



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



John Updike
Director of Real Estate

January 13, 2015

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

Through Naomi Kelly,
City Administrator

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

Dear Board Members:

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

Lease Background

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

DEM (5,000 sq. ft.)

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

ASR (2,800 sq. ft.)

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

SFPUC (2,000 sq. ft.)

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

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

Approval of this Second Amendment

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

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

Respectfully,



John Updike
Director of Property