

:LIGHTHOUSE: FOR THE BLIND AND VISUALLY IMPAIRED

Summary for Public Comment to the San Francisco Board of Supervisors Budget and Finance Committee

Subject: Ongoing Lease Dispute Between City of San Francisco and LightHouse for the Blind

RE: File No. 240312

Background: The LightHouse for the Blind is facing challenges with the City of San Francisco over the renewal of its lease, which expired in January 2023. Despite efforts to negotiate a new lease, the process has been prolonged and lacks transparency and the City is abandoning a long term partner.

Key Points Raised:

- 1. Lack of Transparency and Communication: The CEO of the LightHouse expressed concern over the lack of transparency and communication from the city regarding the lease renewal process. Despite efforts to move forward, negotiations were stalled without clear reasons provided. Additionally, we were informed from headlines and not by our long-term partner that this action was taking place, further exacerbating the sense of frustration and distrust in the process.**
- 2. Timeline of Negotiations: A timeline was presented in the information sent to the Board of Supervisors, City Administrator and Mayor, highlighting the progression of negotiations from the original lease expiration to the current date. Despite commitments made by the City, the lease renewal process has been met with obstacles, including rejection by the Board of Supervisors.**
- 3. Concerns About City's Real Estate Practices: The potential decision not to renew the lease raises questions about the city's commitment to long term partners and its real estate practices. The CEO questions the city's engagement and transparency in its decision-making process.**
- 4. Importance of Open Dialogue: Emphasis is placed on the need for open dialogue and collaboration between the city and organizations like the LightHouse. Lack of communication undermines trust and progress toward resolution.**

Response from City's Director of Real Estate: Andrico Penick, Director of Real Estate for the City and County of San Francisco, responds to the concerns raised. He asserts that negotiations have been transparent and conducted in good faith, with clear communication about the city's intentions and considerations.

Counterpoint:

- 1. Perceived Lack of Transparency: Despite the city's assertions, concerns remain about the transparency and clarity of the negotiation process, especially regarding the sudden rejection of the proposed and signed lease extension.**
- 2. Discrepancy in Rental Rates: Discrepancies between the proposed rental rates and market trends raise questions about the fairness and equity of the decision-making process.**
- 3. Financial Implications: The financial implications of the city's decision, including potential loss of revenue and relocation costs, underscore the need for a thorough cost-benefit analysis.**

Call to Action: The CEO of the LightHouse urges the Board of Supervisors to prioritize transparency, accountability, and open dialogue in future negotiations. Collaboration and meaningful engagement with stakeholders are essential to resolving the ongoing dispute and upholding the values of fairness and fiscal responsibility.

Conclusion: The LightHouse for the Blind and Visually Impaired – San Francisco urges the Board of Supervisors to address the concerns raised and work towards a positive outcome for all stakeholders involved, including your long-term partner and the taxpayers.

Respectfully Submitted:

**Sharon L. Giovinazzo
CEO**

**LightHouse for the Blind and Visually Impaired – San Francisco
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Attachments: Correspondence submitted to the BoS, Mayor and City Administrator

March 19, 2024

**Honorable Mayor London Breed
Board of Supervisors
City Administrator Carmen Chu
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102**

Dear Mayor Breed, Members of the Board of Supervisors, and City Administrator Chu,

I am writing to you today with a heavy heart regarding the ongoing lease dispute between the City of San Francisco and the LightHouse for the Blind. As the CEO of the LightHouse, I am deeply troubled by the lack of transparency and communication surrounding this matter, and I feel compelled to bring these concerns to your attention.

Let me present a timeline of how long this process has gone on. The original City lease expired in January of 2023 and as per the terms of the lease, the city committed to exercise its five-year option in a letter dated *Jan. 22, 2022*. A renegotiated and agreed-upon rate was *SIGNED by Mr. Penick on February 23, 2023*. Despite our efforts to move forward, on September 23rd, 2023, this matter was on the Board of Supervisors' agenda as a *DO NOT PASS*. We are currently on March 19th, 2024, and The LightHouse and our partner are still being strung along.

If in fact, the decision not to renew the lease of one of San Francisco's longest-standing nonprofits, the LightHouse for the Blind, this will raise significant questions about the city's real estate practices and its commitment to serving its most vulnerable residents. Despite public criticisms of others for abandoning the Mid-Market area, it is disheartening to witness the city itself taking similar actions, particularly without engaging in transparent dialogue with stakeholders.

Supervisor Aaron Peskin's recent statement that the city will let its actions speak for them highlights a concerning trend of avoiding genuine communication and engagement. It is imperative that the city prioritize open dialogue and collaboration with organizations like the LightHouse, especially when decisions directly impact the services and well-being of the community.

Furthermore, the lack of clarity surrounding the city's decision-making process raises concerns about fiscal responsibility and accountability to taxpayers. Despite being offered a reduced lease rate, the city has chosen to pursue alternative options, potentially resulting in additional costs and service disruptions. Supervisor Ahsha Safai's reluctance to pay perceived overvalue further underscores the need for transparent and accountable decision-making processes.

The failure of the city to engage in constructive dialogue with the LightHouse for the Blind is deeply troubling. Despite numerous attempts to reach out and discuss potential solutions, the city has chosen to proceed without genuine efforts to address the concerns raised by our organization. This lack of communication not only undermines trust but also hinders progress towards a mutually beneficial resolution.

As the CEO of the LightHouse for the Blind, I am committed to finding a solution that serves the best interests of our community. I am willing to engage in dialogue with any member of the Board of Supervisors, City Administrator Chu, or yourself, Mayor Breed, to address these issues and work towards a resolution. Additionally, I believe it is essential for the city to prioritize transparency and accountability in its real estate practices, ensuring that taxpayer dollars are used responsibly and in the best interest of all San Franciscans.

I urge you to consider the broader implications of this lease negotiations and to prioritize open communication and collaboration moving forward. The LightHouse for the Blind and its partner organizations stand ready to work with the city to find a resolution that upholds the values of transparency, accountability, and fiscal responsibility.

Thank you for your attention to this matter. I look forward to the opportunity to discuss these issues further and to work towards a positive resolution.

Hi Ms. Giovinazzo.

I am Andrico Penick, the Director of Real Estate for the City and County of San Francisco. While I understand and appreciate the sentiment of the Lighthouse for the Blind (Landlord) in this situation, I take exception to your characterization that the Landlord was blindsighted and that negotiations between the City and the Landlord have not been transparent.

The Landlord was and is fully aware that my exercise of the lease extension option and any agreed upon rent rate was subject to Board of Supervisor and Mayoral approval per section 3.4 (b) of the Lease. Further that if the Board or the Mayor failed to approve the proposed lease that the Option would terminate and be of no further force and effect. In this case, both the Budget and Finance Committee and the full Board of Supervisors rejected the proposed lease. Please see Section 3.4(b) of the Lease below for your reference (highlight added).

3.4 Extension Option(s)

(b) City may exercise the Extension Options, if at all, by giving written notice

to Landlord no later than twelve (12) months and not more than eighteen (18) months prior to expiration of the then expiring Term. Landlord acknowledges and agrees that City's notice of its intent to exercise an Extension Option shall be subject to enactment of a resolution by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, approving and authorizing the same, within ninety (90) days after the date such notice of exercise is given, and, if such authorizing resolutions approving the exercise of an Extension Option are not issued and received by Landlord within such ninety (90) day period, then City's exercise of the Extension Option shall be rendered null and void and City's rights under this Section 3.4 shall terminate and be of no further force or effect.

I have been negotiating with Landlord's broker Mark Geisreiter and Landlord's representative David Harrison in good faith since February 2023. At that time, I strongly suggested that the parties agree on a rent rate around \$64 psf which was \$2 psf less than the lease that the Board had just approved for the City Attorney at Fox Plaza. The Lighthouse Building and Fox Plaza were comparable and the Board had just approved the Fox Plaza lease. In my opinion, a lease brought quickly to the Board at that time and at that price would have been favorably received. I expressed that sentiment to the Lighthouse negotiating team on several occasions. Unfortunately, Lighthouse started negotiations at \$79.33 psf. It took almost a year for Lighthouse to come down to \$64.60 psf, a rent rate rejected by the Board of Supervisors because by that time the market and lease rates had dropped even further.

I have made no secret to Lighthouse and its negotiating team that, per the Board of Supervisor's direction, I am looking for a competitively priced buying opportunity that would allow the City to consolidate its Civic Center assets. In fact I informed the Lighthouse negotiating team of the terms and progress of those negotiations which resulted in Lighthouse making at least 4 counteroffers. The only way Lighthouse knew to make those counteroffers was because I was being overly transparent in my negotiations with another party, something rarely done in real estate transactions.

While Lighthouse may be disappointed by the current situation, it is blantly false that Lighthouse has been blindsided and that the City has not been transparent in its negotiations. AQP

Dear Mr. Penick,

I appreciate your detailed response and the effort you've put into clarifying the situation regarding the negotiations between the City and the Lighthouse for the Blind. While I understand your perspective, I must address some key concerns raised in your letter.

Firstly, I acknowledge the contractual obligations outlined in Section 3.4(b) of the Lease regarding the exercise of the extension option, subject to approval by the Board of Supervisors and the Mayor. However, despite the legal framework, there's a palpable frustration stemming from the perceived lack of transparency and the prolonged nature of these negotiations.

The delay and uncertainty surrounding the lease extension have understandably caused distress among both our organizations and the broader community. The discussions have indeed been ongoing since the January 22, 2022 letter, which makes it difficult to reconcile with the sudden rejection of the proposed lease extension by the Board of Supervisors.

Furthermore, the sentiments expressed by Supervisor Peskin regarding "letting our feet do the talking" understandably raise concerns about the partnership's stability and the commitment to constructive dialogue. While I empathize with the city's financial constraints and strategic real estate objectives, clear and open communication is essential to maintaining trust and fostering mutually beneficial relationships.

Regarding the rental rates, I acknowledge your efforts to negotiate in good faith and to provide insights into the City's budgetary considerations. However, the discrepancy between the initial proposed rate and the eventual offer suggests a significant gap in expectations, which may have contributed to the impasse in negotiations.

Transparency, fairness, and open communication are the cornerstones of any successful partnership. While I appreciate your perspective and the complexities involved, I urge for renewed efforts to address these concerns collaboratively. Building a foundation of trust and understanding is paramount to finding a mutually agreeable resolution moving forward.

I remain committed to constructive dialogue and am hopeful that we can work together to overcome these challenges and continue our partnership for the benefit of our respective organizations and the community at large.

April 1, 2024

RE: Urgent Concern Regarding the City of San Francisco's Lease Acquisition of Former Uber Headquarters

Honorable Mayor Breed, Members of the San Francisco Board of Supervisors, City Administrator Carmen Chu, and Esteemed Media Outlets:

I pen this correspondence with a sense of urgency and deep concern regarding recent developments pertaining to the lease acquisition of five floors of the former Uber headquarters by the City of San Francisco. As stakeholders deeply invested in the well-being of our community, it is imperative that we address the alarming lack of transparency and communication surrounding this matter.

First and foremost, it is crucial to emphasize the significance of the five-year option signed on January 22, 2022, in conjunction with the agreed-upon negotiated rate subsequent to the involvement of both the LightHouse and city-appointed appraisers with a signed agreement in February of 2023. This meticulous process was undertaken with the mutual understanding that all parties involved would uphold the principles of transparency and open dialogue. Regrettably, the recent revelation of the city's decision to pursue a separate lease arrangement comes as a shock and a betrayal of the collaborative spirit underpinning our initial negotiations.

The glaring absence of communication underscores a fundamental breach of trust between the City and community stakeholders. It is deeply disconcerting to learn of this significant development solely through headlines, rather than through direct and open dialogue. This lack of transparency not only undermines the principles of accountability but also jeopardizes the trust upon which fruitful partnerships are built.

Moreover, the stark disparity between the negotiated lease rates is cause for serious concern. While the City has reportedly secured a lease for \$40 per square foot, it is important to note that the LightHouse's last offer stood at \$39 per square foot, inclusive of a two-year rent concession. This discrepancy raises questions about the fairness and equity of the decision-making process, particularly in light of our shared commitment to fiscal responsibility and prudent stewardship of resources.

Furthermore, the discrepancy between the City's stated intentions and the actual outcome of the lease acquisition is cause for serious reflection. City Administrator Carmen Chu's assertion of a need for a 1 million square foot campus to house all city services stands in stark contrast to the mere additional 53,000 square feet acquired.

This incongruity calls into question the rationale behind the decision and underscores the need for greater clarity and accountability in future deliberations.

Additionally, the financial implications of this decision must not be overlooked. The loss of holdover rent in excess of \$2.5 million dollars, coupled with the costs associated with the relocation process, undermines any purported savings associated with the lease acquisition. It is imperative that we conduct a thorough cost-benefit analysis to assess the true impact of this decision on taxpayer dollars and community resources.

In conclusion, I urge all parties involved to prioritize transparency, accountability, and open dialogue in all future endeavors. As stewards of our community's well-being, it is incumbent upon us to uphold the highest standards of integrity and ethical conduct. I implore you to engage in meaningful dialogue with community stakeholders to address these concerns and chart a path forward that reflects the values of fairness, transparency, and fiscal responsibility.

Thank you for your attention to this matter. I eagerly await your response and stand ready to engage in constructive dialogue to resolve these pressing issues.

From: [Van Hart](#)
To: [MandelmanStaff \(BOS\)](#); [ChanStaff \(BOS\)](#); [MelgarStaff \(BOS\)](#); [Jalipa, Brent \(BOS\)](#); [Breed, Mayor London \(MYR\)](#)
Subject: Lease termination with Lighthouse for the Blind and new leases for 1145 Market and 1455 Market St.
Date: Tuesday, April 16, 2024 5:16:14 PM

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Dear San Francisco BOS Finance and Budget committee,

I am writing to question the decision to terminate the existing lease with The Lighthouse for the Blind which the city currently leases over 100,000 sq. ft. for over 10 years. It is my understanding that the city has continued to rent their space for over 2 years on a holdover lease. A new amended lease was placed on the BOS agenda to renew in the 4th quarter of 2023. With rents coming down Lighthouse had a revised proposal to reduce the terms to \$39 a sq. ft. with 2 years of free rent. The lack of transparency of these 2 new leases and the moving of city offices moving next door into similar space and disrupting existing operations brings into question of the city's management of its real estate needs. I could fully understand if Lighthouse was operating as an unreasonable landlord and was not willing to negotiate a fair deal for the new lease for the city but nothing has been shown as to that being the case.

Lighthouse for the Blind is a stalwart non-profit in the Bay Area providing services to over 3000 people a year. They have operated as a model citizen of the local community in the non-profit world. I am not sure what message the City of San Francisco is sending out to other parts of the country when it has the highest vacancy rate in the country and it goes out and undermines a major stakeholder in its non-profit community. I understand the desire of the city to get the best possible deal for the city and to take advantage of the current economic environment. As a citizen I would say I fully support that objective. Since these leases were only put before the public yesterday I have had no time to study the exact terms. That said, based on what I know I believe that Lighthouse would be competitive or cheaper over the long term than either of these proposals. Without time to fully evaluate these proposals it is far too difficult to say on such short notice. The most galling thing of this very smelly deal is that the Mayor's Office of Disability is located in the building with a Muni and Bart station at the front door; that's true accessibility for the community via public transportation.

In a city that prides itself for its progressive values, one would think that The City would bend over backwards to support one of its vibrant self-sufficient and self-sustaining non-profits. I would ask the city to reconsider the cancelling of the lease for 1155 Market St. as it plays musical chairs in its consolidation of space in the civic center area. There is no reason to give up its 100,000 sq. ft. of existing space with Lighthouse and not incorporate that footprint into its desire to support the Civic Center / UN Plaza area and create a more compact city government campus.

Sincerely,

Van Hart
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My name is Brandon Cox, Chief Operating Officer of LightHouse for the Blind and Visually Impaired who is the primary owner of 1155 Market.

The lease approvals for 1455 and 1145 Market effectively end a long-term partnership at the 1155 Market LightHouse Building between the city and the longest continually operating nonprofit in San Francisco.

In 2014 the LightHouse Board made a major investment in revitalizing the 1400 block of MidMarket by purchasing 1155. At that time the City supported our this investment by continuing to lease floors 1-8 of our building. Since that time we have served as an anchor and support for improving the safety and accessibility of our block directly across from UN Plaza.

We have weathered and fought against the doom loop narrative in the press while also recognizing the impact of an open air drug market at our doorstep that brings destruction of property and significant safety and accessibility concerns of the blind community we serve and all who work at 1155 including our employees and those of CCSF. We have endured the cost of having to pay for the good services of community ambassadors to ensure safety and access around our facility. We have seen store front after storefront close around us and building after building empty out with plywood now covering the entrance. We have also celebrated the creative and impactful solutions employed in UN plaza, most recently the success of the skate park managed by the Parks department. We regularly host events to bring light into the community around us.

With environmental conditions worsening we have all seen the value of commercial property plummet in Mid-Market and we understood why there was a need to negotiate further.

After this committee sent the lease option for 1155 Market back to negotiating table we were hopeful to come to a good faith compromise to retain the valuable City presence in our building. We presented counter after counter in what seemed to be a race to the bottom to come to an agreement. To be clear we were always under the impression that this was negotiable, and that the city would stay at least for another lease term.

Unfortunately, the real estate department has decided not to present these options to this committee and ultimately we found out through the press that this was the case. I have one question for you to consider before you vote on moving this lease to full board approval: What message will this send to other non-profits or socially minded businesses who can take a risk and invest in Mid-Market?

On a final note of hope, we are still committed to serve as an anchor in Mid-Market, continuing our mission to serve the blind and low vision community in San Francisco. We hope to keep you updated on our next steps and to have the support of the City as we seek to reimagine the use of 1155 in the coming months.