

1 [Real Property Lease - 1145 Market Street - Health Service System - \$743,280 Annually]

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3 **Resolution authorizing a 10 year Lease of 19,560 sq. ft. at 1145 Market Street for office**
4 **space for the Health Service System from 1145 Market Street LP, for an initial annual**
5 **rent of \$743,280.**

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7 WHEREAS, The City, for the Department of Human Resources, entered into a lease of
8 approximately 18,254 square feet of office space at 1145 Market Street on the second and
9 seventh floors, which commenced on February 14, 1997; and

10 WHEREAS, By a first Amendment to Lease, authorized by the Board of Supervisors,
11 the Lease was extended to December 31, 2006 and the premises reduced to approximately
12 13,576 square feet on the second floor only; and

13 WHEREAS, On July 1, 2005, the Health Service System ("HSS") was separated from
14 the Department of Human Resources and became a City Department; and

15 WHEREAS, By a second Amendment to Lease, authorized by the Board of
16 Supervisors, the Lease was extended to March 31, 2012; and

17 WHEREAS, The Lease for HSS at 1145 Market Street expired on March 31, 2012 and
18 is holding over on a month to month basis at the current rate; and

19 WHEREAS, After exploring the costs and rental rates at alternative sites, HSS desires
20 to remain at 1145 Market Street and lease additional space to incorporate the Wellness
21 Center into their lease premises; and

22 WHEREAS, The Director of Property has negotiated a new lease for a term of
23 approximately 10 years commencing upon Substantial Completion of Tenant Improvement
24 (anticipated Commencement Date of September 1, 2013) and Terminating on August 31,

25

1 2023, (a copy of the proposed Lease is on file with the Clerk of the Board in File No. _____;
2 the "Lease "); and

3 WHEREAS, The Director of Property has determined that the proposed rental rate for
4 the ten (10) year term as set forth in the Lease is equal to or less than fair market rent for the
5 Premises; now, therefore, be it

6 RESOLVED, That in accordance with the recommendation of the City Attorney and the
7 Director of Property, the Board approves the Lease in substantially the form in the Board's
8 File and authorizes the Director of Property to execute and deliver the Lease, and authorizes
9 City staff to take all actions, on behalf of the City, to perform its obligations and exercise its
10 rights under the Lease; and, be it

11 FURTHER RESOLVED, As set forth in the Lease: (i) the Lease shall terminate ten (10)
12 years after Substantial Completion of the Tenant Improvements (anticipated Commencement
13 Date of September 1, 2013 and Termination Date of August 31, 2023); (ii) the initial annual
14 rent (net of electricity) for the period from September 1, 2013 to August 31, 2014 shall be
15 \$743,280 (approximately \$38.00 per square foot per year); (iii) the base rent shall increase at
16 a rate of 3% annually; (iv) City shall retain an early Lease Termination Right exercisable by
17 City after 7.5 years; and (v) the City shall be entitled to a Tenant allowance not to exceed
18 \$53.00 per square foot; and, be it

19 FURTHER RESOLVED, As set forth in the Lease, the City shall pay for its prorata
20 share of operating expenses over a 2013 base year and for other typical tenant expenses;
21 and, be it

22 FURTHER RESOLVED, That all actions heretofore taken by the offices of the City with
23 respect to the Lease are hereby approved, confirmed and ratified; and, be it

24 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
25 Property to enter into any amendments or modifications to the Lease (including without

1 limitation, the exhibits) that the Director of Property determines, in consultation with the City
2 Attorney, are in the best interest of the City, do not materially increase the obligations or
3 liabilities of the City, do not materially decrease the benefits to the City, or are necessary or
4 advisable to effectuate the purposes of the Lease or this resolution, and are in compliance
5 with all applicable laws, including City's Charter; and, be it

6 FURTHER RESOLVED, That the City shall occupy the entire Premises for the full term
7 of the Lease unless funds for the City's rental payments are not appropriated in any
8 subsequent fiscal year at which time City may terminate the Lease with reasonable advance
9 written notice to Landlord. Such termination shall then be effective upon surrender of the
10 Premises. Said Lease shall be subject to certification as to funds by the Controller, pursuant
11 to Section 3.105 of the Charter.

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\$433,584.56 Available
Index Code: _____

Controller

RECOMMENDED:

John Updike
Director of Real Estate

RECOMMENDED:
HEALTH SERVICE SYSTEM

Catherine Dodd
Health Service System