




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



John Updike  
Director of Real Estate

## Memorandum

Date: April 11, 2017

From: John Updike, Director of Real Estate 

To: Honorable Members of the Board of Supervisors

Subject: City's Leasehold Portfolio

In light of on-going discussions regarding the upcoming 1500 Mission Street new office project, it seemed appropriate that a snapshot of the City's leasing portfolio be provided to the governing body, to assist you in decision-making around the project in the coming weeks and months.

Over the past few years, Real Estate has been adjusting the leasehold portfolio to strategically shift renewal dates, consolidate leases to improve negotiating leverage with landlords, and create timely opportunities for lease terminations in the future.

Excluding leases outside of the city limits; leases for residential purposes; parking leases; telecommunication site leases; and the ground lease for the San Francisco Wholesale Produce Market, our City as Tenant lease portfolio looks as follows:

- 65 leases for 1,362,985 square feet of privately owned space
- Overall cost to City of portfolio: \$3,424,998/month
- Overall rate paid by City as tenant across portfolio: \$30.12/sf/year in rent\*
  - \*CBRE Q4 2016 report has entire average SF market rate at \$72.79/sf/year
  - \*CBRE Q4 2016 report has civic center market rate at \$53.39/sf/year
- 48% (or 660,752 square feet) of the leasehold portfolio lies in relative proximity to, or within, civic center
- 40% of the leasehold portfolio renews between 2022 and 2026

We have purposefully migrated several large leases into a renewal window of 5 to 10 years from now, to improve the long-term fiscal stability of the portfolio and make use of advantageous rates when opportunities arose in the past few years. This strategy included executing more leases of longer than 5 years in term - some 7, some 10, some 12 years in length. Our current portfolio compares very well to the market in general, at a cost of 41% of market rate overall. **Said differently, the City is currently enjoying the use of leased private space at a savings of over \$50,000,000 per year from market rates.**

The 1500 Mission Street project is first and foremost an opportunity to finally consolidate all permitting functions in one location – from today a disparate set of staff and functions spread across six different locations. This one-stop permitting center will provide efficient effective service to our citizens and to the development community. It will provide one office location for city permit and construction related functions of the Planning Department, Department of Building Inspection and Department of Public Works.

1500 Mission also involves the delivery of 430,845 square feet of new office space to the City's owned portfolio, replacing 276,085 owned but dysfunctional and seismically deficient square feet that the City is selling, creating a net increase of owned space of 154,760 square feet. Delivery of this space in early 2020 certainly creates the opportunity to effect lease terminations following a domino-effect of re-stacking our overall office portfolio (leased and owned) in the civic center area in the coming years. The office space stacking plan for 1500 Mission is not yet finalized. We continue to actively review our civic center lease portfolio and will make recommendations to re-balance our leased/owned space ratio as opportunities arise to potentially terminate those leases where substantive occupancy cost increases are anticipated.

We look forward to providing the Board of Supervisors further details on our overall office space use and locational strategies later this year.

Attachment: City as Tenant report, for leases of private property within county limits only, excluding San Francisco Wholesale Produce Market, residential facilities, telecommunication sites and parking lots (civic center area leases are highlighted in yellow)

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



## CITY AS TENANT LEASE REPORT (Civic Center Area Leases highlighted in yellow)

Expiration Date	St. #	Street	Lease #	Landlord	Rentable Area	Base Mo. Rent	Agent	Use	Tenant
2/28/2014	1315 and 1319	Evans	378	Raul & Denise Aviaza & Carol & Linda Olson	1128	3,384.00	CV 7059	Office	Adult Probation
2/28/2017	1701	Ocean	422	Huey Lan & Stacy Huey	5000	15,123.00	CV 7065	Office	DPH
6/30/2017	1740	Folsom	352	14th St. Partnership	18862	44,294.00	CD 7117	Office/Training	Sheriff
8/31/2017	1449	Webster	461	WPCI Commercial LLC	3900	9,142.00	CD 7118	Office - Job Assistance Center	MOEWD
11/30/2017	3801	3rd	578	Bayview Plaza, LLC (#250)	864	2,445.00	CV	Office	Human Services
12/31/2017	1380	Howard	15	Vera Cort, 1380 Howard Street Partners	79950	131,584.00	CD 7056	Office Administration	DPH Mental Health
12/31/2017	1390	Market	278	BRCP 1390 Market, LLC	69402	173,505.00	CD 7094	Office	City Attorney
1/31/2018	505	7th	457	Farallon Properties	9680	37,132.00	JU	Office	MTA (MTA HANDLING)
1/31/2018	711	Van Ness	499	SFOC LLC	9800	29,400.00	JK	General Office	DEM/Assessor-Recorder/SFPUC
2/28/2018	72	6th	490	DRS Management, LLC	1932	2,898.00	MB 7131	office/substation	Police
6/30/2018	3801	3rd	2	Bayview Plaza LLC	14825	41,678.00	CV	Clinic	DPH Mental Health
6/30/2018	732	Brannan	9	First California Investments	17625	66,510.00	JH	Office	District Attorney (3 divisions)
6/30/2018	729	Filbert	12	PACE Properties	11067	26,827.00	CV	Clinic	DPH Behavioral Health
6/30/2018	1145	Market	512	1145 Market St., L.P.	20000	65,000.00	CD	Law Library	Law Library
6/30/2018	720	Sacramento	24	716 Sacramento LLC	9250	26,980.00	CV	Clinic	DPH Mental Health
6/30/2018	755	So. Van Ness	371	AIM Two Real Estate Partnership	13545	42,644.00	CV	Clinics	DPH - CBHS
9/30/2018		Mission	17	SFP2 1360 Mission St., LLC	6300	24,675.00	CV	Office	DPH AIDS Counseling
11/2/2018	1700	17th	463	1415 16th Street Assoc., LLC	52125	156,375.00	MB	Tactical Headquarters	Police
11/30/2018	1390	Market	52	John Osmond, BRCP 1390 Market, LLC	27826	82,818.00	CD	Office	DPH Environmental Health
12/31/2018	1325A	Evans	464	Raul & Denise Aviaza & Carol & Linda Olson	3287	7,231.00	CV	Office	PUC
3/30/2019	1740	Cesar Chavez	527	Potrero Investor I and II, LLC	11000	21,450.00	JH	Testing Center	Human Resources
5/30/2019	70	Oak Grove	381	Ruth & Randy Mellinger	10000	36,000.00	CD	Office & Classrooms	Sheriff
6/30/2019	258 A	Laguna Honda	377	Laguna Honda Properties	1800	3,605.00	MB	Office	Public Defender
10/18/2019	649-651	Bryant	471	William Banker Jr. Successor	14000	20,090.00	MAB	Warehouse, Storage..	PUC
12/1/2019	3801	3rd	539	Bayview Plaza, LLC	15083	42,722.00	CV	Office and counseling services	Human Services
12/31/2019	109	New Montgomery	56	Conner Children's Trust No. 2	33998	121,118.00	CD	Office	Child Support Services - Family Support

CITY AS TENANT LEASE REPORT (Civic Center Area Leases highlighted in yellow)

2/28/2020	1455	Market	500	Hudson Pacific Properties	24440	59,145.00	MB	Office	Environment
4/23/2020	100 - 110	Blanken	363	Celestina Jimenez	3000	7,800.00	CV	Office	DPH
6/30/2020	2	Gough	541	Celebrity Consultant Group, Inc.	13938	40,653.00	CV	Office and Clinic	Human Services, Aging & Adult Services
6/30/2020	3119-3125	Mission	83	KLW, LLC	11085	50,575.00	CD	Training and office	HSA
6/30/2020	3120 and 3425	Mission/Cesar Chavez	318	KLW LLC	39251	179,083.00	CD	Office	HSA
8/31/2020	160	South Van Ness	240	Aronoff Rev. Trust & R. Cohn	15000	29,300.00	CV	Office	HSA
9/21/2020	1360	Mission	569	SFP2 1360 Mission St., LLC	16958	63,593.00	CV	Office	Human Services
11/30/2020	1390	Market	345	John Osmond, BRCP 1390 Market, LLC	5956	26,306.00	CD	Office	CFC - First Five
11/30/2020	1390	Market	416	John Osmond, BRCP 1390 Market, LLC	10846	47,903.00	CD	Office	DCYF
12/31/2020	234-238	Eddy	552	TJ-T LLC	3000	3,420.00	CV	Office and Clinic	DPH - St. James Infirmary
6/30/2021	3801	3rd	558	Bayview Plaza, LLC	10740	30,287.00	JK	Office	PUC-BERM
6/30/2021	650	5th	567	Townsend Assoc., LLC	3060	14,790.00	CV	Office	DPH - Forensics Services
7/31/2021	555-575	Polk	523	Mattison Family Trust	18000	41,697.00	CD	Community Justice Center & Sublease	
7/31/2021	601	Van Ness	564	Opera Plaza, L.P.	8646	30,261.00	JK	Office	Human Services
9/21/2021	165	Capp	577	BC Capp, LLC	6500	20,042.00	CV	Office and Homeless Drop in Clinic	Human Services
3/25/2022	2712	Mission	354	Zepporah Glass, Trustee	32000	72,032.00	CV	Office & clinic	DPH, CMHS
6/30/2022	760	Harrison	13	Vera Cort, Cort Family Living Trust	13000	25,350.00	CD	Clinic	DPH Mental Health
12/31/2022	230	Golden Gate	503	220 Golden Gate Clinic, LLC	11700	12,636.00	CD	Clinic	DPH
1/31/2023	1155	Market	504	CUOF IV PATSON 1155 LLC	103388	337,217.00	AQP	Office	Various, Multi-Tenants
1/31/2023	101	South Van Ness	505	St. James Family Partnership, LLP	10469	28,080.00	CD	Reproduction & Mail Services	Reproduction & Mail, GSA
11/30/2023	1145	Market	511	1145 Market St., L.P.	19560	64,418.00	CD	Office	Health Services
7/31/2024	1145	Market	534	1145 Market St., L.P.	35579	113,728.00	CD	Office	Retirement
9/30/2025	1440	Harrison	42	Harrison Assets, LLC	56788	298,137.00	7049	Office - Assistance	HSA
12/14/2025	450	Toland	673	Four Fifty Toland, LLC	46221	61,300.00	Jeff Suess	Central Shops	Central Shops
3/23/2026	3450	3rd	530	S.F. Child Abuse Prevention Ctr.	6024	22,113.00	MB	Children's Advocacy Center	Advocacy Ctr.
4/30/2026	1235	Mission	537	SFUSD	117826	228,288.00	JU	Office - General Assistance	Human Services
6/30/2026	564	6th	570	PBV II, LLC	17500	70,683.00	CD	Adult Probation Services	Adult Probation
12/31/2026	750	Brannan	566	750 Brannan Street Properties	24173	78,562.00	CD	Library Archives	Library
12/31/2026	200	Paul	563	200 Paul LLC	53934	67,418.00	CD	Vehicle radio installation/repair shop/office	Department of Technology
4/22/2027	1345	Ocean	429	City & County of S.F.		0.00	JU	Art Work Installation - Public Art	Arts Commission
1/31/2031		19th & Lexington	147	P.G. & E.	2170	1,089.00	JH	Substation DC Conversion Facility	MTA - Muni
6/30/2031	222	Leidesdorff	150	P.G. & E.	1750	934.00	CV	Substation	MTA - Muni



## CITY AS TENANT LEASE REPORT (Civic Center Area Leases highlighted in yellow)

7/31/2033		Otis at Duboce	533	CA Department of Transportation	16910	10,404.00	JU	Stakepark	Real Estate for Rec-Park
10/20/2033		Duboce	531	CA Department of Transportation	28026		JU	Dog Park and Parking	Real Estate for Rec-Park
3/31/2101	167	Jessie	574	Third and Mission Associates	4124	0.00	JK	Office for non-profits	MOHCD
6/16/9999	538	Holloway	540	Larkin Street Youth Services	3300	500.00	JK	youth services	Human Services Agency
6/30/9999	798	Brannan	78	Keith Cochrane, Cochrane, Keith Kiely, David	988	2,000.00	CV	Office & clinic	DPH - Forensic AIDS
6/30/9999	1305 and 1309	Evans	11	Raul & Denise Aviaza & Carol & Linda Olson,	12690	18,401.00	CV	Office	DPH Mental Health
6/30/9999	CsO	Hunters Point	145	S.F. Redevelopment Agency	90000	27,083.00	MB	Special Operations	Police - Special Operations
6/30/9999	3901-3905	Mission	19	Diodati, Giovacchino & Armando	2196	5,140.00	CV	Clinic	DPH Mental Health

