

1 [Lease of Real Property - 333 Valencia Owner L.L.C. - 333 Valencia Street - Base Annual  
Rent \$2,209,239 - Tenant Improvements \$6,500,000]

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3 **Resolution approving and authorizing the Director of Property, on behalf of the City's**  
4 **Department of Public Health, to lease real property located at 333 Valencia Street, for**  
5 **an initial term of fifteen years anticipated to commence on February 16, 2021, from 333**  
6 **Valencia Owner LLC, at a base rent of \$2,209,239 per year with 3% annual increases;**  
7 **authorizing the Director of Property to execute documents, make certain modifications**  
8 **and take certain actions in furtherance of the Lease and this Resolution, as defined**  
9 **herein; finding the proposed transaction is in conformance with the General Plan, and**  
10 **the eight priority policies of Planning Code, Section 101.1; and adopting findings under**  
11 **the California Environmental Quality Act.**

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13 WHEREAS, The Department of Public Health("DPH") strives to protect and promote  
14 the health of all San Franciscans by providing a wide range of public health services and  
15 programs; and

16 WHEREAS, DPH currently operates several programs at the office building located  
17 at 30 Van Ness Avenue in San Francisco ("30 Van Ness"), which include: Maternal, Child &  
18 Adolescent Health, Public Health Emergency Preparedness and Response, Emergency  
19 Medical Services Agency and Ambulatory Care (collectively, DPH's "Programs"); and

20 WHEREAS, The purpose of these Programs is to support the Department of Public  
21 Health's broad spectrum of programs designed to protect and promote the Health of all of San  
22 Francisco providing, health care, family care and emergency programs; and

23 WHEREAS, The City previously owned 30 Van Ness, but sold the property in 2017  
24 to both consolidate multiple City departments within, and fund the development of, the office

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1 building being developed at 49 South Van Ness Avenue in San Francisco (“49 South Van  
2 Ness”); and

3 WHEREAS, Concurrent with the sale of 30 Van Ness, the City entered into a lease  
4 of 30 Van Ness (“Leaseback”) to allow the City to remain at the property for three years, or  
5 until the date that is 90 days after 49 South Van Ness is substantially complete and the City is  
6 legally and safely able to occupy it under a temporary certificate of occupancy, which  
7 certification is expected to occur in June 2020; and

8 WHEREAS, The majority of City occupants at 30 Van Ness will relocate to 49 South  
9 Van Ness, but DPH Programs, will relocate to 333 Valencia; and

10 WHEREAS, The Real Estate Division (“RED”), through DPH, and in consultation  
11 with the Office of the City Attorney, negotiated a proposed lease (“Lease”) with 333 Valencia  
12 Owner L.L.C. (“Landlord”) for an initial term of fifteen (15) years (the “Initial Term”), and a ten  
13 (10) year option to extend the term (the “Optional Term”), of approximately 44,229 rentable  
14 square feet of administrative, program, and office space (“Premises”) at the property located  
15 at 333 Valencia Street in San Francisco (the “Property”), a copy of the form of Lease is on file  
16 with the Clerk of the Board in File No. 200604; and

17 WHEREAS, The Property was determined to be the best site to relocate DPH’s  
18 Programs because of geographic proximity to Civic Center, availability of sufficient space,  
19 well-configured to the Departments use, with flexibility to configure in accordance with new  
20 space planning standards resulting from the COVID-19 emergency; and

21 WHEREAS, The Lease will commence upon substantial completion of the Property’s  
22 Base Building Work and Tenant Improvements (each defined below) necessary for the City’s  
23 occupancy, which is expected to occur on or around February, 9, 2021 (estimated  
24 “Commencement Date”); and

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1           WHEREAS, Prior to the actual Commencement Date, Landlord, at Landlord’s sole  
2 cost, will perform the base building improvements to the Property’s core and shell and  
3 infrastructure (collectively, the “Base Building Work”); and

4           WHEREAS, The cost of the improvements to the Premises specific to the use of the  
5 City (“Tenant Improvements”), of which the Landlord will contribute \$60 per square foot (or  
6 \$2,653,740), and the City will contribute up to an additional \$6,500,000; and

7           WHEREAS, Under the Lease, base rent payable by City will be \$2,209,239 per year  
8 (\$49.95 per sq. ft.), payable in monthly installments, with 3% annual increases, abated for 6  
9 months after the Commencement Date (the “Rent Commencement Date”); and

10          WHEREAS, The Director of Property determines the base rent negotiated in the  
11 Lease to be at or below fair market rental value; and

12          WHEREAS, As of the Rent Commencement Date, City is obligated to pay for its own  
13 utilities, services, routine maintenance and repair within the Premises, insurance, other  
14 operating expenses, plus actual property taxes assessed and attributable to the Property; and

15          WHEREAS, Throughout the Term, Landlord at its cost, will, amongst other things:  
16 (1) repair and replace major building systems; and (2) maintain the exterior, structure, and  
17 roof of the Property; and

18          WHEREAS, The Planning Department, in a letter (“Planning Letter”), made  
19 determinations regarding the Lease under the California Environmental Quality Act (“CEQA”)  
20 (the “CEQA Determination”), and found the proposed Lease is consistent with the General  
21 Plan, and the eight priority policies of Planning Code, Section 101.1 (the “General Plan  
22 Findings”); and

23          WHEREAS, The Lease contains an option for the City to purchase the Property  
24 pursuant to the terms and conditions of the Lease, with the City’s acquisition of the Property  
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1 being subject to a future final approval by the Board of Supervisors and Mayor in their  
2 absolute and sole discretion; now, be it

3           RESOLVED, That in accordance with the recommendation of the Director of DPH  
4 and the Director of Property, the Board of Supervisors approves the Lease in substantially the  
5 form presented to the Board, and authorizes the Director of Property, to take all actions  
6 necessary to execute the Lease and any other documents that are necessary or advisable to  
7 effectuate the purpose of this Resolution; and, be it

8           FURTHER RESOLVED, This Board affirms and adopts the General Plan Findings  
9 and CEQA Determination, for the reasons set forth in the Planning Letter; and be it

10           FURTHER RESOLVED, That upon execution of the Lease, City is authorized to  
11 request Landlord to perform completion of the Tenant Improvements on behalf of City at City's  
12 cost of *to not exceed \$6.2M* and pursuant to the terms and conditions of the Lease; and, be it

13           FURTHER RESOLVED, That under the Lease, City shall indemnify and hold  
14 harmless the Landlord from, and agree to defend the Landlord against, any and all claims,  
15 costs and expenses, including without limitation, reasonable attorneys' fees, incurred as a  
16 result of City's use of the premises or any negligent acts or omissions of City, its agents or  
17 invitees in, on or about the Property; and, be it

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

20           FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
21 Property to enter into any extensions, amendments or modifications to the Lease (including  
22 without limitation, the exhibits) that the Director of Property determines, in consultation with  
23 the Director of DPH and the Office of the City Attorney, are in the best interest of the City, do  
24 not increase the rent or otherwise materially increase the obligations or liabilities of the City,  
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1 are necessary or advisable to effectuate the purposes of the Lease or this Resolution, and are  
2 in compliance with all applicable laws, including City's Charter; and, be it

3 FURTHER RESOLVED, That within thirty (30) days of the Lease being fully  
4 executed by all parties, RED shall provide the final Lease to the Clerk of the Board for  
5 inclusion into the official file.

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