



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator



John Updike
Director of Real Estate

September 25, 2014

Through Naomi Kelly,
City Administrator

Honorable Board of Supervisors
City & County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 224
San Francisco, CA 94102

Re: Resolution Authorizing a Lease at 3801 Third Street (Suites 200, 205, 210, 220, 230, and 240)

Dear Board Members:

Attached for your consideration is a Resolution authorizing the execution and acceptance of a lease with Bayview Plaza, LLC of Suites 200, 205, 210, 220, 230 and 240 at 3801 Third Street for use by the Department of Human Services (Human Services Agency (HSA)) for its Family and Children's Services (Child Welfare) program.

The HSA promotes well-being and self-sufficiency among individuals, families and communities within San Francisco. The Family and Children's Services program provides a wide range of services such as child care, counseling, parent education, mentoring, case management and other activities that strengthen families and improve child well-being.

Family and Children's Services has leased Suites 200, 205, 210, 230 and 240 for years under five separate lease agreements (for a total of 13,096 square feet). Each of these lease agreements had an expiration date of August 31, 2014. Each of these leases is in holdover at the fully serviced monthly rent of \$32,206.16 (\$2.46 per square foot).

At the request of HSA, the Real Estate Division negotiated a new lease substantially in the form on file with the Clerk of the Board of Supervisors, however, it merges the five separate suites under one lease and adds Suite 220, consisting of 1,987 square feet, for a total of 15,083 square feet.

The monthly fair market base rent, fully serviced, for the initial term will be \$41,478.25 , \$2.75 per square foot, or only 0.29 cents more per square foot than the old leases. The initial base rent is subject to annual Consumer Price Index adjustments of no less than 3% and no more than 5% for the initial term, which will expire five years from the date of substantial completion of the tenant improvements described below. The proposed lease includes one 5-year option period to extend the term at 95% of

the prevailing market rent subject to the enactment of a resolution by the Board of Supervisors and the Mayor approving and authorizing same.

Tenant improvements are necessary to upgrade the existing square footage, merge the new suite, and to comply with LEED Gold Certification as required by the Green Building Ordinance. The Landlord shall provide a tenant improvement allowance of \$232,193.00, and the City shall be responsible for all tenant improvements over that amount which cost is estimated to be \$685,098.10, for a total tenant improvement cost of \$917,291.10. Under the proposed lease, the City shall pay the reduced monthly cost of \$2.60 per square foot or \$39,215.80 per month until the tenant improvements are completed.

The Human Services Agency and the Real Estate Division recommend approval of the new lease. We are advised that funds are available in Index Code 45ADOH for fiscal year 2014-2015.

If you have any questions in this regard, please contact Claudine Venegas of our office at 554-9872 or David Curto with HSA at 557-5581.

Respectfully,

John Updike
Director of Property

Attachments

cc: David Curto, HSA
Naomi Kelly, City Administrator