





San Francisco Water Power Sewer

Services of the San Francisco Public Utilities Commission

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San Francisco, CA 94102
T 415.487-5213

To: Harlan L. Kelly, Jr.
General Manager

Through: Michael Carlin 
Deputy General Manager

From: Rosanna S. Russell 
Real Estate Director

Date: January 4, 2016

Re: **Request for the General Manager's Signature -Central Shops Memorandum of Understanding**

Attached for your signature is the *revised* Memorandum of Understanding with the City and County of San Francisco (“**City**”) General Services Agency’s Office of Contract Administration (“**OCA**”), and the City and County of San Francisco General Services Agency’s Real Estate Division (“**RED**” or collectively “**OCA**”), approving the transfer of the Central Shops (a portion of San Francisco Assessor’s Block/Lot 5262-009, with a street address of 1800 Jerrold Avenue) to the San Francisco Public Utilities Commission (SFPUC).

On November 10, 2015, this Commission approved a Memorandum of Understanding (Initial MOU) with OCA and RED, agreeing to incur costs and pay OCA the total amount of \$73,700,000 to accomplish the jurisdictional transfer of 1800 Jerrold to the SFPUC, provided that OCA agrees to obtain or construct the necessary functionally equivalent facilities for Central Shops, and relocate by June 2017. The Initial MOU provided that *the SFPUC would retain jurisdiction over the Acquired Sites*, subject to Central Shops’ right to maintain jurisdiction over and use the Acquired Sites for Central Shops’ functions.

After November 10, 2015, the SFPUC, OCA and RED agreed that *OCA, rather than the SFPUC, will acquire jurisdiction over the Acquired Sites* and decided to enter into the Revised MOU.

Our Commission approved the revised MOU on December 8, 2015. John Updike, City’s Director of Property, has requested that you sign the MOU prior to approval and signature by the Board of Supervisors and the Mayor.

Under the revised MOU, the SFPUC will transfer funds for the City to (i) enter into purchase and sale agreements to acquire the properties at 555 Selby and 1975 Galvez in San Francisco (“**Acquisition Sites**”); (ii) enter into a ten-year lease of the property at 450 Toland in San Francisco (“**Leased Site**”), and (iii) enter into agreements with consultants to undertake development, design and construction of improvements on the Acquisition Sites and Leased Site to accommodate vacation of and relocation of Central Shops functions no later than July 31, 2017.

The Acquisition Sites acquired by the City for the relocation of Central Shops will be placed under GSA’s jurisdiction, subject to the irrevocable right of GSA

- Edwin M. Lee
Mayor
- Francesca Viotor
President
- Anson Moran
Vice President
- Ann Moller Caen
Commissioner
- Vince Courtney
Commissioner
- Ike Kwon
Commissioner
- Harlan L. Kelly, Jr.
General Manager



to occupy and use the acquired and improved property for Central Shops functions.

If Central Shops fails to occupy, vacates, or ceases to use the acquired property for Central Shop functions (Triggering Event), however, GSA must pay to the SFPUC within thirty (30) days after the Triggering Event a sum equal to the unamortized value of the Acquisition Sites. The amortization schedule shall be straight-line depreciation of land and improvements over thirty (30) years, commencing on the date of receipt of Temporary Certificate of Occupancy, with a first year value of \$50,000,000.

The SFPUC will transfer \$73,700,000 in funds in installments to pay for OCA's costs in vacating and relocating Central Shops.

Upon the Board of Supervisors' approval of legislation authorizing the acquisition of the Acquisition Sites, the execution of a lease of the Leased Site, and agreements necessary to complete the development, design and construction of functionally equivalent relocation facilities, and the conditional jurisdictional transfer of Central Shops to GSA, subject to the revised MOU, then upon vacation of Central Shops and final payment of the transfer of funds, jurisdiction of Central Shops will automatically transfer from OCA to GSA.

Shelby Campbell will monitor the MOU transfer payments.

Please contact me with any questions at 487-5213.

Thank you.

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 15-0265

WHEREAS, By Resolution No. 15-0241 on November 10, 2015, this Commission approved a Memorandum of Understanding (Initial MOU) with the General Services Agency (GSA)'s Office of Contract Administration (OCA) of the City and County of San Francisco (City) and the GSA's Real Estate Division (RED), establishing the terms and conditions of the jurisdictional transfer of the property at 1800 Jerrold in San Francisco (1800 Jerrold) to the SFPUC, OCA and RED, agreeing to incur costs and pay OCA the total amount of \$73,700,000 to accomplish the jurisdictional transfer of 1800 Jerrold to the SFPUC, provided that OCA agrees to obtain or construct the necessary functionally equivalent facilities for Central Shops, and relocate by June 2017; and

WHEREAS, The Initial MOU provided that the SFPUC would retain jurisdiction over the properties to be purchased for the relocated facilities, subject to Central Shops' right to maintain jurisdiction over and use such properties for Central Shops' functions; and

WHEREAS, After November 10, 2015, the SFPUC, OCA and RED agreed that OCA, rather than the SFPUC, would acquire jurisdiction over the purchased properties and decided to revise the Initial MOU to address these new terms and conditions (Revised MOU); and

WHEREAS, On December 1, 2015, the SFPUC introduced a Resolution at the Board of Supervisors (Board File No. 151215) to authorize the execution and acceptance of a ten-year lease by and between the City and Four Fifty Toland, LLC for a leased site at 450 Toland Street (Leased Site) with an initial rental amount of \$735,600 per year; the execution and acceptance of a Purchase and Sale Agreement by and between the City and the Selby and the Hudson Corporation, for the real property located at 555 Selby Street for \$6,300,000; the execution and acceptance of a Purchase and Sale Agreement by and between the City and W.Y.L. Five Star Service Industries, Inc. for the real property located at 1975 Galvez Avenue for \$5,000,000; and finding the proposed transactions are in conformance with the City's General Plan, and the eight priority policies of Planning Code, Section 101.1 (Proposed Resolution); and

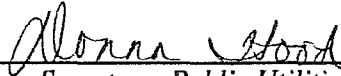
WHEREAS, The purchased properties at 555 Selby Street and 1975 Galvez Street are referred to as the Acquisition Sites; and

WHEREAS, The SFPUC seeks to enter into the Leased Site and Acquisition Site transactions to further the proposed jurisdictional transfer of 1800 Jerrold, subject to the terms and conditions of the Revised MOU, and further subject to the final adoption of a proposed Ordinance authorizing the jurisdictional transfer of 1800 Jerrold (Proposed Ordinance) and the agreements to undertake development, design and construction of new improvements on the Acquisition Sites and the Leased Site. However, if the Board of Supervisors approves the Proposed Resolution, the SFPUC intends to execute the Lease and the Purchase and Sale Agreements for SFPUC Wastewater Enterprise purposes, and such action is not contingent on final approval of the Proposed Ordinance; and

FURTHER RESOLVED, That any deviation to this allocation of SFPUC funds transferred to OCA shall require the prior written approval of the SFPUC's General Manager; and be it

FURTHER RESOLVED, That this Commission approves the terms and conditions of the Revised MOU and authorizes the General Manager of the SFPUC to execute the Revised MOU and enter into any amendments or modifications to the Revised MOU, including without limitation, modification, addition, or deletion of exhibits and to enter into any related documents, instruments, memorandum, or other agreements reasonably necessary to consummate the transaction contemplated in the Revised MOU, that the General Manager determines, in consultation with the City Attorney, are in the best interests of the City; do not materially increase the liabilities or obligations of the SFPUC or materially diminish the benefits to the SFPUC; are necessary or advisable to effectuate the purposes and intent of the Revised MOU or this Resolution; and comply with all applicable laws, including the City Charter.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of December 8, 2015.



Secretary, Public Utilities Commission

MEMORANDUM OF UNDERSTANDING

(Central Shops)

THIS MEMORANDUM OF UNDERSTANDING (this “**MOU**”), dated for reference purposes only as of December 8, 2015 (“**Agreement Date**”), is by and between the City and County of San Francisco, through its Public Utilities Commission (“**SFPUC**”), the City and County of San Francisco General Services Agency’s Office of Contract Administration (“**OCA**”), and the City and County of San Francisco General Services Agency’s Real Estate Division (“**RED**” or collectively “**OCA**”), all three entities collectively defined as the “**Parties**”.

RECITALS

A. In 1946, the City and County of San Francisco (“**City**”) Board of Supervisors (“**Board**”) passed Resolution No. 4744 (Series of 1939) requiring the City to purchase certain real property “for the construction, operation, and maintenance of the North Point Sludge Treatment Plant near Islais Creek,” now commonly known as the Southeast Water Pollution Control Plant (“**SEP**”).

B. In 1946, pursuant to Board Resolution No. 4744 (Series of 1939) and specifically for the purposes of a sludge treatment plant, the City purchased Assessor’s Block 5262 in its entirety [Board Resolution No. 5518 (Series of 1939)].

C. Between 1946 and 1948, pursuant to Board Resolution No. 4744 (Series of 1939) and specifically for the purposes of a sludge treatment plant, the City purchased the portion of Assessor’s Block 5270 east of the Southern Pacific Railroad tracks [Board Resolution Nos. 5385, 5437 and 5963, and Board Ordinance No. 4849 (all Series of 1939)].

D. Until August 1, 1996, the San Francisco Department of Public Works had jurisdiction over and maintained the City’s wastewater system including all municipal sewage treatment and disposal systems and other related facilities located within the City.

E. Effective August 1, 1996, jurisdiction over the City’s wastewater system, including sewerage facilities, assets and properties, including a portion of Assessor’s Block 5262 was transferred to the SFPUC.

F. Currently, the City’s Central Fleet Maintenance Shop is located on the northwest corner of the intersection of Jerrold Avenue and Quint Street, on a portion of Block/Lot 5262-009 (previously designated as Block 5262 and as a portion of Block 5270), commonly known as 1800 Jerrold Avenue (“**Transfer Site**”). The Transfer Site is more fully described in the attached **Exhibit A** and depicted on the attached **Exhibit B**.

G. The Transfer Site, is currently used as an automobile and truck maintenance and repair shop, including ancillary shops, and offices for the City’s fleet, commonly referred to as the “**Central Shops**,” which is under the jurisdiction of OCA. The San Francisco Department of Technology (“**DT**”) also occupies a portion of Central Shops.

H. The Transfer Site is located adjacent to the SFPUC's SEP, also on Block/Lot 5262-009, among other parcels, which the City owns under the SFPUC's jurisdiction.

I. The SEP facilities are old, and require substantial maintenance, repair and replacement. The SFPUC is undertaking scheduled repair and replacement projects at the SEP and throughout the City in the near term, and has immediate need for additional space for storage of equipment and vehicles and temporary relocation of existing uses in the vicinity of the SEP. In the longer term, the SFPUC anticipates a continuing need for more space for capital improvement projects related to existing facilities and upgrades to the sewage system. Due to the existing intensive competition for available industrial land in the City, particularly in proximity to SFPUC's existing utility plants and facilities, the SFPUC now seeks to secure land necessary to support its current and future obligation to provide essential utility services.

J. OCA is willing to consent to a jurisdictional transfer of the Transfer Site to the SFPUC, provided it receives compensation to enable occupancy of functionally equivalent facilities and related necessary relocation expenses.

K. The SFPUC desires to acquire jurisdiction over the Transfer Site, subject to approval of a jurisdictional transfer consistent with this MOU by the Commission, Board of Supervisors and Mayor.

L. OCA desires to transfer jurisdiction of the Transfer Site to the SFPUC, subject to the Board of Supervisors' and Mayor's approval of a jurisdictional transfer consistent with this MOU.

M. In a letter dated November 9, 2015 to the Director of Real Estate, the San Francisco Planning Department ("**Planning Department**") found that the proposed jurisdictional transfer of the Transfer Site from OCA to the SFPUC was consistent with the City's General Plan and Planning Code Section 101.1(b).

N. The SFPUC's Bureau of Environmental Management determined the proposed jurisdictional transfer of 1800 Jerrold to the SFPUC is categorically exempt as a Class 32: In-Fill Development categorical exemption under section 15332 of the California Environmental Quality Act ("**CEQA**").

O. The Planning Department sent notification on October 13, 2015 of the Project receiving environmental review and received no public comments by the end of the specified comment period.

P. On October 28, 2015 the Planning Department concurred with the categorical exempt determination for the proposed Jurisdictional Transfer.

Q. The City's Director of Property has determined the current fair market value of the Transfer Site is less than the reasonable and necessary costs to vacate the Transfer Site and relocate Central Shops to functionally equivalent facilities. Therefore, the Director of Property has determined that the SFPUC must pay OCA the reasonable cost of the Central Shops' relocation and the cost of

functionally equivalent facilities, as set forth in the memorandum dated November 3, 2015 **attached as Exhibit C** in exchange for the jurisdictional transfer of the Transfer Site to the SFPUC.

R. The Director of Property recommends the City (i) enter into purchase and sale agreements to acquire the properties at 555 Selby and 1975 Galvez in San Francisco (“**Acquisition Sites**”); (ii) enter into a ten-year lease of the property at 450 Toland in San Francisco (“**Leased Site**”), and (iii) enter into agreements with consultants to undertake development, design and construction of improvements on the acquired and leased properties to accommodate vacation of the Transfer Site and relocation of Central Shops functions no later than July 31, 2017 (collectively “**GSA Project**”).

S. On December 1, 2015, the SFPUC introduced a Resolution at the Board of Supervisors (Board File No. 151215) to authorize the execution and acceptance of a Lease by and between the City and County of San Francisco and Four Fifty Toland, LLC, a California limited liability company, for the real property located at 450 Toland Street with an initial lease amount of \$735,600 per year; the execution and acceptance of a Purchase and Sale Agreement by and between City and Selby and Hudson Corporation, a California corporation, for the real property located at 555 Selby Street for \$6,300,000; the execution and acceptance of a Purchase and Sale Agreement by and between the City and W.Y.L. Five Star Service Industries, Inc., a California corporation, for the real property located at 1975 Galvez Avenue for \$5,000,000; and finding the proposed transactions are in conformance with the City’s General Plan, and the eight priority policies of Planning Code, Section 101.1 (“**Proposed Resolution**”). The SFPUC seeks to enter into these transactions to further the proposed jurisdictional transfer of the Transfer Site, subject to the final adoption of an Ordinance authorizing the jurisdictional transfer of the Transfer Site, subject to this MOU, and the agreements to undertake development, design and construction of improvements on the Acquisition Sites and Leased Site (“**Proposed Ordinance**”). However, if the Board approves the Proposed Resolution, the SFPUC intends to execute the Lease and the Purchase and Sale Agreements for SFPUC Wastewater Enterprise purposes, and such action is not contingent on final approval of the Proposed Ordinance.

T. If both the Proposed Resolution and the Proposed Ordinance become effective, the Acquisition Sites acquired by the City for the relocation of Central Shops will be placed under the jurisdiction of GSA, subject to one condition. If Central Shops fails to occupy, vacates, or ceases to use the acquired property for Central Shop functions (“**Triggering Event**”), GSA must pay to the SFPUC within thirty (30) days after the Triggering Event a sum equal to the unamortized value of the Acquisition Sites. The amortization schedule shall be straight-line depreciation of land and improvements over thirty (30) years, commencing on the date of receipt of Temporary Certificate of Occupancy (“**TCO**”), with a first year value of \$50,000,000. For example purposes only, should the TCO date be June 1, 2017, and the Triggering Event date be June 1, 2037, the payment amount due SFPUC shall be \$16,666,666 (20 years of 30 years total = 0.33 remaining life, \$50,000,000 x 0.33 = \$16,666,666).

U. OCA and the SFPUC understand and acknowledge that OCA will incur substantial costs in vacating the Transfer Site and relocating Central Shops.

V. OCA desires to accept, and the SFPUC desires to transfer the funds necessary to replace the Transfer Site with facilities that will provide functional equivalent utility for Central Shops.

W. Upon the Board of Supervisors' approval of legislation authorizing the acquisition of the proposed Acquisition Sites, the execution of a lease of the Leased Site, and agreements necessary to complete the development, design and construction of functionally equivalent relocation facilities, subject to the MOU, then upon vacation of Central Shops (OCA) from the Transfer Site and final payment of the Balance Transfer, as defined and pursuant to Section 3.c.iv., requiring the SFPUC to incur or pay the projected reasonable and necessary costs of relocating Central Shops in the total amount of Seventy-Three Million Dollars Seven Hundred Thousand dollars (\$73,700,000), jurisdiction of the Transfer Site will automatically transfer from OCA to the SFPUC.

X. OCA is willing transfer and the SFPUC is willing to accept the transfer, subject to the approval of the Board of Supervisors, consistent with the terms and conditions set forth in this MOU.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1. Recitals. The foregoing recitals are true and correct and are incorporated herein by this reference.
2. Transfer of Jurisdiction.
 - a. RED shall submit the Proposed Ordinance to the Board of Supervisors to obtain approval of the jurisdictional transfer, subject to the terms and conditions of this MOU and agreements necessary to complete the development, design and construction of functionally equivalent relocation facilities necessary for the jurisdictional transfer of the Transfer Site.
 - b. If the Proposed Resolution authorizing the acquisition of the proposed Acquisition Sites, the execution of a lease of the Leased Site, and the Proposed Ordinance are approved and final, then:
 - i. The Acquisition Sites and Lease Site will be placed under OCA's jurisdiction and control in order to effect the improvements contemplated by this MOU, and OCA will retain jurisdiction over the Acquisition Sites if SFPUC obtains jurisdiction over the Transfer Site, subject to the Triggering Event, GSA must pay the SFPUC within thirty (30) days after the Triggering Event a sum equal to the unamortized value of the Acquisition Sites. The amortization schedule shall be straight-line depreciation of land and improvements over thirty (30) years, commencing on the date of receipt of Temporary Certificate of Occupancy ("TCO"), with a first year value of \$50,000,000. For example purposes only, should the TCO date be June 1, 2017, and the Triggering Event date be June 1, 2037, the payment amount due SFPUC shall be \$16,666,666 (20 years of 30 years total = 0.33 remaining life, $\$50,000,000 \times 0.33 = \$16,666,666$); and

ii. Upon payment of the Balance Transfer by the SFPUC as set forth in Section 3 below, (“**Closing Date**”), jurisdiction over the Transfer Site shall automatically transfer to the SFPUC, and OCA jurisdiction over the Acquisition Sites and control of the Lease Site shall be final, subject to the condition set forth above in subsection 2.b.i., and RED shall prepare, execute and file all applicable documentation to effect the transfer and memorialize the jurisdictional transfer of the Transfer Site in the City’s real estate records (“**Final Closing**”).

3. Transfer Price; Allocation of Transfer Price; Timing of Transfer of Funds; Transaction Costs.

a. Transfer Price. In consideration for the jurisdictional transfer of the Transfer Site, and jurisdiction over the Acquisition Sites, the SFPUC shall incur or pay OCA an amount (“**Transfer Price**”) equal to \$73,700,000 as provided in Section 3(b) below. The SFPUC has no obligation to pay any amount above the Transfer Price to OCA related to the relocation of Central Shops from the Transfer Site.

b. Allocation of Transfer Price. SFPUC Funds will be expended in the following manner.

- i. No more than \$11,500,000 to acquire 555 Selby Street and 1975 Galvez Avenue, and relocate the existing tenant.
- ii. No more than \$6,900,000 towards the cost of the ten-year lease of 450 Toland.
- iii. No more than \$55,000,000 for the construction of a new maintenance shop building at Selby and Galvez; and tenant improvements at 450 Toland.
- iv. No more than \$300,000 for reimbursement of moving expenditures.

Any deviation to this allocation shall require the prior written approval of the SFPUC General Manager and the City’s Controller, which shall not be unreasonably withheld.

c. Timing of Transfer of Funds. The SFPUC has available funds appropriated in the amount of \$73,700,000 to be applied towards costs incurred and payment of the Transfer Price. Each future transfer is conditioned upon the SFPUC’s approval of all demands for payment prior to the disbursement of funds by OCA for expenditures, including but not limited to, contracts, invoices, and construction draws and change orders, and the City Controller shall be consulted as is appropriate prior to funding transfers.

- i. The SFPUC shall incur the cost of Eleven Million Five Hundred Thousand Dollars (\$11,500,000) upon final approval of the Proposed Resolution for the purchase and sale agreements for the Acquisition Sites and the cost of entering into the Lease for 450 Toland; and if the Proposed Ordinance is final and approved by the Board and the Mayor, the SFPUC will transfer funds in the

amount of Eight Million Five Hundred Thousand Dollars (\$8,500,000) minus the costs incurred to that date for the Lease of 450 Toland (“**Initial Transfer**”).

- ii. The SFPUC shall make a second installment payment of Twenty Three Million Two Hundred Thousand Dollars (\$23,200,000) (“**Second Transfer**”) to OCA upon the issuance of building permits and notice to proceed on construction at the Acquisition Sites and Lease Site.
 - iii. The SFPUC shall make a third installment payment of Twenty Four Million Dollars (\$24,000,000) (“**Third Transfer**”) to OCA upon 50% completion of the new improvements at the Acquisition Sites.
 - iv. The SFPUC shall pay the balance of the Transfer Price or Six Million Five Hundred Thousand Dollars (\$6,500,000) (“**Balance Transfer**”) to OCA within ten (10) business days following Central Shop’s and DT’s vacation of the Transfer Site. Once the Transfer Price is fully paid, jurisdiction of the Transfer Site shall automatically transfer from GSA to the SFPUC.
- d. Transaction Costs. Any costs charged by RED and any costs charged by the City Attorney’s Office to negotiate and draft transaction documents related to and arising from the jurisdictional transfer of the Transfer Site and effect the Final Closing pursuant to Section 2 shall be borne by the SFPUC.

4. Rights and Obligations of the Parties.

- a. The Parties agree to cooperate and work together in good faith to accomplish the purpose and intent of the MOU.
- b. If OCA receives the transfer of funds according to the schedule set forth above, Central Shops and DT shall vacate the Transfer Site by the earlier of 30 days following issuance of both TCO’s for the Acquisition Sites or June 30, 2017. OCA shall remove all Debris from the Transfer Site, except those items within a building, currently stored in service bays under a roof, or set forth on **Exhibit D**, before vacating the Transfer Site. For purposes of this Section, the term “**Debris**” shall include any other discarded equipment, vehicles, personal property, lumber, equipment, trash, rubbish, or building materials lying on or about the Transfer Site.
- c. To accomplish the objectives of this MOU, OCA shall seek approval by the Board of Supervisors and Mayor of authorization for agreements necessary to complete the acquisitions, lease and improvements required to achieve functional equivalent facilities for the Central Shops operations and relocation on the timeline set forth herein. Because substantial SFPUC funds are at risk pending completion of those functionally equivalent facilities, the SFPUC shall have the right to:
 - (i) Designate a representative who shall attend regular GSA Project status meetings

between OCA, RED and their representatives, agents and contractors; and

- (ii) Be advised by OCA, RED and their representatives in advance of any decision that would either increase the cost or delay by more than ten (10) days the completion of the functionally equivalent facilities on either the Acquisition Sites or the Leased Site, or could potentially result in termination of any of the agreements entered into by OCA that are necessary to accomplish the vacation of Central Shops or DT from the Transfer Site, and OCA and RED shall also so advise the City Controller.
- d. Prior to the date of Central Shop's vacation of the Transfer Site, the SFPUC, its employees, agents, consultants, contractors, authorized representatives, invitees and guests (collectively, "**PUC Affiliates**") may access and use the Transfer Site for any necessary geotechnical and environmental investigations, provided that the SFPUC does not unreasonably interfere with Central Shop's operations. Each party will appoint a contact person to coordinate access.
- e. Prior to the vacation of the Transfer Site, the SFPUC shall not construct or place any permanent structures or improvements in, on, under or about the Transfer Site, nor shall the SFPUC make any alterations or additions to any existing structure or improvement on the Transfer Site.

5. Termination Default.

- a. If the SFPUC fails to pay the full Transfer Price consistent with this MOU, OCA may, at its option, terminate this MOU and the SFPUC's right of possession and transfer by giving not less than thirty (30) days' notice to the SFPUC ("**Termination Notice**"). Any such Termination Notice shall identify the effective date of the termination ("**Termination Date**"), which shall be a date not less than thirty (30) days after delivery of the Termination Notice to the SFPUC. Any funds paid by the SFPUC to OCA as a portion of the Transfer Price shall be returned to the SFPUC, minus OCA's and RED's reasonable costs and expenses arising from and related to this MOU, the amounts paid under the Purchase and Sale Agreements for Acquisition Sites, the amounts paid under the Lease for the Leased Site, if any, and unrecoverable costs incurred upon termination of the agreements related to the improvements to be constructed on the Acquisition Sites or Leased Site, if any, supported by written documentation delivered to the SFPUC no later than ninety (90) days following the Termination Date.
- b. If OCA fails to attain TCOs for new locations by June 30, 2017, or if there is a delay in the construction schedule for the functionally equivalent facilities of more than 30 days, the SFPUC, at its option, may terminate this MOU by giving not less than thirty (30) days' notice to OCA and RED ("**Termination Notice**") and retain jurisdiction over the Acquisition Sites and control of the Lease Site, or may assume the rights and obligations under the agreements entered into by OCA to accomplish the completion of the

functionally equivalent facilities. Any such Termination Notice shall identify the effective date of the termination (“**Termination Date**”), which shall be a date not less than thirty (30) days after delivery of the Termination Notice to OCA and RED. Any funds paid by the SFPUC to OCA or RED as a portion of the Transfer Price shall be returned to the SFPUC, minus OCA’s and RED’s reasonable costs and expenses arising from and related to this MOU, the amounts paid under the Purchase and Sale Agreements for Acquisition Sites, the amounts paid under the Lease for the Leased Site, if any, and unrecoverable costs incurred upon termination of the agreements related to the improvements to be constructed on the Acquisition Sites or Lease Site, if any, no later than sixty (60) days following the Termination Date. Alternatively, in the SFPUC’s sole discretion, the SFPUC may assume the rights and obligations under those agreements entered into by OCA for improvements to the Acquisition Sites or the Leased Site, for the relocation of Central Shops, or otherwise to recover the benefit of SFPUC expenditures.

- c. “**Reasonable costs and expenses**” shall mean, for the purpose of this Section, the reasonable costs and expenses actually incurred by OCA and RED: (i) to investigate relocation sites; (ii) to negotiate and execute Purchase and Sale Agreements for Acquisition Sites; (iii) to negotiate and execute a Lease for the Leased Site; (iv) to hire consultants to implement and manage the Central Shops improvements at the Acquisition Sites and Leased Site (“**Project Management**”) and (v) any funds paid under any purchase and sale agreements or relocation lease.

7. Allocation of Liability.

- a. Upon the jurisdictional transfer of the Transfer Site, the SFPUC shall assume responsibility for any damage to the property of the SFPUC or for any bodily injury to or death of any such persons, resulting or arising from the condition of the Transfer Site or its use by the SFPUC, and the SFPUC expressly assumes responsibility for any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses, including without limitation, reasonable attorneys’ and consultants’ fees and costs (together, “**Claims**”), whether direct or indirect, known or unknown, foreseen or unforeseen, that may arise on account of or in any way be connected with any such property damage, injury or death, or the physical or environmental condition of the Transfer Site and any related improvements or any law or regulation applicable thereto or the suitability of the Transfer Site for SFPUC’s intended use.
- b. OCA and the SFPUC acknowledge that this MOU is subject to termination and in view of such fact, OCA and the SFPUC each expressly assumes the risk of making any expenditure in connection with this MOU, even if such expenditures are substantial.
- c. Upon jurisdictional transfer, the SFPUC accepts the Transfer Site in its “AS IS” condition, without representation or warranty of any kind by OCA or RED or their

employees, agents, consultants, contractors, and authorized representatives, subject to the obligations of OCA to remove Debris pursuant to Section 4.b., and further subject to all applicable laws, rules and ordinances governing the use of the Transfer Site. Without limiting the foregoing, this MOU is made subject to any and all existing and future covenants, conditions, restrictions, easements, encumbrances and other title matters affecting the Transfer Site, whether foreseen or unforeseen, and whether such matters are of record or would be disclosed by an accurate inspection or survey.

8. Conditions to Jurisdictional Transfer. Notwithstanding anything to the contrary contained herein (but subject to the remedies set forth in Section 5), the SFPUC shall have no obligation to make the Balance Transfer unless and until all of the following conditions are satisfied:

- (a) Central Shops and DT have vacated the Transfer Site as set forth in Section 4.
- (b) Prior to the Final Closing, OCA shall have maintained the Transfer Site in substantially the same condition it was in as of December 1, 2015, and OCA shall not, without first obtaining the SFPUC's prior written approval, have taken any of the following actions: (i) constructed any additional improvements on the Transfer Site, (ii) encumbered all or any part of the Transfer Site with any lien, transfer, grant, lease, license, or other encumbrance, or entered into any contract affecting the Transfer Site, except for operation contracts necessary under applicable Federal, State, and local law and regulations for the safe operation of the facilities and contracts that are terminable on thirty (30) days' notice or less, or (iii) caused or authorized any use of the Transfer Site different from the use of the Transfer Site as of the Agreement Date.
- (c) The SFPUC's Commission and the Board of Supervisors and the Mayor (as necessary and if required), shall have approved the appropriation of funds for SFPUC payment of the Transfer Price for the Transfer Site.

9. Approval Contingency. This MOU shall only be effective as of the date that all of the following conditions are met: (i) all Parties hereto have executed this MOU; (ii) the SFPUC's Commission, acting in its sole discretion, approves the Resolution requesting the jurisdictional transfer, authorizes execution of this MOU, and requests appropriations as necessary; and (iii) the Board of Supervisors and Mayor, acting in their sole discretion, approve the Proposed Resolution authorizing the execution and acceptance of a Lease by and between the City and County of San Francisco and Four Fifty Toland, LLC, a California limited liability Company, for the real property located at 450 Toland Street with an initial lease amount of \$735,600 per year; the execution and acceptance of a Purchase and Sale Agreement by and between the City and the Selby and Hudson Corporation, a California corporation, for the real property located at 555 Selby Street for \$6,300,000; the execution and acceptance of a Purchase and Sale Agreement by and between the City and W.Y.L. Five Star Service Industries, Inc., a California

corporation, for the real property located at 1975 Galvez Avenue for \$5,000,000, and (iv) the Board of Supervisors and Mayor adopt the Proposed Ordinance, and it becomes final, authorizing the jurisdictional transfer of the Transfer Site to the SFPUC, subject to the terms of this MOU, approves appropriations as necessary, and agreements necessary to complete the development, design and construction of functionally equivalent relocation facilities, as necessary to implement the terms and intent of this MOU.

10. No Assignment. This Agreement is personal to each of the named Parties, and shall not be assigned, conveyed or otherwise transferred by any Party under any circumstances. Any attempt to assign, convey or otherwise transfer this MOU shall be null and void and cause the immediate termination and revocation of this MOU.
11. Notices. All notices, demands, consents or approvals which are or may be required to be given by either party to the other under this MOU shall be in writing and shall be delivered in person, via email, Interdepartmental Delivery, or sent by United States Postal Service, postage prepaid, or reputable commercial courier, and addressed as follows:

If to RED: Real Estate Division
 Office of the Director
 25 Van Ness, Suite 400
 San Francisco, CA 94102
 Attn: Director of Real Estate
 Telephone: (415) 554-9850

If to SFPUC: San Francisco Public Utilities Commission
 525 Golden Gate Avenue, 13th Floor
 San Francisco, California 94102
 Attn: General Manager
 Telephone: (415) 554-3155

With a copy to: San Francisco Public Utilities Commission
 Real Estate Services Division
 525 Golden Gate Avenue, 10th Floor
 San Francisco, California 94102
 Attn: Real Estate Director
 Telephone: (415) 487-5210
 RES@sfwater.org

If to OCA: General Services Agency
 Office of Contract Administration
 City Hall, Room 430
 1 Dr. Carlton B. Goodlett Place
 San Francisco, California 94102
 Attn: Director

Telephone: (415) 554-6743
oca@sfgov.org

or such other address that a party may from time to time designate by notice to the other Parties given pursuant to the provisions of this Section. Telephone numbers are provided to facilitate communication and shall not be a sufficient method of delivering notice. Any correctly addressed notice sent by a method that provides confirmation of delivery shall be deemed delivered on the first date of confirmed delivery or confirmed attempted delivery.

12. Authority. All matters requiring RED's approval shall be approved by the Director of RED or his or her designee. All matters requiring OCA's approval shall be approved by the Director of the Office of Contract Administration or his or her designee and, by the Board of Supervisors, if required. All matters requiring the SFPUC's approval shall be approved by the SFPUC's Commission, if required, or by the General Manager, or his or her designee, if authorized.
13. Identification and Application of Additional Funding Sources. The SFPUC shall have the right to apply for any federal, state or local funds that may be available to pay for the costs of implementing the MOU. OCA shall cooperate to provide any materials or documents held by OCA or RED necessary to submit such applications or to qualify for distribution of such funds.
14. Cooperation. Subject to the terms and conditions of this MOU, staff of all Parties to this MOU shall use reasonable efforts to do, or cause to be done, all things reasonably necessary or advisable to carry out the purposes of this MOU as expeditiously as practicable, including, without limitation, performance of further acts and the execution and delivery of any additional documents in form and content reasonably satisfactory to all Parties (subject to any necessary approvals). Notwithstanding anything to the contrary in this MOU, no party is in any way limiting its discretion or the discretion of any department, board or commission with jurisdiction over the actions described in this MOU. In addition to any conditions described in this MOU, the Parties' obligations are expressly subject to the receipt of all legally required approvals following environmental review.
15. Miscellaneous. (a) This MOU may be amended or modified only by a writing signed by the Director of RED, or his or her designee, the Director of the OCA, or his or her designee, the SFPUC, through its General Manager, or his or her designee and the Controller, or his or her designee. (b) No waiver by any party of any of the provisions of this MOU shall be effective unless in writing and signed by an authorized representative, and only to the extent expressly provided in such written waiver. (c) This MOU (including all exhibits) contains the entire understanding between the Parties as of the date of this MOU, and all prior written or oral negotiations, discussions, understandings and agreements are merged herein. (d) Notwithstanding anything to the contrary set forth herein, no officer, director, or employee of RED, OCA or the SFPUC has the authority to bind his or her department to take any action to be performed by his or her department under this MOU unless and until the SFPUC's Commission and the Board of Supervisors and the Mayor, as applicable, approves of the action.

(e) All transactions described herein are subject to and must be conducted in accordance with the applicable requirements of the City's Charter and codes and applicable state and/or federal laws.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have caused this MOU to be executed as of the last date written below.

CITY AND COUNTY OF SAN FRANCISCO

RED: REAL ESTATE DIVISION
Of the General Services Agency

By: 
John Updike, Director

Date: 1-14-2016

OCA: OFFICE OF CONTRACT ADMINISTRATION
Of the General Services Agency

By: 
Jaei Fong, Director

Date: 1-14-2016


PUBLIC UTILITIES COMMISSION

By:  /tr
Harlan L. Kelly, Jr., General Manager

Date: 1-13-2016

APPROVED BY:

PUBLIC UTILITIES COMMISSION
PURSUANT TO RESOLUTION NO. 15-0265

By: 
Donna Hood, Commission Secretary

Date: 1-6-16

March 20, 2013

Exhibit "A"
LEGAL DESCRIPTION
Central Shops

All that certain real property situate in the City and County of San Francisco, State of California, being more particularly described as follows;

BEGINNING at the intersection of the northerly line of Hudson Avenue, as said Avenue existed prior to the vacation of a portion thereof by Ord. 10607, September 23, 1957, B.8-P.239, and the westerly line of Quint Street, as said Street existed prior to the vacation of a portion thereof by Resolution No. 245-78, March 27, 1978, B.10-P18;

thence along the westerly line of said Quint Street, South 35°31'49" West, 560.00 feet to the northerly line of Jerrold Avenue;

thence along said northerly line of Jerrold Avenue, North 54°28'11" West, 313.28 feet to the easterly line of the Rail Road Right-of-Way as described in Resolution No. 5518 (series of 1939), approved May 28, 1946;

thence along said Rail Road Right-of-Way, North 6°17'09" East, 641.80 feet to the Northerly line of said Hudson Avenue extended to the northwest;

thence along said northerly line of Hudson Avenue and the extension thereof, South 54°28'11" East, 626.82 feet to the **POINT OF BEGINNING**.

Containing 6.04 acres, more or less.

A plat showing the above-described parcels is attached herein and made a part hereof as Exhibit "B".

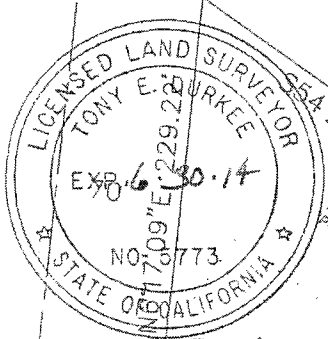
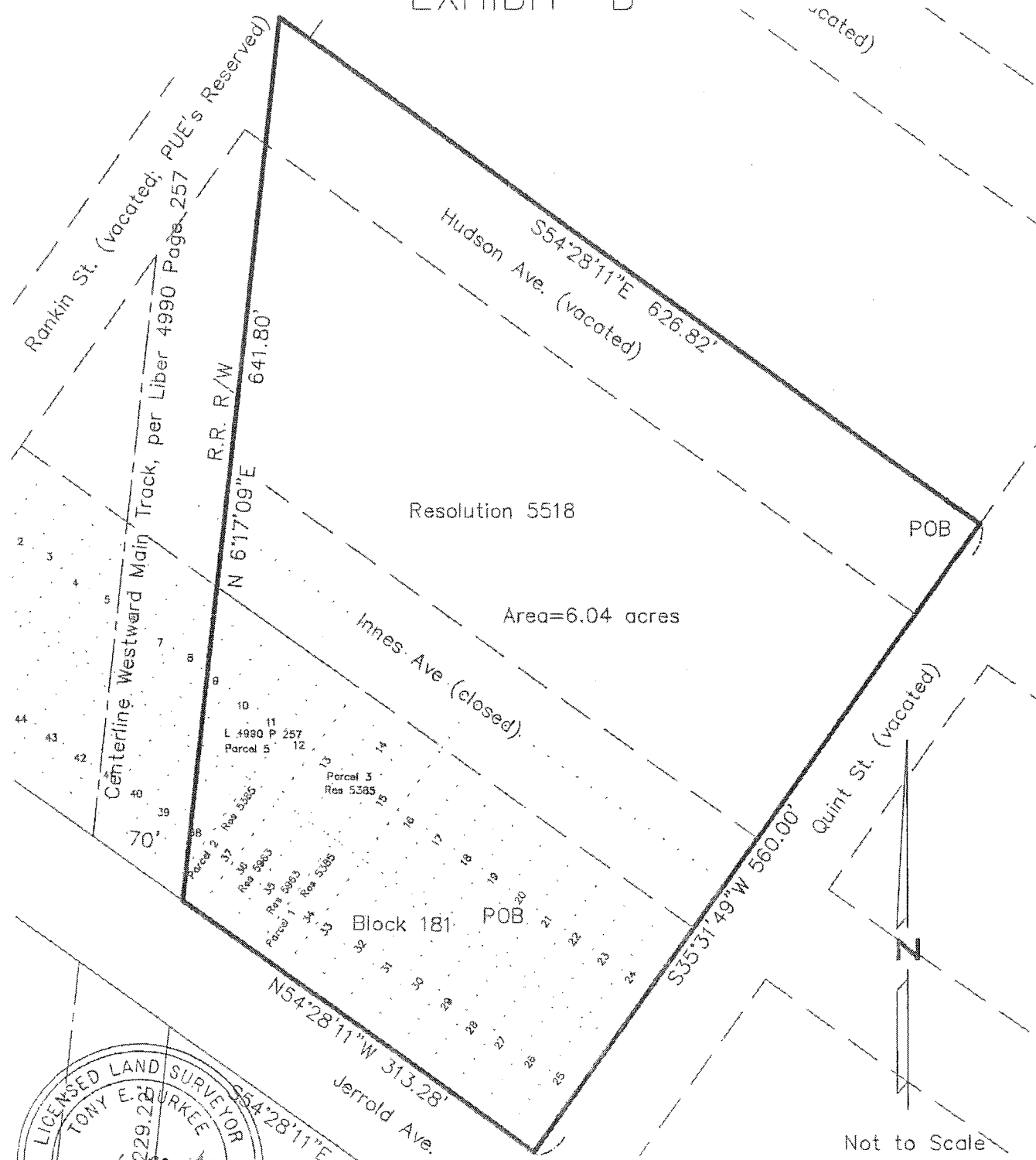
This description was prepared by me or under my direction in conformance with the Professional Land Surveyors' Act.

Tony E. Durkee 3.20.13
Tony E. Durkee, PLS 5773



END OF DESCRIPTION

EXHIBIT "B"



Tony E. Durkee 3-20-13
 central_shops.dwg 03/20/2013

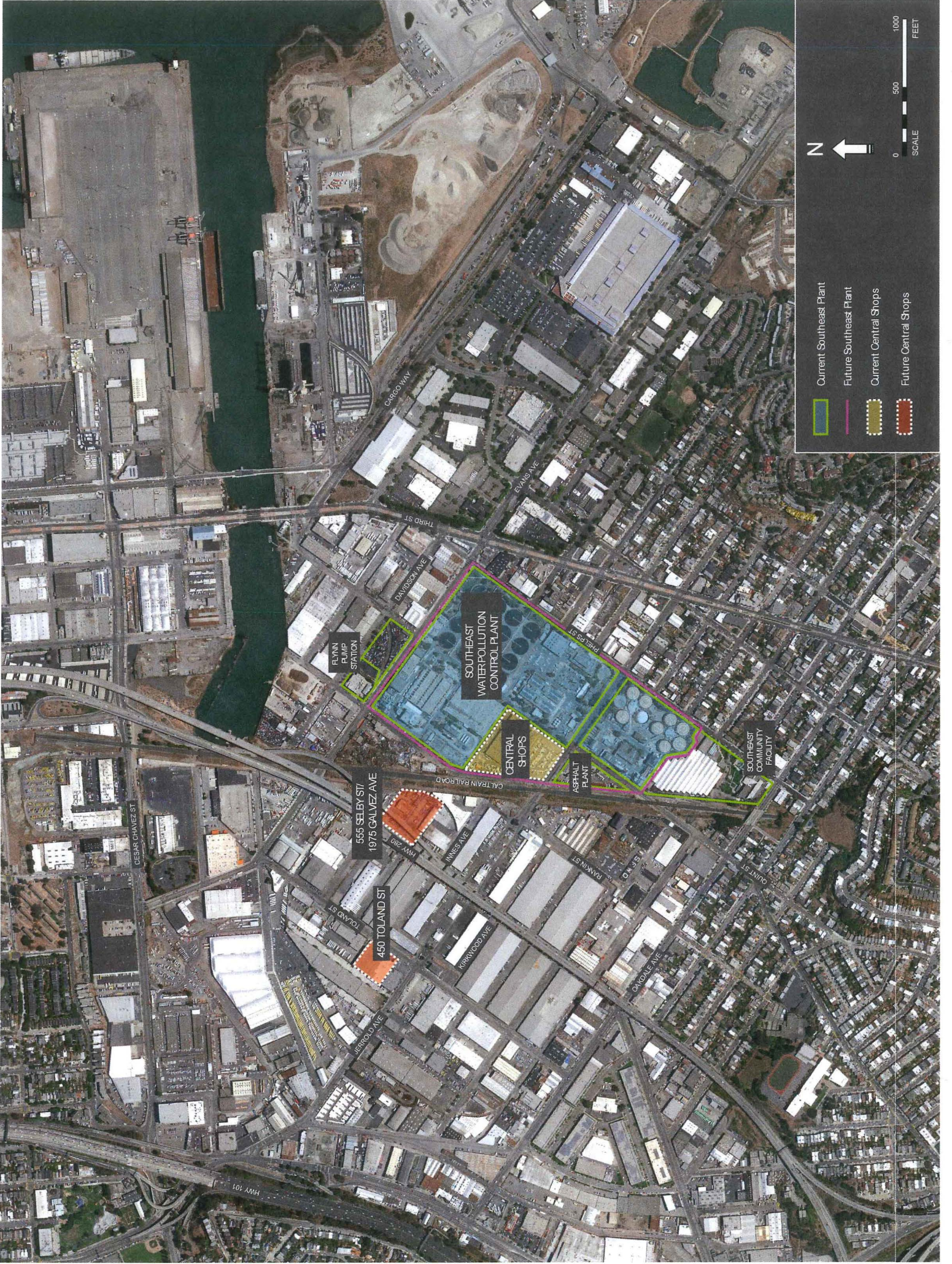
City and County of San Francisco Public Utilities Commission Real Estate Services
CENTRAL SHOPS Parcel
City and County of San Francisco

Not to Scale

EXHIBIT B

SITE MAP

(See attached.)



- Current Southeast Plant
- Future Southeast Plant
- Current Central Shops
- Future Central Shops



SOUTHEAST WATER POLLUTION CONTROL PLANT

CENTRAL SHOPS

ASPHALT PLANT

SOUTHEAST COMMUNITY FACILITY

FLYNN PUMP STATION

555 SELBY ST
1975 GALVEZ AVE

450 TOLAND ST

CARGO HWY

EVANS AVE

THIRD ST

DAVISSON AVE

PHIL ST

CALTRAIN RAILROAD

CESAR CHAVEZ ST

JERROLD AVE

KIRKWOOD AVE

RANKIN ST

15TH ST

16TH ST

17TH ST

18TH ST

19TH ST

20TH ST

21ST ST

22ND ST

23RD ST

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98TH ST

99TH ST

100TH ST

HWY 101

HWY 280

EXHIBIT C

DIRECTOR OF PROPERTY MEMORANDUM DATED NOVEMBER 3, 2015

(See attached.)



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator




John Updike
Director of Real Estate

MEMORANDUM

Date: November 3, 2015

To: Rosanna S. Russell, Director of SFPUC Real Estate

From: John Updike, Director of Real Estate, Administrative Services 

Subject: Jurisdictional Transfer of 1800 Jerrold

The SFPUC desires to acquire jurisdiction over the subject property, subject to its Commission's approval of a jurisdictional transfer consistent with an MOU between the SFPUC and the General Services Agency, aka Administrative Services Department ("GSA"). GSA desires to transfer jurisdiction of the property from GSA to the SFPUC, subject to the Board of Supervisors' approval of a jurisdictional transfer consistent with the MOU.

Another site suitable to the needs of Central Shops has been identified and GSA is agreeable to relocating to this property on the condition that the jurisdictional transfer of 1800 Jerrold includes the functional replacement cost of relocating.

GSA and the SFPUC understand and acknowledge that GSA will incur substantial costs in vacating the property and relocating Central Shops. GSA desires to accept, and the PUC desires to transfer the funds necessary to functionally replace the property with another facility which will provide functional equivalent utility for Central Shops. As the City's Director of Property, I have determined the current fair market value of the property is less than the reasonable and necessary costs to vacate and relocate Central Shops. Therefore, I have determined that SFPUC must pay GSA the reasonable cost of Central Shops' relocation, including acquisition costs, rent (as capitalized), tenant and other physical improvements. Upon payment of the projected reasonable and necessary

costs of relocation of Central Shops in the amount of \$75,000,000 and complete vacation of Central Shops from the property, jurisdiction of the property will then transfer from GSA to the SFPUC, pursuant to the legislation to be submitted to the Board of Supervisors shortly.

Similar to how state acquisitions and relocations are addressed when a local municipal public use is to be displaced, this relocation is proposed to be a functional replacement of the real property in public ownership. Functional replacement is recognized and deployed by state agencies such as Caltrans, and by the Federal Government, under Title 49, Part 24 (Uniform Relocation Act, "URA"). Functional replacement is essentially an administrative settlement wherein cash compensation from the displacing agency may be insufficient to restore the status quo as a result of acquiring a public facility such as a school, police or fire station or other similar unique public use. It is similar in approach to the Last Resort Housing provisions of the URA, but applied to publicly owned facilities. The cost to secure 1800 Jerrold is therefore not based on an appraised valuation of the property. It is a settlement payment for the cost of replacing the facilities at a new location.

City staff have identified an assemblage of two properties to be acquired, and a separate though nearby property to be leased, of three separate properties, totaling less than 4 acres – considerably less acreage than the existing Shops location at 1800 Jerrold. The purchase sites are located in Block 5250 at Innes Avenue and Selby Street, only a few hundred feet away from the subject property. The leased site is located at 450 Toland, just a few blocks away. The acquisition, capitalized 10 year lease expenses, and construction costs to functionally replace the existing facility are estimated to cost approximately \$75,000,000.

It is proposed that the involved parties enter into a Memorandum of Understanding (MOU) that outlines the fiscal responsibilities of the acquiring party, and the relocation responsibilities of the displaced party. With this MOU in place, as approved by the SFPUC Commission, The Board of Supervisors can then approve the acquisitions and lease of the replacement properties which will include the development of improvements sufficient to functionally replace the existing facilities at 1800 Jerrold. Upon vacation of the 1800 Jerrold premises, the jurisdiction to 1800 Jerrold would vest in the SFPUC. I find the process outlined herein to be consistent with the URA as it applies toward the displacement of municipal uses.

EXHIBIT D

PORTION OF DEBRIS TO BE REMOVED BY OCA FROM THE TRANSFER SITE

Description	L x W x H in Ft
Hazardous Materials Cabinet	10x10x6
Hazardous Materials Cabinet	6x8x10
Waste Oil Tank	6x6x5
Generator	12x6x5
Guard Shack	8x10x10

