

1 [Ground Lease - Retention and Expansion of the San Francisco Wholesale Produce Market]

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3 **Resolution: 1) authorizing a lease of real property and improvements known as the San**  
4 **Francisco Wholesale Produce Market, near 2095 Jerrold Avenue, to the San Francisco**  
5 **Market Corporation, including the lease of the property at 901 Rankin Street; 2)**  
6 **adopting findings pursuant to the California Environmental Quality Act; 3) adopting**  
7 **findings that the transactions contemplated are consistent with the City’s General Plan**  
8 **and Eight Priority Policies of the City’s Planning Code; and 4) authorizing the City**  
9 **Administrator, or designee, to execute documents, make certain modifications, and**  
10 **take certain actions in furtherance of this resolution.**

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13 WHEREAS, The San Francisco Wholesale Produce Market (“SFWPM”) is an  
14 assemblage of dedicated produce and food professionals, co-located at one distribution  
15 center along Jerrold Avenue near Highway 280, is the largest facility dedicated to a wholesale  
16 marketplace in Northern California, is comprised of approximately 30 produce and food-  
17 related businesses, is responsible for the employment of over 650 people in the Production,  
18 Distribution and Repair (“PDR”) industries, and is committed to being the Bay Area's leading  
19 source of produce; and

20 WHEREAS, The SFWPM has operated at its current location since 1963, following  
21 passage of a proposition establishing a municipal market, approved by the voters of San  
22 Francisco in 1959 which created Section 92.1 of the then-Charter of the City, when produce  
23 wholesalers relocated from the area near the current Maritime Plaza and Golden Gateway  
24 redevelopment project area in downtown San Francisco; and

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1           WHEREAS, The City and County of San Francisco Market Corporation (“CCSFMC”), a  
2 California non-profit corporation, was formed for the express purpose of helping the City  
3 establish a produce market at its current location; and

4           WHEREAS, The SFWPM currently occupies approximately 350,000 square feet of  
5 City-owned warehouse and industrial space under the terms and conditions of a 50-year  
6 master lease between the City (as Landlord) and the CCSFMC (as Tenant), scheduled to  
7 expire on January 31, 2013; and

8           WHEREAS, The SFWPM delivers significant public benefit to the residents and  
9 businesses of San Francisco both for the high-quality PDR jobs its operations provide, and for  
10 the important role the market plays in food distribution to the City’s many restaurants and  
11 grocery stores, which supports San Francisco’s reputation as a world class food destination;  
12 and

13           WHEREAS, The SFWPM serves as an informal anchor to other PDR activities in the  
14 industrial areas of the Bayview district, attracting food-related businesses, such as beverage  
15 distribution, seafood wholesale and distribution, and dry goods vendors; and

16           WHEREAS, The City is committed to preserving space for critical industries related to  
17 PDR activities in Bayview’s industrial district, as demonstrated by recent actions to update the  
18 zoning designation of the SFWPM site and surrounding area, with the intent to encourage the  
19 introduction, intensification, and protection of a wide range of light and contemporary industrial  
20 activities; and

21           WHEREAS, Although there is continuing demand for space in the SFWPM, including  
22 expansion needs of existing market occupants that are not currently being met, most of the  
23 buildings are nearing the end of their useful life and are in need of significant repair or  
24 upgrade; and

1           WHEREAS, The current site and building configuration of the SFWPM pose limitations  
2 to addressing evolving food and operational safety issues, more demanding regulatory  
3 environment, and long-term growth needs of the market; and

4           WHEREAS, The City and the San Francisco Market Corporation ("SFMC" or "Tenant"),  
5 a California non-profit corporation formed to facilitate the successful continued operation of  
6 the SFWPM, desire to enter into a new long-term, mutually-beneficial relationship upon  
7 expiration of the current lease, and to retain and make improvements to the SFWPM's facility,  
8 furthering the SFWPM's essential future role in the City's food distribution system; and

9           WHEREAS, Pursuant to Administrative Code Chapter 29, the proposed improvements  
10 to the SFWPM's facility ("the Project") triggered review by the Board of Supervisors to  
11 determine the fiscal feasibility of the Project; and

12           WHEREAS, After reviewing a report on the proposed Project ("the SFWPM Fiscal  
13 Responsibility and Feasibility Report") containing information as required by Administrative  
14 Code Section 29.3, the Board of Supervisors adopted findings of fiscal feasibility for the  
15 Project on November 3, 2009, by enacting Resolution 434-09, on file with the Clerk of the  
16 Board of Supervisors in File No. 091112; and

17           WHEREAS, On May 11, 2011 a Draft Initial Study/Mitigated Negative Declaration  
18 ("IS/MND") for the Project was prepared and published for public review. The Draft IS/MND  
19 was available for public comment until May 31, 2011; and

20           WHEREAS, The City's Planning Department issued a Final Mitigated Negative  
21 Declaration ("FMND"), dated July 5, 2011, with respect to the proposed Project, and the  
22 CCSFMC has entered into an Agreement to Implement Improvement and Mitigation Measures  
23 identified by the Planning Department in the FMND (the "Mitigations Implementation  
24 Agreement"). A copy of the FMND and the Mitigations Implementation Agreement is on file  
25 with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_; and

1           WHEREAS, The Planning Department reviewed and considered the Final Mitigated  
2 Negative Declaration and found that the contents of said report and the procedures through  
3 which the FMND was prepared, publicized, and reviewed complied with the California  
4 Environmental Quality Act (California Public Resources Code Sections 21000 et seq.)  
5 (“CEQA”), 14 California Code of Regulations Sections 15000 et seq. (the “CEQA Guidelines”)  
6 and Chapter 31 of the San Francisco Administrative Code (“Chapter 31”); and

7           WHEREAS, The Planning Department found the FMND was adequate, accurate and  
8 objective, reflected the independent analysis and judgment of the Department of City  
9 Planning, and that the summary of comments and responses contained no significant  
10 revisions to the Draft IS/MND, and approved the FMND for the Project in compliance with  
11 CEQA, the CEQA Guidelines and Chapter 31; and

12           WHEREAS, The Board of Supervisors has reviewed and considered the FMND for the  
13 Project, issued by the Planning Department, and the record as a whole, and finds that there is  
14 no substantial evidence that the Project will have a significant effect on the environment with  
15 the adoption of the mitigation measures contained in the Mitigation and Monitoring Report  
16 (“MMRP”) to avoid potentially significant environmental effects associated with the Project,  
17 and hereby adopts the FMND; and

18           WHEREAS, The Board of Supervisors hereby adopts the FMND and its MMRP for this  
19 Project, which are incorporated by reference as though fully set forth herein. All required  
20 mitigation measures identified in the IS/MND and contained in the MMRP are included as  
21 conditions of approval; and

22           WHEREAS, The Board of Supervisors further finds that since the FMND was finalized,  
23 there have been no substantial project changes and no substantial changes in project  
24 circumstances that would require major revisions to the FMND due to the involvement of new  
25 significant environmental effects or an increase in the severity of previously identified

1 significant impacts, and there is no new information of substantial importance that would  
2 change the conclusions set forth in the FMND; and

3 WHEREAS, On September 6, 2011, the City Planning Department found that the  
4 actions related to the Project, as contemplated in the Lease, were consistent with the City's  
5 General Plan, and with the Eight Priority Policies of City Planning Code Section 101.1. A  
6 copy of this letter is on file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_, and  
7 is incorporated by reference as though fully set herein. The Board adopts these findings as its  
8 own; and

9 WHEREAS, The Board of Supervisors has considered the description of the Project  
10 and the proposed source of funds for the Project and hereby finds that the construction by  
11 SFMC of the Project in the manner contemplated in the Lease does not constitute a public  
12 work or public improvement and accordingly contracts entered into by or on behalf of SFMC in  
13 connection with the Project in the manner contemplated by the Lease are not subject to the  
14 requirements of Chapter 6 of the City's Administrative Code, however the Lease shall require  
15 Tenant to comply with the prevailing wage provisions of subsection (b) of San Francisco  
16 Charter Section A7.204 and Section 6.22(E) of the San Francisco Administrative Code with  
17 respect to the construction of the Project; now, therefore, be it

18 RESOLVED, That in accordance with the recommendation of the Director of Property,  
19 the City Administrator and Director of Property are hereby authorized to take all actions on  
20 behalf of the City and County of San Francisco, as landlord, to lease warehouse and industrial  
21 space, collectively known as the SFWPM and located near 2095 Jerrold Avenue, to the San  
22 Francisco Market Corporation ("SFMC"), as Tenant. A copy of the proposed lease ("Lease")  
23 is on file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_, and is hereby  
24 declared to be a part of this resolution as if set forth fully herein; and, be it

1 FURTHER RESOLVED, That the Lease for the SFWPM shall be for the term of  
2 approximately sixty (60) years beginning on the commencement date, as defined in the  
3 Lease, and terminating on January 31, 2073; and, be it

4 FURTHER RESOLVED, That the Lease shall initially include the premises presently  
5 occupied by the SFWPM under the existing lease, and, in order to improve operations on the  
6 SFWPM site and to provide better controls for food safety with the SFWPM site, shall  
7 eventually include certain portions of improved and papers streets which presently bisect the  
8 SFWPM site upon the completion of a vacation of certain portions of rights of way and  
9 jurisdictional transfer of said lands to Department of Real Estate as outlined in the Lease and  
10 as submitted to the Board of Supervisors under companion legislation; and, be it

11 FURTHER RESOLVED, That in order to facilitate the improvement and expansion of  
12 the SFWPM the Lease shall expand the premises to include an adjoining currently City-  
13 owned parcel of land known as 901 Rankin Street, subject to a right by SFMC to terminate the  
14 lease of 901 Rankin Street prior to delivery of such property by City; and, be it

15 FURTHER RESOLVED, That the leased premises if so expanded to include 901  
16 Rankin Street, shall be placed under the jurisdiction of the Department of Real Estate (rather  
17 than the Department of Technology), to facilitate the management of the entirety of the leased  
18 premises in a more cohesive manner; and, be it

19 FURTHER RESOLVED, That the Lease shall include a Scope of Development and  
20 Schedule of Performance and shall require periodic updates to the development plan to hold  
21 the Tenant accountable for delivering an improved facility within a reasonable schedule and  
22 budget; and shall require the Tenant to comply with the terms of the Mitigations  
23 Implementation Agreement, be it

24 FURTHER RESOLVED, That the Lease shall allow the Tenant to accrue revenues  
25 from subleasing the premises and operating the market and to secure financing to fund the

1 phased improvements of the facility, with a revenue stream from net income from subleases  
2 and market operations accruing to the City's General Fund following successful completion of  
3 said improvements and establishment of adequate funding of capital, operating and  
4 maintenance reserves; and, be it

5 FURTHER RESOLVED, That the City shall have significant input and approval rights  
6 with respect to facility's renewal project, including budget and construction reviews; and be it

7 FURTHER RESOLVED, That the Lease shall require SFMC to use good faith efforts to  
8 achieve market rent in subleases whenever possible and to enter into subleases with terms  
9 that are reasonable in light of the market conditions existing at the time of such sublease, with  
10 City review and input upon any requested deviations from a baseline market rent leasing  
11 schedule; and, be it

12 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City  
13 with respect to such Lease is hereby approved, confirmed and ratified; and, be it

14 FURTHER RESOLVED, That the Director of Property is authorized to take all  
15 necessary actions to transfer the jurisdiction of 901 Rankin Street to the Department of Real  
16 Estate, in the event that the leased premises are so expanded to include 901 Rankin Street;  
17 and, be it

18 FURTHER RESOLVED, That the Board of Supervisors authorizes the City  
19 Administrator or Director of Property to enter into any amendments or modifications to the  
20 Lease (including, without limitation, the exhibits) that the City Administrator or Director of  
21 Property determines, in consultation with the City Attorney, are in the best interest of the City,  
22 do not materially increase the obligations or liabilities of the City, are necessary or advisable  
23 to effectuate the purposes of the Lease or this resolution, and are in compliance with all  
24 applicable laws, including the City Charter.

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Recommended:

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John Updike, Acting Director of Property

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Naomi M. Kelly, City Administrator