

AMENDED IN COMMITTEE  
2/26/14

FILE NO. 131218

RESOLUTION NO.

1 [Real Property Lease - Employees' Retirement System - 1145 Market Street -  
2 \$15,645,100.01]

3 **Resolution authorizing a 10 year Lease of 35,579 sq. ft. at 1145 Market Street for space**  
4 **for the San Francisco Employees' Retirement System from 1145 Market Street, LP, a**  
5 **California Limited Partnership for \$113,727.50 monthly for an approximate total of**  
6 **\$15,645,100.01 for the period of August 1, 2014 through July 31, 2024.**

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8 WHEREAS, The San Francisco Employees' Retirement System ("SFERS") is currently  
9 located at 30 Van Ness Ave on the third floor and has been in its current location since 1999;  
10 and

11 WHEREAS, SFERS managed approximately \$10.9 billion in Trust assets in 1999 and  
12 currently manages \$18.4 billion in employer and member funds; and

13 WHEREAS, SFERS current facilities were designed to handle approximately 40,000  
14 members; and

15 WHEREAS, SFERS members have grown over 30 percent from approximately 43,000  
16 members in 1999 to approximately 59,400 members in 2013; and

17 WHEREAS, Currently, retirement counseling is provided in adjacent open cubicles with  
18 limited privacy; and

19 WHEREAS, Retirement dates, payouts and options are of a very confidential and  
20 personal nature to the SFERS members; and

21 WHEREAS, SFERS desires to provide better service to its members by providing  
22 private retirement counseling and by expanding its waiting areas, presentation rooms, and  
23 other member areas to adequately accommodate the approximate 38% increase in the  
24 number of members it serves; and

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1           WHEREAS, An increase in client service areas from its current 4,196 sq. ft. to a  
2 proposed 8,814 sq. ft. will allow SFERS to provide private closed door counseling to its  
3 members, consolidate member service areas for SFERS members and the City's Deferred  
4 Compensation Plan participants, provide adequate reception and waiting areas, provide  
5 appropriate public space to accommodate larger seminar classes and allow greater public  
6 seating for Retirement Board meetings; and

7           WHEREAS, 30 Van Ness Ave is 100% occupied by other City Departments and cannot  
8 accommodate an expansion of SFERS; and

9           WHEREAS, The Health Service System (HSS) is located on the 1<sup>st</sup> and 3<sup>rd</sup> floors at  
10 1145 Market Street in a 10 year lease authorized by Board Resolution 0191-13; and

11           WHEREAS, There is a synergy between SFERS and HSS and co locating SFERS and  
12 HSS would have substantial benefits to City employees and retirees; and

13           WHEREAS, After exploring the costs and rental rates at alternative sites, SFERS  
14 desires to co locate into leased space at 1145 Market Street; and

15           WHEREAS, The Director of Property has negotiated a new lease for a term of  
16 approximately 10 years commencing upon Substantial Completion of Tenant Improvement  
17 (anticipated Commencement Date of August 1, 2014) and terminating on July 31, 2024, (a  
18 copy of the proposed Lease is on file with the Clerk of the Board in File No. 131218; the  
19 "Lease "); and

20           WHEREAS, Prior to final execution, the Department of Real Estate will modify the  
21 amortization interest rate in Section 6.1(k) of the Lease initially submitted to the Clerk's Office,  
22 changing the rate from 8% to 6% and reducing the amount from \$1,112,910 to \$1,061,640;  
23 and

1           WHEREAS, The Director of Property has determined that the proposed rental rate for  
2 the ten (10) year term as set forth in the Lease is equal to or less than fair market rent for the  
3 Premises; now, therefore, be it

4           RESOLVED, That in accordance with the recommendation of the SFERS Executive  
5 Director and the Director of Property, the Board approves the Lease in substantially the form  
6 in the Board's File and authorizes the Director of Property to execute and deliver the Lease,  
7 and authorizes City staff to take all actions, on behalf of the City, to perform its obligations and  
8 exercise its rights under the Lease; and, be it

9           FURTHER RESOLVED, As set forth in the Lease: (i) the Lease shall terminate  
10 approximately ten (10) years after Substantial Completion of the Tenant Improvements  
11 (anticipated Commencement Date of August 1, 2014) and Termination Date of July 31, 2024;  
12 (ii) the initial annual rent (net of electricity) shall be \$1,364,730.00 (approximately \$38.36 per  
13 square foot per year); (iii) the base rent shall increase at a rate of 3% annually; (iv) City shall  
14 have an early Lease Termination Right exercisable by City after August 1, 2017; and (v) the  
15 Landlord shall provide a tenant allowance of \$1,941,390 (approximately \$54.70 per square  
16 foot) ( the "Tenant Improvement Allowance") and SFERS shall be responsible for the costs  
17 exceeding the Tenant Improvement Allowance and for other typical tenant related moving  
18 costs; and, be it

19           FURTHER RESOLVED, As set forth in the Lease, SFERS shall pay for its prorata  
20 share of operating expenses over a 2014 base year and for other typical tenant expenses;  
21 and, be it

22           FURTHER RESOLVED, That all actions heretofore taken by the offices of the City with  
23 respect to the Lease are hereby approved, confirmed and ratified; and, be it

24           FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
25 Property to enter into any amendments or modifications to the Lease (including without

1 limitation, the exhibits) that the Director of Property determines, in consultation with the City  
2 Attorney, are in the best interest of the City, do not materially increase the obligations or  
3 liabilities of the City, do not materially decrease the benefits to the City, or are necessary or  
4 advisable to effectuate the purposes of the Lease or this resolution, and are in compliance  
5 with all applicable laws, including City's Charter; and, be it

6           FURTHER RESOLVED, That the City shall occupy the entire Premises for the full term  
7 of the Lease unless funds for the City's rental payments are not appropriated in any  
8 subsequent fiscal year at which time City may terminate the Lease with reasonable advance  
9 written notice to Landlord. Such termination shall then be effective upon surrender of the  
10 Premises. Said Lease shall be subject to certification as to funds by the Controller, pursuant  
11 to Section 3.105 of the Charter.

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

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1 RECOMMENDED:

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John Updike  
Director of Real Estate

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6 RECOMMENDED:  
SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM

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Jay Huish  
Executive Director

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