[Amended and Restated Lease - San Francisco Market Corporation - San Francisco Wholesale Produce Market - Jerrold Avenue and Toland Street]

Resolution approving and authorizing the Director of Property to amend and restate the current lease for the San Francisco Wholesale Produce Market (Amended and Restated Lease), located near 2095 Jerrold Avenue, with the San Francisco Market Corporation, including authorizing separate parcel leases as needed for real estate security to obtain one or more private construction loans; adopting findings pursuant to the California Environmental Quality Act; adopting findings that the contemplated transactions are consistent with the General Plan, and the eight priority policies of the Planning Code, Section 101.1, and take certain actions in furtherance of this Resolution and the Amended and Restated Lease, as defined herein.

WHEREAS, The San Francisco Wholesale Produce Market (SFWPM) is an assemblage of approximately 30 dedicated produce and food-related businesses, co-located at one distribution center near 2095 Jerrold Avenue, generally bordering Highway 280, Innes and Kirkwood Avenues and Toland and Rankin Streets, and located at 1901 Innes, 2001 Innes, 1900 Kirkwood and 2000 Kirkwood Avenues (Premises), which is the largest facility dedicated to a wholesale produce marketplace in Northern California responsible for the direct employment of approximately 700 people; and

WHEREAS, The SFWPM has operated at the Premises since 1963, following passage of a 1959 voter-approved proposition establishing a municipal market, when the produce wholesalers relocated from the area near the current Maritime Plaza and Golden Gateway redevelopment project area in downtown San Francisco; and

WHEREAS, The SFWPM operated on approximately 350,000 square feet of City-owned warehouse and industrial space pursuant to a 50-year master lease (Original Lease) between the City, as Landlord, and the then City and County of San Francisco Market Corporation (Original Market Corporation), a non-profit corporation, as Tenant, which expired on January 31, 2013; and

WHEREAS, In 2012, the City and the San Francisco Market Corporation (Tenant), a California non-profit corporation formed to facilitate the successful continued operation of the SFWPM entered into a new long-term lease that commenced in 2013 and expires on January 31, 2073 (2013 Lease), in order to retain and make improvements to the SFWPM, as approved by Resolution No. 280-12, which is on file with the Clerk of the Board of Supervisors in File No. 120530; and

WHEREAS, The 2013 Lease provides for the rehabilitation and expansion of the SFWPM consistent with the Tenant's Reinvestment and Expansion Plan (Plan), a phased, multi-year development that replaces the SFWPM's aging physical infrastructure and ensures the delivery of its essential services for decades to come; and

WHEREAS, Tenant celebrated the completion of Phase I of the Plan in 2015 with the opening of a new, 82,000 square-foot, state of the art, distribution warehouse at 901 Rankin Street; and

WHEREAS, In the 10 years following approval of the 2013 Lease, multiple general market conditions changed dramatically, including significant increases in the cost of construction, making the contemplated improvements and the current rehabilitation schedule of the Plan infeasible; and

WHEREAS, While Tenant utilizes and will continue to seek a variety of funding sources, including New Markets Tax Credits, State grants, and other potential federal contributions, Tenant must obtain private commercial loans to augment these funding sources to complete the Plan; and

WHEREAS, In recognition of these dynamics, the City approved an Amended and Restated Lease (2022 A&R Lease) to provide for 1) a Separate Parcel Lease structure (SPL), which allows division of the Premises into multiple separate parcel leases that enable Tenant to then obtain private secured construction and permanent financing for each SFWPM building (Financing); and 2) greater flexibility to Tenant in the phasing and implementation of the Plan, as approved by Resolution No. 406-22, which is on file with the Clerk of the Board of Supervisors in File No. 220900.

WHEREAS, The SFWPM continues to deliver significant public benefit to the residents and businesses of San Francisco both for the high-quality Production, Distribution, and Repair (PDR) jobs provided, and for the important role the SFWPM plays in food distribution to the City's many restaurants and grocery stores, which supports San Francisco's reputation as a world-class food destination; and

WHEREAS, The SFWPM serves as an informal anchor to other PDR activities in the City's Market Zone Neighborhood, a key commercial district in northern Bayview Hunters Point, attracting food-related businesses such as beverage distribution, seafood wholesale and distribution, and dry goods vendors; and

WHEREAS, The City is committed to preserving space for critical light industrial activities and related essential services, like SFWPM, in the Market Zone and surrounding commercial areas; and

WHEREAS, After further discussions with multiple potential lenders, Tenant requested certain revisions to the 2022 A&R Lease's SPL structure related to the process and timing of monthly rent that SPL entities pay to the City, as well as the deposit of net revenues into various reserve accounts held by Tenant; and

WHEREAS, These modifications to the 2022 A&R Lease are necessary for Tenant to obtain financing for the completion of the Plan; and

WHEREAS, City and Tenant have negotiated certain amendments to the 2022 A&R Lease to, among other matters, 1) replace a milestone-based Schedule of Performance for development of the Project with, instead, a process of periodic review of project Feasibility; 2) revise the Rent payment structure under the Separate Parcel Leases so fair market rent is paid directly to the City; 3) make various streamlining adjustments to reporting and communications protocols between the Parties; 4) provide for the partial assignment and assumption of this Lease in connection with a Financing; 5) provide for the automatic conversion of this Lease to an Operations Agreement once all portions of the Premises have been assigned and assumed into a Separate Parcel Lease; and 6) provide an expansion option that automatically adds the former street property described in Ordinance No. 163-12, a copy of which is on file with the Clerk of the Board of Supervisors in File No. 120670 (Former Street Property) into the Premises once the vacation is final; these amendments are contained in the proposed Amended and Restated Lease on file with the Clerk of the Board of Supervisors in File No.__________ , and is hereby declared to be a part of this Resolution as if set forth fully herein; and

WHEREAS, For the 2013 Lease, the Planning Department issued a Final Mitigated Negative Declaration (FMND), dated July 5, 2011, and Tenant entered into an Agreement to Implement Improvement and Mitigation Measures identified by the Planning Department in the FMND (the Mitigation Implementation Agreement); a copy of the FMND and the Mitigation Implementation Agreement is on file with the Clerk of the Board of Supervisors in File No. 120530; and

WHEREAS, The Board of Supervisors reviewed and considered the FMND for the Plan, and the record as a whole, and found that there was no substantial evidence that the Plan will have a significant effect on the environment with the adoption of the mitigation measures contained in the Mitigation and Monitoring Report (MMRP) to avoid potentially significant environmental effects associated with the Plan, and adopted the FMND by Resolution No. 280-12; and

WHEREAS, The Planning Department prepared a second addendum to the FMND, dated July 21, 2022, copy of which is on file with the Clerk of the Board of Supervisors in File No. 220900 (Second Addendum), that evaluated the environmental effects of the 2022 A&R Lease and concluded that the then proposed amendments would not result in new or different environmental impacts, substantially increase the severity of previously identified environmental impacts or require new mitigation measures to reduce significant impacts, and that no changes or new information had emerged that would materially change the analyses or conclusions set forth in the FMND; therefore, no supplemental environmental review was required beyond what was set forth in the Second Addendum; and

WHEREAS, The Board of Supervisors adopted the Second Addendum and the MMRP for the 2022 A&R Lease, by Resolution 406-22, which are incorporated by reference as though fully set forth herein; all required mitigation measures identified in the FMND and contained in the MMRP are included as conditions of approval; and

WHEREAS, On September 6, 2011, the City Planning Department found that the actions related to the Plan were consistent with the General Plan, and with the eight priority policies of Planning Code, Section 101.1 (General Plan Findings); a copy of such letter (Planning Letter) is on file with the Clerk of the Board of Supervisors in File No. 120530, and is incorporated by reference as though fully set herein; the Board has adopted these findings as its own when it approved the 2022 A&R Lease; and

WHEREAS, On May 1, 2022, the Planning Department issued a Note to File stating that the 2022 A&R Lease does not change its prior findings related to General Plan, and eight Planning code priority policies and that the Planning Letter remains valid; a copy of this Note to File is on file with the Clerk of the Board of Supervisors in File No. 220900; and

WHEREAS, The Board of Supervisors considered the Plan and the proposed source of funds and, in Resolution No. 280-12, found that the construction by Tenant of the Plan under the 2022 A&R Lease does not constitute a public work or public improvement and accordingly Tenant's contracts for the improvements are not subject to the requirements of Chapter 6 of the Administrative Code, however Tenant must comply with the prevailing wage provisions of subsection (b) of Charter, Section A7.204 and Section 6.22(E) of the Administrative Code with respect to the construction of the Project; now, therefore, be it

RESOLVED, The Board of Supervisors hereby adopts the Planning Department's CEQA determination and General Plan findings, for the same reasons as set forth in the Planning Letter, FMND, and Second Addendum, and hereby incorporates such determinations by reference as though fully set forth in this Resolution; and, be it

FURTHER RESOLVED, That to improve operations on the Premises, enhance worker safety, and to provide better controls for food safety, upon final vacation of the Former Street Property, the Premises under the 2026 A&R Lease will be expanded to include the Former Street Property; and, be it

FURTHER RESOLVED, That any City approvals required by the 2026 A&R Lease will be made, if at all, by the Director of Property in writing following consultation with the Controller, City Attorney's Office, and any other City staff selected at the Director of Property's discretion; and, be it

FURTHER RESOLVED, That the 2026 A&R Lease will continue to allow Tenant to accrue revenues from subleasing the premises 1) for the purposes of operating the SFWPM; and 2) to secure financing to fund the phased completion of the Plan; and, be it

FURTHER RESOLVED, That the 2026 A&R Lease will continue to require Tenant to use good faith efforts to achieve market rent in subleases whenever possible and to enter into subleases with terms that are reasonable in light of the market conditions existing at the time of such sublease, with City review and input upon any requested deviations from a baseline market rent leasing schedule; and, be it

FURTHER RESOLVED, That the City will continue to use the Plan components and associated review process, identified in the 2026 A&R Lease in addition to other annual reporting requirements, to formally receive updates on Tenant's finances, Tenant's views on general market conditions surrounding the Plan, and Tenant's ability to proceed with constructing subsequent phases of the Plan; and, be it

FURTHER RESOLVED, That in accordance with the recommendation of the Director of Property, the City Administrator and the Director of Property are hereby authorized to take all actions on behalf of the City, as Landlord, to enter into, execute, and perform its obligations under the 2026 A&R Lease (including, without limitation, the exhibits) and any other documents that are necessary or advisable to effectuate the purpose of this Resolution and the 2026 A&R Lease; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the City Administrator and the Director of Property to enter into any amendments or modifications to the 2026 A&R Lease (including, without limitation, the exhibits) that the City Administrator or the Director of Property determines, in consultation with the City Attorney, are in the best interest of the City, do not materially increase the obligations or liabilities of the City, are necessary or advisable to effectuate the purposes of the Amended and Restated Lease or this Resolution, and are in compliance with all applicable laws, including the City Charter.

FURTHER RESOLVED, That within thirty (30) days of the 2026 A&R Lease being executed by all parties, the Director of Property will provide the fully-executed version to the Clerk of the Board for inclusion into the official file.

RECOMMENDED:

*/s/ Sarah R. Oerth*__________
Sarah R. Oerth
Director of Property
Real Estate Division

RECOMMEDED:

*/s/ Stephanie Tang for*_______
Carmen Chu
City Administrator