

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 25-0020

APPROVAL OF THE THIRD AMENDMENT TO OFF-AIRPORT PROPERTY LEASE NO. 09-0023 WITH MICHAEL C. MITCHELL FOR THE AIRPORT REPROGRAPHICS FACILITY LOCATED AT 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA, TO EXTEND THE TERM AND MODIFY THE RENT

WHEREAS, on January 20, 2009, by Resolution No. 09-0023, the Airport Commission (Commission) approved Off-Airport Property Lease No. 09-0023 (Lease) with Michael C. Mitchell, as landlord (Landlord), for approximately 6,000 square feet of office and industrial space located at 837 Malcolm Road, Burlingame, California occupied by the San Francisco International Airport (SFO or Airport) Reprographics Department for a base term of five years with one 3-year option to extend; and

WHEREAS, on October 26, 2010, by Resolution No. 10-0325, the Commission approved the First Amendment to the Lease, which reduced the rent by and extended the initial five-year term for an additional 14 months through April 30, 2015; and

WHEREAS, on October 14, 2014, the San Francisco Real Estate Division, on behalf of the Airport, exercised the three-year option to extend the Lease, effective May 1, 2015 through April 30, 2018, with a corresponding cost of living rent increase; and

WHEREAS, on April 3, 2018, by Resolution No. 18-0105, the Commission approved the Second Amendment to the Lease, which (i) adjusted the annual base rent, (ii) provided for annual rent increases of three percent (3%), (iii) extended the term through April 30, 2023, with two 1-year options to extend the term (Extension Options), and (iv) provided for certain tenant improvements constructed at the cost of the Airport (Second Amendment); and

WHEREAS, on May 22, 2018, by Resolution No. 164-18, the Board of Supervisors (Board) approved the Second Amendment to the Lease; and

WHEREAS, on April 5, 2022, by Resolution No. 22-0054, the Commission exercised the first Extension Option, which (i) increased the annual base rent, and (ii) extended the term through April 30, 2024; and

WHEREAS, on May 17, 2022, by Resolution No. 218-22, the Board approved the exercise of the first Extension Option; and

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 25-0020

WHEREAS, on April 4, 2023, by Resolution No. 23-0091, the Commission exercised the second Extension Option, which (i) increased the annual base rent, and (ii) extended the term through April 30, 2025; and

WHEREAS, on May 16, 2023, by Resolution No. 260-23, the Board approved the exercise of the second Extension Option; and

WHEREAS, Airport staff and Landlord negotiated the Third Amendment to the Lease that will (i) adjust the annual rent to \$159,000, (ii) extend the Term by three years, with two 1-year options to extend the Term at the sole discretion of the Commission; now, therefore, be it

RESOLVED, that the Commission hereby approves the Third Amendment to the Lease with Michael C. Mitchell in accordance with terms set forth above and in the Director's Memorandum; and, be it further

RESOLVED, that the Commission hereby directs the Director of Commission Affairs to forward the Third Amendment to the Lease to the Board of Supervisors for approval under Section 9.118 of the Charter of the City and County of San Francisco.

Page 2 of 2

I hereby certify that the foregoing resolution was adopted by the Airport Commission
- FEB 4 2025
at its meeting of _____



Secretary



MEMORANDUM

February 4, 2025

TO: AIRPORT COMMISSION
Hon. Malcolm Yeung, President
Hon. Jane Natoli, Vice President
Hon. Jose F. Almanza
Hon. Mark Buell
Hon. Susan Leal

85-0020
FEB 4 2025

FROM: Airport Director

SUBJECT: Approval of the Third Amendment to Off-Airport Property Lease No. L09-0023 with Michael C. Mitchell for the Airport Reprographics Facility located at 837 Malcolm Road, Burlingame, California, to Extend the Term and Modify the Rent

DIRECTOR'S RECOMMENDATION: APPROVE THE THIRD AMENDMENT TO OFF-AIRPORT PROPERTY LEASE NO. L09-0023 FOR THE REPROGRAPHICS FACILITY LOCATED AT 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA TO MODIFY THE ANNUAL RENT AND EXTEND THE TERM OF THE LEASE, AND DIRECT THE DIRECTOR OF COMMISSION AFFAIRS TO FORWARD THE THIRD AMENDMENT TO THE BOARD OF SUPERVISORS FOR APPROVAL.

Executive Summary

San Francisco International Airport (SFO or Airport) Reprographics Department (Reprographics) currently occupies approximately 6,000 square feet of off-Airport office/industrial space at 837 Malcolm Road, Burlingame, California pursuant to Off-Airport Property Lease No. 09-0023 (Lease) between Michael C. Mitchell, as landlord (Landlord), and the City and County of San Francisco, acting by and through its Airport Commission (Commission), as tenant (City). The Lease is set to expire on April 30, 2025, and the Airport wishes to continue occupancy of the space for use as the Reprographics facility until such time as it can move into the Airport's Consolidated Administration Campus, Phase II or other suitable Airport facility. The Third Amendment will extend the current term by three years, with two options to extend, exercisable at the discretion of the Commission, and increase the base rent, subject to an annual increase throughout the term and all extension options.

Background

Reprographics is a department of the Airport that provides full-service design, layout, art, production, large format printing, laminating, and mounting for the extensive graphics program seen throughout the Airport. They also provide services to other City departments, such as the

THIS PRINT COVERS CALENDAR ITEM NO. 7

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

DANIEL LURIE MAYOR MALCOLM YEUNG PRESIDENT JANE NATOLI VICE PRESIDENT JOSE F. ALMANZA MARK BUELL SUSAN LEAL MIKE NAKORNKHET AIRPORT DIRECTOR

POST OFFICE BOX 8097 SAN FRANCISCO, CA 94128 TEL 650.821.5000 FAX 650.821.5005 FLYSFO.COM

Members, Airport Commission

-2-

February 4, 2025

Board of Supervisors, the San Francisco Film Commission, the San Francisco Public Utilities Commission, and the Port of San Francisco. The costs and expenses of services provided to non-Airport departments of the City are reimbursed to the Airport.

On January 20, 2009, by Resolution No. 09-0023, the Commission approved the Lease to accommodate the space needs of Reprographics. The Lease provides approximately 6,000 square feet of off-Airport office/industrial space, with a base term of five years with one 3-year option to extend.

On October 26, 2010, by Resolution No. 10-0325, the Commission approved the First Amendment to the Lease, which reduced the rent in exchange for a 14-month term extension through April 30, 2015.

On October 14, 2014, the San Francisco Real Estate Division, on behalf of the Airport, exercised the three-year option to extend the Lease with an increase in the base rent, effective May 1, 2015 through April 30, 2018.

On April 3, 2018, by Resolution No. 18-0105, the Commission approved the Second Amendment to the Lease, which (i) adjusted the annual base rent, (ii) provided for annual rent increases of three percent (3%), (iii) extended the term through April 30, 2023, with two extension options of one year each, and (iv) provided for certain tenant improvements constructed at the cost of the Airport. On May 22, 2018, by Resolution No. 164-18, the Board of Supervisors (Board) approved the Second Amendment to the Lease.

On April 5, 2022, by Resolution No. 22-0054, the Commission exercised the first Extension Option, which extended the term through April 30, 2024. On May 17, 2022, by Resolution No. 218-22, the Board approved the exercise of the first Extension Option.

On April 4, 2023, by Resolution No. 23-0091, the Commission exercised the second Extension Option, which extended the term through April 30, 2025. On May 16, 2023, by Resolution No. 260-23, the Board approved the exercise of the second Extension Option.

Proposal

Airport staff has determined the Airport does not have suitable facilities available on-Airport to accommodate Reprographics prior to the Lease expiration date of April 30, 2025. Airport staff recommends the Commission approve the Third Amendment, for a three-year extension of the Term, from May 1, 2025 through April 30, 2028, with two 1-year options to extend the Term with 12 months prior written notice, exercisable at the sole discretion of the Commission. Airport staff negotiated a fair market rent of \$159,000 per year based on a rate of \$26.50/square foot/year. This rent will be subject to a fixed three percent (3%) increase annually.

Members, Airport Commission

-3-

February 4, 2025

Recommendation

I recommend adoption of the attached Resolution approving the Third Amendment to Off-Airport Property Lease No. L09-0023 for the Reprographics Facility, and directing the Director of Commission Affairs to forward the Third Amendment to the Board of Supervisors for approval under Section 9.118 of the Charter of the City and County of San Francisco.



Mike Nakornkhet
Airport Director

Prepared by: Kevin Bumen
Chief Financial and Commercial Officer

Attachment