

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 plus option to**  
4 **extend for the San Francisco Department of the Environment's Office purposes.**

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

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

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

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

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

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

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1           FURTHER RESOLVED, That the Lease shall be for a term of seven (7) years  
2 (commencing upon Substantial Completion of the Tenant Improvements expected to be on  
3 or about October 1, 2012) with one (1) further option to extend the term of the lease by five  
4 (5) years. The Lease shall be at a base rent of \$684,320.00 per year (\$28.00 per sq ft) and  
5 shall be fully serviced. The base rent shall increase annually by \$1.00 on each anniversary  
6 of the Anniversary Date of the Lease. The Landlord has provided a base allowance of  
7 \$1,502,571.20 (\$61.48 per square foot). The City shall pay other typical tenant costs  
8 including its pro rata share of increases in operating expenses over the base year. The  
9 proposed lease shall include three (3) months of a rent reduction credit equal to \$57,026.67  
10 for each month of months one (1), two (2), and three (3), to facilitate DOE's transition to the  
11 new facility. This lease shall include one (1) further option to extend the term for five (5)  
12 years each on all of the same terms and conditions except that the base rent shall be  
13 reassessed at fair market value; and,

14           WHEREAS, DOE is seeking in kind donations and grant funding in order to increase tenant  
15 improvements above the base allowance; and, be it

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

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

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

7           FURTHER RESOLVED, That the City shall occupy the entire Premises for the full term of the lease  
8 unless funds for rental payments are not appropriated in any subsequent fiscal year. Said Lease shall be  
9 subject to certification as to funds by the Controller, pursuant to Section 3.105 of the Charter. Annually, DOE  
10 and City's Real Estate Division Staff shall use reasonable efforts to give Landlord at least nine (9) months  
11 advance notice of any such projected termination. In no event shall City give less than thirty (30) days  
12 advance notice of any such actual termination. DOE staff and management shall, as part of City's budgetary  
13 process, seek to obtain the necessary appropriation of funds from the Board of Supervisors and certification of  
14 the availability of funds from the Controller. If City terminates the Lease due to lack of appropriated funds, then  
15 City shall not appropriate funds in the fiscal year that such termination occurs, or the subsequent fiscal year,  
16 for the purpose of purchasing a building, or renting new or additional space in any other privately-owned  
17 building, to operate any of the City programs that were located in the Premises in the fiscal year that the Lease  
18 terminated.

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21 RECOMMENDED:

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John Updike  
Acting Director  
Real Estate Division

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RECOMMENDED:  
SAN FRANCISCO DEPARTMENT  
OF THE ENVIRONMENT

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Melanie Nutter  
Director  
Department of the Environment