

[Real Property Lease Extension - SFII 1390 MARKET ST, LLC - 1390 Market Street - Not to Exceed \$4,959,042 in Initial Year]

Resolution approving a lease amendment extending the term from January 1, 2023 to the date that is 5 years after the completion of certain tenant improvements for approximately 75,137 square feet at 1390 Market Street (Fox Plaza), with SFII 1390 MARKET ST, LLC as Landlord, for use by the Office of the City Attorney, at an initial annual rent of \$4,959,042 (or \$413,253.50 per month) with 3% annual increases thereafter, and City contributing \$1,600,000 toward the cost of the tenant improvements; and approving the continued use of a portion of the premises for childcare services.

WHEREAS, The City Attorney's Office has occupied space at 1390 Market Street (Fox Plaza; the "Building") since the 1980s; and

WHEREAS, The City Attorney's Office space at Fox Plaza provides good proximity to City Hall and to the Superior Court, Federal Court, and City departments in the Civic Center area; and

WHEREAS, The current lease between the City and SFII 1390 MARKET ST, LLC ("Landlord") for approximately 69,402 square feet of space at the Building (the "Lease") expires on December 31, 2022, but includes an option to extend the term for an additional five years; and

WHEREAS, The City's Real Estate Division and Landlord have negotiated a lease amendment (the "Fifth Amendment") to: (i) extend the Lease term for 5 years from the date of the substantial completion of identified tenant improvements; (ii) relocate the City Attorney's Office from space on the tenth floor to the fourth floor of the Building at no cost to the City, and increase the total square footage leased by the City by approximately 5,735 square feet;

(iii) make tenant improvements to the fourth floor premises with a City contribution of One Million Six Hundred Thousand Dollars (\$1,600,000) toward the cost of these improvements; (iv) reduce the annual base rent payable under the Lease in 2023 to \$66 per square foot and set a new base year of 2023, such that the operating expenses and real property taxes are included in the base rent for calendar year 2023; (v) increase the base rent by 3% each year, starting in January 2024; (vi) provide the City with a right of first opportunity to purchase the office portion of the Building if Landlord decides to sell the office portion of the Building; and (vii) make certain other amendments to the Lease; and

WHEREAS, A copy of the proposed Fifth Amendment is on file with the Clerk of the Board in File No. 220931; and

WHEREAS, The base rent for 2023 totals \$4,959,042 (or \$413,253.50 per month), but the City will receive one month of free rent (the "rent abatement") in June 2023; and

WHEREAS, The Fifth Amendment permits the City to use the rent abatement if needed to pay for City change orders during construction of the tenant improvements on the fourth floor; and

WHEREAS, The proposed monthly base rent of \$413,253.50 (or \$66 per square foot per year) was found to be less than fair market rent by an independent MAI appraisal, and this determination was confirmed by an appraisal review, consistent with Administrative Code Chapter 23; and

WHEREAS, Starting in 2024, City will pay its pro-rata share of increases in the Building's operating expenses and property taxes over the new base year of 2023; and

WHEREAS, The City's exercise of the extension option or the right of first opportunity to purchase the Building are subject to the approval of the Board of Supervisors, in its sole discretion; now, therefore, be it

1 RESOLVED, That in accordance with the recommendation of the City Attorney and the
2 Director of Property, the Board of Supervisors approves the Fifth Amendment and authorizes
3 the Director of Real Estate and the City Attorney to take all actions necessary to enter into
4 and perform the City's obligations under the Fifth Amendment; and, be it

5 FURTHER RESOLVED, That the City shall have the right (but not the obligation) to
6 continue to use a portion of the premises for childcare services by a licensed day care
7 provider for \$1 per year (the "Day Care License"), providing an important service that lessens
8 the burden of government and is consistent with the requirements of Chapter 29B of the
9 Administrative Code; and, be it

10 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
11 Property to enter into any amendments to the Lease or the Day Care License (including
12 without limitation, the exhibits) that the Director of Property determines, in consultation with
13 the City Attorney, are in the best interest of the City, do not materially increase the obligations
14 or liabilities of the City, do not materially decrease the benefits to the City, or are necessary or
15 advisable to effectuate the purposes of this resolution, and are in compliance with all
16 applicable laws; and, be it

17 FURTHER RESOLVED, That within 30 days of the execution of the Fifth Amendment,
18 the Director of Real Estate shall provide a copy to the Clerk of the Board for the Board's file.
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\$2,384,893.50 Available
(First 6 months of 2023)

Fund ID:	10000
Department ID:	229042
Project Authority ID:	10001638
Account ID:	530110
Activity ID:	0004
Authority ID:	10000

/s/ _____
Ben Rosenfield
Controller

(Last 6 months of 2023 subject to the
enactment of the 2022/2023 Annual
Appropriation Ordinance)

RECOMMENDED:

/s/ _____
Katharine Hobin Porter
Managing Attorney

/s/ _____
Andrico Penick
Director of Property

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City and County of San Francisco
Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 220931

Date Passed: November 01, 2022

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September 21, 2022 Budget and Finance Committee - CONTINUED TO CALL OF THE CHAIR

October 19, 2022 Budget and Finance Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

October 19, 2022 Budget and Finance Committee - CONTINUED AS AMENDED

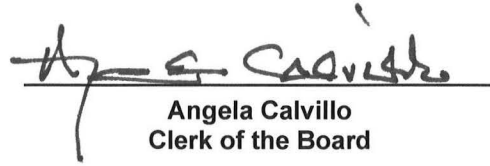
October 26, 2022 Budget and Finance Committee - RECOMMENDED

November 01, 2022 Board of Supervisors - ADOPTED

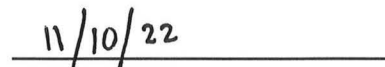
Ayes: 11 - Chan, Dorsey, Mandelman, Mar, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

File No. 220931

I hereby certify that the foregoing
Resolution was ADOPTED on 11/1/2022 by
the Board of Supervisors of the City and
County of San Francisco.


Angela Calvillo
Clerk of the Board


London N. Breed
Mayor


Date Approved