

1 [Lease Amendment - 617 Mission Street - MacLean Properties LLC and Conner Children's
2 Trust No. 2 - Child Support Services - \$1,903,887.96 Initial Annual Rent]

3 **Resolution authorizing a lease amendment to extend an existing lease of 33,998 sq.**
4 **ft. at 617 Mission Street/109 New Montgomery Street with MacLean Properties LLC**
5 **and Douglas G. Moore, Trustee under the Connor Children's Trust No. 2, for the**
6 **Department of Child Support Services for a monthly base rent of \$158,657.33 for a**
7 **total initial annual base rent of \$1,903,887.96 for the period of July 1, 2018, through**
8 **December 31, 2024.**

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10 WHEREAS, San Francisco's Department of Child Support Services (SFDCSS)
11 promotes the well-being of San Francisco children by establishing and then delivering child
12 support collection services that help both parents meet the financial, medical, and
13 emotional needs of their children; and

14 WHEREAS, Through the collection and distribution of funds, SFDCSS achieves cost
15 savings to taxpayers by reducing family dependency on public assistance; and

16 WHEREAS, SFDCSS also improves the quality of life for affected San Francisco
17 children who are not on assistance; and

18 WHEREAS, SFDCSS in FY2016-2017, served 11,689 child support cases
19 representing 9,792 children; and

20 WHEREAS, SFDCSS in FY2016-2017, distributed approximately \$26 million dollars
21 with over 88% percent of every dollar going directly to families; and

22 WHEREAS, SFDCSS has occupied premises consisting of a portion of the ground
23 floor, the entire second, third, and fourth floors, and basement storage at the corner
24 building commonly known and numbered 617 Mission and 109 New Montgomery since
25 March 1995; and

1 WHEREAS, The current premises meets Federal and State regulations and the
2 operational needs of SFDCSS; and

3 WHEREAS, The Lease, as last extended by Board Resolution No. 372-14, expires
4 on December 31, 2019; and

5 WHEREAS, The Lease provides a further option to extend the term for another five
6 years from January 1, 2019, until December 31, 2024, at 95% of fair market rental; and

7 WHEREAS, Market rates for the Premises are currently more than \$75 - \$80 per
8 square foot and 95% of \$75 per square foot is \$71.25 per square foot; and

9 WHEREAS, SFDCSS current rent is \$121,117.88 per month (approximately \$42.75 per
10 square foot per year); and

11 WHEREAS, SFDCSS's annual operational budget is 100% funded through the
12 California Department of Child Support Services and does not impact the General Fund of
13 the City and County of San Francisco; and

14 WHEREAS, Despite increasing costs, the State's California Department of Child
15 Support Services is providing no increases to SFDCSS's annual operational budget; and

16 WHEREAS, SFDCSS has been told by the State's California Department of Child
17 Support Services that it is unlikely to increase SFDCSS's annual operational budget to
18 accommodate an increase in rent to market value; and

19 WHEREAS, SFDCSS, during the current term, has already consolidated its
20 operations from four floors to three floors in 2016 in order to cut costs by sharing space
21 with the Department of Public Health (DPH) to meet prior State budget cutbacks; and

22 WHEREAS, SFDCSS has explored all options including relocation and additional
23 consolidation; and

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1 WHEREAS, The Real Estate Division and the Landlord have negotiated a blend and
2 extend lease extension at \$158,657.33 per month (approximately \$56 per square foot per
3 year) for the entire option term with a new 2017 Base Year; and

4 WHEREAS, The proposed Base Rent does not include the typical annual increases
5 of 3% to 4%, representing a significant savings to SFDCSS and DPH; and

6 WHEREAS, SFDCSS can fund the proposed fixed rent from its annual operational
7 budget without assistance from the General Fund of the City and County of San Francisco;
8 and

9 WHEREAS, Co-locating DPH and SFDCSS saves DPH substantial monies on
10 telephone, data, furniture and tenant improvements if it were to rent other space; and

11 WHEREAS, A MAI Fair Market Rent Appraisal by Runde & Partners, Inc. dated
12 May 1, 2018 found that the proposed rent of \$56 per square foot is approximately 32%
13 below the Fair Market Rent of \$83 per square foot; and

14 WHEREAS, The Second Amendment is subject to enactment of a Resolution by the
15 Board of Supervisors and the Mayor, in their respective sole and absolute direction, approving
16 and authorizing such lease modification; now, therefore, be it

17 RESOLVED, In accordance with the recommendation of the Director of the
18 Department of Child Support Services, the Director of the Department of Public Health, and
19 the Director of Property, that the Director of Property is hereby authorized on behalf of the
20 City and County of San Francisco as Tenant, to execute the Second Amendment to Lease
21 (a copy of which is on file with the Clerk of the Board in File No. 180477) at 617 Mission
22 Street/109 New Montgomery Street with MacLean Properties LLC and Douglas G. Moore,
23 Trustee Under the Conner Children's Trust No. 2, collectively Landlord, for the premises
24 comprising an approximate area of 33,998 rentable square feet on the ground floor and the
25 entire second, third and fourth floors plus basement storage space; and, be it

1 FURTHER RESOLVED, The lease extension shall commence on July 1, 2018, and
2 expire on December 31, 2024, and, be it

3 FURTHER RESOLVED, That the Base Rent will be \$158,657.33 per month
4 (approximately \$56 per square foot per year); City shall continue to be responsible for
5 City's percentage share of increases in operating expenses and real estate taxes above a
6 new 2017 base year and its separately metered electrical costs; and, be it

7 FURTHER RESOLVED, That City agrees to indemnify, defend and hold harmless
8 Landlord and its agents from and against any and all claims, costs and expenses,
9 including, without limitation, reasonable attorneys' fees, incurred as a result of (a) City's use
10 of the premises, (b) any default by City in the performance of any of its obligations under
11 this lease, or (c) any negligent acts or omissions of City or its agents, in, on or about the
12 premises or the property; provided, however, City shall not be obligated to indemnify
13 Landlord or its agents to the extent any claim arises out of the active negligence or willful
14 misconduct of Landlord or its agents; and, be it

15 FURTHER RESOLVED, That any action taken by any City employee or official with
16 respect to this lease is hereby ratified and affirmed; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
18 Property to enter into any amendments or modifications to the Lease (including without
19 limitation, the exhibits) that the Director of Property determines, in consultation with the City
20 Attorney, are in the best interest of the City, do not increase the rent or otherwise materially
21 increase the obligations or liabilities of the City, are necessary or advisable to effectuate the
22 purposes of the Lease or this resolution, and are in compliance with all applicable laws,
23 including City's Charter; and, be it

24 FURTHER RESOLVED, City shall occupy said premises for the entire lease term
25 expiring on December 31, 2024, unless funds for rental payments are not appropriated in

1 any subsequent fiscal year, at which time City may terminate this lease with written notice
2 to Landlord, pursuant to Charter, Section 3.105 of the City and County of San Francisco;
3 and, be it

4 FURTHER RESOLVED, That within thirty (30) days of the agreement being fully
5 executed by all parties, the Director of Real Estate shall provide the agreement to the Clerk of
6 the Board for inclusion into the official file.

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1 RECOMMENDED:

\$1,903,887.96 Total Available
(Base Rent 7/1/18 to 6/30/19)

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3 SFDCSS funding \$1,364,166.72 (71.77%):
Fund ID: 11300
4 Dept ID: 229264
Project ID: 10001654
5 Activity ID: 0002
Authority ID: 10000
6 Account ID: 530110

7 DPH funding \$539,721.24 (28.33%):
8 Fund ID: 10010
Dept ID: 251917
9 Project ID: 10023255
Activity ID: 4
10 Authority ID: 17077
Account ID: 581200

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14 Controller
15 Subject to the enactment of the Annual
Appropriation Ordinance for FY 18/19

16 _____
17 Director of Property
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19 _____
20 Director
21 Department of Child Support Services

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23 Director
24 Department of Public Health

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