



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



John Updike
Director of Real Estate

March 25, 2013

**Lease Renewal
1390 Market St.
DPH-EHS
6709**

Through Naomi Kelly
City Administrator

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

Dear Board Members:

Attached for your consideration is a resolution authorizing an extension of an existing lease term and an expansion of the Premises by 1,887 sq. ft. for the Department of Public Health's Environmental Health Section (DPH-EHS) at Fox Plaza (1390 Market Street).

The Department of Public Health's Environmental Health Section (DPH-EHS) among other public services provides federal, state, and local mandated services including Underground Storage Tank Removal, Hazardous Materials/Waste, Childhood Lead Prevention, Consumer Protection (retail and wholesale food), Solid Waste, Water Recreation, Asbestos, and Emergency Response.

DPH-EHS has occupied space at Fox Plaza for the past 25 years. The lease's current term expires on November 30, 2013 and contains an option to extend the term for five years on the same terms and conditions except that the Base Monthly Rental is to be adjusted to 95% of the market rental value. The exercise of such option to extend is subject to enactment of a resolution by the Board of Supervisors and the Mayor, in their respective sole and absolute direction, approving and authorizing such lease extension.

The existing lease premises consist of 25,939 sq. ft. (25,526 sq. ft. of office and 413 sq. ft. of storage). City currently pays \$70,062 per month or approximately \$32.94 psf annually. City also pays approximately \$490.15 per month in separately metered utilities (approximately \$.40 psf annually) on 14,549 sq. ft. of the Premises.

DPH reports that additional office space is critical to the Department's ability to operate the wide array of mandated programs and the Resolution authorizes an expansion of the Premises by 1887 sq. ft.

According to DPH, in September 2004, the Mayor's Office dissolved the Department of Consumer Assurances and DPH –EHS was given organizational responsibility for the Agricultural, Weights & Measures Program. In the 2004 transition from Consumer Assurance to the Environmental Health Section, Agricultural, Weights & Measures staff was disbanded from a collective working unit and scattered throughout the DPH -EHS. The physical relocation from Port space to 1390 Market Street was intended to be temporary until suitable facilities were located.

In 2005, the Agricultural, Weights and Measures Program was staffed with nine inspectors (9 FTE) and a part time (.5 FTE) junior administrative analyst. In Fiscal Year 2010/2011, the Department began implementing the Automated Point of Sale Inspection Program pursuant to Ordinance 195-10. The Agricultural, Weights & Measures Program is now 14.5 FTE to enforce its new regulatory responsibilities.

In addition to additional staffing for the Agricultural, Weights & Measures Automated Point of Sale Inspection Program, DPH EHS has also added seven new regulatory positions per new local and federal laws since its last lease agreement. This includes the following:

- Two Environmental Health Technician (2 FTE – 6108 class) and one account clerk (1 FTE - 1632) for our Healthy Housing Program to comply with a new local legislation
- One Environmental Health Specialist (1 FTE – 6122 class) per Supervisors Chu's request in our massage program to increase inspections to deter illegal activity
- One Environmental Health Specialist to enforce new local tobacco legislation (1 FTE – 6122 class).
- One Health Program Coordinator (.60 FTE – 2589) for enforcing federal standards around menu labeling.
- One Environmental Health Specialist (1 FTE – 6120 class) per Supervisors Kim's request to work on inspections and issues around bed bugs

DPH reports that the majority of EHS's programs are fee based regulatory programs and the increase in rental space will be fully recovered by fees. DPH EHS reports that it has included funding for both the additional rent and one-time costs (telephone, data, etc) for the additional 1887 sq. ft. in its 2013/2014 fiscal budget.

Under the proposed lease renewal, the proposed base rent is fixed for the entire 5 year renewal term (December 1, 2013 through November 30, 2018) at \$76,362.79 or approximately \$35.33 per sq, ft annually which City and Landlord have negotiated to be 95% of fair market value, considering all factors, for the existing space. The proposed expansion of the Premises by 1887 sq. ft. is at the fixed fully serviced additional cost of \$6,006.95 per month or approximately \$38.20 per sq. ft. The Landlord would be required to complete tenant improvements pursuant to a mutually agreeable

space plan (provided the cost is less than \$300,000). The additional rent would begin upon Substantial Completion of those improvements.

Upon Substantial Completion of the tenant improvements and commencement of the renewal term, the Premises would be 27,826 total sq. ft. and the proposed total rent would be \$82,818.07 per month (approximately \$35.72 per sq. ft. annually). City will continue to pay for electricity on the 14,549 square feet which is separately metered. City shall also pay for the standard operating expense pass throughs over a 2014 base year.

We recommend approval of the extension terms. If you have questions regarding this matter, please contact Charlie Dunn of our office at 554-9861.

Respectfully,

John Updike
Director

cc: Barbara Garcia, Director, DPH
Rajiv Bhatia, DPH -EH