

1 [Lease Amendment - Volunteers in Medicine - Increasing City Allowance Provided for Tenant  
2 Improvements - 35 Onondaga Avenue - Reimbursement of Up to \$2,970,594]

3 **Resolution authorizing the Director of Property to execute a third amendment to a**  
4 **restated 10-year commercial lease, with two five-year extension options, between the**  
5 **City and County of San Francisco, as Landlord, and Volunteers in Medicine, DBA Clinic**  
6 **By the Bay, as Tenant, for the City-owned property located at 35 Onondaga Avenue;**  
7 **enabling reimbursement of up to a total of \$2,970,594 for Tenant’s improvement costs.**

8  
9 WHEREAS, The Board of Supervisors adopted on December 11, 2018, Resolution  
10 No. 431-18 authorizing the Director of Property to execute a 10-year commercial lease, dated  
11 for reference purposes June 18, 2019 (the “First Lease”), between the City and County of San  
12 Francisco (“City” or “Landlord”) and Volunteers in Medicine DBA Clinic By the Bay (“Tenant”),  
13 with the purpose of rehabilitating adjoining, vacant, City owned buildings located at 35 and 45  
14 Onondaga Avenue (the “Project”) and establishing use of a portion of the Project as a medical  
15 clinic, a copy of the First Lease is on file with the Clerk of the Board of Supervisors in File No.  
16 181095; and

17 WHEREAS, The First Lease provided that City shall reimburse up to \$410,000 of  
18 Tenant’s costs for rehabilitation of the building shell and systems component of the Project  
19 (the “Initial Allowance”); and

20 WHEREAS, The Initial Allowance was based upon a 2016 building evaluation included  
21 in the City’s Request for Proposals to take on the Project; and

22 WHEREAS, Tenant entered into the First Lease and engaged a contractor (“Nibbi”) to  
23 begin the Project; and

24 WHEREAS, Nibbi prepared a more informed estimate for the Project Cost; and

25

1           WHEREAS, In response to that Nibbi estimate, and authorized by Resolution No. 358-  
2 19, adopted by the Board of Supervisors on July 23, 2019, City and Tenant entered into an  
3 Amended and Restated Lease, dated for reference purposes June 24, 2019 (“Restated  
4 Lease”), a copy of the Restated Lease is on file with the Clerk of the Board of Supervisors in  
5 File No. 190739, increasing the Initial Allowance by \$1,000,000 to a total amount of  
6 \$1,410,000 (“Restated Allowance”); and

7           WHEREAS, After Nibbi began demolition for the project, the need for substantial water  
8 damage and mold remediation was uncovered, primarily caused by the leaking roof and  
9 heavy rainy seasons; and

10           WHEREAS, In response to the additional work required to address the new discovery,  
11 Nibbi provided a revised cost estimate: and

12           WHEREAS, In response to that Nibbi estimate, and authorized by Resolution No. 154-  
13 21, adopted by the Board of Supervisors on April 13, 2021, City and Tenant entered into a  
14 First Amendment to the Restated Lease, dated for reference purposes February 29, 2021  
15 (“First Amendment Lease”), a copy of the First Amendment Lease is on file with the Clerk of  
16 the Board of Supervisors in File No. 210190, increasing the Restated Allowance by \$250,000  
17 to a total amount of \$1,660,000 (“First Amendment Allowance”) ; and

18           WHEREAS, The electrical service to the Project had been turned off in response to the  
19 dangers of live power within the existent electrical system of the buildings; and

20           WHEREAS, City required that future electrical service to the Building be sourced from  
21 the San Francisco Public Utilities Commission (“PUC”) rather than the existing service  
22 provider Pacific Gas & Electric Company (“PG&E”); and

23           WHEREAS, Nibbi and City engaged in the long process of making that power source  
24 transition possible, and were required by PG&E to install a new under-sidewalk transformer  
25 vault (“Transformer”), a cost not included in the previous Nibbi estimates; and

1           WHEREAS, Additional costs for the Transformer were investigated and, authorized by  
2 Resolution No. 448-22, adopted by the Board of Supervisors on November 25, 2022, City and  
3 Tenant entered into a Second Amendment to the Restated Lease, dated for reference  
4 purposes October 1, 2022 (“Second Amendment Lease”), a copy of the Second Amendment  
5 Lease is on file with the Clerk of the Board of Supervisors in File No. 220975, increasing the  
6 First Amendment Allowance by \$460,594, to a total amount of \$2,120,594 (“Second  
7 Amendment Allowance”) and;

8           WHEREAS, Nibbi completed the Project to the extent possible using a temporary  
9 power source while waiting for PG&E to provide power to the Project; and

10           WHEREAS, additional deterioration to the building’s exterior has recently been  
11 identified; and

12           WHEREAS, Construction costs have escalated substantially now that power is about to  
13 be restored and Nibbi can restart the project; and

14           WHEREAS, The Mayor’s Budget Office has agreed to provide an additional \$850,000  
15 to the Real Estate Division (“RED”) in support of the Project; and

16           WHEREAS, The City and Tenant have negotiated a Third Amendment to the Amended  
17 and Restated Lease (the “Third Amendment”), increasing the Second Amendment Allowance  
18 by \$850,000, to a total of \$2,970,594 (“Third Amendment Allowance”), the Third Amendment  
19 is on file with the Clerk of the Board of Supervisors in File No. 230952; and, now, therefore, be  
20 it

21           RESOLVED, That the Director of Property is hereby authorized to take all actions, on  
22 behalf of the City, to execute the Third Amendment on the terms and conditions herein; and,  
23 be it

24  
25

1           FURTHER RESOLVED, The Real Estate Division (“RED”) is authorized to expend the  
2 Third Amendment Allowance for the purposes contemplated in this resolution, under the terms  
3 and conditions specified in the Third Amendment; and, be it

4           FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
5 Property to enter into any amendments or modifications to the Third Amendment (including in  
6 each instance, without limitation, the attachment of exhibits) that the Director of Property, in  
7 consultation with the City Attorney, determine are in the best interests of the City, do not  
8 otherwise materially increase the obligations or liabilities of, or materially decrease the  
9 benefits to, the City beyond those contemplated in this resolution, and are in compliance with  
10 all applicable laws, including the City’s Charter; and, be it

11           FURTHER RESOLVED, That any actions taken by the Director of Property and other  
12 officers of the City with respect to the Third Amendment are hereby approved, confirmed and  
13 ratified by this Board of Supervisors; and, be it

14           FURTHER RESOLVED, That within thirty (30) days of the Third Amendment being fully  
15 executed by all parties, RED shall provide the fully executed Third Amendment to the Clerk of  
16 the Board for inclusion into the official file.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Funds Available for an amended increase in  
Fiscal Year 2023-2024: \$850,000

Authority ID: 15754 - AD Red Facilities  
Maintenance  
Fund ID: 10020 - GF Continuing  
Authority Ctrl  
Department ID: 228875 - ADM Real  
Estate Division  
Project ID: 10001291 – ADRE  
Facilities Maintenance  
Account ID: 567000 -  
Bldgs,Struct&Imprv Proj-  
Budget  
Activity ID: 0010 - HOJ Facilities  
Maintenance,  
0026 - 35-45 Onondaga  
Project

\_\_\_\_\_/s/\_\_\_\_\_

Budget and Analysis Division Director  
on behalf of Ben Rosenfield, Controller

RECOMMENDED:

\_\_\_\_\_/s/\_\_\_\_\_  
Andrico Q. Penick  
Director of Property