

File No. 101604

Committee Item No. 10

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 9/8/10

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
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| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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OTHER

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Completed by: Gail Johnson

Date 9/3/10

Completed by: _____

Date _____

* An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Lease and License of Real Property at 1 Dr. Carlton B. Goodlett Place, Ground Floor Café
2 and North Light Court]

3 **Resolution authorizing the lease of 1,426 square feet of space, a license of 2,400**
4 **square feet and the shared use space of 1,360 square feet to the Elias M. Nasra &**
5 **Family Partnership, a California general partnership, in City Hall located at 1 Dr. Carlton**
6 **B. Goodlett Place.**

7
8 WHEREAS, City Hall, City and County of San Francisco, is located at 1 Dr. Carlton B.
9 Goodlett Place; and

10 WHEREAS, The employees and patrons of City Hall desire to have a quality café
11 operating within the premises; and

12 WHEREAS, The City desires to have the café operation expanded to the North Light
13 Court; and

14 WHEREAS, The existing Management Agreement for the operation of the Ground
15 Floor Café between the City and Chong Sook Park expired January 3, 2009, at the end of a
16 five-year extension option term, and has been month-to-month since that time; and

17 WHEREAS, There has not been any food or beverage service in the North Light Court
18 since Juma Ventures, Inc., terminated its lease in 2009, and

19 WHEREAS, The Real Estate Division has completed a competitive solicitation to
20 secure a qualified café operator within 1,426 rentable square feet as a lease and 2,400
21 square feet as a license and 1,360 square feet of shared use space at 1 Dr. Carlton B.
22 Goodlett Place at a fair market rental rate, with due consideration of compliance with the
23 Mayor's Executive Directive 10-01, the Healthy Food and Beverage Options and other
24 qualitative café operation benchmarks as a condition of said solicitation; and
25

1 WHEREAS, Out of five proposals received, a three-person selection panel
2 unanimously ranked the proposal of Elias M. Nasra & Family Partnership as the top proposal;
3 now, therefore, be it

4 RESOLVED, That in accordance with the recommendation of the Director of Property,
5 the Director of Property is hereby authorized to take all actions, on behalf of the City and
6 County of San Francisco, as Landlord, to execute a lease and license with the Elias M. Nasra
7 & Family Partnership, a California general partnership, as Tenant for 1 Dr. Carlton B. Goodlett
8 Place, Ground Floor Café and North Light Court, San Francisco, California (collectively, the
9 "Lease"), substantially in the form on file with the Clerk of the Board of Supervisors in File No.
10 _____ ; and, be it

11 FURTHER RESOLVED, That the term of the Lease shall be five years with a
12 commencement date of September 1, 2010; and, be it

13 FURTHER RESOLVED, That the monthly base rent shall be \$1,500.00 upon
14 commencement, modified gross, and such rent shall increase annually by a Consumer Price
15 Index inflator; and, be it

16 FURTHER RESOLVED, That the Lease shall contain one 5-year option for renewal by
17 Tenant at a rental rate to be determined between the parties; and, be it

18 FURTHER RESOLVED, That the Lease shall contain requirements that the Elias M.
19 Nasra & Family Partnership adhere to the terms and conditions of the Healthy and
20 Sustainable Food Executive Directive submitted , as Exhibit H to the Lease; and, be it

21 FURTHER RESOLVED, That the Lease shall include a clause approved by the City
22 Attorney, indemnifying and holding harmless the City from and agreeing to defend the City
23 against any and all claims, costs and expenses, including, without limitation, reasonable
24 attorney's fees, incurred as a result of Tenant's use of the premises, any default by the Tenant
25 in the performance of any of its obligations under the Lease or any acts or omissions of

1 Tenant or its agents, in, on or about the premises or the property on which the premises are
2 located, excluding those claims, costs and expenses incurred as a result of the active gross
3 negligence or willful misconduct of City or its agents; and, be it

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

6 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
7 Property to enter into any amendments or modifications to the Lease that the Director of
8 Property determines, in consultation with the City Attorney, are in the best interest of the City,
9 do not materially reduce the rent or otherwise materially increase the obligations or liabilities
10 of the City, are necessary or advisable to effectuate the purposes of the Lease and are in
11 compliance with all applicable laws, including City's Charter.

12 RECOMMENDED:

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14 _____
15 Amy L. Brown
16 Director of Property
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Item 10 File 10-1004	Department(s): Real Estate Division (RED)
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EXECUTIVE SUMMARY**Legislative Objective**

The proposed resolution would authorize a new five year Café Lease and License Agreement for a total of 5,186 square feet of space in City Hall located at 1 Dr. Carlton B. Goodlett Place, to Elias M. Nasra & Family Partnership, a California general partnership, for café and other retail services.

Key Points

Based on a competitive Request for Proposal process, the Real Estate Division (RED) has recommended the approval of a Café Lease and License Agreement for the City Hall ground floor café and the North Light Court, to Elias M. Nasra & Family Partnership. The North Light Court space would be used as a café as well as for other uses including, florist, newspaper, and sundries concessions, and a Wi-Fi service area.

The proposed lease is for five years, commencing immediately upon Board of Supervisors approval, with one five-year option to extend the term per mutual agreement of the parties.

Fiscal Impact

Under the proposed lease and license, the lessee would pay the City base rent of \$1,500 monthly, or \$18,000 on an annual basis, as a combined lease and license fee. The base rent would be subject to an increase adjustment each September 1st beginning in 2011, based on the Consumer Price Index (CPI). Under no circumstances would the base rent fall below the base rent in effect immediately prior to the adjustment date.

Recommendation

Approve the proposed resolution.

BACKGROUND/MANDATE STATEMENT**Background**

The two City Hall spaces subject to the proposed lease and license agreement (the ground floor café and the North Light Court) have previously been subject to separate lease agreements and managed by separate companies.

According to Robert Reiter of the Real Estate Division (RED), and Building Manager for City Hall and the Civic Center Campus, the existing Management Agreement for the operation of the ground floor café between the City and Chong Sook Park, who was awarded the lease based on a competitive process, expired on January 3, 2009, at the end of a five-year extension option term. The lease has been continued on a month-to-month basis since January 2009 because, according to Mr. Reiter, a protracted transition in City Hall building management left the matter unaddressed for a period of time.

The North Light Court area was most recently leased and operated by Juma Ventures, a youth employment social enterprise organization. According to Mr. Reiter, in the period leading up to

the competitive bid process for that license in 2008, the City Administrator, in collaboration with the RED and other City agencies¹, determined that the subject space could not generate sufficient revenues to support a full service café and that the space would be best used for youth workforce development. In May 2008, the Board of Supervisors approved the lease with Juma Ventures at the below-market rate of \$200 per month. A below-market rate was chosen in consideration of (a) the City's primary focus of leasing to a non-profit organization that could create employment and training opportunities for youth and (b) the space would have limited days and hours of operations, consisting of Monday through Friday from 7:30 a.m. to 2:00 p.m.

However, according to Mr. Reiter, by the spring of 2009, it was determined that a social enterprise function was not financially feasible without additional support and General Fund subsidy, and Juma Ventures was allowed to terminate its license in the Spring of 2009². Since that time, there has not been any food or beverage service in the North Light Court area.

In order to keep café operation as a viable enterprise in the North Light Court area, it was determined that a single, professional operator, operating both the ground floor café and the North Light Court café and paying fair market value rent for both spaces, would be the most appropriate management structure going forward.

On April 14, 2010, the RED issued a RFP for a Café Lease and License for one contractor to operate two cafés in City Hall, one on the ground floor and one in the North Light Court area, plus a license for additional shared-use space in the ground floor seating area. According to Mr. Reiter, marketing and outreach for the RFP for the proposed lease and license included advertising on the RED's website, in local newspapers, and through posters hanging in City Hall. By the application deadline on May 12, 2010, the RED received five responses to the RFP. A three-person panel³ reviewed and scored the five responses. The panel conducted unannounced site visits at the current business locations of the three most viable proposers in order to gain insight to food quality, café cleanliness and overall business operations⁴.

The scores of the five responders are shown in Table 1 below based on data provided by the RED. The written scores were based on the applicants' (a) business plan (15 points), (b) café experience (25 points), (c) financial capacity (15 points), (d) sustainable food concept (15 points), (e) menu/food quality (10 points), (f) external partnerships (i.e. access to capital) (5 points), (g) interview (10 points), and (h) rental amount bid (5 points). The responders' annual base rent bid is also included in Table 1 below.

¹ The other agencies involved in the development of the youth employment opportunity were the Controller's Office, the Mayor's Office of Economic and Workforce Development, the Mayor's Office of Community Development, and the Department of Youth, Children and Their Families.

² As a penalty for early termination Juma Ventures forfeited its security deposit which was equal to 10 months rent.

³ The review team was composed of representatives from the San Francisco Department of Public Health's Food Systems Project, the City Hall Historic Preservation Advisory Commission, and the City Administrator's Office.

⁴ The three proposers selected were the current City Hall ground floor café operator, Chong Park, The Elias M. Nasra & Family Partnership and Corporate Cuisine/Mocha's Café and Grill.

Table 1: Responders for City Hall Café Lease and License

Bidders	Average of Panelists' Scores	Rental Amount Bid
Total Possible Score	100	
1. Elias M. Nasra & Family Partnership	86	\$1,500
2. Corporate Cuisine/Mocha's Café and Grill	72	\$1,500
3. The Great 8 Group	66	\$500
4. Café Nightingale	37	\$2,500
5. Chong Park	33	7% of gross sales

Source: RED

Based on the RED's competitive RFP process, the RED has recommended that the proposed lease and license agreement be awarded to Elias M. Nasra & Family Partnership, who is to pay the City \$1,500 monthly or \$18,000 annually. As shown in Table 1 above, Elias M. Nasra & Family Partnership was determined to be the highest ranking proposer with a score of 86 points.

The RED sought to secure fair market value rent for the proposed lease and license agreement, representing a departure from the below-market rate approach taken under the previous social enterprise lease for the North Light Court area. The amounts offered ranged from \$500 per month to \$2,500 per month, and one proposer put forth an amount equal to seven percent of gross sales, as shown in Table 1 above. According to Mr. Reiter, the proposer offering the highest rent amount, \$2,500, was deemed less qualified and less responsive to the City's RFP than Elias M. Nasra & Family Partnership.

Mandate Statement

In accordance with Charter Section 9.118(c), any lease for ten or more years, including the options to renew, and/or having anticipated revenues of \$1,000,000 or greater is subject to Board of Supervisors approval.

DETAILS OF PROPOSED LEGISLATION

The proposed lease and license agreement includes three areas totaling 5,186 square feet within City Hall at 1 Carlton B. Goodlett Place. The lease premises are comprised of 1,426 square feet of space on the ground floor; the licensed area is comprised of 2,400 square feet of space known as the North Light Court. There is an additional 1,360 square feet of licensed shared use space that is primarily used for ground floor café seating but is also occasionally used for other City purposes. According to Mr. Reiter, the license legal structure is used for the North Light Court and the other shared use space instead of a full-fledged lease because the license structure allows the City to regularly use those spaces for multiple purposes and users, whereas a lease structure would leave the City with limited options for sharing the space.

Lease Term Period: The proposed lease and license agreement is for five years, commencing immediately upon Board of Supervisors approval, with one five-year option to extend the term per mutual agreement of the parties.

Annual Rent: The proposed lessee would pay the City an annual base rent of \$18,000, paid monthly in the amount of \$1,500. The base rent is subject to an annual CPI⁵ adjustment on the anniversary of the commencement of the lease and license agreement in each year of the proposed agreement beginning in 2011. If the CPI decreases, the rent will not decrease to a value less than the previous year's rent under the provisions in the proposed leases.

Utilities and Services: The proposed lessee would be responsible to pay for telephone charges (local and long distance), pest control, and janitorial services and refuse removal within the subject premises. The City would pay for heating, air conditioning, lighting, refuse removal from designated containers, water, sewer, and building standard janitorial services to the seating areas.

Tenant Improvement Work: The proposed lease and license agreement also defines improvement work that the lessee is required to complete on the ground floor through a contractor approved by the City. The required improvements, as defined by the proposed lease, are as follows:

- (a) remove the 2 walls indicated on the Demolition Sketch (Exhibit C-1 of the lease);
- (b) separate the service room from the Ground Floor Seating Area by installing 2 walls with glass panels as generally depicted on the Space Plans (Exhibit C-2 of the lease);
- (c) install counters and cabinetry as generally depicted in the Space Plans; and
- (d) install sinks, drains and electrical outlets as generally depicted in the Space Plans.

Promptly upon execution of the proposed lease and license agreement, the lessee would furnish the City with its working drawings in accordance with the City's Space Plans. The proposed lease and license agreement does not specify a dollar amount to be spent on the tenant improvements as outlined above, but it does require that the work be completed at no cost to the City and in a professional manner in accordance with sound building practices.

FISCAL ANALYSIS

Projected Revenue for the First Year of the Proposed Lease

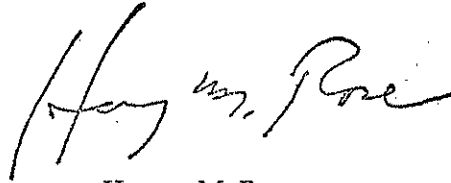
For the last year of the operation of the ground floor café, the City received \$5,804 in rent. Although the City has not received rent for the North Light Court space since Juma Ventures was

⁵ The CPI represents changes in prices of all goods and services for Urban Wage Earners and Clerical Workers (base years 1982-1984=100) in the San Francisco-Oakland-San Jose area and is published by the Bureau of Labor Statistics under the United States Department of Labor.

allowed to terminate its lease in the spring of 2009, as described above, the City was previously receiving annual rent of \$2,400 for the operation of the North Light Court space. Therefore, the maximum amount of annual rent received by the City in recent years, basing the ground floor café portion on actual rent received from July 2009 to June 2010, is \$8,204 (\$5,804 + \$2,400), or \$9,796 less than the proposed rent of \$18,000 to be received by the City for the operation of the two City Hall cafés on the ground floor and in the North Light Court area.

RECOMMENDATION

Approve the proposed resolution.



Harvey M. Rose

cc: Supervisor Avalos
Supervisor Mirkarimi
Supervisor Elsbernd
President Chiu
Supervisor Alioto-Pier
Supervisor Campos
Supervisor Chu
Supervisor Daly
Supervisor Dufty
Supervisor Mar
Supervisor Maxwell
Clerk of the Board
Cheryl Adams
Controller
Greg Wagner

City and County of San Francisco



Real Estate Division
Office of the City Administrator

Amy L. Brown
Director of Real Estate

July 26, 2010

Through Edwin M. Lee, City Administrator

Honorable Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

File 101004

BY _____ AK

2010 JUL 26 AM 11:12

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

Re: Proposed Lease of City Hall Ground Floor Space and License of North Light Court at 1 Dr. Carlton B. Goodlett Place

Dear Board Members:

Attached for your consideration is a proposed Resolution awarding a five year Lease with accompanying License for 1,426 square feet of City Hall ground floor space and 2,400 square feet of North Light Court space to Elias M. Nasra & Family Partnership, a California general partnership.

Since the closure of the Juma Ventures operated North Light Court Café last year, city staff has pursued creation of a Request for Proposals (RFP) for a single operator of both the ground floor café as well as the North Light Court. The RFP would encourage uses in the North Light Court beyond just a café, to include florist, newspaper, sundries and Wi-Fi service. The RFP would require applicants to understand and adhere to the City's Healthy and Sustainable Food Initiative.

The rating criteria employed to review the responses were as follows:

Business Plan	15 points
Café Experience	25 points
Financial Capacity	15 points
Sustainable Food Concept	15 points
Menu/Food Quality (raters visited short-listed applicants)	10 points
External Partnerships (i.e. access to capital)	5 points
Interview	10 points
Rental Amount Bid	<u>5 points</u>
Total	100 points

A three person team reviewed and scored the five short listed applications in response to the RFP. The team was composed of representatives from the Food Policy Council, the City Hall

Historic Preservation Advisory Commission, and the City Administrator's Office. The submittal from the Elias M. Nasra & Family Partnership was rated highest by all panel members, with an average score of 86 of 100 points. The average scores of the four other short-listed applicants ranged from 33 to 72 of 100 points, indicating a very clear and apparent first choice for the City to make in this regard. The current operator of the ground floor café in City Hall was a finalist in this process, however their ranked score was fifth of the five competing applicants. City Hall staff will endeavor to ensure a smooth transition to a new operator occurs if the Resolution before the Board is approved.

Lease negotiations were recently concluded and operations will commence in a timely fashion, assuming Board of Supervisors and Mayor approval of the lease at this time.

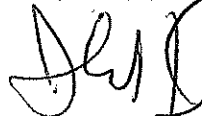
The proposed lease is for a term of five (5) years commencing September 1, 2010. The Tenant shall have one 5-year option to extend the term based on the same terms and conditions except that the base rent shall be adjusted per mutual agreement of the parties.


The base monthly rent is \$1,500.00 modified gross, in that the Tenant is responsible for janitorial, pest control and telephone charges, while the City is responsible for heating, cooling, lighting, water, sewer and refuse removal from the exterior containers. The base monthly rent shall increase annually in accordance with a Consumer Price Index inflator during the term of the lease. For comparison purposes, the ground floor café at City Hall currently generates approximately \$500/month to the City in lease revenue (7% of gross).

Initial hours of operation will be 7:30am to 3:30pm for the ground floor café, and 8am to 4pm for the North Light Court, modified by the mutual consent of the parties to reflect market conditions or special events. The City Hall Historic Preservation Advisory Commission was afforded the opportunity to comment on the initial draft of the RFP, and had input on the selection process, through the participation of the Chair.

The Real Estate Division recommends approval of the proposed lease. If you have any questions in this regard, please contact Rob Reiter of my staff at 554-4939.

Very truly yours,



 Amy L. Brown
Director of Property

Attachments



CAFE LEASE AND LICENSE AGREEMENT

between

CITY AND COUNTY OF SAN FRANCISCO,
as Landlord

and

ELIAS M. NASRA & FAMILY PARTNERSHIP,
a California general
as Tenant

For the lease of
The Ground Floor Cafe

and

the license of
The North Light Court Cafe

City Hall
San Francisco, California

_____, 2010

