

1 [Lease of Real Property]

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3 **Resolution authorizing the exercise of an option to lease 66,317 square feet of space**
4 **and extending the term of an existing lease at One South Van Ness Avenue for the**
5 **Municipal Transportation Agency of the City and County of San Francisco.**

6 WHEREAS, The Municipal Transportation Agency (MTA) administration is currently in
7 six separate buildings throughout the City and the MTA desires to create efficiencies by
8 consolidating its management functions into one building; and,

9 WHEREAS, The MTA, pursuant to authority given to it by Charter Section 8A.102,
10 executed a lease dated as of January 1, 2005 (the "Lease", a copy of which is on file with the
11 Clerk of the Board) with One South Associates, LLP (the "Landlord") for approximately 62,083
12 square feet on the third (3rd) floor of the building commonly known as One South Van Ness
13 Avenue (the "Building") (MTA Resolution 04-179, a copy which also on file with the Clerk of
14 the Board); and,

15 WHEREAS, The Lease provides the City with multiple options to expand the premises
16 and extend the term, and it also provides the City with an option to purchase Building for the
17 Seventy-One Million Five Hundred Thousand Dollars (\$71,500,000) or approximately \$145
18 per square foot of rentable building area; and,

19 WHEREAS, the Lease includes an option to expand the premises onto the entire
20 seventh (7th) floor of the Building, comprising an area of approximately 66,317 square feet
21 (the "First Option Space"); and,

22 WHEREAS, The Director of Planning, by letter dated January 10, 2005, found that the
23 Lease is consistent with the City's General Plan, and with the Eight Priority Policies of City
24 Planning Code Section 101.1, and is categorically exempt from Environmental Review, which
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1 letter is also on file with the Clerk of the Board of Supervisors, and which letter is incorporated
2 herein by this reference; now, therefore, be it

3 RESOLVED, That the Board of Supervisors hereby finds that the Lease, including the
4 City's proposed use of the First Option Space, is consistent with the City's General Plan and
5 with the Eight Priority Policies of City Planning Code Section 101.1, and is exempt from
6 Environmental Review for the same reasons as set forth in the letter of the Director of
7 Planning dated January 10, 2005, and hereby incorporates such findings by reference as
8 though fully set forth in this Resolution; and, be it

9 FURTHER RESOLVED, That in accordance with the recommendation of the Executive
10 Director of the MTA, the MTA's Board of Directors and the Director of Property, the Board of
11 Supervisors hereby approves the City's exercise of the option to lease the First Option Space
12 on the terms and conditions set forth in the Lease, and authorizes the Director of Property and
13 the Director of Transportation to take all actions, on behalf of the City and County of San
14 Francisco as may be required in furtherance of the City's exercise of the First Option Space;
15 and, be it

16 FURTHER RESOLVED, That the Board of Supervisors approves the following
17 provisions, as more particularly set forth in the Lease:

18 (a) The term for the First Option Space shall commence on December 1, 2005
19 subject to any potential delay in substantial completion of the tenant improvements, and shall
20 terminate on November 30, 2017;

21 (b) The monthly base rent for the First Option Space shall be \$132,634.00, fully
22 serviced, fixed for the term of the Lease. The base year for operating expenses and real
23 estate taxes shall be 2010;

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1 (c) Landlord shall provide an allowance (the "Allowance") for the design and
2 construction of tenant improvements for the First Option Space in the amount of \$2,652,680
3 (\$40 per rentable square foot);

4 (d) The City shall also pay for typical tenant costs including data,
5 telecommunications, moving expenses and services provided outside of normal business
6 hours; and,

7 (e) The Landlord shall indemnify the City for Landlord's activities and any Landlord
8 defaults, and the City shall indemnify the Landlord for City's activities and any City defaults;
9 and , be it

10 FURTHER RESOLVED, That the term for the "Initial Premises" as defined in the lease
11 (62,083 sf on the 3rd floor) is hereby extended until November 30, 2017. The monthly base
12 rent shall continue to be \$124,166.00 fully serviced fixed for the Term and the Base Year shall
13 also continue to be 2010; and , be it

14 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
15 Property to enter into any modifications to the Lease (including without limitation, the exhibits)
16 that the Director of Property determines, in consultation with the City Attorney, are in the best
17 interests of the City, do not increase the rent or otherwise materially increase the obligations
18 or liabilities of the City, are necessary or advisable to effectuate the purposes of the Lease or
19 this Resolution, and are in compliance with all applicable laws, including City's Charter; and,
20 be it

21 FURTHER RESOLVED, That the City shall occupy the entire leased premises for the
22 full term of the Lease unless funds for the City's rental payments are not appropriated in any
23 subsequent fiscal year, at which time City may terminate the Lease. The Lease shall be
24 subject to certification as to funds by the Controller, pursuant to Section 3.105 of the Charter.
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\$928,438.00 Available
Appropriation No. 351021
(Rent for the December 1, 2005 – June 30,
2006)

Controller
Subject to the enactment of the Annual
Appropriation Ordinance for FY 2005/2006

RECOMMENDED:

Executive Director
Municipal Transportation Agency

Director of Property
Real Estate Division