

CITY AND COUNTY OF SAN FRANCISCO



DENNIS J. HERRERA  
City Attorney

2017 APR -3 AM 10:40

*[Handwritten signature]*

OFFICE OF THE CITY ATTORNEY

JON GIVNER  
Deputy City Attorney

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April 3, 2017

Office of the Clerk of the Board of Supervisors  
City Hall, Room 244  
1 Carlton B. Goodlett Place  
San Francisco, CA 94102

Re: Introduction of Resolution Approving Renewal of Lease of Real Property at  
1390 Market Street

Madame Clerk:

Attached for introduction is a proposed resolution authorizing a lease renewal for five years at Fox Plaza (1390 Market Street), for use by the City Attorney's Office.

The City Attorney has leased space at Fox Plaza for over 30 years. The City Attorney's Office occupies approximately 69,402 square feet (the "Premises") at a monthly rent of \$173,505. The Premises includes 1,737 square feet of space used for infant and young toddler care services under a program operated by Marin Day Schools. Marin Day School occupies its portion of the Premises at the nominal rent of \$1 per year.

The current lease with BRCP 1390 Market, LLC is set to expire on December 31, 2017, and includes an option to extend the term for an additional five years at 95% of the then fair market rent, subject to Board of Supervisors approval. The proposed resolution authorizes the extension of the current lease, including the infant care, for five years to December 31, 2022. Following this extension (if approved), the City has one more five-year extension option.

The proposed Base Rent for the renewed lease will be \$354,416.22 per month (or \$61.28 per square foot annually), with 3% annual increases. The proposed lease extension is fully serviced, except for separately metered electricity on approximately 48,265 square feet at an additional cost of approximately \$1,527.25 per month (payable to the San Francisco Public Utilities Commission). The City will continue to pay the standard increases in operating expenses over a new Base Year of 2018.

The proposed lease renewal also includes one month of rent abatement, resulting in a first-year effective rent of less than \$57 per sq. ft., or approximately 86% of fair market rent. The proposed lease extension also includes a \$694,020, or \$10-per-square-foot tenant improvement allowance. Attachment #1 provides a "before and after" table.

The fair market rent has been appraised at \$66 per square foot by MAI appraisal by Mateo Advisors and the Mateo Advisors appraisal has been confirmed by Clifford & Associates, MAI.

The Premises provide the City Attorney close proximity to state and federal courts, City Hall and City client departments in the Civic Center area. The continuation of the existing lease will also result in significant cost savings by avoiding the costs, lost productivity, and lost billable hours that would be associated with moving to alternative space.

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We recommend approval of the proposed lease renewal. If members of the Board have any questions regarding this lease renewal, feel free to contact me or Charlie Dunn in Real Estate Division of the City Administrator's Office at 554-9861.

Very truly yours,

DENNIS J. HERRERA  
City Attorney

A handwritten signature in black ink, appearing to read "Jon Givner", written over the printed name of the Deputy City Attorney.

JON GIVNER  
Deputy City Attorney

Attachment #1  
1390 Market Lease

	<b>Current</b>	<b>Proposed</b>
Premises	69,402 SF	No Change
Use	67,665 SF City Attorney's Offices 1,737 SF infant and toddler care	No Change
Base Rent	\$173,505 monthly	\$354,416.22 monthly
Rent Abatement	None	One month (a savings of \$354,416.22)
Estimated Operating Expenses	\$1,527.25 monthly	No change
Base Rent Increase Date	None	Annually on January 1, starting in 2019
Base Rent Increase Amount	None	3%
Lease Expiration	December 31, 2017.	December 31, 2022
Options to Extend	Two (2) further five year options at 95% FMR	One (1) further five year option at 95% FMR