

## **LEGISLATIVE DIGEST**

[Hotel and Fire Station Development Incentive Agreement - EQX Jackson SQ Holdco LLC - 530 Sansome Mixed Use Tower and Fire Station 13 Development Project - 530 Sansome Street, 425 Washington Street, 439-445 Washington Street, and 447 Battery Street]

**Ordinance approving a Hotel and Fire Station Development Incentive Agreement between the City and County of San Francisco and EQX Jackson SQ Holdco LLC for the 530 Sansome Mixed Use Tower and Fire Station 13 Development Project, related to the development and operation of a project on certain real property known as 425 Washington Street, 439-445 Washington Street, 530 Sansome Street, and 447 Battery Street, and generally bounded by Sansome Street to the west, Washington Street to the north, Battery Street to the east, and Merchant Street to the south; waiving Chapter 21G of the Administrative Code; ratifying past actions and authorizing future actions in furtherance of this Ordinance, as defined herein; and adopting the Board of Supervisors' findings under the California Environmental Quality Act and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

### **Purpose**

The proposed ordinance, if adopted, would approve the proposed Hotel and Fire Station Development Incentive Agreement (the "Agreement") between the City and EQX Jackson SQ Holdco LLC, a Delaware limited liability company ("Developer"). The Agreement would provide Developer with City financial assistance in the form of incentive payments to develop and operate the Project as described in the Project documents. Approval of the proposed ordinance would adopt certain environmental findings, authorize City staff to enter into the Agreement, and waive Chapter 21G of the Administrative Code as it may apply to the Agreement.

### **Existing and Amended Law**

There is no existing law requiring that the City enter into the Agreement. There are no proposed amendments to current law.

### **Background Information**

Developer has proposed a mixed-use development project ("Project") for real property comprised of 425 Washington Street, 439-445 Washington Street, 530 Sansome Street, and 447 Battery Street and bounded by Sansome Street to the west, Washington Street to the north, Battery Street to the east, and Merchant Street to the south (collectively, the "Project Site"). Developer currently owns 425 Washington Street and 439-445 Washington Street

(together, the “Developer Property”) and City currently owns 530 Sansome Street. Developer also has the right to acquire or cause 447 Battery Street to be transferred to City.

The Project includes demolishing the existing buildings on the Project Site, building a mixed-use high-rise building up to 41-stories tall with three below-grade levels and approximately 7,405 square feet of retail/restaurant space, approximately 10,135 square feet of event space, between approximately 372,035 and 417,230 square feet of office space, and between approximately 127,710 and 188,820 square feet of hotel space that would accommodate between approximately 100 and 200 guest rooms on the Developer Property and 530 Sansome Street. Public benefits from the Project include construction and delivery of a new three-story fire station with one below-grade level on 447 Battery Street, improving Merchant Street between Sansome Street and Battery Street with non-standard streetscape improvements built and maintained by Developer at its sole cost for the life of the new mixed-use building, Developer’s affordable housing payments, with \$2.16 million of the total amount paid significantly earlier than otherwise due and regardless of whether the Project is built, workforce commitments, \$8 million in transportation funding, an anticipated \$13.5 million in annual net new General Fund revenue to the City, and the creation of significant construction and permanent employment.

The City’s Office of Economic and Workforce Development (“OEWD”) consulted with an independent and experienced development and financial analyst to evaluate the Project’s financial feasibility and net fiscal impact on the City’s revenues and expenditures. OEWD and the financial analyst determined that the Project is not feasible to develop without City financial assistance, and that the significant public benefits from the Project accruing to the City will exceed the value of the City financial assistance under the Agreement.

Pursuant to the Agreement, after completion of the hotel and construction and delivery of the new fire station, the City will make quarterly payments to Developer for a period of up to 25 years. The measurement of the quarterly payments will be 89.285% of the Transient Occupancy Taxes the City actually receives from occupancy of guest rooms in the hotel pursuant to Article 7 of the Business and Tax Regulations Code (the “Transient Occupancy Tax”) up to a financial assistance amount of \$68,871,356 in net present value (the “Threshold Amount”), and 44.6425% of the Transient Occupancy Tax the City receives between the Threshold Amount and up to 1.25 times the Threshold Amount. The Transient Occupancy Tax revenues will be used solely to measure the quarterly payments and the Agreement will not designate any Transient Occupancy Tax revenues for any purpose, such that the Transient Occupancy Tax revenues will continue to be deposited and used in accordance with Article 7 of the San Francisco Business and Tax Regulations Code.

By separate legislation, the Board is considering a number of other actions in furtherance of the Project, including the approval of a development agreement, a Planning Code amendment, amendments to the General Plan, a major encroachment permit for the installation and maintenance of the Merchant Street Improvements, and an amended and

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restated conditional property exchange agreement for the exchange of 530 Sansome Street for 447 Battery Street.

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