

1 [Real Property Lease Amendment and Restatement - Pomeroy Recreation and Rehabilitation
2 Center - 207 Skyline Boulevard]

3 **Resolution authorizing the Amendment and Restatement of Recreation Center For the**
4 **Handicapped, Inc. (Original Tenant)'s lease of property from the City and County of San**
5 **Francisco, to name successor entity of Original Tenant – Pomeroy Recreation and**
6 **Rehabilitation Center, a California not-for-profit corporation (Tenant); exercising the**
7 **25-year extension under original lease, and include an additional 25-year extension**
8 **period for Tenant's future use; and authorizing the Director of Property and/or the San**
9 **Francisco Public Utilities Commission General Manager to execute documents, make**
10 **certain modifications, and take certain actions in furtherance of this Resolution, as**
11 **defined herein.**

12 WHEREAS, The City and County of San Francisco (City) owns in fee certain real
13 property under the jurisdiction of the San Francisco Public Utilities Commission (SFPUC),
14 located at 207 Skyline Boulevard in San Francisco, California (Premises); and

15 WHEREAS, The Premises constitute a part of the Lake Merced Tract that the SFPUC
16 uses for watershed purposes on the shores of Lake Merced, which in turn, the SFPUC
17 maintains as an emergency water supply source; and

18 WHEREAS, City, acting through the SFPUC, and Original Tenant entered into a 25-
19 year Indenture of Lease dated February 9, 1971 (Original Lease) for Original Tenant's use of
20 the Premises at a rental rate of \$1 per year, with an option to extend the Original Lease term
21 for a 25-year period; and

22 WHEREAS, Original Tenant built improvements, including a swimming pool complex,
23 on the Premises, and has used the Premises pursuant to the Original Lease to operate a
24 recreational and rehabilitation center for disabled persons and for related services and
25 programs; and

1 WHEREAS, Original Tenant exercised its option to extend the Original Lease term for a
2 25-year period, and the Original Lease term expires on February 8, 2021; and

3 WHEREAS, Original Tenant's successor-in-interest, the Pomeroy Recreation and
4 Rehabilitation Center (Tenant), seeks a new 25-year lease with an option to extend the new
5 lease term for an additional 25-year term; and

6 WHEREAS, SFPUC staff, through consultation with the Office of the City Attorney and
7 the Director of Property, have negotiated with Tenant a proposed Amended and Restated
8 Ground Lease (Restated Lease), a copy of which is on file with the Clerk of the Board of
9 Supervisors under File No. 170574, which is incorporated herein by this reference; and

10 WHEREAS, Although there are no current SFPUC pipelines or other infrastructure
11 placed on or beneath the Premises, the Restated Lease provides that the Premises will still be
12 subject to use by the City and the SFPUC for City uses, including the installation or
13 maintenance of pipelines or other infrastructure, and in such instance, requiring Tenant to
14 remove its improvements as necessary to accommodate such City uses; and

15 WHEREAS, Although Tenant does not currently plan any capital improvements, and,
16 therefore, no CEQA review is required at this time, the Restated Lease requires Tenant to
17 consult with the City Department of Building Inspection regarding, and obtain City's prior
18 consent to any material future improvements to the Premises, and to perform any
19 necessary CEQA review at that time; and

20 WHEREAS, Under the revised Real Estate Guidelines adopted by SFPUC
21 Resolution No. 15-0013, any non-profit entity with a charitable purpose may be eligible for
22 discounted rates for the use of land or improvements owned by the SFPUC; and

23 WHEREAS, Tenant is a non-profit entity with a charitable purpose and has met all
24 other requirements under SFPUC Resolution No. 15-0013; and
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1 WHEREAS, Tenant’s programs and related services conducted at the Premises for
2 people with disabilities, which promote recreational, vocational, and educational opportunities
3 that encourage their self-expression, promote personal achievement, and lead to greater
4 independence, provide an important community benefit and further a proper public purpose;
5 and

6 WHEREAS, Tenant’s use benefits the SFPUC’s primary utility purpose under Section
7 5.3.2 of the 2015 Real Estate Guidelines by relieving the SFPUC of the costs of maintaining
8 and securing the Premises, and because the Restated Lease requires Tenant to appropriately
9 insure the Premises with general liability and property damage insurance and comply with all
10 regulations or requirements resulting from City's development of a watershed management
11 plan, Tenant’s use thereby furthers the SFPUC's efforts to appropriately protect and maintain
12 its watershed; and

13 WHEREAS, Pursuant to Section 23.03 of the San Francisco Administrative Code, the
14 SFPUC, through the Director of Property, has obtained an appraisal of the Premises that
15 concluded that the annual fair market rental value of the Premises is \$600,000, which equals
16 approximately \$9.31 per square foot based on the 64,418 square feet size of the Pomeroy
17 Recreation and Rehabilitation Center; and

18 WHEREAS, Section 23.03 of the San Francisco Administrative Code provides that the
19 Board of Supervisors may authorize the lease of City real property for a lesser sum than fair
20 market rent if the Board of Supervisors finds that such a lease will further a proper public
21 purpose; and

22 WHEREAS, On September 13, 2016, by SFPUC Resolution No. 16-0195 (SFPUC
23 Resolution), a copy of which is on file with the Clerk of the Board of Supervisors under File
24 No. 170574, which is incorporated herein by this reference, the SFPUC approved the
25 Restated Lease, and authorized the SFPUC General Manager and/or the Director of Property

1 to undertake the process to, following Board of Supervisors approval of the Restated Lease,
2 accept and execute the Restated Lease and any other related documents necessary to
3 consummate the transactions contemplated therein, in the form approved by the City
4 Attorney; and

5 WHEREAS, San Francisco Charter, Section 8B.121(a) grants the SFPUC the exclusive
6 charge of the real property assets under the Commission's jurisdiction, and Charter Section
7 9.118(c) requires that any amendment of any City lease of real property having a term of 10 or
8 more years be approved by resolution of the Board of Supervisors; and

9 WHEREAS, The Original Lease, the Restated Lease, and SFPUC Resolution (Project
10 File) have been made available for review by the Board of Supervisors and the public, and
11 those files are considered part of the record before this Board; and

12 WHEREAS, The Board of Supervisors has reviewed and considered the information
13 contained in Project File; now, therefore, be it

14 RESOLVED, The Board of Supervisors, having reviewed and considered the Project
15 File, finds that the proposed Restated Lease is in the best interest of the City, does not
16 materially increase the obligations or liabilities of the City, and is in compliance with all
17 applicable laws, including the City Charter; and be it

18 FURTHER RESOLVED, That in accordance with the recommendations of the
19 SFPUC General Manager and the Director of Property, the Board of Supervisors hereby
20 approves the Restated Lease and the transaction contemplated thereby in substantially the
21 form of such instrument presented to this Board; and, be it

22 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
23 Property and/or the SFPUC's General Manager to enter into any additions, amendments,
24 or other modifications to the Restated Lease that the Director of Property and/or the
25 SFPUC's General Manager determines are in the best interest of the City, do not materially

1 increase the obligations or liabilities of the City or materially diminish the benefits to the
2 City, and are necessary or advisable to complete the transaction contemplated in the
3 Restated Lease and effectuate the purpose and intent of this resolution, such determination
4 to be conclusively evidenced by the execution and delivery by the Director of Property or
5 the SFPUC's General Manager of the Restated Lease and any amendments thereto; and, be it

6 FURTHER RESOLVED, That the Director of Property and/or the General Manager
7 of the SFPUC are hereby authorized and urged, in the name and on behalf of the City and
8 County, to execute and deliver the Restated Lease with Tenant, in substantially the form of
9 such instrument presented to this Board, and to take any and all steps (including, but not
10 limited to, the execution and delivery of any and all certificates, agreements, notices,
11 consents, and other instruments or documents) as the Director of Property or the SFPUC
12 General Manager deems necessary or appropriate in order to consummate the Restated
13 Lease, or to otherwise effectuate the purpose and intent of this Resolution, such
14 determination to be conclusively evidenced by the execution and delivery by the Director of
15 Property or SFPUC General Manager of any such documents; and, be it

16 FURTHER RESOLVED, The Director of Property of the SFPUC will evaluate and
17 report to the Board of Supervisors on the amortization of the Tenant's existing capital
18 improvements to the leased site and when such improvements will be fully amortized, and
19 the Tenant's proposed plan for future capital improvements to the leased site, whether
20 those improvements will significantly increase the services provided to San Francisco
21 residents with disabilities, and the length of time for such improvements to be fully
22 amortized; and, be it

23 FURTHER RESOLVED, That within thirty (30) days of the Restated Lease being fully
24 executed by all parties, the SFPUC shall provide the final Restated Lease to the Clerk of the
25 Board for inclusion into the official file.

1 Recommended:

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JOHN UPDIKE
5 Director of Property

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HARLAN L. KELLY, JR.
7 General Manager of the SFPUC

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