Resolution retroactively approving a Lease Agreement with San Francisco Unified School District of Real Property at 1235 Mission Street for the Human Services Agency, at an initial rate of $216,014.33 per month for a term of 11 years and 10 months from July 1, 2014, through April 30, 2026.

WHEREAS, On August 1, 1992, The City and County of San Francisco ("City") previously entered into a Sublease ("Sublease") with the San Francisco Unified School District ("SFUSD") for approximately 117,826 square feet of office space at 1235 Mission Street ("Premises") to accommodate the Human Services Agency, which was authorized by the Board of Supervisors through Board Resolution No. 20-92 adopted January 16, 1992; and

WHEREAS, By a Notice of Establishment of Rent for First Extension Period, dated May 29, 2003, City and SFUSD agreed to a five year extension of the sublease, which was approved by the Board of Supervisors through Board Resolution No. 404-03 adopted June 27, 2003; and

WHEREAS, By an Agreement Establishing Rent and Term for Second Extension Period and Confirming Second Sublease Extension, dated July 23, 2012, City and SFUSD agreed to a five year extension of the sublease, which was approved by the Board of Supervisors through Board Resolution No. 342-12 adopted September 24, 2012; and

WHEREAS, By Grant Deed recorded on August 30, 2013, SFUSD acquired the Premises from Cadence Bank, N.A., successor by merger to Encore Bank, N.A., formerly known as Guardian Savings and Loan Association; and
WHEREAS, City and SFUSD jointly commissioned a property condition assessment of the Premises to provide guidance as to necessary capital repairs and appropriate rental structure going forward; and

WHEREAS, The Human Services Agency continues to provide vital General Assistance Services from the Premises; and

WHEREAS, The Director of Property, in consultation with the City Attorney's Office, has negotiated a Lease Agreement for the Premises for a term of 11 years and 10 months to April 30, 2026, using a schedule of rent that commences at a rate of $22.00 per rentable square foot per year ($216,014.33 per month until June 30, 2016), then increases to a rate of $23.25 per rentable square foot per year ($228,287.92 per month until June 30, 2018), then increases to a rate of $24.50 per rentable square foot ($240,561.42 per month until June 30, 2020), then increases to a rate of $25.75 per rentable square foot ($252,835.00 per month until June 30, 2022), then increases to a rate of $27.00 per rentable square foot ($265,108.50 per month until June 30, 2024), and finally increases to a rate of $28.50 per rentable square foot ($279,836.75 per month until April 30, 2026), on file with the Clerk of the Board in File No. 140784, and by reference made a part hereof; and

WHEREAS, The Director of Property has determined that the proposed rental rate for the entire lease period, from July 1, 2014, through April 30, 2026, as set forth in the Lease Agreement, is no greater than fair market rent for the Premises; and,

WHEREAS, The contributions of SFUSD and City toward necessary capital improvements to the Premises of up to $6,000,000 (up to $3,500,000 by SFUSD, and up to $2,500,000 by City), represent reasonable tenant and capital improvements consistent with standard real estate market practices, and the process for design and construction of said improvements are clearly articulated in Article 6 of the Lease Agreement; and
WHEREAS, The additional one-time rental payment agreed to by City and SFUSD of $232,706.35 represents a reasonable amount of differential base rent from the Second Extension of Sublease as extended from September 1, 2013, to July 1, 2014 (the negotiations period of 10 months, or $0.1975 per month per rentable square foot); and

WHEREAS, The Lease Agreement shall have two five-year extensions exercisable by City with 18 months prior notice at a rent of 95% of fair market rent as determined in the Lease Agreement; and

WHEREAS, The City shall have the right of early termination of the lease, with proper prior notice anytime after the 126th month of the Lease; now therefore, be it

RESOLVED, That in accordance with the recommendation of the City Attorney and the Director of Property, the Board of Supervisors hereby approves the Lease Agreement and transaction contemplated thereby in substantially the form of such Agreement presented to the Board and authorizes the Director of Property to execute and deliver the Lease Agreement, and authorizes City staff to take all actions, on behalf of the City, to perform its obligations and exercise its rights under the Lease Agreement; and, be it

FURTHER RESOLVED, That all actions heretofore taken by any employee or official of the City with respect to this Lease Agreement are hereby approved, confirmed and ratified; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of Property to enter into any amendments or modifications to the Lease Agreement (including without limitation, the exhibits) that the Director of Property determines, in consultation with the City Attorney, are in the best interest of the City, do not materially increase the obligations or liabilities of the City, do not materially decrease the benefits to the City, or are necessary or advisable to effectuate the purposes of the Lease Agreement or this
Resolution, and are in compliance with all applicable laws, including City's Charter; and, be it

FURTHER RESOLVED, That said Lease Agreement shall be subject to certification as to funds by the Controller, pursuant to Section 3.105 of the Charter.

$232,706.35 Available

Fund/Subfund: 1GAGFAAA
Program: CAO
Index Code: 45ADOH
Subobject: 03011

RECOMMENDED:

John Updike
Director of Property

Trent Rhorer
Director
Human Services Agency

 Supervisor Kim
 BOARD OF SUPERVISORS

Page 4
6/24/2014
Resolution retroactively approving a Lease Agreement with San Francisco Unified School District of Real Property at 1235 Mission Street for the Human Services Agency, at an initial rate of $216,014.33 per month for a term of 11 years and 10 months from July 1, 2014, through April 30, 2026.

July 23, 2014 Budget and Finance Sub-Committee - RECOMMENDED

July 29, 2014 Board of Supervisors - ADOPTED

Ayes: 11 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

I hereby certify that the foregoing Resolution was ADOPTED on 7/29/2014 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Date Approved