

2nd Amendment to Lease for City Office Space

Site:

1455 Market Street

Landlord:

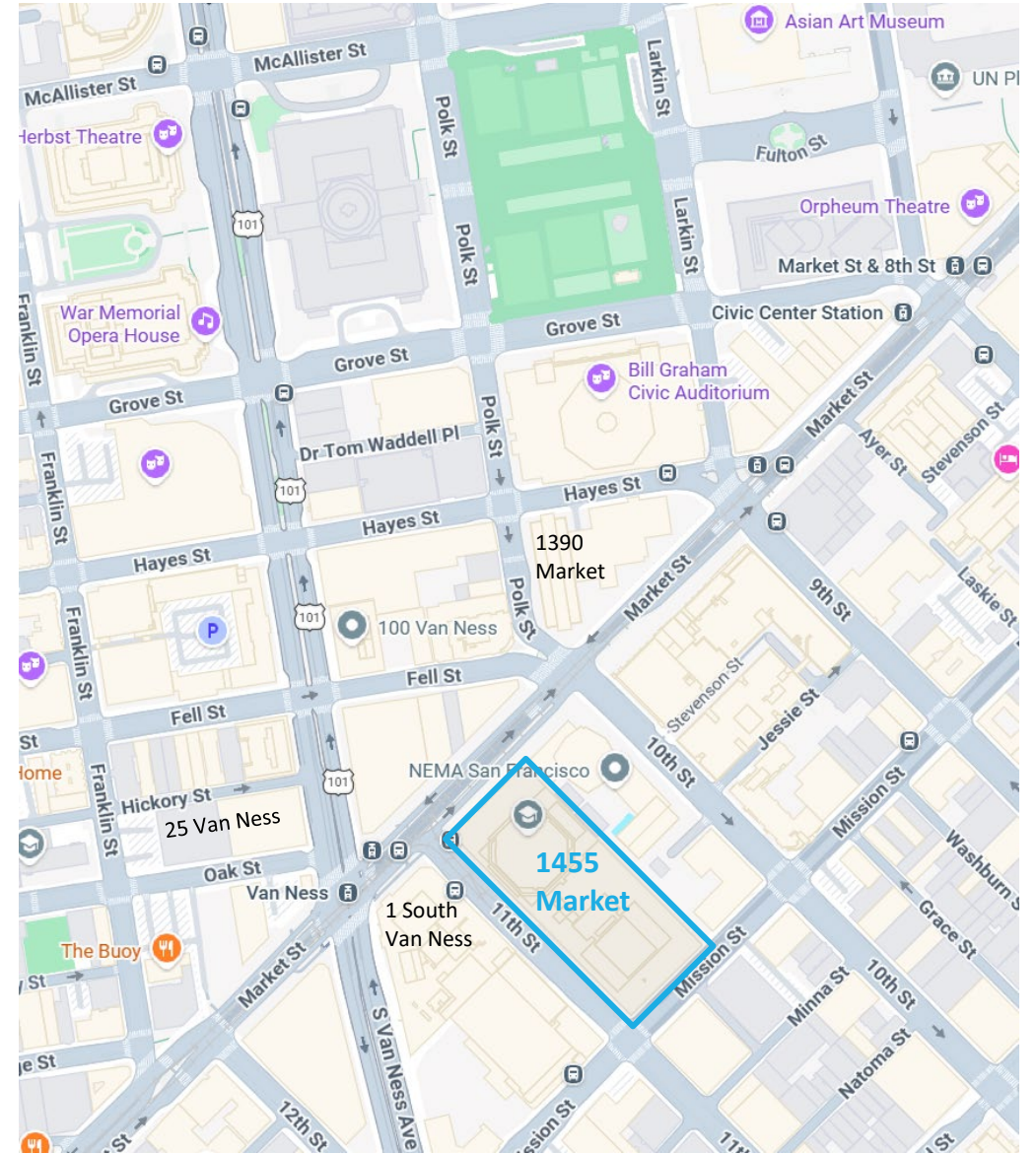
Hudson 1455 Market Street LLC

Real Estate Division

BUDGET & FINANCE
COMMITTEE

MAY 27, 2026

1455 Market Location



Background & Overview

- **Original lease executed 05/2024 ("Phase 1"):** 1155 Market Street tenants +154,197 RSF to a transit-proximate, ADA compliant, operationally and seismically resilient property with landlord incentives
- **1st amendment executed 05/2025 ("Phase 2"):** HSA, Library IT, CTA +232,162 RSF
- **2nd amendment (proposed "Phase 3"):** 1 South Van Ness (full exit), 25 Van Ness (partial exit), and 1390 Market tenants +502,082 RSF
- **Renegotiated lease terms with material economic advantages for City**
 - Increased upfront incentives
 - Ongoing rent and base year resets apply to current and proposed tenants
- **Advances policy direction for office portfolio and Market/Octavia**
 - Consolidates general administrative offices for greater efficiency
 - Enables potential disposition of costly asset planned for high density

1455 Market Street: Proposed Phase 3

1 South Van Ness (1SVN)

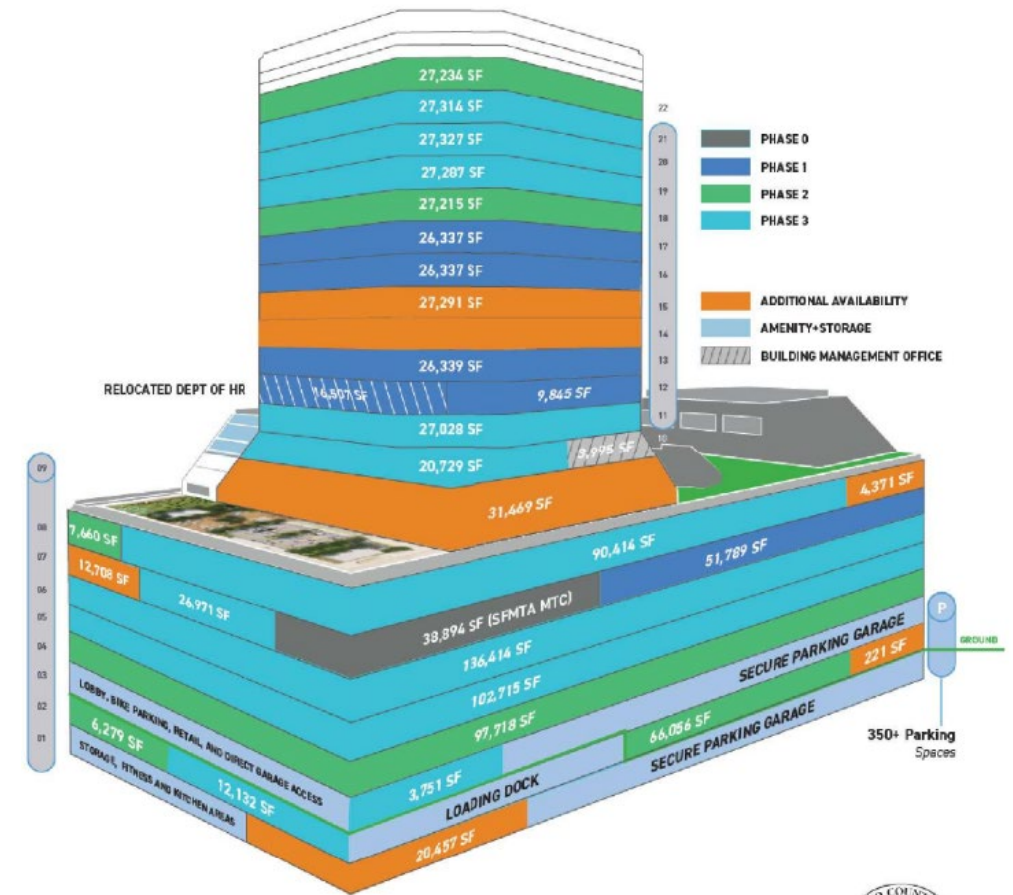
- City Administrator – 311, COIT, DataSF, Digital Svcs
- Community Investment & Infrastructure
- Economic & Workforce Development
- Housing & Community Development
- Human Resources
- Municipal Transportation Agency
- Police Accountability
- Technology & Information Svcs

25 Van Ness (25VN)

- City Administrator – Real Estate, Risk Management
- Civil Service Commission
- Human Rights Commission
- Public Works – Human Resources

Fox Plaza (1390 Market)

- City Attorney



Renegotiated Ongoing Terms

- **Premises:** 502,082 RSF
- **Term:** through April 2049
- **Rent:** **reset to \$40/sf as of Jan 2027 (reduces existing rent for Phases 1 & 2)**
- **Escalation:** **reduced from 3% to 1% until 2032** , then 3% ongoing
- **Operating Expenses:** **Base Year reset from 2027 to 2028** (i.e., additional year of no OpEx payments); additionally Base Year resets every 10 years
- **Purchase Options:** adds Right of First Offer to Purchase after existing Purchase Option expires

*New terms **save \$59M** on existing space over the life of the original lease*

- *\$3M saved from the base year reset*
- *\$56M saved from the rent reset + reduced escalation*

Renegotiated Upfront Incentives

\$195/SF Tenant Improvement + Move Allowances

- \$98M in Landlord incentives for City office space
- Increase of \$80/sf from original lease terms

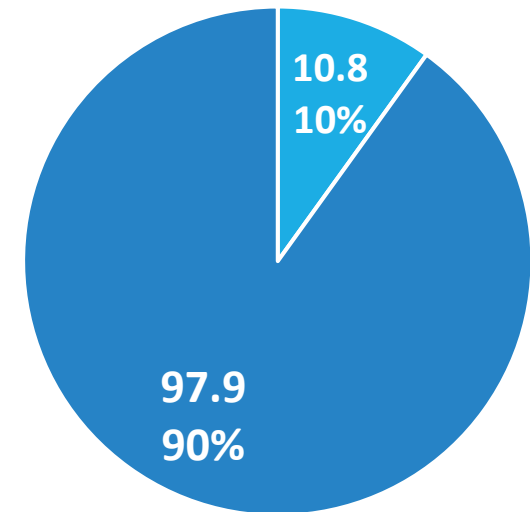
No-cost additional building amenities and upgrades

- Shared conference facility and 11 additional EV charging stations on top of \$98M for City space

City's not-to-exceed contribution: \$10.8M

- \$8.8M for tenant improvements
- \$2M budgeted for internal DT/technology costs

Project Contribution (\$M)

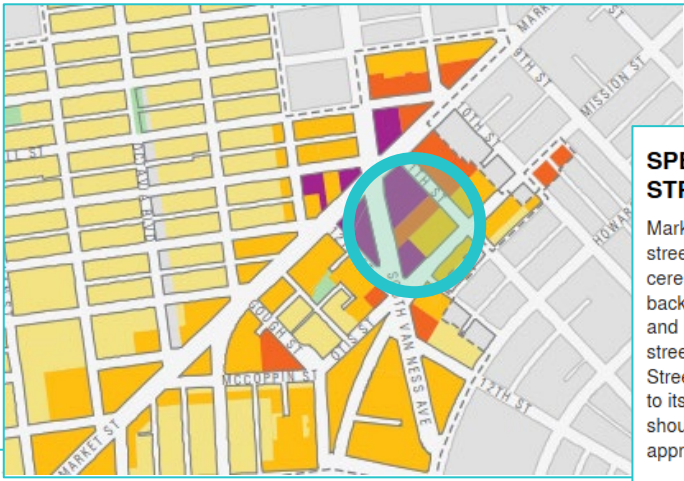


■ City ■ Landlord

Advancing the Market & Octavia Area Plan

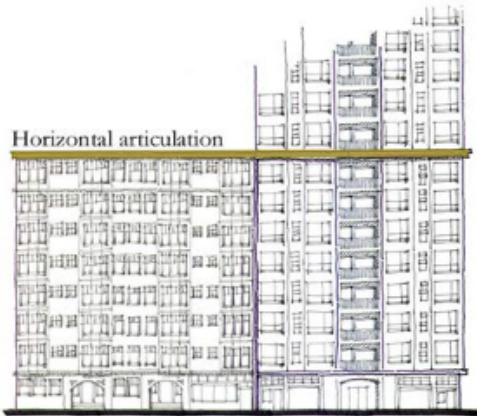
SPECIAL STREETS - MARKET STREET

Market Street is San Francisco's premiere civic street—it is the focal point for the city's commercial, ceremonial, and cultural life. Market Street is the backbone of the city and regional transit systems and is also the City's busiest pedestrian and cycling street. Given its special role, buildings along Market Street, and the uses they support, should contribute to its vitality and life as a civic space. New buildings should have a human scale and character appropriate for a street of its scale and prominence.

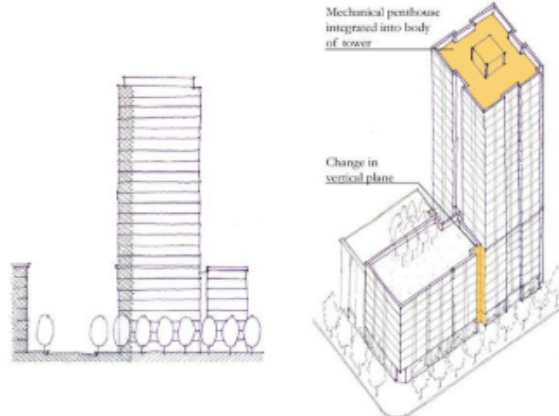


Revised and approved by the Board 12/12/2025 as part of the Family Housing Zoning Plan

- Residential/Mixed Use High Tower
- Maximize housing opportunities
- Build with sense of place and sustainability
- Concentrate new uses near transit
- Build good urban places
- Catalyze development



1. Horizontal articulation at the street wall height should be employed. Like all buildings, towers need to create an appropriate enclosure of the street. Some form of horizontal articulation is essential to mark the street wall height and frame the portion of the building's façade that marks the pedestrian zone.



2. A change in vertical plane should differentiate a tower element from the rest of the building. A change in vertical plane differentiates the mass of the tower from that of adjacent buildings, focusing this massing on its base and setting it apart as a distinct building.

Next Steps

- **Spring 2026:** Approval of 2nd Amendment
- **Summer – Fall 2026:** Detailed Design and Pricing; City review coordinated centrally by RED with assistance from Public Works
- **Fall 2026 – Summer 2027:** Construction
- **Fall 2027:** Beginning move in for 1SVN and 25VN tenants*
- **Spring 2028:** Move in for City Attorney office from 1390 Market* (aligns with existing lease expiration)

**Landlord provides relocation assistance*

Questions?