

AMENDED IN COMMITTEE  
10/16/2019

FILE NO. 190920

RESOLUTION NO.

1 [Lease Amendment - Lexington Lion San Francisco, LP - 350 Rhode Island Street-North -  
2 \$2,850,000 Rent Credit]

3 **Resolution authorizing the execution and acceptance of the First Amendment**  
4 **to Lease of that certain lease dated September 28, 2017 (“Lease”), by and**  
5 **between Lexington Lion San Francisco, LP, a Delaware Limited Partnership**  
6 **and the City and County of San Francisco, for the real property located at 350**  
7 **Rhode Island Street-North, facilitating the provision of a rent credit to the City**  
8 **in the amount of \$2,850,000 in consideration for a waiver of certain real estate**  
9 **expense pass-through protections afforded to the City under the Lease, with no**  
10 **change to the term, to commence upon approval by the Board of Supervisors.**

11  
12 WHEREAS, The property at 350 Rhode Island Street-North (the “Property”), is  
13 a multi-user office building of 125,122 square feet, for use by the District Attorney’s  
14 Office, to be delivered in phases upon natural terminations of several privately held  
15 leaseholds; and

16 WHEREAS, The Lessor is interested in selling the Property; and

17 WHEREAS, The Lease affords the City certain protections from increased real  
18 estate expense pass-throughs (property tax increases) should the property be sold  
19 prior to July 24, 2021, and affords the City zero protections from said real estate  
20 expense pass-through increases after July 24, 2021; and

21 WHEREAS, The Lessor could choose to sell the Property at this time at a  
22 lower price (reflecting the impact of the City’s expense pass-through protections), or  
23 choose to sell the Property on or after July 25, 2021, at a higher price, with no  
24 financial protections to the City in such event; and

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1           WHEREAS, The Real Estate staff has negotiated an Amendment to Lease  
2 that would facilitate a sale during calendar year 2019 that waives certain real estate  
3 expense pass-through protections in consideration for a rent credit in the amount of  
4 \$2,850,000 payable to the City in installments (as a rental credit) over a 48 month  
5 period of time that best addresses the City’s cash flow requirements relative to the  
6 Lease; and

7           WHEREAS, The Real Estate staff have analyzed the fiscal implications to the  
8 City as Tenant in the event of a deferral of this sale to after July 24, 2021, versus  
9 facilitating a sale at this time, and finds the negotiated rent credit is the best financial  
10 option for the City; now, therefore, be it

11           RESOLVED, That in accordance with the recommendation of the Director of  
12 Property, the execution, delivery and performance of the Amendment to Lease is  
13 hereby approved and the Director of Property (or his designee) are hereby authorized  
14 to execute the Amendment to Lease, in substantially the form referenced herein, on  
15 behalf of the City and any such other documents that are necessary or advisable to  
16 complete the transaction contemplated by the Amendment to Lease and effectuate  
17 the purpose and intent of this Resolution; and, be it

18           FURTHER RESOLVED, That the Board of Supervisors authorizes the Director  
19 of Property (or his designee), in consultation with the City Attorney, to enter into any  
20 additions, amendments or other modifications to the Amendment to Lease and any  
21 other documents or instruments necessary in connection therewith, that the Director  
22 of Property determines are in the best interests of the City, do not materially decrease  
23 the benefits to the City with respect to the Property, do not materially increase the  
24 obligations or liabilities of the City, and are necessary or advisable to complete the  
25 transaction contemplated in the Amendment to Lease and that effectuate the purpose

1 and intent of this Resolution, such determination to be conclusively evidenced by the  
2 execution and delivery by the Director of Property (or his designee) of any such  
3 additions, amendments, or other modifications; and, be it

4 FURTHER RESOLVED, That the Director of Property shall provide the Clerk  
5 of the Board of Supervisors a fully executed copy of the Amendment to Lease within  
6 thirty (30) days of signature of same.

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RECOMMENDED:

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Director of Property