AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 23-0091

EXERCISE THE SECOND OF TWO 1-YEAR EXTENSION OPTIONS UNDER OFF-AIRPORT PROPERTY LEASE NO. 09-0023 WITH MICHAEL C. MITCHELL FOR 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA, FOR THE SAN FRANCISCO INTERNATIONAL AIRPORT REPROGRAPHICS DEPARTMENT, FOR A NEW LEASE EXPIRATION DATE OF APRIL 30, 2025, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE EXERCISE OF THE EXTENSION OPTION TO THE BOARD OF SUPERVISORS FOR APPROVAL UNDER SECTION 9.118 OF THE CHARTER OF THE CITY AND COUNTY OF SAN FRANCISCO

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, 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 Reprographics Department for a base term of five years plus one 3-year option to extend; and

WHEREAS, on October 26, 2010, by Resolution No. 10-0325, the Commission approved Modification No. 1 to the Lease, which reduced the rent by $4,608 per year 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 to $126,000, (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 (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 approved the exercise of the first Extension Option, which (i) increased the annual base rent by three percent (3%) to approximately $146,000, and (ii) extended the term through April 30, 2024; and

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

WHEREAS, Airport staff recommends exercising the second Extension Option for a new expiration date of April 30, 2024 and an increase in annual base rent of three percent (3%) to approximately $150,450; now, therefore, be it

RESOLVED, that this Commission exercises the second of two Extension Options, on the terms and conditions set forth in this Resolution and the Director's Memorandum affixed to this Resolution; and, be it further

RESOLVED, that the Commission hereby directs the Commission Secretary to request the approval of the exercise of the second Extension Option with the Board of Supervisors 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

at its meeting of APR 4 2023

Secretary

San Francisco International Airport

MEMORANDUM
April 4, 2023

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

23-0091

APR 4 2023

FROM: Airport Director

SUBJECT: Exercise of the Second of Two 1-Year Extension Options Under Off-Airport Property Lease No. 09-0023 with Michael C. Mitchell for 837 Malcolm Road, Burlingame, California for the San Francisco International Airport Reprographics Department

DIRECTOR'S RECOMMENDATION: EXERCISE THE SECOND OF TWO 1-YEAR EXTENSION OPTIONS UNDER OFF-AIRPORT PROPERTY LEASE NO. 09-0023 WITH MICHAEL C. MITCHELL FOR 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA, FOR THE SAN FRANCISCO INTERNATIONAL AIRPORT REPROGRAPHICS DEPARTMENT, FOR A NEW LEASE EXPIRATION DATE OF APRIL 30, 2025, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE EXERCISE OF THE EXTENSION OPTION TO THE BOARD OF SUPERVISORS FOR APPROVAL UNDER SECTION 9.118 OF THE CHARTER OF THE CITY AND COUNTY OF SAN FRANCISCO.

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 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, 2024. Airport staff recommends the Commission exercise the second of two 1-year options to extend the term of the Lease (Extension Options), from May 1, 2024 to April 30, 2025.

Background

Reprographics 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 Board of Supervisors, San Francisco

THIS PRINT COVERS CALENDAR ITEM NO. 12

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED *MAYOR* | ELEANOR JOHNS *PRESIDENT* | MALCOLM YEUNG *VICE PRESIDENT* | EVERETT A. HEWLETT, JR. | JANE NATOLI | JOSE F. ALMANZA | IVAR C. SATERO *AIRPORT DIRECTOR*

Film Commission, San Francisco Public Utilities Commission, and regular services for the Port of San Francisco. The costs and expenses of which 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 at an initial annual base rent of $84,960 and an annual Tenant Improvement Surcharge of $7,200 to reimburse Landlord for certain tenant improvements. The base term was five years with one three-year option to extend.

On October 26, 2010, by Resolution No. 10-0325, the Commission approved Modification No. 1 to the Lease, which reduced the rent by $4,608 per year 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 a corresponding cost of living increase, for a new annual base rent of $87,212 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 to $126,000, (ii) provided for annual rent increases of three percent (3%), (iii) extended the term through April 30, 2023, with the Extension Options, and (iv) provided for certain tenant improvements constructed at the cost of the Airport (Second Amendment). 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 approved the exercise of the first Extension Option, which (i) increased the annual base rent by 3% to approximately $146,000, and (ii) 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.

Proposal

According to the Second Amendment, the Extension Options are exercisable by the Airport Commission and are subject to approval by the Board. 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, 2024. Staff recommends the Commission exercise the second of the two Extension Options, which includes the three percent (3%) annual base rent increase to approximately $150,450. The additional one-year extension will provide the time necessary for Airport staff to consider potential relocation options for Reprographics on the Airport campus.

Recommendation

I recommend adoption of the attached Resolution exercising the second of two 1-year Extension Options to extend the term of the Off-Airport Property Lease No. 09-0023 with Michael C. Mitchell, for an extension term of May 1, 2024 through April 30, 2025. I further recommend directing the Commission Secretary to forward the exercise of the second Extension Option 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

Attachment