AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 22-0054

EXERCISE OF THE FIRST 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

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 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 with a corresponding cost of living rent increase, effective May 1, 2015 through April 30, 2018; 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, Airport staff recommends exercising the first of two Extension Options exercisable at the Commission's discretion and subject to approval by the Board, which continues the fixed three percent (3%) increase of annual base rent; now, therefore, be it

RESOLVED, that this Commission hereby exercises the first of two Extension Options for a new expiration date of April 30, 2024, on the terms and conditions set forth in the Director's Memorandum affixed to this resolution; and, be it further

RESOLVED, that the Commission hereby directs the Commission Secretary requests the approval of the exercise of the first of two Extension Options 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 5 2022

Secretary

San Francisco International Airport

MEMORANDUM
April 5, 2022

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

22-0054

APR 5 2022

FROM: Airport Director

SUBJECT: Exercise of the First 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 FIRST 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, 2024, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE EXERCISE OF THE EXTENSION OPTIONS 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 Airport, as tenant. The Lease is set to expire on April 30, 2023. Airport staff recommends the Airport Commission (Commission) exercise the first of two 1-year options to extend the term of the Lease (Extension Options), from May 1, 2023 to April 30, 2024.

Background

On January 20, 2009, by Resolution No. 09-0023, the Commission approved the Lease to accommodate 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 annual Tenant Improvement

THIS PRINT COVERS CALENDAR ITEM NO. 5

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*

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Surcharge of $7,200 to reimburse Landlord for certain tenant improvements. The base term is 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 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.

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, San Francisco 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.

During the COVID-19 pandemic, Reprographics was critical in disseminating information by providing:

- Multi-lingual health screening signage;
- Facial covering posters, web graphics, flyers, maps, and post cards;
- Rapid testing site directional signage, web graphics, flyers, maps, and post cards;
- Vaccination and booster directional signage, web graphics, and FAQs;
- Physical distancing signage, posters, and web graphics; and
- Quarantine travel advisories/flyers and safety precaution signage

Additionally, Reprographics manages all updates and production of the Airport's Wayfinding Signage Program, airlines and concession marketing campaigns, and the Airport Museum's exhibit images, murals, and labels.

Proposal

According to the Second Amendment, the Extension Options is exercisable by the Airport Commission and is 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 of April 30, 2023. Staff recommends the Commission exercise the first of two Extension Options, which includes the three percent (3%) annual base rent increase to

approximately $146,000. 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 of the first 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, 2023 through April 30, 2024. I further recommend directing the Commission Secretary to forward the exercise of the Extension Options 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 Commercial Officer

Attachment