AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 09-0023

APPROVE AND AUTHORIZE DIRECTOR TO EXECUTE A LEASE FOR OFFICE/LIGHT INDUSTRIAL SPACE AT 837 MALCOLM ROAD, BURLINGAME, CALIFORNIA, TO ACCOMMODATE THE RELOCATION OF AIRPORT REPROGRAPHICS

WHEREAS, The Airport currently leases a warehouse facility 245 South Spruce Avenue, South San Francisco, which lease shall expire on May 9, 2009; and

WHEREAS, Airport Reprographics is currently housed in said South San Francisco warehouse facility and, along with other Airport functions and subtenants must be relocated prior to the expiration of that lease; and

WHEREAS, Airport Staff has identified a suitable facility for Reprographics use, comprising approximately 6,000 square feet of office/light industrial space, at 837 Malcolm Road in Burlingame (Malcolm Road Facility); and

WHEREAS, together with the City Real Estate Division, Staff has negotiated a lease for the Malcolm Road Facility for a five-year term, with one option to extend for an additional three-year term, at an initial rent of $7,080 per month, with a mid-term adjustment to $7,440 per month; now, therefore be it

RESOLVED, that the Airport Commission hereby approves and authorizes the Director to execute a lease with Michael C. Mitchell for the premises located at 837 Malcolm Road, Burlingame, California, in accordance with the terms set forth above and in the Director's Memorandum.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of JAN 2 0 2009

Secretary

San Francisco International Airport

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

MEMORANDUM

January 20, 2009

09-0023

JAN 2 0 2009

TO: MEMBERS, AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Caryl Ito
Hon. Eleanor Johns
Hon. Richard J. Guggenhime

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

GAVIN NEWSOM
MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

CARYL ITO

ELEANOR JOHNS

RICHARD J. GUGGENHIME

JOHN L. MARTIN
AIRPORT DIRECTOR

FROM: Airport Director

SUBJECT: Approval of Lease of Property at 837 Malcolm Road, Burlingame, for Relocation of Airport Reprographics Section.

DIRECTOR'S RECOMMENDATION: APPROVE AND AUTHORIZE DIRECTOR TO EXECUTE A LEASE OF APPROXIMATELY 6,000 SQUARE FEET OF OFFICE/LIGHT INDUSTRAL SPACE LOCATED AT 837 MALCOLM ROAD, BURLINGAME, FOR A FIVE-YEAR TERM WITH ONE THREE-YEAR OPTION, AT AN INITIAL ANNUAL RENT OF $84,960, TO ACCOMMODATE THE RELOCATION OF THE AIRPORT'S REPROGRAPHICS SECTION FROM THE 245 SOUTH SPRUCE AVENUE WAREHOUSE FACILITY.

Executive Summary

The Airport's Reprographics unit, along with other Airport functions and subtenants, is currently housed in the warehouse facility leased by the Airport at 245 South Spruce Avenue, South San Francisco. We are in the process of vacating the Spruce Avenue Facility prior to the expiration of that lease on May 9, 2009, and, together with City Real Estate, have identified a suitable facility proximate to the Airport for the relocation of Reprographics. We have negotiated a lease for the facility for a five(5)-year term with one option for a three(3)-year extension term, at initial annual rent of $84,960 ($1.18 per square foot per month). Financial terms include a surcharge, not to exceed $600 ($0.10 per square foot) per month for the 60-month initial term, for construction by Landlord of certain tenant improvements which are the City's responsibility under the lease.

THIS PRINT COVERS CALENDAR ITEM NO. 22

Background

Since May 1999, the Airport has leased a 560,000 square foot warehouse facility at 245 South Spruce Avenue, South San Francisco that houses various Airport functions and a number of subtenants. We currently pay more than $6 Million per year in rent, taxes, and maintenance charges for that facility. The lease will expire on May 9, 2009. Airport Reprographics is one of the functions that we must relocate from the facility prior to the lease expiration.

We explored a number of on-Airport locations for the relocation of Reprographics, but found the development costs to be prohibitive. Therefore, together with City Real Estate, we sought and have identified a suitable facility proximate to the Airport, at 837 Malcolm Road in Burlingame, for Reprographics' use. At a maximum rental cost of $471,600 (including maximum rental surcharge) over the proposed 5-year term, leasing the Malcolm Road facility will be significantly less costly than improving available Airport property to accommodate Reprographics.

Proposal

The following are the basic terms of the proposed lease:

Landlord	Michael C. Mitchell
Tenant	City and County of San Francisco, acting by and through its Airport Commission
Premises	Building comprising approximately 6,000 square feet of office/light industrial space and adjacent areas in front and around the Building, located at 837 Malcolm Road, Burlingame, California.
Term	Five (5) years, commencing upon substantial completion of Landlord's Improvements and Tenant Improvements. Estimated commencement date: March 1, 2009.
Option	City has one (1) option to extend term for an additional three (3) years.
Base Rent	Monthly rent of $7,080 ($1.18/sq. ft.) for months 1 – 30 and $7,440 ($1.24/sq. t.) for months 31 – 60. Should the City exercise its extension option, rent shall be adjusted in accordance with the Consumer Price Index, but no more than 3% per year, for the option period.

Tenant Improvements Surcharge	City shall pay the actual cost of Tenant Improvements (as described below) installed by Landlord, amortized over sixty (60) months with a 6.75% interest rate, as a monthly surcharge not to exceed $0.10 per square foot, or $600.00, per month.
Landlord Improvements	Landlord to provide, at Landlord's expense, improvements necessary for the City's occupancy and use of the premises.
Tenant Improvements	In addition to Landlord Improvements Landlord shall provide electrical and data service distribution within the Premises to City specification at City's expense, payable by City through the Tenant Improvements Surcharge.
Maintenance and Repairs	Landlord is responsible for the exterior and structural portions of the building and for all utility lines to the building. City is responsible for routine maintenance of the interior of the building and exterior premises; provided, however, that Landlord shall be responsible for any capital repairs that should be required.

Recommendation

I recommend adoption of the accompanying Resolution approving and authorizing me to execute a Lease with Michael C. Mitchell for the premises located at 837 Malcolm Road, Burlingame, California, to accommodate Airport Reprographics, in accordance with the Lease Terms outlined above.

John L. Martin
Airport Director

Prepared by: Leo Fermin
Deputy Airport Director
Business and Finance

Attachment