



San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

Real Estate Services Division
525 Golden Gate Avenue, 10th Floor
San Francisco, CA 94102

May 2, 2022

Honorable Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Re: **Proposed SFPUC lease extension at 1980 Oakdale Avenue, San Francisco**

Dear Honorable Board Members:

Attached for your consideration is a Resolution authorizing the proposed eight-year lease extension of an existing lease for approximately 48,400 square feet of space at 1980 Oakdale Avenue, San Francisco, California (Premises) for the continued use by San Francisco Public Utilities Commission's (SFPUC) Water Enterprise's City Distribution Division (CDD).

The SFPUC's CDD is responsible for the management, operation and maintenance of all potable and non-portable water distribution systems within the City and County of San Francisco; the water distribution systems include the potable water, groundwater, recycled water, and the Auxiliary Water Supply (AWSS) systems. CDD's responsibilities include 24/7 emergency response to water main breaks and two-alarm or larger fires in addition to day-to-day operations and maintenance of over 1,250 miles of water main, 12 reservoirs, nine pump stations, seven hydro-pneumatic stations, six tanks, the water meter program serving over 176,000 customers, and maintaining CDD's physical plant, equipment and vehicles and over 1,100 acres of grounds throughout San Francisco. CDD's management responsibility include the engineering and construction management of the SFPUC's Linear Asset Management Program, which has an annual goal to construct 12- to 15-miles of new water mains water to replace aging and damaged water mains, ranging in size from 6-inches to 54-inches in diameter. CDD "owner-furnishes" all materials for its construction contracts to maintain product and quality consistency at the Premises. CDD needs the warehouse and outdoor storage space at 1980 Oakdale to house such materials, including pipes, valves, meter boxes, vaults, and other facilities.

London N. Breed
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Sophie Maxwell
Commissioner

Tim Paulson
Commissioner

Dennis J. Herrera
General Manager

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



In April of 2020, the City, through the SFPUC, acquired approximately 7.5 acres of land at 2000 Marin Street in San Francisco. The SFPUC is planning the construction of a new facility to replace the obsolete existing CDD facility at 1990 Newcomb Avenue and the Premises, among other uses.

The 2000 Marin project is currently in the planning stages and occupancy by CDD at 2000 Marin is not reasonably expected to occur until after December 31, 2027. The SFPUC seeks to extend the term of the Lease until the new facility is ready for occupancy.

The current Lease expires on December 31, 2022. The SFPUC currently pays base rent of \$72,855 (\$1.51 per square foot) monthly plus its own utilities and janitorial costs and typical property expenses above the Base Year.

The City and Landlord have negotiated an amendment to the Lease (the "First Amendment") to among other items, extends the term of the Lease for up to eight years. To coordinate with the construction of 2000 Marin, the First Amendment provides the SFPUC with the unilateral right to terminate the Lease after December 31, 2027 without cost.

The proposed base rent for the first year of the extension term is \$85,337.85 per month (approximately \$1.76 per sq. ft. per month) which increases annually on each January 1 by the proportionate increase in the Consumer Price Index. The new base rent, considering all factors, represents fair market rent based on recent rent comparables.

The approximately 48,400 square feet of Premises are comprised of approximately 36,400 rentable square feet of warehouse and office improvements and approximately 12,000 square feet of paved yard. The Premises serves as an extension of and is located across the street from CDD's main facility at the City-owned property at 1990 Newcomb Street.

Attached is a Before and After Table.

The San Francisco Public Utilities Commission at its April 26th meeting recommended approval of the proposed lease extension.

If you have any questions in this regard, please contact Charlie Dunn of SFPUC staff at 415-509-2498 or me at 415- 420-6996.

Respectfully,

DocuSigned by:
Rosanna Russell
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Rosanna Russell, Real Estate Director
San Francisco Public Utilities Commission

Enclosures:

Proposed Resolution

Proposed Lease Amendment

Existing Lease Agreement

Form 126

SFPUC Resolution

**1980 Oakdale Avenue
Before and After Table**

<u>Item</u>	<u>Before</u>	<u>After</u>
Premises	Approximately 48,400 Square Feet	No Change
Lease Expiration	December 31, 2022	December 31, 2030, subject to City right to terminate after December 31, 2027
Monthly base rent	\$72,855.00	\$85,337.85
Rent Increases	Annually by the proportionate increase in the Consumer Price Index	No Change
Base Year	2016-2017	No Change