

1 [Lease - Real Property at 1740 Cesar Chavez Street - Potrero Investor I, LLC and Potrero  
2 Investor II, LLC - \$21,450 monthly]

3 **Resolution authorizing a five-year lease of approximately 11,000 square feet at 1740**  
4 **Cesar Chavez Street from Potrero Investor I, LLC and Potrero Investor II, LLC, for the**  
5 **Department of Human Resources at the monthly cost of \$21,450 for the period of**  
6 **September 15, 2013, through September 15, 2018.**

7  
8 WHEREAS, The Board of Supervisors recognizes a need for increased recruitment,  
9 hiring and training of public safety staff to address anticipated retirements of the City's police  
10 and fire personnel in the coming years; and

11 WHEREAS, The City and County of San Francisco (City) Department of Human  
12 Resources (DHR) presently leases premises on the second floor of the building located at  
13 1740 Cesar Chavez Street to conduct recruitment and testing of public safety staff under a  
14 lease (the "Existing Lease") with the property owner, Potrero Investor I, LLC and Potrero  
15 Investor II, LLC (Landlord), the term of which Existing Lease is scheduled to expire on  
16 September 14, 2013; and

17 WHEREAS, The current recruitment and testing premises are too small to  
18 accommodate the size of the recruitment and testing classes that DHR expects to conduct in  
19 the coming years; and

20 WHEREAS, The Real Estate Division, at the request of DHR, negotiated a new lease  
21 with Landlord for approximately 11,000 rentable square feet of space on the ground floor of  
22 the building, a copy of which proposed lease is on file with the Clerk of the Board of  
23 Supervisors in File No. \_\_\_\_\_ (the "New Lease"), and Landlord has agreed to  
24 coordinate a relocation from the existing second floor suite to the ground floor suite and  
25 provide an allowance of \$575,000 for leasehold improvements to the new space; and

1 WHEREAS, The City will pay the verified leasehold improvement costs, if any, in  
2 excess of the \$575,000 allowance, however, the City has an expectation that the final project  
3 costs will not exceed said allowance, and

4 WHEREAS, The term of the New Lease will commence upon the date of substantial  
5 completion of the leasehold improvements more particularly described in the New Lease  
6 (which date is estimated to be September 15, 2013) and will terminate sixty (60) months after  
7 the commencement date (for an initial term of five years), with one (1) option for the City to  
8 extend the term for an additional term of five (5) years on the same terms and conditions  
9 except the base rent shall be adjusted to equal the prevailing market rate for space of  
10 comparable size and location to the premises then being offered for rent in other buildings  
11 similar in age, location and quality to the premises situated within the Potrero Hill/Dog  
12 Patch/India Basin area of San Francisco; and

13 WHEREAS, The monthly base rent under the New Lease will be \$21,450 per  
14 month (approximately \$23.40 per square foot per year or \$1.95 per square foot per month) for  
15 Year 1, \$22,000 per month (approximately \$24.00 per square foot per year or \$2.00 per  
16 square foot per month) for Year 2, \$23,100 per month (approximately \$23.40 per square foot  
17 per year or \$2.10 per square foot per month) for Year 3, \$23,650 per month (approximately  
18 \$25.80 per square foot per year or \$2.15 per square foot per month) for the Year 4, and  
19 \$24,200 per month (approximately \$26.40 per square foot per year or \$2.20 per square foot  
20 per month) for Year 5, and City will pay a proportionate share of increases in insurance  
21 expenses and tax expenses for the building over a base year of calendar year 2013 and will  
22 be responsible for paying for electricity, water, sewer, janitorial services and trash pick up  
23 services for the ground floor premises; and

1 WHEREAS, The term of the Existing Lease will be extended on all the same terms and  
2 conditions of the Existing Lease through the date immediately preceding the commencement  
3 date of the New Lease; and

4 WHEREAS, The Director of Property has determined that the proposed rental rate set  
5 forth in the New Lease is equal to or less than fair market rent for the premises; now,  
6 therefore, be it

7 RESOLVED, That, in accordance with the recommendation of the Director of the DHR  
8 and the Director of Property, the Board of Supervisors hereby approves the New Lease in  
9 substantially in the form on file with the Clerk of the Board of Supervisors in File No.

10 \_\_\_\_\_, and the Director of Property is hereby authorized to take all actions on  
11 behalf of the City and County of San Francisco, as tenant, to execute the New Lease on the  
12 terms and conditions set forth herein, and on a form approved by the City Attorney; and, be it

13 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City  
14 with respect to such New Lease are hereby approved, confirmed and ratified; and, be it

15 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
16 Property to enter into any amendments or modifications to the New Lease (including, without  
17 limitation, the exhibits) that the Director of Property determines, in consultation with the City  
18 Attorney, are in the best interest of the City, do not increase the rent or otherwise materially  
19 increase the obligations or liabilities of the City (with the exception of any necessary tenant  
20 improvements so desired by DHR and authorized by the Director of Property, to be  
21 implemented by Landlord), are necessary or advisable to effectuate the purposes of the New  
22 Lease or this resolution, and are in compliance with all applicable laws, including the City  
23 Charter; and, be it

24 FURTHER RESOLVED, That the New Lease shall be subject to certification as to  
25 funds by the Controller, pursuant to Section 6.302 of the City Charter.

1 RENT AND TENANT IMPROVEMENTS

2 \$257,400 Available

3 Fund Type: 1G

4 Fund: AGF

5 Subfund: AAA

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Controller  
Subject to the enactment of the Annual Appropriation  
Ordinance for FY 2014/2015

11 **RECOMMENDED:**

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Department of Human Resources

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Director of Property