



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator



John Updike
Director of Real Estate

January 19, 2017

Through Naomi Kelly
City Administrator

Lease Renewal
1740 Folsom Street
Sheriff
Assignment #7117

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

Dear Board Members:

Attached for your consideration is a Resolution authorizing the exercise of a five (5) year option to extend a lease of approximately 18,862 square feet at 1740 Folsom Street for the Sheriff's Department for ongoing use as an emergency response center, a training facility, and for public programs.

In 2002, the City leased the entire property at 1740 Folsom Street (also known as 120 14th Street) pursuant to Board of Supervisors' Resolution 356-02. The lease was extended for another 5 years by Board of Supervisors' Resolution 47-12. The current lease expires June 30, 2017 and includes a further option to extend the term of the lease for five years at 95% of Fair Market Rent. The proposed Resolution exercises the option to extend the term.

The facility serves as the Sheriff Department's emergency response center and is equipped with the necessary building infrastructure. The Sheriff also manages training at this facility in accordance with State mandates for annual training certified by STC (Standards for Training and Corrections) for all personnel responsible for inmate supervision and bi-annual training to comply with POST (Peace Officer Standards and Training), for the department's approximately 820 sworn officers. This training consists of Defensive Tactics, First Aid, CPR, department policies and procedures, and any training mandated by changes in state, federal or local law. The Sheriff also uses this facility to manage Crisis Intervention Training and Gender Awareness Training for both sworn and non-sworn personnel.

In addition to training and Department Operations Center facilities, the Sheriff uses this facility to manage approximately 200 comprehensive background investigations annually for prospective candidates for positions in the department, and to manage approximately 2500 jail clearance checks annually for both City staff and the public involved in providing programs and services to the jails.

Pursuant to the terms of the lease, the rent during the five-year option period is 95% of the fair market rent.

Pursuant to Administrative Code Section 23, a Fair Market Rent appraisal by MAI appraisers Watts Cohn and Partners, Inc. established the 95% of Fair Market Rent as \$47.50 per square foot or \$896,000 annually with market rate increases of 3% annually.

In addition, the Landlord has agreed to a 3% rental abatement for the first 6 months of the term to help the Sheriff make City requested budget cuts. Thus, reducing the proposed base rent in the initial year from \$896,000 to \$882,560.04. The proposed base rent is as follows

<u>Lease Year</u>		<u>Monthly Rent</u>	<u>PSF</u>
July 1, 2017- Dec 31, 2017	(1/2 yr)	\$72,426.67	(Approx. \$46.08 PSF)
Jan 1, 2018- June 30, 2018	(1/2 yr)	\$74,666.67	(Approx. \$47.50 PSF)
July 1, 2018- June 30, 2019	(Yr 2)	\$76,906.67	(Approx. \$48.93 PSF)
July 1, 2019- June 30, 2020	(Yr 3)	\$79,213.87	(Approx. \$50.40 PSF)
July 1, 2020- June 30, 2021	(Yr 4)	\$81,590.28	(Approx. \$51.91 PSF)
July 1, 2021- June 30, 2022	(Yr 5)	\$84,037.99	(Approx. \$53.46 PSF)

The lease is fully serviced except for utilities. Utilities are estimated to add approximately \$3,142.09 per month or \$37,705 annually (approximately \$1.99 psf annually).

Attachment #1 provides a “Before and After” table.

We recommend approval of the proposed lease extension. If you have any questions regarding this matter, please contact Charlie Dunn of our office at 554-9861.

Respectfully

John Updike
Director of Real Estate

cc: Sheriff Hennessy
Crispin Hollings, SHF CFO

Attachment #1
1740 Folsom Lease

	Current	Proposed
Premises	18,862 SF plus 19 car parking lot	18,862 SF plus 19 car parking
Base Rent	\$45,866.10 monthly (approx. \$29.18 psf)	\$72,426.67 monthly (approx. \$46.08 psf) first 6 months, \$74,666.67 monthly (approx. \$47.50 psf) the next 6 months
Operating Expenses	\$3,142.09 monthly (approx. \$1.99 psf annually)	No change
Base Rent Increase Date	Annually on July 1	Annually on July 1
Base Rent Increase Amount	3%	3%
Term	June 30, 2017	June 30, 2022