

1 [Lease Agreement - San Francisco Unified School District - 1235 Mission Street - Initial Rate  
2 of \$216,014.33 Monthly]

3 **Resolution retroactively approving a Lease Agreement with San Francisco Unified**  
4 **School District of Real Property at 1235 Mission Street for the Human Services**  
5 **Agency, at an initial rate of \$216,014.33 per month for a term of 11 years and 10**  
6 **months from July 1, 2014, through April 30, 2026.**

7  
8 WHEREAS, On August 1, 1992, The City and County of San Francisco (“City”)   
9 previously entered into a Sublease (“Sublease”) with the San Francisco Unified School   
10 District (“SFUSD”) for approximately 117,826 square feet of office space at 1235 Mission   
11 Street (“Premises”) to accommodate the Human Services Agency, which was authorized by   
12 the Board of Supervisors through Board Resolution No. 20-92 adopted January 16, 1992;   
13 and

14 WHEREAS, By a Notice of Establishment of Rent for First Extension Period, dated   
15 May 29, 2003, City and SFUSD agreed to a five year extension of the sublease, which was   
16 approved by the Board of Supervisors through Board Resolution No. 404-03 adopted June   
17 27, 2003; and

18 WHEREAS, By an Agreement Establishing Rent and Term for Second Extension   
19 Period and Confirming Second Sublease Extension, dated July 23, 2012, City and SFUSD   
20 agreed to a five year extension of the sublease, which was approved by the Board of   
21 Supervisors through Board Resolution No. 342-12 adopted September 24, 2012; and

22 WHEREAS, By Grant Deed recorded on August 30, 2013, SFUSD acquired the   
23 Premises from Cadence Bank, N.A., successor by merger to Encore Bank, N.A., formerly   
24 known as Guardian Savings and Loan Association; and

1           WHEREAS, City and SFUSD jointly commissioned a property condition assessment  
2 of the Premises to provide guidance as to necessary capital repairs and appropriate rental  
3 structure going forward; and

4           WHEREAS, The Human Services Agency continues to provide vital General  
5 Assistance Services from the Premises; and

6           WHEREAS, The Director of Property, in consultation with the City Attorney's Office,  
7 has negotiated a Lease Agreement for the Premises for a term of 11 years and 10 months  
8 to April 30, 2026, using a schedule of rent that commences at a rate of \$22.00 per rentable  
9 square foot per year (\$216,014.33 per month until June 30, 2016), then increases to a rate  
10 of \$23.25 per rentable square foot per year (\$228,287.92 per month until June 30, 2018),  
11 then increases to a rate of \$24.50 per rentable square foot (\$240,561.42 per month until  
12 June 30, 2020), then increases to a rate of \$25.75 per rentable square foot (\$252,835.00  
13 per month until June 30, 2022), then increases to a rate of \$27.00 per rentable square foot  
14 (\$265,108.50 per month until June 30, 2024), and finally increases to a rate of \$28.50 per  
15 rentable square foot (\$279,836.75 per month until April 30, 2026), on file with the Clerk of  
16 the Board in File No. 140784, and by reference made a part hereof; and

17           WHEREAS, The Director of Property has determined that the proposed rental rate for  
18 the entire lease period, from July 1, 2014, through April 30, 2026, as set forth in the Lease  
19 Agreement, is no greater than fair market rent for the Premises; and,

20           WHEREAS, The contributions of SFUSD and City toward necessary capital  
21 improvements to the Premises of up to \$6,000,000 (up to \$3,500,000 by SFUSD, and up to  
22 \$2,500,000 by City), represent reasonable tenant and capital improvements consistent with  
23 standard real estate market practices, and the process for design and construction of said  
24 improvements are clearly articulated in Article 6 of the Lease Agreement; and

1           WHEREAS, The additional one-time rental payment agreed to by City and SFUSD of  
2 \$232,706.35 represents a reasonable amount of differential base rent from the Second  
3 Extension of Sublease as extended from September 1, 2013, to July 1, 2014 (the  
4 negotiations period of 10 months, or \$0.1975 per month per rentable square foot); and

5           WHEREAS, The Lease Agreement shall have two five-year extensions exercisable  
6 by City with 18 months prior notice at a rent of 95% of fair market rent as determined in the  
7 Lease Agreement; and

8           WHEREAS, The City shall have the right of early termination of the lease, with proper  
9 prior notice anytime after the 126<sup>th</sup> month of the Lease; now therefore, be it

10          RESOLVED, That in accordance with the recommendation of the City Attorney and  
11 the Director of Property, the Board of Supervisors hereby approves the Lease Agreement  
12 and transaction contemplated thereby in substantially the form of such Agreement  
13 presented to the Board and authorizes the Director of Property to execute and deliver the  
14 Lease Agreement, and authorizes City staff to take all actions, on behalf of the City, to  
15 perform its obligations and exercise its rights under the Lease Agreement; and, be it

16          FURTHER RESOLVED, That all actions heretofore taken by any employee or official  
17 of the City with respect to this Lease Agreement are hereby approved, confirmed and  
18 ratified; and, be it

19          FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
20 Property to enter into any amendments or modifications to the Lease Agreement (including  
21 without limitation, the exhibits) that the Director of Property determines, in consultation with  
22 the City Attorney, are in the best interest of the City, do not materially increase the  
23 obligations or liabilities of the City, do not materially decrease the benefits to the City, or are  
24 necessary or advisable to effectuate the purposes of the Lease Agreement or this  
25

1 Resolution, and are in compliance with all applicable laws, including City's Charter; and, be  
2 it

3 FURTHER RESOLVED, That said Lease Agreement shall be subject to certification  
4 as to funds by the Controller, pursuant to Section 3.105 of the Charter.

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\$232,706.35 Available

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Fund/Subfund: 1GAGFAAA  
Program: CAO  
Index Code: 45ADOH

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Controller

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16 RECOMMENDED:

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John Updike  
Director of Property

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21 RECOMMENDED:

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Trent Rhorer  
Director  
Human Services Agency

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