RESOLUTION NO. 205-2005

Adopted December 20, 2005

AUTHORIZING AN EXPENDITURE OF FUNDS IN AN AMOUNT NOT TO EXCEED $419,045 TO ONE SOUTH ASSOCIATES, LLC, A DELAWARE LIMITED LIABILITY COMPANY, PURSUANT TO THE AGENCY'S SUBLEASE WITH THE CITY AND COUNTY OF SAN FRANCISCO FOR COSTS IN EXCESS OF THE AGENCY'S PORTION OF THE TENANT IMPROVEMENT ALLOWANCE FOR THE FIFTH FLOOR OF ONE SOUTH VAN NESS AVENUE; AND AUTHORIZING EXECUTION OF A LETTER AGREEMENT WITH THE CITY AND COUNTY OF SAN FRANCISCO'S DEPARTMENT OF TELECOMMUNICATIONS AND INFORMATION SERVICES IN AN AMOUNT NOT TO EXCEED $144,300 FOR THE PURCHASE AND INSTALLATION OF TELEPHONE EQUIPMENT AT ONE SOUTH VAN NESS AVENUE

BASIS FOR RESOLUTION

1. The Redevelopment Agency of the City and County of San Francisco (the “Agency”) currently leases space at 770 Golden Gate Avenue for its primary office. This lease expired at the end of September. When the Agency began looking for new office space more than a year ago, the City and County of San Francisco (the “City”) asked the Agency to cooperate in a city-wide effort to reassess the City’s overall real estate needs and investigate ways to co-locate synergistic departments/agencies and decrease the City’s occupancy costs over the long-term.

2. As part of this effort, the City entered into a lease with One South Associates, LLC, a Delaware limited liability company (the “Owner” or “Landlord”), on January 1, 2005 for space at One South Van Ness, a 504,000-square-foot building at the southeast corner of South Van Ness Avenue and Market Street (the “Master Lease”). The Master Lease calls for the Municipal Transportation Authority (“MTA”) to lease the third floor in this building, with the option for MTA or other City departments and/or agencies to expand into the second, fifth and seventh floors. Each floor is approximately 63,000 rentable square feet.

3. The City has requested that the Agency move onto the fifth floor with the Mayor’s Office of Housing (“MOH”) and the Mayor’s Office of Community Development (“MOCD”). Unlike City departments/agencies, the Agency – as a public agency created under state law – had to enter into a sublease agreement with the City for the space (the “Sublease”). The terms in the Master Lease were negotiated between the Owner and City representatives in late 2004/early 2005. The Agency’s Sublease for 39,644 rentable square feet, approved by the Commission on August 16, 2005 by Resolution No. 129-2005, incorporated the already-negotiated terms in the Master
Lease. Construction of the floor’s tenant improvements began in November, and occupancy is expected by February 1, 2006.

4. In anticipation of the move, the Agency’s approved fiscal years 2004-2005 and 2005-2006 budgets included a total of approximately $900,000 to cover moving expenses and additional expected costs associated with the build-out. Since the time of the Sublease authorization, Agency staff has been working cooperatively with City staff to finalize the fifth floor plans and to make other necessary arrangements for the occupancy of the space. The master lease includes a tenant improvement allowance of $40 per rentable square foot (or about $2.7 million for the 66,351 rentable square feet on the fifth floor). The Agency, MOH, and MOCD are sharing the total allowance in proportion to the amount of space allocated to each department. After deducting architectural design costs, the Agency’s portion of this amount is about $1.5 million.

5. Under the approved Sublease, the Agency is responsible for paying tenant improvement costs in excess of the allowance. Payments are made “directly to Landlord as and when required under the Master Lease and the applicable work letter” (Sublease Section 7.1). The master lease and work letter require the Agency to use Plant Construction Company (“Plant Construction”) for the construction of the tenant improvements. Plant Construction was selected by the Owner after consultation with the City.

6. The tenant improvement allowance will not cover all the required tenant improvement costs. It also does not include costs for telephone equipment and data cabling. The proposed action would authorize an expenditure of funds to the Owner in an amount not to exceed $419,045 for costs in excess of the tenant improvement allowance, such as voice and data cabling, common conference room furniture, lunch room furniture, additional built-in storage space, sound proofing, tackable walls, restroom upgrades, and additional air ventilation zones.

7. The proposed action would also authorize a letter agreement with the City’s Department of Telecommunications and Information Services in an amount not to exceed $144,300 to provide telephone equipment, installation services, and hook-up to the City’s telephone switch (the “Letter Agreement”). Finally, there are a number of other non-construction expenses related to the move that were budgeted in the Agency’s fiscal years 2004-2005 and 2005-2006 budgets. These non-construction move costs are within staff’s purchasing and contracting authority under the Agency’s Purchasing Policy.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to 1) expend funds in an amount not to exceed $419,045 to One South Associates, LLC, a Delaware limited
liability company, pursuant to the Agency’s Sublease with the City and County of San Francisco for costs in excess of the Agency’s portion of the tenant improvement allowance for the fifth floor of One South Van Ness Avenue; and 2) execute a Letter Agreement with the City and County of San Francisco’s Department of Telecommunications and Information Services in an amount not to exceed $144,300 for the purchase and installation of telephone equipment at One South Van Ness Avenue.

APPROVED AS TO FORM:

[Signature]

James B. Morales
Agency General Counsel