

1 [Lease of Real Property - 1455 Market Street]

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3 **Resolution authorizing the lease of 24,440 sq. ft. at 1455 Market Street for seven years**  
4 **plus option to extend for the San Francisco Department of the Environment's Office**  
5 **purposes.**

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7 WHEREAS, The San Francisco Department of the Environment (DOE) offices  
8 currently reside in two leased locations within the Civic Center area in facilities which are  
9 undersized and not conducive to environmental and energy efficiency standards, including  
10 the primary office and Eco-Center at 11 Grove Street, and the satellite office at 401 Van  
11 Ness Avenue; and

12 WHEREAS, The office lease at 11 Grove Street expires on May 31, 2012 and DOE  
13 will continue to hold over on a month to month basis; and

14 WHEREAS, The lease at 401 Van Ness Avenue expires on December 31, 2012 and  
15 they are unable to hold over much beyond the date due to the scheduled renovations of the  
16 War Memorial building; and

17 WHEREAS, DOE seeks to consolidate its offices and operations into a single facility,  
18 adequately sized, that fully achieves the environmental and sustainability goals of the City;  
19 and

20 WHEREAS, DOE is seeking in kind donations and grant funding in order to reduce  
21 City costs; and

22 WHEREAS, Since March 2011, DOE, with the Real Estate Division began  
23 extensively researching and visiting office locations within San Francisco for over eleven  
24 months to determine the best site for its needs, and 1455 Market Street was determined as  
25 the best site; now, therefore, be it

1           RESOLVED, That the Director of DOE and Director of Real Estate is hereby  
2 authorized to take all actions, each on behalf of the City and County of San Francisco, as  
3 tenant, to execute a lease and other related documents with Hudson 1455 Market, LLC,  
4 ("Landlord"), in the building commonly known as 1455 Market Street, San Francisco,  
5 California, for the Premises which comprise an area of approximately 24,440 square feet on  
6 the terms and conditions contained in the Lease (a copy of which is on file with the Clerk of  
7 the Board of Supervisors in File No. 120454) and as contained herein; and, be it

8           FURTHER RESOLVED, That the Lease shall be for a term of seven (7) years  
9 (commencing upon Substantial Completion of the Tenant Improvements expected to be on  
10 or about October 1, 2012) with one (1) further option to extend the term of the lease by five  
11 (5) years. The Lease shall be at a base rent of \$684,320.00 per year (\$28.00 per sq ft) and  
12 shall be fully serviced. The base rent shall increase annually by \$1.00 on each anniversary  
13 of the Anniversary Date of the Lease. The Landlord has provided a base allowance of  
14 \$1,490,840.00 (\$61.00 per square foot). The City shall have the right to amortize up to  
15 \$10.00 per square foot of additional tenant improvement allowance as an increase to base  
16 rent (\$244,400.00) that would be financed by the Landlord and amortized over a time certain  
17 period. The City shall pay other typical tenant costs including its pro rata share of increases  
18 in operating expenses over the base year and the remaining balance of the tenant  
19 improvements (estimated at \$97,760.00). DOE is using maximum effort and utilizing its  
20 extensive contacts to avert this cost to the City. DOE has already begun the process of  
21 obtaining in kind donations and grants to fund these remaining tenant improvements. DOE  
22 would only use the additional allowance up to \$10.00 per square foot if the full amount of the  
23 necessary funds are not raised or donated. The proposed lease shall include three (3)  
24 months of a rent reduction credit equal to \$57,026.67 for each month of months one (1), two  
25 (2), and three, to facilitate DOE's transition to the new facility. This lease shall include one

1 (1) further option to extend the term for five (5) years each on all of the same terms and  
2 conditions except that the base rent shall be reassessed at fair market value; and, be it

3 FURTHER RESOLVED, That the Lease shall include the lease clause indemnifying  
4 and holding harmless the Landlord, from and agreeing to defend the Landlord against any  
5 and all claims, costs and expenses, including, without limitation, reasonable attorney's fees,  
6 incurred as a result of City's use of the premises, any default by the City in the performance  
7 of any of its obligations under the lease or any acts or omissions of City or its agents, in, on  
8 or about the premises or the property on which the premises are located, excluding those  
9 claims, costs and expenses incurred as a result of the negligence or willful misconduct of  
10 Landlord or its agents; and, be it

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

13 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
14 Real Estate to enter into any amendments or modifications to the Lease (including without  
15 limitation, the exhibits) that the Director of DOE and the Director of Real Estate each  
16 determines, in consultation with the City Attorney, are in the best interest of the City, do not  
17 increase the rent or otherwise materially increase the obligations or liabilities of the City, are  
18 necessary or advisable to effectuate the purposes of the Lease or this resolution, and are in  
19 compliance with all applicable laws, including City's Charter; and, be it

20 FURTHER RESOLVED, That the City shall occupy the entire Premises for the full  
21 term of the lease unless funds for rental payments are not appropriated in any subsequent  
22 fiscal year. Said Lease shall be subject to certification as to funds by the Controller,  
23 pursuant to Section 3.105 of the Charter. Annually, DOE and City's Real Estate Division  
24 Staff shall use reasonable efforts to give Landlord at least nine (9) months advance notice of  
25 any such projected termination. In no event shall City give less than thirty (30) days

1 advance notice of any such actual termination. DOE staff and management shall, as part of  
2 City's budgetary process, seek to obtain the necessary appropriation of funds from the  
3 Board of Supervisors and certification of the availability of funds from the Controller. If City  
4 terminates the Lease due to lack of appropriated funds, then City shall not appropriate funds  
5 in the fiscal year that such termination occurs, or the subsequent fiscal year, for the purpose  
6 of purchasing a building, or renting new or additional space in any other privately-owned  
7 building, to operate any of the City programs that were located in the Premises in the fiscal  
8 year that the Lease terminated.

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11 RECOMMENDED:

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John Updike  
Acting Director  
Real Estate Division

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17 RECOMMENDED:

18 SAN FRANCISCO DEPARTMENT  
19 OF THE ENVIRONMENT

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Melanie Nutter  
Director  
Department of the Environment

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