

1 [Real Property Acquisition - 145-165-11th Street, 973 Minna Street, and 964 Natoma Street -
2 Recreation and Park Department - \$9,725,000]

3 **Resolution approving and authorizing an agreement for the City’s acquisition of five**
4 **parcels of improved real estate, consisting of approximately 19,500 square feet in land**
5 **area, including the assumption of certain existing leases, from Ares Commercial**
6 **Properties, Inc., for \$9,725,000; placing the property under the jurisdiction of the**
7 **Recreation and Park Department, and authorizing the use of revenues from the**
8 **property for property-related costs and future park planning; adopting findings under**
9 **the California Environmental Quality Act for the acquisition, but requiring any future**
10 **park conversion project to be subject to the review and approval of the Recreation and**
11 **Park Commission following environmental review; adopting findings that the**
12 **conveyance is consistent with the General Plan, and the eight priority policies of**
13 **Planning Code, Section 101.1; and authorizing the Director of Property to execute**
14 **documents, make certain modifications, and take certain actions in furtherance of the**
15 **purchase agreement and this Resolution.**

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17 WHEREAS, Ares Commercial Properties, Inc. (“Seller”) is the fee owner of Assessor’s
18 Parcel Block No 3510, Lot Nos. 035, 037, 039, 055 & 066, located at 145 11th Street, 147
19 11th Street, 161-165 11th Street, 973 Minna Street, and 964 Natoma Street in the City and
20 County of San Francisco containing approximately 19,500 square feet of improved land area
21 (collectively, the “Properties”); and

22 WHEREAS, The Properties are encumbered by commercial leases, three of which (the
23 “Assumed Leases”) expire on or before September 30, 2021; and

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1 WHEREAS, Under the Assumed Leases, the landlord has no obligation to repair or
2 maintain the premises except for the surface and structural elements of the roof, the
3 foundations and the load bearing walls; and

4 WHEREAS, The tenants under the Assumed Leases collectively pay the landlord
5 approximately \$20,395 per month in base rent, and each tenant must also pay its share of
6 common operating expenses; and

7 WHEREAS, Seller and City have negotiated a purchase and sale agreement (the
8 “Purchase Agreement”), a copy of which is on file with the Clerk of the Board in File No.
9 170422, for sale of the Properties to the City for Nine Million Seven Hundred Twenty-Five
10 Thousand Dollars (\$9,725,000) subject to the terms and conditions stated therein; and

11 WHEREAS, An independent appraisal confirmed that the purchase price is equal to or
12 less than the fair market value of the Properties; and

13 WHEREAS, Under the Purchase Agreement, the City will assume the landlord’s rights
14 and obligations under the Assumed Leases at closing, and the San Francisco Recreation and
15 Park Department (“SFRPD”) intends to allow the existing tenants under the Assumed Leases
16 to remain on the Properties in accordance with their Assumed Lease terms through existing
17 expiration dates, and to use the rents received to pay all operating or other expenses of
18 SFRPD related to the Properties; and

19 WHEREAS, The City wishes to acquire the Properties for potential future development
20 of a neighborhood park by SFRPD after the expiration of the existing terms of the Assumed
21 Leases; and

22 WHEREAS, This acquisition will further SFRPD’s mission, as articulated in the SFRPD
23 Strategic Plan Objective 1.1 (“Develop more open space to address population growth in high
24 needs areas and emerging neighborhoods”), by providing an opportunity to create a future
25 park in a neighborhood that is in need of additional parks and open spaces; and

1 WHEREAS, This acquisition falls within one of the areas identified by the District 6
2 Open Space Task Force in 2013 as desirable for new open space based on the Recreation
3 and Open Space Element High Needs Areas mapping and such factors as population density,
4 concentration of children and/or seniors, concentration of lower income households,
5 anticipated growth, and the number existing parks relative to other areas in the City; and

6 WHEREAS, On August 18, 2016, the Recreation and Park Commission unanimously
7 approved Resolution 1608-006 affirming the purchase of the Properties and urging the Board
8 of Supervisors to take steps necessary to purchase the Properties with monies from the Open
9 Space Acquisition Fund; and

10 WHEREAS, The public interest or necessity will not be inconvenienced by the
11 acquisition of the Properties in accordance with the Purchase Agreement, and such
12 acquisition will further a proper public recreational purpose; and

13 WHEREAS, The Planning Department, by letter dated April 4, 2017, found that the
14 acquisition of the Properties is not considered a project under the California Environmental
15 Quality Act (“CEQA”, Pub. Resources Code Section 21000 et seq.) pursuant to CEQA
16 Guidelines, Section 15060, and Chapter 31 of the City’s Administrative Code, and is
17 consistent with the General Plan, and the eight priority policies of Planning Code,
18 Section 101.1, which letter is on file with the Clerk of the Board in File No. 170422, and
19 incorporated herein by this reference; now, therefore, be it

20 RESOLVED, This Board affirms the Planning Department’s determination under CEQA
21 and finds that the proposed acquisition of the Properties is consistent with the General Plan
22 and the eight priority policies of Planning Code, Section 101.1 for the reasons set forth in the
23 Director of Planning’s letter; and, be it

24 FURTHER RESOLVED, That in accordance with the recommendation of the General
25 Manager of SFRPD and the Director of Property, the Board of Supervisors approves the

1 Purchase Agreement in substantially the form presented to the Board, and authorizes the
2 General Manager of SFRPD and the Director of Property to take all actions necessary or
3 appropriate to acquire the Properties and assume the Assumed Leases and any other leases
4 approved by City as set forth in the Purchase Agreement, and to perform the City's obligations
5 as a landlord; and, be it

6 FURTHER RESOLVED, That the Properties shall be placed under SFRPD's
7 jurisdiction, and SFRPD shall use the revenues from the Properties to fulfill the City's
8 obligations as landlord and applicable law and shall use any excess revenues, after paying all
9 costs of operation and maintenance, for planning and other costs related to the potential
10 demolition and conversion of the Properties to a public park following the departure of the
11 existing tenants, and, be it

12 FURTHER RESOLVED, That any future building demolition and conversion of the
13 Properties to a park will be subject to the review and approval of the Recreation and Park
14 Commission following any required environmental review; and, be it

15 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
16 Property to enter into any amendments to the Purchase Agreement and to enter into ancillary
17 agreements that the Director of Property determines, in consultation with the City Attorney
18 and General Manager of SFRPD, are in the best interest of the City, do not otherwise
19 materially increase the obligations or liabilities of the City, are necessary or advisable to
20 effectuate the purposes of the Purchase Agreement and this resolution and are in compliance
21 with all applicable laws, including City's Charter; and, be it

22 FURTHER RESOLVED, That the Director of Property is hereby authorized and urged
23 to accept the deed to the Properties from the Seller upon the closing in accordance with the
24 terms and conditions of the Purchase Agreement, and to take any and all steps (including, but
25 not limited to, the execution and delivery of any and all certificates, agreements, notices,

1 consents, escrow instructions, closing documents and other instruments or documents) as the
2 Director of Property deems necessary or appropriate in order to acquire the Properties
3 pursuant to the Purchase Agreement, or to otherwise effectuate the purpose and intent of this
4 Resolution, such determination to be conclusively evidenced by the execution and delivery by
5 the Director of Property of any such documents; and, be it

6 FURTHER RESOLVED, That the Director of Property shall provide the Clerk of the
7 Board of Supervisors a fully executed copy of the Purchase Agreement within thirty (30) days
8 after execution.

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12 Recommended:

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15 General Manager
16 San Francisco Recreation and Parks Department

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18 Director of Property

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