



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



John Updike
Director of Real Estate

November 12, 2015

**Department of Technology
License for use of Property
Telx - 200 Paul Avenue
Assignment #6920**

Through Naomi Kelly,
City Administrator

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

Dear Board Members:

Attached for consideration is a Resolution authorizing the renewal and expansion of an existing license at 200 Paul Avenue, for use by the Department of Technology (DT) with the Telx Entities (Telx or Licensor).

200 Paul is a major telecommunications and internet hub in the City. The City has leased communication connections from Telx at 200 Paul Ave since 1996. The license is for the use of a routing cabinet and 24 pair connections to the City's internet service providers and to the City's fiber network. The most recent lease, approved by Board Resolution 27-11, expires on January 31, 2016 and there are no further options to extend the term

The proposed term is two (2) years, commencing upon February 1, 2016 and expiring on January 31, 2018. The City has three (3) one (1) year options to extend the license by providing nine months advance written notice. Since option rents are fixed and the license is integral to the data operations of the City, the proposed Resolution provides the Director of Property, in consultation with DT and the City Attorney's Office, with authority to exercise the option to the extend the termination date. Thus, the Board is approving a potential five year term at fixed rental rates.

The proposed Resolution also authorizes the expansion by an additional 24 pair connection. According to DT, the additional 24 pair connections are needed for 10 current requirements including the conversion from PBX telephone switches to Voice over Internet Protocol (VoIP) (which saves the City money on the installation of new PBX switches and the maintenance of existing switches); expansion of the City's internal wifi installations

including at the Public Safety Campus and SFGH; and also providing through a cross connect from the existing cabinet more resiliency in the City's access to the internet.

Under the proposed Resolution, the City would pay \$3,780 per month and a one-time fee of \$3,780 for the expansion cabinet beginning as soon as the 24 pair connections are set up and delivered (about 2 weeks after Amendment execution and expected to be about January 1, 2016). Then, beginning at the end of the existing term (February 1, 2016), the base rent is \$9,000 per month for the both 24 pairs and the cabinet. The base rent increases annually on each February 1 by three percent (3%) including for each of the option terms, if exercised. The proposed lease does not include a typical annual pass through of increases in the landlord's operating expenses.

Attachment #1 provides a before and after comparison of the proposed license extension and expansion.

The Department of Technology recommends approval of the proposed lease.

If you have any questions regarding this matter, please contact Charlie Dunn of our office at 554-9861.

Respectfully



John Updike
Director of Real Estate

cc: Miguel Gamiño, Director, DT
Ashley Amjad, DT
David German, DT

Attachment #1
200 Paul
Telx License

	Current	Proposed
Equipment	(1) Equipment Rack 24 Pair connectivity	(2) Equipment Racks (2) 24 Pair connectivity
Base Rent	\$5,151.14	\$9,000 monthly beginning 2/1/2016. Plus a one-time fee of \$3,780 (and \$8,931.14 for the month of January 2016)
Base Rent Increase Date	Annually on February 1	Annually on February 1
Base Rent Increase Amount	3%	3%
Term	January 31, 2016	January 31, 2018
Options to Extend	None Remaining	Three (3) one year options at a continuation of the 3% annual increase