



MEMORANDUM

September 1, 2015

TO: AIRPORT COMMISSION
 Hon. Larry Mazzola, President
 Hon. Linda S. Crayton, Vice President
 Hon. Eleanor Johns
 Hon. Richard J. Guggenlime
 Hon. Peter A. Stern

FROM: Airport Director

SUBJECT: Approval of a Lease Agreement with the U. S. Government for Space in Terminal 3 for the U. S. Drug Enforcement Administration

DIRECTOR'S RECOMMENDATION: APPROVE A LEASE AGREEMENT BETWEEN THE U. S. GOVERNMENT AND THE SAN FRANCISCO INTERNATIONAL AIRPORT FOR OFFICE SPACE IN TERMINAL 3, TO BE OCCUPIED BY THE U. S. DRUG ENFORCEMENT ADMINISTRATION, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE LEASE TO THE BOARD OF SUPERVISORS FOR APPROVAL.

Executive Summary

Pursuant to Lease No. GS 09B-02354, the U. S. Drug Enforcement Administration (the "DEA"), a department of the U. S. Government, currently occupies approximately 2,612 square feet of Category III space in Terminal 3. The DEA desires to continue occupancy of the space pursuant to renewal Lease No. GS-09P-LCA03384 (the "Lease"), with a term of five years and annual rent of \$431,763.60.

Background

The DEA currently leases approximately 2,612 square feet of Category III space for its operations and administrative office functions in Terminal 3. The current lease will expire on September 30, 2015. The DEA wishes to continue occupancy in its present location and has submitted a renewal Lease to the Airport for approval, under the following business terms:

1. **Premises:** Approximately 2,612 square feet of Category III space (Room T3.1.063) on Level 1 of Terminal 3, as shown on Exhibit A.
2. **Permitted Use:** Operations and administrative offices.
3. **Term:** Five years, Firm.

THIS PRINT COVERS CALENDAR ITEM NO. 8

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

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PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

JOHN L. MARTIN
AIRPORT DIRECTOR

4. **Commencement Date:** Retroactive to October 1, 2015, upon full City approval. The current lease will enter into a month-to-month holdover in the interim.
5. **Annual Rent:** The annual rent of \$431,763.60 (\$35,980.30 per month), paid monthly in arrears, is fixed for the term based on a negotiated rental rate of \$165.30 per square foot per year. The rental rate is comprised of Terminal Rent and an Operating Cost for provision of services, as specified in the Maintenance section below.

The fixed annual rent was derived as follows:

- Determining the initial Terminal Rent rate based on FY 15/16 Category III rate (\$137.78 per square foot per year); then
- Escalating that rate based on projected annual increases over the five-year term, as provided by the Airport's Finance Planning and Analysis Department; then
- Determining the initial Operating Cost rate based on projections from Facilities; then
- Escalating the Operating Cost rate by 5% per year based on a conservative projection for inflation; then
- Determining the net present value of the Annual Rent (Terminal Rent plus Operating Cost) based on the Federal Office of Management and Budget's discount rate currently set at 3.3% for 2015.

The initial rates, resultant rates, and rent are shown below:

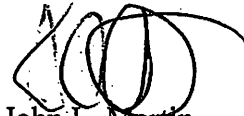
Rent Component	Initial Rate and Fees	Net Present Value	Fixed Rent and Fees
Terminal Rent/SF/YR	\$137.78	\$154.84	\$404,442.08
Operating Cost/SF/YR	\$9.62	\$10.46	\$27,321.52
Total	\$147.40	\$165.30	\$431,763.60

6. **Operating Cost:** To reimburse the Airport for janitorial services five days per week, re-lamping of light fixtures, and provision of electricity and water/sewer services.
7. **Parking:** Eight employee parking permits.
8. **Maintenance:** The Airport will maintain the terminal infrastructure and base building systems. The tenant will maintain the premises, including all tenant improvements.

As the DEA is a federal agency, staff has requested exemptions from Chapters 12B and 12C (Equal Benefits Ordinance) of the San Francisco Administrative Code by the Contract Monitoring Division, and Sections 12Q and 12P (Health Care Accountability Ordinance and Minimum Compensation Ordinance, respectively) of the San Francisco Administrative Code by the Office of Labor Standards Enforcement.

Recommendation

I recommend adoption of the accompanying resolution that approves Lease No. GS-09P-LCA03384 with the U. S. Government for approximately 2,612 square feet of Category III space in Terminal 3, with a term of five years and an annual fixed rent of \$431,763.60, and directs the Commission Secretary to forward the Lease to the Board of Supervisors for approval.



John L. Martin
Airport Director

Prepared by: Leo Fermin
Chief Business and Finance Officer

Attachments

Exhibit A

U. S. GOVERNMENT, U. S. DRUG ENFORCEMENT ADMINISTRATION
OFFICE LOCATION

