



San Francisco Department of Public Health

Grant Colfax, MD
Director of Health

City and County of San Francisco
London N. Breed
Mayor

June 16, 2020

**Department of Public Health
Lease of Real Property
333 Valencia Street**

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 lease of approximately 44,229 rentable square feet of office space located at 333 Valencia Street, for use by the Department of Public Health (DPH) for our Maternal, Child & Adolescent Health (MCAH), Public Health Emergency Preparedness and Response (PHEPR), Emergency Medical Services Agency (EMS) and Primary Care leadership. These critical units provide citywide healthcare and family services as well as emergency response and emergency regulatory services as part of DPH's mission to protect and promote the health of San Francisco residents. All of these programs provide and manage essential services citywide and are in need of a central location, for clients as well as staff, which this site provides.

These programs are currently housed at 30 Van Ness Ave. under a leaseback that will expire in early September, or the date that is 90 days after the substantial completion of the City's new office building at 49 S. Van Ness Ave. As many of you recall, the Board approved the sale of 30 Van Ness in 2017 to partially fund the development of 49 S. Van Ness. Unlike the permitting and development departments consolidating to that building, these DPH programs serving families and emergency services will not be moving to 49 S. Van Ness and if this lease is approved, they will relocate to 333 Valencia Street. If this lease is not approved, there is no viable alternative space available for these services and programs to continue as intended.

In response to the impact of the COVID19 pandemic and direction from the Board of Supervisors in recent transactions, RED negotiated the following additional concessions from the Landlord:

- Rent: \$49.95 per rentable square foot per year
- Free rent for 6 months
- Installation of a 2nd Elevator at Landlords sole cost

These concessions taken together are well below fair market value. The lease will commence on delivery of the premises, estimated to be February 9, 2021, for a term of 15 years, with an option to extend for 10 additional years. The Base Rent under the proposed lease would be \$181,843 per month, increasing 3% per year. The first six (6) months of the rent will be free, with rent commencement expected to be August 9, 2021. The proposed Lease will be a “triple net” lease with City paying for its proportional share of taxes, insurances and maintenance of the common areas of the building. City will also pay for its utilities, janitorial services and security guards, refuse and recycling costs.

We recommend approval of the proposed Lease. If you have any questions regarding this matter, please contact Kath Jung from DPH at 415-554-2600 regarding programmatic issues and Director Andrico Penick from the City’s Real Estate Division at 415-554-9860 for any questions regarding the proposed real estate transaction.

Respectfully,



Dr. Grant Colfax
Director of Health

cc. Andrico Q. Penick, Director of Property