

File No. 110778

Committee Item No. 8

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: September 14, 2011

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget & Legislative Analyst Report |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Ethics Form 126 |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
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OTHER

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Completed by: Victor Young

Date: Sept 9, 2011

Completed by: Victor Young

Date: _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Lease of Real Property - 1360 Mission Street

2
3 **Resolution authorizing the lease of 1360 Mission Street, Suite 401, for the**
4 **Department of Public Health.**

5
6 WHEREAS, The Department of Public Health has occupied the 6,300 square foot
7 premises located at 1360 Mission Street, Suite 401, since 1992 and currently operates its
8 STD Program Administrative Headquarters at the site; and

9 WHEREAS, The Real Estate Division at the request of the Department of Public
10 Health negotiated the renewal of the Lease at 1360 Mission Street, Suite 401, for a five-
11 year term commencing upon approval by the Board of Supervisors and Mayor, which
12 includes one two-year option term; and

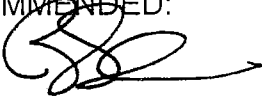
13 WHEREAS, The monthly fair market rent for the initial term shall be \$11,072.25
14 (\$1.75 per square foot), fully serviced, subject to annual Consumer Price Index adjustments
15 of no less than 2% and no more than 5%, with rent for the two-year option term at 95% of
16 the prevailing fair market rent; now, therefore, be it

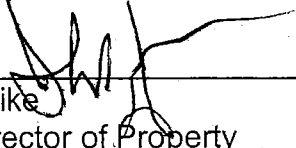
17 RESOLVED, That the Lease shall include the clause indemnifying, holding
18 harmless, and defending Lessor and its agents from and against any and all claims, costs
19 and expenses, including without limitation, reasonable attorney fees incurred as a result of
20 any default by the City in the performance of any of its material obligations under the
21 Lease, or any negligent acts or omissions of the City, or its agents, in, on or about the
22 Premises or the property on which the Premises are located, excluding those claims, costs
23 and expenses incurred as a result of the negligence or willful misconduct of the Lessor or
24 its agents; and be it

1 FURTHER RESOLVED, That the Director of Property be authorized to enter into
2 any additions, amendments or other modifications to the Lease agreement (including
3 without limitation, the exhibits) that the Director of Property determines, in consultation with
4 the Director of the Department of Public Health and the City Attorney, are in the best
5 interests of the City, do not materially increase the obligations or liabilities of the City, and
6 are necessary or advisable to complete the transaction contemplated in the Lease and
7 effectuate the purpose and intent of this resolution, such determination to be conclusively
8 evidenced by the execution and delivery by the Director of Property of any amendments
9 thereto; and be it

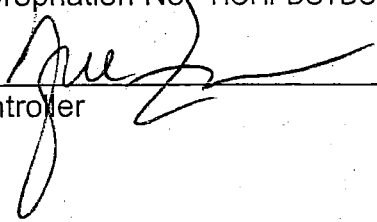
10 FURTHER RESOLVED, That said Lease shall be subject to certification of funds by
11 the Controller pursuant to Section 6.302 of the Charter.

12
13 RECOMMENDED:

14 
15 _____
16 Barbara Garcia, Director
17 Department of Public Health

18 
19 _____
20 John Updike
21 Acting Director of Property

22 \$121,794.75 Available
23 Appropriation No. HCHPDSTDSVGF

24 
25 _____
26 Controller

Item 8
File 11-0778

Department:
Department of Public Health (DPH); Real Estate Division

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would approve a new five-year lease between the City and County of San Francisco, on behalf of DPH, as lessee, and Mercy Commercial California, as lessor, for 6,300 square feet of office space at 1360 Mission Street, Suite 401. The term of the proposed lease is from the date of the passage of the proposed resolution by the Board of Supervisors until 5 years after that date, with one two-year option to extend the proposed lease for a total maximum term of 7 years.

Key Points

- DPH's Sexually Transmitted Disease (STD) Section's administrative offices have occupied 6,300 square feet at 1360 Mission Street, Suite 401, since 1992. Currently, 17 staff members work at this location, including (a) the Sexual Health Unit, (b) the Epidemiology Unit, (c) Special Projects, and (d) the Director's Office.
- Since the expiration of the existing lease on December 31, 2010, DPH has continued on a month-to-month tenancy at the existing lease's rate of approximately \$2.11 per square foot, or \$13,287 per month, while extended negotiations took place between the Real Estate Division and Mercy Commercial California.
- Under the proposed lease, DPH would continue to lease from Mercy Commercial California 6,300 square feet of office space at 1360 Mission Street, Suite 401, which DPH currently occupies under a month-to-month tenancy, for \$132,867 annually or \$11,072.25 per month, or approximately \$1.76 per square foot per month. The rental rate of \$11,072.25 per month was determined to be the fair market value based on comparable rents in the vicinity.
- Under the proposed lease, all future rent rates after the first year would be subject to annual Consumer Price Index adjustments of no less than 2 percent and no more than 5 percent.

Fiscal Analysis

- Under the current lease, DPH pays annual rent for 1360 Mission Street, Suite 401, of \$159,444. Under the proposed lease, DPH would pay first year rent of \$132,867 (\$11,072.25 per month x 12 months), resulting in a first year reduction of \$26,577 or 16.7 percent. The annual rental rate over the term of the lease ranges from \$132,687 in the first year of the lease up to \$161,501 in the fifth year of the lease.
- Based on annual rent increases of no less than 2 percent and no more than 5 percent, total estimated five-year lease costs range from \$691,446 to \$734,174.
- DPH also paid one-time costs to install new telecommunications, data, and computer cabling, which was completed in February, 2011. The total cost of that installation was \$16,450. Therefore, the total estimated cost of the proposed lease ranges between \$707,896 and \$750,624.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

In accordance with Section 23.27 of the City's Administrative Code, except in specified short-term leases, all leases, in which the City is the lessee, are subject to Board of Supervisors approval.

Background

Currently, the Department of Public Health's (DPH) Sexually Transmitted Disease Prevention and Control Services (STD Section) leases 6,300 square feet of office space at 1360 Mission Street, Suite 401, for the STD Section's administrative services. In addition, the STD Section's clinical services are provided at City Clinic, the municipal STD Clinic located at 7th and Harrison Streets.

The Department of Public Health's (DPH) Sexually Transmitted Disease Prevention and Control Services Section's (STD Section) mission is to maximize sexual and reproductive health in San Francisco. The STD Section's goals are to (a) reduce STD incidence and complications, (b) provide culturally proficient STD diagnosis and treatment, (c) identify and decrease risk factors associated with poor sexual health, and (d) promote awareness and provide state of the art sexual health education and training. The STD Section provides STD services, including primary STD/HIV prevention through health education activities and risk reduction counseling of at-risk patients, and secondary STD prevention through diagnosis and treatment of persons with STDs. STD diagnostic and treatment services include (a) the clinical services provided at City Clinic, (b) the referral of untreated, infected individuals identified through partner notification programs, (c) the identification of asymptomatic, infected individuals through the STD screening programs, and (d) the technical expertise provided for clinicians caring for STD patients outside of City Clinic.

According to Ms. Claudine Venegas, Senior Real Property Officer at the General Services Agency's Real Estate Division (RED), DPH's STD Section's administrative offices have leased office space at 1360 Mission Street, Suite 401, since 1992. Currently 17 staff members work at this location, including (a) the Sexual Health Unit, (b) the Epidemiology Unit, (c) Special Projects, and (d) the Director's Office. The Sexual Health Unit is primarily responsible for community outreach and engagement, drafting routine reports, and overseeing STD-related contracts with Public Health Foundation Enterprises, a fiscal intermediary, and Better World Advertising which handles a portion of the STD Section's social media activities. The Sexual Health Unit is also responsible for the Memorandum of Understanding (MOU) with DPH's AIDS Office Prevention Section, which funds a variety of the STD Section's activities. The Epidemiology Unit is responsible for analyzing and maintaining STD data, and overseeing their grant writing and submission. The Special Projects Unit works on a variety of STD-related projects, including responding to STD and/or communicable disease outbreaks. The Director is responsible for general oversight of the STD Section's activities.

On October 3, 2003, the Board of Supervisors approved a four-year and two-month lease from November 1, 2003 to December 31, 2007 between the DPH, as lessee, and Mercy Commercial California, as lessor, with one five-year option to extend. On March 14, 2008, the Board of Supervisors retroactively approved a three-year option to extend the lease from January 1, 2008 through December 31, 2010. This three-year option to extend was two years less than the previously approved five-year option to extend in the original lease due to the anticipated move by the STD Section's administrative offices to the City Clinic located at 356 7th Street by December 31, 2010 after a planned renovation to the clinic was completed. However, according to Ms. Wendy Wolf, Deputy Director of STD Section, the move did not take place because the DPH had insufficient funds to renovate the City Clinic as planned. According to Ms. Wolf, DPH does not have current plans to move forward with the renovations at the City Clinic.

The rental rate in the original lease was \$8,925 per month for the four-year and two months term of the lease. The three year option to extend included a rent increase of (a) \$3,360 or 37.6 percent, from \$8,925 to \$12,285, (b) a second increase of \$491, or 4 percent from \$12,285 to \$12,776 on January 1, 2009, and (c) a third increase of \$511 or 4 percent from \$12,776 to \$13,287 on January 1, 2010. As shown in Table 1 below, the total amount paid under the existing lease was \$906,426.

Lease Term	Rent per Square Foot per Month	Total Rent per Month ¹	Total Annual Rent
November 1, 2003 – December 31, 2007	\$1.42	\$8,925	\$446,250
January 1, 2008 – December 31, 2008	\$1.95	\$12,285	\$147,420
January 1, 2009 – December 31, 2009	\$2.03	\$12,776	\$153,312
January 1, 2010 – December 31, 2010	\$2.11	\$13,287	\$159,444
Total			\$906,426

¹ Rent per square foot per month x 6,300 square feet

Since the expiration of the existing lease on December 31, 2010, DPH has continued on a month-to-month tenancy at the existing lease's most recent rate of approximately \$2.11 per square foot, or \$13,287 per month, while extended negotiations took place between the Real Estate Division and Mercy Commercial California to approve a new lease.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new five-year lease between the City and County of San Francisco, on behalf of DPH, as lessee, and Mercy Commercial California, as lessor, for 6,300 square feet of office space at 1360 Mission Street, Suite 401. The term of the proposed lease is from the date of the passage of the proposed resolution by the Board of Supervisors until 5 years after that date, with one two-year option to extend the proposed lease for a total maximum term of 7 years.

Under the proposed lease, DPH would pay rent of \$11,072.25 (\$132,867 annually) per month during the first year of the lease, or approximately \$1.76 per square foot per month for the same 6,300 square feet of space which DPH occupies under the existing lease. Total annual rent during

the first year of the proposed lease of \$132,867 (\$11,072.25 x 12 months) is \$26,577 or 16.7 percent, less than annual rent of \$159,444 under the existing lease, as shown in Table 2 below.

Table 2: Comparison of Rent Under Current and Proposed Lease			
	Rent per Square Foot per Month	Total Rent per Month¹	Total Annual Rent
Current Lease	\$2.11	\$13,287	\$159,444
Proposed Lease	\$1.76	\$11,072	\$132,867
Proposed Rent Reductions	\$0.35	\$2,215	\$26,577

¹ Rent per square foot per month x 6,300 square feet

According to Ms. Venegas, the proposed rental rate of \$11,072.25 per month (\$132,867 annually) was determined to be the current fair market value based on comparable rents in the vicinity. Under the proposed lease, all rent rates after the first year would be subject to annual Consumer Price Index¹ adjustments of no less than 2 percent and no more than 5 percent.

Ms. Venegas advises that no other rental properties were considered because 1360 Mission Street, Suite 401, was built out to the STD Section's specifications in 1992 and relocating would be too costly to consider as a viable option.

FISCAL ANALYSIS

Approval of the proposed resolution would result in annual rent payable by the DPH, as lessee, to Mercy Commercial California, as lessor, under the proposed lease totaling \$132,867 (\$11,072.25 per month multiplied by 12) in the first year.

According to Ms. Venegas, the proposed lease would be funded from General Fund monies as part of DPH's annual budget appropriation. Monies for this purpose were included in the City's FY 2011-12 budget previously approved by the Board of Supervisors. Rent payments made after FY 2011-12 will likewise be included in DPH's annual budget appropriation and subject to Board of Supervisors appropriation approval.

As shown in Table 3 below, the annual rental rate over the term of the lease ranges from \$132,687 in the first year of the lease up to \$161,501 in the fifth year of the lease.

¹ The Consumer Price Index represents changes in the prices of all good and services for All Urban Consumers in the San Francisco-Oakland-San Jose area and is published by the Bureau of Labor Statistics under the United States Department of Labor.

Table 3: Estimated Annual Rent For 6,300 Square Feet During 5 Year Term of Lease		
	Annual Rent Based on:	
	2 Percent Annual Increase	5 Percent Annual Increase
Year 1	\$132,867	\$132,867
Year 2	135,524	139,510
Year 3	138,235	146,486
Year 4	141,000	153,810
Year 5	143,820	161,501
	\$691,446	\$734,174

DPH paid one-time costs to install new telecommunications, data, and computer cabling. According to Ms. Wolf, the installation was funded from General Fund monies and was completed in February, 2011. The Budget and Legislative Analyst notes that DPH funded and performed the telecommunications, data, and computer cabling installation prior to approval of the proposed lease by the Board of Supervisors. Ms. Wolf advises that this was done because (a) the wiring in the site was outdated and was making it difficult for STD Section to perform its programmatic functions, (b) the DPH STD Section has had the existing lease with the lessor, Mercy Commercial California, for more than five years and because the rent for the site under the terms of the proposed lease was decreasing, DPH anticipated Board of Supervisors approval, and (c) lease negotiations extended over a longer period of time than anticipated by DPH. As shown in Table 4 below, the total cost of that installation was \$16,450.

Table 4: Total Cost of Installing New Telecommunications, Data, and Computer Cabling		
Labor		\$11,260
Materials		5,190
Total Cost		\$16,450

Therefore, the total cost of the proposed lease over the five-year term ranges from \$707,896 (\$691,446 plus \$16,450) to \$750,624 (\$734,174 plus \$16,450).

RECOMMENDATION

Approve the proposed resolution.



Harvey M. Rose

cc: Supervisor Chu
Supervisor Mirkarimi
Supervisor Kim
President Chiu
Supervisor Avalos
Supervisor Campos
Supervisor Cohen
Supervisor Elsbernd
Supervisor Farrell
Supervisor Mar
Supervisor Wiener
Clerk of the Board
Cheryl Adams
Controller
Rick Wilson



RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2011 JUL 18 AM 10:44

BY Ak



John Updike
Acting Director of Real Estate

July 6, 2011

Through Amy L. Brown, Acting City Administrator

Honorable Board of Supervisors
City and County of San Francisco
City Hall, 1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Re: Lease renewal of 1360 Mission Street, Suite 401

Dear Board Members:

On behalf of the Department of Public Health, attached for your consideration is a Resolution authorizing the renewal of the Lease for the subject property (the "Premises") for an initial term of 5-years, commencing upon approval, with one 2-year extension option period.

The existing Lease was authorized by Board of Supervisors Resolution No. 617-03 and expired on 12/13/10, after which City has continued on a month-to-month tenancy during extended negotiations.

The premises comprise approximately 6,300 square feet and are used by the STD Program Administrative Headquarters. Approximately 1/3 of this program is federally funded, although no such funds can be used toward rent. The renewal is at a fair market monthly rental rate of \$11,072.25 (\$1.75 psf), fully serviced, which is less than the existing monthly lease rate of \$13,287 (\$2.11/psf).

The Real Estate Division and Department of Public Health recommend approval of the renewal Lease. We are advised that funds are available in Index Code No. HCHPDSTDSVGF. If you have any questions in this regard, please contact Claudine Venegas of my staff at 554-9872 or Wendy Wolf, MPA, Deputy Director STD Prevention and Control Services, with the Department of Public Health at 487-5502.

Sincerely,

John Updike
Acting Director of Property

cvh:\1360mission#401bos2

Attachments

cc: Wendy Wolf, DPH

H:\1360mission#401bos2.doc

*Complete copy of
document located in
File No. 110778

OFFICE LEASE

between

MERCY COMMERCIAL CALIFORNIA,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
1360 Mission Street, Suite 401
San Francisco, California

May 11, 2011

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors
Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: MERCY COMMERCIAL CALIFORNIA, a California nonprofit public benefit corporation	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
(1) Board Members: Vince Dodds, Jane Graf, Brian Shuman (Ch). Officers: Val Agostino, President, Brian Shuman, Jane Graf, Vice Presidents, Vince Dodds, VP/Treasurer, Patricia O'Roark, Secretary, Amy Bayley, Assistant Secretary	
Contractor address: 1360 Mission St., #300, San Francisco, CA 94103	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contract: Initial rent of \$11,072.25 per month
Describe the nature of the contract that was approved: Lease of premises at 1360 Mission St., #401, San Francisco, CA, for a 5-year term for the Department of Public Health.	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves: San Francisco Board of Supervisors
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed