

1 [Lease of Real Property]

2 **Resolution authorizing the renewal and expansion of an existing lease for the Human**  
3 **Services Agency and a new lease for the Department of City Planning with an option to**  
4 **purchase at 1650 Mission Street.**

5 WHEREAS, The Human Services Agency (“HSA” and formerly the Department of  
6 Human Services or DHS) leases approximately 51,119 sq. ft. at 1650 Mission Street for its In-  
7 Home Support Services (“IHSS”) Division pursuant to Board of Supervisors Resolution 467-  
8 03; and,

9 WHEREAS, The Human Services Agency’s IHSS Division provides valuable in-home  
10 services to some of San Francisco’s neediest citizens; and,

11 WHEREAS, The Board of Supervisors authorized the hiring of additional employees in  
12 its Fiscal Year 2005/2006 budget to expand HSA ’s IHSS; and,

13 WHEREAS, The Department of City Planning (“City Planning”) currently occupies two  
14 separate buildings (1660 Mission Street and 30 Van Ness Avenue) and desires to expand and  
15 consolidate its premises for better public service; and,

16 WHEREAS, The Department of Building Inspection desires to expand its premises at  
17 the City-owned facility at 1660 Mission Street for better public service; and,

18 WHEREAS, The Real Estate Division has negotiated not only favorable lease  
19 agreements to meet such needs but also a potential purchase of the property at 1650 Mission  
20 Street; and,

21 WHEREAS, 1650 Mission Street is a five-story office building containing approximately  
22 181,000 sq. ft. and the City will occupy approximately 77% of the property under rental  
23 agreements; and,

24 WHEREAS, It is the Board of Supervisor’s desire to stabilize the City’s general fund  
25 costs by owning rather than leasing its facilities; now, therefore,

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1 BE IT RESOLVED, That in accordance with the recommendation of the Director of the  
2 Human Services Agency, the Director of City Planning and the Director of Property, the  
3 Director of Property is hereby authorized to take all actions, on behalf of the City and County  
4 of San Francisco, as Tenant and Buyer, to execute (i) a Lease Amendment extending to  
5 September 30 2016 and expanding by 15,558 sq. ft. the existing lease of 51,119 sq. ft.  
6 (Resolution 467-03) for the Human Services Agency, and (ii) a new lease of 50,425 sq. ft. for  
7 the Department of City Planning which includes an option to purchase at a purchase price of  
8 \$40,500,000 (copies of which are on file with the Clerk of the Board, ("the HSA Lease  
9 Amendment", "the Planning Lease", respectively) and other related documents with G&I  
10 Mission, LLC ("Landlord"), for the building commonly known as 1650 Mission Street, San  
11 Francisco, California ("the Property"), on the terms and conditions herein and on a form  
12 approved by the City Attorney; and, be it

13 FURTHER RESOLVED, That the new City Planning Lease shall commence on the  
14 substantial completion or October 1, 2006, whichever occurs later and terminate on  
15 September 30, 2016. The monthly base rent shall be \$113,246.15 (approximately \$26.95 per  
16 square foot per year); fully serviced, and shall remain flat for the first five years of the term.  
17 Beginning October 1, 2011, there will be a one time adjustment based on percentage increase  
18 in the Consumer Price Index with a minimum increase of 15% and a maximum increase of  
19 30%. City shall also pay upon Lease commencement the amount of Tenant Improvements  
20 exceeding the Tenant Improvement Allowance of \$2,117,850 (approximately \$42 psf) which is  
21 estimated to be \$146,119 (approximately \$2.90 psf) and the typical tenant moving costs  
22 (telephone, data, moving, etc.); and, be it

23 FURTHER RESOLVED, That the existing HSA lease shall be amended to expand the  
24 Premises by 15,558 sq. ft. from 51,119 sq. ft. to 66,677 sq. ft. at rent increase for the  
25 additional space of \$39,340.68 per month (approximately \$26.95 per sq. ft. per year) fully

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1 serviced. Base rent shall remain flat for the first five years of the term. Beginning October 1,  
2 2011 there will be a one time adjustment based on percentage increase in the Consumer  
3 Price Index with a minimum increase of 15% and a maximum increase of 30%. The existing  
4 HSA lease shall also be extended to September 30, 2016 with the base monthly rental rate  
5 reduced at the expiration of the existing term (July 31, 2008) to the rental rate and terms of  
6 and for the expansion space; and be it

7 FURTHER RESOLVED, That the City shall have three (3) options to renew for five (5)  
8 years each. In each case, the rent for the option period shall be based on 95% of the then fair  
9 market value; and, be it

10 FURTHER RESOLVED, That the Lease Amendment, the Lease, shall include a clause  
11 approved by the City Attorney, indemnifying and holding harmless the Landlord, from and  
12 agreeing to defend the Landlord against any and all claims, costs and expenses, including,  
13 without limitation, reasonable attorney's fees, incurred as a result of City's use of the  
14 premises, any default by the City in the performance of any of its obligations under the Lease  
15 or the purchase option, or any acts or omissions of City or its agents, in, on or about the  
16 premises or the property on which the premises are located, excluding those claims, costs  
17 and expenses incurred as a result of the active gross negligence or willful misconduct of  
18 Landlord or its agents; and, be it

19 FURTHER RESOLVED, The option to purchase contained in the Planning Lease shall  
20 provide a Purchase Price of \$40,500,000 (approximately \$223 per sq. ft.), a due diligence  
21 period through December 31, 2006, and a close of escrow approximately 180 days after City's  
22 removal of contingencies; and, be it

23 FURTHER RESOLVED, That the Director of Property, the City Administrator, and the  
24 Director of Mayor's Office of Public Finance shall obtain Board of Supervisor's approval before  
25 removing contingencies; and, be it

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1 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City  
2 with respect to such lease are hereby approved, confirmed and ratified; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
4 Property to enter into any amendments or modifications to the HSA Lease Amendment or the  
5 Planning Lease (including without limitation, the exhibits) that the Director of Property  
6 determines, in consultation with the City Attorney, are in the best interest of the City, do not  
7 increase the rent or purchase price or otherwise materially increase the obligations or  
8 liabilities of the City, are necessary or advisable to effectuate the purposes of the Lease  
9 Amendment and Lease or the potential purchase, or this Resolution, and are in compliance  
10 with all applicable laws, including City's Charter; and, be it

11 FURTHER RESOLVED, That the City shall occupy the entire Premises for the full term  
12 of the Lease and Lease Amendment unless funds for each lease's rental payments are not  
13 appropriated in any subsequent fiscal year for each department, at which time City may  
14 terminate the lease with reasonable advance written notice to Landlord. Such termination  
15 shall then be effective upon surrender of the Premises. In the event of termination for non-  
16 appropriation, City agrees that it will not appropriate funds for the purpose of renting similar  
17 premises in a non-City building to conduct those Department operations for at least a year  
18 from such Termination Date. Said Lease shall be subject to certification as to funds by the  
19 Controller, pursuant to Section 3.105 of the Charter.

20 \$314,466.08 Available  
21 (HSA Rent Oct 1, 2006 to June 30,2007  
22 Index No. 45ADOH 021/030

23 \$1,019,215.31 Available  
24 (Planning Rent Oct 1, 2006 to June 30,2007  
25 Index-DBIPROJECTC,  
Project CBICPC 01,  
Subobject 06700

\$146,119.00 Available  
Planning Tenant Improvements  
Index-DBIPROJECTC,  
Project CBICPC 01,  
Sub-object 06700

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Controller  
Subject to the enactment of the Annual  
Appropriation Ordinance for Fiscal Year 06/07

RECOMMENDED:

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Director  
Human Services Agency

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Director  
Department of City Planning

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Director of Property  
Real Estate Division

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