



London N. Breed, Mayor
Philip A. Ginsburg, General Manager

July 16, 2024

Honorable Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Purchase of Real Property at 240 6th Street

Dear Board Members,

Attached for your consideration is a Resolution approving the use of \$7,150,000 in Open Space Acquisition Funds to pay for the cost to acquire and perform necessary environmental remediation of a single parcel of real property located at 240 6th Street, currently held by a Tenancy in Common by eight family members.

The purpose of the acquisition is to provide additional open space to the community next to the adjacent Gene Friend Recreation Center. The property, improved with a garage, and the Recreation Center are on a block bordered by 6th Street to the east, Folsom Street to the south, Harriet Street to the west and Howard Street to the north.

As it is located directly adjacent to an existing RPD facility, Gene Friend Recreation Center which is undergoing a complete remodel, the acquisition would provide RPD with a unique opportunity to expand the facility and provide amenities that are currently lacking in the area. The east SOMA neighborhood has been identified by several key measures as an area lacking in equitable resources and opportunity. The site is also situated within the SOMA Youth and Family Special Use District which, in addition to its emphasis on affordable housing, is intended to “protect and enhance the health and environment of youth and families by adopting policies that focus on certain lower density areas of the District.” The site is also in an Environmental Justice Community, and has a high density of children, a high concentration of communities of color, seniors, and people living with disabilities. Additionally, the 240 6th Street site is in a High Needs Area as defined by the 2014 Recreation and Open Space Element of the General Plan and 2011 RPD Acquisition Policy, and it is also located within one of the three priority areas for acquisition recommended by the 2013 D6 Open Space Task Force.

An initial appraisal of the property in March, 2023 valued it at \$10 million. The purchase price was subsequently negotiated down to \$8.2 million. In compliance with Chapter 23 of the Administrative Code, the property was re-appraised in December of 2023. Consistent with the downward slide in commercial real estate values, the property’s appraised value dropped by 31% to \$6.9 million, which would become the basis for the revised purchase price.



During pre-acquisition due diligence, a Phase II Environmental Site Assessment detected sub-surface contamination, due to the past and existing uses of the property as an autobody maintenance and repair shop. Though this an as-is transaction, the cost of cleaning-up the site was offset by a credit of \$1,590,000, over 85% of the estimated cost to remediate the site. The resulting purchase price of \$5,310,000 is referenced by the Purchase and Sale Agreement (PSA).

The credit from the purchase price will be reserved in the Open Space Acquisition Fund to perform necessary environmental remediation. As the \$1,590,000 credit will not cover the entire costs of the necessary environmental remediation, RPD intends to use an additional \$250,000 from the Open Space Acquisition Fund to fund those costs, resulting in the City using a total of \$7,150,000 for the property.

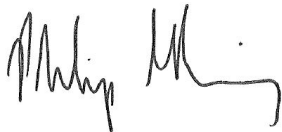
The second floor of the building is currently occupied by an automotive maintenance and repair business, the lease for which will be assigned to the City upon transfer of title. Last year, the lease was extended for a three-year term, with an option for the landlord to cancel early, designed to provide flexibility in scheduling demolition of the structure as part of the expansion project. In the interim, the triple-net lease will generate \$9,000 per month, plus CPI escalations, or over \$180,000 in total rent between a projected transfer date of October 1, 2024, and lease expiration on May 31, 2026.

The PSA grants the seller the right to perform the transaction as a 1031(c) exchange, which the City agreed to under the condition that this is not a contingency and will not cause a delay to the close of escrow.

Attached you will find the following items:

- **Executed Purchase and Sale Agreement**
- **General Plan Referral**
- **BOS Resolution (word doc)**
- **BOS Resolution (pdf) with signatures**
- **Recreation and Park Commission adopted Resolution – June 20, 2024**
- **Form 126 – eight copies for each contractor**

Respectfully,



Phil Ginsburg
General Manager
San Francisco Recreation and Park Department

