[Real Property Lease - Trinity Center, LLC - 1145 Market Street - Health Service System - $588,787.05 Initial Base Rent]

Resolution approving and authorizing the Director of Property, on behalf of the Health Service System, to lease a portion of real property located at 1145 Market Street with Trinity Center, LLC a Delaware limited liability company, for an initial term of 10 years with two five-year extension options to renew at an initial annual base rent of $588,787.05 with 3% annual increases, effective upon approval of this Resolution; and authorizing the Director of Property to enter into amendments or modifications to the Lease that do not materially increase the obligations or liabilities to the City and are necessary to effectuate the purposes of the lease or this Resolution.

WHEREAS, The City and County of San Francisco (City), Health Service Systems (HSS) has been located at 1145 Market Street since it separated from the Department of Human Resources on July 1, 2005; and

WHEREAS, The Lease at 1145 Market Street has expired; and

WHEREAS, HSS desires to relocate from their first-floor location, to a portion of the second floor moving from approximately 6,405 sq. ft. to 6,504 sq. ft. for a total of 19,659 sq.ft. including the 2nd and 3rd floor; and

WHEREAS, HSS believes this will enhance operations and better meet their programmatic needs; and

WHEREAS, On behalf of HSS, the Real Estate Division (RED) negotiated a Lease Agreement with TRINITY CENTER LLC (Landlord) 19,659 sq.ft. at 1145 Market Street; and

WHEREAS, The City, through RED, with consultation from HSS and the Office of the City Attorney, have negotiated the proposed lease (Lease) with Landlord, which provides a base rent of $588,787.05 per year ($29.95 per sq.ft.), with annual adjustments of three

percent, a copy of the proposed lease is on file with the Clerk of the Board in File No. 240423; and

WHEREAS, The Landlord will be providing a Tenant Improvement Allowance in the amount of $325,000 for construction of leasehold improvements, moving expenses, furniture, fixtures and equipment for the second floor Tenant Improvements and

WHEREAS, RED anticipates that the Tenant Improvement Allowance will be sufficient to cover the anticipated costs for same; and

WHEREAS, The Landlord at its sole expense, shall provide services to the Premises, including janitorial, security, water, electricity, and HVAC, Monday through Friday 7:00 a.m. to 6:00 p.m., with City responsible to reimburse Landlord for sub-metered electricity to its leased spaces; and

WHEREAS, During the term, the City will also be responsible for its proportional share of taxes and Landlord's operating expense increases over the base year of 2025, as set forth in the Lease Agreement; and

WHEREAS, The initial term of the Lease shall be for 10 years, commencing upon approval by the Board of Supervisors and Mayor in their sole discretion; and

WHEREAS, Under the proposed Lease Agreement, the City has two additional five-year options to extend, with rent to be 95% of the fair market rental value as of the exercise date of the option, and continuing to be subject to three-percent annual increases thereafter; and

WHEREAS, The Director of Property has determined that the base rent is at or below fair market value for similar properties and is less per square foot than the requirement for an independent appraisal under Chapter 23; now, therefore, be it

RESOLVED, In accordance with the recommendation of the Director of Property, Director of HSS, and the City Attorney, the Director of Property on behalf of the City, as

Tenant, is hereby authorized to take all actions necessary to execute the Lease at 1145 Market Street, floors 2 and 3, in San Francisco, at a base rent of $588,787.05 year, with an annual base rent escalation of three percent, for an initial 10-year term, plus two five-year options to extend; and, be it

FURTHER RESOLVED, The Board of Supervisors approves the Lease Agreement in substantially the form in the Board's File and authorizes the Director of Property to take all actions, on behalf of the City to enter into any additions, amendments or other modifications (including without limitation, the exhibits) to the Lease that the Director of Property determines, in consultation with HSS and the City Attorney, are in the best interests of the City, do not materially increase the obligations or liabilities of the City, and are necessary or advisable to complete the transaction and effectuate the purpose and intent of this Resolution and are in compliance with all applicable laws, including City's Charter; and, be it

FURTHER RESOLVED, That the Lease contains language indemnifying and holding harmless the Landlord from, and agreeing to defend the Landlord against any and all claims, costs and expenses, including, without limitation, reasonable attorney's fees, incurred as a result of Tenant's use of the Premises, any default by the Tenant in the performance of any of its obligations under the Lease or any acts or omissions of Tenant or its agents, in, on or about the Premises or the property on which the Premises are located, except those claims, costs and expenses incurred exclusively as a result of active gross negligence or willful misconduct of Landlord or its agents; and, be it

FURTHER RESOLVED, That any action taken by the Director of Property and other officers of the City with respect to the Lease are hereby approved, confirmed and ratified; and, be it

FURTHER RESOLVED, That Director of Property shall provide notice to the Board of Supervisors in advance of exercising any authority under the agreement to extend its term; and, be it

FURTHER RESOLVED, That within thirty (30) days of the Lease Agreement being fully executed by all parties, the Director of Real Estate shall provide a copy of the final Lease Agreement executed agreement to the Clerk of the Board for inclusion into the official file.

Available: $ 98,131,17
(base rent for period 5/1/2024 through 6/30/24)

Fund ID:	10000 - GF Annual Account
Department ID:	291644 – HSS Health Service System
Project ID:	10001707 – HT Administration
Authority ID:	10000 - Operating
Account ID:	581650 Leases Paid to Real Estate
Activity ID:	0001 – HSS Administration

_____s/_____

Michelle Allersma, Budget and Analysis Division Director on behalf of Greg Wagner, Controller

Funding for Fiscal Year 2024/2025 is subject to the enactment of the Annual Appropriation Ordinance for Fiscal Year 2024/2025

RECOMMENDED:

/s/

Abbie Yant

Executive Director

Health System Service

RECOMMENDED:

/s/

Andrico Q. Penick

Director of Real Estate