

1 [Option Agreement Amendment - Pacific Gas and Electric Company - Purchase the Hoedown  
2 Yard - Illinois and 22nd Streets - \$8,283,726]

3 **Resolution approving and authorizing the Director of Property to enter into a Fifth**  
4 **Amendment to the option agreement (“Option Agreement”) for the purchase of the**  
5 **Hoedown Yard located at the northeast corner of Illinois and 22nd Streets from the**  
6 **Pacific Gas and Electric Company for \$63.37 per square foot or approximately**  
7 **\$8,283,726; and authorizing the Director of Property to enter into any additions,**  
8 **amendments, or other modifications to the Lease that do not materially increase the**  
9 **obligations or liabilities of the City to effectuate the purposes of the Fifth Amendment**  
10 **or this Resolution.**

11  
12 WHEREAS, Pacific Gas & Electric Company (“PG&E”) and the Port Commission  
13 entered into License No. 15762 (“License”) to facilitate PG&E’s ZA-1 Embarcadero-Potrero  
14 230kV Transmission Project (“Cable Project”) along onshore and submerged land under the  
15 Port’s jurisdiction; and

16 WHEREAS, In consideration of the Port's agreement to enter into the License with  
17 PG&E and other agreements required for the Cable Project, PG&E granted City an exclusive  
18 and irrevocable option to purchase approximately three acres of real property ("Purchase  
19 Option") located at the northeast corner of Illinois and 22nd Streets (the "Option Property" or  
20 “Hoedown Yard”) for \$63.37 per square foot or approximately \$8,283,726 with the final price  
21 to be established by a survey of the Option Property (the "Purchase Price"), on the terms set  
22 forth in the Option Agreement and form of Purchase and Sale Agreement negotiated between  
23 PG&E and City; and

1           WHEREAS, Pursuant to Resolution No. 54-14, approved on March 5, 2014, located in  
2 Board File No. 131163, the Board of Supervisors endorsed the terms for the Purchase Option;  
3 and

4           WHEREAS, By Resolution No. 275-14, on file with the Clerk of the Board of  
5 Supervisors in File No. 140750, the Board of Supervisors approved the Option Agreement on  
6 July 22, 2014; and

7           WHEREAS, Under the terms of the Option Agreement, the City could exercise the  
8 Purchase Option (the "Option Exercise Period") through June 30, 2021; and

9           WHEREAS, Due to unforeseen circumstances, including the declaration of PG&E's  
10 bankruptcy, the onset of the global COVID-19 pandemic, and the resulting changes to the  
11 overall economy and local real estate market, the City did not execute its Option during the  
12 initial Option Exercise Period; and

13           WHEREAS, For the mutual benefit of both parties, City and PG&E agreed to extend  
14 the Option Exercise Period by administrative amendment four times, with amendments dated  
15 May 19, 2021; March 1, 2022; December 1, 2022; and January 26, 2024; and

16           WHEREAS, The current Option Exercise Period, established by Amendment No. 4,  
17 expires on July 22, 2024; and,

18           WHEREAS, The City sees value in extending its right to purchase the Hoe Down Yard  
19 property under the terms of the Option Agreement, and facilitating the future development of  
20 the Option Property consistent with the approved Pier 70 Plan Documents, including its  
21 Design for Development, which proposed use and design controls for the area; and

22           WHEREAS, The Central Waterfront area has experienced both public and private  
23 investment in recent years, including the approval of the Pier 70 Development Agreement, the  
24 approval of the Potrero Power Station Development Agreement, and improvements to the T-  
25 Third Street Muni Metro Rail; and

1           WHEREAS, The Option Property sits at a critical location in the Central Waterfront  
2 district as the “front door” to the Pier 70 and Potrero Power Station projects, and the  
3 development of the Option Property in a mixed-use manner, consistent with the Pier 70 Plan,  
4 would benefit the immediate neighborhood more than its current use as a utility yard and  
5 laydown space; and

6           WHEREAS, The Director of Property desires to amend the Option Agreement prior to  
7 the expiration of the Option Exercise Period, pursuant to a Fifth Amendment to the Option  
8 Agreement (“First Amendment”), thereby retaining the City’s right to execute its Purchase  
9 Option to purchase the Hoedown Yard for another five years, until July 22, 2029; and

10           WHEREAS, Consistent with Resolution No. 275-14, City will exercise the Purchase  
11 Option and enter into the Purchase and Sale Agreement with PG&E for the Option Property  
12 only if the Board of Supervisors authorizes the exercise of the Purchase Option under one of  
13 the following circumstances: 1) City elects to transfer the Purchase Option to a third party that  
14 agrees to pay the Purchase Price and assumes all environmental liabilities and other  
15 obligations related to the Option Property as described in the Option Agreement; or 2) a City  
16 department proposes a public use for the Option Property that conforms to regulatory  
17 requirements and has an identified funding source to pay the Purchase Price; and

18           WHEREAS, Resolution No. 54-14 indicates that net proceeds from the sale of the  
19 Option to a third-party will be dedicated to the rebuild of the Potrero Terrace and Annex HOPE  
20 VI rebuild project, subject to appropriation by the Board of Supervisors; now, therefore, be it

21           RESOLVED, That in accordance with the recommendation of the Director of Property,  
22 the City Administrator and the Director of Property are hereby authorized to take all actions,  
23 on behalf of the City to enter into, execute, and perform its obligations under the Fifth  
24 Amendment (including, without limitation, the exhibits) and any other documents that are  
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1 necessary or advisable to effectuate the purpose of this Resolution and the Option  
2 Agreement, as amended by the Fifth Amendment; and, be it

3 FURTHER RESOLVED, That any City approvals required by the Fifth Amendment  
4 shall be made, if at all, by the Director of Property in writing following consultation with the  
5 Controller, City Attorney's Office, and any other City staff selected at the Director of Property's  
6 discretion; and, be it

7 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City  
8 with respect to the Fifth Amendment are hereby approved, confirmed, and ratified; and, be it

9 FURTHER RESOLVED, That the Board of Supervisors authorizes the City  
10 Administrator and the Director of Property to enter into any extensions, amendments, or  
11 modifications to the Option Agreement (including, without limitation, the exhibits) that the City  
12 Administrator or the Director of Property determines, in consultation with the City Attorney, are  
13 in the best interest of the City, do not materially increase the obligations or liabilities of the  
14 City, are necessary or advisable to effectuate the purposes of the Fifth Amendment or this  
15 Resolution, and are in compliance with all applicable laws, including the City Charter; and, be  
16 it

17 FINALLY RESOLVED, That within thirty (30) days of the Fifth Amendment being fully  
18 executed by all parties, the Director of Property shall provide the Fifth Amendment to the  
19 Clerk of the Board for inclusion into the official file.

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21 Recommended:

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24 \_\_\_\_\_/s/\_\_\_\_\_

25 Andrico Penick, Director of Property

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Carmen Chu, City Administrator