

BOARD of SUPERVISORS



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## MEMORANDUM

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Date: October 11, 2024  
To: Planning Department / Commission  
From: Brent Jalipa, Clerk of the Budget and Finance Committee  
Subject: Board of Supervisors Legislation Referral - File No. 240965  
Real Property Acquisition - Market & Noe Center LP, 2280 Market Street - Not to Exceed \$11,620,000, Certain Administrative Code Waivers

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- California Environmental Quality Act (CEQA) Determination  
(*California Public Resources Code, Sections 21000 et seq.*)
  - Ordinance / Resolution
  - Ballot Measure
  
- Amendment to the Planning Code, including the following Findings:  
(*Planning Code, Section 302(b): 90 days for Planning Commission review*)
  - General Plan
  - Planning Code, Section 101.1
  - Planning Code, Section 302
  
- Amendment to the Administrative Code, involving Land Use/Planning  
(*Board Rule 3.23: 30 days for possible Planning Department review*)
  
- General Plan Referral for Non-Planning Code Amendments  
(*Charter, Section 4.105, and Administrative Code, Section 2A.53*)  
(Required for legislation concerning the acquisition, vacation, sale, or change in use of City property; subdivision of land; construction, improvement, extension, widening, narrowing, removal, or relocation of public ways, transportation routes, ground, open space, buildings, or structures; plans for public housing and publicly-assisted private housing; redevelopment plans; development agreements; the annual capital expenditure plan and six-year capital improvement program; and any capital improvement project or long-term financing proposal such as general obligation or revenue bonds.)
  
- Historic Preservation Commission
  - Landmark (*Planning Code, Section 1004.3*)
  - Cultural Districts (*Charter, Section 4.135 & Board Rule 3.23*)
  - Mills Act Contract (*Government Code, Section 50280*)
  - Designation for Significant/Contributory Buildings (*Planning Code, Article 11*)

Please send the Planning Department/Commission recommendation/determination to Brent Jalipa at [Brent.Jalipa@sfgov.org](mailto:Brent.Jalipa@sfgov.org).

1 [Real Property Acquisition - Market & Noe Center LP, 2280 Market Street - Not to Exceed  
2 \$11,620,000, Certain Administrative Code Waivers]

3 **Ordinance 1) approving and authorizing the Director of Property to acquire certain real**  
4 **property located at 2280 Market Street (the “Property”); 2) approving and authorizing a**  
5 **Purchase and Sale Agreement for the acquisition of the Property from Market & Noe**  
6 **Center LP, a California Limited Partnership for an amount not to exceed \$11,620,000**  
7 **including closing costs (“Purchase Agreement”); 3) authorizing the Director of**  
8 **Property to make certain modifications to the Purchase Agreement and take certain**  
9 **actions in furtherance of the Purchase Agreement, as defined herein; 4) adopting**  
10 **findings that the Property is exempt surplus land under the California Surplus Land**  
11 **Act; 5) exempting the property management, operation, repair, and maintenance of the**  
12 **Property from the contracting and procurement requirements in Administrative Code,**  
13 **Chapters 6, 14B and 21, and Labor and Employment Code, Articles 131 and 132; 6)**  
14 **placing the Property under the jurisdiction of the Real Estate Division; 7) authorizing**  
15 **the Director of Property to use revenues generated from the Property for: (a) Property-**  
16 **related costs, (b) 10% of the gross revenues for the Real Estate Division’s**  
17 **administrative costs related to the Property, and (c) the remainder to be retained in a**  
18 **segregated account for the benefit of the future LGBTQ+ history museum’s capital**  
19 **improvements, operating expenses and reserves, tenant improvements, and**  
20 **programming expenses; and 8) affirming the Planning Department’s determination**  
21 **under the California Environmental Quality Act, and adopting the Planning**  
22 **Department’s findings that the Purchase Agreement is consistent with the General**  
23 **Plan, and the eight priority policies of Planning Code, Section 101.1.**

24 **NOTE: Unchanged Code text and uncodified text are in plain Arial font.**  
25 **Additions to Codes are in *single-underline italics Times New Roman font.***

1                   **Deletions to Codes** are in ~~*Times New Roman font*~~.  
2                   **Board amendment additions** are in Arial font.  
3                   **Board amendment deletions** are in ~~Arial font~~.  
4                   **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
5                   subsections or parts of tables.

6  
7                   Be it ordained by the People of the City and County of San Francisco:

8                   Section 1. CEQA and Land Use Findings.

9                   (a)       The Planning Department has determined that the actions contemplated in this  
10                  ordinance comply with the California Environmental Quality Act (California Public Resources  
11                  Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of  
12                  Supervisors in File No. \_\_\_\_\_, and available on the Board’s website and is incorporated  
13                  herein by reference. The Board affirms this determination.

14                  (b)       On September 30, 2024, the Planning Department determined that the actions  
15                  contemplated in this ordinance are consistent, on balance, with the City’s General Plan and  
16                  eight priority policies of Planning Code Section 101.1. The Board adopts this determination as  
17                  its own. A copy of said determination is on file with the Clerk of the Board of Supervisors in  
18                  File No. \_\_\_\_\_, and available on the Board’s website, and is incorporated herein by  
19                  reference.

20                  Section 2. Background and General Findings.

21                  (a)       The Real Estate Division, along with the Mayor’s Office of Housing and  
22                  Community Development (“MOHCD”) and the Arts Commission have searched for a suitable  
23                  site for the location and operation of a LGBTQ+ history museum and archives in the Castro  
24                  neighborhood for over two years. Approximately 12 potential sites were considered before  
25

1 identifying the property located at 2280 Market Street (the “Property”) as the best available  
2 location and at a cost within budget.

3 (b) The Property consists of an approximately 14,640 square foot parcel with a two-  
4 story, approximately 22,330 square foot building (“Building”) and an approximately 33 space  
5 parking lot.

6 (c) There are two tenants that currently lease the Building’s ground floor space: (1)  
7 CVS, a retail company that sublets its premises to Barry’s Bootcamp, a fitness studio; and (2)  
8 Dignity Health, a nonprofit health care organization that operates a Go Health Urgent Care  
9 clinic. The CVS lease / Barry’s Bootcamp sublease with extension options expires January 29,  
10 2040. The Dignity Health lease with extension options expires April 13, 2036. Under the  
11 purchase and sale agreement for the Property (the “Purchase Agreement”), the City will  
12 assume the landlord’s rights and obligations under both the CVS lease / Barry’s Bootcamp  
13 sublease and the Dignity Health lease (“Assumed Leases”). The Real Estate Division intends  
14 to allow Barry’s Bootcamp and Dignity Health to remain in the Property under the terms of  
15 their Assumed Lease through the existing expiration dates. The Assumed Leases generate  
16 positive cash flow, which will be instrumental to the City in covering the costs to operate and  
17 maintain the Property and as a funding source to help support the future LGBTQ+ history  
18 museum.

19 (d) The second floor of the Building will be vacant when acquired and will provide  
20 an approximately 11,165 square foot space for the future LGBTQ+ history museum. The City  
21 anticipates that the LGBTQ+ history museum, archives and administrative space currently  
22 located at different locations in the City will expand into the ground floor space when each  
23 Assumed Lease expires.

24 (e) The City is acquiring the Property for the operation of the anticipated future  
25 LGBTQ+ history museum by the Gay, Lesbian, Bisexual, Transgender (“GLBT”) Historical

1 Society. Founded in 1985, the GLBT Historical Society is a registered 501(c)(3) nonprofit  
2 organization whose mission is to collect, preserve, exhibit, and make accessible to the public  
3 materials and knowledge to support and promote understanding of LGBTQ+ history, culture,  
4 and arts. In 2011, the GLBT Historical Society opened the first stand-alone museum of  
5 LGBTQ+ history and culture in the United States, at 4127 18th Street in the Castro  
6 neighborhood of San Francisco. The museum exhibits material from the Dr. John P. De  
7 Cecco Archives and Special Collections of the GLBT Historical Society, which are among the  
8 largest and most extensive holdings in the world of materials pertaining to LGBTQ+ people,  
9 including personal papers, organizational records, periodicals, oral histories, photographs,  
10 audiovisual recordings, ephemera, artifacts, and works of art (the “Archive”). Currently the  
11 Archive is housed in the Central Market neighborhood of San Francisco at 989 Market Street.  
12 The City’s acquisition of the Property will allow the co-location of the Archive and the  
13 anticipated future LGBTQ+ history museum in San Francisco’s historic Castro neighborhood,  
14 thereby enriching the cultural heritage of the Castro neighborhood.

15 (f) In furtherance of the successful operation of the LGBTQ+ history museum, the  
16 City desires to establish a public-private partnership with Community Arts Stabilization Trust  
17 (“CAST”), a community-centered, arts and culture focused real estate organization that works  
18 to secure and steward affordable spaces. CAST purchases and leases physical space for arts  
19 and cultural organizations in the Bay Area, providing financial vehicles, capacity building, and  
20 technical assistance. This proposed partnership builds on the City’s and CAST’s common  
21 goal of long-term affordable and stable space for nonprofit arts and culture organizations in  
22 San Francisco.

23 (g) The City anticipates that after acquiring the Property, the Real Estate Division  
24 will enter into a lease with CAST (“CAST Lease”) to manage and operate the Property and to  
25 sublease the second floor of the Building and the ground floor space as the Assumed Leases

1 expire, to the GLBT Historical Society (“Sublease”). Under the Sublease, the GLBT Historical  
2 Society will have a first option to purchase the Property after certain milestones detailed in the  
3 Sublease are achieved. If, for any reason, the GLBT Historical Society fails to meet the  
4 required milestones or fails to exercise its purchase option, CAST will have an option to  
5 purchase the Property to be detailed in the CAST Lease. The Real Estate Division anticipates  
6 that the Real Estate Division will seek approval of the CAST Lease and the Sublease from the  
7 Board of Supervisors in mid-2025.

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9 Section 3. Surplus Land Act Findings and Other Findings.

10 (a) The Board of Supervisors finds that the Property is exempt surplus land as  
11 defined by California Government Code Section 54221(f)(1)(B) because it is less than one  
12 half of an acre.

13 (b) The Board of Supervisors finds that the anticipated use of the Property as a  
14 LGBTQ+ history museum serves a public purpose.

15  
16 Section 4. Approval of Purchase Agreement and Related Authorizations.

17 (a) In accordance with the recommendation of the Director of Property, the Board of  
18 Supervisors approves the Purchase Agreement in substantially the form on file with the Clerk  
19 of the Board of Supervisors in File No. \_\_\_\_\_.

20 (b) In accordance with the recommendation of the Director of Property, the Board of  
21 Supervisors authorizes the Director of Property to accept all rights, title, and interests in and  
22 assume the obligations of the Assumed Leases, which are on file with the Clerk of the Board  
23 of Supervisors in File No. \_\_\_\_\_.

1 (c) The Board of Supervisors authorizes the Director of Property, or the Director's  
2 designee, to enter into, execute, and perform the City's obligations under the Purchase  
3 Agreement.

4 (d) In addition, subject to the budgetary and fiscal provisions of the Charter, the  
5 revenues generated by the Property shall be placed in a segregated account from which the  
6 Director of Property may approve expenditures only with the written approval of the City  
7 Administrator. The City shall use funds in the account solely to: (1) fulfill the City's obligations  
8 as landlord under the Assumed Leases and the CAST Lease and any applicable law; (2) pay  
9 the property management, operating, repair, maintenance, and replacement costs for the  
10 Property; and (3) pay 10% of the gross revenues to the Real Estate Division to cover its  
11 administrative costs in managing the Property. After paying all the costs specified in (1)  
12 through (3), the remainder of the funds shall be placed on Controller's Reserve in a  
13 segregated account for the benefit of the future LGBTQ+ history museum's capital  
14 improvements, operating expenses and reserves, tenant improvements, and programming  
15 expenses.

16 (e) The Director of Property shall report all income and expenses for the Property to  
17 the Controller's Office within 60 days of the end of each fiscal year.

18  
19 Section 5. Waiver of Administrative Code Chapters 6, 14B, and 21, and Labor and  
20 Employment Code Articles 131 and 132.

21 The Board of Supervisors waives Administrative Code Chapters 6, 14B, and 21 and  
22 Labor and Employment Code Articles 131 and 132 to the extent those provisions would  
23 otherwise be applicable to the management, operation, repair, and maintenance of the  
24 Property.

1 Section 6. Additions, Amendments, and Modifications.

2 The Board of Supervisors authorizes the Director of Property, or the Director's  
3 designee, in consultation with the City Attorney, to enter into any additions, amendments, or  
4 other modifications to the Purchase Agreement and any other documents or instruments  
5 necessary in connection therewith that the Director of Property determines, in consultation  
6 with the City Attorney, are in the best interests of the City, do not materially decrease the  
7 benefits to the City, do not materially increase the obligations or liabilities of the City, are  
8 necessary or advisable to effectuate the purposes of the Purchase Agreement or this  
9 ordinance, and are in compliance with all applicable laws, such determination to be  
10 conclusively evidenced by the execution and delivery by the Director of Property of any such  
11 additions, amendments, or other modifications.

12  
13 Section 7. Effective Date.

14 This ordinance shall become effective 30 days after enactment. Enactment occurs  
15 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not  
16 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the  
17 Mayor's veto of the ordinance.

18  
19 Section 8. Inclusion of Final Purchase Agreement in Board File.

20 Within 30 days of the Purchase Agreement being fully executed by all parties, the Real  
21 Estate Division shall submit to the Clerk of the Board of Supervisors a fully executed copy of  
22 the Purchase Agreement for inclusion in Board File No. \_\_\_\_\_.

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Available: \$ 11,620,000 in the chartfield below

Fund ID	10020 - GF Continuing Authority Ctrl
Dept ID	228875 - ADM Real Estate Division
Project ID	10037745 - Cultural Museums
Authority ID	21818 - Cultural Museums
Account ID	567000 - Bldgs, Struct&Imprv Proj-Budget
Activity ID	0001 - Cultural Museums

11 \_\_\_\_\_  
12 /s/  
13 \_\_\_\_\_  
14 Greg Wagner, Controller

15 RECOMMENDED

16 \_\_\_\_\_  
17 /s/  
18 Andrico Q. Penick  
19 Real Estate Division  
20 Director of Property

21 APPROVED AS TO FORM:  
22 DAVID CHIU, City Attorney

23 By: /s/ NANCY TAYLOR \_\_\_\_\_  
24 NANCY TAYLOR  
25 Deputy City Attorney

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**LEGISLATIVE DIGEST**  
(Substituted, 10/8/2024)

[Real Property Acquisition - Market & Noe Center LP, 2280 Market Street - Not to Exceed \$11,620,000, Certain Administrative Code Waivers]

**Ordinance 1) approving and authorizing the Director of Property to acquire certain real property located at 2280 Market Street (the “Property”); 2) approving and authorizing a Purchase and Sale Agreement for the acquisition of the Property from Market & Noe Center LP, a California Limited Partnership for an amount not to exceed \$11,620,000 including closing costs (“Purchase Agreement”); 3) authorizing the Director of Property to make certain modifications to the Purchase Agreement and take certain actions in furtherance of the Purchase Agreement, as defined herein; 4) adopting findings that the Property is exempt surplus land under the California Surplus Land Act; 5) exempting the property management, operation, repair, and maintenance of the Property from the contracting and procurement requirements in Administrative Code, Chapters 6, 14B and 21, and Labor and Employment Code, Articles 131 and 132; 6) placing the Property under the jurisdiction of the Real Estate Division; 7) authorizing the Director of Property to use revenues generated from the Property for: (a) Property-related costs, (b) 10% of the gross revenues for the Real Estate Division’s administrative costs related to the Property, and (c) the remainder to be retained in a segregated account for the benefit of the future LGBTQ+ history museum’s capital improvements, operating expenses and reserves, tenant improvements, and programming expenses; and 8) affirming the Planning Department’s determination under the California Environmental Quality Act, and adopting the Planning Department’s findings that the Purchase Agreement is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

Existing Law

Administrative Code Chapters 6, 14B and 21 and Labor and Employment Code Articles 131 and 132 establish the policies, procedures, and required contract terms that apply under City law to public works, real property and services contracts, including property management contracts and lease agreements. If the Board of Supervisors adopts this proposed uncodified ordinance, the leasing, property management, operation, repair and maintenance of the property located at 2280 Market Street would be exempt from these provisions.

Amendments to Current Law

There are no amendments to current law.

### Background Information

The City desires to acquire property in San Francisco's historic Castro neighborhood for the Gay, Lesbian, Bisexual, Transgender ("GLBT") Historical Society to operate and manage an anticipated future LGBTQ+ history museum. The City has identified real property located at 2280 Market Street (the "Property") as a suitable site for the LGBTQ+ history museum.

The Property consists of a 14,640 square foot parcel with a two story, 22,330 square foot building (the "Building"), and a 33 space parking lot. The purchase price for the Property is \$11,620,000, including closing costs. As part of the acquisition, the City will assume two existing leases for tenants currently occupying the ground floor space of the Building: (1) CVS, a retail company that sublets its premises to Barry's Bootcamp, a fitness studio, under a sublease that expires January 29, 2040; and (2) Dignity Health, a nonprofit health care organization that operates a Go Health Urgent Care clinic under a lease that expires April 13, 2036 (the "Assumed Leases").

The Assumed Leases will generate revenues that will be placed in a segregated account from which the Director of Property may approve expenditures only with the written approval of the City Administrator. The City will use funds in the account solely to: (1) fulfill the City's obligations as landlord under the Assumed Leases, the anticipated lease with the Community Arts Stabilization Trust ("CAST") and any applicable law; (2) pay the property management, operating, repair, maintenance, and replacement costs for the Property; and (3) pay 10% of the gross revenues to the Real Estate Division to cover its administrative costs in managing the Property. Any remaining funds will be placed on Controller's Reserve in a segregated account for the benefit of the future LGBTQ+ history museum's capital improvements, operating expenses and reserves, tenant improvements, and programming expenses.

The second floor of the Building will be vacant when acquired and will provide an approximately 11,165 square foot space for the LGBTQ+ history museum. It is anticipated that the LGBTQ+ history museum will expand into the ground floor space when the Assumed Leases expire.

For purposes of managing and operating the Property, the Assumed Leases, and the LGBTQ+ history museum, the City desires to establish a public-private partnership with CAST, a community-centered, arts and culture focused real estate organization that works to secure and steward affordable spaces for non-profit arts and culture organizations in San Francisco. The Real Estate Division will lease the Property to CAST ("CAST Lease") and CAST will sublease the second floor of the Building and the ground floor space as the Assumed Leases expire, to the GLBT Historical Society ("Sublease"). The CAST Lease and Sublease are anticipated to be brought to the Board of Supervisors for approval in mid-2025.

The GLBT Historical Society will have a first option to purchase the Property. If, however, for any reason, the GLBT Historical Society fails to meet required purchase milestones identified

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in the Sublease or fails to exercise its purchase option, CAST will have an option to purchase the Property.

This proposed ordinance would authorize the acquisition of the Property; the City's assumption of the rights and obligations as landlord under the Assumed Leases; and exempts the leasing, property management, operation, repair and maintenance of the Property from the contracting and procurement requirements in Administrative Code, Chapters 6, 14B and 21 and Labor and Employment Code Articles 131 and 132.

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