

1 [Real Property Lease - Trinity Center, LLC - 1145 Market Street - Health Service System -
2 \$588,787.05 Initial Base Rent]

3 **Resolution approving and authorizing the Director of Property, on behalf of the Health**
4 **Service System, to lease of a portion of the real property located at 1145 Market Street**
5 **with TRINITY CENTER, LLC a Delaware limited liability company, for an initial term of**
6 **ten years with one five-year extension option to renew at an initial annual base rent of**
7 **\$588,787.05 with 3% annual increases; the Lease will be effective upon approval of this**
8 **Resolution; and authorizing the Director of Property to enter into amendments or**
9 **modifications to the Lease that do not materially increase the obligations or liabilities**
10 **to the City and are necessary to effectuate the purposes of the Lease or this**
11 **Resolution.**

12
13 WHEREAS, The City and County of San Francisco (City), Health Service System
14 (HSS) has been located at 1145 Market Street since it separated from the Department of
15 Human Resources on July 1, 2005; and

16 WHEREAS, The Lease at 1145 Market Street has expired; and

17 WHEREAS, HSS desires to relocate from their first-floor location, to a portion of the
18 second floor moving from approximately 6,405 sq. ft. to 6,504 sq. ft. for a total of 19,659 sq.ft.
19 including the 2nd and 3rd floor; and

20 WHEREAS, HSS believes this will enhance operations and better meet their
21 programmatic needs; and

22 WHEREAS, On behalf of HSS, the Real Estate Division (RED) negotiated a Lease
23 Agreement with TRINITY CENTER LLC (Landlord) 19,659 sq.ft. at 1145 Market Street; and

24 WHEREAS, The City, through RED, with consultation from HSS and the Office of the
25 City Attorney, have negotiated the proposed lease (Lease) with Landlord, which provides a

1 base rent of \$588,787.05 per year (\$29.95 per sq.ft.), with annual adjustments of 3%, a copy
2 of the proposed lease is on file with the Clerk of the Board in File No. 240423; and

3 WHEREAS, The Landlord will be providing a Tenant Improvement Allowance in the
4 amount of \$325,000 for construction of leasehold improvements, moving expenses, furniture,
5 fixtures and equipment for the second floor Tenant Improvements; and

6 WHEREAS, RED anticipates that the Tenant Improvement Allowance will be sufficient
7 to cover the anticipated costs for same; and

8 WHEREAS, The Landlord at its sole expense, shall provide services to the Premises,
9 including janitorial, security, water, electricity, and HVAC, Monday through Friday 7:00 a.m. to
10 6:00 p.m., with City responsible to reimburse Landlord for sub-metered electricity to its leased
11 spaces; and

12 WHEREAS, During the term, City will also be responsible for its proportional share of
13 taxes and Landlord's operating expense increases over the base year of 2025, as set forth in
14 the Lease Agreement; and

15 WHEREAS, The initial term of the Lease shall be for ten years, commencing upon
16 approval by the Board of Supervisors and Mayor in their sole discretion; and

17 WHEREAS, Under the proposed Lease Agreement, the City has one additional five-
18 year option to extend, with rent to be 95% of then fair market rental value as of the exercise
19 date of the option, and continuing to be subject to three-percent annual increases thereafter;
20 and

21 WHEREAS, The Director of Property has determined that the base rent is at or below
22 fair market value for similar properties and is less per square foot than the requirement for an
23 independent appraisal under Chapter 23; now, therefore, be it

24 RESOLVED, In accordance with the recommendation of the Director of Property,
25 Director of HSS, and the City Attorney, the Director of Property on behalf of the City, as

1 Tenant, is hereby authorized to take all actions necessary to execute the Lease at 1145
2 Market Street, floors 2 and 3, in San Francisco, at a base rent of \$588,787.05 year, with an
3 annual base rent escalation of 3%, for an initial ten-year term, plus one five-year option to
4 extend; and, be it

5 FURTHER RESOLVED, The Board of Supervisors approves the Lease Agreement in
6 substantially the form in the Board's File and authorizes the Director of Property to take all
7 actions, on behalf of the City to enter into any additions, amendments or other modifications
8 (including without limitation, the exhibits) to the Lease that the Director of Property
9 determines, in consultation with HSS and the City Attorney, are in the best interests of the
10 City, do not materially increase the obligations or liabilities of the City, and are necessary or
11 advisable to complete the transaction and effectuate the purpose and intent of this Resolution
12 and are in compliance with all applicable laws, including City's Charter; and, be it

13 FURTHER RESOLVED, That the Lease contains language indemnifying and holding
14 harmless the Landlord from, and agreeing to defend the Landlord against any and all claims,
15 costs and expenses, including, without limitation, reasonable attorney's fees, incurred as a
16 result of Tenant's use of the Premises, any default by the Tenant in the performance of any of
17 its obligations under the Lease or any acts or omissions of Tenant or its agents, in, on or
18 about the Premises or the property on which the Premises are located, except those claims,
19 costs and expenses incurred exclusively as a result of active gross negligence or willful
20 misconduct of Landlord or its agents; and, be it

21 FURTHER RESOLVED, That any action taken by the Director of Property and other
22 officers of the City with respect to the Lease are hereby approved, confirmed and ratified; and,
23 be it

1 FURTHER RESOLVED, That Director of Property shall provide notice to the Board of
2 Supervisors in advance of exercising any authority under the agreement to extend its term;
3 and, be it

4 FURTHER RESOLVED, That within thirty (30) days of the Lease Agreement being fully
5 executed by all parties, the Director of Real Estate shall provide a copy of the final Lease
6 Agreement executed agreement to the Clerk of the Board for inclusion into the official file.
7

8 Available: \$ 98,131,17
9 (base rent for period 5/1/2024 through
6/30/24)

Fund ID:	10000 - GF Annual Account CTRL
Department ID:	291644 - HSS Health Service System
Project ID:	10001707 - HT Administration
Authority ID:	10000 - Operating
Account ID:	581650 Leases Paid to Real Estate
Activity ID:	0001 - HSS Administration



City and County of San Francisco

Tails Resolution

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

File Number: 240423

Date Passed: June 04, 2024

Resolution approving and authorizing the Director of Property, on behalf of the Health Service System, to lease of a portion of the real property located at 1145 Market Street with TRINITY CENTER, LLC a Delaware limited liability company, for an initial term of ten years with one five-year extension option to renew at an initial annual base rent of \$588,787.05 with 3% annual increases; the Lease will be effective upon approval of this Resolution; and authorizing the Director of Property to enter into amendments or modifications to the Lease that do not materially increase the obligations or liabilities to the City and are necessary to effectuate the purposes of the Lease or this Resolution.

May 15, 2024 Budget and Finance Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

May 15, 2024 Budget and Finance Committee - CONTINUED AS AMENDED

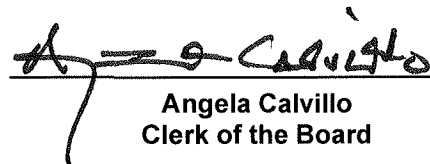
May 22, 2024 Budget and Finance Committee - RECOMMENDED


June 04, 2024 Board of Supervisors - ADOPTED

Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

File No. 240423

I hereby certify that the foregoing Resolution was ADOPTED on 6/4/2024 by the Board of Supervisors of the City and County of San Francisco.


Angela Calvillo
Clerk of the Board


London N. Breed
Mayor

6/13/24
Date Approved