



City College of San Francisco
Real Estate Report
Facilities Committee
May 5, 2020

Review of City College Real Estate Assets

- A comprehensive review of each CCSF location is in the pages that follow.
- An essential component of the college's fiscal sustainability is the leveraging of its real estate assets.
- There are facilities that the college owns that are under utilized.
- The objective of this review is to be prudent about fiscal obligations related to facilities.

Airport Center – Lease is Month to Month

	Remain at Current Location	Relocate to New Building at United Airlines
Lease Payment - Annual	(\$1)	TBD
Construction Costs	\$0	(\$20,000,000)
Moving / Storage Costs	\$0	(\$340,000)
<u>Net Income / (Cost)</u>	<u>(\$1)</u>	<u>(\$20,340,000)</u>

- The current location is a ground lease directly with San Francisco International Airport (SFO). Through ongoing conversations, SFO has verbally stated they are willing to extend the ground lease for an additional 24 months from now while CCSF undertakes a new development project.
- Due to SFO's unwillingness to enter into a long term lease, a new location for Airport Center is needed. One alternative is to construct a new facility on the grounds of the United Airlines Maintenance Facility (UAL) at SFO. In this scenario, CCSF would enter into a long-term sub ground lease with UAL and build a new facility. Alternative locations for lease are also being explored.
- Construction / Moving / Storage Costs are one-time expenses.
- Relocation timeline: 2 years
- 14 credit classes annually with 350 annual enrollments.
- Funding: Project has not yet been specifically earmarked for funding.
- **Recommendation:** Explore all options including extending the lease at the current location, a new development, and alternative leased facilities.

Chinatown / North Beach Center – Owned Facility

Fiscal Year	1	2	3	4	5	Total
Café Annex Space - square feet	917	917	917	917	917	
Lease Payment - Annual (Medium)	\$59,605	\$61,393	\$63,235	\$65,132	\$67,086	\$316,451
Brokerage Commission	6% (\$18,987)	\$0	\$0	\$0	\$0	(\$18,987)
Net Income	\$40,618	\$61,393	\$63,235	\$65,132	\$67,086	\$297,464

Market Rent*	
Annual per square foot	
Low	\$45
Medium	\$65
High	\$85

- The Annex Building at the Chinatown / North Beach Center has an approximately 917 square foot retail café space that is not utilized by CCSF. This space has frontage along Columbus Avenue, a prime retail corridor.
- The CCSF community and the neighborhood at large would benefit from a new restaurant offering at the Annex Building.
- Brokerage Commission is a one-time expense.
- 385 credit & non-credit classes annually with 9,000 annual enrollments. (Figures are for the entire Center, not just the Annex Building.)
- Funding: Determination of what will fund the Brokerage Commission needs to be finalized.
 - *Note: Market rents listed above represent a snapshot in time and there may be a variation from those numbers due to current economic realities.
- **Recommendation:** After the eventual easing of stay-at-home orders, market the space for lease to a retail café operator.

Civic Center – Market St – Lease Expires Feb 28, 2021

	Remain at 1170 Market	Relocate to Downtown & Chinatown
Lease Payment - Annual	(\$1,066,000)	\$0
Revenue from State - Annual	\$658,000	\$0
Construction Costs	\$0	\$0
Moving / Storage Costs	\$0	(\$65,000)
<u>Net Income / (Cost)</u>	<u>(\$408,000)</u>	<u>(\$65,000)</u>

- Rent is paid with 2005 Bond Funds. This is achieved since the location is technically swing space for the 750 Eddy St rehabilitation construction project.
- Moving / Storage Costs are one-time expenses.
- Moving project timeline from decision: 2 – 3 months.
- Based on current enrollment trends, state funding will drop by 1/3 in 2020-21 and 1/3 again in 2021-22.
- 45 credit & non-credit classes annually with 800 annual enrollments.
- Funding: Determination of what will fund the Moving Costs needs to be finalized.
- **Recommendation:** Allow the lease to expire on February 28, 2021, no extension. Temporarily relocate classes in Spring 2021.

750 Eddy St – Owned Facility

	Repair 750 Eddy St	Re-development Partnership
Square Feet	26,400	26,400
Construction Costs	(\$23,000,000)	\$0
Per SF	(\$856)	NA
Sale Proceeds	\$0	\$9,000,000
Per SF	NA	\$341
Brokerage Commission	4% \$0	(\$360,000)
Net Income / (Cost)	(\$23,000,000)	\$8,640,000

Market Price** per square foot	
Low	\$284
Medium	\$341
High	\$682

Sunk cost to date (\$424,011)
 Reimbursed by State* \$363,457

*To be paid back if Repair project is not completed

- **Repair Option:**
 - The facility is owned by CCSF, but it has been shuttered due to Field Act code violations. Planning and design is in process to implement mandated State of California upgrades.
 - Current timeline
 - Department of the State Architect (DSA) plan approval: August 2021 / Construction completion: September 2022
 - Total Project Budget: \$23,000,000
 - The State of California has earmarked a \$12,971,000 grant for this project. However, these funds are not guaranteed. CCSF is adhering to the prescribed deadlines in order to keep this potential funding in play. The end result of this construction would be 10 classrooms, 2 computer labs, and other administrative spaces.
- **Partnership Option:**
 - A Public/Private Partnership may be achievable. In this scenario, the existing building would be razed and CCSF will maintain educational programs in a new building development.
- **Funding:** Construction costs are earmarked to be funded by 2020 Bond Funds and a State of California grant. Amount “Reimbursed by State” would have to be refunded if Repair is stopped.

***Note: Market rates listed above represent a snapshot in time, there may be a variation from those numbers due to current economic realities.*
- **Recommendation:** After the eventual easing of stay-at-home orders, market the facility as a partnership re-development opportunity.

Downtown Center – Owned Facility

Fiscal Year	1	2	3	4	5	6	7	8	9	10	Total	Market Rent* Annual per square foot		
Leasable Square Feet - SFSU	41,265	41,265	41,265	41,265	41,265	41,265	41,265	41,265	41,265	41,265	41,265			
Lease Payment - Annual (Medium)	\$1,650,600	\$1,700,118	\$1,751,122	\$1,803,655	\$1,857,765	\$1,913,498	\$1,970,903	\$2,030,030	\$2,090,931	\$2,153,659	\$18,922,279			
Brokerage Commission	NA	\$0									\$0			
Net Income	\$1,650,600	\$1,700,118	\$1,751,122	\$1,803,655	\$1,857,765	\$1,913,498	\$1,970,903	\$2,030,030	\$2,090,931	\$2,153,659	\$18,922,279			
													SFSU	\$40
													Low	\$50
													Medium	\$75
													High	\$90

- Since the center is under-utilized, CCSF has been in talks to lease up to half of the Downtown Center to San Francisco State University (SFSU).
 - The terms outlined above reflect the latest offer that was made to SFSU.
 - However, in light of the current Covid-19 situation and the resulting uncertainty, those talks have been put on hold.
 - In this scenario, SFSU would pay for its own tenant improvements and no brokerage commission would be paid by CCSF.
- 290 credit & non-credit classes annually with 6,800 annual enrollments.
- Funding: Any construction costs or brokerage commissions that are not paid for by a tenant have not been specifically earmarked for funding.

**Note: Market rents listed above represent a snapshot in time and there may be a variation from those numbers due to current economic realities.*

- **Recommendation:** After the eventual easing of stay-at-home orders, revisit the leasing opportunity with SFSU. If a deal is unachievable with SFSU, market for lease a portion of the facility with priority given to educational institutions, public agencies, or non-profit organizations.

Evans Center – Owned Facility

- The Evans Center is currently undergoing a \$31,500,000 renovation to include the following upgrades. The schedule may be affected by the current state of social distancing rules. The current construction plan is outlined below.
 - ❑ Phase I Scheduled completion: November 2021
 - Structural, roof, HVAC, fire life safety upgrades to code, ADA upgrades to code
 - ❑ Phase II Scheduled completion: August 2023
 - Remodel of Workforce Education Center
 - Demolition of existing walls and replacement with new adjustable grid wall systems
 - Phased demolition and replacement of existing utility infrastructure: data, plumbing, power, and lighting
 - ADA compliance and gender neutral / hygienic restroom upgrades
 - Demolition of temporary Sprung Structures and parking lot reconfiguration
- 125 credit & non-credit classes annually with 2,000 annual enrollments.
- Funding: Construction costs are earmarked to be funded by 2020 Bond Funds.
- **Recommendation:** Continue the planned renovations, expand program offerings.

Fort Mason – Lease Expires June 30, 2020

	Remain at Fort Mason	Relocate to Ocean, Chinatown, or Mission
Lease Payment - Annual	(\$408,000)	\$0
Revenue from State - Annual	\$354,000	\$0
Construction Costs	(\$8,000,000)	(\$200,000)
Moving / Storage Costs	(\$270,000)	(\$45,000)
<u>Net Income / (Cost)</u>	<u>(\$8,324,000)</u>	<u>(\$245,000)</u>

- Rent is reduced via a non-cash grant subsidy of approximately \$680,000 / year from the landlord.
- Construction upgrades are needed to remain long-term. Bond Funds can only be used in leases that are greater than ten (10) years in duration. If costs are borne by the landlord, they would be passed through to CCSF via a higher rent. A long term lease extension of 30+ years would be needed to justify the construction required to keep the center open.
- Construction / Moving / Storage Costs are one-time expenses
- Moving project timeline from decision: 2 – 3 months.
- Based on current enrollment trends, state funding will drop by 1/3 in 2020-21 and 1/3 again in 2021-22.
- 45 credit & non-credit classes annually with 1,000 annual enrollments
- 100 annual extension workshops with 2,000 annual enrollments
- Funding: The project has not yet been specifically earmarked for funding.
- **Recommendation:** Extend the lease through September 30, 2020, relocate programs to Ocean and Mission or Chinatown.

Gough St – Owned Facility; Leased Out Long-term

	Preconstruction	After Entitlement Approvals	Construction Period	Initial Post Construction Rent
Rent Receivable - Annual Minimums	\$100,000	\$500,000	\$200,000	\$400,000

- CCSF entered into a 75 year ground lease (+ a 25 year tenant option) with the private developer 33 Gough St, LLC (Integral Gude) in February 2017.
- The developer plans to redevelop the site into multi-family / apartments, but they have had delays in their entitlement process. CCSF is entitled to a one-time \$5,000,000 payment from the developer upon their receipt of entitlements. \$6,500,000 was paid to CCSF at the outset of the ground lease.
 - The developer has leased the entire site to the City of San Francisco’s Department of Homelessness & Supportive Housing for 3 years (expires March 14, 2023). The City intends to construct and operate a Navigation Center at the site. Per the ground lease, this rent is not receivable by CCSF.
 - Under this situation, the current rent structure falls under the “pre-construction” phase and is limited to \$100,000 / year.
- During Construction and Post Construction periods, CCSF would be entitled to a rental income that is equal to 15% of the effective gross income that the developer receives from its subtenants. That 15% would certainly be greater than the amounts of \$200,000 and \$400,000 listed above. Per the ground lease, CCSF is entitled to the higher amount due from the 15% rather than the baseline amounts listed here.
- Funding: N/A

John Adams Center – Owned Facility

- The John Adams Center currently has some unused space that was carved out for a potential relocation of additional Allied Health Programs to the center.
- Within the Facilities Department, consideration is being given to utilizing those rooms as swing space for departments that will be displaced by the razing of Conlan & Smith Halls and the potential closure of 1170 Market St.
- 275 credit & non-credit classes annually with 5,600 annual enrollments.
- Funding: Allowances have been earmarked within the 2020 Bond Funds budgets for swing space.
- **Recommendation:**
 - Use some of the available rooms for swing space.
 - Move current programs that are located in the basement of the stand-alone gym building into the main building at John Adams. After the eventual easing of stay-at-home orders, market the entire gym building for lease to an organization such as a sports league, YMCA, etc. that can utilize the building's gym buildout.

Mission Center – Long-term Ground Lease from SFUSD

- The Mission Center is leased from San Francisco Unified School District through July 2078. Rent of \$7.5 M was paid in one lump sum at the commencement of the lease in August 2003.
- Consideration is being given to consolidate programs from 1170 Market St & Fort Mason Centers to Mission Center.
- 465 credit & non-credit classes annually with 11,000 annual enrollments.
- Funding: Allowances have been earmarked within 2020 Bond Funds budgets for swing space.
- **Recommendation:** Plan for moving designated programs to this center as needed.

Ocean Campus – Owned Facility

- Planning continues for the ongoing projects related to the Facilities Master Plan.
 - Major Projects
 - Diego Rivera Theater – scheduled completion: May 2023
 - Student Success Center – scheduled completion: March 2024
 - STEAM – scheduled completion: October 2024
- Balboa Reservoir Update:
 - Renewed Access & Easement Agreement with the City of San Francisco in relation to the Balboa Reservoir Development
 - There is a commitment from the developer to provide staff & faculty affordable housing.
- Funding: 2020 Bond Funds
- **Recommendation:** Continue on the path to enact the Facilities Master Plan.

Southeast Center – Lease is Month to Month

	Current Lease	New Lease	New Center @ 1550 Evans
Lease Payment - Annual	(\$301,030)	TBD	TBD
Estimated Sublease Income - Annual	\$205,140	\$0	\$0
Revenue from State - Annual	\$0	\$0	TBD
Construction Costs	\$0	(\$500,000)	(\$34,500,000)
Net Income / (Cost)	(\$95,890)	(\$500,000)	(\$34,500,000)

- Southeast Center is leased from the San Francisco Public Utilities Commission (SFPUC).
 - CCSF has been in a month-to-month lease with SFPUC at this center since the lease's expiration on June 30, 2019. The current lease footprint is for the entire 31,419 square foot facility.
 - There are a number of subtenants at the center that also have expired agreements and are on month-to-month agreements.
- SFPUC has informed CCSF that it will deliver a new lease for continuing operations at Southeast Center. That lease has not yet been received by CCSF.
- Talks are ongoing for CCSF to partner with SFPUC for a new Southeast Center facility at 1550 Evans Avenue.
 - Timeline for delivery: 2025 – Total project cost including CCSF contribution: \$71.2 M
- 10 credit & non-credit classes annually with 200 annual enrollments.
- Funding: 2020 Bond Funds (\$34.5 M) have been earmarked for 1550 Evans Avenue, but not for construction costs at the current Southeast Center.
- **Recommendation:** Continue negotiations with SFPUC for a new lease at the current center location. Stay involved and invested in the development of the 1550 Evans Avenue facility.