, HSA decided to move its staff into available space at 1455 Market Street.¹ Additionally, the Library would like to move its Information Technology (IT) unit out of the Main Library building at 100 Larkin Street to free up space for core programs and library services. The Real Estate Division (RED) has notified Hudson that the City wishes to exercise its option to expand to accommodate HSA and the Library IT unit. The lease expansion would also consolidate approximately 27,234 square feet occupied by the San Francisco County Transportation Authority (SFCTA) under a separate lease into the same lease.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 25-0265) would authorize the Director of Property to execute the First Amendment to the City's lease with Hudson at 1455 Market Street, expanding the leased

¹ According to RED, DPW has not evaluated 1455 Market for seismic or other long-term maintenance needs. However, the Real Estate Director reports that the building exceeds current building code requirements, including for structural safety.

premises by 225,883 square feet of office space and 6,279 square feet of basement storage, for total leased office space of 383,037 square feet, and increasing the annual base rent by \$9,306,380, for total annual base rent of \$15,781,124. The resolution also affirms the Planning Department's determination under the California Environmental Quality Act (CEQA), adopts the Planning Department's findings of consistency with the General Plan and Planning Code, and authorizes the Director of Property to make further immaterial amendments to the lease.

The proposed ordinance (File 25-0258) would appropriate \$8,500,00 from projected one-time State and Federal revenue surpluses, de-appropriate \$3,346,898 from building and structure improvements and capital renewal projects, and appropriate \$11,846,898 to interdepartmental services, rent paid to Real Estate, and tenant improvements in the Human Services Agency's (HSA) FY 2024-25 budget for the move to 1455 Market Street.

Under the option to expand, the newly leased space is rented under the same terms as the original lease. The key terms of the proposed First Amendment are shown in Exhibit 1 below.

Exhibit 1: Key Terms of Proposed Lease Amendment

Premises	Approximately 383,037 square feet of office space, including Phase I premises (157,154 square feet on Floors 7, 12, 13, 16, & 17) and Phase II premises (225,883 square feet on the sublevel floor and Floors 4, 8, 18, & 22), and 6,279 square feet of basement space
Term	21 years, from approx. May 2024 through April 2025.
Annual Base Rent	\$15,781,124 (\$41.20 per square foot, Lease Year 2)
Basement Space Rent	\$194,021 (\$30.90 per square foot, Lease Year 2)
Rent Escalation	3% annually
Rent Start	Phase I: May 1, 2025 Phase II: The earlier of the date when City first occupies Phase II space or tenant improvements are substantially complete
Option to Expand	City may expand premises in the building under the same terms of the lease through December 2027
Option to Purchase	Because the City has rented over 400,000 square feet in the building, City has the option to purchase the building at appraised fair market value if provided notice by March 1, 2027. City must close escrow 255 days after notice or by December 31, 2027.
Parking	City may lease one parking space per 3,000 square feet at a rate of \$350 per space per month (subject to adjustment based on market rates)
Tenant Improvement Allowance	\$100 per square foot, or \$22,588,300 for Phase II premises
Moving Allowance	\$15 per square foot, or \$3,388,245 for Phase II premises
Electrical Costs	City pays Landlord as a passthrough cost without markup
Operating Costs	City pays percentage share of increase in operating costs over base year, which starts in 2027 with Phase II. Operating costs include heat, water, HVAC, janitorial services, and security.
Furniture Purchase	City may purchase existing furniture for \$1 per floor
Communications Equipment	City may install communications equipment on roof with Landlord approval.

Source: Proposed Lease Amendment

The initial annual base rent of \$41.20 per square foot for the Phase II premises is derived from the initial annual base rent of \$40 per square foot, escalated by three percent, as stated in the lease.

Tenant Improvements

According to Dan Kaplan, HSA Deputy Director of Administration and Finance, HSA anticipates that the moving allowance of \$15 per square foot will be sufficient to cover all costs associated with the move, but the tenant improvement allowance of \$100 per square foot will not be sufficient to build out the space. RED and HSA, in consultation with the building owner, have determined that the estimated tenant improvements cost is approximately \$32.1 million, or approximately \$9.6 million greater than the allowance of \$22.8 million. With new furniture, the additional amount needed is approximately \$15.5 million.

According to Andrico Penick, Director of Property, the tenant improvements exceed the allowance because of the unique space needs of building out a service center on the sublevel floor, which previously housed a WeWork location. Additionally, the 4th and 22nd floor were previously occupied by Uber and Square, which used open floorplans, which would not be conducive to HSA operations. HSA plans to have mostly cubicle space on the 4th floor with more private offices on the 18th floor. The tenant improvement, furniture, and total project costs are shown below in Exhibit 2.

Exhibit 2: HSA 1455 Market Improvement Costs

		Construction	Soft/Direct Costs	Furniture	Total Cost
Sublevel Floor	HSA Service Center	\$14,185,000	\$2,181,128	\$2,000,000	\$18,366,128
Floor 4	Eligibility Workers	8,465,000	1,974,671	2,900,000	13,339,671
Floor 18	HSA Executives, Budget, and Planning	4,715,000	785,702	950,000	6,450,702
Total		\$27,365,000	\$4,941,501	\$5,850,000	\$38,156,501

Source: HSA, RED

Tenant improvement work will be carried out by the landlord's contractors.

To fund this anticipated cost, HSA has proposed appropriating \$8.5 million in surplus State and Federal revenues and de-appropriating \$3,346,898 in building improvements at 1235 Mission Street that will no longer be needed due to HSA moving out of the building, for a total proposed appropriation of \$11,846,898. To fund the remaining approximately \$3.65 million, HSA plans to request the Controller authorize a surplus transfer of \$4 million in unspent funds from Family and Child Services, Care Not Cash, Community Based Organization (CBO) Services, and Aid Assistance programs, which will also cover a pending work order with the Department of Technology (DT) for wiring.

Space Plan

According to Deputy Director Kaplan, HSA plans to operate a service center on the sublevel floor (ground floor facing Mission Street) to connect residents to programs such as Medi-Cal, CalFresh, County Adult Assistance, and Welfare to Work. The 4th Floor would be used for back-office eligibility workers, relocated from 1235 Mission Street and 1440 Harrison Street, which frees up space at 1440 Harrison Street to relocate some employees from 170 Otis Street. The 18th floor would be used for the HSA executive team and administrative and operations functions. HSA plans to begin occupying the building in early 2026. In total, HSA plans to move approximately 730 full-time equivalent (FTE) employees into the building. The building floor plan is shown in Exhibit 3 below.

Exhibit 3: 1455 Market Street Floor Plan

Phase I Premises	City Department	Square Footage
Floor 7	SFMTA	51,789
Floor 12	Department of Human Resources (DHR)	16,507
	General Services Agency (GSA) Human Resources	8,719
	<i>Floor 12 Subtotal (Includes 1,126 sf Shared Space)</i>	<i>26,352</i>
Floor 13	Department of the Environment	22,074
	Mayor's Office of Disability	4,265
	<i>Floor 13 Subtotal</i>	<i>26,337</i>
Floor 16	Treasurer-Tax Collector (TTX)	17,565
	Contract Monitoring Division (CMD)	7,713
	<i>Floor 16 Subtotal (Includes 1,059 sf Shared Space)</i>	<i>26,337</i>
Floor 17	Assessor-Recorder	16,291
	Department of Children, Youth & their Families (DCYF)	10,046
	<i>Floor 17 Subtotal</i>	<i>26,637</i>
Phase I Total		157,154
Phase II Premises	City Department	Square Footage
Sublevel Floor	HSA (Service Center)	66,056
Floor 4	HSA (Back-Office Eligibility Workers)	97,718
Floor 8	Library IT	7,660
Floor 18	HSA (Executive Team, Administrative and Operations Functions)	27,215
Floor 22	San Francisco County Transportation Authority (SFCTA)	27,234
Phase II Subtotal		225,883
Total		383,037

Source: RED, HSA

In addition to the 1455 Market Street lease, HSA plans to move some staff from 170 Otis Street into leased offices at 1440 Harrison Street and 1640/1650 Mission Street. HSA and RED are also pursuing the purchase of a building in the Bayview area to operate a service center. The Capital Plan includes \$55 million for the purchase of a building and tenant improvements.

The incorporation of the SFCTA premises on the 22nd floor would begin after the current lease expires on July 1, 2025. RED also anticipates that the Library IT unit would move into the 8th floor space on July 1, 2025.

Any expanded space over the three-year option to expand would be rented at the same rate per square foot. If an option to extend the term is exercised, the rent for the extended term would be set at 95 percent of appraised fair market rent at that time.

City Option to Purchase

The lease contains an option for the City to purchase the building if it has rented at least 400,000 square feet in the building, which would be met with the proposed amendment, as the City also rents 38,894 square feet for the San Francisco Municipal Transportation Agency (SFMTA) under a separate lease. The City must provide notice to Hudson by March 1, 2027 and close escrow within 255 days of notice, or by December 31, 2027. The purchase price would be determined by an appraisal conducted at that time by a firm mutually agreed upon by the City and Hudson, but for no less than \$200 per square feet, or \$225,000,000. The option window provides an opportunity for RED and the Capital Planning Committee to analyze the feasibility of purchasing the building and to incorporate the potential purchase into the Capital Plan, which currently does not provide any funding during the ten-year planning horizon.

After the Phase II premises are occupied, approximately 700,000 square feet in the building would remain vacant and available for the City to further expand. According to Director Penick, RED is considering moving other City departments into the building after their current leases expire.

FISCAL IMPACT

Rent

The proposed lease amendment would increase the annual base rent by \$9,306,380, for total annual base rent of \$15,781,124. Over the initial 21-year term of the lease, the proposed amendment would increase the total rent paid by \$243,924,739, for total rent of \$417,903,557.² In addition, the City would pay \$5,213,420 in rent for the basement space, for a total rent increase of approximately \$249.1 million over the next 20 years. However, the proposed lease would allow the City to terminate HSA's lease at 1235 Mission Street and SFCTA's existing lease at 1455 Market Street, with combined annual rent of approximately \$4.4 million. Assuming three percent escalation, the total rent that would be paid for these leases over 20 years is approximately \$123.1 million. Therefore, with the savings from terminating these leases, the total additional cost to the City from the proposed lease amendment is approximately \$126 million, as shown in Exhibit 3 below.

Exhibit 3: Net Rent Increase to City over 20 Years

1455 Market Rent Increase, 20 Years	\$249,138,159
Savings from Terminating HSA & SFCTA Leases, 20 Years	(123,088,430)
Net Rent Increase	\$126,049,729

Source: BLA Estimates

² This assumes rent commencement dates of July 1, 2025 for the SFCTA and Library IT floors and February 1, 2026 for the HSA floors.

Although the City is increasing the amount of leased versus City-owned space in this transaction, it will save money from reduced maintenance costs on the obsolete 170 Otis building and at 1235 Mission (for which the lease with SFUSD requires the City to pay for building maintenance). The transaction also provides the City with the option to purchase 1455 Market at a later date, though at market rate. Once HSA moves out of 170 Otis, the site could be sold to offset City costs or redeveloped for another public purpose.

Rent Funding Source

According to Celia Pedroza, HSA Budget Director, HSA's rent is paid approximately 72 percent by the General Fund and approximately 28 percent by State and Federal sources. SFCTA and Library rents are paid by their respective funds.

Tenant Improvements

As mentioned above, the additional City cost for tenant improvements above the allowance is approximately \$15.5 million. This amount is offset by the defunding of \$3,346,898 in building improvements to 1235 Mission Street, and one-time savings in HSA's FY 2024-25 due to higher revenues and underspending in the General Fund.

During the FY 2024-25 budget process, HSA estimated that the additional cost to move into 1455 Market Street would be approximately \$11.6 million. These estimates were based on HSA's experience during previous projects in which it remodeled existing spaces to fit current needs. This amount increased to \$15.5 million once architectural designs were developed that more fully reflected client service needs within the spaces available at 1455 Market and more rigorously cost out the changes.

The total cost per square foot (excluding furniture) is \$248 for the service center, \$107 for the fourth floor, mostly cubicle office design, and \$202 for the 18th floor, which has more private offices and therefore is more expensive. These costs are within the range of recent office conversion projects. According to RED, the District Attorney office conversion for 350 Rhode Island cost \$281 per square foot (in 2024 dollars) and a similar office conversion in San Jose cost \$188. According to a report by Cushman and Wakefield, a real estate services firm, the average hard and soft costs for office tenant improvements in San Francisco in 2025 is \$240 per square foot.

Potential Cost Savings

HSA may be able to reduce the City's cost for tenant improvements by redesigning the sublevel floor and/or the 18th floor spaces. For example, changing the 18th floor design to include more cubicles and fewer private offices could potentially save \$1.0 - \$1.4 million, but may not be suitable for HSA operations.

HSA notes that it is pursuing price reductions, such as bidding out the furniture package, but these are not expected to yield significant savings. Given historically high office vacancies, the City could also consider buying used furniture or using existing furniture from 170 Otis, rather than new furniture, for this new office space. HSA plans on spending \$5.85 million on new furniture for 1455 Market.

HSA's FY 2024-25 budget includes \$3.5 million related to the move out of 170 Otis Street, but this will be used for moving and set-up costs into other locations, such as 3125/3127 Mission Street, 1640/1650 Mission Street, and 1440 Harrison Street.

Operating Costs

Under the lease, the City pays its percentage share (34.07 percent) of the increase in the building's operating expenses over the base year. The proposed amendment would delay the base year from calendar year 2025 to 2027, so the City would begin paying operating costs in 2028, rather than 2026. RED cannot estimate the operating costs at this time. The City also pays electrical costs as a direct passthrough from the landlord, which are estimated at approximately \$1 per square foot, or \$383,037.

RECOMMENDATION

Approve the proposed resolution.

1455 Market Street - Hudson

LEASE AMENDMENT FOR 225,883 RSF

FOR HUMAN SERVICES AGENCY, COUNTY TRANSPORTATION AUTHORITY AND LIBRARY IT UNIT
AT 1455 MARKET STREET

BUDGET AND FINANCE COMMITTEE 4/16/25

1455 Market Street

2



1455 Market Street – Stack Plan

3

Department	Current Location	Current Square Footage	New Location	New Square Footage	FTEs
County Transportation Authority (CTA)	1455 Market St, 22nd floor	27,234 RSF	1455 Market St, 22nd floor	27,234 RSF	45
Library IT Unit	SF Main Library, 100 Larkin St	3,500 RSF	1455 Market St, 8th floor	7,660 RSF	27
Human Services Agency (HSA)	Staff coming from multiple HSA locations, with the highest concentration coming from 1235 Mission and 170 Otis	191,000	1455 Market St, 2nd, 4th & 18th floors	190,989 SF	730
		221,734 RSF		225,283 RSF	

Lease Deal Points:

4

- Building Owner: Hudson Properties
- Total Building Size: 1,123,876 RSF
- Premises – Phase I: 157,154 RSF on Floors 7, 12, 13, 16 & 17.
- Premises – Phase II: 225,883 RSF on Floors 2, 4, 8, 18 & 22.
- Total Occupancy: 422,610 RSF (includes separate MTA lease on 7th floor of 39,573).
- Lease Term: 21 years (20 years remaining)
- Extension Options: Two 5-year options to extend
- Lease Expiration: April 30, 2045

Lease Deal Points:

5

- Phase II Rent Start: Approximately July 1, 2025 for CTA and Library IT and February 1, 2026 for HSA
- Rent Rate: Will match and escalate same as original Lease
- Rent Rate: \$41.20 psf fully serviced, net electricity
- Rent Escalation: 3% annually
- Base Year: Moves from 2025 to 2027 – No Operating Expenses until January 1, 2028
- TI Allowance: \$100 psf or approximately \$22,588,300

Lease Deal Points:

6

- Moving Allowance: \$15 psf or approximately \$2,979,735.
- Total Allowances: \$25,568,035
- One time City Costs: \$15,500,000 for HSA TIs.
- Additional Lease Options available until December 31, 2027
- Purchase Option opens upon 400,000 RSF of occupancy and remains available until December 31, 2027
- Turn it over to HSA to discuss Budget Supplemental



SAN FRANCISCO
HUMAN SERVICES AGENCY

Ordinance No: RO#25012, SA#45-12

File No. 250258

**De-Appropriation and Appropriation - Human Services Agency -
\$11,846,898 - FY2024-2025 (HSA)**

**Please note: Amendment to ordinance to indicate legislation is
related to 1455 Market Street – not 1145 Market Street*

April 16, 2025



HSA Occupies 2 Seismic Hazard 4-rated buildings

Plans to exit these structures have been ongoing in coordination with ADM-RED



170 Otis St. (City Owned)

135k sf of office and service center space, plus a basement with garage and storage space

Public service center, auditorium, garage space

- Family & Children's Services, CalWORKs, Workforce Development, Admin, Execs



1235 Mission St. (Leased from SFUSD)

118k sf of office and service center space, plus a surface parking lot

- Main City entry point and service center for CAAP, and CalFresh/Medi-Cal eligibility programs



Relocation plan: 1455 Market

* RED will lease 191k of service center and office space for HSA at 1455 Market:

- Ground Floor Service Center (66k sf)
 - Programs: CAAP, CalFresh and Medi-Cal eligibility & Workforce Development
- 4th Floor ESSS Operations (98k sf)
- 18th Floor Admin/Exec/Analytic Teams (27k sf)

*Lease will also include 5K of basement storage space

**City's Capital Plan also includes funding for new HSA building in Southeast of San Francisco where many clients reside



HSA Supplemental Appropriation: Funds most of the one-time costs at 1455 Market

- One-Time Tenant Improvement and FF&E costs at 1455 Market for HSA = **\$15.5 M**
 - Included in lease amendment from RED; costs above and beyond lease allowances
 - Largest share of cost = creating a public-facing, street-level service center
- Supplemental appropriation = **\$11.8 M**
 - **\$8.5 M** revenue surplus
 - **\$3.3 M** HSA capital project balances (1235 Mission)
- All appropriation will flow to RED, with expenses paid through 1455 lease
- Remaining balance shall be handled administratively through Surplus Transfers

One-Time Costs 1455 Market per lease	\$15.5 million
SUPPLEMENTAL	\$11.8 million
Surplus transfers	\$3.7 million



President, District 8
BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

Tel. No. 554-6968
Fax No. 554-5163
TDD/TTY No. 544-5227

RAFAEL MANDELMAN

PRESIDENTIAL ACTION

Date: 3/25/25

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,

Pursuant to Board Rules, I am hereby:

☒ Waiving 30-Day Rule (Board Rule No. 3.23)

File No. 250258 Mayor
(Primary Sponsor)

Title. De-Appropriation and Appropriation - Human Services Agency -
\$11,846,898 - FY2024-2025

☐ Transferring (Board Rule No 3.3)

File No. _____
(Primary Sponsor)

Title. _____

From: _____ Committee

To: _____ Committee


☐ Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor: _____ Replacing Supervisor: _____

For: _____ Meeting
(Date) (Committee)

Start Time: _____ End Time: _____

Temporary Assignment: ☒ Partial ☐ Full Meeting



Rafael Mandelman, President
Board of Supervisors

OFFICE OF THE MAYOR
SAN FRANCISCO



DANIEL LURIE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Adam Thongsavat, Liaison to the Board of Supervisors
RE: [De-Appropriation and Appropriation - Human Services Agency - \$11,846,898 - FY2024-2025]
DATE: March 18, 2025

Ordinance appropriating \$8,500,000 from projected revenue surplus, de-appropriating \$3,346,898 from building and structure improvement and capital renewal projects at 1235 Mission Street, and appropriating \$11,846,898 to interdepartmental services, rent paid to Real Estate, in the Human Services Agency to fund one-time tenant improvement and furniture, fixtures, and equipment costs at 1145 Market Street pursuant to the City's new lease for spaces designated for the Human Services Agency in Fiscal Year (FY) 2024-2025.

Should you have any questions, please contact Adam Thongsavat at adam.thongsavat@sfgov.org