

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 23-0203

**APPROVAL OF MODIFICATION NO. 2 TO LEASE NO. GS-09P-LCA03384 WITH THE U.S. GOVERNMENT TO EXTEND THE TERM OF THE LEASE BY TWO YEARS, ADJUST THE ANNUAL RENT TO \$620,611.20, AND DIRECT THE COMMISSION SECRETARY TO FORWARD LEASE MODIFICATION TO THE BOARD OF SUPERVISORS FOR APPROVAL**

WHEREAS, on September 1, 2015, by Resolution No. 15-0175, the Airport Commission (Commission) approved General Services Administration (GSA) Lease No. GS-09P-LCA03384 (Lease) providing operating and administrative office space for the U.S. Drug Enforcement Administration (DEA) in Terminal 3 (T3); and

WHEREAS, on December 8, 2015, by Resolution No. 490-15, the Board of Supervisors approved the Lease; and

WHEREAS, on September 15, 2020, by Resolution No. 20-0177, the Commission approved Lease Modification No. 1 extending the term of the Lease by three years and increasing the annual rent to \$569,635.43; and

WHEREAS, on October 27, 2020, by Resolution No. 510-20, the Board of Supervisors approved Lease Modification No. 1; and

WHEREAS, the Lease provides approximately 2,612 square feet of Category III space in T3, which will expire on September 30, 2023; and

WHEREAS, the DEA wishes to extend the Lease term for an additional two-year period, with a commensurate modification of rent, an option for the DEA to terminate the Lease after one year, and an Airport option to relocate the Premises; and

WHEREAS, Airport staff negotiated Modification No. 2 with the GSA, acting on behalf of the DEA, to extend the term of the Lease by two years and modify the annual rent; now, therefore, be it

RESOLVED, that the Commission hereby approves Modification No. 2 to Lease No. GS-09P-LCA03384 with the U.S. Government to extend the term of the Lease by two years, effective October 1, 2023, and modify the annual rent to \$620,611.20 on the terms and conditions set forth in the Director's Memorandum affixed to this Resolution; and, be it further

RESOLVED, that the Airport Commission hereby directs the Commission Secretary to forward Modification No. 2 to the Board of Supervisors for approval under Section 9.118 of the Charter of the City and County of San Francisco.

*I hereby certify that the foregoing resolution was adopted by the Airport Commission*  
- AUG 15 2023  
*at its meeting of* \_\_\_\_\_

  
Secretary



**MEMORANDUM**

August 15, 2023

TO: AIRPORT COMMISSION  
Hon. Malcolm Yeung, President  
Hon. Everett A. Hewlett, Jr., Vice President  
Hon. Jane Natoli  
Hon. Jose F. Almanza

23-0203

AUG 15 2023

FROM: Airport Director

SUBJECT: Approval of Modification No. 2 to Lease No. GS-09P-LCA03384 with the U.S. Government to Extend the Term and Adjust the Annual Rent

DIRECTOR'S RECOMMENDATION: ADOPT RESOLUTION APPROVING MODIFICATION NO. 2 TO LEASE NO. GS-09P-LCA03384 WITH THE U.S. GOVERNMENT, FOR OFFICES OCCUPIED BY THE U.S. DRUG ENFORCEMENT ADMINISTRATION, EXTENDING THE TERM OF THE LEASE BY TWO YEARS , ADJUSTING THE ANNUAL RENT, AND DIRECTING THE COMMISSION SECRETARY TO FORWARD THE LEASE MODIFICATION TO THE BOARD OF SUPERVISORS FOR APPROVAL UNDER SECTION 9.118 OF THE CHARTER OF THE CITY AND COUNTY OF SAN FRANCISCO.

**Executive Summary**

The U.S. Drug Enforcement Administration (DEA) currently occupies approximately 2,612 square feet of Category III space in Terminal 3 (T3) at San Francisco International Airport (SFO or Airport) under Lease No. GS-09P-LCA03384 (Lease). The DEA Lease expires on September 30, 2023, and the DEA wishes to continue occupancy for an additional two years. The proposed Lease modification will extend the Lease by two years and adjust the annual rent to \$620,611.20 (Modification No. 2).

**Background**

On September 1, 2015, by Resolution No. 15-0175, the Commission approved the Lease providing operating and administrative office space for the DEA in Terminal 3 (T3). On December 8, 2015, by Resolution No. 490-15, the Board of Supervisors approved the Lease.

On September 15, 2020, by Resolution No. 20-0177, the Commission approved Modification No. 1 extending the term of the Lease by three years and increasing the annual rent to \$569,635.43. On October 27, 2020, by Resolution No. 510-20, the Board of Supervisors approved Modification No. 1.

THIS PRINT COVERS CALENDAR ITEM NO. 13

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED  
MAYOR

MALCOLM YEUNG  
PRESIDENT

EVERETT A. HEWLETT, JR.  
VICE PRESIDENT

JANE NATOLI

JOSE F. ALMANZA

IVAR C. SATERO  
AIRPORT DIRECTOR

The Lease provides approximately 2,612 square feet of Category III space on the 1<sup>st</sup> floor of T3. The fixed annual rent is currently \$569,635.43.

The Lease requires the Airport to provide maintenance, janitorial services, and utilities, including electricity and water. The Airport is reimbursed for the cost of these services by incorporation of an operating cost component into the rental rate, as more fully described below.

The DEA wishes to extend the Lease for two years (the Extension Term), pursuant to the proposed Modification No. 2, increasing the fixed annual rent to \$620,611.20. During the Extension Term, the DEA plans to investigate alternative space options at the Airport. Simultaneously, the Airport will commence its T3 West Project, which may require access to the DEA space at an unknown future date. The proposed Modification No. 2 includes language providing flexibility for both parties as specified below.

### **Proposal**

Airport staff seeks approval of the proposed Modification No. 2 on the following business terms:

1. **Extension Term.** Two Years, subject to the Termination Option as described below.
2. **Commencement Date.** October 1, 2023, upon full City approval.
3. **Termination Option.** The DEA may terminate the lease in whole or in part after October 1, 2024 by giving at least 30 days' prior written notice to the other party.
4. **Relocation Option.** The Airport may require relocation of the Premises, if necessary, due to construction and development. The Airport shall provide 120 days prior written notice, similar and suitable relocation space, and applicable funding for related costs.
5. **Annual Rent.** \$620,611.20 per year fixed for the Extension Term. This represents an increase of \$50,975.77 per year of the Extension Term. The Annual Rent is comprised of:
  - Category III terminal rent pursuant to current and projected Airport Rates & Charges averaged over the two-year term.
  - Operating costs for maintenance, janitorial services, and utilities pursuant to Airport Facilities' projections averaged over the two-year term.

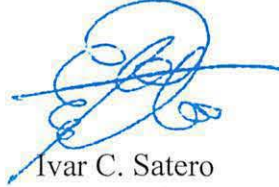
Initial rates and average rates are summarized below.

<b>Rate Category</b>	<b>Initial Rate/SF/YR</b>	<b>Average Rate/SF/YR</b>	<b>Annual Rent</b>
Cat III Terminal Rent	\$195.64*	\$222.28	\$580,595.36
Operating Cost	\$14.76	\$15.32	\$40,015.84
<b>Total</b>		<b>\$237.60</b>	<b>\$620,611.20</b>

\*CAT III for FY 23/24

**Recommendation**

I recommend the adoption of the accompanying Resolution approving Modification No. 2 to the Lease and directing the Commission Secretary to forward the Lease modification to the Board of Supervisors for approval under Section 9.118 of the Charter of the City and County of San Francisco.



Ivar C. Satero  
Airport Director

Prepared by: Kevin Bumen  
Chief Financial and Commercial Officer

Attachments

Exhibit A

U.S. GOVERNMENT, U.S. DRUG ENFORCEMENT ADMINISTRATION  
OFFICE LOCATION

