

1 [Real Property Lease - 1030 Polk Associates LP - Tenant Improvements - 2000 Oakdale  
2 Avenue - \$150,000 Rent in the Base Year - \$2,700,000 Estimated Tenant Improvements  
3 Cost]

3 **Resolution authorizing the Director of Property, on behalf of San Francisco Public**  
4 **Works, to execute a lease of 9,900 rentable square feet at 2000 Oakdale Avenue in San**  
5 **Francisco at a base-year rent expense to City of \$150,000 for an initial term of ten years**  
6 **plus three five-year options to extend; and construction of tenant improvements**  
7 **costing the City an estimated \$2,700,000.**

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9 WHEREAS, The San Francisco Public Works (“Public Works”) Material Testing  
10 Laboratory is located at 2099 Kearny Street in San Francisco (“Former Testing Site”) on  
11 property under the jurisdiction of the San Francisco Public Utilities Commission (“SFPUC”);  
12 and

13 WHEREAS, The SFPUC intends to install a new hydraulic pump station on the Former  
14 Testing Site and requires Public Works to vacate the Former Testing Site prior to May 31,  
15 2017; and

16 WHEREAS, The City’s Real Estate Division negotiated a lease between the City and  
17 County of San Francisco and 1030 Polk Associates LP (“Landlord”) dated March 15, 2016  
18 (the “Lease”) for the lease of 9,900 rentable square feet of industrial warehouse space  
19 (“Premises”) at the property located at 2000 Oakdale for an initial term of 10 years (“Initial  
20 Term”), a copy of which is on file with the Clerk of the Board of Supervisors in File No.  
21 160274, which is hereby declared to be a part of this resolution as if set forth fully herein; and

22 WHEREAS, Base rent during the Initial Term is \$12,500 per month (\$150,000 per year)  
23 increasing each year by the San Francisco-Oakland-San Jose CPI index over the prior 12-  
24 month period, at a rate not lower than three (3%) percent and not higher than five (5%)  
25 percent; and

1           WHEREAS, Upon expiration of the Initial Term, City has three (3), five-year (5 years  
2 each) options to extend the Lease at a rental rate of 95% of then fair market value at the time  
3 of each extension; and

4           WHEREAS, Upon Landlord’s decision to sell the Property during the term of the Lease,  
5 the Landlord shall first offer the Property to the City at 97% of the purchase price that will be  
6 offered to the real estate market; and, prior to any offer to purchase, the City shall appraise  
7 the fair market value; and

8           WHEREAS, City requires tenant improvements for the City’s lawful occupancy of the  
9 Premises (“Tenant Improvements”) which shall not exceed \$2,700,000 (“Tenant  
10 Improvements Budget”) and the Tenant Improvements Budget shall be paid by: (i) Landlord  
11 providing \$99,000 of the Tenant Improvements Budget at no cost to City, and (ii) City may pay  
12 Landlord up to \$2,700,000 directly to Landlord as costs are incurred for the balance of the  
13 required Tenant Improvements; and

14           WHEREAS, Public Works will provide 50% design specifications of the Tenant  
15 Improvements to the Landlord and Landlord shall construct the Tenant Improvements, under  
16 the review and approval of Public Works, at a cost not to exceed the Tenant Improvements  
17 Budget; and

18           WHEREAS, In addition to the required Tenant Improvements, Landlord shall provide at  
19 no cost to City, base building work including but not limited to exterior ADA work and  
20 installation of fire and life safety panels (“ADA Work”); and

21           WHEREAS, Whereas, upon the execution of this Lease (“Commencement Date”),  
22 Landlord will work diligently to satisfactorily complete both the (i) Tenant Improvements, and  
23 (ii) ADA Work, (completion of both is referred to as the “Substantial Completion Date”); and

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1           WHEREAS, The period between the Commencement Date and the Substantial  
2 Completion Date (the “Landlord Construction Period”) is not expected to last longer than ten  
3 (10) months (“Outside Occupancy Date”); and

4           WHEREAS, Base rent shall be abated during the Landlord Construction Period by: (i)  
5 \$6,250 per month until the satisfactorily completion of the Tenant Improvements, and an  
6 additional (ii) \$2,000 per month until the satisfactory completion of the ADA Work; and

7           WHEREAS, Base rent owed by City shall be fully abated during any period beyond the  
8 Outside Occupancy Date but prior to the Substantial Completion Date; and

9           WHEREAS, Consequences of delay or inaction, could impact the PUC hydraulic pump  
10 station project and continual operation of the Material Testing Laboratory; now, therefore, be it

11           RESOLVED, That the Board of Supervisors hereby approves the terms and conditions  
12 of the Lease; and be it

13           FURTHER RESOLVED, That the Board of Supervisor hereby authorizes and directs  
14 the Director of Property to negotiate and execute the Lease; and, be it

15           FURTHER RESOLVED, That the Board of Supervisor hereby authorizes and directs  
16 Public Works to contract for tenant improvements provided that costs to the City do not  
17 exceed \$2,700,000; nor will the City amortize any of the costs for tenant improvements; and,  
18 be it

19           FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Director  
20 or Property to enter into any amendments or modifications to the Lease, including, without  
21 limitation, the exhibits that the Director of Property determines in consultation with the City  
22 Attorney, are in the best interest of the City; do not materially increase the obligations or  
23 liabilities of the City; are necessary or advisable to effectuate the purposes and intent of the  
24 Lease or this resolution; and are in compliance with all applicable laws, including the City  
25 Charter; and, be it

1           FURTHER RESOLVED, That within thirty (30) days of the execution of the Lease being  
2           executed by all parties Public Works shall provide the final Lease to the Clerk of the Board for  
3           inclusion into the official file.

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