

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

BUDGET AND FINANCE COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Malia Cohen, Chair
Budget and Finance Committee

FROM: Linda Wong, Assistant Clerk

DATE: October 30, 2017

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, October 31, 2017

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, October 31, 2017, at 2:00 p.m. This item was acted upon at the Committee Meeting on Thursday, October 26, 2017, at 10:00 a.m., by the votes indicated.

Item No. 26 **File No. 171111**

Resolution authorizing the Director of Property to negotiate a Lease for up to 41,744 square feet consisting of the entire three floors of 945 Bryant Street, for the San Francisco Adult Probation Office, with Bridgeton 945 Bryant Fee LLC, a limited liability corporation, for twenty years, to be occupied in phases, for the period of July 1, 2018, through June 30, 2038, at an initial monthly base rent not to exceed \$146,997.33 for a total maximum base rent of \$1,763,968 in the initial year with increases as set forth in the schedule of the Letter of Intent; and finding the anticipated Lease is in conformance with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

AMENDED, AMENDMENT OF THE WHOLE BEARING SAME TITLE

Vote: Supervisor Malia Cohen - Aye
Supervisor Norman Yee - Aye
Supervisor Katy Tang - Aye

RECOMMENDED AS AMENDED AS COMMITTEE REPORT

Vote: Supervisor Malia Cohen - Aye
Supervisor Norman Yee - Aye
Supervisor Katy Tang - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Jon Givner, Deputy City Attorney
Alisa Somera, Legislative Deputy Director

File No. 171111

Committee Item No. 8

Board Item No. 26

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date October 24, 2017

Board of Supervisors Meeting

Date October 31, 2017

Cmte Board

- | | | |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

- | | | |
|-------------------------------------|-------------------------------------|-------------------------|
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Letter of Intent</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Completed by: Linda Wong Date October 19, 2017

Completed by: Linda Wong Date October 30, 2017

AMENDED IN COMMITTEE

10/26/17

FILE NO. 171111

RESOLUTION NO.

1 [Negotiate Real Property Lease - Bridgeton 945 Bryant Fee LLC - 945 Bryant Street - San
2 Francisco Adult Probation - \$1,763,968 Initial Maximum Annual Base Rent]

3 **Resolution authorizing the Director of Property to negotiate a Lease for up to 41,744**
4 **square feet consisting of the entire three floors of 945 Bryant Street, for the San**
5 **Francisco Adult Probation Office, with Bridgeton 945 Bryant Fee LLC, a limited liability**
6 **corporation, for twenty years, to be occupied in phases, for the period of July 1, 2018,**
7 **through June 30, 2038, at an initial monthly base rent not to exceed \$146,997.33 for a**
8 **total maximum base rent of \$1,763,968 in the initial year with increases as set forth in**
9 **the schedule of the Letter of Intent; and finding the anticipated Lease is in**
10 **conformance with the General Plan, and the eight priority policies of Planning Code,**
11 **Section 101.1.**

12
13 WHEREAS, The Hall of Justice at 850 Bryant was constructed in 1958 and is one of
14 the few vertically integrated criminal justice facilities in the nation with a jail located above the
15 prosecutorial staff and operating courtrooms and judges' chambers which for years has been
16 the subject of emergency declarations due to health and human safety hazards posed by
17 interior sewage floods caused by those in the jail facility, as well as due to aging
18 infrastructure; and

19 WHEREAS, The Hall of Justice has an antiquated elevator system requiring millions of
20 dollars in renovation and capital investment, with several out of service on any given day,
21 negatively affecting prisoner transport, employee flow within the building, and patron access
22 to services; and

23 WHEREAS, The Hall of Justice has a seismic rating that suggests very poor
24 performance in the event of a major earthquake, wherein the building would be closed for an
25 indefinite period of time for repairs due to significant damage, requiring an emergency

1 relocation of the these criminal justice system elements elsewhere and causing a serious
2 disruption of the criminal justice system; and

3 WHEREAS, To effect repairs to the Hall of Justice to address these noted deficiencies
4 would require significant capital investment and upon completion still leave the City with a
5 dysfunctional building that does not adequately serve the criminal justice system; and

6 WHEREAS, The long term reorganization plans for Hall of Justice are encapsulated
7 within the Justice Facilities Improvement Program, a part of the adopted ten-year Capital
8 Improvement Program, and the adopted Capital Plan for Fiscal Years 2018-2027 contains an
9 acceleration of previous schedules for relocation of District Attorney, Police Investigations,
10 Evidence Storage and Adult Probation, pursuant to requests by Mayor Lee and City
11 Administrator Kelly; and

12 WHEREAS, A lease of 41,744 square feet of 945 Bryant Street ("Lease") from
13 Bridgeton 945 Bryant Fee LLC ("Landlord") would accommodate the Adult Probation Office
14 space needs in a phased move-in to commence no earlier than July 1, 2018 with completion
15 in early 2020; and,

16 WHEREAS, The Planning Department, through General Plan Referral letter dated
17 October 20, 2017, ("Planning Letter"), which is on file with the Clerk of the Board of
18 Supervisors under File No. 171111, has verified that the City's anticipated Lease is consistent
19 with the General Plan, and the eight priority policies under Planning Code, Section 101.1; and

20 WHEREAS, The Real Estate Division and the Landlord have negotiated a twenty-year
21 Lease through a Letter of Intent for up to 27,517 square feet of space initially in Phase I in
22 July, 2018, and in Phase II in early 2020 (or earlier), up to 14,227 square feet of space; and

23 WHEREAS, The Lease provides the City a tenant improvement allowance of up to
24 \$1,252,000 to be amortized over the term of the lease at 8% per annum; and

1 WHEREAS, The proposed maximum initial annual rent of \$1,763,968 (\$64.00 per
2 square foot), increasing pursuant to the schedule noted in the Letter of Intent, was determined
3 to be at or less than fair market rent by an independent MAI appraisal as required by
4 Administrative Code, Chapter 23; now, therefore, be it

5 RESOLVED, That the Board of Supervisors hereby finds that the anticipated Lease is
6 consistent with the General Plan, and eight priority policies of Planning Code, Section 101.1,
7 and hereby incorporates such findings by reference as though fully set forth in this Resolution;
8 and, be it

9 FURTHER RESOLVED, That the Director of Property is hereby authorized to take all
10 actions, on behalf of the City and County of San Francisco, as tenant, to negotiate a Lease
11 consistent with the fully executed Letter of Intent, a copy of which is on file with the Clerk of
12 the Board of Supervisors in File No. 1711111, (the "Letter of Intent") and other related
13 documents with Bridgeton 945 Bryant Fee LLC, for approximately up to 41,744 rentable
14 square feet consisting of all three floors of the building commonly known as 945 Bryant Street;
15 and, be it

16 FURTHER RESOLVED, The annual base rent for the period from July 1, 2018, to
17 June 30, 2019, shall be no greater than \$1,763,968 (approximately \$64.00 per square foot per
18 year) and the base rent shall increase annually at a schedule as outlined in the Letter of
19 Intent; and, be it

20 FURTHER RESOLVED, As set forth in the Letter of Intent, the City shall pay for its
21 utilities, and janitorial services only, in addition to the Base Rent, all other operating expenses
22 attributable to the space occupied by the City under the Lease in addition to the base rent
23 shall be at Landlord expense; and, be it

24 FURTHER RESOLVED, That all actions heretofore taken by the offices of the City with
25 respect to the Letter of Intent are hereby approved, confirmed and ratified; and, be it

1 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
2 Property to negotiate the Lease and any amendments or modifications to the Lease (including
3 without limitation, the exhibits) that the Director of Property determines, in consultation with
4 the City Attorney, are in the best interest of the City, do not materially increase the obligations
5 or liabilities of the City beyond those expressed in the Letter of Intent, do not materially
6 decrease the benefits to the City, or are necessary or advisable to effectuate the purposes of
7 the Lease or this resolution, and are in compliance with all applicable laws, including City's
8 Charter; and, be it

9 FURTHER RESOLVED, Said Lease shall be subject to a final authorizing Resolution
10 adopted by the Board of Supervisors and Mayor in their sole and separate authority at the
11 soonest date available after execution by City and Landlord; and be it

12 FURTHER RESOLVED, That the Director of Real Estate and Director of Capital
13 Planning shall work with the Controller's Office to analyze the space utilization needs of the
14 Adult Probation Department to determine the efficacy of co-locating another use from the Hall
15 of Justice into the premises of the Lease.

16 FURTHER RESOLVED, Said Lease shall be subject to certification as to funds by the
17 Controller, pursuant to Charter, Section 3.105.

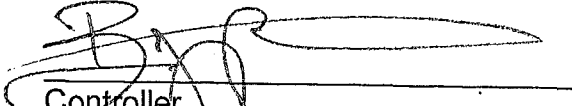
18
19 Signatures on next Page

20 ///

21 ///


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

\$1,763,968.00 Available




Controller
Subject to enactment of the 2018/2019 Annual
Appropriation Ordinance

RECOMMENDED:



Karen Fletcher, Chief
Adult Probation



John Updike
Director of Real Estate

Item 8 File 17-1111	Departments: Real Estate Division Adult Probation
EXECUTIVE SUMMARY	
Legislative Objectives	
<ul style="list-style-type: none"> • The proposed resolution would (a) authorize the Director of Property to negotiate a lease between the City as tenant and Bridgeton 945 Bryant Fee LLC (Bridgeton) as landlord for up to 41,744 square feet consisting of the entire three floors of 945 Bryant Street for the San Francisco Adult Probation Office; and (b) find that the anticipated lease in conformance with the City's General Plan and the eight priority policies of Planning Code Section 101.1. 	
Key Points	
<ul style="list-style-type: none"> • The City's 10-Year Capital Plan called for the relocation of the Adult Probation Department, District Attorney's Office, and Police Department units from the Hall of Justice by 2019 due to the worsening conditions in the building. The Director of Real Estate has identified three lease locations to relocate these departments, including 945 Bryant Street to provide office space to the Adult Probation Department. • The City has not yet entered into a lease with Bridgeton; the proposed resolution states that the Director of Property is authorized to negotiate a lease consistent with the terms outlined in a Letter of Intent (LOI). According to the LOI, the lease term would be for 20 years from July 1, 2018 to June 30, 2038. • The 35,482 square feet of office and other usable space is an increase of approximately 13,031 square feet (or 58 percent) from the Adult Probation Department's current space. • The anticipated lease includes a tenant improvement allowance of up to \$30 per square foot, which will be amortized over the term of the lease at an 8 percent interest rate. • The proposed lease provides for up to 33 parking spaces in the lot adjacent to the building; however, the Adult Probation Department has only 18 vehicles at this time. 	
Fiscal Impact	
<ul style="list-style-type: none"> • Over the first ten years of the proposed lease, the City would pay Bridgeton up to \$35,200,249 in estimated rent, operating expenses, amortization of tenant improvement costs, and parking. First year lease costs are not included in the FY 2017-18 budget. According to the Capital Planning Director, the City's current capital budget includes \$16 million in FY 2017-18 and FY 2018-19 to cover these costs, 	
Recommendations	
<ul style="list-style-type: none"> • Amend the proposed resolution to (1) request the Director of Real Estate and the Director of Capital Planning to use up to an estimated 13,031 square feet of leased space at 945 Bryant Street to relocate other department units, such as the Sheriff's Department's Warrants Unit or the Police Department's ID Bureau, from the HOJ to the proposed leased space; (2) state that the City will pay for tenant improvement costs upfront and not amortize the costs over the lease term; and (3) state that the City will only lease 18 parking spaces. • Approval of the proposed resolution as amended is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 9.118(b) requires that any contract or agreement having a term of ten or more years or requiring anticipated expenditures of \$10,000,000 or more is subject to approval by the Board of Supervisors.

City Administrative Code 23.27 states that any lease with a term of one year or longer or with rent of \$5,000 or more and where the City is the tenant is subject to Board of Supervisors approval. Before adoption, the Director of Property shall determine the market rent of the proposed lease based on a review of available and relevant data. If the lease's base rent is more than \$45 per square foot per year, the Director of Property shall obtain an appraisal for the market rent. If the lease's base rent is more than \$60 per square foot per year, the Director of Property shall also obtain an appraisal review. Both the appraisal and appraisal review's effective date must be within nine months of the lease's submittal to the Board of Supervisors.

BACKGROUND

The City's Hall of Justice (HOJ), located at 850 Bryant Street, was constructed in 1958, and is seismically deficient. Due to the aging infrastructure, the HOJ also has serious health, safety and working condition problems, requiring significant renovation and capital investment. The City's Justice Facilities Improvement Program, a part of the 10-Year Capital Plan, calls for debt issuance to begin in FY 2020-21 in anticipation of fully relocating all City departments from the HOJ into new City facilities by 2024. However, in January of 2017, given the serious concerns about the safety and working conditions in the building, the City Administrator declared the offices and jail located at the HOJ be closed as quickly as possible (ideally by the end of 2019). As a result, the Capital Plan was updated in 2017 to target an expedited exit in 2019 from the HOJ for all staff and inmates.

The HOJ currently houses the State Superior Court and five City departments: the District Attorney's Office, Adult Probation, various offices of the Police Department, Office of the Chief Medical Examiner (OCME), and the Sheriff's Department (County Jails #3 and #4). OCME is scheduled to begin moving out of the HOJ in November 2017 and into their new City-owned facility at 1 Newhall Street. The Police Department will relocate its Traffic Company and Forensic Services Division into a new City-owned facility at 1955 Evans Avenue, which is anticipated to begin construction in November 2017, and be occupied by the end of 2020.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (a) authorize the Director of Property to negotiate a lease between the City as tenant and Bridgeton 945 Bryant Fee LLC (Bridgeton) as landlord for up to 41,744 square feet consisting of the entire three floors of 945 Bryant Street for the San Francisco Adult Probation Office; and (b) find that the anticipated lease in conformance with the City's General Plan and the eight priority policies of Planning Code Section 101.1.

The City has not yet entered into a lease with Bridgeton; the proposed resolution states that the Director of Property is authorized to negotiate a lease consistent with the terms outlined in a Letter of Intent (LOI). According to the LOI, the lease term would be for 20 years from July 1, 2018 to June 30, 2038. The Adult Probation Department would occupy approximately 27,517 square feet of space, beginning July 1, 2018 at \$64 per square foot per year, or \$1,763,968 in the first year. Beginning in early 2020 (or approximately 18 months after the Adult Probation Department began occupying space in the building), the Adult Probation Department would increase its space by an additional 14,227 square of space, for total space of 41,744 square feet.

The terms of the anticipated lease at 945 Bryant Street for Adult Probation space needs are summarized in Table 1 below.

Table 1: Anticipated Lease Terms

Lease Terms	
Premises ¹	3-story building at 945 Bryant Street
Square Footage	41,744 square feet
Term	20 years from July 2018 through June 2038
Option to Renew	None
Tenant improvement allowances	\$30 per square foot (\$1,252,350) amortized over term of the lease at 8 percent annual interest
Base Rent	\$64 per square foot per year
Rent Increase	3.0 percent per year, with a fair market value reset after Year 10, followed by 3.0 percent per year
Utilities and Operating Costs	City will pay for utilities and janitorial, estimated to be \$8 per square foot per year
Property Taxes	Landlord will pay
Parking	33 spaces in adjacent lot at rate of \$225 per space per month, increasing at 3.0 percent per year with a fair market value reset after Year 10

The 41,744 square feet of leased space at 945 Bryant Street would accommodate the 135 full-time equivalent (FTE) Adult Probation staff currently located at the HOJ. According to Mr. John Updike, Director of Real Estate, because the City is leasing the entire building at 945 Bryant Street, the 41,744 square feet consists of approximately 6,262 square feet (or 15 percent) used for elevators, stairwells, and other vertical infrastructure and 35,482 for office and other usable space. The 35,482 square feet of office and other usable space is an increase of approximately

¹ Two suites on the third floor of the building (approximately 14,228 square feet) are leased through October 1, 2019 and October 1, 2020, respectively. Bridgeton will use reasonable efforts to deliver these premises to the City prior to the lease expiration dates.

13,031 square feet (or 58 percent) from the Adult Probation Department’s current space in the HOJ. Therefore, the proposed resolution should be amended to request the Director of Real Estate and the Director of Capital Planning to use the additional space to relocate other HOJ staff, such as the Sheriff’s Department’s Warrants Unit or the Police Department’s ID Bureau, from the HOJ to the proposed leased space at 945 Bryant Street.

Consistency with the General Plan

Mr. Updike reports that the Planning Department has advised that consistency with the General Plan and Planning Code is anticipated. However, as of the writing of this report, these determinations have not yet been made by the Planning Department.

FISCAL IMPACT

Ongoing Lease and Operating Expenses

Over the first ten years of the proposed lease, the City would pay Bridgeton up to \$35,200,249 in estimated rent, operating expenses, amortization of tenant improvement costs, and parking, as shown in Table 2 below.

Table 2: Leasing Costs Payable by the City over 20-Year Lease*

Year	Base Rent (per SF)	Square Feet	Total Rent Payments	OC (per SF)**	Total OC	TI***	Parking (33 spaces)	Total Leasing Costs
1	\$64.00	27,517	\$1,761,088	\$8.00	\$220,136	\$127,550	\$89,100	\$2,197,874
2	65.92	34,631	2,282,843	8.24	285,355	127,550	91,773	2,787,521
3	67.90	41,744	2,834,418	8.49	354,298	127,550	94,526	3,410,792
4	69.93	41,744	2,919,158	8.74	364,927	127,550	97,362	3,508,997
5	72.03	41,744	3,006,820	9.00	375,875	127,550	100,283	3,610,528
6	74.19	41,744	3,096,987	9.27	387,151	127,550	103,291	3,714,979
7	76.42	41,744	3,190,076	9.55	398,766	127,550	106,390	3,822,782
8	78.71	41,744	3,285,670	9.84	410,729	127,550	109,582	3,933,531
9	81.07	41,744	3,384,186	10.13	423,051	127,550	112,869	4,047,656
10	83.51	41,744	3,486,041	10.44	435,742	127,550	116,255	4,165,588
10-Year Subtotal			\$29,247,288	--	\$3,656,030	\$1,275,500	\$1,021,431	\$35,200,249

* May not add due to rounding error.

** Operating Costs

***Tenant Improvements

According to Mr. John Updike, Director of Real Estate, the proposed lease would reset the rent in year 11 at market rate; because the rent reset does not set a minimum amount, the rent could be less than year 10 rent of \$83.51 per square foot.

The anticipated lease includes a tenant improvement allowance of up to \$30 per square foot, which will be amortized over the term of the lease at an 8 percent interest rate. At 41,744 square feet, Bridgeton will spend up to \$1,252,320 on tenant improvements, which would total \$2,551,000 in amortized payments from the City to Bridgeton over the 20-year lease, or approximately \$127,550 per year. The proposed resolution should be amended to state that

the City will pay for tenant improvement costs upfront and not amortize the costs over the lease term.

The proposed lease provides for up to 33 parking spaces in the lot adjacent to the building at a rate of \$225 per space per month, or \$2,700 per year, increasing at 3 percent per year with a fair market value reset after Year 10. However, the Adult Probation Department has only 18 vehicles at this time. The proposed resolution should be amended to state that the City will only lease 18 parking spaces, and that an increase in the number of parking spaces will be requested and justified when the Adult Probation Department's budget is submitted to the Board of Supervisors for approval.

One-Time Expenses

In addition to the ongoing lease and operating expenses shown in Table 2 above, Mr. Updike estimates up to \$83,490 of one-time expenses to move Adult Probation from the HOJ to 945 Bryant Street. The estimated additional one-time expenses for furniture, fixtures and equipment (FF&E) for the new space at 945 Bryant Street have not yet been determined. A preliminary estimate of FF&E is \$10 per square foot, or approximately \$417,440 for 41,744 square feet. Overall, these one-time expenses would be approximately \$500,000.

Comparison of Leasing Costs to HOJ Operating Costs

The Real Estate Division currently spends approximately \$8.4 million per year to operate the HOJ, including jails, Superior Court and emergency repairs. These costs are charged to the client City departments and the Superior Court based on their share of square footage occupied in the HOJ. Based on all Police Investigation units and the District Attorney's space in the HOJ, a comparison of these HOJ costs with the anticipated leases is shown in Table 3 below.

Table 3: Comparison of HOJ Operating Costs and Leasing Costs, FY 2020-21*

	Police Property Control	Police Investigations	District Attorney	Adult Probation	Total
HOJ Operating Cost	\$643,174	\$2,073,472	\$1,118,083	\$432,852	\$4,267,581
Brannan DA Lease			<u>1,000,000</u>		<u>1,000,000</u>
Subtotal HOJ and Brannon			2,118,083		5,267,581
Leasing Cost	1,576,416	3,095,639	5,812,090	3,408,912	13,893,057
Difference	\$933,242	\$1,022,167	\$3,694,007	\$2,976,060	\$8,625,476

* Projected costs in the Hall of Justice for FY 2020-21 based on 3% annually increases are shown because leasing for Police Investigations is expected to begin in FY 2020-21 (Year 3 of the leases).

Under the current proposal the District Attorney and Police Investigations will relocate from the HOJ to leased space at 350 Rhode Island Street (File 17-1101), the Adult Probation Department will relocate from the HOJ leased space at 945 Bryant Street (File 17-1111), and Police Property Control will relocate to leased space at 777 Brannan Street (File 17-1109). The first year cost for these three proposed leases of \$13,893,057, is \$8,625,476 more than the FY 2017-18 operating costs of \$5,267,581 for these three departments in the HOJ.

Source of Funding

According to Ms. Heather Green, Capital Planning Director, the specific funding for these one-time and ongoing lease expenses are not currently included in the department's budget. However, Ms. Green advises that the City's current Capital Budget includes \$8,001,545 in FY 2017-18 and \$7,934,308 in FY 2018-19 for the Justice Facilities Improvement Program that could be potentially reallocated for these one-time and ongoing lease expenses.

Fair Market Rent

In accordance with Section 23.27 of the Administrative Code, if the base rent to be paid by the City for a lease is more than \$45 per square foot per year, an appraisal of the market rent is required prior to approval of the lease resolution by the Board of Supervisors, and an appraisal review is required if the base rent is more than \$60 per square foot per year. As shown in Table 2 above, the initial base rent to be paid for the 945 Bryant Street lease is \$64 per square foot per year. Neither the appraisal report or appraisal review for 945 Bryant Street were available for review by the Budget and Legislative Analyst prior to finalizing this report. However, Mr. Updike advises that an appraisal for the subject property at 945 Bryant Street will be available before the Budget and Finance Committee hearing on October 26, 2017.

POLICY CONSIDERATION

The City's Capital Plan originally provided for the City to construct City-owned facilities to relocate the Adult Probation Department, and the District Attorney's Office and Police Investigations from the Hall of Justice, with the planned issuance of COPs in FY 2018-19 through FY 2020-21, totaling \$282.5 million. However, due to the worsening conditions in the Hall of Justice, the City's Capital Plan now provides for the relocation of these departments in 2019.

According to the City's 10-Year Capital Plan FY 2018-2027,

"In recent weeks, conditions at the Hall have worsened dramatically, compounding the facility's already critical problems and hastening the need to vacate the building. Beyond the known seismic risk, subsystems including plumbing and elevators, have repeatedly failed and require substantial investment to repair. Rather than invest more than necessary in a facility ultimately unfit for occupation, in January 2017 the City Administrator declared the building's City's offices and jails should be shuttered as quickly as possible.

The target date for expedited exit from the Hall is 2019, the fastest possible to line up alternative locations for all staff and prisoners. City staff are exploring ways to meet this deadline; solutions may involve the allocation of General Fund Debt and/or Capital Planning Fund capacity to meet the cost of this ambitious schedule."

The prior 10-Year Capital Plan FY 2016-2025 planned to relocate:

- The Adult Probation Department to a City-owned location, funded by an estimated \$55.5 million in COPs to be issued in FY 2018-19; and

- The District Attorney's Office and Police Investigations to a City-owned location, funded by an estimated \$227 million in COPs to be issued in FY 2020-21.

The City has not considered the option of eminent domain to purchase the three leased properties. Under California eminent domain laws (Title 7 of Code of Civil Procedure), government agencies can acquire property through eminent domain for public purposes, subject to a resolution adopted at a public hearing declaring the necessity of exercising eminent domain. The local government agency must find: (1) that the project for which the property is to be acquired is necessary; (2) that the property is necessary for the public project; (3) that the project is located in such a manner as to offer the greatest public benefit with the least private detriment; and (4) that an offer to purchase the property has been made.

According to Mr. Updike, acquisition of property through eminent domain was not deemed fiscally or logistically feasible because the City would need available cash to acquire the property. Also, Mr. Updike reports that the City would need approval under the California Environmental Quality Act (CEQA) before using eminent domain.

Plan for HOJ

According to Mr. Updike, the City's 20 to 25 year plan for the Hall of Justice is:

1. Administrative exit of OCME, Crime Lab/Traffic Company, District Attorney's Office, Adult Probation, and Police;
2. Internally (1) restack flex space above the Superior Court for Sheriff's Department, District Attorney's Office, and Police, and (2) re-use vacated OCME space for Police ID Bureau and Sheriff's Department Warrant Bureau, which must remain immediately proximate to the Superior Court;
3. Vacate jail space (plan forthcoming, subject to Board of Supervisors approval);
4. Demolish Bryant Street wing (leaving only Superior Court and ancillary City uses above/below Court);
5. Wait for State to rebuild Superior Court on vacated portion of the HOJ property;
6. Demolish former Court wing on Harriet Street; and
7. Rebuild new office building on former Court site for return to site by Adult Probation, some Police functions, and the District Attorney's Office.

This plan is contingent upon the State rebuilding the Superior Court on the site of the demolished administrative wing of the HOJ. The Superior Court will continue to operate in the HOJ until the State develops a new facility and the Superior Court will continue to rely on the City-run building systems and will continue to make reimbursement payments to the City for building operation costs. Under this plan, the City would not begin constructing a new City-owned office building until the Superior Court has constructed and occupied their new facility.

Summary

The Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors because (a) the General Plan and Planning Code

determinations have not been completed by the Planning Department, and (b) the appraisal and appraisal review of 945 Bryant Street was not available as of the writing of this report.

RECOMMENDATIONS

1. Amend the proposed resolution to request the Director of Real Estate and the Director of Capital Planning to use up to an estimated 13,031 square feet of leased space at 945 Bryant Street to relocate other department units, such as the Sheriff's Department's Warrants Unit or the Police Department's ID Bureau, from the HOJ to the proposed leased space.
2. Amend the proposed resolution to state that the City will pay for tenant improvement costs upfront and not amortize the costs over the lease term.
3. Amend the proposed resolution to state that the City will only lease 18 parking spaces, and that an increase in the number of parking spaces will be requested and justified when the Adult Probation Department's budget is submitted to the Board of Supervisors for approval
4. Approval of the proposed resolution as amended is a policy matter for the Board of Supervisors.

Implementation of Board of Supervisors Recommended Changes to 2013 Term Sheet

When the Board of Supervisors endorsed the Waterfront Site Project Term Sheet in 2013, the Board of Supervisors made the following recommendations. Below is a summary of how these recommendations have been incorporated into the proposed DDA.

Recommendation 1: Other than the 28-Acre Site, only the Port-owned 20th/Illinois Parcel and the Hoedown Yard will be eligible for inclusion in an expanded 28-Acre Site.

- The Pier 70 Special Use District incorporates the 28-acre Waterfront Site, the 20th and Illinois Street site (Parcel K) and the Hoedown Yard.

Recommendation 2: Transfer fees will be payable to the Port from the proceeds of the second and each subsequent transfer of condominium parcels in the amount of 1.5 percent of the gross sales price, net of costs of sale only.

- Section 7.9 (b) (3) of the proposed DDA requires a restrictive covenant to be placed on market rate condominium units developed on Parcel K North, requiring that each condominium owner will pay a transfer fee to the Port equal to 1.5 percent of the net purchase price.
- While the City has an option to purchase the Hoedown Yard, the site is not owned by the City. According to the proposed DDA, if the Hoedown Yard option is offered through a public offering for development of market rate condominiums, then Section 7.9(b) (3) will apply to the Hoedown Yard; but transfer fee proceeds will accrue to the Mayor's Office of Housing and Community Development to fund affordable housing, in perpetuity.
- According to the September 22, 2017 staff report to the Port Commission, the ground leases for the development parcels provide for the Port to participate in 1.5 percent of net sale proceeds for sales, recapitalization and refinancing of leases.

Recommendation 3: Developer Return will be calculated only on outstanding Developer Capital.

- Section 2.3(a) (iii) of the Financing Plan states that Developer Return will accrue on the unpaid balance of the entitlement cost, and Section 8.5 of the Financing Plan states that Developer Return will accrue on any unpaid balance (of horizontal development costs) until the Developer Balance is satisfied by all available Project Payment Sources.

Recommendation 4: Project-generated Public Financing Sources will be the sole source of public funds to reimburse Developer's historic rehabilitation costs of Building 12 and Building 21, and only to extent necessary for Developer to achieve a 10% profit.

- The Financing Plan and Appendix (containing definitions) expand on the Term Sheet provision related to public subsidies for Historic Buildings 12 and 21.
- "Historic Building Costs" means, calculated separately for Historic Building 12 and Historic Building 21, (i) all reasonable and customary costs of rehabilitation (which, for Building 12 shall include build-out to a warm shell for Floors 1 and 3 and build-out to a turnkey condition for Floor 2), and (ii) 10% developer profit on rehabilitation costs.
- Section 7.14 of the proposed DDA requires the developer to rehabilitate Historic Buildings 12 and 21. Section 12 of the Financing Plan provides a formula to calculate the

“feasibility gap” between the developer’s costs to rehabilitate Historic Buildings 12 and 21, based on the developer’s actual costs, contributions to the costs from Historic Tax Credit investors, net operating income (based on a 7% capitalization rate), and participation rent to the Port.

Recommendation 5: Project-generated Public Financing Sources will be the sole source of public funds to reimburse the costs to construct a new building on Parcel E4, contingent on the building containing retail, restaurant, and arts/light-industrial or public uses.

- The proposed DDA requires the vertical developer or master arts tenant to contribute \$17,500,000 to the Arts Building on Parcel E4. Public financing sources include special taxes levied on certain parcels to augment funding for the Arts Building and community space and Port IFD subproject area property tax increment and bond proceeds.

Recommendation 6: If the Board of Supervisors approves a Pier 70 financing plan to provide General Fund financing based on projected revenues from payroll (business) and hotel taxes to the Port under Charter section B7.310, authorized uses of the General Fund financing will be limited to improvements to Pier 70 areas outside of the 28-Acre Site except to the extent authorized by the approved plan.

- The Financing Plan does not provide for General Fund financing based on hotel or business taxes.



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

Date: October 20, 2017
Case No. Case No. 2017-012791GPR
945 Bryant Future Building Lease – General Plan Referral

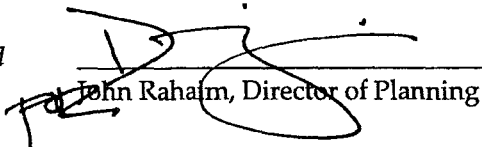
Block/Lot No.: 3780/079
Project Sponsor: Konstantine Apostolopoulos
San Francisco Real Estate Department
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

Applicant: Same as Above

Staff Contact: Jessica Look – (415) 575-6812
jessica.look@sfgov.org

Recommendation: Finding the project, on balance, is in conformity with the General Plan

*Recommended
By:*


John Rahaim, Director of Planning

PROJECT DESCRIPTION

The Project is the City's proposed lease of 945 Bryant Street for the purpose of office space for the Adult Probation Department while the Hall of Justice undergoes its' long term reaccommodation period. The lease is proposed to be a 20 year lease of 41,745 rentable square feet of an entire building made up of three floors. The current zoning is Urban Mixed Use (UMU), however under the circumstance of public use, the proposed use of office space is permitted.

The Adult Probation Department will move into the building in a phased entry. Phase 1 will include the first two floors being occupied at the same time. Phase 2 will include the occupation of the floor once the existing tenant from the third floor has vacated. The lease will be no earlier than July 1st, 2018 and will be fully executed by December 31, 2017. The City will also lease 33 parking spaces in the lot adjacent to the building.

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

ENVIRONMENTAL REVIEW

On October 18, 2017 the Environmental Planning Division of the Department determined that the Project is categorically exempt from the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15303 (c).

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

The Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 as described in the body of this letter and is, on balance, **in-conformity** with the following Objectives and Policies of the General Plan:

COMMERCE AND INDUSTRY ELEMENT

OBJECTIVE 2: Maintain and enhance a sound and diverse economic base and fiscal structure for the City

POLICY 3.3

Emphasize job training and retraining programs that will impart skills necessary for participation in the San Francisco labor market.

The proposed lease will allow the Adult Probation Department to continue to provide valuable public service to all they serve, including victims and probationers. One of these key services are the CASC Employment services which provides employment readiness training and aids in lifting people out of poverty into jobs, including private sector jobs.

OBJECTIVE 7: Enhance San Francisco's position as a national and regional center for governmental, health and educational services.

POLICY 7.1

Promote San Francisco, particularly the civic center, as a location for local, regional, state and federal governmental functions.

The proposed lease will allow the Adult Probation Department to continue to be within close proximity to other services associated with the Hall of Justice. The physical proximity to these government activities is important to the efficient functional of daily activities of related agencies. The proposed lease will allow this important government service to function during the Hall of Justice's proposed reaccommodation period.

PROPOSITION M FINDINGS – PLANNING CODE SECTION 101.1

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The Project is found to be consistent with the Eight Priority Policies as set forth in Planning Code Section 101.1 for the following reasons:

Eight Priority Policies Findings

The subject project is found to be consistent with the Eight Priority Policies of Planning Code Section 101.1 in that:

The proposed project is found to be consistent with the eight priority policies of Planning Code Section 101.1 in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.

The Project would have no adverse effect on neighborhood serving retail uses or opportunities for employment in or ownership of such businesses.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhood.

The Project would have no adverse effect on the City's housing stock or on neighborhood character. The existing housing and neighborhood character will be not be negatively affected.

3. That the City's supply of affordable housing be preserved and enhanced.

The Project would have no adverse effect on the City's supply of affordable housing.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

The Project would not result in commuter traffic impeding MUNI's transit service, overburdening the streets or altering current neighborhood parking. The future building lease has its own dedicated parking and thus will not add or take away neighborhood off-street parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for residential employment and ownership in these sectors be enhanced.

The future building lease at 945 Bryant is an office space lease for the Adult Probation Department. The parcel is zoned UMLU, however public use is permitted under this zoning designation. The future building lease will have no adverse effect on the industrial and service sector.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

The proposed building lease will have no adverse effect on the preparedness of the City.

7. That landmarks and historic buildings be preserved.

The proposed lease is not within a landmark building and is not a designated historic resource.

8. That our parks and open space and their access to sunlight and vistas be protected from development.

The Project would have no adverse effect on parks and open space or their access to sunlight and vista.

RECOMMENDATION:	Finding the Project, on balance, in-conformity with the General Plan
------------------------	---



September 26, 2017

Mr. John Updike
Office of the Director of Real Estate
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

RE: 945 Bryant Street, San Francisco – Letter of Intent

Dear John:

Thank you for your interest in 945 Bryant Street, San Francisco on behalf of the City and County of San Francisco.

This letter of intent outlines the basic business terms and conditions of a proposed lease between the City and County of San Francisco – Adult Probation Department, (as "Tenant") and, BRICKMAN 945 BRYANT LLC, a Delaware limited liability company or its assignee(s) (as "Landlord") at 945 Bryant Street, San Francisco (the "Building").

1. **PREMISES:** Approximately forty-one thousand, seven-hundred forty five (41,745) rentable square feet ("RSF") comprising of the entire three story building, plus parking rights in the Building's on-site parking lot.

The entire first (1st) floor is approximately 13,016.45 rentable square feet.
The entire second (2nd) floor is approximately 14,501.23 rentable square feet.
The entire third (3rd) floor is approximately 14,227.84 rentable square feet.

2. **LEASE TERM:** Twenty (20) years

3. **RENT COMMENCEMENT DATE:** Rent shall commence no earlier than July 1, 2018. The Lease would be fully executed by December 31, 2017.

Rent would commence 90 days after delivery of each floor's respective Premises, however, in the case of each of the three floors in the Building, rent shall commence no earlier than July 1, 2018.

The entire first (1st) floor is approximately 13,016.45 rentable square feet. The first (1st) floor is leased through August 1, 2018 and Landlord will use commercially reasonable efforts to deliver these Premises prior to the Tenant's lease expiry date, subject to Tenant's occupancy needs.

The entire second (2nd) floor is approximately 14,501.23 rentable square feet. The existing tenant in these Premises is currently trying to sublease the second (2nd) floor Premises. Landlord will deliver the second (2nd) floor Premises upon the later of lease execution or existing tenant vacating the Premises, subject to Tenant's occupancy needs.



The entire third (3rd) floor is approximately 14,227.84 rentable square feet. Suite 300 on the third (3rd) floor is leased through October 1, 2019 and Landlord will use commercially reasonable efforts to deliver these Premises prior to the Tenant's lease expiry date. Suite 350 on the third (3rd) floor is leased through October 1, 2020, and Landlord will use commercially reasonable efforts to deliver these Premises prior to the Tenant's lease expiry date, subject to Tenant's occupancy needs.

4. USE: The City and County of San Francisco – Adult Probation Department is the targeted potential user for the Building. Landlord acknowledges and accepts that the City and County of San Francisco will be processing probationers in the Building.

5. ZONING: Urban Mixed Use (UMU). Subject to confirmation, Public Use is Permitted in a UMU zone.

6. BASE RENT (NET OF UTILITIES AND JANITORIAL):

Months 1-12: \$64.00 per rentable square foot, per year, net of utilities and janitorial

Each year thereafter, from year 2 to 10, the Base Rent shall increase by three percent (3%) per annum.

After Year 10, there shall be a Fair Market Value rent reset, per below. After the reset, the base rent shall increase by three percent (3%) per annum.

Fair Market Value shall be defined in the Lease Agreement as the effective rent being paid by a tenant for Class A buildings of comparable location.

7. BASE YEAR: Operating expenses and property taxes Base Year shall be 2018.

8. BASE BUILDING IMPROVEMENTS/TENANT IMPROVEMENTS: Landlord, shall build out 100% of Tenant's requested Tenant Improvements with its general contractors as per a mutually agreed upon space plan. Landlord will offer Tenant \$30.00 per rentable square foot in Tenant Improvements that will be amortized over the term of the lease at an 8% per annum interest factor.

9. RIGHT OF SELF-HELP: Tenant shall have the right of self-help for completing any necessary Tenant Improvements and/or Base Building Improvements throughout the term of the lease. The Right of Self-Help shall be further addressed in the Lease.

10. PARKING: Tenant shall lease 33 parking spaces in the lot adjacent to the Building at a rate of \$225.00 per space, per month, increasing at 3% per annum with a FMV reset after Year 10. In the event that Tenant wants to "stack" cars on site, the parking rate could be increased.

11. DAMAGE AND DESTRUCTION: To be addressed in the Lease.



- 12. ADDITIONAL SERVICES:** Tenant, at its sole cost, shall have the right to request that Landlord perform lease related services or incur additional expenses not covered under the lease that Tenant may require from time to time as requested by the City and County of San Francisco's Real Estate Division. Tenant shall reimburse Landlord for such expenses, at rates agreed-upon in advance, and as they are incurred.
- 13. MAINTENANCE REPAIR:** Landlord shall maintain the Premises and the Building in a First Class condition.
- 14. ASSIGNMENT AND SUBLET:** Tenant shall have the right to sublease or assign the lease agreement of all or any part of the Premises during the lease or option term with Landlord's prior written consent. Landlord shall be entitled to retain 50% of any net subleasing or assignment profits after subtracting all direct costs associated with the subleasing. The above notwithstanding, use of the space or sublease(s) to any Tenant departments, shall be subject to Landlord's approval. Landlord shall require a recapture right.
- 15. BROKERAGE:** Colliers International CA, Inc. is the Landlord's real estate broker in this lease transaction. The City and County of San Francisco represents itself in this lease transaction. Tenant is not responsible for any brokerage fees or commissions to Colliers International with respect to this lease transaction.
- 16. SUBORDINATION AND NON DISTURBANCE:** Landlord shall use commercially reasonable efforts to secure a subordination and non-disturbance agreement from its lender(s).
- 17. CITY LEASE FORM:** The lease agreement shall be based on City and County of San Francisco standard lease form. The final lease is subject to negotiations with Tenant through its Director of Property, and approval by the City's Director of Property, City Attorney, Board of Supervisors and Mayor, in their respective sole and absolute discretion.
- 18. OTHER CITY CLAUSES:** Landlord shall comply with the provisions (as applicable) specified in the San Francisco municipal code.
- 19. LANDLORD REPRESENTATIONS:** Landlord represents and warrants that it has good and marketable title to the Premises, that the building ownership knows of no property defects or conditions which would affect the City's intended use of the Premises, and that as of the commencement date of the lease, that the Building and Building Systems will comply with all applicable local, state, and federal laws and regulations.
- 20. EXPIRATION:** This proposal shall expire five (5) business days after the date of the proposal at 5:00 PM.

City and Landlord understand and agree that this letter is not intended to be, and shall not become, contractually binding on either City or Landlord and no legal obligation shall exist unless and until City and Landlord have negotiated, executed and delivered a mutually acceptable and authorized Lease Agreement. In addition, Landlord acknowledges and



agrees that under City's Charter no department, commission, officer or employee of City has authority to commit City to the transactions contemplated by this letter unless and until appropriate legislation of City's Board of Supervisors has been duly enacted and approved by the Mayor, each in their respective sole and absolute discretion approving the Lease Agreement and the transactions contemplated thereby and appropriating all necessary funds, in compliance with all applicable laws. The Director of Property, on behalf of City, and Landlord will, attempt in good faith to use the above terms and conditions as the initial base to negotiate and enter into a Lease Agreement in form and content acceptable to each party, in each party's respective sole and absolute discretion.

This proposal has been prepared by Colliers International for informational purposes only. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. Colliers International does not guarantee, warrant or represent that the information contained in this document is correct. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from.

We look forward to working with you toward the successful completion of this real estate requirement. If you have any questions or require any additional information, please do not hesitate to call us.

Sincerely,

John Jensen
Executive Vice President
Colliers International
License Number: 01102014
415-867-1178
john.jensen@colliers.com

APPROVED AND ACCEPTED:

APPROVED AND ACCEPTED:

Tenant: City of San Francisco Landlord: Bridgeton Acquisitions LLC

By: [Signature] By: [Signature]

Print Name: John Update Print Name: Atit Jariwala

Its: Director of Property Its: Manager

9/29/17

9/29/2017



OFFICE OF THE SHERIFF
CITY AND COUNTY OF SAN FRANCISCO

1 DR. CARLTON B. GOODLETT PLACE
ROOM 456, CITY HALL
SAN FRANCISCO, CALIFORNIA 94102



VICKI L. HENNESSY
SHERIFF

October 16, 2017
Reference: 2017-121

Honorable Members
Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Members;

On Tuesday, October 17, the Board of Supervisors will receive for introduction legislation to approve a plan to begin the process of relocating City departments from the seismically compromised Hall of Justice. If approved, the District Attorney's Office and the Adult Probation Department will move into leased space nearby. Not addressed in the legislation is the fate of County Jail #4, located on the seventh floor. In keeping with Mayor Lee's concern that there be a plan in progress to close County Jail #4, I write to let you know that I am working with the City's Capital Planning team to develop options for creating suitable housing for the prisoners at County Jail #6, in San Bruno; and making improvements at County Jail #2, at 425 7th Street, to accommodate functions for which it is now dependent on the Hall of Justice.

You may recall that in 2015, the Board was presented with a plan for a new detention facility designed to replace the two Hall of Justice jails -- County Jail #3, which is currently closed and County Jail #4, which currently houses approximately 350 prisoners -- to be partially funded by an \$80 million grant from the California Board of State and Community Corrections. The remaining \$270 million was to be funded by certificates of participation.

The Board rejected the plan and the grant in favor of convening Re-Envisioning the Jail Replacement Project, a working group organized "to plan for the permanent closure of County Jails Nos. 3 and 4, and any corresponding investments in mental health facilities and current jail retrofits needed to uphold public safety and better serve at-risk individuals."

Co-chaired by Roma Guy, representing Taxpayers for Public Safety, Health Director Barbara Garcia and me, the working group brought together mental health providers and advocates, former inmates, and city department heads, including the District Attorney, Public Defender, Chief Adult Probation Officer, Chief of Police, Director of Public Works, and the Controller, as well as representatives from the Mayor's Office and the Board of Supervisors.

The final report of the working group, presented to the Board of Supervisors on June 13, 2017, detailed several recommendations, including:

- Implementation of Law Enforcement Assisted Diversion, known as LEAD SF, a collaboration lead by the Director of Public Health, the District Attorney and the Chief of Police which provides a pre-booking diversion program that will refer repeat low-level drug offenders to community-based health and social services. LEAD SF received grant funding from the Board of State and Community Corrections and began working toward implementation in June.
- Provision of more psychiatric respite beds for individuals leaving custody and those at risk of becoming incarcerated. The Department of Public Health has opened a 15-bed facility on the Zuckerberg San Francisco General Hospital campus for post-psychiatric emergency treatment and has funded 34 new medical respite beds for multi-diagnosed individuals.
- Implementation by the District Attorney's Office of weekend and holiday rebooking, currently in progress.
- Bail reform, currently in active consideration by the Superior Court.
- Increased investment in pretrial release of prisoners through San Francisco Pretrial Diversion, a non-profit funded by the Sheriff's Department. First implemented in San Francisco more than 35 years ago to assist the court in making pretrial release decisions, in May 2016 Pretrial Diversion adopted a new risk assessment tool, known as the Public Safety Assessment (PSA), which is designed to reduce implicit bias from the decision to allow individuals own-recognition release. The PSA offers a range of supervision options from "no conditions" to "assertive case management," with the goal of ensuring that the individual remain arrest-free and makes all required court appearances.

It is important to note that San Francisco has long led the nation in the innovation and use of pretrial alternatives to incarceration, an effort that began in the 1980's and has grown steadily since. The individuals granted pretrial release in San Francisco would have to pay bail to secure their release in other jurisdictions. Pretrial release has had a profound impact on the jail population. Today, the jail population averages between 1250 and 1300 prisoners. Another 1100-plus individuals are awaiting trial on pretrial release and more than 50 are serving sentences in jail alternative programs. But for the aggressive use of pretrial release and sentencing alternatives, the San Francisco jail population would be approximately 2400. Those remaining in jail after arraignment, for the most part, are charged with serious and/or violent crimes and have multiple charges. They have been deemed by the court to be ineligible for pretrial release.

It is for these individuals, entrusted to my care, that, as Sheriff, it is my duty and my obligation to ensure safe, secure, and humane housing and treatment.

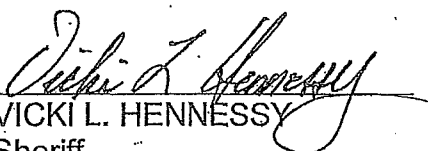
I fully support the work of the Re-Envisioning Project and continue to remain actively involved in bringing the recommendations to fruition. However, while I believe they are necessary and worthy, I do not believe the recommendations will reduce the jail population to the point where we can close County Jail #4 without making provisions for housing the prisoners elsewhere. Recent spikes in violent crime and property crime, and calls by members of the Board of Supervisors and others to address this will lead to more arrests and a higher jail population. I hope that as the impact of the implemented recommendations is felt, the increased population may be reduced, bringing the numbers back down to the current level.

A "next step" identified in the final report of the Re-Envisioning Project is to "begin planning for re-opening of County Jail #6 in San Bruno to expedite closure of County Jail #4 in the event the implemented recommendations do not sufficiently reduce the jail population." Given the time it takes to move a capital project from proposal to completion, it is important that we act expeditiously to comply with the clear direction of the Re-Envisioning work group. Therefore, in the near future I will be seeking your approval for the issuance of certificates of participation to fund improvements to County Jail #2 necessary to sever its dependence on the Hall of Justice, and to renovate County Jail #6 to safely and humanely house prisoners once the Hall of Justice is closed.

In advocating for the renovation of County Jail #6, I am advocating for these prisoners to live in a modern, well-functioning facility that affords them safe housing and access to educational, vocational and treatment programs that maximize their potential for productive life in the community after incarceration.

I welcome your questions and, I encourage you, if you haven't already, to view the conditions at County Jail #4 and to allow me to show you the renovations I am proposing to County Jail #6. Please contact me or my Chief of Staff, Eileen Hirst, to set up a tour.

Sincerely,


VICKI L. HENNESSY
Sheriff



OFFICE OF THE
CITY ADMINISTRATOR



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

MEMORANDUM

October 16, 2017

To: Members of the Board of Supervisors

From: Naomi Kelly, City Administrator *N. Kelly*

Copy: Angela Calvillo, Clerk of the Board

Regarding: Plans to vacate staff and prisoners from the seismically and otherwise unsafe, Hall of Justice at 850 Bryant Street and permanently close the Bryant Street wing of the building.

The Hall of Justice (the Hall or HOJ), located at 850 Bryant Street, has well-known seismic and other safety issues. Each day more than 800 staff work in the Hall, and approximately 300-350 prisoners are incarcerated on the 7th floor in County Jail #4. The building's systems are failing at an accelerating rate, and it presents a hazard on multiple fronts for the people who work, appear, visit, and live there. It is imperative that we get San Francisco's staff and prisoners out of the building as quickly as possible.

Exiting the Hall has long been a San Francisco priority, but while plans for relocating staff and prisoners have been refined and adjusted over the years, the building's condition has dramatically worsened. This year most of the public employee unions with staff in the Hall filed grievances, and there has been a complaint to Cal/OSHA as well. In recent months, the Hall has experienced a frequent series of sewage overflows, which originate in the jail on the top floor. In the last year, the sewage overflows reached staff and clients in offices below. These sewage overflows have a major, adverse impact on building-wide operations, compromising security and personal health and safety. Some repairs involve breaking into the asbestos-laden walls, creating an even more toxic situation to be abated. From November 2, 2016, through August 21, 2017, there were 110 flood-related for County Jail #4, 15 in the most recent month alone. Numerous repairs and preventative measures have been made, to no avail. These problems are in addition to the failing elevators, HVAC, and other subsystems, all of which are well beyond their useful life.

The building's seismic risk is just as great as its life/safety risks. The Hall registers as one of the city's most dangerous buildings on the HAZUS analysis. That analysis, run most recently in 2017, shows that a 7.9M earthquake on the San Andreas Fault would bring to the Hall a probability of greater than 100 casualties, economic impact of greater than \$50 million, operational losses of greater than \$5 million, and greater than 70% building damage. In the event of such a disaster, the building will likely be red-tagged—uninhabitable until structural repairs can be made. This result would be a crisis situation, especially for the prisoners who would be unable to flee but also unable to remain.

As you know, the Office of the Chief Medical Examiner is moving into a new facility in November 2017. SFPD Forensic Services Division and Traffic Company are scheduled to move into a new Mission Bay facility by the end of 2020. Recognizing the urgency of the situation, in January 2017, the City Administrator set a target exit date of 2019 for the remaining occupants of the Hall of Justice. It is the shared position of the Mayor, the City Administrator, and the Sheriff that we should not invest more tax dollars into the building and should exit as quickly as possible.

The City Administrator has identified a plan for an expedited administrative exit from the Hall of Justice. The need for expediency does not allow for a capital construction project, and a broad search for a Courts-proximate building or even multiple buildings for purchase identified no appropriate sites. The most expedient and recommended course of action is to lease office space so that the staff of the District Attorney, San Francisco Police Department, and Adult Probation Department can conduct their business elsewhere. The District Attorney and most of the Police staff can be relocated to 350 Rhode Island; Police Storage can be moved to an existing storage facility at 777 Brannan Street; and Adult Probation can be relocated to 945 Bryant Street. The leases have staggered start dates beginning as early as July 1, 2018, and they require immediate action.

Relocating prisoners is the greatest challenge. Several interventions currently underway are intended to reduce the jail count, including expanded retrial diversion and electric monitoring, LEAD, bail reform, police reform, rebooking, conservatorship beds and treatment beds. These efforts may not be effective to lower the jail population enough to close County Jail #4 permanently. Over the summer, the Sheriff and Capital Planning studied options for exiting the jail in the near term.

The Mayor, the City Administrator, and the Sheriff agree that the safety of the prisoners should not be an afterthought in this process; their security and well-being should be front and center in the exit planning process. The time-sensitivity of the lease options does not allow for deferral until the prisoner exit plans are finalized, however. The Sheriff will bring the plan for prisoner exit before the Board soon.

Once all the non-Court related occupants exit the HOJ, the plan is to demolish the Bryant Street side of the Hall, allowing the Courts to remain. Thank you for your attention to this matter of utmost importance for our city,

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *Ed* Mayor Edwin M. Lee *[Signature]*
RE: Real Property Lease – Bridgeton 945 Bryant Fee LLC – 945 Bryant Street-
San Francisco Adult Probation - \$1,763,968 Initial Maximum Annual Base
Rent
DATE: October 17, 2017

Attached for introduction to the Board of Supervisors is a resolution authorizing a Lease for up to 41,744 square feet consisting of entire three floors of 945 Bryant Street, for the San Francisco Adult Probation Office, with Bridgeton 945 Bryant Fee LLC, a limited liability corporation, for twenty years, to be occupied in phases, for the period of July 1, 2018 to June 30, 2038, at an initial monthly base rent not to exceed \$146,997.33 for a total annual initial maximum base rent of \$1,763,968 in the initial year with increases as set forth in the schedule of the Letter of Intent; and finding the proposed Lease is in conformance with the City's General Plan, and the eight priority policies of Planning Code, Section 101.1.

Should you have any questions, please contact Mawuli Tugbenyoh (415) 554-5168.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2017 OCT 17 PM 4:20
BY AK

