File No. 110736

Committee Item No. 2
Board Item No. 24

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Committee **Date:** July 27, 2011

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Completed by: Victor Young **Date:** July 22, 2011
Completed by: Victor Young **Date:** _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

[Real Property - Office of the Chief Medical Examiner Relocation - 1 Newhall Street - $5,304,500]

Resolution authorizing the execution and performance of an option to purchase the approximately 33,000 square foot industrial building and land at 1 Newhall Street for $5,304,500 contained in a lease dated for reference December 20, 2006, by and between 1 Newhall, LLC, as Landlord, and the City and County of San Francisco as tenant; adopting findings under the California Environmental Quality Act and adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

WHEREAS, The City was directed by an arbitration award to relocate the Department of Public Health, Laguna Honda Hospital laundry facility, which was due to be closed in the reconstruction of the hospital; and,

WHEREAS, The City negotiated a 10 year lease for an approximately 33,000 square foot warehouse at 1 Newhall Street for that purpose; and,

WHEREAS, Contained within said lease is an Option to Purchase the property at a base price of $5,000,000, within the first four years of the lease with the price to be increased by any increases in the Consumer Price Index (CPI) for all Urban Consumers (base years 1982-1984 = 100) for the San Francisco-Oakland-San Jose area on each anniversary of the commencement date of the lease, with a minimun annual increase of 3% should the CPI increase be less than 3%; and,

WHEREAS, A negotiated settlement was reached between the City and the Union representing the laundry workers which resulted in a stipulated modification of the arbitration award commanding the Department of Public Health to open a laundry facility; and,

WHEREAS, A copy of the Lease containing the Option to Purchase the property between the City, as Tenant, and 1 Newhall, LLC, as Landlord, is on file with the Clerk of the Board of Supervisors under File No. 110736; and,

WHEREAS, The City's Office of the Chief Medical Examiner of the General Services Agency is located in a portion of the Hall of Justice at 850 Bryant that will require either significant improvements in the coming years or require expansion in order to maintain standards required for certification with the National Association of Medical Examiners (NAME), and the property at 1 Newhall Street presents an opportunity for a replacement facility meeting NAME standards; and,

WHEREAS, The City exercised its Option to Purchase the Property at $5,304,500 on January 28, 2010 and has proceeded with its due diligence in the purchase of the property, identifying no objectionable items as a result of that due diligence effort: and,

WHEREAS, The Planning Department, through General Plan Referral Letter dated March 17, 2011, which is on file with the Clerk of the Board of Supervisors under File No. 110736, has verified that the acquisition of 1 Newhall Street pursuant to the Option to Purchase is consistent with the General Plan and the Eight Priority Policies under the Planning Code Section 101.1 and that the acquisition of the property is Categorically Exempt from Environmental Review under CEQA Guidelines Section 15060 (c) (2) – Nonphysical project; and,

WHEREAS, A Summary Appraisal has been prepared by C B Richard Ellis, Valuation and Advisory Services, in April of 2010 which indicates an as is-Fair Market Value for the Leased Fee Estate on April 1, 2010 at $5,270,000, the Acting Director of Property believes that the Purchase Option price of $5,304,500 is a fair and reasonable price to pay for the property; now, therefore, be it

RESOLVED, That the Board of Supervisors of the City and County of San Francisco hereby finds that the exercising of the Option to Purchase and purchasing the property is consistent with the General Plan and with the Eight Priority Policies of City Planning Code Section 101.1 for the same reasons as set forth in the letter of the Director of Planning, and hereby incorporates such findings by reference as though fully set forth in this Resolution; and, be it

FURTHER RESOLVED, That in accordance with the recommendations of the Acting City Administrator and the Acting Director of Property, the Board of Supervisors hereby approves the purchase of property and the transaction contemplated thereby in substantially the form of such Purchase Option presented to this Board; and, be it

FURTHER RESOLVED, That all actions heretofore taken by the officers of the City with respect to the Agreement are hereby approved and ratified; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Acting Director of Property to complete the purchase of 1 Newhall Street as contemplated in the Purchase Option, and to perform all acts required of the City thereunder; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Acting Director of Property to enter into any additions, amendments or other modifications to the Agreement (including, without limitation, the attached exhibits) that the Acting Director of Property determines, in consultation with the City Attorney, are in the best interest of the City, that do not increase the purchase price for the Property or otherwise materially increase the obligations or liabilities of the City, are necessary or advisable to complete the transaction contemplated in the Purchase Option and effectuate the purpose and intent of this Resolution, and are in compliance with all applicable laws, including the City's Charter; and, be it

FURTHER RESOLVED, That the Acting Director of Property (or his designee) is hereby authorized and urged, in the name and on behalf of the City and County, to accept the deed to the Property from the Seller upon the closing in accordance with the terms and conditions of the Purchase Option, and to take any and all steps (including, but not limited to, the execution and delivery of any and all certificates, agreements, notices, consents, escrow instructions, closing documents and other instruments or documents) as the Acting Director of Property deems necessary or appropriate in order to consummate the purchase of the Property pursuant to the Purchase Option, or to otherwise effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Acting Director of Property (or his designee) of any such documents; and, be it

FURTHER RESOLVED, That all actions authorized and directed by this Resolution and heretofore taken are hereby ratified, approved and confirmed by this Board of Supervisors.

Contingent Upon the approval of Funding
in the FY 11-12 Budget

RECOMMENDED:

Acting City Administrator

Acting Director of Property

Mayor Lee
BOARD OF SUPERVISORS

Item 2 File 11- 0736	Department(s): Department of Real Estate General Services Agency

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would: (a) authorize the execution and performance of an Option to Purchase the approximately 33,000 square foot industrial building and land at 1 Newhall Street for $5,304,500. The Option to Purchase was contained in a Lease dated December 20, 2006 by and between 1 Newhall, LLC, as lessor and the City as lessee, (b) adopt findings under the California Environmental Equality Act (CEQA), and (c) adopt findings that the purchase is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

Key Points

- On October 31, 2006, the Board of Supervisors approved a new lease of a 33,000 square foot industrial building on approximately 51,882 square feet of land at 1 Newhall Street between 1 Newhall, LLC and the City, on behalf of the Department of Public Health (DPH) to house a laundry facility for Laguna Honda Hospital. This existing lease has a term of approximately nine years and 11 months, from February 1, 2007 through December 31, 2016, with three additional options to extend the lease by five years each. DPH no longer needs the property and it is currently vacant.

- The current San Francisco Office of the Chief Medical Examiner (Medical Examiner) is located at 850 Bryant Street, in the Hall of Justice, where the Medical Examiner occupies 16,473 square feet of space. In order to retain National Association of Medical Examiners accreditation and gain accreditation from the American Board of Forensic Toxicology, an increase in space in excess of the current occupied space at the Hall of Justice, where the Medical Examiner is presently located, is reported to be necessary. Such additional space would be provided at the 1 Newhall Street facility.

Fiscal Impact

- The cost of purchasing the 1 Newhall Street facility is $5,304,500 plus an estimated $20,000 in closing costs and $50,000 of Real Estate staff costs, for a total cost of $5,374,500.

- However, in addition to the acquisition costs, there would be additional costs for needed capital improvements to the 1 Newhall Street facility in order for the Medical Examiner to occupy the 1 Newhall Street facility. Such capital improvements are estimated to cost between $35,420,000 and $44,320,000. The Medical Examiner will remain at the Hall of Justice until the new facility is ready for occupancy between October and December of 2016, resulting in additional expenditures of between $502,457 and $518,931.

- As a result, the total cost of the proposed purchase and capital improvements is between $41,296,957 and $50,213,431.

- Leasing 1 Newhall Street for the Medical Examiner from September 1, 2011 through December 31, 2031 would result in a total estimated cost of between $$46,622,777 and $55,539,251, which is $5,325,820 or between 10.61 and 12.90 percent more than if the City purchased the property at a cost of between $41,296,957 and $50,213,431.

Policy Considerations

- The Medical Examiner's accreditation from the National Association of Medical Examiners expires on

December 1, 2012, almost four years prior to when the new space at the 1 Newhall Street facility will be ready for occupancy in October, 2016. Therefore, the Medical Examiner will require an renewal of its accreditation prior to moving into 1 Newhall Street. According to Mr. Updike, there are potential legal consequences to losing such accreditation.

Recommendation

- Approval of the proposed resolution is a policy decision for the Board of Supervisors.

MANDATE STATEMENT/ BACKGROUND

Mandate Statement

In accordance with Administrative Code Section 23.1, all resolutions and ordinances involving sales, leases, acceptances, and other real estate transactions must be conducted through the Director of Real Estate and approved by the Board of Supervisors.

In accordance with Administrative Code Section 23.4, the Director of Real Estate cannot accept deeds or other instruments granting Real Property to the City without Board of Supervisors approval.

Background

The City Has an Existing Lease at 1 Newhall Street, Which Includes an Option to Purchase

On October 31, 2006, the Board of Supervisors approved a new lease for a 33,000 square foot industrial building on approximately 51,882 square feet of land at 1 Newhall Street between 1 Newhall, LLC as the lessor and the City as the lessee, on behalf of the Department of Public Health (DPH) (Resolution No. 56-07). 1 Newhall Street is located perpendicular to Jennings Street in the Bayview District. This existing lease has a term of nine years and 11 months, from February 1, 2007 through December 31, 2016, with three additional options to extend the lease by five years each, or through 2031, for a total term of 24 years and 11 months. DPH has paid $30,700 per month or approximately $0.93 per square foot to rent 1 Newhall Street since the lease began and will continue at this rate until January 1, 2012, when the lease will be adjusted according to the Consumer Price Index (CPI) over the previous five years and will remain at that rate until December 31, 2016 when the term of the existing lease ends. If the City chooses to exercise the three five-year options to extend, the lease will be adjusted at the beginning of each five-year option period to extend according to the Consumer Price Index for the previous five-year period.

According to the terms of the existing lease, the City also had an option to purchase the 1 Newhall Street building for (a) $5,000,000, or approximately $151.50 per square foot for the 33,000 square foot building, at any time prior to January 1, 2008, or (b) $5,000,000 plus annual CPI adjustments or a minimum increase of three percent per year, from January 1, 2008 through December 1, 2010. According to Mr. John Updike, Acting Director of the Department of Real Estate, although the option to purchase 1 Newhall Street was scheduled to expire on December 1, 2010, Mr. Updike advises that the deadline to purchase the property has been extended by the lessor to the City until September 1, 2011.

1 Newhall Street was originally leased by DPH in 2006 to house a laundry facility for Laguna Honda Hospital. The laundry facility was deemed necessary due to an arbitration award between the City and the affected Union representing laundry workers at Laguna Honda Hospital, who were displaced due to pending construction at Laguna Honda Hospital. However, after the lease was approved by the Board of Supervisors in 2006, the arbitration award was overturned and the laundry facility at 1 Newhall Street was deemed no longer necessary. Therefore, 1 Newhall Street has only been used by DPH to meet off-site storage needs related to the Laguna Honda Hospital rebuild, and not for laundry purposes. However, according to Mr. Updike, as of approximately 18 – 24 months ago, DPH no longer needed the 1 Newhall Street property for storage and the building became primarily vacant. At that time, the Department of Real Estate explored the option of terminating the lease but was unable to do so because the lessor, 1 Newhall, LLC, would not grant the City permission to do so. The City also explored subleasing options for 1 Newhall Street but was unable to generate any interest because of the poor state of the industrial real estate market at the time. The 1 Newhall Street building remains primarily vacant at this time.

The Budget and Legislative Analyst notes that the City could have invoked Clause 24.23 of the existing lease, which would not obligate the City to pay rent under that lease if lease funds were not appropriated by the Board of Supervisors for any given fiscal year. This clause is also known as the appropriation clause. However, according to Mr. Updike, the City has never invoked the appropriation clause for a real estate lease because, by doing so, this would make leasing private property for the City extremely difficult due to the concerns that financial institutions have in the City invoking such a clause. Mr. Ben Rosenfield, Controller, concurs with Mr. Updike that, while the appropriation clause is required by the City Charter, invoking such a clause would send problematic signals to potential providers of City services that long-term agreements with the City were really only a commitment of one year, subject to subsequent annual appropriations which could revoke that agreement at any time during the term of that agreement. Mr. Rosenfield advises that he believes that such an action may have the unintended consequence of raising the price the City would pay for future contracted services, commodities, and leases.

Office of the County Medical Examiner Needs Additional Space to Meet Accreditation Requirements

The current San Francisco Office of the Chief Medical Examiner (Medical Examiner) is located at 850 Bryant Street, in the Hall of Justice, where the Medical Examiner occupies 16,473 square feet of space. The Medical Examiner facilities were originally constructed in 1960. According to a May, 2007 Space Needs Assessment performed by the Forensic Pathology and Forensic Laboratory Design Consultant, McClaren, Wilson, & Laurie, the functional demands on the Medical Examiner facilities have increased since the space was originally constructed. The facility must now house more staff and equipment and meet higher standards of performance pertaining to chain-of-custody of evidence and perimeter security, which cannot be achieved without labor-intensive protocols. Despite attempts to upgrade the facility, the facility has grown progressively obsolete.

According to Mr.Updike, the national accrediting agency for Medical Examiners is the National Association of Medical Examiners. As of March, 2011, there are 67 accredited Medical Examiner offices throughout the country. Approximately 90.4 percent of the top metropolitan

areas in the United States maintain some level of accreditation. The Medical Examiner received full accreditation effective December 1, 2007 and will be due for another inspection by December 1, 2012, when the 2007 accreditation expires. The most recent 2007 National Association of Medical Examiners inspection report indicated that the limited size and poor state of the existing Medical Examiner facility at 850 Bryant Street, was too small and any further crowding of the already crowded space will likely result in safety issues. Additionally, the report advises that "the age and limitations of the current facility are such that, projecting to the time of the next inspection, without a new facility, standards will not be met and the office will not qualify for accreditation."

According to California law, the Medical Examiner must also now adhere to the American Society of Crime Laboratory Directors/Laboratory Accreditation Board for proficiency testing[1]. The jurisdiction for such proficiency testing for San Francisco is the American Board of Forensic Toxicology (ABFT). According to Mr. Updike, in addition to the proficiency testing requirements, it is also highly recommended that crime laboratories seek accreditation through ABFT.

According to Mr. Updike, in order to retain its accreditation, an increase in space in excess of the current occupied space at the Hall of Justice, where the Medical Examiner is located, is necessary. Although the Medical Examiner currently occupies 16,473 square feet of space in the Hall of Justice, Crime Lab Design,[2] a private firm, estimates that 26,901 square feet is needed in order to maintain accreditation for the immediate future and operate at industry standards, which is 10,428 more square feet than the Medical Examiner currently occupies in the Hall of Justice.

The relocation of the Medical Examiner out of its current Hall of Justice space is included in the City's 10-year Capital Plan for FY 2012 – 2021.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would:

a) Authorize the execution and performance of an Option to Purchase the approximately 33,000 square foot industrial building located on 51,882 square feet of land at 1 Newhall Street for $5,304,500. The Option to Purchase is contained in the existing lease dated December 20, 2006 by and between 1 Newhall, LLC, as lessor and the City as lessee, as previously approved by the Board of Supervisors. Funds to purchase 1 Newhall Street have been included in the FY 2011-12 General Services Agency budget, from the City's General Fund, which, if approved, would result in an all-cash closing by September 1, 2011. Mr. Updike

[1] Proficiency testing includes regularly submitting of test results of standardized samples of miscellaneous drugs or other chemicals to the ABFT to ensure that the Medical Examiner's testing equipment meets established standards and produce accurate results.

[2] Crime Lab Design is a firm which provides architectural, engineering, and lab planning services for the development of modern forensic facilities. Crime Lab Design was retained by Department of Public Works through a competitive qualifications-based selection process. The Request for Qualification (RFQ) for Architectural Programming and Specialized Peer Review for Forensic Facilities for San Francisco Police Department & the Medical Examiner was advertised in November 2007. The Crime Lab Design total contract amount is $1,994,785, which includes planning and programming services pertaining to both San Francisco Police Department and the Medical Examiner at multiple sites. Of that total, the contract amount specifically for the 1 Newhall Street facility for the Medical Examiner is $59,475.

advises that the decision to finance the building as an all-cash closing was made because the Controller's Office determined the purchase price of $5,304,500 was too small to warrant issuance of a separate financing instrument, such as Certificates of Participation.

b) Adopt findings under the California Environmental Equality Act (CEQA). According to Mr. John Rahaim, Director of Planning, the proposed purchase is Categorically Exempt from Environmental Review under CEQA guidelines.

c) Adopt findings that the proposed purchase is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1. According to Mr. Rahaim, the purchase is consistent with both the General Plan and the Eight Policy Priorities of City Planning Code Section 101.1.

FISCAL ANALYSIS

According to Mr. Updike, providing the Medical Examiner with the existing 16,473 square feet of space within the City-owned Hall of Justice, costs the City approximately $6 per square foot annually or $98,839 annually for the 16,473 square feet. This $98,839 annual cost is for providing janitorial, engineering and security services to the Medical Examiner's space within the Hall of Justice.

The Total Cost of Purchasing and Occupying 1 Newhall Street is Between $41,296,957 and $50,213,431

As shown in Table 1 below, the cost of purchasing the 1 Newhall Street property is approximately $5,304,500, or approximately $161 per square foot, for the 33,000 square foot building. The purchase price of $5,304,500 is 6.1 percent higher than the $5,000,000 original option to purchase price, if the City had decided to purchase the 1 Newhall Street building prior to January 1, 2008 and .65 percent higher than the estimated fair market value of $5,270,000 for the property.[3] The Budget and Legislative Analyst notes that, according to the terms of the existing lease, the purchase price of the 1 Newhall Street building should have increased three percent annually every year after January 1, 2008, making the current purchase price $5,627,544. Mr. Updike advises that the Department of Real Estate negotiated with the lessor to eliminate the additional annual increase, resulting in a savings of $323,044 ($5,627,544 less $5,304,500).

Table 1: Estimated Cost of Purchasing 1 Newhall Street Building	
Purchase Price for 1 Newhall Street Building	$5,304,500
Estimated Closing Costs	20,000
Estimated cost of Department of Real Estate staff's time to secure purchase option and Board of Supervisors approval	50,000
Total Estimated Cost of Purchasing 1 Newhall Street	**$5,374,500**

As shown in Table 1 above, the $5,304,500 cost to purchase the building does not include an estimated $20,000 of closing costs and $50,000 of Real Estate staff costs, or a total cost of

[3] The real estate services firm, C.B. Richard Ellis, conducted a Summary Appraisal of 1 Newhall Street and reported an as-is Fair Market Value of $5,270,000 on April 1, 2010.

$5,374,500. The FY 2011-12 budget of the City Administrator includes a total of $6,600,000 of General Fund monies to fully cover the costs associated with purchasing the subject building, or $1,225,500 more than the total estimated cost of $5,374,500 shown above in Table 1.

The total cost of $5,374,500 to purchase the 1 Newhall Street facility, as shown in Table 1 above, does not include the cost for needed capital improvements in order to convert a portion of the existing warehouse to a Medical Examiner laboratory and maintain the flow of evidence under the direct control and chain-of-custody of the Medical Examiner's forensic laboratory staff. Such capital improvements require creation of certain secure areas and secure means of transport between such areas, which, according to Mr. Updike, will be necessary before the Medical Examiner can occupy the building. Mr. Updike advises that the scope of the capital improvements are intended to ensure that the Medical Examiner complies with national accreditation standards, such that, as shown in Table 2 below, the costs of the capital improvements are currently estimated to range between $35,420,000 and $44,320,000.

Table 2: Estimated Cost of Capital Improvements to 1 Newhall Street

	Low Estimate	High Estimate
Construction	$26,600,000	$33,300,000
Other Non-Construction Project Costs (Project Management, Permitting, etc.)*	$8,820,000	11,020,000
Total Estimated Cost	**$35,420,000**	**$44,320,000**
Amount Included in City Administrator's FY 2011-12 Budget for Capital Improvements	**1,225,500**	**1,225,500**
Estimated Remaining Amount Needed for Capital Improvements after FY 2011-12	**34,194,500**	**43,094,500**

* - Non-Construction Project Costs are estimated to be 33 percent of Construction Costs.

Mr. Updike advises that the scope of work has yet to be fully determined but anticipates that capital improvements will include (a) exterior improvements to secure parking/receiving of remains with proper cover and privacy walls, (b) creation of a variety of different laboratory spaces, (c) creation of cold storage for decedents and certain evidence to meet current needs as well as some additional storage for mass casualty events, (d) creation of additional office space for staff, and (e) creation of additional changing/shower areas for lab staff. Estimates included in Table 2 above are preliminary and may change once additional design work has been completed. The Department of Real Estate has allocated the above-noted available $1,225,500 ($6,600,000 minus $5,374,500) of General Fund monies, included in the City Administrator's FY 2011-12 budget, for the Department of Public Works (DPW) staff and consultants to complete the initial design to obtain the California Environmental Quality Act (CEQA) approval for the 1 Newhall Street building between July and September of 2012. The $1,225,500 budgeted for FY 2011-12 is included in the capital improvement costs estimated in Table 2 above.

If the proposed resolution is approved, the initial design process to determine the necessary capital improvements will commence between April and June of 2012, leading up to a future request to the Board of Supervisors to include this capital improvement project in a November,

2013[4] General Obligation Bond Measure, to be submitted to the San Francisco voters for approval. Mr. Updike stated that if the proposed resolution is not approved, the $1,225,500 of FY 2011-12 budgeted design funds would be re-allocated to cover additional Department of Real Estate services to locate a new site for the Medical Examiner and for other potential needs.

According to Mr. Updike, if the proposed resolution is approved, the Medical Examiner will not be able to occupy the 1 Newhall Street building until between October and December of 2016, contingent upon approval of a General Obligation Bond to finance the needed capital improvements. The Medical Examiner will remain at the Hall of Justice until the new facility is ready for occupancy at 1 Newhall Street.

Therefore, as shown in Table 3 below, the total estimated cost of purchasing and occupying 1 Newhall Street, including the cost of acquisition, capital improvements and other related costs, is estimated to be between $41,296,957 and $50,213,431.

Table 3: Total Estimated Cost of Purchasing and Occupying 1 Newhall Street

	Low Estimate	High Estimate
Estimated Cost of Purchasing 1 Newhall Street (as shown in Table 1)	$5,374,500	$5,374,500
Estimated Cost of Design and CEQA Approval in FY 2011-12	1,225,500*	1,225,500**
Estimated Additional Cost of Capital Improvements at 1 Newhall Street after FY 2011-12	34,194,500*	43,094,500**
Estimated Cost of occupying the Hall of Justice before 1 Newhall Street can be occupied	502,457	518,931
Total Estimated Cost of Purchasing and Occupying 1 Newhall Street	**$41,296,957**	**$50,213,431**

*** - $34,194,500 plus $1,225,500 equals $35,420,000 or low estimate of capital improvements in Table 2 above**

**** - $43,094,500 plus $1,225,500 equals $44,320,000 or high estimate of capital improvements in Table 2 above**

According to Mr. Updike, the City has been exploring leasing options for the 1 Newhall Street building for interim use prior to the attempt to obtain approval of the General Obligation Bond in November 2013 and prior to when the renovation to the 1 Newhall building begins. For example, Mr. Updike advises that the Department of Real Estate has been working with the City's Film Commission staff and has begun discussions with film and television production companies interested in using the space at 1 Newhall Street which is currently vacant.

If the General Obligation Bond for the needed capital improvements to the 1 Newhall Street facility is not approved in November 2013, Mr. Updike advises that the City would have a few options, including (a) seeking a different source of funding, (b) using the building for office space, storage needs, or a variety of combinations to address emerging City needs, (c) leasing the facility, or (d) selling the facility.

[4] Mr. Updike estimates that, following Bond Authorization in 2013, it will take approximately (a) one year for final design and permitting, pre-construction services and bid trade packages, and (b) 18 months of construction and commissioning before move-in will be feasible.

The Total Cost of Leasing 1 Newhall Street from September 1, 2011 to December 31, 2031 is Between $46,622,777 and $56,764,751

One alternative to purchasing 1 Newhall Street is to continue leasing the property under the existing lease and have the Medical Examiner replace DPH as lessee. Assuming that the Medical Examiner occupies the building until 2031 if the three five-year options to extend are exercised, as shown in Table 4 below, under the terms of the existing lease, the total cost of rent for leasing the property for the entire term of the existing lease, plus exercising the three five-year options to extend the lease by an additional 15 years, is $10,700,320, which is $5,325,820 or 99.1 percent more than the $5,374,500 (See Table 1 above) for the total cost of purchasing the 1 Newhall Street facility.

Table 4: Estimated Rent from September 1, 2011 – December 31, 2031 under Existing Lease at 1 Newhall Street

Rent from September 1, 2011- December 31, 2011[1]	$122,800
Rent from January 1, 2012 – December 31, 2016[2]	2,118,300
Rent from January 1, 2017 – December 31, 2021[3]	2,436,060
Rent from January 1, 2022 – December 31, 2026[4]	2,801,460
Rent from January 1, 2027 – December 31, 2031[5]	3,221,700
Total Estimated Rent	**$10,700,320**

[1] - Rent is $30,700 per month under existing lease

[2] - Rent is estimated to be $35,305, based on 3 percent annual CPI increases over the previous 5-year period.

[3] – Rent is estimated to be $40,601 for the first option to extend, based on 3 percent annual CPI increases over the previous 5-year period.

[4] – Rent is estimated to be $46,691 for the second option to extend, based on 3 percent annual CPI increases over the previous 5-year period.

[5] - Rent is estimated be $53,695 for the third option to extend, based on 3 percent annual CPI increases over the previous 5-year period.

If a decision to continue to lease rather than purchase the building were made, tenant improvements to the building, equal in cost to the capital improvements discussed above, would need to be constructed in order to make the space suitable for use by the Medical Examiner. The Medical Examiner would still need to occupy the Hall of Justice until October, 2016 if the City purchases the 1 Newhall Street facility while the needed capital improvements are constructed. As shown in Table 5 below, leasing the 1 Newhall Street facility for the Medical Examiner under those circumstances would result in a total estimated cost of between $46,622,777 and $55,539,251, which is $5,325,820 or between 10.61 and 12.90 percent more than if the City purchased the property for between $41,296,957 to $50,213,431 as shown on Table 3 above.

Table 5: Total Estimated Cost of Leasing 1 Newhall Street for the Medical Examiner		
	Low Estimate	High Estimate
Estimated Rent From September 1, 2011 – December 31, 2031 (See Table 4 above)	$10,700,320	$10,700,320
Estimated Cost of Design and CEQA Approval in FY 2011-12 (See Table 3 above)	1,225,500	1,225,500
Estimated Additional Cost of Tenant Improvements at 1 Newhall Street after FY 2011-12 (See Table 3 above)	34,194,500	43,094,500
Estimated Cost of occupying the Hall of Justice before 1 Newhall Street can be occupied (See Table 3 above)	502,457	518,931
Total Cost	$46,622,777	$55,539,251

POLICY CONSIDERATIONS

Other Alternatives to 1 Newhall Street were Explored and Determined Not to Be Feasible

According to Mr. Updike, other alternatives to the purchase of 1 Newhall Street were explored and determined not to be feasible. Those alternatives included (a) expansion of Medical Examiner facilities in the Hall of Justice[5] and (b) leasing of other properties within San Francisco[6]. Therefore, according to Mr. Updike, the 1 Newhall Street building is currently considered to be the best and most affordable current space to ensure that the Medical Examiner will be able to maintain its National Association of Medical Examiners accreditation into the foreseeable future and gain American Board of Forensic Toxicology accreditation[7].

The Medical Examiner's National Association of Medical Examiners Accreditation Expires on December 1, 2012

As previously discussed the Medical Examiner's National Association of Medical Examiners accreditation expires on December 1, 2012, almost four years prior to the new space at the 1 Newhall Street facility being ready for occupancy. The Medical Examiner will require an additional renewal of its accreditation prior to moving into 1 Newhall Street building. Dr. Amy Hart, the Chief Medical Examiner, advises that, based on her discussions with National Association of Medical Examiners officials and familiarity with the process, a good faith effort by the City showing evidence of intent to secure improved premises for the Medical Examiner would permit the National Association of Medical Examiners to extend the City's existing accreditation, with a few minor improvements to the existing Hall of Justice space in the interim. However, Dr. Hart also believes that if the City has not implemented specific actions toward

[5] Mr. Updike advises that the current first floor location of the Medical Examiner is the only area of the Hall of Justice complex that contains a secured and sheltered loading area, which is required for transport of decedents and that there are physical barriers that would prevent further expansion from the space that the Medical Examiner currently occupies.

[6] Mr. Updike advises that several other locations within San Francisco were considered and rejected due to (a) financing issues, (b) timing considerations, or (c) insurmountable challenges due to the buildings' configurations.

[7] Mr. Updike advises that it is not known when the Medical Examiner will be able to gain ABFT accreditation.

construction of a replacement Medical Examiner facility to significantly improve standards when the next review occurs, it is unlikely that the Medical Examiner will receive a renewal of accreditation by National Association of Medical Examiners.

There are Possible Legal Consequences to Losing National Association of Medical Examiners Accreditation

National accreditation is not required for the Medical Examiner staff to testify in court regarding the result of the Medical Examiner's findings. However, if the Medical Examiner were to lose its national accreditation, Mr. Updike believes that there are potential legal consequences associated with any open or closed case where the Medical Examiner testified as an accredited agency and then subsequently lost its accreditation. That loss could also have a negative impact on cases in the future, since accreditation of the Medical Examiner is used in the courts to display the Medical Examiner's credentials and support its findings when Medical Examiner staff testify. According to Dr. Hart, accreditation is necessary to help ensure that the work that the Medical Examiner performs meets the best and most stringent national standards. Dr. Hart believes it is extremely important that the Medical Examiner meet the minimum national standards and utilize best practices to maintain its credibility.

RECOMMENDATION

Approval of the proposed resolution is a policy decision for the Board of Supervisors.

John Updike
Acting Director of Real Estate

City and County of San Francisco
REAL ESTATE DIVISION

July 11, 2011

Through Amy L. Brown, Acting City Administrator

Honorable Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Re: Purchase of 1 Newhall Street – Office of the Chief Medical Examiner

Dear Board Members:

Attached for your consideration is a proposed Resolution authorizing the acquisition of 1 Newhall Street for the potential relocation of the Office of the Chief Medical Examiner from their current location at the Hall of Justice (850 Bryant Street). This purchase would be accomplished through the execution and implementation of an Option to Purchase secured upon the initial lease of the property in 2006, along with a proposed Purchase and Sale Agreement. The purchase price herein proposed of $5,304,500 is less than that called for in the Option to Purchase, and the date of acquisition was substantially deferred from that outlined in the Option to Purchase, two heavily negotiated items to effect a savings to the City in excess of $159,000.00.

The subject property, subject to completion of all design and CEQA related investigations and analysis, appears to be an adequate candidate for the relocation of OCME from their current outdated and undersized facility, where National Association of Medical Examiners (NAME) accreditation is at risk. An internal review of space issues relative to OCME operations was performed and summarized in a memo to the Acting City Administrator dated May 2, 2011. The memo concludes that 1 Newhall meets the criteria established for future OCME operations.

Funds for the acquisition have been included in the proposed Fiscal Year 11-12 GSA budget, to effect an all-cash closing by September 1, 2011, per the proposed Purchase and Sale Agreement. Should the property not be a final candidate for use by OCME, or should funding for improvements to the property to meet OCME needs not be secured, staff has identified other potential uses of the property for City purposes, and should none of those alternatives be deemed appropriate, given the competitive acquisition price, the City could offer the property for sale in the future to recapture the entire investment made in the acquisition.

Office of the Director of Real Estate • 25 Van Ness Avenue, Suite 400 • San Francisco, CA 94102
(415) 554-9850 • FAX: (415) 552-9216

This acquisition concept was discussed during two meetings of the Capital Planning Committee (CPC) in 2010, with formal recommendation for approval of the purchase secured from the CPC on May 16, 2011.

The Real Estate Division recommends approval of the Resolution, and requests that the item be heard at the Budget and Finance Committee's next available meeting date, in order to meet our close of escrow deadline date in the agreement. If you have any questions in this regard, please contact me at 554-9860.

Respectfully,

John Updike
Acting Director of Property

Attachments

c: Dr. Amy Hart, Chief Medical Examiner

SAN FRANCISCO
PLANNING DEPARTMENT

General Plan Referral

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

Date:	March 17, 2011
Case No.	**Case No. 2011.0181R** **City Purchase of 1 Newhall Street for Use by the Office of the Chief Medical Examiner (OCME)**
Block/Lot No.:	4750/030
Project Sponsor:	John Updike, Acting Director San Francisco Real Estate Department 25 Van Ness Ave. Suite 400 San Francisco, CA 94102
Applicant:	Same as Above
Staff Contact:	Johnny Jaramilllo – (415) 575-6818 *Johnny.jaramillo@sfgov.org*
Recommendation:	Finding the project, on balance, is in conformity with the General Plan
Recommended By:	John Rahaim, Director of Planning

PROJECT DESCRIPTION

The Project is the City's proposed purchase of a parcel located at 1 Newhall Street that includes an existing structure for use by the Office of the Chief Medical Examiner (OCME). If the Project is approved, the OCME would relocate entirely from its current location at the Hall of Justice (850 Bryant) to the 1 Newhall Street location. The OCME investigates and certifies deaths of legal or public health interest. The Chief Medical Examiner determines the cause, circumstance and manner of death for those cases under the Office's jurisdiction. The OCME also examines and evaluates injuries sustained by victims of crime and collects evidence used in the criminal courts.

The proposed Project would provide improved facilities and additional space needed for the OCME and its forensic labs. The submittal is for a General Plan Referral to recommend whether the Project is in conformity with the General Plan, pursuant to Section 4.105 of the Charter, and Section 2A.53 of the Administrative Code.

SITE DESCRIPTION AND PRESENT USE

Newhall Street is located in the Southeast quadrant of the City in the Bayview District. The site is located at the northwest corner of Newhall Street and Jennings Street. It contains a 33,000 square foot structure on approximately 51,882 square feet of property. A comprehensive space analysis performed by a consultant firm, Crime Lab Designs, indicates that the site meets the needs of OCME operations which are currently housed in only 17,000 square feet at 850 Bryant. The structure is a modern industrial building constructed in 1986, well suited to the needs of the OCME. The building includes office and warehouse space with vehicle loading facilities which would be useful to the OCME. The site includes off-street space for parking and emergency service vehicle use as needed. The property is located in a PDR -2 (Core Production Distribution and Repair) Use District and a 65-J (Height) District.

The property is currently leased by the Department of Public Health (DPH). DPH's space requirements have changed and it can terminate its lease agreement, which includes an option to purchase the building. Since DPH is giving up its lease, the City now proposes to exercise its option to purchase the property for use by the OCME. If approved, the OCME would relocate from its current location at the Hall of Justice at 850 Bryant. The Hall of Justice serves, in part, as the Superior Court for the County of San Francisco and does not adequately meet the OCME's space and facility needs.

ENVIRONMENTAL REVIEW

On March 17, 2011 the Major Environmental Analysis of the Department determined that the Project (City acquisition and/or lease of AB 4750/030) is Categorically Exempt from Environmental Review under CEQA Guidelines Section 15060 (c) (2) – Nonphysical project.

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

The Project is the City's proposed acquisition and/or lease of property containing an existing structure with office, warehouse space and off-street parking areas for use by the OCME. If the Project is approved, the OCME would relocate from its current location at 850 Bryant to 1 Newhall Street. The Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 as described in the body of this letter and is, on balance, **in-conformity** with the following Objectives and Policies of the General Plan:

COMMERCE AND INDUSTRY ELEMENT

POLICY 7.1
Promote San Francisco, particularly the civic center, as a location for local, regional, state and federal governmental functions.

In a manner similar to other economic functions such as office uses and institutions, physical proximity of various governmental activities is important to the efficient functioning of daily activities of related agencies. The city should strengthen the locational advantages of this clustering of governmental services by insuring provision of an adequate amount of space in the Civic Center area to serve this function without endangering surrounding residential areas.

The Office of the Chief Medical Examiner investigates and certifies deaths of legal or public health interest. The OCME also examines and evaluates injuries sustained by victims of crime and collects evidence used in the criminal courts. The site provides needed space for OCME staff and equipment and improved access and loading for emergency service vehicles. The site can also be secured and allows for appropriately shielded body transport.

COMMUNITY SAFETY ELEMENT

OVERALL GOAL - It is the goal of the City and County of San Francisco to the extent feasible, to avoid the loss of life and property as a result of natural and technological disasters, to reduce the social, cultural and economic dislocations of disasters, and to assist and encourage the rapid recovery from disasters.

Objectives and Policies to advance this goal are classified into six general categories. They are:
Coordination
Improvements in coordination among City programs, and among others working to reduce the risks of disasters will result in more effective mitigation, preparedness, response and recovery efforts....

OBJECTIVE 3
ENSURE THE PROTECTION OF LIFE AND PROPERTY FROM DISASTERS THROUGH EFFECTIVE EMERGENCY RESPONSE. PROVIDE PUBLIC EDUCATION AND TRAINING ABOUT EARTHQUAKES AND OTHER NATURAL DISASTERS AND HOW INDIVIDUALS, BUSINESSES AND COMMUNITIES CAN REDUCE THE IMPACTS OF DISASTERS.

BAYVIEW HUNTERS POINT AREA PLAN
Policy 1.5
Encourage a wider variety of light industrial uses throughout the Bayview.

The purchase of 1 Newhall Street for use by the Office of the Chief Medical Examiner is consistent with this policy. The OCME investigates and certifies deaths, including homicides and suicides, of legal or public health interest. The OCME also examines and evaluates injuries sustained by victims of crime

and collects evidence used in the criminal courts. The OCME is currently located in the Hall of Justice at 850 Bryant, a Superior Court Building and is in need of more space. The larger more flexible facilities proposed to be purchased are more suitable for the OCME.

PROPOSITION M FINDINGS – PLANNING CODE SECTION 101.1

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The Project, demolition and replacement of the Chinese Recreation Center, is found to be consistent with the Eight Priority Policies as set forth in Planning Code Section 101.1 for the following reasons:

Eight Priority Policies Findings

The subject project is found to be consistent with the Eight Priority Policies of Planning Code Section 101.1 in that:

The proposed project is found to be consistent with the eight priority policies of Planning Code Section 101.1 in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.

   The Project would have no adverse effect on neighborhood serving retail uses or opportunities for employment in or ownership of such businesses.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhood.

   The Project would have no adverse effect on the City's housing stock or on neighborhood character. The existing housing and neighborhood character will be not be negatively affected

3. That the City's supply of affordable housing be preserved and enhanced.
   The Project would have no adverse effect on the City's supply of affordable housing.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

   The Project would not result in commuter traffic impeding MUNI's transit service, overburdening the streets or altering current neighborhood parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for residential employment and ownership in these sectors be enhanced.

   The Project would not affect the existing economic base in this area.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

   The Project would not adversely affect achieving the greatest possible preparedness against injury and loss of life in an earthquake.

7. That landmarks and historic buildings be preserved.

   This site and building are not landmarks or of historic significance. The structure was constructed in the last 20-30 years.

8. That our parks and open space and their access to sunlight and vistas be protected from development.

   The Project would have no adverse effect on parks and open space or their access to sunlight and vista. If the City purchases the site for use by the OCME, no new structures would be added to the site.

RECOMMENDATION:	**Finding the Project, on balance, in-conformity with the General Plan**

Attachments:
Site Plan – 1 Newhall Street
Low Oblique Aerial Photo

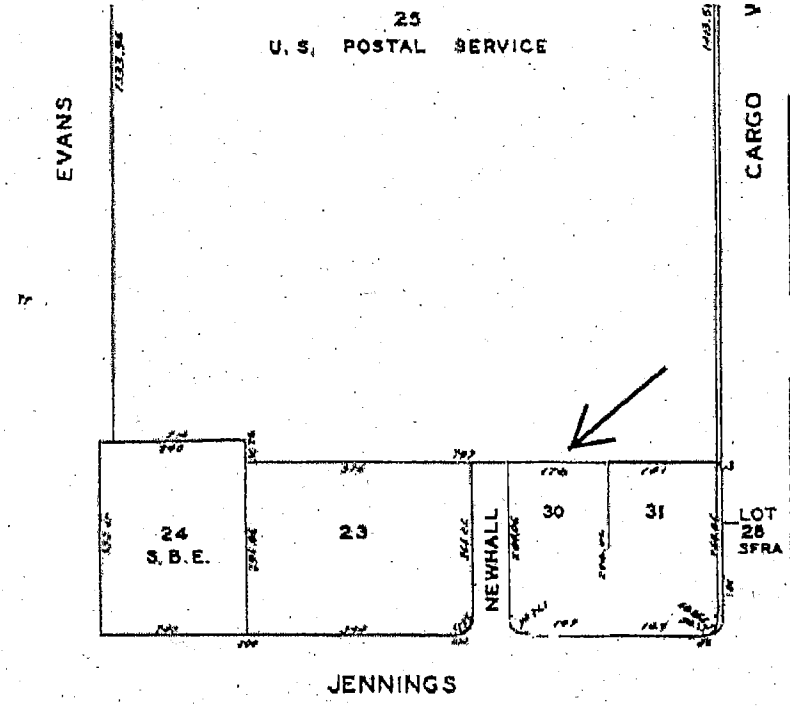
cc: Julian Sutherland, Real Estate

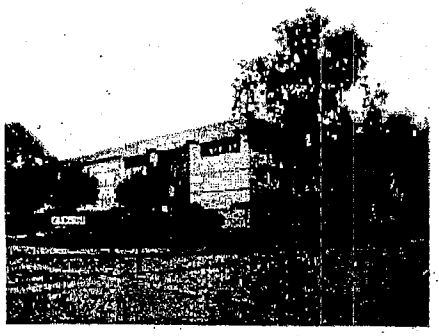
I:\Citywide\General Plan\General Plan Referrals\2011\2011.0181R_Purchase 1 Newhall - OCME_2_ss comm.DOC

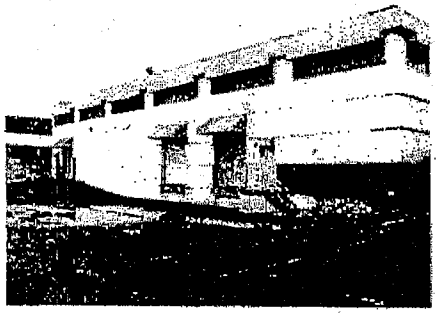
1 Newhall Street - Overview

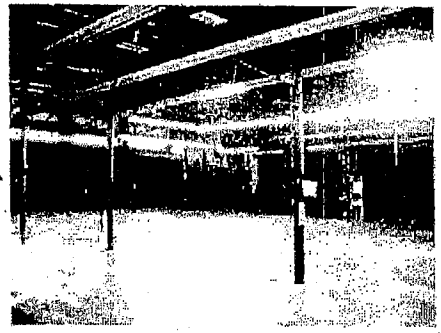
- Mixed use industrial/warehouse with some office.

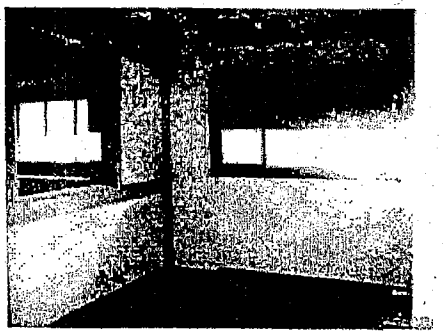
EXHIBIT "A"











690

7/9/2010

** Complete copy of document is located in

File No. 110736

LEASE

between

1 NEWHALL, LLC,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
1 Newhall Street
San Francisco, California

December 20, 2006

TABLE OF CONTENTS

LIST OF EXHIBITS

File No. 110736

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information *(Please print clearly.)*	
Name of City elective officer(s): ~~Members, Board of Supervisors~~	City elective office(s) held: ~~Members, Board of Supervisors~~

Contractor Information *(Please print clearly.)*	
Name of contractor: 1 Newhall, LLC, a California limited liability company	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. ***Use additional pages as necessary.*** William Chan, President	
Contractor address: 1560 18th Avenue San Francisco, CA 94122	
Date that contract was approved: *(By the SF Board of Supervisors)*	Amount of contract: $5,304,500.00
Describe the nature of the contract that was approved: Sale of Real Estate	
Comments:	

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

☑ a board on which the City elective officer(s) serves: San Francisco Board of Supervisors
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

_____
Print Name of Board

Filer Information *(Please print clearly.)*	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

_____ _____
Signature of City Elective Officer (if submitted by City elective officer) Date Signed

_____ _____
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) Date Signed