

1 [Lease of Real Property at 1 Newhall Street]

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3 **Resolution authorizing a new lease of 33,000 sq. ft. of industrial space at 1 Newhall**  
4 **Street for the Department of Public Health.**

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6 WHEREAS, Pursuant to the 2003 Work Preservation Agreement and a recent  
7 Arbitration Award, the City and County of San Francisco is required to develop a replacement  
8 laundry for the Laguna Honda Laundry formerly situated at the Laguna Honda Hospital; and

9 WHEREAS, A privately-owned building located at 1 Newhall Street in San Francisco is  
10 ideally suited for conversion into a laundry facility; and

11 WHEREAS, Said privately-owned building is available for lease to the City and County  
12 of San Francisco; now, therefore, be it

13 RESOLVED, That in accordance with the recommendation of the Director of the  
14 Department of Public Health and the Director of Property, the Director of Property is hereby  
15 authorized to take all actions, on behalf of the City and County of San Francisco, as Tenant,  
16 to execute a written Lease (a copy of which is on file with the Clerk of the Board in File No.  
17 \_\_\_\_\_) (the "Lease ") and other related documents with the 1 NEWHALL, LLC  
18 ("Landlord"), for the building commonly known as 1 Newhall Street, San Francisco, California,  
19 which comprises an area of approximately 33,000 square feet of building on approximately  
20 51,882 square feet of land, on the terms and conditions herein and on a form approved by the  
21 City Attorney; and, be it

22 FURTHER RESOLVED, That the lease shall commence upon substantial completion  
23 of improvements by Landlord or upon the mutual execution and exchange of the Lease,  
24 whichever occurs later (estimated to be January 1, 2007) and shall expire upon December 31,  
25 2016; and, be it

1 FURTHER RESOLVED, That the monthly base rent shall be \$30,700 (\$0.93 per  
2 square foot per month of building only). The base rent shall be flat for the first five years of  
3 the ten year term. On the fifth anniversary of the Commencement Date the rent shall be  
4 escalated by the proportional increase in the Consumer Price Index for All Urban Consumers  
5 for the San Francisco-Oakland-San Jose areas, with a minimum increase of 15% and a  
6 maximum increase of 30%; and, be it

7 FURTHER RESOLVED, That the City shall pay \$85,000 to Landlord for Landlord's  
8 installation of a PG&E upgrade to to the building's electrical supply to increase the capacity to  
9 operate all the necessary laundry equipment; and, be it

10 FURTHER RESOLVED, City shall pay for its utilities, janitorial, water and sewer,  
11 security guards, refuse and recycling; and, be it

12 FURTHER RESOLVED, That the Landlord shall maintain at his sole cost the building  
13 exterior and roof, HVAC maintenance and landscaping and yard space; and, be it

14 FURTHER RESOLVED, That the City shall have three (3) options to renew for five (5)  
15 years each. In each case, the rent for the option period shall be based on 95% of the then fair  
16 market value, but shall not be less than the rent in effect during the previous term. Exercise of  
17 said options shall require approval by the Board of Supervisors; and, be it

18 FURTHER RESOLVED, That the City shall have an ongoing First Right of Refusal to  
19 purchase the Property; and, be it

20 FURTHER RESOLVED, That during the first forty eight (48) months of the Lease, the  
21 City shall have an Option to purchase the Property. The Option purchase price shall be  
22 \$5,000,000 during the first year of the Lease. The Option purchase price shall be increased  
23 by the proportional increase in the Consumer Price Index for All Urban Consumers for the San  
24 Francisco-Oakland-San Jose areas each year that the Option is in effect with a minimum  
25 increase each year of 3%; and, be it



1 RECOMMENDED:

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Department of Public Health

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Director of Property  
6 Real Estate Division

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