Resolution authorizing a lease amendment to extend an existing lease of 33,998 sq. ft. at 617 Mission Street/109 New Montgomery Street with MacLean Properties LLC and Douglas G. Moore, Trustee under the Connor Children’s Trust No. 2, for the Department of Child Support Services for a monthly base rent of $158,657.33 for a total initial annual base rent of $1,903,887.96 for the period of July 1, 2018, through December 31, 2024.

WHEREAS, San Francisco’s Department of Child Support Services (SFDCSS) promotes the well-being of San Francisco children by establishing and then delivering child support collection services that help both parents meet the financial, medical, and emotional needs of their children; and

WHEREAS, Through the collection and distribution of funds, SFDCSS achieves cost savings to taxpayers by reducing family dependency on public assistance; and

WHEREAS, SFDCSS also improves the quality of life for affected San Francisco children who are not on assistance; and

WHEREAS, SFDCSS in FY2016-2017, served 11,689 child support cases representing 9,792 children; and

WHEREAS, SFDCSS in FY2016-2017, distributed approximately $26 million dollars with over 88% percent of every dollar going directly to families; and

WHEREAS, SFDCSS has occupied premises consisting of a portion of the ground floor, the entire second, third, and fourth floors, and basement storage at the corner building commonly known and numbered 617 Mission and 109 New Montgomery since March 1995; and
WHEREAS, The current premises meets Federal and State regulations and the
operational needs of SFDCSS; and

WHEREAS, The Lease, as last extended by Board Resolution No. 372-14, expires
on December 31, 2019; and

WHEREAS, The Lease provides a further option to extend the term for another five
years from January 1, 2019, until December 31, 2024, at 95% of fair market rental; and

WHEREAS, Market rates for the Premises are currently more than $75 - $80 per
square foot and 95% of $75 per square foot is $71.25 per square foot; and

WHEREAS, SFDCSS current rent is $121,117.88 per month (approximately $42.75 per
square foot per year); and

WHEREAS, SFDCSS’s annual operational budget is 100% funded through the
California Department of Child Support Services and does not impact the General Fund of
the City and County of San Francisco; and

WHEREAS, Despite increasing costs, the State’s California Department of Child
Support Services is providing no increases to SFDCSS’s annual operational budget; and

WHEREAS, SFDCSS has been told by the State’s California Department of Child
Support Services that it is unlikely to increase SFDCSS’s annual operational budget to
accommodate an increase in rent to market value; and

WHEREAS, SFDCSS, during the current term, has already consolidated its
operations from four floors to three floors in 2016 in order to cut costs by sharing space
with the Department of Public Health (DPH) to meet prior State budget cutbacks; and

WHEREAS, SFDCSS has explored all options including relocation and additional
consolidation; and
WHEREAS, The Real Estate Division and the Landlord have negotiated a blend and
extend lease extension at $158,657.33 per month (approximately $56 per square foot per
year) for the entire option term with a new 2017 Base Year; and

WHEREAS, The proposed Base Rent does not include the typical annual increases
of 3% to 4%, representing a significant savings to SFDCSS and DPH; and

WHEREAS, SFDCSS can fund the proposed fixed rent from its annual operational
budget without assistance from the General Fund of the City and County of San Francisco;
and

WHEREAS, Co-locating DPH and SFDCSS saves DPH substantial monies on
telephone, data, furniture and tenant improvements if it were to rent other space; and

WHEREAS, A MAI Fair Market Rent Appraisal by Runde & Partners, Inc. dated
May 1, 2018 found that the proposed rent of $56 per square foot is approximately 32%
below the Fair Market Rent of $83 per square foot; and

WHEREAS, The Second Amendment is subject to enactment of a Resolution by the
Board of Supervisors and the Mayor, in their respective sole and absolute direction, approving
and authorizing such lease modification; now, therefore, be it

RESOLVED, In accordance with the recommendation of the Director of the
Department of Child Support Services, the Director of the Department of Public Health, and
the Director of Property, that the Director of Property is hereby authorized on behalf of the
City and County of San Francisco as Tenant, to execute the Second Amendment to Lease
(a copy of which is on file with the Clerk of the Board in File No. 180477) at 617 Mission
Street/109 New Montgomery Street with MacLean Properties LLC and Douglas G. Moore,
Trustee Under the Conner Children’s Trust No. 2, collectively Landlord, for the premises
comprising an approximate area of 33,998 rentable square feet on the ground floor and the
entire second, third and fourth floors plus basement storage space; and, be it
FURTHER RESOLVED, The lease extension shall commence on July 1, 2018, and expire on December 31, 2024, and, be it

FURTHER RESOLVED, That the Base Rent will be $158,657.33 per month (approximately $56 per square foot per year); City shall continue to be responsible for City's percentage share of increases in operating expenses and real estate taxes above a new 2017 base year and its separately metered electrical costs; and, be it

FURTHER RESOLVED, That City agrees to indemnify, defend and hold harmless Landlord and its agents from and against any and all claims, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred as a result of (a) City's use of the premises, (b) any default by City in the performance of any of its obligations under this lease, or (c) any negligent acts or omissions of City or its agents, in, on or about the premises or the property; provided, however, City shall not be obligated to indemnify Landlord or its agents to the extent any claim arises out of the active negligence or willful misconduct of Landlord or its agents; and, be it

FURTHER RESOLVED, That any action taken by any City employee or official with respect to this lease is hereby ratified and affirmed; 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 (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 increase the rent or otherwise materially increase the obligations or liabilities of the City, are necessary or advisable to effectuate the purposes of the Lease or this resolution, and are in compliance with all applicable laws, including City's Charter; and, be it

FURTHER RESOLVED, City shall occupy said premises for the entire lease term expiring on December 31, 2024, unless funds for rental payments are not appropriated in
any subsequent fiscal year, at which time City may terminate this lease with written notice
to Landlord, pursuant to Charter, Section 3.105 of the City and County of San Francisco;
and, be it

    FURTHER RESOLVED, That within thirty (30) days of the agreement being fully
executed by all parties, the Director of Real Estate shall provide the agreement to the Clerk of
the Board for inclusion into the official file.
RECOMMENDED:

$1,903,887.96 Total Available
(Base Rent 7/1/18 to 6/30/19)

SFDCSS funding $1,364,166.72 (71.77%):
Fund ID: 11300
Dept ID: 229264
Project ID: 10001654
Activity ID: 0002
Authority ID: 10000
Account ID: 530110

DPH funding $539,721.24 (28.33%):
Fund ID: 10010
Dept ID: 251917
Project ID: 10023255
Activity ID: 4
Authority ID: 17077
Account ID: 581200

Subject to the enactment of the Annual Appropriation Ordinance for FY 18/19
Resolution authorizing a lease amendment to extend an existing lease of 33,998 sq. ft. at 617 Mission Street/109 New Montgomery Street with MacLean Properties LLC and Douglas G. Moore, Trustee under the Connor Children's Trust No. 2, for the Department of Child Support Services for a monthly base rent of $158,657.33 for a total initial annual base rent of $1,903,887.96 for the period of July 1, 2018, through December 31, 2024.

June 20, 2018 Government Audit and Oversight Committee - RECOMMENDED

June 26, 2018 Board of Supervisors - ADOPTED
Ayes: 11 - Breed, Cohen, Fewer, Kim, Peskin, Ronen, Safai, Sheehy, Stefani, Tang and Yee

I hereby certify that the foregoing Resolution was ADOPTED on 6/26/2018 by the Board of Supervisors of the City and County of San Francisco.

Mark Farrell
Mayor

Date Approved