

File No. 891460

Committee Item No. 5
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 1/27/10

Board of Supervisors Meeting

Date _____

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Completed by: Gail Johnson
Completed by: _____

Date 1/22/10
Date _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Authorizing the execution of an option to purchase interests in the properties located at 1600
2 and 1670 Owens Street, San Francisco and acquire related design and construction plans.]

3 Ordinance approving City's execution of option agreement for purchase of (i) real
4 property located at 1600 Owens Street, San Francisco, California for purpose of
5 construction of new laboratory building for use by the City's Office of the Chief Medical
6 Examiner and the Forensic Science Division, (ii) tenancy-in-common interest in the
7 land and existing parking structure located at 1670 Owens Street San Francisco,
8 California, (iii) rights to use existing permitted base building design and construction
9 documents in connection with City's proposed construction of new laboratory building
10 at 1600 Owens Street, and (iv) acquisition of rights and assumption of obligations
11 under certain existing design and development contracts related to such proposed
12 laboratory building construction; exempting acquisition by City of existing permitted
13 base building design and construction documents and related design or construction
14 contracts from Chapter 6 of City's Administrative Code; adopting findings under the
15 California Environmental Quality Act and findings pursuant to the City Planning Code
16 Section 101.1; and ratifying previous actions taken in connection therewith.

17
18 Be it ordained by the People of the City and County of San Francisco:

19 Section 1. Findings. The Board of Supervisors of the City and County of
20 San Francisco hereby finds and declares as follows:

21 A. Defendants, jurors, prosecutors, defense attorneys, and judges rely on the
22 highest expectations for scientific evidence in the determination of guilt or innocence.

23 B. The Office of the Chief Medical Examiner (OCME) investigates sudden,
24 unexpected and violent deaths and provides forensic laboratory studies in toxicology,
25

1 chemistry, histology, and evidence processing to the City and to both state and federal law
2 enforcement agencies.

3 C. The Office of the Chief Medical Examiner needs to be able to provide reliable
4 and credible science to the justice system and to the families of such unexpected and violent
5 deaths.

6 D. The Office of the Chief Medical Examiner is currently located in essentially the
7 same facilities at the Hall of Justice at 850 Bryant Street since the 1950's.

8 E. The San Francisco Police Department (SFPD) Investigations Bureau, Forensic
9 Science Division (FSD) comprises the Criminalistics Laboratory, Crime Scene Investigation,
10 Computer Forensics Unit, ID/Records section, Photographic Unit, and Polygraph Unit, and
11 provide essential analysis of evidence to the justice system in the City.

12 F. The SFPD Forensic Services Division is currently located in two separate
13 locations (at the Hall of Justice and Building 606 in the Hunters' Point Naval Shipyard) both of
14 which are also outdated and inefficient facilities. In addition, the bifurcation of the SFPD
15 Forensic Services Division between the Hall of Justice and Building 606 in the Hunters' Point
16 Naval Shipyard inhibits the effective management of personnel and processes, essential to
17 sustaining the all-important evidence chain of custody.

18 G. DNA testing has a proven track record of determining both guilt and innocence
19 of crime suspects.

20 H. The Office of Chief Medical Examiner and the SFPD Forensics Sciences
21 Division work closely on unexplained deaths in the City.

22 I. Both the Office of Chief Medical Examiner and the SFPD Forensics Sciences
23 Division require highly specialized facilities with higher floor-weight requirements, special
24 ventilation and filtration, hazardous materials storage and disposal, provision of specialty
25

1 gases (hydrogen, helium, etc), higher slab to slab heights, emergency power, and specialized
2 loading and delivery, among other items, in order to maintain their accreditations.

3 J. A new, fully accredited facility will significantly improve the capacity of the
4 forensic science services to provide reliable and timely evidence.

5 K. The Board supports providing the justice system with the highest standards for
6 prompt and reliable scientific evidence.

7 L. A combined Office of Chief Medical Examiner and the SFPD Forensics Sciences
8 Division facility will not only save on duplicated requirements but produce better efficiency in
9 service to the public.

10 M. The Real Estate Division has identified a (1) fully entitled site of approximately
11 72,199 sq. ft. of land, commonly known and numbered as 1600 Owens Street and also
12 identified as Assessors Block 8709 / Lot 20 together with all rights and privileges incidental or
13 appurtenant to the land (the "1600 Owens Land") for the construction of a new centrally
14 located laboratory building (the "Forensics Science Center") to house both the Office of the
15 Chief Medical Examiner and the Forensic Science Division in close to proximity to the Hall of
16 Justice and (2) a twenty and seventeen one hundredths percent (20.17 %) tenancy-in-
17 common interest (the "Parking Garage TIC") in the land and existing parking structure located
18 at 1670 Owens Street and also identified as Assessor's Block 8709/Lot 22 (the "Parking
19 Garage"). The Parking Garage is a 6-level (including the roof level), approximately 252,170
20 sq. ft. structure consisting of approximately 803 total parking spaces on approximately 86,260
21 sq. ft. of land, San Francisco. The proposed Forensic Science Center project meets the
22 specific needs of both the Office of the Chief Medical Examiner and the Forensic Science
23 Division with only minor modification.

24 N. ARE-SAN FRANCISCO NO.15, LLC, a Delaware limited liability company
25 ("ARE"), which currently owns the 1600 Owens Land and the Parking Garage, has expended

1 substantial efforts, costs, and time to obtain project approvals and has worked, and continues
2 to work, with architects, engineers, a contractor, and other consultants to make the minor
3 modifications to the plans required by the Office of the Chief Medical Examiner and the
4 Forensic Division to expedite the delivery of the Forensics Science Center project and save
5 the City money. In connection with such efforts, ARE has caused the preparation by Studios
6 Architecture of "warm shell" building plans and construction documents dated April 4, 2008
7 and Addendums 1 through 6 (collectively, the "Building Plans") with respect to the proposed
8 construction of the Forensics Science Center project and has entered into contracts or similar
9 arrangements for design and/or consulting services with Studios Architecture, DPR
10 Construction, and other consultants and engineers (collectively, the "Development
11 Contracts").

12 O. In connection with the proposed development of the Forensic Science Center
13 project, City's Department of Public Works retained Crime Lab Design to prepare preliminary
14 fixtures and interior improvements plans designed for the specialized needs of the Office of
15 Chief Medical Examiner and the SFPD Forensics Sciences Division. Those fixtures and
16 interior improvements plans are based upon the Building Plans and will have little, if any,
17 value if the City elects to not purchase the Property.

18 P. The Real Estate Division believes that buying a fully entitled site will not only
19 save substantially time in the development of such a facility but, because of the downturn in
20 the construction industry, may save the City monies in the cost of construction.

21 Q. The Board intends to seek voter approval of a general obligation bond to provide
22 funding for the acquisition of land and to enable construction of a new Forensic Science
23 Center.

24 R. The City, as optionee, and ARE, as optionor, have executed a Term Sheet
25 dated December 11, 2009 (the "Term Sheet"), a copy of which is on file with the Clerk of the

1 Board, for an option to purchase the following assets: (1) the 1600 Owens Land, (2) a
2 tenancy-in-common interest in the adjacent parking garage at 1670 Owens Street, and (3) an
3 assignment to City, to be accompanied by a release of ARE or its assignee, with respect to all
4 of ARE's rights and obligations to or arising under the Building Plans and the Design
5 Contracts (collectively, the "Option Property").

6 S. Under the Term Sheet, the City's obligation to consummate the purchase of the
7 Option Property is conditioned upon (1) voter approval of such a general obligation bond or
8 similar issuance of debt in an amount sufficient to pay the purchase price for the Property (the
9 "Purchase Price") and construct the new Forensic Science Center, (2) prior approval of the
10 exercise of the purchase option and payment of the Purchase Price pursuant to the option
11 agreement by the Mayor and the Board, and (3) the satisfaction of other closing conditions
12 specified in the Term Sheet on or before May 31, 2011.

13 T. On _____, the Department of City Planning adopted and issued
14 a General Plan Consistency Finding, a copy of which is on file with the Clerk of the Board,
15 wherein the Department of City Planning found that the acquisition of the Property, and the
16 execution and performance of the proposed purchase agreement with respect to the Property
17 are consistent with the City's General Plan and with the Eight Priority Policies under Planning
18 Code Section 101.1.

19 U. The 1600 Owens Street Land is also known as Parcel 4 of Blocks 41-43 in the
20 Mission Bay South Redevelopment Plan Area. The Redevelopment Agency Commission by
21 Resolution No. 199-2000 and Resolution No. 163-2005, adopted CEQA Findings and
22 approved a Major Phase and a Revised Major Phase submission for Blocks 41-43, finding the
23 proposed Major Phase development and Revised Major Phase development as within the
24 scope of impacts analyzed in the FSEIR. The Redevelopment Agency Commission by
25 Resolution No. 149-2006 approved a combined basic concept and schematic design for a

1 proposed project containing laboratory, office, retail and ancillary uses, finding the basic
2 concept and schematic design within the scope of the project analyzed in the FSEIR.
3 Redevelopment Agency Commission Resolutions No. 199-2000, No. 163-2005 and No. 149-
4 2006 are on file with the Clerk of the Board in File No. and incorporated in this Ordinance by
5 this reference. The Forensic Science Center will consist of laboratory, office and ancillary
6 uses consistent with the uses approved for the 1600 Owens Street Land site and the uses
7 analyzed in the FSEIR and is therefore within the scope of the project analyzed in the FSEIR.

8 Section 2. Approval of the proposed Option Agreement. The Board hereby
9 approves the terms and conditions of the Term Sheet for an option to purchase the Property
10 and directs and authorizes the Director of Property (or her designee) to take all actions
11 reasonably necessary or prudent to enter into an option to purchase agreement ("Option
12 Agreement") with respect to the purchase of the Property substantially on the terms and
13 conditions contained in the Term Sheet and in a form approved by the City Attorney..

14 Section 3. Authority to Take Actions to Facilitate the Execution of an Option
15 Agreement. The Mayor, the City Attorney, the Director of Property, the Director of Public
16 Finance, and other officers of the City and their duly authorized deputies and agents are
17 hereby authorized and directed, jointly and severally, to take such actions and to negotiate,
18 execute and deliver option payments to secure an Option Agreement as they may deem
19 necessary or desirable to facilitate the purchase of the Property and to prepare for the
20 issuance of general obligation debt or other similar financing to pay the Purchase Price.

21 Section 4. Authority to Take Actions to Facilitate the Execution of Contracts with the
22 Studios Architecture, DPR Construction, or either of them; Exemption from Chapter 6 of the
23 City's Administrative Code. The Mayor, the City Attorney, the Director of Property, the City
24 Administrator, the Director of Public Finance, the Director of Public Works, and other officers
25 of the City and their agents are hereby authorized and directed to take such actions and to

1 negotiate, execute, and deliver such contracts, assignments, releases, or other instruments as
2 they may deem necessary or desirable and in the best interests of the City to allow the
3 development and construction of the Forensic Science Center project, including contracts,
4 assignments, releases, or other instruments necessary, in the opinion of any such authorized
5 City agent, in consultation with the City Attorney, to allow City's use of the Building Plans, to
6 assume and acquire ARE's or its assignee's obligations and rights under the Development
7 Contracts, to provide for the release of ARE or its assignee of any obligations under or with
8 respect to the Building Plans and the Development Contracts, and to provide for the
9 construction of Forensic Science Center project. The Board hereby finds that any such
10 contract, assignment, release, or other instrument is exempt from the competitive
11 requirements of Chapter 6 of the City's Administrative Code, including Sections 6.40, 6.41,
12 and 6.68(A) through 6.68(E).

13 Section 5. Adoption of Findings of Department of City Planning.

14 (a) The Board hereby adopts and incorporates herein by reference the findings of
15 the Department of City Planning in the General Plan Consistency Finding that the proposed
16 Property is in conformity with the Master Plan and is consistent with the Eight Priority Policies
17 of Planning Code Section 101.1.


18 (b) The Board has reviewed and considered the CEQA Findings and statement of
19 overriding considerations that it previously adopted, and reviewed and considered the above
20 referenced CEQA Findings of the Redevelopment Agency Commission and hereby adopts
21 these additional CEQA Findings as its own. The Board additionally finds that implementation
22 of the Forensic Science Center in Mission Bay (i) does not require major revisions in the
23 FSEIR due to the involvement of new significant environmental effects or a substantial
24 increase in the severity of previously identified significant effects, (ii) no substantial changes
25 have occurred with respect to the circumstances under which the project analyzed in the

1 FSEIR will be undertaken that would require major revisions to the FSEIR due to the
2 involvement of new significant environmental effects, or a substantial increase in the severity
3 of effects identified in the FSEIR, and (iii) no new information of substantial importance to the
4 project analyzed in the FSEIR has become available which would indicate that (A) the
5 Forensic Science Center will have significant effects not discussed in the FSEIR; (B)
6 significant environmental effects will be substantially more severe; (C) mitigation measures or
7 alternatives found not feasible which would reduce one or more significant effects have
8 become feasible; or (D) mitigation measures or alternatives which are considerably different
9 from those in the FSEIR will substantially reduce one or more significant effects on the
10 environment.

11 Section 6. Authorizing the Director of Property. The Board authorizes the Director of
12 Property to execute, on behalf of the City, any documents which the Director of Property, in
13 consultation with the City Attorney, believes are in the best interests of City and further the
14 intent of this Ordinance.

15 Section 7. Ratification of Prior Actions. All actions authorized and directed by this
16 Ordinance and heretofore taken are hereby ratified, approved, and confirmed by this Board.

17
18 RECOMMENDED:

19 
20 _____
21 Director of Property

22
23 _____
24 City Administrator

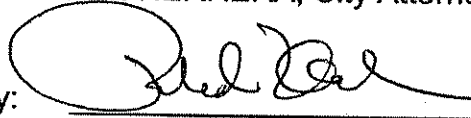
1 San Francisco Police Department
2 Chief of Police

3 

4 Director of Public Works

5
6 APPROVED AS TO FORM:
7 DENNIS J. HERRERA, City Attorney

8 By:



9 Richard Handel
10 Deputy City Attorney

LEGISLATIVE DIGEST

[Authorizing the execution of an option to purchase interests in the properties located at 1600 and 1670 Owens Street, San Francisco and acquire related design and construction plans.]]

Ordinance approving City's execution of option agreement for purchase of (i) real property located at 1600 Owens Street, San Francisco, California for purpose of construction of new laboratory building for use by the City's Office of the Chief Medical Examiner and the Forensic Science Division, (ii) tenancy-in-common interest in the land and existing parking structure located at 1670 Owens Street San Francisco, California, (iii) rights to use existing permitted base building design and construction documents in connection with City's proposed construction of new laboratory building at 1600 Owens Street, and (iv) acquisition of rights and assumption of obligations under certain existing design and development contracts related to such proposed laboratory building construction; exempting acquisition by City of existing permitted base building design and construction documents and related design or construction contracts from Chapter 6 of City's Administrative Code; adopting findings under the California Environmental Quality Act and findings pursuant to the City Planning Code Section 101.1; and ratifying previous actions taken in connection therewith.

Existing Law

Pursuant to the proposed ordinance, the Board would approve the execution by the City of an option agreement for the purchase of the land located at 1600 Owens Street, San Francisco, California, a tenancy-in-common interest in an existing parking garage located at 1670 Owens Street, rights to use existing permitted base building design and construction documents in connection with City's proposed construction of the new forensic science center on the 1600 Owens Street property, and the acquisition of rights and assumption of obligations under certain existing design and development contracts related to the new forensic science center. The Board will also adopt findings under the California Environmental Quality Act and findings pursuant to the City Planning Code Section 101.1 and ratify previous actions taken in connection with the development of the new forensic science center project.

Amendments to Current Law

Chapter 6 of the City's Administrative Code sets forth the contracting policies and procedures for contracts for public works or improvements, including the procurement of professional design, consulting and construction management services for public work projects. The proposed ordinance, if adopted, will result in an exemption from the competitive requirements of Chapter 6 of the City's Administrative Code with respect to existing and proposed design and construction contracts relating to the proposed new forensic science center to be built on the 1600 Owens Street property.

CITY AND COUNTY



OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

January 21, 2010

TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst
SUBJECT: January 27, 2010 Budget and Finance Committee Meeting

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<p>Items # 3, 4, and 5 Files 09-1457, 09-1458, and 09-1460</p>	<p>Department(s): Real Estate Division, Department of Public Works, Police Department, Fire Department, Office of Public Finance</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- File 09-1457: Resolution declaring that public interest and necessity demand the construction, acquisition, improvement, and or retrofitting of (a) the existing Fire Protection Infrastructure including the City’s Auxiliary Water Supply System, (b) a new Public Safety Building, and (c) a new Forensic Sciences Center. The proposed resolution also finds that the \$652,070,000 estimated cost of the proposed projects would be too great to be paid out of the ordinary annual City revenue and will require the issuance of bonds.
- File 09-1458: Ordinance calling for a special election on June 8, 2010 for the purpose of submitting to the voters a proposition to issue \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds to fund the construction, acquisition, improvement, and/or retrofitting of (a) the existing Fire Protection Infrastructure including the City’s Auxiliary Water Supply System, (b) a new Public Safety Building, and (c) a new Forensic Sciences Center at 1600 Owens Street. The ordinance also authorizes landlords to pass-through 50% of the resulting Property Tax increase to residential tenants.
- File 09-1460: Ordinance approving an Option Agreement between the City and ARE-San Francisco No. 15, LLC, to provide the City with an option, at a cost of up to \$1,100,000, to purchase (a) vacant land at 1600 Owens Street, (b) a tenancy-in-common interest in a parking garage adjacent to 1600 Owens Street, (c) existing building plans for the construction of a new Forensic Sciences Center at 1600 Owens Street, and (d) rights to existing contracts to build a new Forensic Sciences Center. The proposed ordinance would also waive the competitive bidding requirements for public works projects established in Chapter 6 of the City’s Administrative Code.

Fiscal Impacts

- The \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds proposed to be submitted for voter approval would be repaid through an increase in annual Property Taxes of approximately \$0.0225 per \$100 of assessed value, such that a single family residence assessed at \$500,000 would, assuming a home owners exemption of \$7,000, pay additional Property Taxes of \$110.93 per year to the City.
- The proposed \$1,100,000 Option Agreement, between the City and ARE-San Francisco No. 15, LLC, would be paid from (a) \$100,000 in General Fund monies previously appropriated by the Board of Supervisors for the Real Estate Division in the FY 2009-2010 Annual Appropriation Ordinance (File 09-0779), and (b) additional future appropriations totaling up to \$1,000,000, subject to Board of Supervisors approval, should the City elect to extend the Option Period in which the City can exercise the purchase option. All Option Agreement payments would be applied towards the purchase price of the optioned property, such that as long as the City purchases 1600 Owens Street, the effective cost of

the payments made under the Option Agreement would be zero.

Key Points

- The proposed \$652,070,000 General Obligation Bond would fund (a) \$166,400,000 in Fire Protection Infrastructure Projects, (b) \$238,600,000 to construct a new Forensic Sciences Center, (c) \$236,100,000 to construct a new Public Safety Building, and (d) \$10,970,000 for bond oversight and bond issuance costs.
- Of the \$166,400,000 provided for Fire Protection Infrastructure Projects, \$132,000,000 is for unspecified improvements to neighborhood Fire Stations, underground water cisterns, and water pipes and tunnels. The specific projects would be identified after the bonds are approved and funds are available to assess which potential projects are most cost effective for the City. Because the specific projects would not be identified prior to the proposed June 8, 2010 special election, the voters will not have clear expectations of what infrastructure projects would be completed, nor would the City be accountable to the voters for the completion of specific projects.
- The proposed \$652,070,000 General Obligation Bond includes \$238,600,000 for a new Forensic Sciences Center at 1600 Owens Street in Mission Bay. The Real Estate Division previously planned to purchase a completed Forensic Sciences Center building from a real estate developer, and the current owner of 1600 Owens Street, ARE-San Francisco No. 15, LLC (ARE). However, ARE, after acquiring the property, contracting with Studios Architecture for design services and DPR Construction for general construction contractor services, decided not to proceed with construction of the building. The Real Estate Division is now requesting that the City functionally replace ARE as the developer of the Forensic Sciences Center by purchasing the (a) vacant land, (b) design plans, and (c) ARE's rights to its existing contracts for design and general construction contractor service. However, because these contracts were not awarded according to the City's competitive bidding process required for City funded public works projects, the proposed legislation would waive those requirements only for these existing contracts which were originally awarded by ARE. Notably, these contracts would still be subject to the LBE subcontracting requirements established by Chapter 14B of the Administrative Code, and any subsequent award of contracts to subcontractors would be subject to the City's competitive bidding requirements.

Recommendations

- Because the proposed bond issuance would fund \$132,000,000 of unspecified Fire Protection Infrastructure projects, the proposed ordinance and resolution to request voter approval for the issuance of \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds is a policy matter for the Board of Supervisors (Files 09-1457 and 09-1458).
- Because the proposed ordinance would waive the City's competitive bidding requirements, approval of the proposed ordinance is a policy matter for the Board of Supervisors (File 09-1460).

MANDATE STATEMENT*Code Sections Relevant to Files 09-1457 and 09-1458*

Sections 2.30 and 2.31 of the City's Administrative Code state that in order to submit a proposition to issue General Obligation Bonds to the voters of San Francisco, the Board of Supervisors must approve (a) by resolution, that a public interest or necessity demands the acquisition, construction, or completion of such municipal improvements, and (b) by ordinance, call for a special election, to submit the proposition to issue such General Obligation Bonds.

Section 2.34 of the Administrative Code requires that (a) the resolution of public necessity as described above, be adopted no less than 141 days prior to the election which includes the relevant bond proposition, and (b) the subsequent ordinance ordering a special election, as described above, be adopted no less than 99 days prior to the election.

Section 510 of the Municipal Election Code states that the general question posed to the San Francisco voters regarding the issuance of General Obligation Bonds cannot exceed 100 words.

The proposed resolution and ordinance (Files 09-1457 and 09-1458) would waive both (a) the timing requirements of Section 2.34 of the Administrative Code, and (b) the word count limit imposed by Section 510 of the Municipal Election Code.

Code Sections Relevant to File 09-1460

Chapter 6 of the City's Administrative Code established competitive bidding requirements for public works projects. The proposed ordinance (File 09-1460) would waive such competitive bidding requirements only for the design and general construction contractor contracts for the proposed new Forensic Science Center because such contracts were previously awarded by the property owner at 1600 Owens Street prior to being subject to the City's competitive bidding requirements.

DETAILS OF PROPOSED LEGISLATION**OVERVIEW**

On April 7, 2009, the Board of Supervisors adopted the 2010-2019 Capital Plan (File 09-0296), which included a \$580,000,000 Earthquake Safety and Emergency Response General Obligation Bond to fund the following three capital projects: (a) repairs to the existing Fire Protection infrastructure including the Auxiliary Water Supply System, (b) the construction of a new Public Safety Building, and (c) the construction of a new Forensic Sciences Center. The proposed \$652,070,000 General Obligation Bond measure would fund these three projects, as shown in Table 1 below.

Table 1: General Allocation of Bond Proceeds

Project Costs	
Fire Protection Infrastructure Repair (see Table 2 for details)	\$166,400,000
Forensic Sciences Center (see Table 3 for details)	238,600,000
Public Safety Building (see Table 6 for details)	236,100,000
Project Subtotal	\$641,100,000
City Services Auditor and Citizens' Bond Oversight Committee	1,934,270
Costs of Bond Issuance	9,035,730
Total	\$652,070,000

A detailed description and expenditure plan for each of these three projects follows.

FIRE PROTECTION INFRASTRUCTURE REPAIR PROJECT

The proposed Earthquake Safety and Emergency Response General Obligation Bonds include \$166,400,000 to make repairs and improvements to the City's fire fighting infrastructure, as shown in Table 2 below.

Table 2: Fire Protection Infrastructure Repair Project Expenditure Plan

Project	Planning, Engineering, Project Management	Construction	Total Cost
Auxiliary Water Supply System (AWSS) Improvements			
Twin Peaks Reservoir (above ground)	\$1,200,000	\$3,100,000	\$4,300,000
Ashbury Heights Tank (above ground)	1,600,000	4,300,000	5,900,000
Jones Street Tank (above ground)	1,800,000	4,700,000	6,500,000
Pump Station No. 1 (above ground)	1,000,000	2,500,000	3,500,000
Pump Station No. 2 (above ground)	3,900,000	10,300,000	14,200,000
Subtotal of Specified Above-Ground AWSS Facilities	\$9,500,000	\$24,900,000	\$34,400,000
To Be Determined Improvements to AWSS Pipes and Tunnels	9,000,000	23,000,000	32,000,000*
AWSS Subtotal	\$18,500,000	\$47,900,000	\$66,400,000
To Be Determined Neighborhood Fire Station Improvements	18,000,000	46,000,000	64,000,000*
To Be Determined Cistern System Improvements	10,000,000	26,000,000	36,000,000*
Total	\$46,500,000	\$119,900,000	\$166,400,000

*Total of To Be Determined Projects is \$132,000,000

Auxiliary Water Supply System Improvements

The City's Auxiliary Water Supply System (AWSS) delivers highly pressurized water for fire fighting independently of the Public Utilities Commission's domestic water system. Although this system is designed for the Fire Department's use, maintenance responsibilities for the AWSS

were transferred from the Fire Department to the PUC during the FY 2009 - 2010 budgeting process. The original 77-mile AWSS was constructed in 1913 in response to the fires ignited by the 1906 earthquake which destroyed approximately 22,000 buildings largely due to lack of a reliable water supply. The AWSS has since been expanded to 135 miles. According to the January 23, 2009 Auxiliary Water Supply System Study, conducted by the consulting firm AECOM/Metcalf & Eddy for the Capital Planning Committee, all five of the above ground AWSS facilities have exceeded their useful lives, and the original 77 miles of AWSS pipelines, approximately half of the existing pipelines, have not been upgraded since their original installation approximately 97 years ago. The study concludes that in order to maintain the reliability of the AWSS, major improvements to the entire system are required.

The estimated cost of \$34,400,000 to renovate the five above-ground AWSS facilities is shown in Table 2 above. In regard to the \$32,000,000 of improvements to the AWSS Pipes and Tunnels which have not yet been determined as shown in Table 2 above, according to the Draft Earthquake Safety and Emergency Response Bond Report provided by Mr. Charles Higuera, Project Manager at the Department of Public Works, a Firefighting Pipes and Tunnels Capital Improvements Plan will be developed by a working group comprised of the relevant Departments (the precise membership of this working group has yet to be determined), and subsequently approved by the Capital Planning Committee, to assess the condition of the City's underground assets and prioritize the most cost-effective and beneficial repair projects. Mr. Higuera estimates that such a Firefighting Pipes and Tunnels Capital Improvements Plan would be completed by June of 2012, or approximately two years after the proposed special election.

Fire Station Improvements

According to the Draft Earthquake Safety and Emergency Response Bond Report, existing Fire Stations throughout the City are in need of over \$400,000,000 in seismic repairs and health and safety improvements. As shown in Table 2 above, the proposed \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds would fund \$64,000,000 of improvements to neighborhood fire stations. Specifically the stations which would be improved would be determined after a Fire Stations Capital Improvements Plan is developed by a working group comprised of the relevant Departments (the precise membership of this working group has yet to be determined), and subsequently approved by the Capital Planning Committee, to identify the most cost-effective and beneficial repair projects. Mr. Higuera estimates that such a Fire Stations Capital Improvements Plan would be completed by June of 2012, or approximately two years after the proposed special election.

Cistern System Improvements

The Fire Department maintains 177 underground cisterns throughout the City, which store water available for fire fighting in case the domestic water supply system and the AWSS are not available. As shown in Table 2 above, the proposed \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds would fund \$36,000,000 in improvements to the Fire Department's cistern system. According to the Draft Earthquake Safety and Emergency Response Bond Report, a Firefighting Cisterns Capital Improvements Plan will be developed by

a working group comprised of the relevant Departments (the precise membership of this working group has yet to be determined), and subsequently approved by the Capital Planning Committee, to identify the most cost-effective and beneficial repair projects. Mr. Higuera estimates that such a Firefighting Cisterns Capital Improvements Plan would be completed by June of 2012, or approximately two years after the proposed special election.

FORENSIC SCIENCES CENTER PROJECT

The proposed \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds would provide \$238,600,000 for the construction of a new Forensic Sciences Center at 1600 Owens Street in Mission Bay. The new Center, which would be a total of 250,000 square feet and ten stories, would serve as the new location for both (a) the Forensic Services Division of the San Francisco Police Department (the Forensics Division) and (b) the Office of the Chief Medical Examiner.

Currently, the Forensic Division is divided into two locations: (a) the City-owned Hall of Justice at 850 Bryant Street, which, according to Mr. John Updike, Assistant Director of Real Estate at RED, is seismically unsound, and (b) a leased facility at Hunter's Point Naval Shipyard (Building 606), which must be vacated when the Hunter's Point Shipyard is redeveloped.

According to a report by Crime Lab Design, a consultant retained by the Department of Public Works, a new Forensics Sciences Center would benefit the City by consolidating forensic services provided by the Chief Medical Examiner and the Police Department's Forensics Division in the aging and overcrowded Hall of Justice. According to the report, the Hall of Justice and Building 606 at Hunter's Point Naval Shipyard cannot support the ongoing needs of the Police Department's Forensics Division and the Chief Medical Examiner because (a) space constraints limit the ability to install new laboratory equipment as new technologies in forensics emerge, and (b) the age of the Hall of Justice facilities threaten the ability for the Police Department's Forensics Division and the Chief Medical Examiner to maintain the national accreditations of their respective laboratories.

The Real Estate Division previously planned to purchase a completed Forensic Sciences Center building from a real estate developer, and the current owner of 1600 Owens Street, ARE-San Francisco No. 15, LLC (ARE). However, ARE, after acquiring the property, contracting with Studios Architecture for design services and DPR Construction for general construction contractor services, decided not to proceed with construction of the building. The Real Estate Division is now requesting that the City functionally replace ARE as the developer of the Forensic Sciences Center by purchasing the (a) vacant land, (b) design plans, and (c) ARE's rights to its existing contracts for design and general construction contractor services.

The proposed new Forensic Sciences Center Project, a ten-story, 250,000 square foot building to be located at 1600 Owens Street in the Mission Bay neighborhood, is currently estimated to cost \$238,600,000, as shown below in Table 3.

Table 3: Estimated Costs for the Forensic Sciences Center Project

“Development Package” Cost	\$40,845,000
Closing Costs Related to the Purchase of the Vacant Land at 1600 Owens Street	1,845,000
Architecture and Engineering	14,430,000
Construction Management Services	14,900,000
Geotechnical Surveys and Other Environmental Work	630,000
City Staff Costs and Regulatory Agency Approvals	9,150,000
Construction	156,800,000
Total	\$238,600,000

As part of the overall \$238,600,000 General Obligation Bond funds provided for the new Forensic Sciences Center, the City would purchase a “development package”, at a cost of \$40,845,000, from ARE-San Francisco No. 15, LLC (ARE), the current owner of 1600 Owens Street, which includes the following: (a) 72,199 square feet of vacant land at 1600 Owens Street, (b) a 20.17 percent tenancy-in-common interest¹ in an adjacent parking garage, (c) existing building plans for the construction of a new Forensic Sciences Center at 1600 Owens Street, and (d) rights to execute existing contracts to build a new Forensic Sciences Center which were previously awarded and negotiated by ARE.

The attached memorandum from Mr. Updike, states that purchasing the proposed construction-ready “development package” represents the most cost-effective option for the City to create a consolidated modern forensic laboratory because (a) the subject land currently has many of the permits necessary for constructing the proposed building and (b) the project has already completed the environmental review required by the California Environmental Quality Act, such that purchasing the proposed “development package” would allow the City to avoid the costs of delays associated with permitting and environmental review at a different location. Mr. Updike advised that a cost-benefit analysis to estimate potential savings, by comparing the proposed approach to both (a) leasing laboratory space and (b) designing and constructing a new laboratory building through the typical City public works construction processes (City awarded contracts for building design and construction using competitive bidding processes), has not been completed.

Table 4 below, based on data provided by Mr. Updike, compares the total area currently occupied by the Chief Medical Examiner and the Police Department’s Forensic Services Division (in both the Hall of Justice and Building 606 at Hunter’s Point Naval Shipyard) with the area proposed in the new Forensic Sciences Center.

¹ A tenancy-in-common interest is a method of owning a portion of real property without legally subdividing such real property into independent parcels.

Table 4: Gross² Square Feet of Space Provided in Current Location Compared to Proposed Forensic Sciences Center

Function	Current Location	Forensic Sciences Center at 1600 Owens Street	Proposed Increase
Forensic Services Division	25,000	100,500	75,500
Chief Medical Examiner	20,126	59,100	38,974
Total Gross Square Feet	45,126	159,600	114,474

According to the attached memorandum from Mr. Updike, this increase of 114,474 square feet, or 254 percent, from 45,126 square feet to 159,600 square feet, is justified in order to (a) meet accreditation standards, and (b) accommodate expected staffing growth in both the Chief Medical Officer and the Police Department's Forensics Division through 2020.

The proposed Forensic Sciences Center would also include 7,600 gross square feet of leasable ground floor retail space, as required by the Mission Bay Redevelopment Plan and (b) 82,800 gross square feet of unimproved office space, which could accommodate other City agencies in the future. According to Mr. Updike, the Mission Bay Redevelopment Plan established the overall size and shape of the building, such that, according to Mr. Updike, it is not possible to simply exclude the construction of the 82,800 gross square feet of unimproved office space. Mr. Updike advised that efforts are underway to secure additional City tenants for this space.

Construction of the proposed new Forensic Sciences Center is estimated to begin in April of 2011 and be completed in approximately two years, or by June of 2013.

Proposed Option Agreement and Waiver of Competitive Bidding Requirements

The Real Estate Division is requesting approval of the proposed ordinance (File 09-1460) which would (a) authorize the purchase, at a price of up to \$1,100,000, of an Option Agreement with ARE to provide the City with the exclusive option to purchase the "development package" no later than May 31, 2011, and (b) waive the competitive bidding requirements for contracts for public works projects established in Chapter 6 of the Administrative Code, because the "development package" includes the right to execute contracts which were previously awarded by ARE, which were not subject to the City's competitive bidding requirements.

The proposed Option Agreement initially provides for the City's exclusive option to purchase the "development package" until July 31, 2010, with up to two extensions at the option of the City, as shown in Table 5 below.

² "Gross" square feet includes common areas such as elevators, lobbies, restrooms, and hallways.

Table 5: Option Periods and Cost

	<u>Option Period End Date</u>	<u>Cost</u>
Base Option Period	July 31, 2010	\$100,000
First Extension of Option Period	December 31, 2010	500,000
Second Extension of Option Period	May 31, 2011	500,000
Total of Up To:		\$1,100,000

According to Mr. Updike, the initial \$100,000 cost of the Option Agreement would come from General Fund monies previously appropriated by the Board of Supervisors for the Real Estate Division on July 28, 2009 (File 09-0997). Mr. Updike advised that the remaining up to \$1,000,000 total cost for the First and Second Option Periods would be funded from future General Fund appropriations, to be requested by the Real Estate Division in separate future supplemental appropriation requests, subject to Board of Supervisors appropriation approval. According to the terms of the proposed Option Agreement, all Option Agreement payments made by the City to ARE would be applied as a credit towards the purchase of the \$40,845,000 “development package” (as shown in Table 3 above), such that the cost of the proposed Option Agreement would be effectively eliminated, unless the voters of San Francisco reject the proposed issuance of General Obligation Bonds, to pay for such costs.

According to Mr. Updike, such an Option Agreement is necessary because (a) the Real Estate Division considers the “development package” approach to construct a new Forensics Sciences Center as the most cost-effective option for the City, and (b) the owner could otherwise sell the 1600 Owens Street property prior to the proposed June 8, 2010 special election. Therefore, the Real Estate Division is now requesting approval of the proposed ordinance (09-1460) which would provide the City with the exclusive option to purchase the “development package”.

PUBLIC SAFETY BUILDING

The proposed \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds would provide \$236,100,000 for the construction of a new Public Safety Building on San Francisco Redevelopment Agency-owned land at the intersection of Third Street and Mission Rock Street, in Mission Bay. The proposed new Public Safety Building would provide (a) a new Police Headquarters, including a new Southern District Police Station, which are both currently located in the Hall of Justice at 850 Bryant Street, and (b) a new neighborhood Fire Station.

The estimated cost of the proposed Public Safety Building is shown in Table 6 below.

Table 6: Estimated Costs for the Public Safety Building Project

Architecture and Engineering	\$23,395,000
Construction Management Services	17,640,000
Geotechnical Surveys and Other Environmental Work	711,000
City Staff Costs and Regulatory Agency Approvals	10,754,000
Construction	187,500,000
Subtotal	\$240,000,000
<i>Less: Contribution from Mission Bay Master Developer</i>	<i>3,900,000</i>
Total	\$236,100,000

According to Mr. Updike, the estimated costs shown in Table 6 above include a contribution of \$3,900,000 from the master developer for the Mission Bay neighborhood towards the costs of the proposed Public Safety Building. Mr. Updike advised that the master developer contract awarded to Mission Bay Development Group, LLC by the San Francisco Redevelopment Agency required a contribution of \$3,900,000 in order to help defray the City’s cost to provide increased Police and Fire protection in the area.

Table 7 below, based on data provided by Mr. Updike, compares the square footage currently occupied by the Police Headquarters and the Southern District Police Station in the Hall of Justice to the proposed square footage for these functions in the new Public Safety Building.

Table 7: Gross Square Feet of Space Provided in Current Location Compared to Proposed Public Safety Building

Function	Current Location	Public Safety Building	Proposed Increase (Decrease)
Police Headquarters	92,245	130,500	38,255
Southern District Police Station	33,134	27,000	(6,134)
Total Gross Square Feet	125,379	157,500	32,121

According to the attached memorandum from Mr. Updike, this net increase of 32,121 square feet of area is necessary because (a) the 38,255 square foot increase in space for Police Headquarters is a result of previous staffing increases at Police Headquarters without concurrent increases in space, and (b) the more efficient design of the replacement Police Station, combined with changes in the methods of delivering police services to the community, results in an expected 6,134 square foot decrease in space at the new Southern District Police Station within the Public Safety Building.

The proposed new Public Safety Building would also include (a) 22,000 square feet for a new Fire Station to serve the Mission Bay neighborhood, and (b) incorporate the existing 6,200 square foot historic Fire House #30, to provide conference rooms for the community, Fire Department and the Police Department.

Construction of the proposed new Public Safety Building would begin in January 2012 and be completed approximately 27 months later, by April of 2014.

FISCAL IMPACTS

According to Ms. Nadia Sesay, Director of the Controller's Office of Public Finance, if the proposed \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds are approved by the voters, the Office of Public Finance would provide five bond issuances, beginning in August of 2010 and ending in January of 2015, as shown in Table 6 below:

Table 6: Uses of Bond Proceeds by Bond Issuance Date

Issuance	Project Funds	City Auditor and Citizens' Oversight Committee	Costs of Bond Issuance	Total
August 2010	\$249,130,000	\$751,175	\$3,033,825	\$252,915,000
January 2011	204,370,000	616,305	2,578,695	207,565,000
July 2011	103,300,000	311,765	1,553,235	105,165,000
July 2013	47,300,000	143,030	986,970	48,430,000
January 2015	37,000,000	111,995	883,005	37,995,000
Total	\$641,100,000	\$1,934,270	\$9,035,730	\$652,070,000

Ms. Sesay anticipates issuing bonds with a 20-year term at an interest rate of approximately 6.0 percent, with total debt service payments of \$1,129,771,572, including \$477,701,572 in interest and \$652,070,000 in principal, with average annual debt service payments of \$47,073,815³.

The debt service of the proposed bonds would be paid from an average annual increase in the Property Tax rate of \$0.0225 per \$100 of assessed value over the life of the bonds, such that a single family residence with an assessed value of \$500,000, assuming a homeowners exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$110.93 per year ($\$500,000 - \$7,000 \div \$100 \times \0.0225).

The proposed ordinance (File 09-1458) would authorize landlords to pass-through 50 percent of the resulting Property Tax increase to residential tenants.

³ The average annual debt service payment of \$47,073,815 reflects the average over the 24 years which debt service would be paid on some portion of the bonds.

POLICY CONSIDERATIONS

The proposed issuance of \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds exceeds the \$580,000,000 cost included in the 2010-2017 Capital Plan.

According to Mr. Higuera, the cost of the proposed General Obligation Bond has increased by \$72,070,000, from \$580,000,000 to \$652,070,000, since the 2010-2019 Capital Plan was adopted by the Board of Supervisors on April 7, 2009 primarily because (a) conceptual designs for the Public Safety Building were completed after the Capital Plan was adopted, such that the estimated cost increased by approximately⁴ \$40,000,000 and (b) increases of approximately \$30,000,000 to reflect the cost of the City constructing a new Forensic Sciences Center rather than purchasing a finished building from a private developer as originally planned.

Currently, there is not a specific expenditure plan for \$132,000,000, or 20%, of the \$652,070,000 proposed General Obligation Bond

As shown in Table 2 above, a total of \$132,000,000 of Fire Protection Infrastructure projects have yet to be identified. According to Mr. Updike, these projects will be specified once the General Obligation Bond measure is approved by the voters and funds are available to assess the conditions of the relevant infrastructure, to determine which potential projects are the most cost effective for the City.

The Budget Analyst notes that regarding the \$132,000,000 in unidentified projects, without a list of specific projects available to the public prior to the proposed June 8, 2010 special election, the voters of San Francisco will not have clear expectations of what infrastructure projects would be completed for this \$132,000,000 amount, nor would the City be accountable to the voters for the completion of those specific projects. However, the Budget Analyst was unable to identify any guidelines or policies which establish the amount of expenditure information which is required to be available to the voters prior to a special election. Therefore, approval of the proposed resolution and ordinance (Files 09-1457 and 09-1458) is a policy matter for the Board of Supervisors.

The proposed legislation would waive the City's competitive bidding requirements for the existing design and general construction contractor services included in the "development package" for the proposed new Forensics Sciences Center.

As discussed above, the proposed "development package" to be purchased from ARE includes (a) 78,199 square feet of vacant land at 1600 Owens Street, (b) a tenancy-in-common interest in an adjacent parking garage, (c) existing building plans for the construction of a new Forensic Sciences Center at 1600 Owens Street, and (d) the right to execute existing contracts between (a) ARE and Studios Architecture for design services, and (b) ARE and DPR Construction for general construction contractor services.

⁴ The Budget Analyst was unable to determine the exact amount of the project increases due to the re-categorization of bond issuance and oversight costs over time.

However, because these existing contracts were not awarded according to the City's competitive bidding process required for City funded public works projects, the proposed ordinance (File 09-1460) would waive those requirements only for these existing contracts which were originally awarded by ARE. Notably, these contracts would still be subject to the Local Business Enterprise subcontracting requirements established by Chapter 14B of the Administrative Code, and any subsequent award of contracts to subcontractors would be subject to the City's competitive bidding requirements.

Mr. Updike advised that, as of the writing of this report, an estimate of the costs to be incurred under the existing design and general contractor services contracts was not available. Mr. Updike stated that such costs would represent only a minor portion of the overall project budget of \$238,600,000. Mr. Updike also stated an estimate would be available at the Budget and Finance Committee Hearing of January 27, 2010.

The Budget Analyst notes that the City would not be obligated to use ARE's existing contract with DPR Construction for general construction contractor services, and could award a new general construction contractor contract, including special consideration for those contractors with experience in building laboratory space or other relevant qualifications, subsequent to the competitive bidding process required by Chapter 6 of the Administrative Code. However, according to Mr. Updike, use of competitive bidding would result in increased construction costs due to delays caused by the bid and award period.

The seismic concerns regarding the Hall of Justice remain unaddressed by the proposed bond issuance.

Due to the seismic unreliability of the Hall of Justice Building, the FY 2010-2019 Capital Improvement Plan anticipates the following additional projects which would not be funded by the proposed General Obligation Bond (a) the construction of new facilities to house County Jails 1 and 2, which are currently located in the Hall of Justice, at an estimated cost of \$435,000,000, (b), interim seismic improvements to the Hall of Justice to allow temporary continued occupancy by the Superior Court, District Attorney, and Adult Probation at an estimated cost of \$2,000,000, and (c) the ultimate replacement of the Hall of Justice (this project is described as a deferred project in the Capital Plan such that there is no estimated cost available).

RECOMMENDATIONS

1. Because the proposed bond issuance would fund \$132,000,000 of unspecified Fire Protection Infrastructure projects, the proposed ordinance and resolution to request voter approval for the issuance of \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds is a policy matter for the Board of Supervisors (Files 09-1457 and 09-1458).
2. Because the proposed ordinance would waive the City's competitive bidding requirements, approval of the proposed ordinance is a policy matter for the Board of Supervisors (09-1460) for the contracts previously awarded by ARE for design and general construction contractor services.



Amy L. Brown
Director of Real Estate

MEMORANDUM

DATE: January 21, 2010

TO: Nathan Cruz, Budget Analyst
Office of the Budget & Legislative Analyst

FROM: John Updike
Assistant Director, Real Estate

SUBJECT: 1600 Owens Street Development & ESER G. O. Bond Initiative

You requested additional information to supplement your report to the Budget and Finance Committee on the subject topics. Two areas required additional detail.

1. 1600 Owens Project Delivery Advantages

There are many advantages of a consolidated agreement for the purchase of not only developable land, but also entitlements, design & construction documents, and securing the use of the design team and the general contractor in one agreement. Entitled land, ready for construction, adds value to the buyer (the City) in reduced processing time for any remaining permits (some permits have already been secured, some infrastructure work on site has already been completed), and in the savings of having CEQA clearance. With this proposal, the time for the team to complete construction drawings is substantially reduced.

The subcontractor selection process remains subject not only to standard City Public Works bidding requirements, but also to those of the Mission Bay South Redevelopment Plan, insuring significant San Francisco resident subcontracting and job production.

2. Changes in Square Footage from Existing Locations

The Forensic Services Division and Office of the Chief Medical Examiner will see substantial increases in net and gross square footage from existing locations, by occupying the proposed facility at 1600 Owens. The drivers for this increase are:

- Office and lab space in existing locations are sub-standard in terms of size, and will not meet anticipated accreditation standards.
- Forecasted staff growth through at least 2020 must be met, requiring additional space.
- The workload in these two fields is surging, due to demands of the criminal justice system, legislative initiatives at local, state and federal levels, and increased jury expectations.

The functions relocating to the new Police Headquarters at 3rd and Mission Rock from Hall of Justice reflect a modest increase in space from existing. This is mainly due to the fact that prior staff growth at the Hall of Justice hasn't been met by an increase in the footprint of the Police Department at the Hall of Justice, so a pent-up demand is being met through this design. Additionally, forecasted staff growth is being accommodated. The Southern District Station footprint is actually lighter in the new facility than exists at the Hall of Justice. That is a reflection of a more efficient design, as well as changes over time in how police services are delivered to the community.

It should be noted that two nationally recognized firms were selected by the City to perform programming studies for the uses to be located at either 1600 Owens or 3rd and Mission Rock, and the program presented here reflects their recommendations, based on national standards and accreditation requirements where applicable.

C: Amy L. Brown, Director of Real Estate
Charles Higuera, DPW-BOA Project Manager
Brian Strong, Director of Capital Planning



Amy L. Brown
Director of Real Estate



OPTION TERM SHEET
Purchase of fee interest in 1600 Owens Land and
Tenancy-in-common interest in 1670 Owens Parking Garage
December 11, 2009

This Option Term Sheet ("Term Sheet") is intended to summarize the basic economic terms and conditions for a proposed Option to Purchase Agreement (the "Option Agreement") between the City & County of San Francisco, a California municipal corporation ("City"), and ARE-SAN FRANCISCO NO.15, LLC, a Delaware limited liability company ("ARE"), or its assignee, (either ARE or its assignee, "Seller") with respect to City's purchase of the property described below using proposed voter-approved general obligation bonds.

1) Option Property:

a) The entire real property commonly known as 1600 Owens Street consisting of approximately 72,199 sq. ft. of land and also identified as Assessors Block 8709 / Lot 20, together with all rights and privileges incidental or appurtenant to such real property (the "1600 Owens Land"), and all of Seller's right, title, and interest in and to any all entitlements, approvals, licenses, and permits, along with the existing permitted base building construction documents (The "1600 Owens Entitlements") for a 10-story, 232,000 rentable sq. ft., 249,000 gross sq. ft. laboratory building (The "1600 Owens Building").

The City acknowledges that the 1600 Owens Land is located in the Mission Bay South Redevelopment Plan Area and as such, the land, entitlements, and proposed construction is subject to a number of agreements and instruments regarding the development of the land and development and financing of the infrastructure to support the development of the land (the "Mission Bay Restrictions"). City acknowledges that among other items, the Mission Bay Restrictions require payment of ad valorem taxes, potential Community Facility District ("CFD") and other taxes and fees as if City were an entity not exempt from such taxation.

b) A Twenty and Seventeen Hundredths percent (20.17%) tenancy-in-common interest (the "Parking Garage TIC") in the land and existing parking

Option Term Sheet

1600 Owens Land and Tenancy-in-common interest in 1670 Owens Parking Garage

December 11, 2009

Page 2

structure located at 1670 Owens Street and also identified as Assessor's Block 8709/Lot 22 (the "Parking Garage"). The Parking Garage is a six (6)-level (including the roof level), approximately 252,170 sq. ft. structure consisting of approximately 803 total parking spaces on approximately 86,260 sq. ft. of land.

c) An assignment of all of Seller's rights, title, and interest in the "warm shell" building plans and construction documents dated April 4, 2008 and Addendums 1 through 6 (collectively, the "Building Plans") and prepared by Studios Architecture with respect to the 1600 Owens Building. In addition, an assignment of all of Seller's rights, title, and interest in any contracts (acceptable to City) (the "Development Contracts") with Studios Architecture, any consultants, engineers and/or DPR Construction with respect to the design or development of the 1600 Owens Building, its construction, and/or such Building Plans. Such assignments shall be accompanied by a full release and discharge of Seller by Studios Architecture, DPR Construction, and any such engineers or consultants of any of Seller's obligations with respect to the Building Plans and such assignments.

Together (1a), 1b), and 1c)) the "Property"

2) Option Term and Payments: Within thirty (30) days of the Effective Date (defined as a fully executed, exchanged, and approved agreement), City shall pay Seller the sum of One Hundred Thousand Dollars (\$100,000) for an option to purchase the property, exercisable by Buyer at any time after the Effective Date and expiring on July 31, 2010. To extend the term of the option to purchase for an additional five (5)-month period (through December 31, 2010), City shall make an additional payment of Five Hundred Thousand Dollars (\$500,000). City may extend the option term for close of escrow until May 31, 2011 if (a) the voters approve a general obligation bond or other similar financing vehicle in an amount not less than the purchase price prior to December 31, 2010 and (b) by making an additional \$500,000 option payment prior to December 31, 2010.

3) Purchase Price: The purchase price shall be based on the following formula:

- (i) Thirty-One Million One Hundred Twenty-Five Thousand Dollars (\$31,125,000) (approximately \$125 per buildable sq. ft.) for the 1600 Owens Land and Entitlements,
- (ii) plus Nine Million Seven Hundred Twenty Thousand Dollars (\$9,720,000) (approximately Sixty Thousand Dollars (\$60,000) per stall) for the Parking Garage TIC,
- (iii) less a credit for all option payments paid by City
- (iv) less a credit for typical transfer taxes if waived

collectively (the "Purchase Price"), payable to Seller in cash or other immediately available funds upon close of escrow.

4) Closing: The purchase and sale of the Property will be consummated (the "Closing") through an escrow with a title company selected by Seller from City's list of approved title companies. Closing will occur prior to the expiration of the last option period (May 31, 2011).

5) Building Plans and Development Contracts: A material part of the consideration for City's purchase is the rights to use of the Building Plans and its assumption of Seller's rights and obligations under the Development Contracts. On At Closing Seller shall transfer and assign to City all of its right, title, and interest in the Building Plans and the Development Contracts acceptable to City, including all associated drawings, contracts, reports, and related documents.

6) Title: Seller will convey fee simple title to the 1600 Owens Land and the 1600 Owens Building, together with all rights, privileges, easements, and appurtenances thereto, by grant deed to City, or its nominee, free and clear of all liens, encumbrances and other title exceptions including leases (recorded or unrecorded) and other contracts, whether or not of record, except solely for (i) a lien for real property taxes and assessments not yet due or payable, (ii) the Mission Bay Restrictions, and (iii) other exceptions as are approved by City at its sole discretion and will not affect the value or City's intended use of the Property (the "Permitted Title Exceptions").

Seller will convey the Parking Garage TIC, together with all rights, privileges, easements and appurtenances thereto, by grant deed to City, or its nominee, free and clear of all liens, encumbrances and other title exceptions including leases (recorded or unrecorded) and other contracts, whether or not of record, except solely for (i) a lien for real property taxes and assessments not yet due or payable, (ii) the Mission Bay Restrictions and (iii) other exceptions as are approved by City in its sole discretion and will not affect the value or City's intended use of the Property (the "Parking Garage Permitted Title Exceptions").

City, or its nominee, will receive at the close of escrow (i) title insurance from a title company approved by City, insuring good and marketable title in City, or its nominee, with respect to the 1600 Owens Land, the 1600 Owens Building, and the Parking Garage TIC (collectively, the "Option Real Property") under an ALTA owner's form extended coverage policy in the amount of the Purchase Price, subject only to the Permitted Title Exceptions and the Parking Garage Permitted Title Exceptions and containing such endorsements as City may request, and (ii) a current ALTA survey of the Property in accordance with the requirements of City and the title company.

7) Conditions: Notwithstanding City's obligations to make the option payments in accordance with the terms and conditions of the Option Agreement, City's obligation

to purchase the Property will be subject to the satisfaction of the following conditions, as determined by City at its sole and absolute discretion.

(a) Commitment of Funding. Voter approval of a bond issuance for the project of not less than Three Hundred Million Dollars (\$300,000,000) for the purchase of the Property and the construction and completion of the project.

(b) Review of Title Matters. City's review and approval, within fifteen (15) days after the receipt of the later of (i) a current preliminary title report with respect to the Option Real Property, (ii) an ALTA survey with respect to the Option Real Property and (iii) all matters affecting title to the Option Real Property, including copies of all documents referred to such preliminary title report. City's purchase of the Property shall be subject to City's and Title Company's review and acceptance of a Seller-provided current ALTA survey prepared by a surveyor acceptable to City and any and all other documents relating to title.

(c) Review of Construction Documents. City's review and approval, within forty-five (45) days after receipt of the Building Plans and all other documents related to the construction of the project.

(e) Review of Environmental Condition. City's review and approval, within ninety (90) days after receipt of all reports in ARE and its assignee's (if any) possession relating to the environmental condition of the Property. In addition, at City's option, City may commission an additional environmental report(s) by a licensed engineering or environmental firm selected by City that shows to City's sole satisfaction there are no unacceptable environmental hazards on or about the Land or the Project and that neither the Property (including soil and groundwater conditions), nor any property in the vicinity of the Property, have been contaminated or are threatened to be contaminated with any hazardous material. City and its agents shall be allowed full access to the property to perform any and all testing desired by City (as provided below in Paragraph 9, Delivery of Documents).

(f) Review of Other Matters. City's review and approval, within forty-five (45) days after the mutual execution and delivery of this Term Sheet, of all other matters relating to the Option Real Property and its intended use, including receipt of a formal MAI appraisal, investigation of the Option Real Property's current zoning and use designation, and review of all reports and records in ARE and its assignee's (if any) possession or available possession (as provided below in Paragraph 9, Delivery of Documents).

(g) CEQA Compliance. City's compliance with all applicable laws, including, without limitation, the California Environmental Quality Act (CEQA), prior to approval by any City Commission, and/or by City's Board of Supervisors. City shall retain the absolute discretion before any action under the Option Agreement

or otherwise in connection with the project contemplated by this Term Sheet or the Option Agreement by the Board of Supervisors or any other City Commission, as applicable, to (i) request modification to the form of the transaction documents as may be necessary to mitigate significant impacts, (ii) balance the benefits against any significant environmental impacts prior to taking final action or (iii) determine not to proceed with the transactions contemplated or the project pursuant to this Term Sheet or the Option Agreement; provided, however, City may not take any action which would be binding on Seller or the Property if Closing does not occur.

8) City's Board of Supervisors' Approval. The option to purchase contemplated by the Option Agreement shall be subject to approval by City's Board of Supervisors and Mayor, at their respective sole and absolute discretion, within ninety (90) days after the mutual execution and delivery of this Term Sheet.

9) Delivery of Documents; Right of Entry: No later than five (5) days after the mutual execution of this Term Sheet, Seller will deliver to City copies of all material documents pertaining to the condition or development of the Property, including any environmental reports, studies or inspections, environmental regulatory agency permits, soils reports, surveys, engineering reports, building permits, notices of any statute or code violation pertaining to the Property for the previous five (5) years and documents pertaining to the resolution thereof, and any all other documents that are of material significance to the Property. Seller will also provide to Buyer promptly upon receipt by Seller with any updates or supplements to the foregoing as information becomes available. In the event that ARE assigns its rights under this Term Sheet or the Option Agreement to an assignee, ARE shall promptly provide such assignee with all copies of any of the foregoing documents or information in its possession promptly upon such assignment or, in the event it gains possession of any of the foregoing thereafter, promptly after it gains such possession. Seller will also provide City and its agents, contractors, employees, and authorized representatives with access to the Property, from time to time, upon not less than twenty-four (24) hours' advance, oral or written notice, to inspect the condition of all aspects of the Property, including, without limitation, the making of such environmental assessments, soils borings, test wells, and other investigations as City may deem proper; provided, however, that invasive testing shall be subject to Seller's reasonable approval of all parts of City's work plan. City will be responsible at its expense for performing or arranging any investigations of the Property it elects, at its sole discretion, to undertake. City will be responsible at its expense for repairing damage, if any, to the Property made as part of City's investigation of the Property.

10) Property Representation. Seller shall represent the following to City as part of the Option Agreement and subsequent purchase agreement entered into between City and Seller with respect to the purchase by City of the Property:

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1600 Owens Land and Tenancy-in-common interest in 1670 Owens Parking Garage

December 11, 2009

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(a) To Seller's actual knowledge, there are not now and, at the time of the Closing, will be no violations of any applicable state, federal, or local laws ordinances, or regulations applicable to the Option Real Property.

(b) To Seller's actual knowledge, there are not now and, at the time of the Closing, will be no known hazardous materials at, on or in the Option Real Property, except those disclosed in the reports delivered by Seller to City.

(c) To Seller's actual knowledge, Seller has delivered to City all of the relevant material documents and information pertaining to the condition of the Option Real Property and the construction of the completed or proposed improvements thereon,

(d) To Seller's actual knowledge, no document or instrument furnished or to be furnished by the Seller to the City contains or will contain any untrue statement or will omit a material fact which would make such document or instrument misleading,

(e) To Seller's actual knowledge, (i) there are no easements or rights of way which are not of record with respect to the Option Real Property, (ii) there are no disputes with regard to the location of the Option Real Property's boundaries nor any claims or actions involving the location of any boundary, and (iii) there are no encroachments onto the 1600 Owens Land, and the 1600 Owens Building does not encroach onto any neighboring land, except as may be disclosed in the title report(s) and survey top be provided by Seller pursuant to the Option Agreement,

(f) To Seller's actual knowledge, there are not now and, at the time of the Closing, will be no material physical defects with respect to the Option Real Property, except those disclosed in the reports delivered by Seller to City pursuant to the Option Agreement,

(g) Seller is the legal and equitable owner of the Property, with full right to convey the same, and Seller has not granted any option or right of first refusal or first opportunity to any third party to acquire any interest in any of the Property. There is no litigation pending or threatened against Seller or any basis therefore,

(h) With the exception of Mission Bay bond indebtedness (including CFDs) and the Mission Bay Restrictions, there are not now and, at the time of Closing, there will be no outstanding written or oral contracts made by Seller for any of the Property that have not been fully paid for and Seller shall cause to be discharged all mechanics', materialmen's, or other liens arising from any labor or materials furnished to or with respect to the Property prior to the time of Closing,

Seller shall agree to indemnify City up to Five Million Dollars (\$5,000,000) for losses suffered by City after Closing resulting from any breach of any of Seller's representations or warranties and such indemnification provisions shall survive for 12 months beyond the Closing.

11) Closing Costs: City will pay at Closing all title insurance premiums and recording fees arising out of City's purchase of the Property and one-half the typical escrow costs. City shall receive a credit at escrow, for the typical Seller obligation for the real property transfer taxes. Real property taxes, insurance, and other normal operating expenses, if any, will be prorated as of the close of escrow. Seller shall pay at Closing all survey costs and other typical seller costs arising out of City's purchase of the Property and one-half the typical escrow costs

12) Commission and Real Estate Fees: Seller shall be responsible for, and City will have no responsibility for, payment of any real estate commission or fee, and Seller shall indemnify, defend, and hold City harmless from any and all claims, liabilities costs, and expenses (including, without limitation, attorneys' fees) arising from any broker's commission or finder's fees. City shall represent and warrant that City has not dealt with any brokers who could be entitled to a Commission or fee in connection with this transaction and shall indemnify Seller against any such claims.

13) Assignment by Seller: Seller may assign its interests, rights, and obligations pursuant to this Term Sheet, the Option Agreement, and any purchase agreement or other instruments entered into between Seller and City pursuant to or in connection with the transactions contemplated by this Term Sheet, the Option Agreement, or any such purchase agreement, provided that, contemporaneously with such assignment, Seller transfers to such assignee all of Seller's right, title, and interest in the Property.

City and Seller understand and agree that this Term Sheet is not intended to be, and shall not become, contractually binding on either City or Seller and no legal obligation shall exist unless and until City and Seller have negotiated, executed, and delivered a mutually acceptable and authorized Option Agreement. In addition, Seller acknowledges and agrees that under City's Charter, no department, commission, officer, or employee of City has authority to commit City to the transactions contemplated by this letter unless and until appropriate legislation of City's Board of Supervisors has been duly enacted and approved by the Mayor, each at their respective sole and absolute discretion, approving the Option Agreement and the transactions contemplated thereby and appropriating all necessary funds, in compliance with all applicable laws. The Director of Property, on behalf of City, and Seller will attempt in good faith to use the above terms and conditions as the initial base to negotiate and enter into an Option Agreement in form and content acceptable to each party, at each party's respective sole and absolute discretion.


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Option Term Sheet
1600 Owens Land and Tenancy-in-common interest in 1670 Owens Parking Garage
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AGREED, ACCEPTED, AND
RECEIPT ACKNOWLEDGED:

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: 
Amy L. Brown
Director of Real Estate

SELLER:

ARE-SAN FRANCISCO NO.15, LLC
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, L.P.
a Delaware limited partnership, managing member

By: ARE-QRS CORP.,
a Maryland corporation, general partner

By:
Its:
Dated: 

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): SF Board of Supervisors	City elective office(s) held: Members, SF Board of Supervisors

Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: ARE-San Francisco No. 15, LLC, a Delaware limited liability company.	
<p><i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i></p> <p>(1) None. Contractor is a single member limited liability company. Note that Contractor is an indirectly wholly-owned subsidiary of Alexandria Real Estate Equities, Inc., a publicly traded REIT (NYSE: ARE). ARE's current board of directors include John Atkins, Richard Jennings, Richard Klein, Joel Marcus, James Richardson, Martin Simonetti, and Alan Walton. (2) None. ARE's CEO is Joel Marcus and Dean Shigenaga is the CFO. Its public filings are available for review at www.labspace.com. (3) N/A. As noted above, Contractor is an indirectly wholly-owned subsidiary of Alexandria Real Estate Equities, Inc.. (4) None. (5) None.</p>	
Contractor address: ARE-San Francisco No. 15, LLC c/o Alexandria Real Estate Equities, Inc. 385 E. Colorado Blvd., Suite 299 Pasadena, CA 91101	
Date that contract was approved:	Amount of contract: \$40,845,000
Describe the nature of the contract that was approved: Option to Purchase Real Property at 1600 & 1670 Owens St.	
Comments:	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form
- a board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board
- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits
- _____
- Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer:	Contact telephone number: 0
Address:	E-mail:

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed