

File No. 150032

Committee Item No. 4

Board Item No. \_\_\_\_\_

**COMMITTEE/BOARD OF SUPERVISORS**  
AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date February 4, 2015

Board of Supervisors Meeting

Date \_\_\_\_\_

**Cmte Board**

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| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/> | Youth Commission Report                      |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form                            |
| <input type="checkbox"/>            | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/> | MOU                                          |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Award Letter                                 |
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**OTHER** (Use back side if additional space is needed)

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Completed by: Linda Wong Date January 30, 2015  
Completed by: \_\_\_\_\_ Date \_\_\_\_\_

1 [Real Property Lease Amendment - SFOC, LLC - 711 Van Ness Avenue - \$352,800 Per Year  
2 Base Rent]

3 **Resolution authorizing the Second Amendment to a Lease with SFOC, LLC, as**  
4 **Landlord, of 9,800 square feet at 711 Van Ness Avenue, extending the Lease expiring**  
5 **on June 30, 2015, through January 31, 2018, at a base rent of \$352,800 per year, plus**  
6 **payment for utility usage, services, and common area expenses above base year 2015,**  
7 **for the Department of Emergency Management, the Office of the Assessor-Recorder,**  
8 **and the Public Utilities Commission, to commence upon approval by the Board of**  
9 **Supervisors and Mayor, in their respective sole and absolute discretion.**

10  
11 WHEREAS, The Board of Supervisors passed and the Mayor signed Resolution 277-  
12 12 on July 24, 2012, on file with the Clerk of the Board of Supervisors in File No. 120675,  
13 authorizing an office lease ("Original Lease") of 9,800 square feet at 711 Van Ness Avenue  
14 ("Premises") between the City and County of San Francisco and SFOC LLC ("Landlord") for  
15 use by the Department of Emergency Management ("DEM") and the Office of the Assessor-  
16 Recorder ("ASR"); and

17 WHEREAS, The Board of Supervisors passed and the Mayor signed Resolution 186-  
18 13 on June 21, 2013, on file with the Clerk of the Board of Supervisors in File No. 130362,  
19 authorizing an extension of the Original Lease through June 30, 2015 ("First Amendment",  
20 collectively with the Original Lease, the "Lease"); and

21 WHEREAS, In October 2014, DEM agreed to relinquish 2,000 square feet of the  
22 Premises to the San Francisco Public Utilities Commission (the "SFPUC") so to relocate the  
23 SFPUC Archives within the Premises; and

24 WHEREAS, DEM, ASR and the SFPUC desire to amend the Lease (the "Second  
25 Amendment") to extend the Lease until approximately January 31, 2018; and

1           WHEREAS, Landlord and City, through its Real Estate Division and with consultation  
2 from the Office of the City Attorney, have negotiated the Second Amendment, which  
3 increases Base Rent under the Lease from \$22.00 per square foot per year (\$1.83 per sq. ft.  
4 per month) to \$36.00 per square foot per year (\$3.00 per month), or from \$215,600 per year  
5 to \$352,800 per year, with annual increases to Base Rent of \$1.00 per square foot per year  
6 on each anniversary of the Second Amendment; and

7           WHEREAS, The Second Amendment shall require City to reimburse Landlord for the  
8 its actual utility usage and janitorial expenses within the Premises and to reimburse Landlord  
9 for the City's pro-rata share of increases to common area expenses at 711 Van Ness Avenue  
10 over and above Base Year 2015, and increasing the cost of any City's election to lease five  
11 (5) parking spaces from \$1,200 per month to \$1,250 per month; and

12           WHEREAS, All other provisions, terms and conditions of the Lease shall remain  
13 unchanged and in effect; now, therefore, be it

14           RESOLVED, That in accordance with the recommendation of the Director of Property,  
15 that the Director of Property on behalf of the City, as Tenant, be and is hereby authorized to  
16 take all actions necessary to execute the Second Amendment (a copy of which is on file with  
17 the Clerk of the Board of Supervisors in File No. 150032) at 711 Van Ness Avenue in San  
18 Francisco, California, to extend the Lease until January 31, 2018 at a Base Rent of \$36.00 per  
19 year, plus reimbursement of City's utilities, services and common area expenses; and, be it

20           FURTHER RESOLVED, That the Director of Property shall be authorized to enter into  
21 any additions, amendments or other modifications to the Second Amendment (including,  
22 without limitations, the exhibits) that the Director of Property determines, in consultation with  
23 the City Attorney, are in the best interests of the City, do not materially increase the  
24 obligations or liabilities of the City, and are necessary or advisable to complete the transaction  
25 and effectuate the purpose and intent of this resolution; and, be it

1 FURTHER RESOLVED, That the Lease contains language indemnifying and holding  
2 harmless the Landlord, from and agreeing to defend the Landlord against any and all claims,  
3 costs and expenses, including, without limitation, reasonable attorney's fees, incurred as a  
4 result of City's use of the Premises; any default by the City in the performance of any of its  
5 obligations under the Lease or any acts or omissions of city or its agents, in, on or about the  
6 Premises or the property on which the Premises are located, including those claims, costs  
7 and expenses incurred as a result of negligence or willful misconduct of Landlord or its  
8 agents; and, be it

9 FURTHER RESOLVED, That any action taken by the Director of Property and other  
10 officers of the City with respect to the Second Amendment are hereby approved, confirmed  
11 and ratified; and be it

12 FURTHER RESOLVED, Said Second Amendment shall be subject to certification as to  
13 funds by the Controller, pursuant to Charter, Section 3.105; and, be it

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

17 \$57,750.00 Available

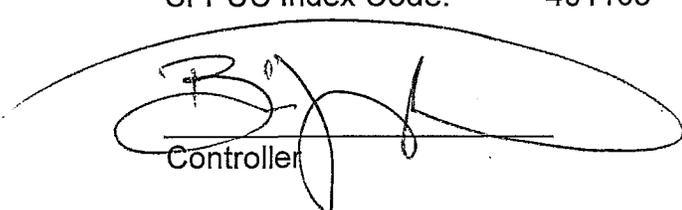
18 ASR Index Code: 020013

19 \$110,625.00 Available

20 DEM Index Codes: 771214 & 771314

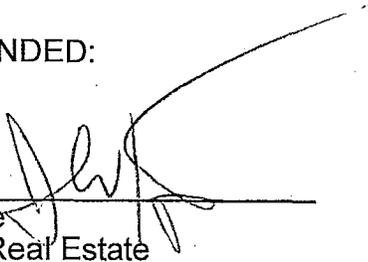
21 \$41,250.00 Available

22 SFPUC Index Code: 401103

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Controller

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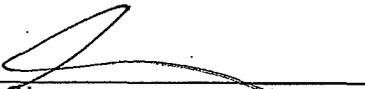
RECOMMENDED:



John Updike  
Director of Real Estate

RECOMMENDED:

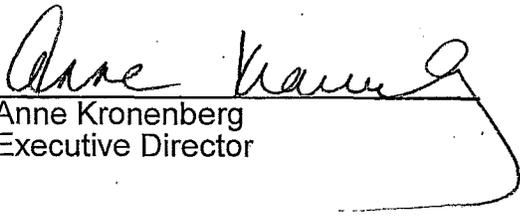
OFFICE OF THE ASSESSOR-RECORDER



Carmen Chu  
Assessor-Recorder

RECOMMENDED:

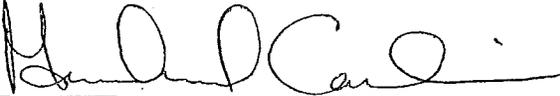
DEPARTMENT OF EMERGENCY MANAGEMENT



Anne Kronenberg  
Executive Director

RECOMMENDED:

SAN FRANCISCO PUBLIC UTILITIES COMMISSION



Michael Carlin  
Deputy General Manager

<b>Item 4</b> <b>File 15-0032</b>	<b>Department:</b> Emergency Management Assessor-Recorder's Office San Francisco Public Utilities Commission
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<ul style="list-style-type: none"> <li>• The proposed resolution would approve a second amendment to the 711 Van Ness Avenue lease agreement between SFOC LLC as landlord and the City as tenant to provide office space for the Department of Emergency Management (Emergency Management), the Assessor-Recorder's Office (Assessor), and the San Francisco Public Utilities Commission (SFPUC).</li> </ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"> <li>• The Board of Supervisors approved the original 711 Van Ness Avenue lease in July 2012 for 9,800 square feet of office space for Emergency Management and the Assessor. The original lease was for 20.5 months from August 1, 2012 through April 14, 2014 with annual base rent of \$215,600 (\$22.00 per sq. ft.) with no increases over the term of the lease. The Board of Supervisors approved the first amendment in June 2013 to extend the lease through June 30, 2015 with no rent increase. Emergency Management ceded 2,000 square feet of space to SFPUC in October 2014.</li> <li>• Under the proposed second amendment, the lease term would be revised to extend by 36 months from February 1, 2015 through January 31, 2018. The rent would increase on February 1, 2015 to \$41.25 per square foot, including base rent of \$36 per square foot and operating costs of \$5.25 per square foot. According to the City's Real Estate Division, the increased rent is in line with market trends for office space in the Civic Center.</li> </ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"> <li>• The City's rent costs will increase by \$189,250 in the first year from \$230,000 to \$419,250. Total rent will increase by \$1.3 million over the three-year term.</li> </ul>	
<b>Policy Consideration</b>	
<ul style="list-style-type: none"> <li>• Under the proposed second amendment, the City will pay rent, parking, utility and janitorial service costs of \$175,688 from February 1, 2015 to June 30, 2015 which is \$78,854 more than the \$95,833 that the City would otherwise pay under the existing lease. The Real Estate Division negotiated an amended date of February 1, 2015 through January 31, 2018 because the landlord required a minimum of 36 months under the amended lease. The Real Estate Division did not want to negotiate a 36-month lease term beginning on July 1, 2015, after the expiration of the existing lease, through June 30, 2018 because the Assessor-Recorder's Office does not have a need for leased space through June 30, 2018.</li> </ul>	
<b>Recommendation</b>	
<ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

**MANDATE STATEMENT****Mandate Statement**

City Administrative Code 23.27 states that any lease with a term of one year or longer or with rent of \$5,000 or more and where the City is the tenant is subject to Board of Supervisors approval.

**BACKGROUND**

The Board of Supervisors approved the original lease at 711 Van Ness Avenue between the City and SFOC, LLC on July 24, 2012 for office space for the Department of Emergency Management and the Assessor-Recorder's Office (Assessor). The original lease was for 20.5 months from August 1, 2012 through April 14, 2014 for 9,800 square feet of office space. The annual base rent was \$215,600 (\$22.00 per sq. ft.) with no increases over the term of the lease.

Three City departments are currently located at 711 Van Ness Avenue. The Department of Emergency Management occupies 5,000 square feet to house the Bay Area Urban Area Security Initiative (BAUASI), a federally funded program designed to finance and manage projects that advance risk management within the region. The Assessor occupies 2,800 square feet for temporary staff assigned to process assessment appeals. Finally, the Department of Emergency Management ceded 2,000 square feet of office space to the San Francisco Public Utilities Commission (SFPUC) in October 2014, so that SFPUC could house fragile historical documents with strict HVAC (heating, ventilation, and air conditioning) and security requirements.

The Board of Supervisors authorized the first amendment to the lease on June 21, 2013 to extend the expiration date by 14.5 months from April 14, 2014 to June 30, 2015 at the same annual base rent of \$22 per square foot.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would authorize the second amendment to the lease between the City as tenant and SFOC LLC as landlord to:

- (1) Revise the lease term, which currently ends on June 30, 2015, to a new 36-month lease term from February 1, 2015 through January 31, 2018;
- (2) Increase the annual base rent to \$352,800 per year (\$36 per square foot) as of February 1, 2015; and
- (3) Make the City rather than the landlord responsible for utility and janitorial service costs as of February 1, 2015.

Table 1 below summarizes the major lease terms under the proposed second amendment.

**Table 1. Key Changes in Lease Agreement**

Terms of Agreement	Current Lease Terms	New Lease Terms
Lease Term	July 15, 2012 –June 30, 2015	February 1, 2015 – January 31, 2018
Area	9,800 square feet	9,800 square feet
Base Rent per year	\$215,600	\$352,800
Rent per square foot per year	\$22	\$36
Annual Rent Increase	None	\$1 per square foot per year
Utilities and Janitorial	“Any utility costs above those of a typical tenant”	“Reimburse Landlord for the actual utility usage and janitorial expenses within the Premises and to reimburse Landlord for the City’s pro-rate share of increases to common area expenses over and above Base Year 2015”; estimated at \$51,450 per year
Parking (per month)	\$1,200 for 5 spaces	\$1,250 for 5 spaces
Additional Tenant		The SFPUC as an additional City Department

**FISCAL IMPACT**

Under the proposed second amendment, the City will pay an annual rent of approximately \$41.25 per square foot in the first year, including base rent of \$36 per square foot and estimated utility and janitorial costs of \$5.25 per square foot. Table 2 shows the increased rent paid by the City for 711 Van Ness Avenue under the proposed second amendment.

**Table 2. Increase in Total Costs for First Year of New Lease**

	Original Lease	New Lease	% Change	Change in Annual Cost
Base rent	\$215,600	\$352,800	64%	\$137,200
Operational costs	0	51,450	100%	51,450
Parking	14,400	15,000	4%	600
Total	\$230,000	\$419,250	82%	\$189,250

According to Mr. Joshua Keene, Real Estate Division Property Manager, the increased rental costs are competitive and in line with market trends, given the higher current rental rates of comparable office spaces in the Civic Center area, which range from approximately mid-\$40s per square foot for 1145 Market Street to mid-\$50s per square foot for 1390 Market Street.

Total lease costs over the 36-month term are estimated to be \$1,304,300 as shown in Table 3 below.

**Table 3. Total Annual Costs of Second Amendment during Lease Period**

	Sq. Ft.	Base Rent Costs	Operational Costs	Parking Costs	Total Costs
Emergency Management	5,000	\$555,000	\$87,500	\$45,000	\$687,500
Assessor	2,800	310,800	49,000	0	359,800
SFPUC	2,000	222,000	35,000	0	257,000
<b>Total</b>	<b>9,800</b>	<b>\$1,087,800</b>	<b>\$171,500</b>	<b>\$45,000</b>	<b>\$1,304,300</b>

Funding sources to pay the lease costs in FY 2014-15 include federal grant funds in the Department of Emergency Management's budget, General Fund monies in the Assessor's budget, and SFPUC funds.

#### **POLICY CONSIDERATION**

Under the proposed second amendment, the start date for the amended lease begins on February 1, 2015, rather than at the end of the existing lease on June 30, 2015. Under the proposed second amendment, the City will pay rent, parking, utility and janitorial service costs of \$175,688 from February 1, 2015 to June 30, 2015 which is \$78,854 more than the \$95,833 that the City would otherwise pay under the existing lease.

According to Mr. Keene, the Real Estate Division negotiated an amended date of February 1, 2015 through January 31, 2018 because the landlord required a minimum of 36 months under the amended lease. The Real Estate Division did not want to negotiate a 36-month lease term beginning on July 1, 2015, after the expiration of the existing lease, through June 30, 2018 because the Assessor-Recorder's Office does not have a need for leased space through June 30, 2018.

According to Ms. Gigi Whitley, Assessor-Recorder's Office Deputy Director of Finance and Administration, the Assessor uses the space at 711 Van Ness Avenue for temporary positions that process the backlog in assessment appeals, and intends to the use space for new grant-funded positions that assess new construction. The Assessor projects the need for office space for these temporary and grant-funded positions through approximately December 2017. Therefore, the Assessor did not want to commit to paying for office space with General Fund monies significantly beyond the projected December 2017 date.

According to Mr. Keene, the proposed second amendment is a total compensation package negotiated by the City and the landlord. If the City were to renegotiate a new lease start date of July 1, 2015, the City is unlikely to achieve cost savings because the landlord would likely require rent that is more than \$36 per square foot for the shorter term lease. As noted above, the proposed rent of \$36 per square foot is less than comparable office space in the Civic Center that currently ranges from mid-\$40s to mid-\$50s per square foot.

#### **RECOMMENDATION**

Approve the proposed resolution.



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



John Updike  
Director of Real Estate

January 13, 2015

**Second Amendment to Lease  
711 Van Ness Avenue: DEM, ASR & SFPUC**

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

Dear Board Members:

Attached for your consideration is a Resolution approving and authorizing the Director of Property to execute the second amendment ("Second Amendment") to the office lease ("Lease") of 9,800 rentable square feet at 711 Van Ness Avenue ("Premises") between the City and SFOC LLC ("Landlord"). The Second Amendment extends the Lease expiration date from June 30, 2015 until January 31, 2018. The Second Amendment will increase the base rent under the Lease from \$22.00 per sq. ft. per year to \$36.00 per sq. ft. per year, or from \$215,600 per year to \$352,800 per year. Additionally, the City agrees to reimburse Landlord for its actual utility usage and services within the Premises and to reimburse Landlord for its pro-rata share of common area maintenance charges and expenses over Base Year 2015. These additional expenses are expected to add an additional \$5 - \$6 per square foot per year in costs, or approximately \$50,000 per year. The total estimated Lease rate of \$41.25 per sq. ft. per year is competitive in this market.

**Lease Background**

The Board approved a resolution in July 2012 authorizing the Lease for use by the Department of Emergency Management ("DEM") and the Office of the Assessor-Recorder ("ASR"). The Board approved a subsequent resolution in June 2013 to extend the Lease through June 30, 2015. By not approving this Second Amendment to again extend the term, the Lease will expire and the City will have to vacate the Premises.

**DEM (5,000 sq. ft.)**

DEM leases the Premises for its Bay Area Urban Security Initiative (BAUASI), which administers, monitors, and coordinates various federal grants and performs regional strategy and risk management planning activities within the ten counties of the Bay Area. 711 Van Ness continues to be an ideal location for the BAUASI management team due to its proximity to City Hall and DEM's fiscal agent headquarters located at 1011 Turk Street.

**ASR (2,800 sq. ft.)**

ASR continues to require its space at 711 Van Ness Avenue for its temporary employees hired to work on property tax appeals and assessments. Due to the previous downturn in the local real estate economy, which triggered an unprecedented number of appeals; and now, with the upturn triggering more assessments of new construction, ASR continues to hire temporary, project-based employees to help with the backlog of work. ASR's offices at City Hall still lack the appropriate amount of office space to house these supplemental, project-based employees.

**SFPUC (2,000 sq. ft.)**

The San Francisco Public Utilities Commission contacted the Real Estate Division in early 2014 to help locate a temporary location for the SFPUC Archives due to planned renovations at 1550 Evans Avenue. The Archives is an invaluable collection of original materials documenting SFPUC property transactions, utility infrastructure, and history. The fragile nature of these historical documents does not allow for offsite storage or warehousing as there are HVAC and security requirements.

In October 2014, DEM agreed to release 2,000 sq. ft. of its space to the SFPUC, providing the SFPUC a temporary home for the Archives, residing only a block away from SFPUC headquarters at 525 Golden Gate.

**Approval of this Second Amendment**

We recommend approval of the Second Amendment to extend the Lease at 711 Van Ness Avenue. If approved, the Lease would continue for a total of three years from the date of Board approval, which is in line with the short-term space needs of ASR and the SFPUC. With such competition for office space in the Civic Center, it is highly unusual to find a property that matches the space, fiscal, timing and proximity needs of three, distinct City agencies.

If you have questions regarding this Second Amendment, please do not hesitate to contact me.

Respectfully,



John Updike  
Director of Property



Utilities (Section 9.1): Landlord shall furnish heating, air conditioning, ventilation, elevator service, electricity, and water services to the Premises in accordance with Section 9.1 of the Lease. City shall reimburse Landlord for its actual utility usage within the Premises on a monthly basis along with its payment of Base Rent.

Services: Tenant shall be responsible for providing its own janitorial services within the Premises at its own cost; except that Tenant may elect to have Landlord provide janitorial services to the Premises at a rate of \$1.50 per sq. ft. per year, or \$14,700 per year (\$1,225 per month), consistent with Section 9.2.

Other Noteworthy Provisions: None

Section 1 of the is amended to add the following provision:

Base Year (Section 4.6): 2015

City's Percentage Share: 11%

## PREMISES

Section 2 of the Lease is amended to restate the definition of "**Parking Fees**".

The following language shall be deleted from Section 2.3 of the Original Lease:

"Landlord hereby grants to City the right to lease five reserved (5) parking spaces (collectively, the "Parking Spaces") on a monthly basis in the parking garage located in the Building (the "Garage") for current market value for such space (as charged for all parking spaces in the Garage); the market rate is currently \$210 per month for unreserved spaces and \$250 for reserved spaces, but is subject to change with 60 days prior notice to City in the event the market rate for such space changes (the "Parking Fees").";

And this deleted provision shall be replaced in the Lease with the following language:

"For so long as Landlord operates a self-parking system at the Building, Landlord hereby grants to City the right to lease five reserved (5) parking spaces (collectively, the "**Parking Spaces**") on a monthly basis in the parking garage located in the Building (the "**Garage**") for \$250 for reserved spaces (the "**Parking Fees**"). If Landlord modifies the Building's parking operations such that self-parking is no longer available (for example, if Landlord moves to a valet operation), Tenant shall no longer have the right to lease the Parking Spaces. Landlord shall use reasonable efforts to notify Tenant in advance of any changes to the parking operations."

## RENT

Section 4.2 of the Lease is deleted in its entirety and is replaced with the following language:

"Base Rent under the Lease shall be increased annually by \$1.00 per sq. ft. per year on each anniversary date of the Effective Date of the Second Amendment, beginning on the first anniversary of the Second Amendment."

Section 4.3 of the Lease is deleted in its entirety and is replaced with the following language:

"City shall pay to Landlord any charges or other amounts required under this Lease as additional rent ("Additional Charges"), including the charges for Real Estate Taxes and Operating Costs provided for herein below. All such Additional Charges shall be payable to Landlord at the place where the Base Rent is payable. Landlord shall have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. The Base Rent and Additional Charges are sometimes collectively referred to in the Lease as "Rent."

Section 4 of the Lease is amended to add the following provisions:

#### **"4.5 Definitions**

For purposes hereof, the following terms shall have the meanings hereinafter set forth:

- (a) "Base Year" means the year specified in the Basic Lease Information.
- (b) "City's Percentage Share" means the percentage specified in the Basic Lease

Information.

- (c) "Expense Year" means each calendar year commencing January 1st of each year during the Term, including any partial year in which this Lease commences; provided that Landlord, upon advance written notice to City, may change the Expense Year to any other twelve (12) consecutive month period and, in the event of any such change, City's Percentage Share of Operating Costs shall be equitably adjusted for the Expense Years involved in any such change. Expense Year shall not include the Base Year.

- (d) "Operating Costs" means the total reasonable and prudent costs and expenses actually paid or incurred by Landlord in connection with the management, operation, maintenance and repair of the Building, including, but not limited to: (1) the cost of air conditioning, electricity, steam, water, heating, mechanical, telephone, ventilating, escalator and elevator systems and all other utilities, (2) the cost of repairs and all labor and material costs related thereto, and the cost of general maintenance, cleaning and service contracts and the cost of all supplies, tools and equipment required in connection therewith, (3) the cost incurred by Landlord for all insurance required to be carried on the Building or the use or occupancy thereof, (4) wages, salaries, payroll taxes and other labor costs and employee benefits relating to employees of Landlord or its agents engaged in the operation, repair, or maintenance of the Building, allocated in proportion to the percentage of such person's working time actually spent working in connection with the Building, (5) reasonable management fees, (6) fees, charges and other costs of all independent contractors engaged by Landlord, allocated in proportion to the percentage of such person's working time actually spent working in connection with the Building, (7) accounting and legal expenses, (8) depreciation on personal property, including, without limitation, carpeting in public corridors and Common Areas and window coverings provided by Landlord, (9) the fair market rental value of offices in the Building for the property manager, (10) the cost of capital improvements made to the Building after completion of its construction as a labor-saving or energy saving device or to effect other economies in the operation or maintenance of the Building and which benefit the Premises, or made to the Building after the date of this Lease that are required under any governmental law or regulation that was not applicable to the Building at the time that permits for the construction thereof were obtained, unless caused by Landlord's deliberate or negligent violation of such law, rule or regulation, and except to the extent such improvements are attributable to or are made for the primary benefit of a tenant or occupant other than City, and (11) any other expenses reasonably incurred in connection with the management, operation, maintenance or repair of the Building (other than Real Estate Taxes and any services for which Landlord is separately and directly reimbursed by City or other tenants in the Building) which would, under generally accepted accounting principles, be considered an operating expense. The computation of Operating Costs shall be made in accordance with generally accepted accounting principles. With respect to the costs of items included in Operating Costs under (10), such costs shall be amortized over the useful life thereof, together with interest on the unamortized balance at a rate per annum equal to three (3) percentage points over the Treasury Rate charged at the time such item is constructed, but not more than the maximum rate permitted by law at the time such item is constructed.

In the event that in the Base Year for Operating Costs or in any Expense Year the Building is less than ninety-five percent (95%) occupied, the Operating Costs shall be appropriately adjusted to reflect a ninety-five percent (95%) occupancy level. In no event shall Landlord recapture more than one hundred percent (100%) of the Operating Costs in any Expense Year.

Notwithstanding the foregoing, "Operating Costs" shall exclude the items described on the attached Exhibit E.

(e) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the portion of the Building owned by Landlord, or Landlord's interest in the Building. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, service payments in lieu of taxes that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes.

Notwithstanding the foregoing, Real Estate Taxes shall exclude (1) franchise, transfer, inheritance, gross receipts, or capital stock taxes or income taxes of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest or charges attributable to the late payment of any taxes, except to the extent attributable to City's failure to pay its portion of Real Estate Taxes hereunder, (3) any personal property taxes payable by City hereunder or by any other tenant or occupant of the Building, or (4) any increase in Real Estate Taxes due to any reassessment upon a transfer of any of Landlord's interest in the Building or the real property on which the Building is located.

(f) "Tax Year" means each calendar year during the Term, including any partial year during which this Lease may commence; provided that Landlord, upon notice to City, may change the Tax Year from time to time to any other twelve (12) consecutive month period and, in the event of any such change, City's Percentage Share of Real Estate Taxes shall be equitably adjusted for the Tax Year involved in any such change. Tax Year shall not include the Base Year.

#### **4.6 Payment of Percentage Share of Operating Costs**

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Operating Costs for each Expense Year exceed the Operating Costs for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. Landlord may revise such estimates of Operating Costs from time to time and City shall thereafter make payments on the basis of such revised estimates, provided that no such revisions shall be retroactive and Landlord may not make any such revisions more than twice in any given Expense Year and no such revision may be made any earlier than four (4) months subsequent to the prior estimate for such Expense Year. With reasonable promptness not to exceed sixty (60) days after the expiration of each Expense Year, Landlord shall furnish City with a statement (herein called "Landlord's Expense Statement"), prepared by an independent certified public accountant, setting forth in reasonable detail the Operating Costs for such Expense Year and City's Percentage Share thereof. If City's Percentage Share of the actual Operating Costs for such Expense Year exceeds the estimated Operating Costs paid by City for such Expense Year, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the amount of estimated Operating Costs paid by City and City's Percentage Share of the actual Operating Costs within thirty (30) days after the receipt of Landlord's Expense Statement. If the total amount paid by City for any such Percentage Share of Operating Costs exceeds City's Operating Costs Share of the actual Operating Costs for such Expense Year, such excess shall be credited against the next installments of Operating Costs due from City to Landlord hereunder, or refunded to City, at City's option. Notwithstanding anything to the contrary contained herein, in no event shall any annual increase in City's Percentage Share of Operating Costs for any Expense Year exceed five percent (5%).

#### **4.7 Payment of Percentage Share of Real Estate Taxes**

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Real Estate Taxes for each Tax Year exceed Real Estate Taxes for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. With reasonable promptness not to exceed thirty (30) days after Landlord has received the tax bills for any Tax Year, Landlord shall furnish City with a statement ("Landlord's Tax Statement") setting forth the amount of Real Property Taxes for such Tax Year and City's Percentage Share thereof. If City's Percentage Share of the actual Real Estate Taxes for such Tax Year exceeds the estimated Real Estate Taxes paid by City for such Tax Year, City shall pay to Landlord (whether or not this Lease has terminated) City's Percentage Share of the actual Real Estate Taxes within thirty (30) days after the receipt of Landlord's Tax Statement. If the total amount of estimated Real Estate Taxes paid by City for such Tax Year exceeds City's Percentage Share of the actual Real Estate Taxes for such Tax Year, such excess shall be credited against the next installments of Real Estate Taxes due from City hereunder, or at City's option, such excess shall be refunded to City.

#### **4.8 Proration**

If the Commencement Date or Expiration Date shall occur on a date other than the first or last day of a Tax Year or Expense Year, City's Percentage Share of Real Estate Taxes or Operating Costs for the Tax Year or Expense Year in which the Commencement Date or Expiration Date occurs, shall be prorated based on a three hundred sixty-five (365)-day year.

#### **4.9 Audits**

City shall have the right, upon not less than five (5) business days' notice to Landlord, to audit the books and records of the Building related to Operating Costs and Real Estate Taxes. If such audit discloses any discrepancies which would result in a reduction of City's Percentage Share of Operating Costs for any Expense Year, Landlord shall immediately refund to City the amount of any overpayment by City. City shall pay the cost of such audit, provided that if such audit discloses any discrepancies which result in a reduction of City's Percentage Share of Operating Costs of three percent (3%) or more for any Expense Year, then Landlord shall pay the costs of such audit.

#### **4.10 Additional Services**

City reserves the right to request that Landlord, at City's cost, perform lease related services, improvements or incur additional expenses not covered under the Original Lease or First Amendment that City may require from time to time as requested by City's Real Estate Division. Tenant shall reimburse Landlord for such expenses, at rates agreed-upon in advance, and as they are incurred."

### **UTILITIES AND SERVICES**

a. Section 9.2 of the Lease is deleted in its entirety and is replaced with the following language:

"Tenant shall be responsible for providing all services to the Premises, including janitorial and security. Tenant may elect to require that Landlord provide janitorial services to the Premises at a rate of \$1.50 per sq. ft. per year, or \$14,700 per year (\$1,225 per month). Janitorial services provided by Landlord shall be consistent with those of a First Class office building in San Francisco and shall be provided regularly, consistent with a typical general office tenant. Landlord shall not be obligated to provide security services or alarm system service to the Premises."

## SPECIAL PROVISIONS

Section 22 and Section 22A of the Lease are deleted in their entirety.

## GENERAL PROVISIONS

The following language shall be amended as follows from Section 23.8 of the Lease:

Section 23.13 of the Lease is deleted in its entirety and is replaced with the following language:

“Should City hold over in possession of the Premises after the expiration of the Term with Landlord’s consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at 125% the monthly Base Rent in effect during the last month of the Term of this Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord’s consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days’ prior written notice of termination.”

1. Effect of Amendment. Except as modified herein, the terms and conditions of the Lease shall remain unmodified and continue in full force and effect. In the event of any conflict between the terms and conditions of the Lease and this Second Amendment, the terms and conditions of the Original Lease shall prevail, except as specifically provided in this Second Amendment.
2. Definitions. Unless otherwise defined in this Second Amendment, all terms not defined in this Second Amendment shall have the meanings assigned to such terms in the Lease or the First Amendment.
3. Authority. Subject to the assignment and subletting provisions of the Lease, this Second Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, successors and assigns. Each party hereto and the persons signing below warrant that the person signing below on such party’s behalf is authorized to do so and to bind such party to the terms of this Second Amendment.
4. Incorporation. The terms and provisions of the Lease are hereby incorporated in this Second Amendment.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Second Amendment as of

\_\_\_\_\_ 2015.

**LANDLORD:**

SFOC LLC, a California limited liability company

By: Carolyn Burnett

Name: Carolyn Burnett

Its: Executive Director

1-6-2015

**TENANT:**

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_

John Updike  
Director of Property

**RECOMMENDED:**

\_\_\_\_\_  
Department of Emergency Management

\_\_\_\_\_  
Office of the Assessor-Recorder

\_\_\_\_\_  
San Francisco Public Utilities Commission

**APPROVED AS TO FORM:**

DENNIS J. HERRERA, City Attorney

By: Heidi J. Gewertz  
Heidi J. Gewertz, Deputy City Attorney

## EXHIBIT E

### EXCLUSIONS FROM OPERATING COSTS

1. Costs of capital repairs, capital improvements and equipment, except for those (i) required by laws enacted on or after the date of the Lease amortized over the useful life of the improvement and/or equipment, together with interest at the actual interest rate incurred by Landlord in connection with such capital improvements, or (ii) acquired to cause, in Landlord's good faith judgment, an immediate (i.e., commencing within the first year after completion of such repairs or improvements or installation of such equipment) reduction in other Operating Costs, amortized over the useful life of such improvements at an annual rate reasonably calculated to equal the amount of Operating Costs to be saved in each calendar year throughout the Term (as determined at the time Landlord elected to proceed with the capital improvement or acquisition of the capital equipment to reduce operating expenses), together with interest at the actual interest rate incurred by Landlord;
2. Rentals and other related expenses for items (except when needed in connection with normal repairs and maintenance of permanent systems) which if purchased rather than rented, would constitute a capital improvement which is specifically excluded in item 1 above (excluding, however, equipment not affixed to the Building which is used in providing janitorial or similar services);
3. Costs incurred by Landlord for the repair of damage to the Building, to the extent that Landlord is reimbursed by insurance proceeds (excluding any deductible) and costs occasioned by the exercise of the right of eminent domain;
4. Costs, including, without limitation, permit, license and inspection costs, incurred with respect to the installation of improvements made for other tenants or occupants of the Building or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for other tenants or occupants in the Building;
5. Depreciation, amortization and interest payments, except to the extent provided herein pursuant to items 1(i) and 1(ii) above and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied (as applied to commercial real estate), and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life (as reasonably determined by Landlord);
6. Leasing commissions, attorneys' and other professionals' fees, space planning costs and all other costs and expenses in connection with negotiations with present or prospective tenants or other occupants in the Building or any present or future ground lessors or holders of any mortgages or other encumbrances affecting any of the Building or the defense of Landlord's title to the Building or the real property on which it is located;
7. Expenses in connection with services or other benefits which are not offered to City or for which City is charged directly but which are provided to another tenant or occupant of the Building;
8. Costs incurred by Landlord due to violation by Landlord or any other tenant or occupant of the Building of applicable laws, rules or regulations, the terms and conditions of any lease, ground lease, mortgage or deed of trust, or other covenants, conditions or restrictions encumbering the Building or the real property on which it is located;

9. Overhead and profit increments paid to Landlord or to subsidiaries or affiliates of Landlord, or to any party as a result of a non-competitive selection process, for management, or other services, supplies or materials, to the extent the same exceed the costs of such goods and/or services rendered by unaffiliated third parties on a competitive, arms-length basis;
10. Any ground lease rental or rental under any other underlying leases;
11. Except as specifically permitted by items 1(i) and 1(ii) above, interest, principal, points and fees on debts or amortization on any mortgage, deed of trust or any other debt instrument encumbering any of the Building or the real property on which it is located;
12. Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord or in the parking garage in the Building;
13. All items and services for which City or any other tenant or occupant of the Building separately reimburses Landlord (other than through such tenant's or occupant's proportionate share of operating expenses), or which Landlord provides selectively to one or more other tenants or occupants without reimbursement, or which are not provided in reasonable proportion to the space leased by City but which Landlord provides to another tenant or other occupant of the Building;
14. Advertising or promotional expenditures, and the costs of acquiring and installing signs in or on any of the Building identifying the owner of the Building or any other tenant or occupant of the Building;
15. Electric power costs for which any tenant or occupant directly contracts with the local public service company (provided that the charge for such services shall be computed for purposes of the gross-up provision of the Lease (i.e., expenses to be grossed up to reflect full occupancy of the Building) to reflect an average charge for power costs);
16. Services provided, taxes attributable to, and costs incurred in connection with the operation of retail, restaurant and garage operations in the Building;
17. Costs incurred in connection with upgrading the Building to comply with disabled access, life, fire and safety codes in effect prior to the date of the Lease, and costs incurred in connection with upgrading the Building to comply with the Americans with Disabilities Act of 1990 and Title 24 of the California Code of Regulations (or its successor), the San Francisco Sprinkler Ordinance and the San Francisco Unreinforced Masonry Building Ordinance;
18. Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments when due;
19. Costs arising from the presence of Hazardous Material in or about the Building including, without limitation, groundwater or soil conditions, except if such Hazardous Material is brought onto the Building by City in violation of applicable laws;
20. Landlord's charitable or political contributions;
21. To the extent the following costs arise during any applicable warranty periods, costs as a result of repairs of latent defects in the Building core and shell or improvements installed by Landlord or in the Building Systems, and any costs incurred by Landlord in the event any portion of the Building is made untenable by fire or other casualty required to be insured against pursuant to the terms of the Lease;
22. Capital costs for sculpture, paintings or other objects of art;
23. Costs (including, without limitation, all attorneys' fees and costs of settlement, judgments and payments in lieu thereof) arising from claims, disputes or potential disputes, including, without limitation, tax disputes where the tenants of the Building would receive benefits if Landlord prevails) in connection with potential or actual claims, litigation or arbitrations pertaining to Landlord or the Building;

24. All direct cost of refinancing, selling, exchanging or otherwise transferring ownership of the Building or the real property on which it is located or any interest therein or portion thereof, including broker commissions, attorney's fees and closing costs;

25. Reserves for bad debts, rent loss, capital items or further Operating Costs;

26. Landlord's general corporate overhead and general and administrative expenses not related to the operation or management of the Building; and

27. Any other expense that under generally accepted accounting principles would not be considered a maintenance or operating expense.

# Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp  
or meeting date \_\_\_\_\_

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [ ] inquires"
- 5. City Attorney request.
- 6. Call File No. [ ] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. [ ]
- 9. Reactivate File No. [ ]
- 10. Question(s) submitted for Mayoral Appearance before the BOS on [ ]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission     Youth Commission     Ethics Commission
- Planning Commission     Building Inspection Commission

**Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.**

**Sponsor(s):**

Breed

**Subject:**

Real Property Lease Amendment – SFOC LLC – 711 Van Ness Avenue - \$352,800 Per Year Base Rent

**The text is listed below or attached:**

Resolution authorizing the Second Amendment to Lease with SFOC LLC, as Landlord, of 9,800 square feet at 711 Van Ness Avenue, extending the Lease expiring on June 30, 2015 through January 31, 2018 at a base rent of \$352,800 per year, plus payment for utility usage, services and common area expenses above Base Year 2015, for the Department of Emergency Management, the Office of the Assessor-Recorder and the San Francisco Public Utilities Commission, to commence upon approval by the Board of Supervisors and Mayor, in their respective sole and absolute discretion.

Signature of Sponsoring Supervisor: London Breed

For Clerk's Use Only:

**FORM SFEC-126:  
NOTIFICATION OF CONTRACT APPROVAL**  
(S.F. Campaign and Governmental Conduct Code § 1.126)

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors

<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: <b>SFOC, LLC</b>	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.	
<ol style="list-style-type: none"> <li>1. Bruce Spivey, MD – President and CEO; Dale Walker – Vice President; David Cuneo – Treasurer; Carolyn Burnett – Secretary; F. Clark Warden – Member at Large</li> <li>2. Bruce Spivey – President and CEO</li> <li>3. None</li> <li>4. N/A</li> <li>5. None</li> </ol>	
Contractor address: 711 Van Ness Avenue, 5 <sup>th</sup> Floor, San Francisco, CA 94102	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contracts: <b>\$1,306,750</b>  \$1,087,800 (36 months' Rent) + \$45,000 (36 months of Parking) + \$173,950 (estimated utilities, taxes and operating expenses).
Describe the nature of the contract that was approved: Lease extension at 711 Van Ness Avenue for 3 City Departments (ASR and DEM and SFPUC)	
Comments: None.	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves: San Francisco Board of Supervisors  
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board of Supervisors	Contact telephone number: 415-554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.supervisors@sfgov.org

\_\_\_\_\_  
Signature of City Elective Officer (if submitted by City elective officer)

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

\_\_\_\_\_  
Date Signed