

1 [Lease of Real Property – MTA’s Transit Management Center – 1455 Market Street]

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3 **Resolution authorizing the lease of 39,573 sq. ft. at 1455 Market Street for ten years**
4 **plus options to extend for the San Francisco Municipal Transportation Agency's**
5 **Transit Management Center.**

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7 WHEREAS, The San Francisco Municipal Transportation Agency's (SFMTA) real-time
8 command and control functions currently reside in various locations dispersed around the City in
9 facilities, which are undersized with outdated systems, including at the Muni transit Operations
10 Control Center (OCC) at 131 Lenox Way, the satellite Line Management Center at 1 South Van
11 Ness Avenue on the 8th Floor, Muni’s Power Control Center at 1401 Bryant St., the Sustainable
12 Streets’ Traffic Management Center, SFgo, at 25 Van Ness Avenue, and the Security Division,
13 which currently dispatches Parking Control Officers and towing at 505 7th Street; and

14 WHEREAS, The SFMTA seeks to consolidate its real-time command and control
15 functions into a single, secure facility, adequately sized, with fully integrated and up-to-date
16 systems; and

17 WHEREAS, In September 2008, the SFMTA completed an Operational Concept
18 Document to establish key goals and recommendations for a new Transportation Management
19 Center (TMC). Key findings from the 2008 study included co-locating command-and-control
20 functions, development of both a primary and a secondary TMC; and conducting a Site
21 Assessment Survey for a new TMC ; and

22 WHEREAS, In March 2009, the SFMTA, though Jacobs Engineering, completed such a
23 Site Assessment Study, to evaluate and rank potential sites for a new TMC; the Study evaluated
24 nine (9) sites against twelve (12) criteria, and 1455 Market Street was ranked as the best site;
25 and

1 WHEREAS, In May 2010 an allocation of \$11,155,000 from Proposition K funds was
2 authorized to fund the TMC at 1455 Market Street; and

3 WHEREAS, On April 5, 2011, the SFMTA's Board of Directors approved the terms of
4 the proposed lease and directed the Executive Director/CEO to recommend to the Board of
5 Supervisors and the Mayor enactment of a resolution approving and authorizing such lease;
6 now, therefore, be it

7 RESOLVED, That the Executive Director/CEO of the SFMTA and Director of Real
8 Estate is hereby authorized to take all actions, each on behalf of the City and County of San
9 Francisco, as tenant, to execute a lease and other related documents with Hudson 1455
10 Market, LLC, ("Landlord"), in the building commonly known as 1455 Market Street, San
11 Francisco, California, for the Premises which comprise an area of approximately 39,573
12 square feet on the terms and conditions contained in the Lease (a copy of which is on file
13 with the Clerk of the Board of Supervisors in File No.) and as contained herein; and, be
14 it

15 FURTHER RESOLVED, That the Lease shall be for a term of ten (10) years
16 (commencing upon Substantial Completion of the Tenant Improvements expected to be on
17 or about June 1, 2012) with two (2) further options to extend the term of the lease by ten
18 (10) years each. The Lease shall be at a base rent of \$1,198,469.00 per year (\$30.29 per
19 sq ft) and shall be fully serviced except for separately submetered electricity, chilled water
20 charges for Computer Room Air Conditioning (CRAC) Units, CRAC equipment
21 maintenance, and interior janitorial. The additional cost for such other charges is estimated
22 to be \$233,487.00 per year for a total rent and estimated operating expenses of
23 \$1,431,976.00 per year (\$36.19 per sq ft per year). The base rent shall increase annually
24 by 3% on each July 1, beginning in 2013. The City shall pay other typical tenant costs
25 including its pro rata share of increases in operating expenses over the base year. The City

1 shall also pay the cost of tenant improvements above the Landlord provided allowance of
2 \$1,729,669.00 (which is estimated to be \$9,488,316.67). The proposed lease shall include
3 two (2) months of free rent to facilitate SFMTA's transition to the new facility. This lease
4 shall include two (2) further options to extend the term for ten (10) years each on all of the
5 same terms and conditions except that the base rent shall be increased by five (5) percent
6 over the previous year's base rent; and, be it

7 FURTHER RESOLVED, That at the request of the Executive Director/CEO of the
8 SFMTA, the Board of Supervisors authorizes the Director of Real Estate to exercise the
9 options to extend the term if the Director of Real Estate determines that the renewal Base
10 Rents as calculated in the lease are less than 95% of the then fair market rent and, in
11 consultation with the City Attorney, that such extended term is in the best interest of the City
12 and consistent with the terms and conditions of the lease renewal provisions; and, be it

13 FURTHER RESOLVED, That the Lease shall include the lease clause indemnifying
14 and holding harmless the Landlord, from and agreeing to defend the Landlord against any
15 and all claims, costs and expenses, including, without limitation, reasonable attorney's fees,
16 incurred as a result of City's use of the premises, any default by the City in the performance
17 of any of its obligations under the lease or any acts or omissions of City or its agents, in, on
18 or about the premises or the property on which the premises are located, excluding those
19 claims, costs and expenses incurred as a result of the negligence or willful misconduct of
20 Landlord or its agents; and, be it

21 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City
22 with respect to such lease are hereby approved, confirmed and ratified; and, be it

23 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
24 Real Estate to enter into any amendments or modifications to the Lease (including without
25 limitation, the exhibits) that the Executive Director/CEO of the SFMTA and the Director of

1 Real Estate each determines, in consultation with the City Attorney, are in the best interest
2 of the City, do not increase the rent or otherwise materially increase the obligations or
3 liabilities of the City, are necessary or advisable to effectuate the purposes of the Lease or
4 this resolution, and are in compliance with all applicable laws, including City's Charter; and,
5 be it

6 FURTHER RESOLVED, That the City shall occupy the entire Premises for the full
7 term of the lease unless funds for rental payments are not appropriated in any subsequent
8 fiscal year. Said Lease shall be subject to certification as to funds by the Controller,
9 pursuant to Section 3.105 of the Charter. Annually, SFMTA and City's Real Estate Division
10 Staff shall use reasonable efforts to give Landlord at least nine (9) months advance notice of
11 any such projected termination. In no event shall City give less than thirty (30) days
12 advance notice of any such actual termination. SFMTA staff and management shall, as part
13 of City's budgetary process, seek to obtain the necessary appropriation of funds from the
14 SFMTA Board of Directors and City's Board of Supervisors and certification of the availability of
15 funds from the Controller. If City terminates the Lease due to lack of appropriated funds, then
16 City shall not appropriate funds in the fiscal year that such termination occurs, or the subsequent
17 fiscal year, for the purpose of purchasing a building, or renting new or additional space in any
18 other privately-owned building, to operate any of the City programs that were located in the
19 Premises in the fiscal year that the Lease terminated.

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21 RECOMMENDED:

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John Updike
Acting Director
Real Estate Division

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RECOMMENDED:
SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

Nathaniel P. Ford Sr.
Executive Director/CEO

Pursuant to SFMTA
Resolution No. 11-044, Adopted: April 5, 2011