

1 [Conditional Land Disposition and Acquisition Agreement - Potential Exchange of 639 Bryant
2 Street for 2000 Marin Street]

3 **Resolution approving a Conditional Land Disposition and Acquisition Agreement**
4 **with 2000 Marin Property, L.P. for the City’s future transfer of real property at 639**
5 **Bryant Street (Assessor’s Parcel Block No. 3777, Lot No. 052) under the jurisdiction of**
6 **the San Francisco Public Utilities Commission (SFPUC) in exchange for real property**
7 **at 2000 Marin Street (Assessor’s Parcel Block No. 4346, Lot No. 002), subject to**
8 **several conditions, including the reimbursement of certain SFPUC costs; finding that**
9 **the Agreement is a conditional land acquisition agreement under**
10 **California Environmental Quality Act Guidelines, Section 15004(b)(2)(A), and City’s**
11 **discretionary approval after the completion of environmental review.**

12
13 WHEREAS, The City and County of San Francisco, under the jurisdiction of the San
14 Francisco Public Utilities Commission (“SFPUC”), owns certain real property known as 639
15 Bryant Street, Assessor’s Parcel Block No. 3777, Lot No. 052 (the “City Property”), an
16 approximately 1.37 acre parcel improved with a warehouse and parking lot, that is used for
17 heavy equipment and materials storage, parking, construction staging, and other related
18 purposes; and

19 WHEREAS, The SFPUC leases adjacent property at 651 Bryant Street,
20 Assessor’s Parcel Block No. 3777, Lot No. 050 (the “City Leased Premises”), for related
21 office and warehouse purposes under a lease that expires in October 2019, but with a right to
22 extend the lease for 10 years; and

23 WHEREAS, 2000 Marin Property, L.P., a Delaware limited partnership (“Developer”),
24 owns certain real property known as 2000 Marin Street, Assessor’s Parcel Block No. 4346,
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1 Lot No. 002 (“2000 Marin”), an approximately 7.98-acre parcel with a 74,000 square-foot
2 building built in 1989; and

3 WHEREAS, Developer proposes to acquire the City Property in exchange for 2000
4 Marin, and seeks to develop a mixed-use project on the City Property, the City Leased
5 Premises, and other adjacent parcels with approximately 923,000 square feet of office, 73,000
6 square feet of residential/PDR, 80,000 square feet of residential, and a 40,000 square-foot
7 public plaza (the “Development Project”); and

8 WHEREAS, On April 17, 2018, the Board of Supervisors adopted Resolution
9 No. 115-18 (File No. 180370) supporting negotiations for a potential exchange of the City
10 Property for 2000 Marin, subject to City analysis and approvals following any required
11 environmental review; and

12 WHEREAS, In 2011, the San Francisco Planning Department began a multi-year
13 public and cooperative interagency planning process for the Central SOMA Plan (Planning
14 Department Case No. 2011.1356EMTZU); and

15 WHEREAS, The Central SOMA Plan was recommended for approval by the Planning
16 Commission on May 10, 2018 and requires approval by the Board of Supervisors to become
17 effective; and

18 WHEREAS, Developer and the City have negotiated a Conditional Land Disposition
19 and Acquisition Agreement, a copy of which is on file with the Clerk of the Board of
20 Supervisors in File No. 180550 (the “Agreement”), which, upon the satisfaction of certain
21 conditions, provides for (a) the exchange of the City Property for 2000 Marin; (b) the SFPUC’s
22 obligation to reimburse Developer for the costs of new temporary utility yard facilities
23 (“Temporary SFPUC Facility”) to be constructed by Developer for the SFPUC on a portion of
24 2000 Marin from a proposed short-term lease to Kilroy Realty Corporation, a Maryland
25 corporation, or one of its affiliates (collectively, “Kilroy”) of the remaining portion of 2000 Marin

1 or from an alternative revenue source; and (c) Developer’s obligations (the “Additional
2 Developer Consideration”) to (i) relocate the SFPUC’s personal property, at the Developer’s
3 cost, from the City Property and the City Leased Premises to 2000 Marin; (ii) relocate a
4 SFPUC hydrogen peroxide tank from the City Property to a nearby location, at the
5 Developer’s cost; (iii) construct or place the new “Temporary SFPUC Facility” for the SFPUC
6 on a portion of 2000 Marin; and (iv) pay the SFPUC for certain transactional costs the SFPUC
7 has incurred in connection with the proposed property exchange; and

8 WHEREAS, The Agreement provides that Developer’s proposed lease to Kilroy of a
9 portion of 2000 Marin is subject to approval by the SFPUC Commission; and

10 WHEREAS, The SFPUC intends that any such lease of 2000 Marin will be short-term
11 because the SFPUC intends to occupy and use the entirety of the 2000 Marin in the long term
12 for utility yard purposes; and

13 WHEREAS, The Agreement does not require the City to approve the Central SOMA
14 Plan or any proposed development, including any development of the City Property or 2000
15 Marin; and

16 WHEREAS, The City has not yet completed environmental review under the California
17 Environmental Quality Act (“CEQA”) (California Public Resources Code, Sections 21000 *et*
18 *seq.*) for the Central SOMA Plan, but the environmental review that is being performed will
19 include analysis of potential uses of and development controls applicable to the City Property
20 and adjoining parcels; and

21 WHEREAS, The City’s obligation to complete the property exchange is conditioned on,
22 among other things, the City’s approval of the property exchange at its sole discretion
23 following the completion of all required environmental review; and

24 WHEREAS, 2000 Marin has soil contamination stemming from former uses that is
25 subject to regulation by the State of California Department of Toxic Substance Control; and

1 WHEREAS, Assessment of the environmental remediation costs that the SFPUC
2 would incur regarding the SFPUC’s future development and use of 2000 Marin is a condition
3 of closing of the property exchange; and

4 WHEREAS, Developer’s obligation to complete the property exchange is conditioned
5 on, among other things, the receipt of all governmental approvals necessary for Developer to
6 proceed with the Developer Project, including zoning changes, and the City’s waiver or
7 reduction of certain development impact fees in exchange for Developer’s dedication of a
8 public plaza to the City as part of the Developer Project; and

9 WHEREAS, The City will review and consider each of the environmental review
10 documents that relate respectively to the Central SOMA Plan, the Developer Project, and the
11 City’s plan to develop and use 2000 Marin (individually, a “Project” and collectively, the
12 “Projects”) before deciding whether to approve each Project, including any associated
13 rezoning, Municipal Code or General Plan amendments or waivers, and design, demolition,
14 and building permits; and

15 WHEREAS, The City retains absolute discretion to: (a) require modifications in one or
16 more of the Projects to mitigate significant adverse environmental impacts; (b) select feasible
17 alternatives that avoid significant adverse impacts of one or more of the Projects; (c) require
18 the implementation of specific measures to mitigate the significant adverse environmental
19 impacts of one or more of the Projects, as identified through environmental review; (d) reject
20 all or part of one or more of the Projects as proposed if the economic and social benefits of
21 the Project do not outweigh otherwise unavoidable significant adverse impacts of that Project;
22 and (e) approve one or more of the Projects upon a finding that the economic and social
23 benefits of the Project outweigh otherwise unavoidable significant adverse environmental
24 impacts of that Project; and

1 WHEREAS, Although the City has obtained appraisals of the City Property at
2 \$63,875,000 and 2000 Marin at \$63,600,000, the combined value of 2000 Marin and the
3 Additional Developer Consideration currently exceed the value of the City Property; and

4 WHEREAS, The Board understands and agrees that if the combined value of 2000
5 Marin and the Additional Developer Consideration exceed the value of the City Property, the
6 excess value shall be deemed a gift by Developer to the City; and

7 WHEREAS, After completion of environmental review and before closing of the
8 property exchange, if any, the Agreement requires the Board of Supervisors and the Mayor,
9 each at their respective sole and absolute discretion, to approve the property exchange; and

10 WHEREAS, On July 10, 2018, the SFPUC, by Commission Resolution No. 18-0121,
11 authorized the General Manager of the SFPUC to execute the Agreement, subject to approval
12 by the Board of Supervisors; and

13 WHEREAS, Entering into the Agreement with Developer is in the City's best interest,
14 and the SFPUC has found in Resolution No. 18-0121 that (a) the existing space at the City
15 Property will not meet the SFPUC's anticipated future utility yard operational needs, so either
16 expansion of the existing facility or securing a replacement facility will be necessary in the
17 near future and (b) the 2000 Marin is expected to result in improved and more integrated
18 SFPUC utility operations on a site that is five times larger than the City Property, with
19 excellent access to transportation routes, and therefore, if all of the conditions for the
20 proposed property exchange are satisfied, acquisition of 2000 Marin would render the City
21 Property surplus to the SFPUC's utility needs; and

22 WHEREAS, The proposed use of the City Property by Developer may yield more
23 appropriate land uses within the Central SOMA Plan Area; and

1 WHEREAS, This resolution is not an approval of any of the Projects or a commitment
2 to proceed with the property exchange, and this resolution does not constitute an “Approval,”
3 as that term is defined by CEQA Guidelines, Section 15352; now, therefore, be it

4 RESOLVED, That the Board of Supervisors finds that the Agreement is a conditional
5 land acquisition agreement as described in CEQA Guidelines, Section 15004(b)(2)(A), and
6 closing is conditioned on City’s discretionary approval of the property exchange following the
7 completion of environmental review; and, be it

8 FURTHER RESOLVED, That the Board of Supervisors hereby approves the
9 Agreement and authorizes the execution and performance of the Agreement by the Director of
10 Property and the SFPUC General Manager in substantially the form presented to the Board in
11 File No. 180550, together with any other documents that are necessary or advisable to
12 effectuate the proposed property exchange subject to satisfaction of each of the conditions in
13 the Agreement, including the City’s subsequent discretionary approval; and, be it

14 FURTHER RESOLVED, Nothing in this resolution limits the discretion of the Board with
15 respect to the approval or rejection of any of the Projects, and the Board of Supervisors
16 understands that conditions for the benefit of Developer, including the issuance of project
17 approvals for the Development Project, may be waived by Developer.

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RECOMMENDED:

Andrico Penick, Acting Director of Property

Harlan L. Kelly, Jr., General Manager, SFPUC