

1 [Real Property Lease - Vera Cort as Trustee -1380 Howard Street - Department of Public
2 Health - \$3,417,862.50 Initial Annual Base Rent]

3 **Resolution authorizing the extension of an existing lease for approximately 79,950**
4 **square feet of office space at 1380 Howard Street for the Department of Public Health's**
5 **Community Behavioral Health Services Division with the Vera Cort as Trustee of the**
6 **Robert J. Cort Marital Trust (99%) and as Trustee of the Vera Cort Survivor's Trust (1%),**
7 **as Landlord, at an annual rent of \$3,417,862.50 during the five year term of January 1,**
8 **2018, through December 31, 2022, and adding three further five-year options to extend**
9 **the term.**

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11 WHEREAS, The City has occupied space at 1380 Howard Street since October 1988,
12 for use by the Community Behavioral Health Services Division of the Department of Public
13 Health; and

14 WHEREAS, The current lease, authorized by Resolution No. 437-12, expires on
15 December 31, 2017; and

16 WHEREAS, The Landlord does not desire to sell the property; and

17 WHEREAS, The Real Estate Division and the office of Public Finance investigated the
18 potential advantages and costs for a purchase of the property; and

19 WHEREAS, That analysis showed that the City saves substantial funds over 30 years
20 by continuing to lease rather than buying the asset; and

21 WHEREAS, A search of other properties to purchase or to lease found none suitable or
22 economically viable in the current San Francisco Real Estate office building market; and,

23 WHEREAS, Under the existing lease, the City has an option to extend the term for an
24 additional five years at 95% of fair market rent; and

1 WHEREAS, Pursuant to the terms of such option, the Real Estate Division and the
2 Landlord have negotiated such 95% of fair market rental, considering all factors; and

3 WHEREAS, The proposed annual rent of \$3,417,862.50 (approximately \$42.75 per
4 square foot) was determined to be at or less than 95% of fair market rent by an independent
5 MAI appraisal as required by Administrative Code, Chapter 23; and

6 WHEREAS, The Real Estate Division as part of that rent negotiation was able to
7 negotiate the addition of three (3) further five year options to extend the Term; and

8 WHEREAS, Rather than amending the existing Lease for the 3rd time, the City
9 Attorney's Office recommends replacing the existing lease with a new lease so as to update
10 the lease in one document with the City's current standard provisions; and

11 WHEREAS, A copy of the replacement lease which (i) incorporates such updated City
12 provisions, (ii) extends the term of City's occupancy for 5 years at 79% of the appraised fair
13 market rent, (iii) provides for a \$479,700 tenant improvement allowance and (iv) adds three
14 (3) further options to extend the term beyond the term of City's last option period under the
15 existing lease; and

16 WHEREAS, The extension of the term either by amendment or by new lease is subject
17 to enactment of a resolution by the Board of Supervisors and the Mayor, in their respective
18 sole and absolute discretion, approving and authorizing such extension; now, therefore, be it

19 RESOLVED, That in accordance with the recommendation of the Director of the
20 Department of Public Health and the Director of the Real Estate Division, the Director of
21 Property is hereby authorized to take all actions, on behalf of the City and County of San
22 Francisco, as Tenant, to extend the term by executing a new lease, a copy of which is on file
23 with the Clerk of the Board of Supervisors in File No. 171178, (the "Lease") and other related
24 documents with the Vera Cort as Trustee of the Robert J. Cort Marital Trust (99%) and as
25 Trustee of the Vera Cort Survivor's Trust (1%) ("Landlord"), for the building commonly

1 known as 1380 Howard Street, San Francisco, California, which comprises the entire property
2 consisting of an area of approximately 79,950 square feet on the terms and conditions therein;
3 and, be it

4 FURTHER RESOLVED, That the monthly base rent for the extension shall be
5 \$284,821.88 per month (approximately \$42.75 per square foot annually) for the extended
6 term; City shall continue to pay for its utilities, janitorial, water and sewer, security guards,
7 refuse and recycling; and, be it

8 FURTHER RESOLVED, That the term shall be for five (5) years (January 1, 2018, to
9 December 31, 2022) and provide City with three (3) further options to extend the term for five
10 (5) years each at 95% of the then fair market rent; and, be it

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

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

21 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
22 Property to enter into any amendments or modifications to the Lease (including without
23 limitation, the exhibits) that the Director of Property determines, in consultation with the City
24 Attorney, are in the best interest of the City, do not increase the rent or otherwise materially
25 increase the obligations or liabilities of the City, are necessary or advisable to effectuate the

1 purposes of the Lease or this resolution, and are in compliance with all applicable laws,
2 including City's Charter; and, be it

3 FURTHER RESOLVED, Said Lease shall be subject to certification as to funds by the
4 Controller, pursuant to Section 3.105 of the Charter and that the City shall occupy the entire
5 Premises for the full term of the lease unless funds for rental payments for the Department of
6 Public Health are not appropriated in any subsequent fiscal year at which time City may
7 terminate the lease as set forth in the Lease; and, be it

8 FURTHER RESOLVED, That within thirty (30) days of the execution of the Lease
9 extension, the Director of Property shall provide a copy to the Clerk of the Board for the
10 Board's file.

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\$2,498,437.56 Available
(Existing FY17/18 Existing rent of \$789,506.28
plus \$1,698,937.50 proposed rent January 1
to June 30, 2018)

Controller

RECOMMENDED:

Director
Department of Public Health

Director of Property
Real Estate Division