

LEGISLATIVE DIGEST

[Amended and Restated Conditional Property Exchange Agreement - EQX Jackson SQ Holdco LLC - 530 Sansome Street and 447 Battery Street]

Ordinance approving an Amended and Restated Conditional Property Exchange Agreement between the City and County of San Francisco and EQX Jackson SQ Holdco LLC for the exchange of 530 Sansome Street and 447 Battery Street and the construction of a new fire station on 447 Battery Street; affirming exempt surplus property finding declaration; waiving the appraisal requirements of Administrative Code, Chapter 23; ratifying past actions and authorizing future actions in furtherance of this Ordinance, as defined herein; adopting findings under the California Environmental Quality Act; and making 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 an Amended and Restated Conditional Property Exchange Agreement (“Amended CPEA”) between the City and EQX Jackson SQ Holdco LLC, a Delaware limited liability company (“Developer”).

Background Information

The Amended CPEA would replace a Conditional Property Exchange Agreement between the City and Developer, dated as of July 30, 2020 (as amended, the “Original CPEA”), for the exchange of City’s property at 530 Sansome Street, currently improved with Fire Station 13, for a to-be-created parcel (the “Original Fire Station Site”) on Developer’s adjacent property at 425 Washington Street and 439-445 Washington Street (“Developer Parcels”). The Original CPEA also required Developer to construct a new fire station on the Original Fire Station Site at its sole cost up to a maximum amount. If the cost to construct the new fire station exceeded that maximum amount, the City and the Developer were to discuss changes to the new fire station to reduce the construction costs to remain below the maximum amount.

Under the Original CPEA, the Developer would build the new fire station at the same time as demolishing Fire Station 13 and developing a 21-story mixed-use building (“Original Tower”) on 530 Sansome Street and the remainder of the Developer Parcels (the “Initial Project”), with the Original Tower and the new fire station sharing certain structural elements and reciprocal easements. The Initial Project is no longer feasible due to current market conditions and unforeseen design and operational challenges.

The Developer has the ability to purchase real property located at 447 Battery Street, and proposed modifying the Initial Project (the “Project”) to consist of (i) a new three-story fire station with one below-grade level (the “New Fire Station”) on 447 Battery Street instead of

the Original Fire Station Site, (ii) a mixed-use building up to 41-stories tall and with three below-grade levels on the Developer Parcels and 530 Sansome Street (the “New Tower”) instead of the Original Tower, and (iii) non-standard streetscape improvements to the entire portion of Merchant Street between Sansome Street and Battery Street (approximately 9,580 square feet), which would be built and maintained by the Developer at its sole cost.

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 a hotel and fire station development incentive agreement. If approved by the Board of Supervisors, the Project development agreement would require the Developer to construct and transfer the New Fire Station at its sole cost subject to the terms and conditions of the Amended CPEA and the related construction management agreement executed under the Amended CPEA, among other required public benefits described in that agreement.

The Amended CPEA would allow for the exchange of 530 Sansome Street for 447 Battery Street and provides the terms and conditions for Developer’s construction of the New Fire Station at its sole cost. The proposed ordinance would authorize the execution, delivery, and performance of City’s obligations under the CPEA. It would also authorize the Director of Property to execute and accept easement agreements needed for any encroachments resulting from the initial construction of the New Tower and New Fire Station as long as any encroachment easements that encumber 447 Battery Street will not materially affect its value or City’s uses.

Existing and Amended Law

Administrative Code Chapter 23 requires appraisals for properties and easements to be acquired or conveyed by the City if the Director of Property determines their fair market value is more than \$10,000. If the Project development agreement is approved by the Board of Supervisors, it would allow the Developer to build the New Tower on 530 Sansome and the Developer Parcels and require the Developer to build and transfer the New Fire Station at 447 Battery to City at Developer’s sole cost, subject to the terms and conditions of the Amended CPEA and the related construction management agreement executed under the Amended CPEA. The Amended CPEA provides the terms and conditions for the exchange of 530 Sansome and 447 Battery to facilitate the construction and City’s ownership of the New Fire Station. This ordinance would waive the appraisals that would otherwise be required for the exchange of the properties and the acceptance or creation of encroachment easements resulting from the initial construction of the New Tower and New Fire Station.