File No. 260517 **Committee Item No.** 5
Board Item No. 31

COMMITTEE/BOARD OF SUPERVISORS

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Completed by: Brent Jalipa **Date** May 21, 2026
Completed by: Brent Jalipa **Date** May 28, 2026

[Lease Amendment - Hudson 1455 Market Street, LLC - 1455 Market Street - $14,487,462 Base Rent Second Year, Not to Exceed $10,760,600 Available Operating Budget]

Resolution approving and authorizing the Director of Real Estate, on behalf of the following City Departments: San Francisco Municipal Transportation Agency, Police Accountability, Human Resources, Office of the City Administrator, Mayor's Office of Housing and Community Development, Office of Community Investment and Infrastructure, Office of Economic and Workforce Development, Technology, Public Works, Civil Service Commission, Human Rights Commission, and City Attorney, to execute a Second Amendment to the lease agreement with Hudson 1455 Market Street, LLC, as Landlord, to expand the premises to include an additional 502,082 rentable square feet of office space at 1455 Market Street, for an initial term of 21 years, and terminating on April 30, 2049, with two five-year options to extend the lease term with an annual base rent of $14,487,462 (year two), and resetting the rent to $40.00 per square foot beginning January 1, 2027, with 1% annual increases until year four and then 3% annually thereafter; to expend an amount not to exceed $10,760,600 for digital technology costs, tenant improvements and furniture, fixtures and equipment to the extent of available operating budget and to the extent not covered by the tenant improvement allowance; affirming the Planning Department's determination under the California Environmental Quality Act; adopting the Planning Department's findings of consistency with the General Plan, and the eight priority policies of the Planning Code, Section 101.1; and authorizing the Director of Real Estate to execute any amendments, options to extend the lease term, make certain modifications and take certain actions that do not materially increase the obligations or liabilities to the City, do not materially decrease the benefits to the City and are necessary or advisable to effectuate the purposes of the Second Amendment or this Resolution.

WHEREAS, The City Administrator directed the Real Estate Division ("RED") to develop a strategic Civic Center space plan that supports long-term operational needs, improves efficiency through consolidation of City offices, and identifies competitively priced leasing opportunities to reduce overall occupancy costs; and

WHEREAS, Under the leadership and direction of the City Administrator, RED identified 1455 Market Street (the "Property"), a 22-story property totaling 1,123,876 rentable square feet (RSF) (the "Building") as an opportunity for the City to meet both its long-term goal of consolidating assets through long-term leasing or purchase and short-term cost savings goals while consolidating Civic Center operations into a modern, resilient building with large floor plates and favorable market-driven lease terms; and

WHEREAS, On April 23, 2024, the Board of Supervisors by Resolution No. 192-24 authorized the Director of Real Estate to execute an initial Lease with Hudson 1455 Market Street, LLC, a Delaware limited liability company, on behalf of multiple City departments ("Lease") for approximately 157,154 RSF within the Building ("Phase 1 Premises") for an initial term of 21 years, terminating on April 30, 2045, with two five-year options to extend the term, an option to lease additional premises ("Lease Option") and a purchase option ("Purchase Option"); and

WHEREAS, The Lease provides the City with an Additional Premises Option, in which the City has the right on one or more occasions to lease any additional or vacant full floor office space in the Building on the then same terms and conditions, provided that the City may exercise the Additional Premises Option by providing notice to the Landlord on or before December 31, 2027; and

WHEREAS, On March 30, 2025, the Director of Real Estate on behalf of the City provided an Additional Premises Notice for a second phase, adding 232,162 RSF to the

Premises (the “Phase 2 Premises”) to be occupied by the Human Services Agency and San Francisco Public Library - IT; and

WHEREAS, On April 29, 2025, the Board of Supervisors by Resolution No. 194-25 authorized the Director of Real Estate to execute the First Amendment to the Lease for the “Phase 2 Premises” to be occupied by the Human Services Agency and San Francisco Public Library - IT; and

WHEREAS, The City Administrator has directed the Real Estate Division to evaluate the City’s Civic Center real estate portfolio with the goals of reducing reliance on costly and inefficient facilities and leveraging favorable market conditions to improve long-term operational efficiency; and

WHEREAS, The Real Estate Division has identified three Civic Center area assets that present significant operational, financial, or facility condition challenges to continued City use; and

WHEREAS, One South Van Ness Avenue, a City-owned facility, is overcrowded, operationally inefficient, and contains major building systems at or near end-of-life, resulting in significant deferred capital needs and making continued occupancy cost-prohibitive; and

WHEREAS, A partial exit of 25 Van Ness Avenue provides for a consolidation of administrative functions into an appropriately sized footprint that meets business needs, while enabling essential building improvements that are more feasible to complete when the facility is not fully occupied; and

WHEREAS, 1390 Market Street, a leased property currently providing office space for a portion of the City Attorney’s Office, is operating at above-market rental rates under a lease that expires in April 2028; and

WHEREAS, Relocating City departments from these three locations to 1455 Market Street will reduce reliance on aging Civic Center facilities that require significant capital

investment, avoid substantial deferred maintenance costs, improve operational efficiency through consolidation into a modern, resilient building, and allow the City to take advantage of current favorable market conditions by exiting above-market leased space at 1390 Market Street; and

WHEREAS, On March 26, 2026 the Director of Real Estate on behalf of the City provided an Additional Premises Notice for a third phase of the Lease, adding 502,082 RSF to the Premises to be occupied by the San Francisco Municipal Transportation Agency, Department of Police Accountability, Department of Human Resources, Office of the City Administrator, including the divisions of 311, DataSF, Digital Services, the Committee on Information Technology, Real Estate and Risk Management, Mayor's Office of Housing and Community Development, Office of Community Investment and Infrastructure, Office of Economic and Workforce Development, Department of Technology, Department of Public Works, Civil Service Commission, and City Attorney (together, the "Phase 3 Premises"); and

WHEREAS, The proposed third phase will facilitate the consolidation of departments currently located within the Phase 1 Premises, including Human Resources and the San Francisco Municipal Transportation Agency, thereby freeing space presently allocated to Human Resources and allowing the Human Rights Commission to occupy that space upon completion of the consolidation;

WHEREAS, RED negotiated additional material economic benefits to the City under the proposed Second Amendment to the Lease; and

WHEREAS, Under the Second Amendment, the Base Rent amount for all City-occupied premises under the Lease will be reset to $40 per square foot ("PSF) starting January 1, 2027 ("Reset Date"), resulting in reduced rent obligations compared to the scheduled rates for the Phase 1 and Phase 2 Premises; and

WHEREAS, Beginning in 2028, Base Rent escalations will be reduced to 1% annually until the fifth anniversary of the Reset Date and will increase at 3% annually thereafter; and

WHEREAS, Under the Second Amendment, the Base Year for operating expenses will be adjusted from 2027 to 2028, delaying the commencement of operating expense pass-throughs and generating annual operating cost savings for the City; and

WHEREAS, The Second Amendment also establishes a Base Year reset every ten years, with the next reset occurring in 2038, providing improved long-term cost predictability; and

WHEREAS, Under the Second Amendment, the City negotiated additional tenant-beneficial provisions, including caps on controllable operating expenses, three years of property tax protection, installation of additional electric-vehicle chargers at no cost to the City, continued rights to parking, and a landlord-provided shared conference room facility; and

WHEREAS, Under the Second Amendment, the Landlord will increase the tenant improvement allowance from $100 PSF to $180 PSF for a total of approximately $90,374,760 ("Tenant Improvement Allowance") and a moving allowance in the amount of $15 PSF for a total of approximately $7,531,230 ("Moving Allowance" and collectively with the Tenant Improvement Allowance the "Allowances"), the unused balance of the Moving Allowance can be applied to tenant improvements, and Landlord will also perform, at its cost, capital improvements to the Building which will benefit the City as tenant; and

WHEREAS, The City's estimated tenant improvement and technology costs contribution will be $10,760,600; and

WHEREAS, Under the Second Amendment, the expiration date of the Lease will be extended from April 30, 2045, to April 30, 2049; and

WHEREAS, The Second Amendment, if approved, will add a total of approximately 502,082 rentable square feet of additional Phase 3 Premises to the Lease, for final space

allocations for individual departments will be determined during a City-approved design and programming process following approval of the Second Amendment; and

WHEREAS, The Landlord estimates that the tenant improvements for the Phase 3 Premises will be completed and ready for occupancy during the first half of Fiscal Year 2027-2028, with the exception of the City Attorney's office space, which is anticipated to be delivered by May 2028, thereby allowing the City to coordinate a timely and seamless relocation from its above-market lease at 1390 Market Street; and

WHEREAS, Under the Purchase Option the City has the right, but not the obligation, to purchase the Property if the City has leased a total of 400,000 RSF within the Building; and

WHEREAS, With the addition of the Additional Premises, the City will occupy approximately 930,292 RSF in the Building and be eligible to exercise the Purchase Option in its sole and absolute discretion; and

WHEREAS, Under the Lease, the City has until March 1, 2027, to timely give notice of its intent to exercise the Purchase Option and until December 31, 2027, to close escrow on the purchase; and

WHEREAS, Under the Second Amendment to the Lease, if the Purchase Option expires, the City will have a Right of First Offer to Purchase throughout the initial term of the Lease; and

WHEREAS, The City's exercise of the Lease Option, Purchase Option or Right of First Offer to Purchase requires separate Board of Supervisors and Mayoral approval in their respective sole and absolute discretion; and

WHEREAS, RED determined that the Second Amendment provides short-term and long-term monetary savings and best meets the long-term strategic goals of the City and is in the best interest of the City; and

WHEREAS, The Planning Department, through an email dated February 8, 2024, determined that no General Plan Referral was required; a copy of the Planning Department's email is on file with the Clerk of the Board of Supervisors in File No.240312; and

WHEREAS, The Director of Property has determined that the base rent is below fair market value for similar properties and has confirmed this through an independent appraisal under Chapter 23; now, therefore, be it

RESOLVED, That in accordance with the recommendation of the Director of Real Estate, the Board of Supervisors approves the Second Amendment and authorizes the Director of Real Estate to take all actions necessary to enter into and perform the City's obligations under the Second Amendment; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of Real Estate to the extent of available operating budget and to the extent not covered by the Tenant Improvement Allowance to expend an amount not to exceed $10,760,600 for digital technology costs, tenant improvements and furniture, fixtures and equipment; and be it

FURTHER RESOLVED, That the Board of Supervisors hereby affirms the Planning Department's determination under the California Environmental Quality Act, and adopting the Planning Department's findings of consistency with the General Plan, and the eight priority policies of the Planning Code, Section 101.1; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of Real Estate to execute any amendments, options to extend the Lease term, make certain modifications and take certain actions that do not materially increase the obligations or liabilities to the City, do not materially decrease the benefits to the City and are necessary or advisable to effectuate the purposes of the Second Amendment or this Resolution and are in compliance with all applicable laws; and, be it

FURTHER RESOLVED, That within 30 days of the execution of the Second Amendment, the Director of Real Estate shall provide a copy to the Clerk of the Board for the Board's file.

RECOMMENDED:

__/s/_____
Sarah R. Oerth
Director of Real Estate

Item 5 Files 26-0517	Department: Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Director of Property, on behalf of multiple City departments, to execute the Second Amendment to the City's lease with Hudson at 1455 Market Street, expanding the leased premises by 502,082 square feet, and extending the 21-year term by four years terminating on April 30, 2049. The proposed lease amendment would also reset the rent to $40.00 per square foot beginning January 1, 2027, with 1% annual increases until 2032 and then 3% annually thereafter.

Key Points

- The proposed lease amendment would support Phase 3 relocation of City departments currently located at 1 South Van Ness Avenue, portions of 25 Van Ness Avenue, and 1390 Market Street. The relocation is intended to address operational constraints, deferred maintenance, seismic concerns, and expiring lease obligations at existing facilities.
- Under the proposed amendment, the City would lease a total of approximately 885,119 square feet at 1455 Market Street across Phases 1, 2, and 3. The amendment would also provide additional tenant improvement allowances, one-time building improvements paid for by the landlord, and a right of first refusal if the property is offered for sale.

Fiscal Impact

- The proposed amendment would increase annual rent costs beginning in FY 2027-28, with total projected lease costs of approximately $1.03 billion through FY 2048-49 for all phases. The rent reset and modified escalation structure is projected to generate approximately $56 million in savings for the City over the existing lease term for currently leased premises.
- The proposed amendment would authorize up to $10,760,600 in City-funded tenant improvement costs, including $8,781,414 for landlord-delivered tenant improvements and approximately $2 million for Department of Technology costs to network the building. The landlord would contribute $97,905,990 toward tenant improvements and moving costs.

Policy Consideration

- The proposed amendment would increase annual rent costs by approximately $14 million in FY 2027-28, increasing to $20.4 million in FY 2028-29 following full occupancy. The City currently spends $7 million to operate and maintain 1 South Van Ness, a City-owned building, which would increase to $17 million per year for those tenants under the proposed lease.
- Relocating from City-owned to leased space shifts certain operational and capital responsibilities from the City to the landlord. Over the term of the lease, the City Administrator determined that the proposed relocations would result in $26.1 million in savings through FY 2048-49.

Recommendation

- Approval of the proposed resolution is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Administrative Code Section 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution.

BACKGROUND

1455 Market Lease

In April 2024, the Board of Supervisors approved a lease with Hudson 1455 Market, LLC (Hudson) for approximately 157,154 square feet of office space, storage, and parking at 1455 Market Street (Phase 1), for a term of 21 years from May 2024 through April 2045, with two five-year options to extend through April 2055, and annual base rent of $6,286,100 ($40 per square foot) with three percent annual escalation (File 24-0312).

In April 2025, the Board of Supervisors authorized the Director of Property (on behalf of the Human Services Agency, County Transportation Authority and Library's Information Technology unit) to execute the First Amendment to the City's lease with Hudson at 1455 Market Street, expanding the leased premises by 225,883 square feet of office space and 6,279 square feet of basement storage, for total leased office space of 383,037 square feet (Phase 2) (File 25-0265). Most of the space was for HSA, which contributed approximately $15.5 million for tenant improvements for office space and a new service center.

The original lease included an option to expand to other spaces in the building under the same terms of the original lease through December 2027. For this latest amendment, the Real Estate Division (RED) has negotiated improved terms for existing and proposed tenants.

The proposed second lease amendment would relocate City staff from 1 South Van Ness, 25 Van Ness, and 1390 Market Street.

1 South Van Ness

1 South Van Ness is a City-owned office building that was purchased in 2006 for $96,355,000 using certificate of participation debt (File 06-1531). There is approximately $48 million in outstanding debt, which will be repaid in FY 2040-41. The following departments/divisions are located in this building: ADM Digital Services, ADM Committee on Information Technology, ADM 311, Police Accountability (DPA), Economic & Workforce Development (ECN), Human Resources (DHR), Municipal Transportation Agency (MTA), Mayor's Office of Housing & Community Development (MOHCD), Department of Technology (TIS), and Office of Community Investment and Infrastructure (OCII). The administration is proposing to relocate all offices, comprising 476,000 square feet, to 1455 Market Street. The Market & Octavia Area Plan calls for high-density mixed-use on the site; it could be redeveloped for another City use or sold for a market rate purpose.

25 Van Ness

25 Van Ness is a City-owned building and historic structure with no outstanding debt. The administration is proposing a partial relocation of the following tenants to 1455 Market Street: RED, Risk Management (ADM), Civil Service Commission (CSC), Public Works human resources

(DPW HR), Human Rights Commission (HRC), and Status of Women (WOM), which would vacate approximately 25,000 square feet of space. There are no immediate plans to fill this space; however, RED reports there are several known space needs in the Real Estate portfolio that could be supported with the vacated space.

1390 Market Street

The City Attorney leases approximately 75,000 square feet at 1390 Market Street. The lease expires in 2028. The administration is proposing to relocate the City Attorney to 1455 Market Street.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Director of Property (on behalf of the San Francisco Municipal Transportation Agency, Police Accountability, Human Resources, Office of the City Administrator, Mayor's Office of Housing and Community Development, Office of Community Investment and Infrastructure, Office of Economic and Workforce Development, Technology, Public Works, Civil Service Commission, Human Rights Commission, and City Attorney) to execute the Second Amendment to the City's lease with Hudson at 1455 Market Street, expanding the leased premises by 502,082 square feet of office space, extending the 21-year term by four years terminating on April 30, 2049, with two five-year options to extend the lease term. The proposed lease amendment would also reset the rent to $40.00 per square foot beginning January 1, 2027, with 1% annual increases until 2032 and then 3% annually thereafter.[1] Finally, the resolution authorizes the Director of Property to spend up to $10,760,600 for tenant improvements at the site.

The resolution also affirms the Planning Department's determination under the California Environmental Quality Act (CEQA), adopts the Planning Department's findings of consistency with the General Plan and Planning Code, and authorizes the Director of Property to make further amendments so long as they do not materially increase the liabilities to the City or materially decrease the benefits to the City.

Exhibit 1 summarizes the terms and conditions of the existing and proposed lease provisions.

Exhibit 1: Key Terms of Proposed Lease Amendment

Lease Terms	Current Lease	Proposed Lease Amendment
Premises	Phase 1 premises (157,154 square feet on Floors 7, 12, 13, 16, & 17) and Phase 2 premises (225,883 square feet on the sublevel floor and Floors 4, 8, 18, & 22), and 6,279 square feet of basement space	Phase 3 Premises (502,082 square feet on floors 2, 3, 5, 6, 7, 8, 10, 11, 19, 20, & 21)
Term	21 years, from approx. May 2024 through April 2045. Two five-year options to extend.	Extends initial term through April 2049.

[1] The proposed resolution states the additional new rent would be $14,487,462 in year two of Phase 3, however this is incorrect. The additional new rent is projected to be $14,037,393, assuming a Fall 2027 move-in date.

Lease Terms	Current Lease	Proposed Lease Amendment
Annual Base Rent	$42.44 per square foot (Lease Year 3)	$40 per square foot starting January 1, 2027
Basement Space Rent	$194,021 ($30.90 per square foot, Lease Year 2)	No change
Rent Escalation	3% annually	1% annually 2027-2031, then 3% annually
Rent Start	Phase 1: May 1, 2025 Phase 2: The earlier of the date when City first occupies Phase II space or tenant improvements are substantially complete	Phase 3: Fall 2027 for most departments; May 2028 for City Attorney.
Option to Expand	City may expand premises in the building under the same terms of the lease through December 2027	No change. Approximately 200,000 square feet remain.
Option to Purchase	City has the option to purchase the building at appraised fair market value if provided notice by March 1, 2027. City must close escrow 255 days after notice or by December 31, 2027.	No change to Option to Purchase. Adds City right of first refusal if building is offered for sale afterwards.
Parking	City may lease one parking space per 3,000 square feet at a rate of $350 per space per month (subject to adjustment based on market rates)	City may park 120 cars overnight at no additional cost beyond $350 monthly cost per space.
Tenant Improvement Allowance	$100 per square foot, or $22,588,300 for Phase II premises	Increase of TI Allowance from $100 to $180 per square foot for Phase 3 premises, providing $90,374,760 for Phase 3.
Moving Allowance	$15 per square foot, or $3,388,245 for Phase II premises	Remains $15 per square foot, providing $7,531,230 for moving costs for Phase 3. Now allows City to apply unused allowance to tenant improvement costs.
Electrical Costs	City pays Landlord as a passthrough cost without markup	No change
Operating Costs	City pays percentage share of increase in operating costs over base year, which starts in 2027 with Phase II. Operating costs include heat, water, HVAC, janitorial services, security, and property taxes.	Base Year shifted to 2028 and operating cost pass-through cannot grow more than five percent annually. Base Year resets in 2038.
Property Taxes	Pro-rated and included in operating costs.	If building is sold within three years of Second Amendment, resulting property tax increase is not passed-through to City.

Source: Proposed Lease Amendment

Under the proposed amendment, the annual base rent is reset to $40 per square foot beginning January 2027. Beginning in 2028, annual Base Rent escalations will decrease to 1% through the fifth anniversary of the Reset Date, after which annual escalations will increase to 3%.

Phase 3 Relocation and Space Plan

According to RED, the proposed amendment supports the Phase 3 relocation of departments from facilities facing significant operational, financial, and physical constraints, including: (1) a full exit from 1 South Van Ness Avenue, a City-owned building currently rated as Seismic Hazard Rating-3[2] with overcrowding, operational inefficiencies, security challenges, and substantial deferred capital needs due to aging building systems; (2) a partial exit from 25 Van Ness Avenue to enable consolidation into a more functional footprint at 1455 Market Street (3) a full exit from 1390 Market Street, a leased facility occupied by City Attorney staff that is subject to above-market rental rates under a lease expiring in 2028.

Departments proposed for relocation in Phase 3 include the San Francisco Municipal Transportation Agency, Department of Police Accountability, Department of Human Resources, Office of the City Administrator, Mayor's Office of Housing and Community Development, Office of Community Investment and Infrastructure, Office of Economic and Workforce Development, Department of Technology, Department of Public Works, Civil Service Commission, Human Rights Commission, and City Attorney's Office. Collectively, these departments occupy 576,588 square feet of City-owned and leased space now and would occupy 502,082 square feet of space in 1455 Market.

The departmental square footage allocations for the Phase 3 premises have not yet been finalized. The building floor plan is shown in Exhibit 2 below.

Exhibit 2: 1455 Market Street Floor Plan

Phase 1 Premises	City Department	Square Footage
Floor 7	SFMTA	51,789
Floor 12	Department of Human Resources (DHR)	16,507
	General Services Agency (GSA) Human Resources	8,719
	Floor 12 Subtotal (Includes 1,126 sf Shared Space)	*26,352*
Floor 13	Department of the Environment	22,074
	Mayor's Office of Disability	4,265
	Floor 13 Subtotal	*26,337*
Floor 16	Treasurer-Tax Collector (TTX)	17,565
	Contract Monitoring Division (CMD)	7,713
	Floor 16 Subtotal (Includes 1,059 sf Shared Space)	*26,337*
Floor 17	Assessor-Recorder	16,291
	Department of Children, Youth & their Families (DCYF)	10,046
	Floor 17 Subtotal	*26,637*
Phase 1 Subtotal		**157,154**

[2] A Seismic Hazard Rating (SHR) of 3 means that, during a major earthquake, a building would likely suffer substantial damage to such an extent that it would be unusable until repaired.

Phase 2 Premises	City Department	Square Footage
Sublevel Floor	HSA (Service Center)	66,056
Floor 4	HSA (Back-Office Eligibility Workers)	97,718
Floor 8	Library IT	7,660
Floor 18	HSA (Executive Team, Administrative and Operations Functions)	27,215
Floor 22	San Francisco County Transportation Authority (SFCTA)	27,234
Phase 2 Subtotal		**225,883**

Phase 3 Premises	City Department (to be finalized through design process)	Square Footage
Floor 2	SFMTA	TBD
Floor 3	SFMTA	TBD
Floor 5	Police Accountability, Human Resources, Public Works HR	TBD
Floor 6	311 Call Center, Digital Services/Data SF, MOHCD, OCII, Office of Economic Workforce Development, Department of Technology	TBD
Floor 7	SFMTA	TBD
Floor 8	SFMTA	TBD
Floor 10	SFMTA	TBD
Floor 11	Civil Service Commission, Committee on Information Technology, Real Estate Division, Risk Management	TBD
Floor 19	City Attorney	TBD
Floor 20	City Attorney	TBD
Floor 21	City Attorney	TBD
Phase 3 Subtotal		**502,082**
Total		**885,119**

Source: RED

Note: Under a separate lease, MTA leases 45,173 at 1455 Market Street.

According to RED, the proposed third phase would consolidate departments currently located within the Phase 1 premises, including the Department of Human Resources and the San Francisco Municipal Transportation Agency, freeing space for occupancy by the Human Rights Commission upon completion of the consolidation.

City Option to Purchase

The lease contains an option for the City to purchase the building if it has rented at least 400,000 square feet in the building, which would be met with the proposed amendment. The City must provide notice to Hudson by March 1, 2027, and close escrow within 255 days of notice, or by December 31, 2027. The purchase price would be determined by an appraisal conducted at that time by a firm mutually agreed upon by the City and Hudson, but for no less than $200 per square feet, or $225,000,000. The actual purchase price may be substantially higher given the tenant

improvements and occupancy of the building, as well as market conditions. The option window provides an opportunity for RED and the Capital Planning Committee to analyze the feasibility of purchasing the building and to incorporate the potential purchase into the Capital Plan, which currently does not provide any funding for this purpose during the ten-year planning horizon.

Under the proposed amendment, the City receives the Right of First Offer to Purchase for the full term of the lease. If the landlord elects to sell the property at any point during the lease term, the landlord must first provide the City with a written offer, after which the City has 60 days to accept. The parties would then negotiate a purchase and sale agreement, subject to Board of Supervisors approval. RED states there are currently no plans to exercise the purchase option.

FISCAL IMPACT

Rent

Exhibit 3 below shows the projected rent by fiscal year for the proposed lease amendment. Because initial move-ins would not occur until Fall 2027, there is no budget impact until FY 2027-28, when the City's rent costs would increase by $14 million.

Exhibit 3: Estimated Rent

	Proposed Phases 1 & 2	Proposed Phase 3	Total
FY 2027	16,046,827	-	16,046,827
FY 2028	15,650,503	14,037,393	29,687,896
FY 2029	15,807,008	20,385,533	36,192,542
FY 2030	15,965,078	20,589,389	36,554,467
FY 2031	16,124,729	20,795,283	36,920,012
FY 2032	16,448,026	21,212,223	37,660,249
FY 2033	16,941,467	21,848,590	38,790,056
FY 2034	17,449,711	22,504,047	39,953,758
FY 2035	17,973,202	23,179,169	41,152,371
FY 2036	18,512,398	23,874,544	42,386,942
FY 2037	19,067,770	24,590,780	43,658,550
FY 2038	19,639,803	25,328,503	44,968,306
FY 2039	20,228,997	26,088,358	46,317,356
FY 2040	20,835,867	26,871,009	47,706,876
FY 2041	21,460,943	27,677,140	49,138,083
FY 2042	22,104,771	28,507,454	50,612,225
FY 2043	22,767,915	29,362,677	52,130,592
FY 2044	23,450,952	30,243,558	53,694,510
FY 2045	24,154,481	31,150,864	55,305,345
FY 2046	24,879,115	32,085,390	56,964,505
FY 2047	25,625,488	33,047,952	58,673,440
FY 2048	26,394,253	34,039,391	60,433,644
FY 2049	22,655,067	29,217,144	51,872,211
Total	**460,184,372**	**566,636,389**	**1,026,820,761**

Source: City Administrator's Office

Under the proposed amendment, the base rent amount for all premises under the lease will be reset to $40 per square foot starting January 1, 2027, with 1% annual increases through December 2031 then 3% annually thereafter. The rent reset will result in approximately $56 million in savings beginning in FY 2026-27 for the Phase 1 & 2 areas already leased by the City through the initial term of the original lease.

Tenant Improvements

The overall tenant improvement budget is $213 per square foot, for which the City will contribute $17.49 per square foot or eight percent of the budget. These estimates are based on space plans developed by Hudson in coordination with RED and preliminary input from departments and reflect both historical pricing from Phases 1 and 2 and broader market construction cost trends. RED reports that the office design will standardize workstations, reusing existing layout as much as possible, and minimizing construction of new private offices.

The tenant improvement costs are within the range of recent office conversion projects. According to RED, the District Attorney office conversion for 350 Rhode Island cost $281 per square foot (in 2024 dollars). According to a report by Cushman and Wakefield, a real estate services firm, the average hard and soft costs for office tenant improvements in San Francisco in 2025 is $240 per square foot.

Under the proposed amendment, the landlord will increase the tenant improvement allowance from $100 to $180 per square foot, for a total estimated allowance of approximately $90,374,760, and provide a moving allowance of $15 per square foot, totaling approximately $7,531,230, for a total landlord contribution of $97,905,990. Under the proposed Second Amendment, any unused moving allowance may be applied toward tenant improvements.

The proposed resolution caps the City's contribution toward tenant improvements at $10,760,600, which includes a $8,781,414 City contribution for landlord-delivered tenant improvements at $17.49 per square foot plus approximately $2,000,000 in Department of Technology costs to network the building.

The tenant improvements are primarily to establish new office space within the building as well as a new service center for MTA. The landlord estimates that tenant improvements for the Phase 3 premises will be completed and ready for occupancy by Fall 2027, except for the City Attorney's office space, which is expected to be delivered by May 2028 when the existing lease expires. Tenant improvement work will be carried out by the landlord's contractors. According to RED, the moving allowances under the proposed amendment will be sufficient to cover all costs associated with the move.

Additional Improvements and Provisions

Under the proposed amendment, the landlord will complete one-time building improvements at no additional cost and no impact to the tenant improvement budget, including repairing the HVAC on the sixth floor, construction of a 9th-floor conference room and installation of 11 electric vehicle charging stations, with the final scope, specifications, and locations to be jointly determined by the landlord and the City. The estimated value of these improvements is $17.5 million, which is in addition to the tenant improvement contribution described above.

In addition, the City may park up to 120 fleet vehicles overnight in a landlord-designated area without incurring additional overnight parking charges beyond standard parking rates.

Operating Costs

Under the proposed amendment, the City's percentage share increases from 34.07 percent to 79.31 percent of the increase in the building's operating expenses over the base year. Under the proposed amendment, the Base Year for operating expenses and property tax obligations will shift from 2027 to 2028, delaying operating expense pass-throughs and reducing the City's operating costs by approximately $3 million.[3] In addition, the proposed amendment establishes a Base Year reset every ten years, beginning in 2038, providing additional ongoing savings of $4 million. The City will pay electricity costs for its leased space upon substantial completion.

[3] According to RED, marginal operating expenses are projected at $1.20 per square foot beginning January 1, 2029, and property tax costs are projected at $2.13 per square foot beginning on the same date.

According to RED, electricity costs for the proposed space are estimated at $1.15 per square foot beginning in Fall 2027, with annual escalations of 5% each July.

Under the proposed amendment, beginning in 2029, annual increases in operating costs payable by the City will be capped at 5% compounded annually over the prior year's cap. The cap excludes utilities, security, engineering, janitorial and union labor costs, insurance, code-compliance improvements, and real estate taxes. However, the City is protected from an increase in real estate taxes if the building is sold and re-assessed at a higher taxable value for the three years of the execution of the proposed Second Amendment.

Funding Sources

According to RED, rent and operating costs would be supported by the General Fund (64.7 percent), MTA (31.7 percent), and OCII (3.7 percent).

Similar proportions would apply to the City contribution to the tenant improvement budget: the City's tenant improvement costs of $10,760,600 would be funded as follows: $7,091,985 from the General Fund (66 percent), $3,300,457 from MTA (31 percent), and $368,158 (3 percent) from OCII.

POLICY CONSIDERATION

Increase in Short-Term Real Estate Expenses

As shown above, the proposed lease would result in new rent expenses of approximately $14 million starting in FY 2027-28, increasing to $20.4 million in FY 2028-29 once all tenants are relocated. 65 percent of these costs would be paid from the General Fund and most represent new outlays as tenants are relocating from City-owned space. The City currently spends $7 million to operate and maintain 1 South Van Ness, a City-owned building, which would increase to $17 million per year for those tenants under the proposed lease.

Moving from City-Owned to Leased Space

Relocating from City-owned to leased space shifts certain operational and capital responsibilities from the City to the landlord. Under City-owned facilities, the City is responsible for ongoing operating and maintenance costs, including janitorial, security, building maintenance, and major capital investments necessary to maintain the facility in good repair, including seismic upgrades and replacement of aging building systems. Under the proposed lease structure, many of these responsibilities and associated risks would be assumed by the landlord, reducing the City's direct exposure to future capital and facility maintenance costs. According to RED, the estimated cost to retrofit the 1 South Van Ness building will exceed $100 million and deferred maintenance on the building likewise exceeds $100 million. When factoring in these and other needs, the City Administrator determined that the proposed relocations will result in $26.1 million in savings through FY 2048-49.

In addition, vacating 1 South Van Ness would allow the City or a market rate developer to repurpose the site in alignment with the Market & Octavia Plan's call for high-density housing on the site, potentially providing one-time revenue to offset these new costs.

RECOMMENDATION

Approval of the proposed resolution is a policy matter for the Board of Supervisors.

SECOND AMENDMENT TO OFFICE LEASE

between

HUDSON 1455 MARKET STREET, LLC, a Delaware limited liability company,

as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation,

as City

For the lease of Office Space at
1455 Market Street, San Francisco, California

_____, 2026

SECOND AMENDMENT TO OFFICE LEASE

This Second Amendment to Office Lease (this "**Second Amendment**") is made and entered into as of _____, 2026 (the "**Second Amendment Effective Date**"), by and between HUDSON 1455 MARKET STREET, LLC, a Delaware limited liability company ("**Landlord**"), and CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**City**" or "**Tenant**").

RECITALS

A. On April 23, 2024, the City's Board of Supervisors (the "**Board**") passed Resolution No. 192-24 (the "**Initial Lease Resolution**") authorizing its Director of Property, on behalf of multiple City Departments, to enter into the Initial Lease (as defined below). The Initial Lease Resolution was duly signed by the Mayor of San Francisco and certified by the Clerk of the Board on April 26, 2024.

B. On April 29, 2025, the Board passed Resolution No. 194-25 (the "**First Amendment Resolution**") authorizing its Director of Property, on behalf of multiple City Departments, to enter into the First Amendment (as defined below). The First Amendment Resolution was duly signed by the Mayor of San Francisco and certified by the Clerk of the Board on May 2, 2025.

C. Landlord and City are parties to that certain Office Lease dated as of May 1, 2024 (the "**Initial Lease**"), as amended by that certain First Amendment to Office Lease dated as of May 2, 2025 (the "**First Amendment**" and, together with the Initial Lease, collectively, together, the "**Original Lease**"), pursuant to which Landlord leases to City, and City leases from Landlord, certain premises containing approximately 389,316 rentable square feet within the building located at 1455 Market Street, San Francisco, California (the "**Building**"), which premises is comprised of (i) the Phase I: Initial Premises containing approximately 157,154 rentable square feet within the Building, (ii) the Phase II: Initial Premises containing approximately 225,883 rentable square feet within the Building, and (iii) the Basement Space containing approximately 6,279 rentable square feet within the Building, all as more particularly described in the Original Lease (collectively, the "**Original Premises**").

D. Landlord and City desire to amend the Original Lease to, among other things, expand the Original Premises to include certain additional space in the Building consisting of approximately 502,082 rentable square feet in the aggregate (collectively, the "**Second Amendment Expansion Premises**"), all in accordance with the terms and conditions set forth in this Second Amendment and as more particularly shown on Exhibit A attached hereto and incorporated herein by reference. The Second Amendment Expansion Premises is comprised of that certain space in the Building consisting of approximately: (i) 420,154 rentable square feet in the aggregate as more particularly described on Exhibit B (collectively, the "**Substantial Completion Expansion Premises**". Each applicable portion of the Substantial Completion Expansion Premises described on Exhibit B, is referred to individually as an "**applicable Substantial Completion Expansion Premises**"); and (ii) 81,928 rentable square feet in the aggregate comprised of (A) approximately 27,287 rentable square feet located on Floor 19 of the

Building, (B) approximately 27,327 rentable square feet located on Floor 20 of the Building, and (C) approximately 27,314 rentable square feet located on Floor 21 of the Building (collectively, the "**Fixed Commencement Expansion Premises**").

E. On _____, 2026, by Resolution No. _____ (the "**Second Amendment Resolution**"), the Board of Supervisors authorized its Director of Property, on behalf of multiple City Departments, to enter into this Second Amendment to Office Lease on all the terms and conditions set forth herein. The Second Amendment Resolution was duly signed by the Mayor of San Francisco and certified by the Clerk of the Board on _____, 2026.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and City hereby agree to enter into this Second Amendment as follows:

1. Recitals. The foregoing recitals are true and correct and are incorporated herein by this reference as if fully set forth in this Second Amendment.

2. Defined Terms. All initially capitalized terms used in this Second Amendment and not otherwise specifically defined in this Second Amendment shall have the meaning provided in the Original Lease. The term "**Lease**" where used in the Original Lease and this Second Amendment will hereafter refer to the Original Lease, as amended by this Second Amendment.

3. Basic Lease Information. The following revisions are made to the Basic Lease Information Section of the Initial Lease:

a. **Page 2, Rentable Area of Premises (Section 2.1)**. On page 2 of the Initial Lease, the "Rentable Area of Premises (Section 2.1)" paragraph is deleted in its entirety and replaced with a new paragraph which reads as follows:

> "Rentable Area of Premises (Section 2.1): **Phase I: Initial Premises** - Approximately 157,154 RSF on floors 7, 12, 13, 16 and 17. **Phase II: Initial Premises** - Approximately 225,883 on floors LL, 4, 8, 18, 22. **Basement Space** – Approximately 6,279 RSF in three (3) separate rooms consisting of: (x) 5,200 RSF, (y) 800 RSF and (z) 279 RSF on Level 2 of the Building. **Second Amendment Expansion Premises** - Approximately 502,082 on floors 2, 3, 5, 6, 7, 8, 10, 11, 19, 20, 21. **Additional Premises** – As needed by City during the Additional Premises Option Period based on the Additional Premises Option Notice(s)."

b. **Page 4, City's Percentage Share**. On page 4 of the Initial Lease, the "City Percentage Share (Section 4.4)" paragraph is deleted in its entirety and replaced with a new paragraph which reads as follows:

> "City's Percentage Share: **Phase I: Initial Premises, Phase II: Initial Premises, the Basement Space and the Second Amendment Expansion Premises** - 79.31%

for City's Percentage Share. **Additional Premises and Basement Space** - As reasonably determined by Landlord based upon City's total rentable square footage occupancy in relation to the total rentable square feet in the building taking into account proration for partial year occupancies."

4. Second Amendment Expansion Premises; Effective Date; and Base Rent Abatement.

a. Expansion of Premises. The Premises shall be expanded to include (and City shall lease from Landlord) each applicable Substantial Completion Expansion Premises effective on the date that is the earlier of (i) the date the City first occupies the applicable Substantial Completion Expansion Premises, or (ii) the date of Substantial Completion of the Leasehold Improvement Work (as each such term is defined in Section 6.1 of the Initial Lease) for the applicable Substantial Completion Expansion Premises and delivery of the applicable Substantial Completion Expansion Premises by Landlord to City (each such applicable date, a "**Substantial Completion Expansion Date**"). The Premises shall be expanded to include (and City shall lease from Landlord) the Fixed Commencement Expansion Premises effective as of May 1, 2028 (the "**Fixed Commencement Expansion Date**").

i. Notwithstanding the foregoing, if Landlord cannot, for any reason, deliver any portion of the Second Amendment Expansion Premises to City (including, without limitation on account of any present tenant or occupant of all or any portion of the Second Amendment Expansion Premises not vacating any portion of the Second Amendment Expansion Premises), then this Second Amendment shall not be deemed void or voidable nor shall Landlord be deemed to be in default hereunder, nor shall Landlord be liable for any loss or damage directly or indirectly arising out of such delay except as set forth below, and City agrees to accept possession of the applicable Second Amendment Expansion Premises at such time as Landlord is able to tender the same (which date shall thenceforth be the applicable Substantial Completion Expansion Date or Fixed Commencement Expansion Date, as the case may be, for the applicable portion of the Second Amendment Expansion Premises).

ii. From and after each applicable Substantial Completion Expansion Date or the Fixed Commencement Expansion Date, as the case may be, the term "Premises" where used in the Lease (including this Second Amendment) shall mean the Original Premises and the applicable portion of the Second Amendment Expansion Premises, collectively (it being acknowledged and agreed that following the last to occur of the applicable Substantial Completion Expansion Dates and the Fixed Commencement Expansion Date, the Premises shall be deemed to contain a total of approximately 891,398 rentable square feet). Landlord and City agree that the rentable square footage of the Second Amendment Expansion Premises as set forth in Recital D above and Exhibit B attached hereto (and of the Original Premises as set forth in Recital C above) shall be conclusive and binding on the parties hereto.

b. Premises Expansion Notice. Following each applicable Substantial Completion Expansion Date and the Fixed Commencement Expansion Date the parties shall execute a factually correct notice documenting the applicable Substantial Completion Expansion Date or the Fixed Commencement Expansion Date, the Second Amendment Expiration Date (as defined below), the Base Rent payable for the entire Premises and City's Percentage Share (as determined by Landlord in accordance with the provisions of the Original Lease) during the period beginning on the commencement of the applicable Expansion Term (as defined hereinbelow) and ending on the Expiration Date ("**Premises Expansion Notice**"); provided, however, that the Premises Expansion Notice shall not be required to establish the commencement of the applicable Expansion Term, the Base Rent payable for the entire Premises or City's Percentage Share.

c. Base Rent Abatement. Notwithstanding anything herein to the contrary, subject to a day-for-day extension for any day of delay caused by a Force Majeure Event and/or any substantiated delays caused solely by the City that actually impacts the construction schedule as determined by Landlord in its sole but good faith and reasonable discretion (including, without limitation, any City Change Order and/or City's failure to approve the Construction Documents by September 23, 2026), if Substantial Completion fails to occur for the Fixed Commencement Expansion Premises by May 1, 2028, then commencing on the day following May 1 2028, City shall receive a day-for-day abatement of Base Rent with respect to the Fixed Commencement Expansion Premises only for each day after May 1, 2028 until Substantial Completion occurs ("**Base Rent Abatement**").

i. The Base Rent Abatement shall be applicable to Base Rent first otherwise coming due during the Lease Term for the Fixed Commencement Expansion Premises (provided that City shall remain liable for the payment of any other charges under the Lease as otherwise required under the Lease during the Base Rent Abatement period). City shall commence the regular payment of Base Rent (at the then applicable rates) for the Fixed Commencement Expansion Premises, computed in the way and manner as provided by the Lease (as amended hereby), upon the Fixed Commencement Expansion Date subject to such abatement right.

5. Expansion Term.

a. Expansion Term. The Lease Term with respect to each applicable Substantial Completion Expansion Premises and the Fixed Commencement Expansion Premises (each, an "**Expansion Term**"), shall commence (i) with respect to each applicable Substantial Completion Expansion Premises, on the applicable Substantial Completion Expansion Date for such applicable Substantial Completion Expansion Premises, and (ii) with respect to the Fixed Commencement Expansion Premises, on May 1, 2028. For purposes hereof, the earlier of the first (1st) Substantial Completion Expansion Date or Fixed Commencement Expansion Date to occur hereunder is referred to as the "**Initial Second Amendment Expansion Date**". Collectively, the initial Lease Term of the Original Lease and each Expansion Term are referred to as the Lease Term.

b. Second Amendment Expiration Date. Landlord and City acknowledge and agree that the current Expiration Date of the Lease is April 30, 2045 (the

"**Original Expiration Date**"). Notwithstanding anything to the contrary contained in the Original Lease, the Lease Term with respect to the entire Premises is hereby extended such that the Expiration Date shall, unless the Lease is sooner terminated in accordance with the terms thereof, be April 30, 2049 (the "**Second Amendment Expiration Date**"). City shall have the right or option to renew or extend the Lease Term or any Expansion Term (with respect to the Original Premises and any portion of the Second Amendment Expansion Premises) beyond the Second Amendment Expiration Date, only as expressly set forth in Section 3.4 of the Initial Lease.

c. City's Right to Enter Second Amendment Expansion Premises. Notwithstanding the foregoing, City may enter (i) any applicable Substantial Completion Expansion Premises prior to the applicable Substantial Completion Expansion Date, and/or (ii) the Fixed Commencement Expansion Premises prior to the Fixed Commencement Expansion Date, for the sole purpose of installing City's furniture, fixtures and equipment. Other than the obligation to pay Base Rent, all of City's obligations under the Lease (as amended hereby) shall apply during any period of such early entry.

Notwithstanding anything herein to the contrary, Landlord may limit, suspend or terminate City's rights to enter any portion of the Second Amendment Expansion Premises early pursuant to this Section if Landlord reasonably determines that such entry is endangering individuals working in any portion of the Original Premises and/or the Second Amendment Expansion Premises, and/or is delaying completion of the Leasehold Improvements for any portion of the Original Premises and/or the Second Amendment Expansion Premises, or any Landlord base building work.

6. Base Rent Adjustment; Base Year Adjustment; Operating Costs.

a. Base Rent Adjustment. As of January 1, 2027, the Base Rent payable by City for the Premises shall be $40.00 per RSF. Base Rent will automatically increase by one percent (1%) commencing on each anniversary of January 1, 2027 until December 31, 2031. Commencing on January 1, 2032 and continuing on each anniversary thereof, the then escalated Base Rent shall increase by three percent (3%) until the Second Amendment Expiration Date, in each case on a cumulative, compounded annual basis.

i. Effective as of the commencement of each Expansion Term occurring after January 1, 2027 and continuing thereafter until the Second Amendment Expiration Date, City shall pay Base Rent for such applicable Substantial Completion Expansion Premises and/or Fixed Commencement Expansion Premises at the then escalated Base Rent, on a per rentable square foot basis, then being paid for the Premises.

ii. Prior to January 1, 2027, City shall continue to pay monthly Base Rent (in addition to all other amounts due and payable under the Lease including, without limitation, all Additional Charges for the Premises) with respect to the Original Premises in accordance with the terms of, and in the amounts set forth in, the Original Lease.

b. Prop 13. If the Landlord sells or transfers the Property during the first three (3) years immediately following the Second Amendment Effective Date (the

"**Protection Period**"), the City shall not be responsible for any resulting Tax Increase (as defined below) in Real Estate Taxes arising in connection therewith during the Protection Period only to the extent that the Property is reassessed (the "**Reassessment**") for real estate tax purposes by the appropriate governmental authority pursuant to the terms of Proposition 13. The term "**Tax Increase**" shall mean that portion of Real Estate Taxes, as calculated immediately following the first Reassessment (if any) that occurs during the Protection Period, which is attributable solely to the Reassessment. Notwithstanding anything herein to the contrary, in no event shall the terms of this Paragraph apply, and in no event shall City continue to have any protection against any Tax Increase, in the event that City (or any affiliate of City) purchases the Property (including, without limitation, pursuant to the terms of Section 22 of the Initial Lease or Section 9 hereinbelow).

c. Base Year Adjustment Date. Effective as of the Second Amendment Effective Date, the Base Year for Operating Costs and Real Estate Taxes shall be the calendar year 2028 for all purposes under the Lease. As of the first (1st) day of the first (1st) full calendar month following the eleventh (11th) anniversary of the commencement of the last Expansion Term to occur hereunder (the "**Base Year Adjustment Date**"), the Base Year for Operating Costs and Real Estate Taxes shall automatically be adjusted to be the calendar year 2038 for all purposes under the Lease. Notwithstanding the foregoing, the Base Year shall reset for any subsequent exercise of an Option to Extend (and the same shall be taken into account in determining the fair market rental rate of the Premises pursuant to Section 3.4 of the Initial Lease).

d. Controllable Operating Cost Cap. For purposes of this Section, the term "**Controllable Operating Costs**" shall mean all Operating Costs, excluding the following: (i) the cost of all charges for electricity, gas, water and other utilities; (ii) costs incurred by Landlord for security, engineering, janitorial, and/or unionized labor; (iii) the cost of all charges for all insurance for the Property and/or the Premises carried by Landlord; (iv) costs incurred in connection with alterations or improvements made to the Premises, Building or Property, to comply with codes, ordinances, regulations, statutes and/or other laws which first become effective on or after the effective date of the Initial Lease; and (v) Real Estate Taxes.

i. Commencing in the calendar year 2029, City's obligation to pay Controllable Operating Costs during the Lease Term shall be subject to an annual cap (the "**Cost Cap**"). For the calendar year 2029, the Cost Cap shall be one hundred five percent (105%) of the actual Controllable Operating Costs incurred by Landlord for calendar year 2028. Each subsequent calendar year thereafter during the Lease Term, the Cost Cap shall increase by five percent (5%) over the prior year's cap, such increase to be compounded annually. For illustrative purposes only, if the Controllable Operating Costs during the calendar year 2028 was $100, then the Cost Cap for calendar year 2029 would be $105, the Cost Cap for calendar year 2030 would be $110.25, and so on.

ii. Following the initial Lease Term, the Cost Cap shall reset for each subsequent year of the Extended Term and shall be calculated based on the actual Operating Costs (without regard to the Cost Cap) applicable to the calendar year which is the Base Year for such Extended Term, and each subsequent year during the Extended Term shall otherwise be subject to the Cost Cap pursuant to the terms of this Section. For clarity, the applicable Cost Cap shall equitably increase or

decrease (on a per square foot basis) in the event of any increase or decrease in the square footage of the Premises leased by City from and after January 1, 2028.

7. Expansion Premises Leasehold Improvements; Leasehold Improvement Allowance.

Landlord shall cause the Leasehold Improvements (also sometimes referred to in the Original Lease and this Second Amendment as the "**Leasehold Improvement Work**") to be constructed in the Second Amendment Expansion Premises (referred to hereinafter as the "**Expansion Premises Leasehold Improvements**") subject to, and in accordance with, the terms set forth in Section 6 of the Initial Lease. For purposes of this Second Amendment only, (i) all references in Section 6 to the "**Effective Date**" shall be deemed to refer to the Effective Date of this Second Amendment, and (ii) the Leasehold Improvement Allowance (also sometimes referred to in the Original Lease and this Second Amendment as the "Allowance") for the Second Amendment Expansion Premises shall be the aggregate amount of up to Ninety Million Three Hundred Seventy-Four Thousand Seven Hundred Sixty and 00/100 Dollars ($90,374,760.00) (i.e., $180.00 per rentable square foot of the Second Amendment Expansion Premises) (hereinafter referred to as the "**Second Amendment Leasehold and Base Building Improvement Allowance**", as the same may be increased pursuant to the terms of Section 8 below. For purposes hereof, notwithstanding anything in the Original Lease to the contrary, "City's Leasehold Improvement Contribution" for the Second Amendment Expansion Premises shall be an amount not to exceed Eight Million Seven Hundred Seventy-Six Thousand Three Hundred Ninety-Three and 36/100 Dollars ($8,776,393.36), with City to pay such amount to Landlord at the time of Substantial Completion upon receipt of the required documentation in accordance with Section 6.1(d)(iii) of the Initial Lease.

8. Second Amendment Expansion Premises Moving Allowance.

a. Second Amendment Expansion Premises Moving Allowance. Subject to the terms of the Lease (including, without limitation, City's Moving Contribution pursuant to Section 2.6 of the Initial Lease), so long as City is not in material default under the Lease (following delivery of notice and expiration of applicable cure periods), City shall be entitled to the Moving Allowance with respect to each applicable Substantial Completion Expansion Premises and the Fixed Commencement Expansion Premises not to exceed fifteen dollars ($15.00) per RSF of the applicable Substantial Completion Expansion Premises or the Fixed Commencement Expansion Premises, under the terms of Section 2.6 of the Initial Lease.

b. Remainder Moving Allowance. To the extent any portion of the Moving Allowance for any Substantial Completion Expansion Premises and/or the Fixed Commencement Expansion Premises, remains unallocated pursuant to the approved TI Budget for the applicable Substantial Completion Expansion Premises and/or the Fixed Commencement Expansion Premises, then such unallocated portion shall be automatically converted towards the Expansion Premises Leasehold Improvements. In such case: (A) the Second Amendment Leasehold and Base Building Improvement Allowance shall be deemed automatically increased by such amount, and the applicable Moving Allowance for such applicable Substantial Completion Expansion Premises

or the Fixed Commencement Expansion Premises, shall be deemed automatically decreased by such amount, and (B) such converted portion of the Moving Allowance, if any, shall be subject to all of the terms and conditions pertaining to the Second Amendment Leasehold and Base Building Improvement Allowance as set forth in the Lease.

i. For the avoidance of doubt, the parties expressly acknowledge and agree that, in the event that all of the applicable Moving Allowance for the applicable Substantial Completion Expansion Premises or the Fixed Commencement Expansion Premises, is converted to the Second Amendment Leasehold and Base Building Improvement Allowance in accordance with the terms of this Paragraph, then City shall be responsible for all costs and expenses incurred in connection with moving into the applicable Substantial Completion Expansion Premises or the Fixed Commencement Expansion Premises, and in no event shall Landlord be required to incur any costs or expense whatsoever in connection with the same.

9. Right of First Offer to Purchase.

a. Alternative Right to Purchase. If the City does not timely and properly deliver its Exercise Notice on or before the Strike Date or close escrow on or before the Closing Date (as each such term is defined in Section 22.1 of the Initial Lease), then, effective as of the day immediately following the later to occur of the Strike Date and the Closing Date, the parties hereby agree (i) that the terms of Section 22 of the Initial Lease shall be automatically deemed deleted in their entirety and shall be of no further force or effect, and (ii) in lieu thereof, the terms of this Section 9 shall apply. Accordingly, effective as of the day immediately following the later to occur of the Strike Date and the Closing Date, then, subject to the provisions of this Section 9, and provided that City is not in default under any of the terms and conditions of the Lease, prior to selling the Building (herein referred to as the "**Qualified Property**") to any unaffiliated third party during the initial Lease Term, and subject and subordinate to any Superior Transactions (as defined below), Landlord shall deliver to City a written offer ("**Offer**") setting forth the description of the Qualified Property and the terms upon which Landlord, in its sole and absolute discretion, proposes to offer to sell the Qualified Property to unaffiliated third parties (which terms may include, without limitation, that the Offer is subject to the provisions of any existing loan agreement(s) related to the Qualified Property and that the purchaser is responsible for the payment of any costs and fees related to the assumption and/or the payoff of such loan) and City shall have a one-time option (the "**Purchase Option**") for a period of sixty (60) days after delivery of Landlord's Offer, to elect to purchase the Qualified Property on the exact terms and conditions set forth in the Offer (except as described in Section 9a.ii below) by delivery of a written notice to Landlord accepting the Offer (the "**Acceptance**"). If City does not timely deliver the Acceptance of the Offer, then (i) Landlord shall be free to sell the Qualified Property to a third party on such terms and conditions as Landlord and such third party shall agree, which may differ from the terms offered to City, (ii) City's right to purchase the Qualified Property shall automatically terminate, and (iii) City's right of first offer provided under this Section 9 shall terminate and be of no further force or effect; provided, however, for a period of one hundred eighty (180) days after said sixty (60) day period Landlord may not sell the Qualified Property to a third party for an aggregate purchase price that is ninety percent (90%) or less than the purchase price set forth in the Offer,

unless Landlord first delivers a new Offer to City with such purchase price in accordance with the terms of this Section 9 (provided, however, the deadline for City to respond with an Acceptance with respect to any such subsequent Offer shall be sixty (60) days. If City does not timely notify Landlord of the Acceptance of the revised Offer with the lower purchase price, then City shall be deemed to have rejected the same and then Landlord shall be free to sell the Qualified Property to a third party at any purchase price and on any terms, and City's right of first offer shall terminate as to the Qualified Property described in this Section 9. If Landlord consummates the sale of the Qualified Property to a third party after complying with the terms of this Section 9, then City's rights under this Section shall terminate.

ii. If City timely accepts the Offer (as evidenced by its timely delivery to Landlord of the Acceptance within the sixty (60) day time period set forth above), then Landlord shall promptly prepare a purchase agreement on a commercially reasonable form containing provisions generally considered customary on the basis of the purchase price (the "**Purchase Agreement**") which shall contain the terms of the Offer; provided, however, such Purchase Agreement (i) shall not contain any representations or warranties whatsoever regarding the condition of the Qualified Property or require Landlord to provide any repair, maintenance or improvement to the Qualified Property, (ii) shall provide for the sale of the Qualified Property "as-is", and (iii) shall increase the purchase price by the amount of any discount or reduction in the purchase price under the offer relating to the protections given to Tenant under Paragraph 6(b) above. The parties shall work together in good faith to agree upon and finalize the Purchase Agreement so that such Purchase Agreement is mutually executed within ninety (90) days after Landlord's delivery of its initial draft to City. Neither City's rent payments nor any other payments made by City to Landlord pursuant to the Lease, shall be applied against the purchase price payable under the Purchase Agreement, and City shall be required to pay Base Rent and Additional Charges through and pro-rated as of the closing date (i.e., the date upon which the sale of the Qualified Property to City is consummated). In no event shall this right of first offer apply during any renewal or extension of the Lease Term (including, without limitation, any Extended Term).

iii. Notwithstanding anything to the contrary contained in this Section 9, Landlord shall have no obligation to deliver an Offer hereunder, and City shall have no rights whatsoever under this Section 9 or otherwise to purchase the Qualified Property with respect to any of the following (each, a "**Superior Transaction**"): (i) any transfer to any Landlord Affiliate (as defined hereinbelow), (ii) any mortgagee, beneficiary or other party that acquires the Qualified Property through a foreclosure sale or deed in lieu of foreclosure, (iii) any transfer of an ownership interest in Landlord to a Landlord Affiliate or in connection with any transfer that creates a joint venture ownership of the Qualified Property where Landlord or a Landlord Affiliate continues to hold an ownership interest, (iv) the grant of a security interest, or (v) any sale that is part of a larger portfolio sale involving multiple properties in addition to the Qualified Property. City hereby acknowledges and agrees that its rights hereunder are subject and subordinate to any Superior Transaction and shall not be triggered by any Superior Transaction. The term "**Landlord Affiliate**" means (w) any entity that controls, is controlled by or under common

control with Landlord or any of its members, or (x) any entity which merges with or acquires or is acquired by Landlord or a parent, subsidiary or member of Landlord, or (y) any entity which acquires all or substantially all of the assets or stock or other ownership interests of Landlord or any member thereof, or (z) any transfer of ownership interests in the entity comprising Landlord, including, without limitation, any transfer between members or affiliates thereof.

iv. For avoidance of doubt, and notwithstanding anything to the contrary, City agrees and acknowledges that City shall have no right to receive an Offer (or otherwise to purchase the Qualified Property) if Landlord elects to sell such Qualified Property as part of a larger portfolio sale involving multiple properties in addition to the Qualified Property or applicable portion thereof, it being acknowledged and agreed that, in such instance, the Purchase Option shall automatically terminate and the terms of this Section 9 shall be deemed deleted and of no further force or effect. The rights contained in this Section 9 shall be personal to City and may only be exercised by City (and not any other assignee, sublessee or transferee of City's interest in the Lease) if City leases and occupies one hundred percent (100%) of the then-applicable Premises as of the date of the attempted exercise of the Purchase Option by City. In addition, in no event shall Landlord be obligated to pay a commission with respect to any exercise of the Purchase Option hereunder, and City shall protect, defend, indemnify and hold Landlord and its agents and representatives harmless from and against any and all Claims in any way arising or resulting from or in connection with or related to commissions or other compensation claimed by any broker or agent representing (or claiming to represent) the City.

10. Second Amendment Landlord Work.

a. Landlord shall, on a one-time basis only, using Building standard materials, specifications, guidelines and procedures (except to the extent otherwise designated by Landlord in its sole discretion), perform only the following work in the Building (collectively, the "**Second Amendment Landlord Work**"): (i) construct a conference room on the 9th Floor of the Building (the "**Conference Room**") in approximately the location shaded gray shown on Exhibit C attached hereto, and (ii) install eleven (11) electric vehicle charging stations (collectively, the "**EV Chargers**") in a location to be determined by Landlord. Notwithstanding anything herein to the contrary, the exact scope and specifications (including, without limitation, with respect to location) for each element of the Second Amendment Landlord Work shall be mutually determined by Landlord and the City (acting reasonably).

b. City shall not (and City shall ensure that its agents do not) interfere with the performance of the Second Amendment Landlord Work and shall cooperate with Landlord in connection with the performance of the Second Amendment Landlord Work.

c. City hereby agrees that the performance of the Second Amendment Landlord Work shall in no way constitute a constructive eviction of City or entitle City to any abatement of rent payable pursuant to the Lease. Landlord shall have no responsibility for, or for

any reason be liable to City, for any direct or indirect injury to or interference with City's business arising from the performance of the Second Amendment Landlord Work, nor shall City be entitled to any compensation or damages for loss of the use of the whole or any part of the Premises resulting from the performance of the Second Amendment Landlord Work or Landlord's or Landlord's contractor's or agent's actions in connection with the performance of the Second Amendment Landlord Work, or for any inconvenience or annoyance occasioned by the performance of the Second Amendment Landlord Work or Landlord's or Landlord's contractor's or agent's actions in connection with the performance of the Second Amendment Landlord Work.

d. Following completion of the Second Amendment Landlord Work, City shall have the non-exclusive right to (i) use the Conference Room, in common with any other tenants and/or occupants of the Building, on a first-come, first-serve basis, at Landlord's then prevailing hourly rate therefor, and (ii) use the EV Chargers (together with any other electrical vehicle charging stations located in the Building), in common with any other tenants and/or occupants of the Building, on a first-come, first-serve basis, and all costs incurred in connection with the use and/or operation of the foregoing shall be payable by City as an Operating Cost pursuant to the terms of the Lease.

11. HVAC for Suite 650. Subject to limitations, if any, imposed by applicable Laws, Landlord shall, as part of Operating Costs, furnish only to that certain portion of Suite 600 containing approximately 19,730 rentable square feet commonly known as Suite 650 ("**Suite 650**") (as shown on Exhibit A attached hereto), and not any other portions of the Premises, heating, air conditioning and ventilation in amounts required for City's comfortable use and occupancy of Suite 650, twenty-four (24) hours per day, seven (7) days per week, from and after the commencement of the Expansion Term for Suite 650. Landlord shall be conclusively deemed to have provided heating, air conditioning and ventilation in amounts required for City's comfortable use and occupancy if Landlord operates the heating, air conditioning and ventilation system in a manner substantially consistent with the applicable ASHRAE standards

12. CASp. Section 2.4 of the Initial Lease (Disability Access) is hereby incorporated herein by reference with respect to the Second Amendment Expansion Premises.

13. Parking Rights. The following subsection (f) is added to Section 2.5 (Parking Rights) of the Initial Lease:

> "(f) Subject to the terms set forth in this Section 2.5, (i) City shall be permitted to park up to one hundred twenty (120) City fleet vehicles overnight to the extent the same is permitted by applicable Laws in an area designated by Landlord, and (ii) without limiting City's obligation to pay the parking rate pursuant to Section 2.5(a) above, City shall not be charged any additional cost for such overnight parking."

14. Estoppel. City warrants, represents and certifies to Landlord that, as of the Second Amendment Effective Date, to City's actual knowledge without duty of investigation or inquiry, (a) Landlord is not in default under the Lease, and (b) City does not have any defenses or offsets to payment of rent and performance of its obligations under the Lease as and when the same becomes due. Landlord warrants, represents and certifies to City that, as of the Second Amendment Effective Date, to Landlord's actual knowledge without duty of investigation or inquiry, City is not in default under the Lease.

15. Brokers. Each of Landlord and City represents and warrants to the other that it has not dealt with any broker with respect to this Second Amendment, other than Cushman and Wakefield, representing Landlord.

16. No Other Modifications. Except as otherwise expressly set forth in this Second Amendment, the Lease remains unmodified and in full force and effect.

17. Counterparts and Electronic Signatures. This Second Amendment may be executed in multiple counterparts, each of which shall be deemed an original agreement and both of which shall constitute one and the same agreement. The counterparts of this Second Amendment may be executed and delivered by electronic signature (including portable document format) by either party and the receiving party may rely on the receipt of such document so executed and delivered electronically or by facsimile as if the original had been received. This Second Amendment shall be binding upon and inure to the benefit of Landlord, its successors and assigns and City and its permitted successors and assigns.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS SECOND AMENDMENT, LANDLORD ACKNOWLEDGES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS SECOND AMENDMENT UNLESS THE CITY'S BOARD OF SUPERVISORS AND MAYOR HAVE DULY ADOPTED AND SIGNED A RESOLUTION APPROVING THIS SECOND AMENDMENT AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED BY THIS SECOND AMENDMENT. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY UNDER THIS SECOND AMENDMENT ARE CONTINGENT ON ADOPTION OF THAT RESOLUTION, AND THIS SECOND AMENDMENT WILL BE NULL AND VOID UNLESS CITY'S BOARD OF SUPERVISORS AND MAYOR APPROVE THIS SECOND AMENDMENT, EACH EXERCISING THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS SECOND AMENDMENT BY ANY DEPARTMENT, COMMISSION, OR AGENCY OF CITY WILL NOT BE DEEMED TO IMPLY THAT THE RESOLUTION WILL BE ADOPTED AND NO SUCH APPROVAL WILL CREATE ANY BINDING OBLIGATIONS ON CITY.

Landlord and City have executed this Second Amendment as of the date first written above.

LANDLORD:

HUDSON 1455 MARKET STREET, LLC,
a Delaware limited liability company

By: Hudson 1455 Market, L.P.,
a Delaware limited partnership
its Member

By: Hudson 1455 GP, LLC,
a Delaware limited liability company,
its General Partner

By: Hudson Pacific Properties, L.P.
a Maryland limited partnership,
its Member

By: Hudson Pacific Properties, Inc.,
a Maryland corporation,
its General Partner

By: _____
Name: Mark Lammas
Title: President
Date: 5/8/2026

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
SARAH R. OERTH
Director of Property
Date: _____

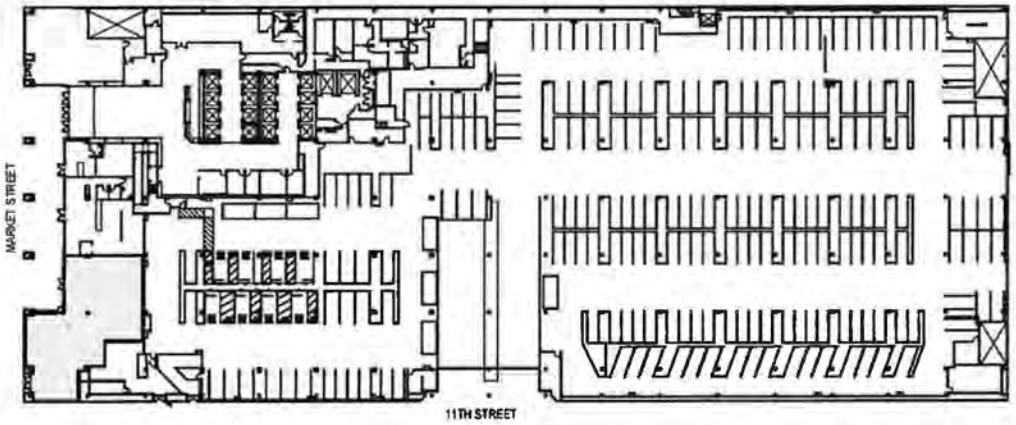
APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: _____
Nancy Taylor
Deputy City Attorney

EXHIBIT A

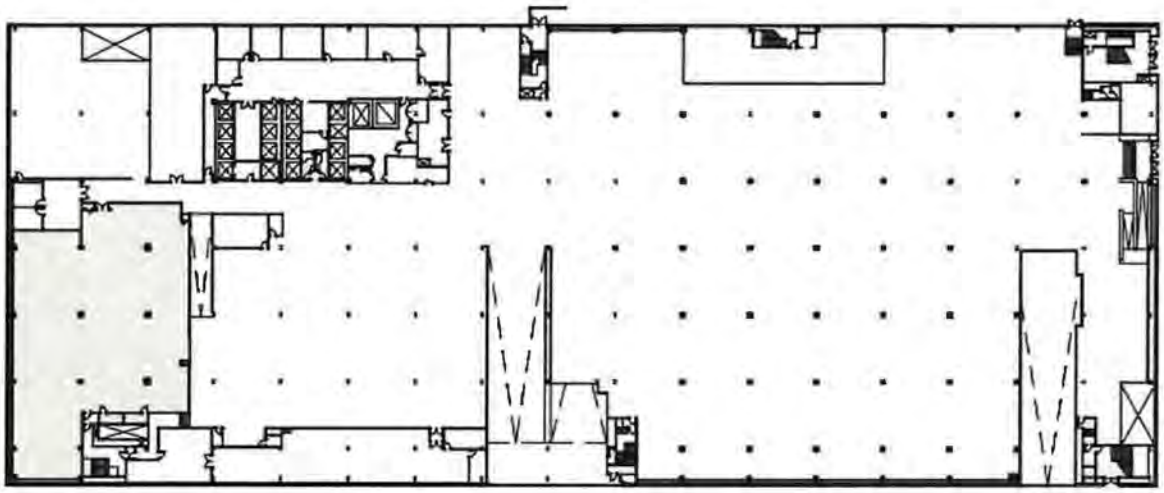
SECOND AMENDMENT EXPANSION PREMISES

3rd Floor – Suite D



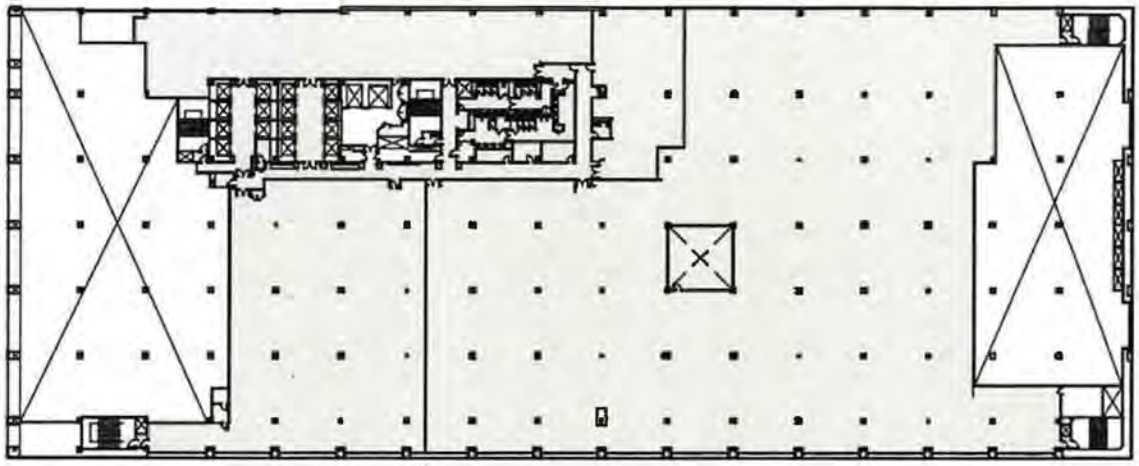
SHADED AREA = PREMISES

2nd Floor – Suite 1B



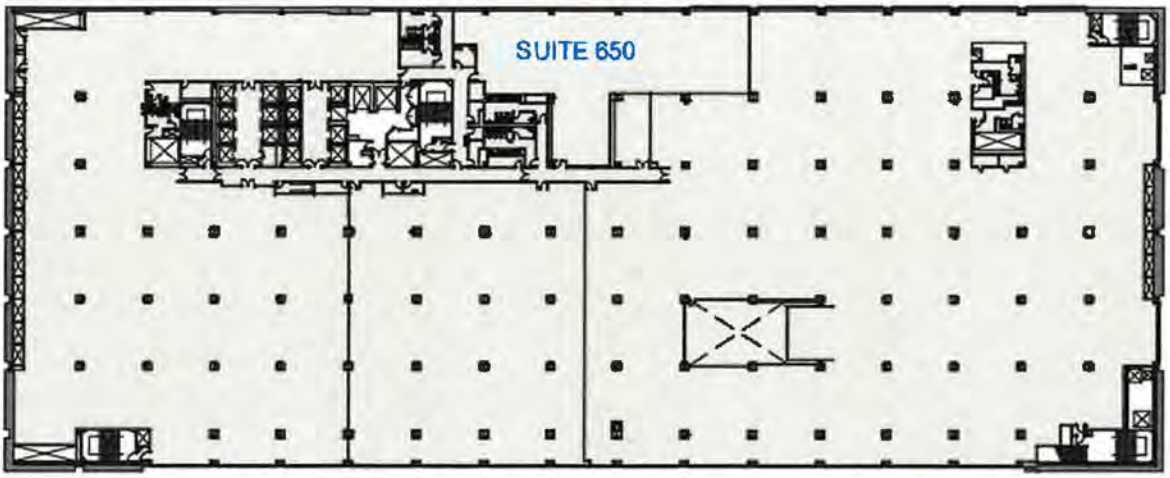
SHADED AREA = PREMISES

5th Floor – Suite 500



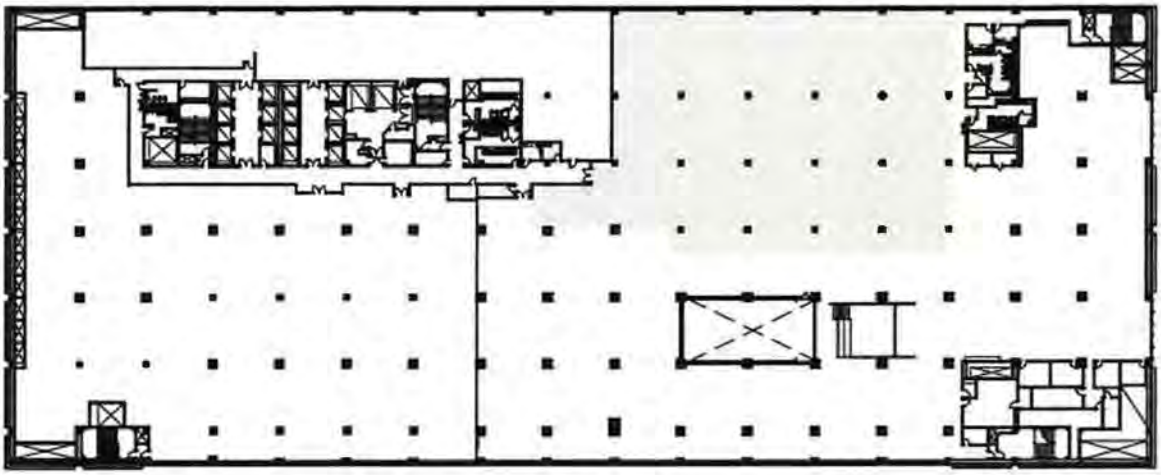
SHADED AREA = PREMISES

6th Floor – Suite 600



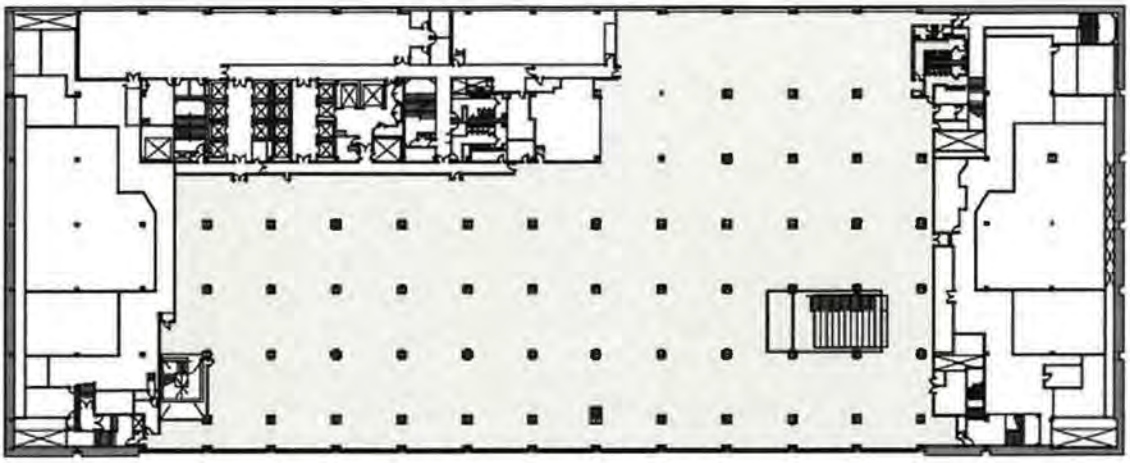
SHADED AREA = PREMISES

7th Floor – Suite 700C



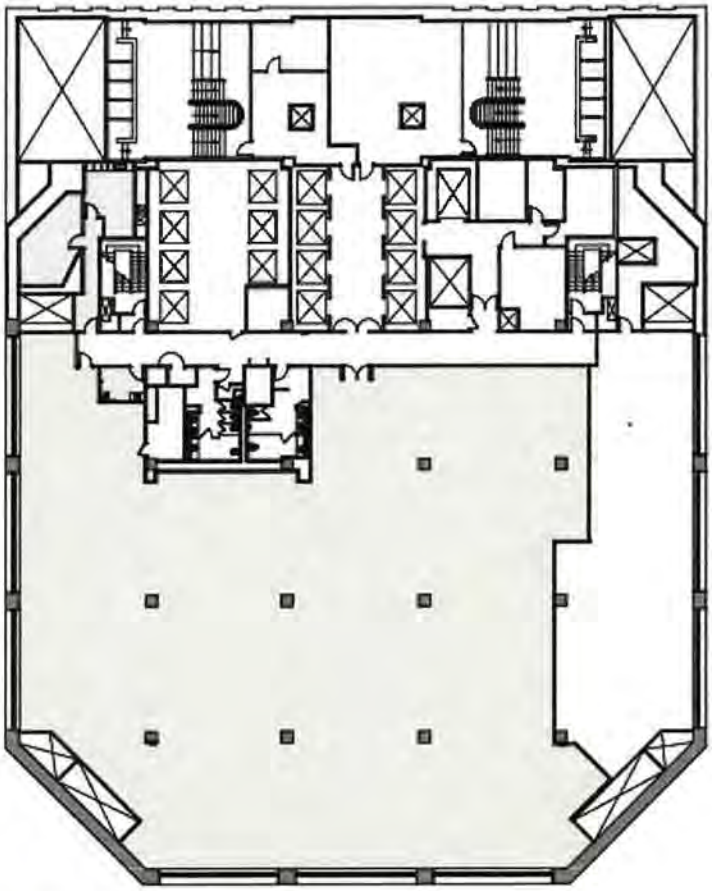
SHADED AREA = PREMISES

8th Floor – Suite 800A



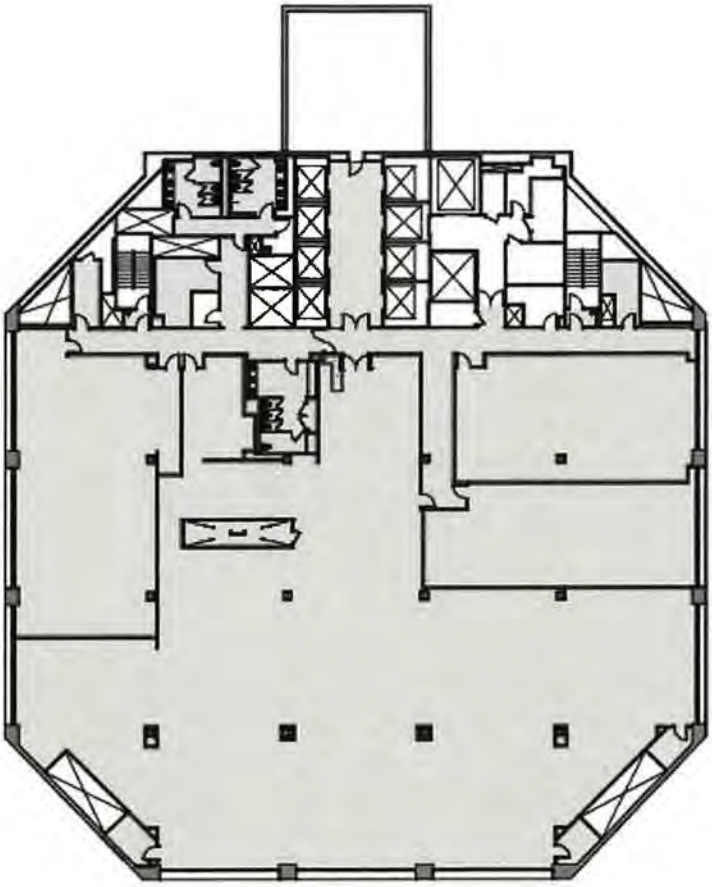
SHADED AREA = PREMISES

10th Floor – Suite 1000



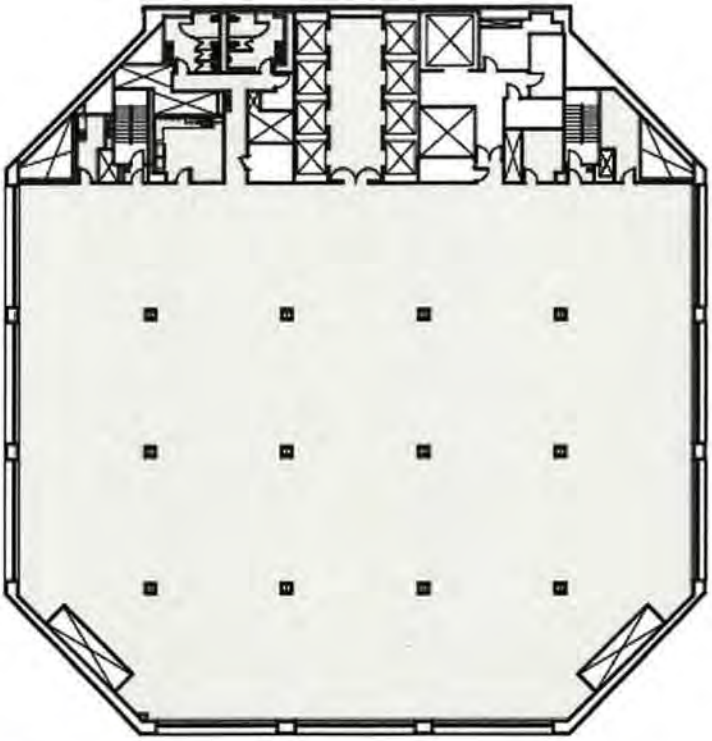
SHADED AREA = PREMISES

11th Floor – Suite 1100



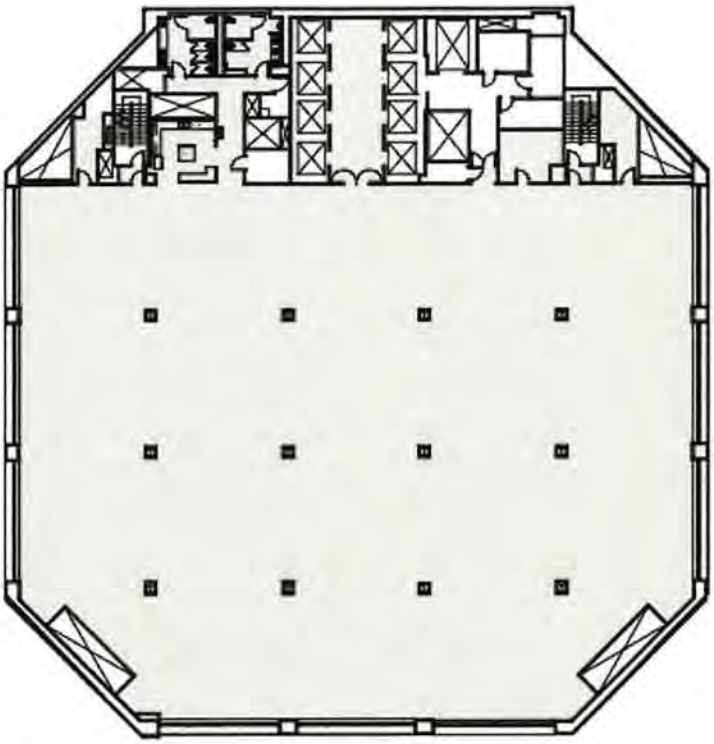
SHADED AREA = PREMISES

Floor 19



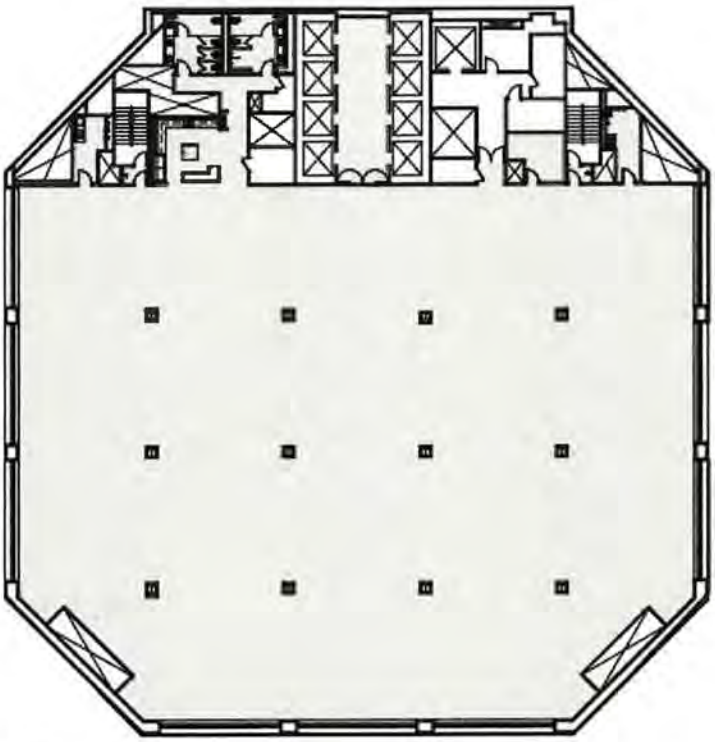
SHADED AREA = PREMISES

Floor 20



SHADED AREA = PREMISES

Floor 21



SHADED AREA = PREMISES

EXHIBIT B

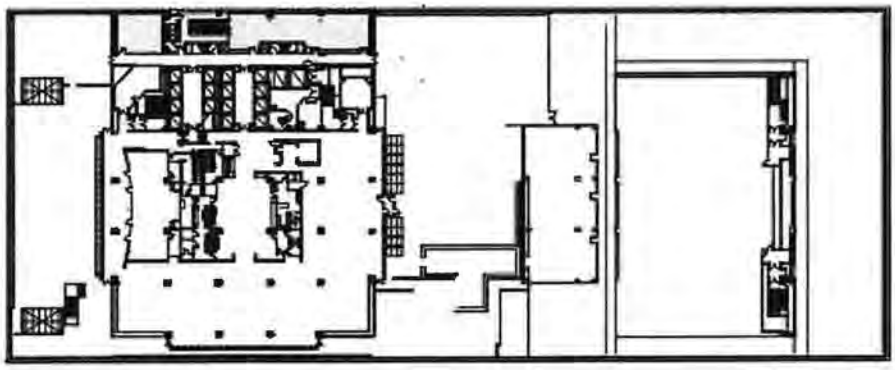
DESCRIPTION OF SUBSTANTIAL COMPLETION EXPANSION PREMISES

Floor of the Building	Approximate RSF
2nd Floor – Suite 1B	12,132 RSF
3rd Floor – Suite D	3,751 RSF
5th Floor – Suite 500	102,714 RSF
6th Floor – Suite 600	136,414 RSF
7th Floor – Suite 700C	26,971 RSF
8th Floor – Suite 800A	90,414 RSF
10th Floor – Suite 1000	20,729 RSF
11th Floor – Suite 1100	27,029 RSF

EXHIBIT C

CONFERENCE ROOM

LEVEL 9 - CONFERENCE CENTER



2nd Amendment to Lease for City Office Space

Site:
1455 Market Street

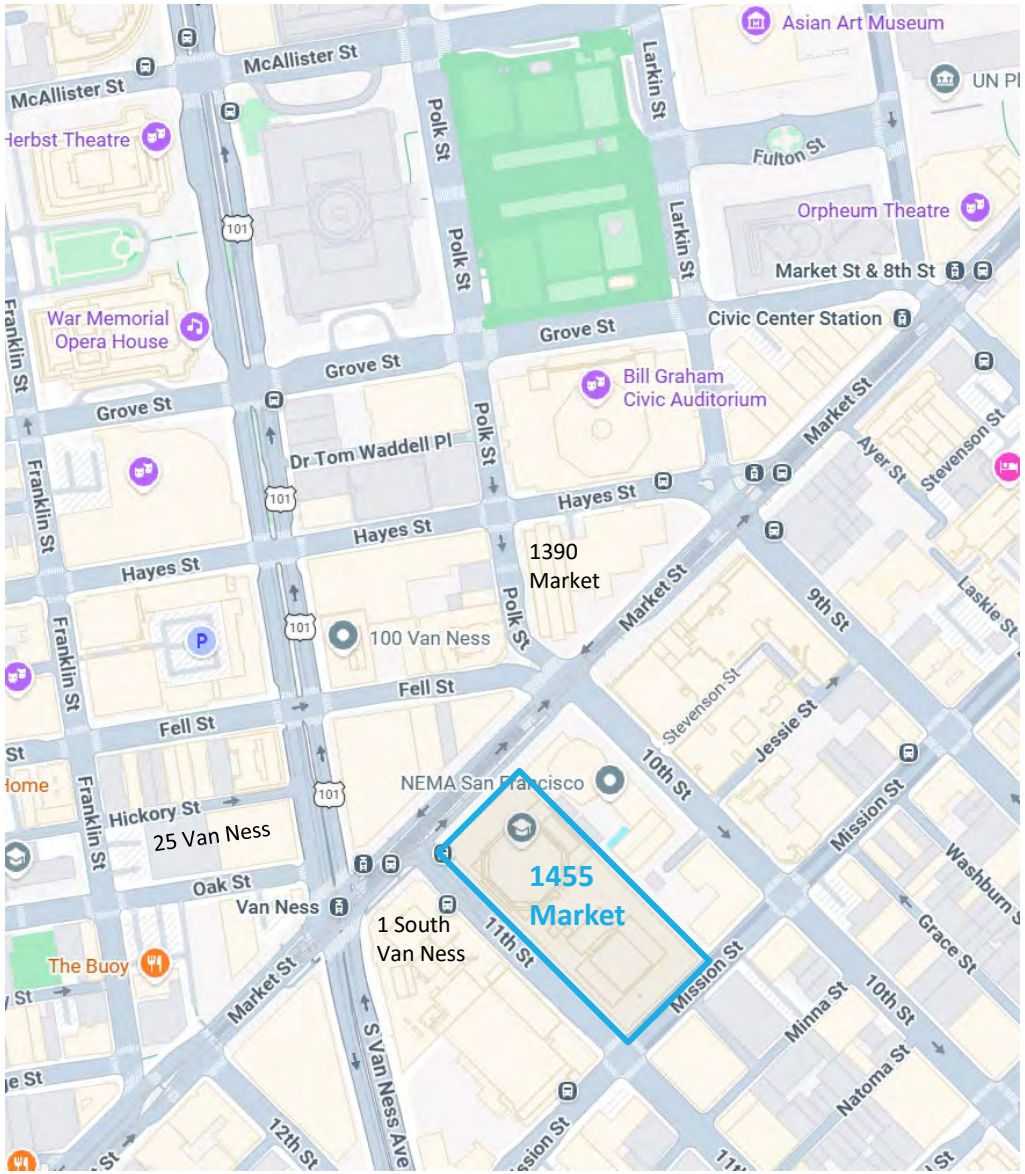
Landlord:
Hudson 1455 Market Street LLC

Real Estate Division

BUDGET & FINANCE COMMITTEE

MAY 27, 2026

1455 Market Location



Background & Overview

- **Original lease executed 05/2024 ("Phase 1"):** 1155 Market Street tenants +154,197 RSF to a transit-proximate, ADA compliant, operationally and seismically resilient property with landlord incentives
- **1st amendment executed 05/2025 ("Phase 2")**: HSA, Library IT, CTA +232,162 RSF
- **2nd amendment (proposed "Phase 3")**: 1 South Van Ness (full exit), 25 Van Ness (partial exit), and 1390 Market tenants +502,082 RSF
- **Renegotiated lease terms with material economic advantages for City**
  - Increased upfront incentives
  - Ongoing rent and base year resets apply to current <u>and</u> proposed tenants
- **Advances policy direction for office portfolio and Market/Octavia**
  - Consolidates general administrative offices for greater efficiency
  - Enables potential disposition of costly asset planned for high density

1455 Market Street: Proposed Phase 3

1 South Van Ness (1SVN)

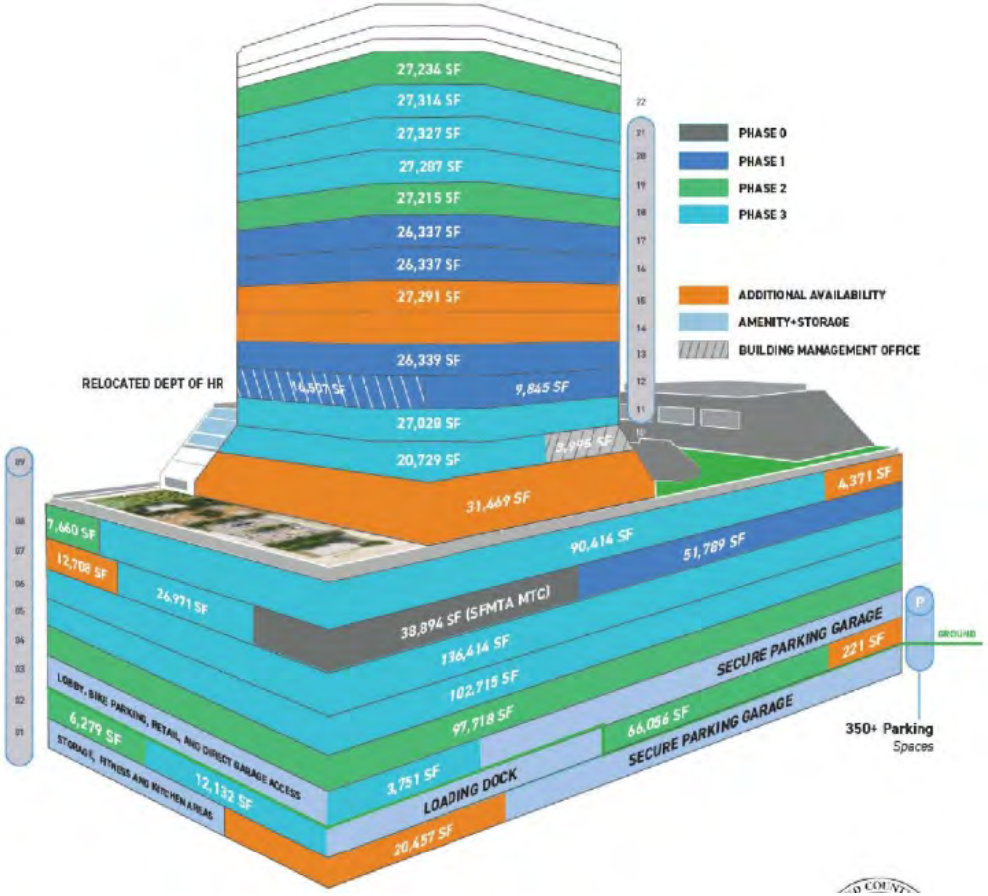
- City Administrator – 311, COIT, DataSF, Digital Svcs
- Community Investment & Infrastructure
- Economic & Workforce Development
- Housing & Community Development
- Human Resources
- Municipal Transportation Agency
- Police Accountability
- Technology & Information Svcs

25 Van Ness (25VN)

- City Administrator – Real Estate, Risk Management
- Civil Service Commission
- Human Rights Commission
- Public Works – Human Resources

Fox Plaza (1390 Market)

- City Attorney



Renegotiated Ongoing Terms

- **Premises**: 502,082 RSF
- **Term**: through April 2049
- **Rent**: **reset to $40/sf as of Jan 2027 (reduces existing rent for Phases 1 & 2)**
- **Escalation: reduced from 3% to 1% until 2032** , then 3% ongoing
- **Operating Expenses: Base Year reset from 2027 to 2028** (i.e., additional year of no OpEx payments); additionally Base Year resets every 10 years
- **Purchase Options:** adds Right of First Offer to Purchase after existing Purchase Option expires

*New terms **save $59M on existing space** over the life of the original lease*

- *$3M saved from the base year reset*
- *$56M saved from the rent reset + reduced escalation*

Renegotiated Upfront Incentives

$195/SF Tenant Improvement + Move Allowances

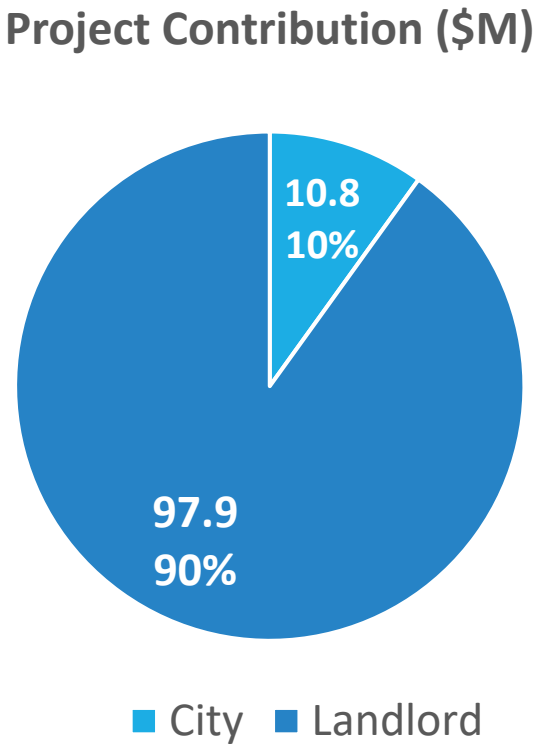
- $98M in Landlord incentives for City office space
- Increase of $80/sf from original lease terms

No-cost additional building amenities and upgrades

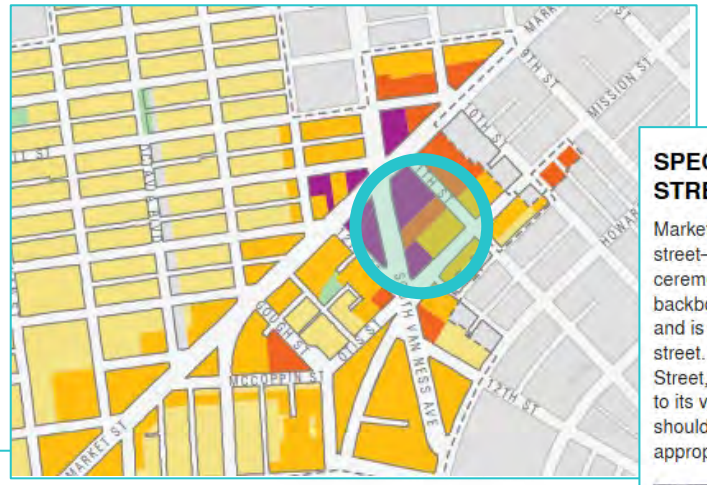
- Shared conference facility and 11 additional EV charging stations on top of $98M for City space

City's not-to-exceed contribution: $10.8M

- $8.8M for tenant improvements
- $2M budgeted for internal DT/technology costs

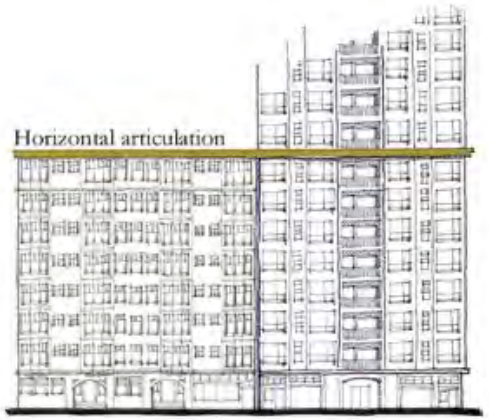


Advancing the Market & Octavia Area Plan

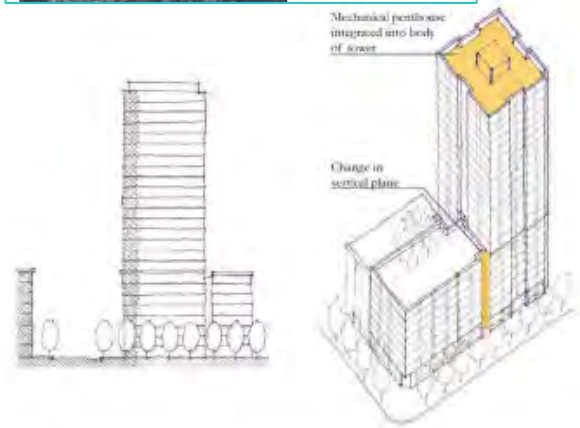


SPECIAL STREETS - MARKET STREET

Market Street is San Francisco's premiere civic street—it is the focal point for the city's commercial, ceremonial, and cultural life. Market Street is the backbone of the city and regional transit systems and is also the City's busiest pedestrian and cycling street. Given its special role, buildings along Market Street, and the uses they support, should contribute to its vitality and life as a civic space. New buildings should have a human scale and character appropriate for a street of its scale and prominence.



1. Horizontal articulation at the street wall height should be employed. Like all buildings, towers need to create an appropriate enclosure of the street. Some form of horizontal articulation is essential to mark the street wall height and frame the portion of the building's façade that marks the pedestrian zone.



2. A change in vertical plane should differentiate a tower element from the rest of the building. A change in vertical plane differentiates the mass of the tower from that of adjacent buildings, focusing this massing on its base and setting it apart as a distinct building.

Revised and approved by the Board 12/12/2025 as part of the Family Housing Zoning Plan

- Residential/Mixed Use High Tower
- Maximize housing opportunities
- Build with sense of place and sustainability
- Concentrate new uses near transit
- Build good urban places
- Catalyze development

Next Steps

- Spring 2026: Approval of 2nd Amendment
- Summer – Fall 2026: Detailed Design and Pricing; City review coordinated centrally by RED with assistance from Public Works
- Fall 2026 – Summer 2027: Construction
- Fall 2027: Beginning move in for 1SVN and 25VN tenants*
- Spring 2028: Move in for City Attorney office from 1390 Market* (aligns with existing lease expiration)

**Landlord provides relocation assistance*

Questions?

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Click on this page to be redirected to the Legislative Research Center to view the entirety of this voluminous document

OFFICE LEASE

between

HUDSON 1455 MARKET STREET, LLC, a Delaware limited liability company,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as City

For the lease of Office Space at
1455 Market Street, San Francisco, California

May 1, 2024

Docusign Envelope ID: D9EFD6AC-9A88-46AD-8CF9-D5E1D866E841

Docusign Envelope ID: C13EDA7F-7A31-42B8-9C6B-6892EF565A61

FIRST AMENDMENT TO OFFICE LEASE

between

HUDSON 1455 MARKET STREET, LLC, a Delaware limited liability company,

as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation,

as City

For the lease of Office Space at
1455 Market Street, San Francisco, California

May 2, 2025

Docusign Envelope ID: D9EFD6AC-9A88-46AD-8CF9-D5E1D866E841

Docusign Envelope ID: C13EDA7F-7A31-42B8-9C6B-6892EF565A61

FIRST AMENDMENT TO OFFICE LEASE

This First Amendment to Office Lease (this "**First Amendment**") is made and entered into as of May 2, 2025 (the "**Amendment Effective Date**"), by and between HUDSON 1455 MARKET STREET, LLC, a Delaware limited liability company ("**Landlord**"), and CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**City**" or "**Tenant**").

RECITALS

A. On April 23, 2024, the City's Board of Supervisors (the "**Board**") passed Resolution No. 192-24 (the "**Original Lease Resolution**") authorizing its Director of Property, on behalf of multiple City Departments, to enter into the Original Lease (as defined below). The Original Lease Resolution was duly signed by the Mayor of San Francisco and certified by the Clerk of the Board on April 26, 2024.

B. Landlord and City are parties to that certain Office Lease dated as of May 1, 2024 (the "**Original Lease**"), pursuant to which Landlord leases to City, and City leases from Landlord, certain premises (the "**Phase I: Initial Premises**") containing approximately 157,154 rentable square feet within the building located at 1455 Market Street, San Francisco, California (the "**Building**"), which Phase I: Initial Premises is comprised of: (i) approximately 51,789 rentable square feet on the 7th floor of the Building, (ii) approximately 26,352 rentable square feet on the 12th floor of the Building, (iii) approximately 26,339 rentable square feet on the 13th floor of the Building, (iv) approximately 26,337 rentable square feet on the 16th floor of the Building, and (v) approximately 26,337 rentable square feet on the 17th floor of the Building, all as more particularly described in the Original Lease.

C. Pursuant to Section 2.1(c) of the Original Lease, on March 30, 2025, Landlord received an Additional Premises Notice from City exercising its Additional Premises Option with respect to certain proposed Additional Premises and Basement Space in the Building and, on April 2, 2025, Landlord responded in writing to City's Additional Premises Notice and indicated that the proposed Additional Premises and Basement Space is not currently under Active Negotiations.

D. Landlord and City have worked diligently and in good faith to develop proposed space planning, scope and budget for the Leasehold Improvements for the proposed Additional Premises and the Basement Space.

E. On April 29, 2025, by Resolution No. 194-25 (the "**First Amendment Resolution**"), the Board of Supervisors authorized its Director of Property, on behalf of multiple City Departments, to enter into this First Amendment to Office Lease in order to, among other things, (x) add the proposed Additional Premises and the Basement Space (as more particularly shown on Exhibit A attached hereto) to the Premises, and (y) clarify that the proposed Additional Premises shall constitute the "Phase II: Initial Premises" (as defined in Section 2.1(b) of the Original Lease, as modified by Paragraph 7 of this First Amendment below) for all purposes under the Lease. The First Amendment Resolution was duly signed by the Mayor of San Francisco and certified by the Clerk of the Board on May 2, 2025.

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Docusign Envelope ID: C13EDA7F-7A31-42B8-9C6B-6892EF565A61

F. All initially capitalized terms used in this First Amendment and not otherwise specifically defined in this First Amendment shall have the meaning provided in the Original Lease.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and City hereby agree to enter into this First Amendment as follows:

1. **Recitals.** The foregoing recitals are true and correct and are incorporated herein by this reference as if fully set forth in this First Amendment.

2. The term "**Lease**" where used in the Original Lease and this First Amendment will hereafter refer to the Original Lease, as amended by this First Amendment.

3. **Original Lease Effective Date.** The Effective Date of the Original Lease is stated on page 2 of the Original Lease and remains unchanged as May 1, 2024.

4. **Page 2, Rentable Area of Premises** (Section 2.1): On page 2 of the Original Lease, the "Rentable Area of Premises (Section 2.1)" paragraph is deleted in its entirety and replaced with a new paragraph which reads as follows:

"Rentable Area of Premises (Section 2.1):	**Phase I: Initial Premises** - Approximately 157,154 RSF on floors 7, 12, 13, 16 and 17. **Phase II: Initial Premises** – Approximately 225,883 RSF on the sublevel floor and floor 4 in the podium and floors 8, 18 and 22, all of which may be upon a staggered rental commencement date. **Basement Space** – Approximately 6,279 RSF in three (3) separate rooms consisting of: (x) 5,200 RSF, (y) 800 RSF and (z) 279 RSF on Level 2 of the Building. **Additional Premises.**

5. **Page 4, Base Year** (Section 4.6): On page 4 of the Original Lease, the "Base Year (Section 4.6)" paragraph is deleted in its entirety and replaced with a new paragraph which reads as follows:

"Base Year (Section 4.6)	The Base Year for operating expenses, real estate taxes and insurance shall be the calendar year 2027 for the entire Premises (including Basement Space)."

6. **Page 5, Temporary Swing Space and Storage** (Sections 22.5 and 22.6): On page 5 of the Original Lease, the "Temporary Swing Space and Storage (Sections 22.5 and 22.6)" heading and paragraph are amended to correct typographical errors as follows:

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The reference to "22.5" is changed in every occurrence to "22.7" and the term "22.6" is changed in every occurrence to "22.8".

7. **Section 2.1(b).** From and after the Amendment Effective Date, the proposed Additional Premises shall be deemed to constitute the "Phase II: Initial Premises" for all purposes under the Lease and, accordingly, Section 2.1(b) Phase II: Initial Premises of the Original Lease is deleted in its entirety and replaced by a new Section 2.1(b) which reads as follows:

"(b) Phase II: Initial Premises. The Phase II: Initial Premises contain the rentable area and are located on the floor(s) of the Building specified in the Basic Lease Information and as follows: (1) approximately 66,056 rentable square feet on the sublevel floor in the podium (the "**1460 Mission Premises**"), (2) approximately 97,718 rentable square feet on the 4th floor in the podium (the "**4th Floor Premises**"), (3) approximately 7,660 rentable square feet on the 8th floor of the Building (the "**8th Floor Premises**") (which 8th Floor Premises is referred to in the Original Lease as the "Temporary Swing Space"), (4) approximately 27,215 rentable square feet on the 18th floor of the Building (the "**18th Floor Premises**"), and (5) approximately 27,234 rentable square feet on the 22nd floor of the Building (the "**22nd Floor Premises**")."

8. **Section 4.7(a).** Section 4.7(a) Base Year / Operating Expenses / Property Taxes of the Original Lease is deleted in its entirety and replaced by a new Section 4.7(a) which reads as follows:

"(a) Base Year / Operating Expenses / Property Taxes: The Base Year for Operating Costs and Real Estate Taxes shall be the calendar year 2027 for the entire Premises (including Basement Space)."

9. **Section 5.1.** Section 5.1 Permitted Use and Zoning of the Original Lease shall remain in full force and effect; provided, however, that subject to the terms of the Lease and Tenant's compliance with all applicable Laws and the additional rules and regulations applicable to the 1460 Mission Premises attached hereto as Exhibit B (as the same may be supplemented, modified and/or amended by Landlord from time to time, the "**1460 Mission Premises Rules and Regulations**"), Landlord has consented to the City providing direct services to the public including, but not limited to, on-site payments, collections and general welfare / public assistance services, by and through its Human Services Agency (HSA) and/or their service provider partners ("**Direct Services**") in the 1460 Mission Premises only. Notwithstanding anything in the Lease to the contrary, in the event of a conflict between the terms of the Lease and the 1460 Mission Premises Rules and Regulations as the same relates to the provision of Direct Services from the 1460 Mission Premises, the terms of the 1460 Mission Premises Rules and Regulations shall control and prevail.

10. **Section 22.8.** Section 22.8 of the Original Lease is deleted in its entirety and replaced by a new Section 22.8 which reads as follows:

"Intentionally Omitted."

11. **Estoppel**. City warrants, represents and certifies to Landlord that, as of the Amendment Effective Date, to City's actual knowledge without duty of investigation or inquiry,

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(a) Landlord is not in default under the Lease, and (b) City does not have any defenses or offsets to payment of rent and performance of its obligations under the Lease as and when the same becomes due. Landlord warrants, represents and certifies to City that, as of the Amendment Effective Date, to Landlord's actual knowledge without duty of investigation or inquiry, City is not in default under the Lease.

12. **Brokers**. Each of Landlord and City represents and warrants to the other that it has not dealt with any broker with respect to this First Amendment. If Landlord or City has dealt with any broker or person with respect to this First Amendment, the breaching party shall be solely responsible for the payment of any fees due said person or firm and shall protect, indemnify, hold harmless and defend the non-breaching party from any liability with respect thereto.

13. **No Other Modifications.** Except as otherwise expressly set forth above, the Lease remains unmodified and in full force and effect. The Landlord and City hereby ratify the Original Lease, as amended hereby.

14. **Counterparts and Electronic Signatures.** This First Amendment may be executed in multiple counterparts, each of which shall be deemed an original agreement and both of which shall constitute one and the same agreement. The counterparts of this First Amendment may be executed and delivered by electronic signature (including portable document format) by either of the Parties and the receiving Party may rely on the receipt of such document so executed and delivered electronically or by facsimile as if the original had been received. This First Amendment shall be binding upon and inure to the benefit of Landlord, its successors and assigns and City and its permitted successors and assigns.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS FIRST AMENDMENT, LANDLORD ACKNOWLEDGES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS FIRST AMENDMENT UNLESS THE CITY'S BOARD OF SUPERVISORS AND MAYOR HAVE DULY ADOPTED AND SIGNED A RESOLUTION APPROVING THIS FIRST AMENDMENT AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED BY THIS FIRST AMENDMENT. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY UNDER THIS FIRST AMENDMENT ARE CONTINGENT ON ADOPTION OF THAT RESOLUTION, AND THIS FIRST AMENDMENT WILL BE NULL AND VOID UNLESS CITY'S BOARD OF SUPERVISORS AND MAYOR APPROVE THIS FIRST AMENDMENT, EACH EXERCISING THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS FIRST AMENDMENT BY ANY DEPARTMENT, COMMISSION, OR AGENCY OF CITY WILL NOT BE DEEMED TO IMPLY THAT THE RESOLUTION WILL BE ADOPTED AND NO SUCH APPROVAL WILL CREATE ANY BINDING OBLIGATIONS ON CITY.

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Landlord and City have executed this First Amendment as of the date first written above.

LANDLORD:

HUDSON 1455 MARKET STREET, LLC,
a Delaware limited liability company

By: Hudson 1455 Market, L.P.,
a Delaware limited partnership
its Member

By: Hudson 1455 GP, LLC,
a Delaware limited liability company,
its General Partner

By: Hudson Pacific Properties, L.P.
a Maryland limited partnership,
its Member

By: Hudson Pacific Properties, Inc.,
a Maryland corporation,
its General Partner

By: Mark Lammas
CL Name: Mark Lammas
Title: President
Date: 4-11-25

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: Andrico Q. Penick
ANDRICO Q. PENICK
Director of Property
Date: 5/6/25

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: Signed by: Elizabeth A. Dietrich
Elizabeth A. Dietrich
Deputy City Attorney

Docusign Envelope ID: D9EFD6AC-9A88-46AD-8CF9-D5E1D866E841

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EXHIBIT A

OUTLINE OF THE PHASE II: INITIAL PREMISES AND BASEMENT SPACE

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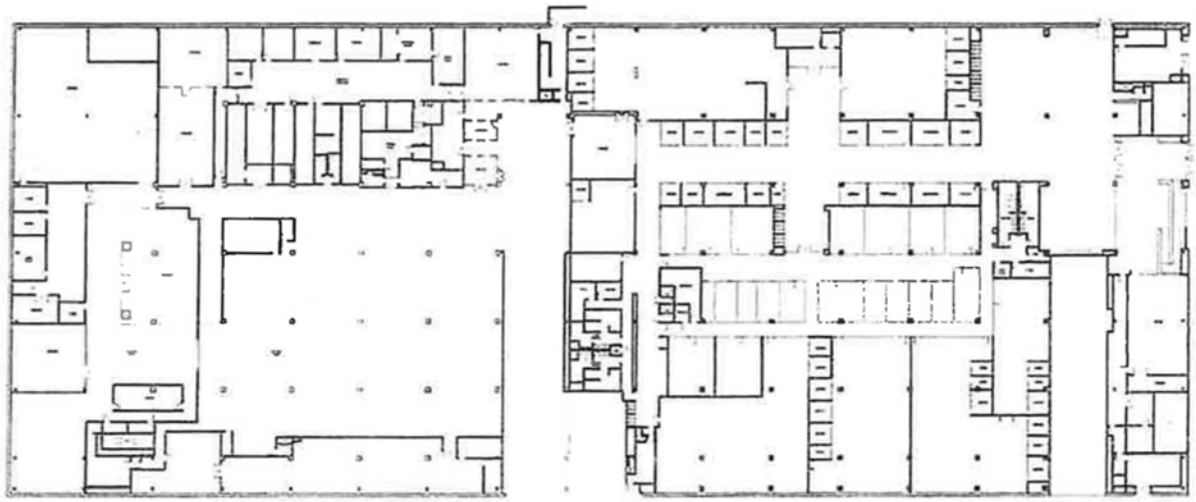
1455 MARKET STREET
LEVEL 02



Shaded Area = Premises

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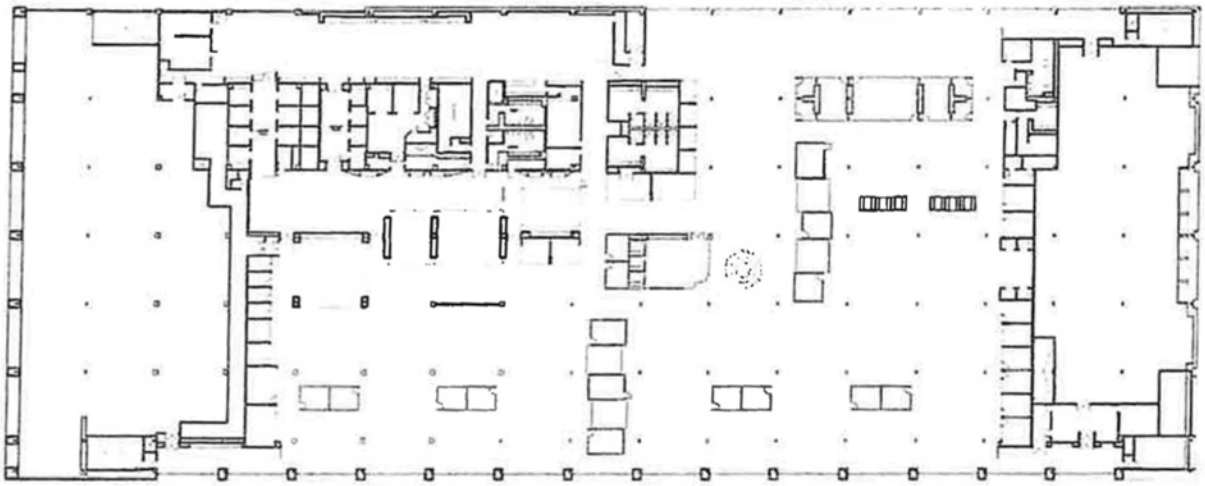
Docusign Envelope ID: C13EDA7F-7A31-42B8-9C6B-6892EF565A61

1455 MARKET STREET
LEVEL 04



Shaded Area = Premises

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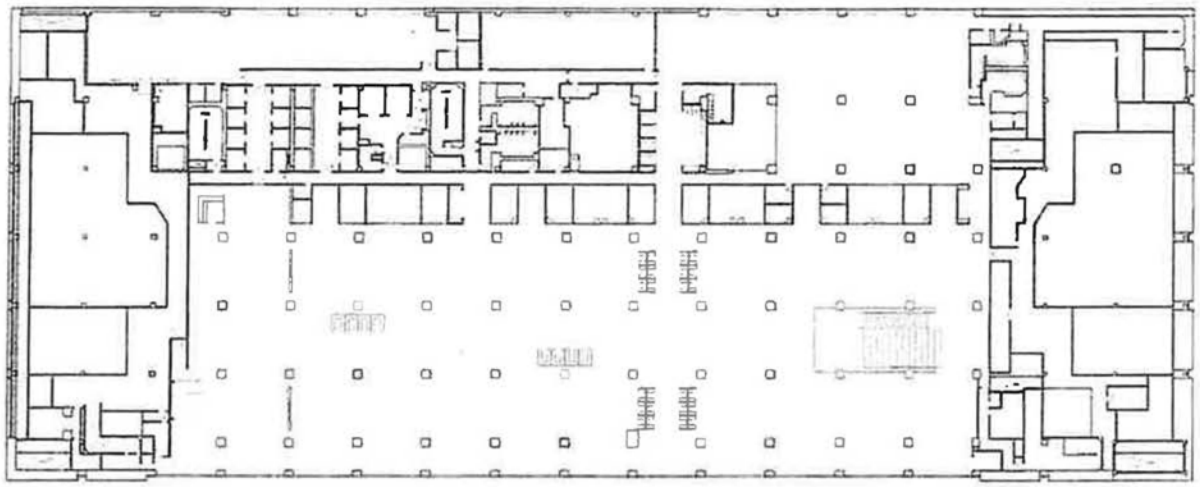
Docusign Envelope ID: C13EDA7F-7A31-42B8-9C6B-6892EF565A61

1455 MARKET STREET
LEVEL 08



Shaded Area = Premises

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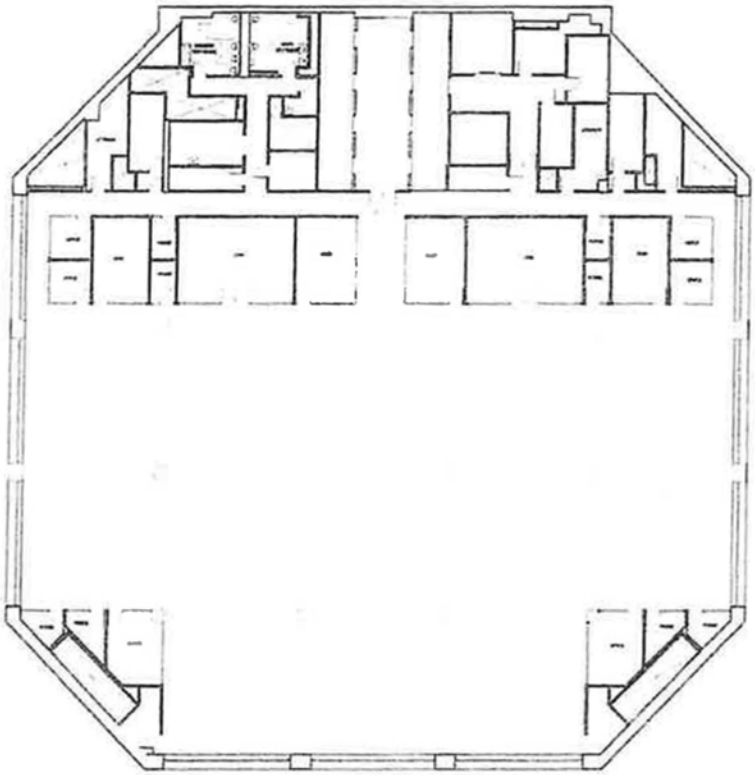
1455 MARKET STREET
LEVEL 18



Shaded Area = Premises

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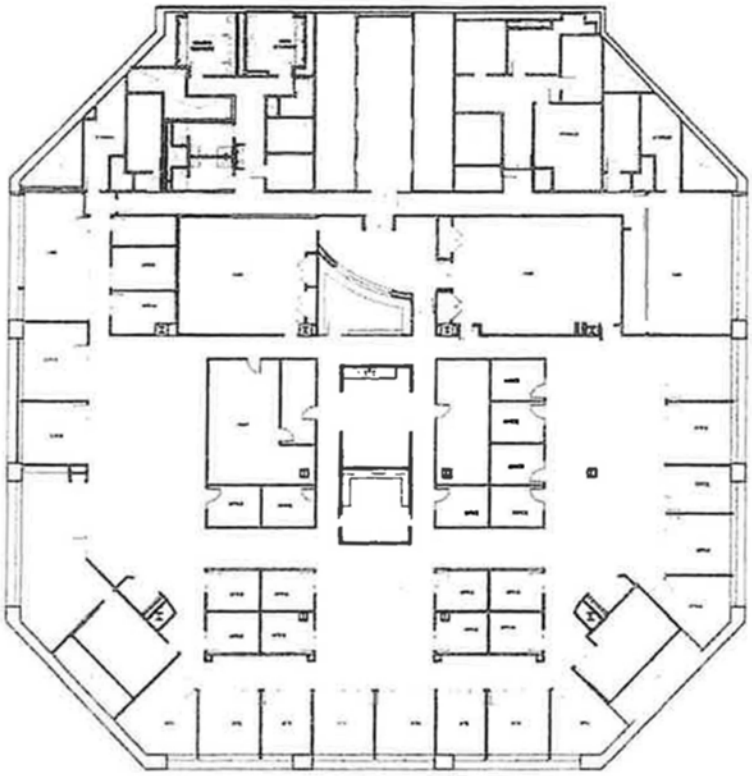
Docusign Envelope ID: C13EDA7F-7A31-42B8-9C6B-6892EF565A61

1455 MARKET STREET
LEVEL 22



Shaded Area = Premises

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DS Dk

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EXHIBIT B

1460 MISSION PREMISES RULES AND REGULATIONS

Tenant shall faithfully observe and comply with the following 1460 Mission Premises Rules and Regulations in connection with its use and occupancy of the 1460 Mission Premises (including, without limitation, in connection with the provision of Direct Services).

1. No members of the public visiting for the purposes of seeking or managing direct services provided by SFHSA (collectively, "**Public Visitors**") shall be permitted to access, enter and/or use any other portion of the Project whatsoever (including, without limitation, any other portion of the sublevel floor of the podium) except for the 1460 Mission Premises;
2. Public Visitors shall not be permitted to access, enter and/or use any elevator and/or any internal stairwells (except to the extent required by applicable Laws in the event of an emergency) located in the 1460 Mission Premises;
3. City shall ensure that Public Visitors only enter and exit the 1460 Mission Premises from the main entrance located on 1460 Mission Street (as more particularly shown on Exhibit B-1 attached hereto, the "**Public Visitor Entrance**") and not from any other location of the Project, except in the case of an emergency;
4. City shall ensure that only its employees, representatives, agents, and contractors enter and exit the 1460 Mission Premises via the card reader access gate located on Field Street (as more particularly shown on Exhibit B-2 attached hereto, the "**Employee Access Gate**");
5. City shall not, and shall ensure that any Public Visitors and City's employees, representatives, agents and contractors shall not, loiter in or on or about the entrances, corridors, sidewalks in, on or adjacent to the 1460 Mission Premises or any other portion of the Project, lobbies, halls, stairways, elevators, or any Common Area of the Project (including, without limitation, the Public Visitor Entrance and the Employee Access Gate, or any of the areas adjacent thereto) for any purpose (including, without limitation, smoking tobacco products) other than to queue for entrance of the Premises if a line has formed, nor in any way obstruct such areas, and shall use the Public Visitor Entrance and the Employee Access Gate only as a means of ingress and egress to the 1460 Mission Premises;
6. City shall, at its sole cost and expense, hire at least one (1) uniformed and trained security guard to be located at the Public Visitor Entrance at all times during normal business hours;
7. Subject to the terms of the Lease (including, without limitation, Section 7.1 of the Original Lease), City shall be permitted to install, at its sole cost and expense, security cameras outside the Public Visitor Entrance and/or the Employee Access Gate (in a location to be determined by Landlord); provided, however, that notwithstanding anything in the Lease to the contrary, City shall be solely responsible, at its cost and

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expense, for monitoring the same and in no event shall Landlord have any liability whatsoever in connection therewith;

8. Without limiting the terms of the Original Lease, City shall repair, at its sole cost and expense, promptly and to Landlord's satisfaction, all damage or injury to any portion of the 1460 Mission Premises (including, without limitation, the restrooms) or the Project resulting from the act or omission of City, its employees, agents or Public Visitors, guests, invitees or licensees or by the use of the 1460 Mission Premises; provided, however, that for any repairs that may impact the mechanical, electrical, plumbing, heating, ventilation or air-conditioning systems of the Project, Landlord shall have the right (but not the obligation) to select the contractor and oversee all such repairs;
9. Landlord reserves the right to request that tenant exclude or expel from the Project any person who violates any of the terms of these 1460 Mission Premises Rules and Regulations for a period of up to 24 hours.

Landlord reserves the right at any time to, in collaboration with tenant, change or rescind any one or more of these 1460 Mission Premises Rules and Regulations, or to make such other and further reasonable 1460 Mission Premises Rules and Regulations as may from time to time be necessary for the management, safety, care and cleanliness of the 1460 Mission Premises, Building, the Common Areas and the Property, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants therein. Tenant shall be deemed to have read these 1460 Mission Premises Rules and Regulations and to have agreed to abide by them as a condition of its occupancy and use of the 1460 Mission Premises.

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EXHIBIT B-1

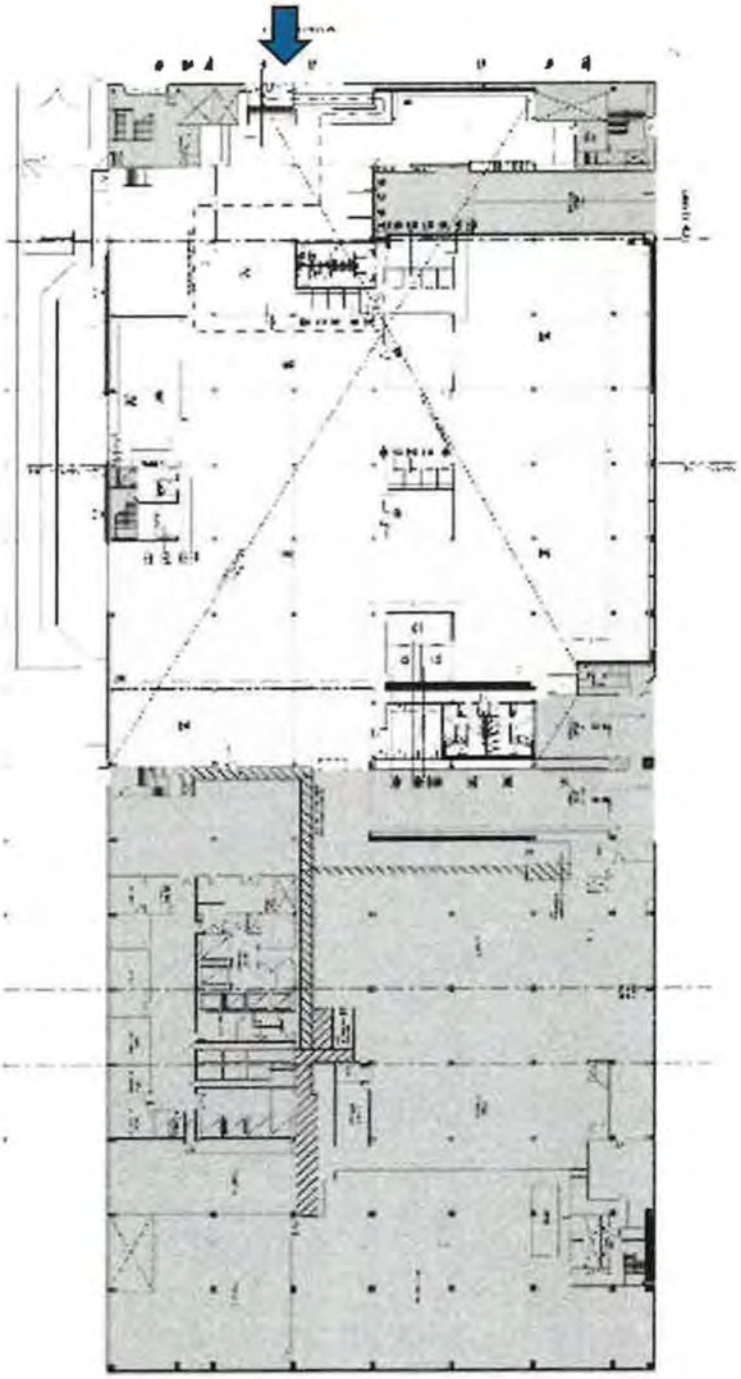

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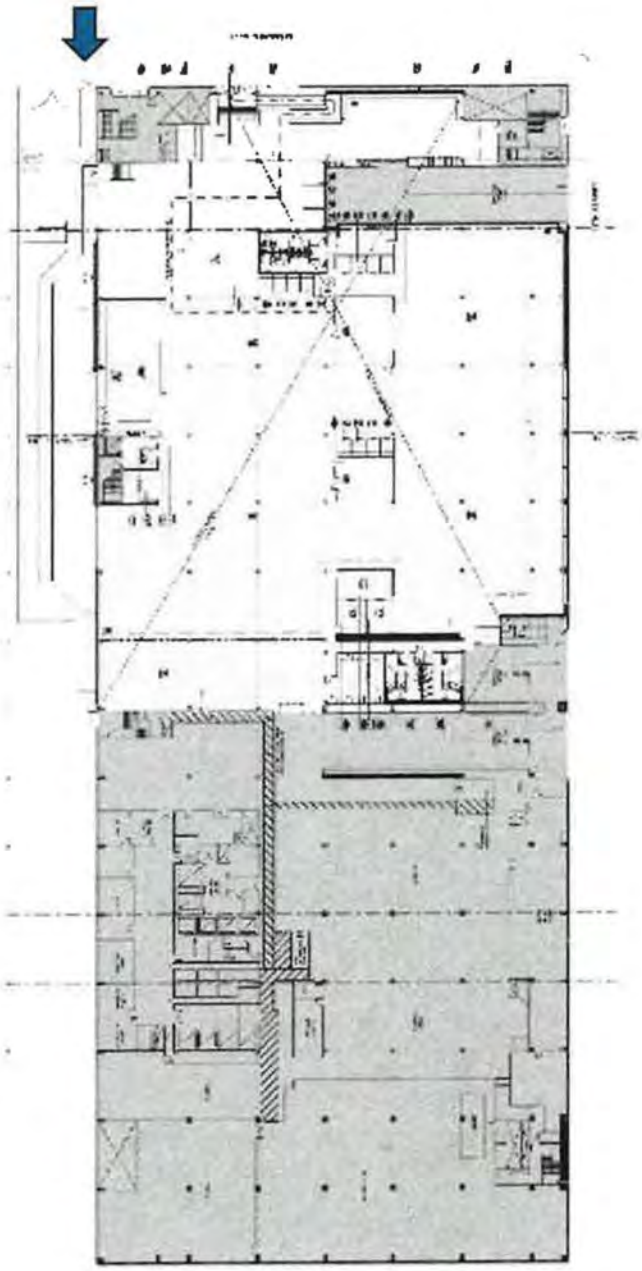
EXHIBIT B-2



San Francisco Ethics Commission
25 Van Ness Avenue, Suite 220, San Francisco, CA 94102
Phone: 415.252.3100 · Fax: 415.252.3112

Filing Information

Record Number

SFEC126F0001396

Status

BOS Legislative Clerk Acceptance

SFEC126f Form Type

126f4 BOS

File Number (BOS)

260517

Type of Filing

Original

Contractor Information

Contractor Name

1455 Market Street, LLC

Contractor Email

clewis@hudsonppi.com

Contractor Phone #

(415) 777-4100

International Address?

No

Contractor Address (US)

1455 Market Street

Contractor City and State

San Francisco - CA

Contractor Zip Code

94103

Country

United States of America

Contract Information

Contract Amount

$14,487,462.00

Description of Amount of Contract

$14,487,462 Year 2

Contract Description

2nd Amendment to Lease adding an additional 502,082 SF. Extending termination date to April 30, 2049.

City Agency - Departmental Contact Information

Departmental Contact

Zerlina Wong Liberatore

Departmental Contact Phone #

(415) 554-9850

Full Department Name

ADM - Office of the City Administrator

Agency Contact Email

realestateadmin@sfgov.org

Contract Approval

Mayoral Approval Not Required

false

Affiliates and subcontractors

Entity Type	First Name	Last Name	Entity or Sub/Contractor Name
CEO	Victor J	Coleman	Hudson Pacific Properties
CFO	Harout	Diramerian	Hudson Pacific Properties
Other Principal Officer	Mark	Lammas	Hudson Pacific Properties
Board of Directors	Theodore R.	Antenucci	Hudson Pacific Properties
Board of Directors	Barry	Sholem	Hudson Pacific Properties
Board of Directors	Jon	Bortz	Hudson Pacific Properties
Board of Directors	Robert L.	Harris II	Hudson Pacific Properties
Board of Directors	T. Ritson	Ferguson	Hudson Pacific Properties
Board of Directors	Michael	Nash	Hudson Pacific Properties
Board of Directors	Andrea	Wong	Hudson Pacific Properties

City & County of San Francisco
Daniel Lurie, Mayor

Office of the City Administrator
Carmen Chu, City Administrator
Sally Oerth, Director of Real Estate

May 8, 2026

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

Re: 1455 Market Street – 2nd Amendment to Lease

Dear Board Members:

Attached for your consideration is a Resolution approving a Second Amendment to the City's lease at 1455 Market Street (the "Lease") with Hudson Pacific Properties ("Landlord"). This Second Amendment would expand the City's premises by an additional 502,082 rentable square feet ("RSF") and extend the tenancy through April 30, 2049. This expansion supports the consolidation of administrative services from aging or above-market facilities into a modern, efficient building secured under favorable economic terms.

Under the leadership of the City Administrator, the Real Estate Division ("RED") has been evaluating strategies to improve operational efficiency, reduce reliance on outdated and costly facilities, and leverage current market conditions. On April 23, 2024, the Board approved Resolution No. 192-24, which authorized the initial Lease for approximately 157,154 RSF ("Phase 1"), enabling the relocation of several departments from 1155 Market Street after efforts to renew the City's office space lease there were unsuccessful.

The Lease included an option for the City to lease additional space in the building at the then same terms and conditions, and the City exercised this option in early 2024, culminating in the approval of Resolution No. 194-25 for 232,162 RSF ("Phase 2") to provide office and services space for the Human Services Agency and San Francisco Public Library IT. With the proposed Second Amendment, which will add 502,082 RSF ("Phase 3"), the total City occupancy would reach approximately 930,292 RSF.

Phase 3 facilitates the relocation of departments currently housed in facilities with significant operational, financial, or physical challenges, including:

- A full exit from 1 South Van Ness Avenue, a City-owned building that is overcrowded, operationally inefficient, and burdened by major systems at or near end-of-life, resulting in substantial deferred capital needs.

- A partial exit from 25 Van Ness Avenue, another City-owned site hosting administrative functions in outdated, overcrowded, and inefficient space. Partial relocation will enable consolidation into a footprint that better meets business needs at 1455 Market and allows essential building improvements at 25 Van Ness to proceed more efficiently.

- A full exit from 1390 Market Street, a leased property for City Attorney staff that is currently operating at above-market rental rates under a lease expiring in 2028.

Departments slated for relocation in Phase 3 include the San Francisco Municipal Transportation Agency, Department of Police Accountability, Department of Human Resources, Office of the City Administrator, Mayor's Office of Housing and Community Development, Office of Community Investment and Infrastructure, Office of Economic and Workforce Development, Department of Technology, Department of Public Works, Civil Service Commission, Human Rights Commission, and City Attorney's Office.

Centralizing these operations will reduce long-term costs, improve coordination, and bring critical administrative services together in a modern and resilient facility. 1455 Market has been structurally retrofit, is fully operable on generator power, has above-standard air filtration, and is a secure, Class A office building with a fully staffed lobby and destination elevators.

RED also negotiated several material economic benefits as part of the Second Amendment, summarized below:

Lease Term	Second Amendment (Phase 3)
Base Rent	Reset to $40 per square foot beginning Jan 2027, reducing scheduled rent for Phases 1 & 2
Rent Escalations	Reduced from 3% annually to 1% annually for the first five years, then 3% thereafter
Operating Expense Base Year	Reset from 2027 to 2028, delaying operating expense pass-throughs by one year
Base Year Reset	Every 10 years, improving long term cost predictability
Tenant Improvement Allowance	Increased from $100 to $180 per square foot, retains $15 per square foot moving allowance.
Right of First Offer to Purchase	If the City does not elect to trigger the existing purchase option before its expiration in 2027, it will now receive a right of first offer to purchase if the Landlord elects to sell during the term
Additional Benefits	Caps on controllable operating expenses, landlord provided space planning, additional electric-vehicle chargers at landlord cost, and a new shared conference facility on the 9th floor at landlord cost

RED has engaged Public Works to support project management and design review, which will be centrally coordinated. As with Phases 1 and 2, the Phase 3 design envisions

efficient, flexible workspaces that reduce private offices while providing essential employee amenities including adequate gender-neutral restrooms, lactation rooms, and break areas.

Because RED secured a downward rent reset for Phases 1 and 2 effective January 2027, the City will realize immediate savings in Fiscal Year 2027/2028. The City will not incur Phase 3 tenant improvement costs or rent obligations until Fiscal Year 2027/2028, when the Phase 3 premises are delivered in Fall 2027 for departments relocating from 1 South Van Ness and 25 Van Ness, and in Spring 2028 for the City Attorney's Office staff exiting 1390 Market Street.

This amendment represents a major milestone in modernizing the City's administrative footprint, while continuing to support the Civic Center neighborhood. Should you have any questions regarding this matter, please don't hesitate to contact my office at 415-554-9860.

Sincerely,

Sally Oerth
Director of Real Estate