

1 [Real Property Lease - Third and Mission Associates, LLC - 167 Jessie Street - \$1 Per Year
2 Base Rent]

3 **Resolution authorizing the Lease between the City and County of San Francisco, as**
4 **Tenant, and Third and Mission Associates, LLC, as Landlord, of approximately 4,124**
5 **square feet in the building located at 167 Jessie Street for a term of 87 years at a base**
6 **rent of \$1 per year, to commence upon approval by the Board of Supervisors and**
7 **Mayor, in their respective sole and absolute discretion.**

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9 WHEREAS, The Redevelopment Agency of the City and County of San Francisco (the
10 “Former Agency”) was the owner of Parcel 3707-A, located at 680 Mission Street in San
11 Francisco; and

12 WHEREAS, On May 1, 1999, by Resolution No. 109-90, the Former Agency entered
13 into an Agreement for Disposition of Land for Private Development of Parcel 3707-A, or
14 “LDA”, with Third and Mission Associates, LLC (“Developer” or “Landlord”); and

15 WHEREAS, The LDA requires the Developer to (1) preserve the circa-1912, four-story
16 Jessie Hotel located at 167 Jessie Street on Parcel 3707-A and (2) provide space in the
17 building located at 680 Mission Street (the “Paramount”) to the California Historical Society
18 (“CHS”) at a nominal base rent of \$1.00 per year for 99 years; and

19 WHEREAS, In January 2003, CHS and the Developer entered into a 99-year lease (the
20 “CHS Lease”) for approximately 15,000 square feet of space across multiple floors at the
21 Paramount (“CHS Premises”); and

22 WHEREAS, To protect the public benefit of the LDA, the CHS Lease requires CHS and
23 the Developer to obtain the Former Agency’s consent for any amendment or early termination
24 of the CHS Lease, including any reduction or relinquishment of space within the CHS
25 Premises; and

1 WHEREAS, In 2012, the Former Agency was dissolved pursuant to State legislative
2 and case law and the Office of Community Investment and Infrastructure, as successor
3 agency to the Former Agency (“OCII” or “Successor Agency”), was designated the Former
4 Agency’s rights, title and interests in the CHS Lease; and

5 WHEREAS; CHS desires to amend the CHS Lease to relinquish approximately 10,000
6 square feet of the CHS Premises, and accordingly, CHS and Developer have negotiated an
7 Amendment and Restated Agreement for Amendment of Lease and Reduction of Leased
8 Premises (“CHS Lease Amendment”) for a lease buy-out price of \$2.25 million paid by
9 Developer; and

10 WHEREAS, Under the terms of the CHS Lease Amendment, OCII will receive a portion
11 of the \$2,250,000 buy-out because the Successor Agency is obligated to recover the pro-rata
12 share of the discounted land price (“OCII Portion”) given to the Developer in 1999 for
13 reserving the entire CHS Premises within the Paramount; and

14 WHEREAS, The OCII Portion equals \$946,949 and is considered program income
15 under the Community Development Block Grant (“CDBG”) and will be transferred to the
16 Mayor’s Office of Housing and community Development (“MOHCD”), which administers the
17 CDBG program for the City; and

18 WHEREAS, Upon execution of the CHS Lease Amendment, the Developer may lease
19 the relinquished space at market rates to other users; and

20 WHEREAS, In response to the concerns raised by the Commission on Community
21 Investment and Infrastructure regarding the loss of dedicated non-profit space in the
22 Paramount, Developer has agreed to lease approximately 4,124 rentable square feet of non-
23 profit space on the third and fourth floors in the Jessie Hotel (“Premises”) to the City and
24 County of San Francisco (“City”) for a term of 87 years (“Lease”); and

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1 WHEREAS, OCII requires the Developer and City to negotiate and execute the Lease
2 before it will provide consent to allow final execution of the CHS Lease Amendment; and

3 WHEREAS, Under the Lease, the City will sublease the Premises through the City's
4 Nonprofit Rent Stabilization Program ("Stabilization Program"), a program approved by the
5 Board of Supervisors and Mayor through Ordinance No. 33-14 on March 25, 2014; and

6 WHEREAS, Since the Premises is unimproved, MOHCD intends to use all, or a portion
7 of, the OCII Portion to fund tenant improvements on behalf of subtenants that are able to
8 comply with the requirements of the CDBG Program; and

9 WHEREAS, Landlord and City, through its Real Estate Division and with consultation
10 from the Office of the City Attorney, have negotiated the Lease with a base rent of \$1.00 per
11 year for each year of the 87-year term, payable in advance as a single payment; and

12 WHEREAS, City shall be responsible for its actual utility usage, services,
13 improvements, maintenance and repair within the Premises (collectively, "Premises Costs")
14 and shall also be responsible for its proportionate share of costs assessed by Landlord for
15 common area utility usage, services, maintenance, repairs, taxes and insurance (collectively,
16 "Common Costs"); and

17 WHEREAS, City shall only incur Common Costs, estimated at \$25,000 per year, during
18 time periods when there is a valid sublease between the City and subtenant; and

19 WHEREAS, City may terminate the Lease at any time and for any reason during the
20 term of the Lease with not less than 365 days' notice; and

21 WHEREAS, The Planning Department found the Lease to be, on balance, in-
22 conformity with the General Plan in a letter dated December 9, 2014, to the Director of
23 Property (a copy of which is on file with the Clerk of the Board of Supervisors in File No.
24 _____); now, therefore, be it
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1 RESOLVED, That in accordance with the recommendation of the Director of Property,
2 that the Director of Property on behalf of the City, as Tenant, be and is hereby authorized to
3 take all actions necessary to execute the Lease (a copy of which is on file with the Clerk of the
4 Board of Supervisors in File No. _____) at 167 Jessie Street in San Francisco, California,
5 for a term of eighty-seven (87) years at a nominal base rent of \$1.00 per year; and, be it

6 FURTHER RESOLVED, That the Lease shall indemnify and hold harmless the
7 Landlord from, and agreeing to defend the Landlord against, any and all claims, costs and
8 expenses, including without limitation, reasonable attorney's fees, incurred as a result of City's
9 use of the Premises, any default by the City in the performance of any of its obligations under
10 the Lease, or any grossly negligent acts or omissions of City, its agents or its subtenants in,
11 on or about the Premises or the property on which the Premises are located; and, be it

12 FURTHER RESOLVED, That the Director of Property shall be authorized to enter into
13 any additions, amendments or other modifications to the Lease (including, without limitations,
14 the exhibits) that the Director of Property determines, in consultation with MOHCD and the
15 City Attorney, are in the best interests of the City, do not materially increase the obligations or
16 liabilities of the City, and are necessary or advisable to complete the transaction and
17 effectuate the purpose and intent of this resolution; and, be it

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

21 FURTHER RESOLVED, Said Lease shall be subject to certification as to funds by the
22 Controller, pursuant to Charter, Section 3.105; and, be it

23 FURTHER RESOLVED, That within thirty (30) days of the agreements being fully
24 executed by all parties, the Director of Real Estate shall provide the agreements to the Clerk
25 of the Board for inclusion into the official file.

1 RECOMMENDED:

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4 Director of Property
5 Real Estate Division

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