

## ***Transportation Authority Leases, Options 270,000 SF***

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SAN FRANCISCO-Locally based TMG Partners has found a government tenant to backfill Bank of America at One Van Ness. On behalf of the Municipal Transportation Authority, the real estate division of the City of San Francisco's Department of Administrative Services has negotiated a staged lease for 270,000 sf of the 485,000-sf former BofA data center. The MTA will occupy 62,000 sf immediately at \$24 per sf and is expected to exercise several options throughout 2005 and 2006 for the remaining space. The lease agreement also includes an eventual purchase option.

The building is located mid-market near Civic Center. Built in 1950, it was acquired by BofA in 1983 and in 1989 rehabbed and seismically upgraded for use as a data center. BofA sold the building for \$44 million in 2003 to American Financial Realty Trust. In July 2004, as BofA was in the process of vacating some 300,000 sf in the building, AFRT sold the property to TMG Partners for about \$38 million or just under \$80 per sf.

One month later, in August, California Pacific Medical Center, an existing tenant in the building, entered into a staged lease agreement to expand its lease in the building to 125,032 sf from 62,516 sf over the course of two years. That lease, combined with the 60,000 sf leased by the Compensation Insurance Fund, left about 270,000 sf of availability. TMG Partners CEO Michael Covarrubias says the company then approached Mayor Gavin Newsom with "the opportunity for the city to lease the building at an extraordinarily cost effective price."

The staged structure of the lease is intended to give the city time to phase its relocation from other city buildings it leases. Steve Legnitto, head of the aforementioned real estate division, did not respond Thursday to requests for details of the lease agreement and which leased buildings the MTA will be vacating in favor of One Van Ness.

Jones Lang LaSalle represented TMG Partners in the lease transaction as well as its previous purchase of the building. The JLL leasing team consisted of SVP and regional leasing director Wes Powell and leasing associate Jennifer O'Connell.

Powell tells GlobeSt.com that despite the city not being required to take down the additional space as is the case with the California Pacific Medical Center lease, "by all accounts there is a low probability" that the city will not eventually take down all of the 270,000 sf. "All of the space is being pulled off the market," says Powell. "We fully expect each and every option to be exercised."