



Mark Farrell, Mayor
Naomi M. Kelly, City Administrator



John Updike
Director of Real Estate

May 18, 2018

Honorable Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Board Members:

Attached for your consideration is a proposed Resolution for a sublease, by the Department of Public Health, of approximately 19,975 square feet of space from HealthRIGHT 360 in their recently vacated headquarter building located at 1735 Mission Street.

The proposed 1735 Mission Street sublease serves as an affordable (below market-rate rent), time-limited (July 1, 2018 to January 16, 2022) space to facilitate both the one-time training needs related to the Department of Public Health's Electronic Health Record initiative and DPH job training programs that serve the broader community.

Approximately 67% of the space will be used for job training uses, including the creation of nine (9) training classrooms. 33% will house related staff and also serve as a bridge or swing space for DPH IT operations services units. The DPH IT operations services units will support the training activities and broader Electronic Health Record implementation, but are ultimately slated for consolidation at Laguna Honda Hospital in 2022, as part of DPH's larger Civic Center staff relocation and consolidation strategy.

DPH proposes to relocate approximately 55 FTEs from 1360 Mission Street and provide desk space for 20 on the job intern trainees and 24 new EHR-related contractors, in existing office space directly adjacent to the proposed training rooms and that requires minimal improvement. In total, DPH proposes to temporarily locate 99 FTEs at 1735 Mission Street and to facilitate the job training of 180-270 users at any one time over the next 3-4 years.

Lease terms

This is a sublease of 19,975 sq. ft. with a fixed end date of January 16, 2022. The estimated term is three and one half (3.5) years commencing upon Board of Supervisor and Mayoral approval of the sublease (expected to be about July 1, 2018).

Under the proposed lease, the City would pay \$52,135 per month (or approximately \$31.32 psf annually or \$2.61 psf monthly). The base rent increases each January 17th by one percent (1%) and the City would be responsible for a pro rata share of operating expenses (utilities, janitorial, maintenance, and security typical of an office use lease) not to exceed 43.4%. These expenses will be varied over the course of the lease, as the need for after hours (outside of 7 am to 7 pm) will increase the costs during some months of the lease term. Attached please find a detailed schedule of the estimated operating expenses for years 1 through 4. Year 1 annual operating expense estimated \$108,020 (\$9,001 per month or approximately \$5.41 psf annually). Year 2 annual operating expense estimated \$290,040 (\$24,170 per month or approximately \$14.52 psf annually). Year 3 annual operating expense estimated \$205,560 (\$17,130 per month or approximately \$10.29 psf annually). Year 4 annual operating expense estimated \$208,812 (\$17,401 per month or approximately \$10.45 psf annually).

The proposed Lease provides for tenant improvements, reimbursable by the City to the Landlord, of up to \$764,498. See attached detailed description of Improvement design. The work has been priced and staff is confident that the cost will be at or less than the maximum allowed.

A before and after table is attached as Attachment #1.

A General Plan Referral is also attached. A Form 126 will be delivered under separate cover.

The San Francisco Department of Public Health recommends approval of the proposed lease.

If you have any questions regarding this matter, please contact Sandi Levine of our office at 554-9867.

Respectfully



John Updike
Director of Real Estate

cc: Lisa Zayas-Chien

Attachment #1
1735 Mission Street
Before & After Table

	Current	Proposed
Address:	1360 Mission Street	1735 Mission Street
Total SF	6,300 sq ft	6,592 sq. ft. (33%) (staff relocated from 1360 Mission Street, remainder used for job training Total 19,975)
Base Rent	\$26,397 monthly (as of 10/1/2018) (or approximately \$4.19 psf monthly and 50.28 psf annually).	\$52,134.75 monthly (or approximately \$2.61 psf monthly and \$31.32 psf annually). Relocated Staff portion = \$17,205/month (\$2.61 X 6,592)
Estimated Expenses	Rent includes operating costs (excepting property tax) up to amount in 2019 base year. We pay 48.55% of anything above that amount in subsequent years. Amount is unknown at present.	An estimated average of Approximately \$16,926 per month (or approximately \$.85 psf monthly and \$10.17 psf annually). Relocated Staff portion = \$5,603 (.85 X 6,592)
Estimated Total Rent and Expenses	\$26,397	\$69,060 monthly (or approximately \$3.46 psf monthly and \$ 41.49 psf annually). Relocated Staff portion = \$22,808 monthly
Base Rent Increase	3% at 9/21/20 if option taken	1% each January 17 th
Term	Through 9/21/20	Approval by Board of Supervisors (estimated July 1, 2018) through January 16, 2022
Options to Extend	One year following 9/21/20	None