

1 [Real Property Lease Amendment and Sale.]

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3 **Resolution approving a third amendment to the City's lease at 875 Stevenson Street**
4 **and approving the sale of a portion of Stevenson Street between 9th and 10th Streets to**
5 **1355 Market Street Associates, L.P. following the vacation of such portion of**
6 **Stevenson Street; and finding the sale and improvement of the Stevenson Street**
7 **Property is consistent with the City's General Plan and with the Eight Priority Policies**
8 **of City Planning Code Section 101.1, and is categorically exempt from environmental**
9 **review under the California Environmental Quality Act.**

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11 WHEREAS, The City and County of San Francisco (the "City") entered into a lease (the
12 "Lease") with Western Mart Co., L.P., a California limited partnership ("Landlord"), for floors 1
13 through 5 and a portion of the basement, consisting of approximately 158,442 rentable square
14 feet (the "Premises"), in the building known as 875 Stevenson Street, San Francisco, CA (the
15 "Building"); and,

16 WHEREAS, The Board of Supervisors approved the Lease on March 21, 1994, an
17 amendment to the Lease on November 4, 1996, and a second amendment to the Lease on
18 March 25, 2003 (Resolution No. 174-03; File No. 021876); copies of the Lease and the
19 foregoing amendments are on file with the Clerk of the Board under File No. _____;
20 and,

21 WHEREAS, The City wishes to surrender certain portions of the Premises and thereby
22 achieve rent savings, and Landlord and/or its affiliates wish to acquire a portion of Stevenson
23 Street between 9th and 10th Streets that the City intends to vacate (the "Stevenson Street
24 Property") in order to create a pedestrian-only open space to be used for leisure, dining and
25 other recreational activities; and,

1 WHEREAS, The parties have negotiated a third amendment to the Lease (the "Lease
2 Amendment") and a purchase and sale agreement (the "Purchase Agreement"), copies of
3 which are on file with the Clerk of the Board under File No. _____; and,

4 WHEREAS, Under the Lease Amendment, which shall not become effective unless
5 and until the City transfers the Stevenson Street Property under the Purchase Agreement:
6 (i) the City will surrender to Landlord the 5th floor portion of the Premises, consisting of
7 approximately 33,411 rentable square feet, upon payment of a termination fee consistent with
8 the formula set forth in the second amendment to the Lease; (ii) the City will surrender to
9 Landlord the 1st floor portion of the Premises currently occupied by the Assessor-Recorder,
10 without payment of a termination fee; (iii) Landlord shall have the right to reconfigure the
11 remainder of the 1st floor portion of the Premises, as shown on a Lease exhibit, with the City
12 paying for new demising walls; (iv) the City will have the right to terminate the Lease with
13 respect to the 1st floor portion of the Premises effective as of May 31, 2010; (v) if not
14 previously terminated, Landlord shall have the right to terminate the Lease with respect to the
15 1st floor portion of the Premises after May 31, 2010; (vi) Landlord and Tenant shall both have
16 the right to terminate the Lease with respect to the 2nd floor portion of the Premises on or
17 before certain dates, (vii) the base rent and City's parking rights in the Building shall be
18 reduced pro rata in connection with any of the foregoing reductions in the size of the
19 Premises, but the per square foot base rent shall not change; (viii) the City will receive a rent
20 credit of not less than \$144,781 and not more than \$ 362,008 (depending on the date of the
21 closing under the Purchase Agreement), and (ix) Landlord shall perform certain tenant
22 improvements to the 3rd floor portion of the Premises at City's cost; and,

23 WHEREAS, Under the Purchase Agreement: (i) the City will sell and 1355 Market
24 Street Associates, L.P., an affiliate of Landlord, or its assignee will buy the Stevenson Street
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1 Property if and when the City vacates the Stevenson Street Property; (ii) the purchase price
2 will be \$500,000, payable in full at closing, (iii) the Stevenson Street Property will be sold as-
3 is, without representation or warranty by the City; (iv) the parties will execute and record a
4 Declaration of Covenants and Restrictions and Grant of Public Access Easement, a copy of
5 which is attached to the Purchase Agreement, to require the construction and maintenance of
6 certain improvements on the Stevenson Street Property, to create and maintain a public right
7 to access designated portions of the Stevenson Street Property in perpetuity, and to create
8 and maintain a pedestrian access easement for Building occupants; and (v) the City and the
9 owner of the building located at 1355 Market Street will execute and record a Declaration of
10 Covenants and Restrictions and Grant of Public Access Easement, a copy of which is also
11 attached to the Purchase Agreement, to provide for certain pedestrian access rights from the
12 Stevenson Street Property to Market Street through the building located at 1355 Market Street
13 in perpetuity, and to require the owner of the 1355 Market Street building to use commercially
14 reasonable efforts to lease portions of the ground floor of the 1355 Market Building to retail
15 establishments open to the public; and,

16 WHEREAS, Concurrently herewith, the Director of Property has submitted an
17 ordinance to the Board for the vacation of the Stevenson Street Property, which ordinance will
18 be considered by the Board separately from this resolution; and,

19 WHEREAS, The Director of Planning, by letter dated November 15, 2007, found that
20 vacation, sale and improvement of the Stevenson Street Property, with specified conditions
21 (which conditions have been incorporated into the Declarations attached to the Purchase
22 Agreement) is consistent with the City's General Plan and with the Eight Priority Policies of
23 City Planning Code Section 101.1, and is categorically exempt from Environmental Review
24 under Classes 3 and 12 of the California Environmental Quality Act, which letter is on file with
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1 the Clerk of the Board of Supervisors under File No. _____, and which letter is
2 incorporated herein by this reference; now, therefore, be it

3 RESOLVED, That the Board of Supervisors hereby finds that the sale and
4 improvement of the Stevenson Street Property in accordance with the Purchase Agreement
5 and the attached Declarations is consistent with the City's General Plan and with the Eight
6 Priority Policies of City Planning Code Section 101.1, and is categorically exempt from
7 environmental review under the California Environmental Quality Act, for the same reasons as
8 set forth in the letter from the Director of Planning, and hereby incorporates such findings by
9 reference as though fully set forth in this Resolution; and, be it

10 FURTHER RESOLVED, That in accordance with the recommendation of the Director
11 of Property, the Board of Supervisors hereby approves the Lease Amendment and the
12 Purchase Agreement, authorizes the Director of Property to execute and deliver the Lease
13 Amendment and the Purchase Agreement, and authorizes the Director of Property and other
14 City officials to perform all actions on behalf of the City contemplated by and consistent with
15 the Lease Amendment and the Purchase Agreement; and, be it

16 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City
17 with respect to the Lease Amendment and the Purchase Agreement are hereby approved,
18 confirmed and ratified; and, be it

19 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
20 Property to enter into any modifications to the Lease Amendment and the Purchase
21 Agreement (including, without limitation, the exhibits) that the Director of Property determines,
22 in consultation with the City Attorney, are in the best interests of the City, do not increase the
23 rent, decrease the purchase price, or otherwise materially increase the obligations or liabilities

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1 of the City, and are necessary or advisable to effectuate the proposed transactions authorized
2 by this Resolution.

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4 RECOMMENDED:

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Director of Property

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Appropriation FY08 and FY09 IC 708011

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Controller

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