

File No. 091460

Committee Item No. 5

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 2/3/10

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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#### OTHER

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Completed by: Gail Johnson

Date 1/29/10

Completed by: \_\_\_\_\_

Date \_\_\_\_\_

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.



1 [Authorizing the execution of an option to purchase interests in the properties located at 1600  
2 and 1670 Owens Street, San Francisco and acquire related design and construction plans.]

3 Ordinance approving City's execution of option agreement for purchase of (i) real  
4 property located at 1600 Owens Street, San Francisco, California for purpose of  
5 construction of new laboratory building for use by the City's Office of the Chief Medical  
6 Examiner and the Forensic Science Division, (ii) tenancy-in-common interest in the  
7 land and existing parking structure located at 1670 Owens Street San Francisco,  
8 California, (iii) rights to use existing permitted base building design and construction  
9 documents in connection with City's proposed construction of new laboratory building  
10 at 1600 Owens Street, and (iv) acquisition of rights and assumption of obligations  
11 under certain existing design and development contracts related to such proposed  
12 laboratory building construction; exempting acquisition by City of existing permitted  
13 base building design and construction documents and related design or construction  
14 contracts from Chapter 6 of City's Administrative Code; adopting findings under the  
15 California Environmental Quality Act and findings pursuant to the City Planning Code  
16 Section 101.1; and ratifying previous actions taken in connection therewith.

17  
18 Be it ordained by the People of the City and County of San Francisco:

19 Section 1. Findings. The Board of Supervisors of the City and County of  
20 San Francisco hereby finds and declares as follows:

21 A. Defendants, jurors, prosecutors, defense attorneys, and judges rely on the  
22 highest expectations for scientific evidence in the determination of guilt or innocence.

23 B. The Office of the Chief Medical Examiner (OCME) investigates sudden,  
24 unexpected and violent deaths and provides forensic laboratory studies in toxicology,  
25

1 chemistry, histology, and evidence processing to the City and to both state and federal law  
2 enforcement agencies.

3 C. The Office of the Chief Medical Examiner needs to be able to provide reliable  
4 and credible science to the justice system and to the families of such unexpected and violent  
5 deaths.

6 D. The Office of the Chief Medical Examiner is currently located in essentially the  
7 same facilities at the Hall of Justice at 850 Bryant Street since the 1950's.

8 E. The San Francisco Police Department (SFPD) Investigations Bureau, Forensic  
9 Science Division (FSD) comprises the Criminalistics Laboratory, Crime Scene Investigation,  
10 Computer Forensics Unit, ID/Records section, Photographic Unit, and Polygraph Unit, and  
11 provide essential analysis of evidence to the justice system in the City.

12 F. The SFPD Forensic Services Division is currently located in two separate  
13 locations (at the Hall of Justice and Building 606 in the Hunters' Point Naval Shipyard) both of  
14 which are also outdated and inefficient facilities. In addition, the bifurcation of the SFPD  
15 Forensic Services Division between the Hall of Justice and Building 606 in the Hunters' Point  
16 Naval Shipyard inhibits the effective management of personnel and processes, essential to  
17 sustaining the all-important evidence chain of custody.

18 G. DNA testing has a proven track record of determining both guilt and innocence  
19 of crime suspects.

20 H. The Office of Chief Medical Examiner and the SFPD Forensics Sciences  
21 Division work closely on unexplained deaths in the City.

22 I. Both the Office of Chief Medical Examiner and the SFPD Forensics Sciences  
23 Division require highly specialized facilities with higher floor-weight requirements, special  
24 ventilation and filtration, hazardous materials storage and disposal, provision of specialty  
25

1 gases (hydrogen, helium, etc), higher slab to slab heights, emergency power, and specialized  
2 loading and delivery, among other items, in order to maintain their accreditations.

3 J. A new, fully accredited facility will significantly improve the capacity of the  
4 forensic science services to provide reliable and timely evidence.

5 K. The Board supports providing the justice system with the highest standards for  
6 prompt and reliable scientific evidence.

7 L. A combined Office of Chief Medical Examiner and the SFPD Forensics Sciences  
8 Division facility will not only save on duplicated requirements but produce better efficiency in  
9 service to the public.

10 M. The Real Estate Division has identified a (1) fully entitled site of approximately  
11 72,199 sq. ft. of land, commonly known and numbered as 1600 Owens Street and also  
12 identified as Assessors Block 8709 / Lot 20 together with all rights and privileges incidental or  
13 appurtenant to the land (the "1600 Owens Land") for the construction of a new centrally  
14 located laboratory building (the "Forensics Science Center") to house both the Office of the  
15 Chief Medical Examiner and the Forensic Science Division in close to proximity to the Hall of  
16 Justice and (2) a twenty and seventeen one hundredths percent (20.17 %) tenancy-in-  
17 common interest (the "Parking Garage TIC") in the land and existing parking structure located  
18 at 1670 Owens Street and also identified as Assessor's Block 8709/Lot 22 (the "Parking  
19 Garage"). The Parking Garage is a 6-level (including the roof level), approximately 252,170  
20 sq. ft. structure consisting of approximately 803 total parking spaces on approximately 86,260  
21 sq. ft. of land, San Francisco. The proposed Forensic Science Center project meets the  
22 specific needs of both the Office of the Chief Medical Examiner and the Forensic Science  
23 Division with only minor modification.

24 N. ARE-SAN FRANCISCO NO.15, LLC, a Delaware limited liability company  
25 ("ARE"), which currently owns the 1600 Owens Land and the Parking Garage, has expended

1 substantial efforts, costs, and time to obtain project approvals and has worked, and continues  
2 to work, with architects, engineers, a contractor, and other consultants to make the minor  
3 modifications to the plans required by the Office of the Chief Medical Examiner and the  
4 Forensic Division to expedite the delivery of the Forensics Science Center project and save  
5 the City money. In connection with such efforts, ARE has caused the preparation by Studios  
6 Architecture of "warm shell" building plans and construction documents dated April 4, 2008  
7 and Addendums 1 through 6 (collectively, the "Building Plans") with respect to the proposed  
8 construction of the Forensics Science Center project and has entered into contracts or similar  
9 arrangements for design and/or consulting services with Studios Architecture, DPR  
10 Construction, and other consultants and engineers (collectively, the "Development  
11 Contracts").

12 O. In connection with the proposed development of the Forensic Science Center  
13 project, City's Department of Public Works retained Crime Lab Design to prepare preliminary  
14 fixtures and interior improvements plans designed for the specialized needs of the Office of  
15 Chief Medical Examiner and the SFPD Forensics Sciences Division. Those fixtures and  
16 interior improvements plans are based upon the Building Plans and will have little, if any,  
17 value if the City elects to not purchase the Property.

18 P. The Real Estate Division believes that buying a fully entitled site will not only  
19 save substantially time in the development of such a facility but, because of the downturn in  
20 the construction industry, may save the City monies in the cost of construction.

21 Q. The Board intends to seek voter approval of a general obligation bond to provide  
22 funding for the acquisition of land and to enable construction of a new Forensic Science  
23 Center.

24 R. The City, as optionee, and ARE, as optionor, have executed a Term Sheet  
25 dated December 11, 2009 (the "Term Sheet"), a copy of which is on file with the Clerk of the

1 Board, for an option to purchase the following assets: (1) the 1600 Owens Land, (2) a  
2 tenancy-in-common interest in the adjacent parking garage at 1670 Owens Street, and (3) an  
3 assignment to City, to be accompanied by a release of ARE or its assignee, with respect to all  
4 of ARE's rights and obligations to or arising under the Building Plans and the Design  
5 Contracts (collectively, the "Option Property").

6 S. Under the Term Sheet, the City's obligation to consummate the purchase of the  
7 Option Property is conditioned upon (1) voter approval of such a general obligation bond or  
8 similar issuance of debt in an amount sufficient to pay the purchase price for the Property (the  
9 "Purchase Price") and construct the new Forensic Science Center, (2) prior approval of the  
10 exercise of the purchase option and payment of the Purchase Price pursuant to the option  
11 agreement by the Mayor and the Board, and (3) the satisfaction of other closing conditions  
12 specified in the Term Sheet on or before May 31, 2011.

13 T. On \_\_\_\_\_, the Department of City Planning adopted and issued  
14 a General Plan Consistency Finding, a copy of which is on file with the Clerk of the Board,  
15 wherein the Department of City Planning found that the acquisition of the Property, and the  
16 execution and performance of the proposed purchase agreement with respect to the Property  
17 are consistent with the City's General Plan and with the Eight Priority Policies under Planning  
18 Code Section 101.1.

19 U. The 1600 Owens Street Land is also known as Parcel 4 of Blocks 41-43 in the  
20 Mission Bay South Redevelopment Plan Area. The Redevelopment Agency Commission by  
21 Resolution No. 199-2000 and Resolution No. 163-2005, adopted CEQA Findings and  
22 approved a Major Phase and a Revised Major Phase submission for Blocks 41-43, finding the  
23 proposed Major Phase development and Revised Major Phase development as within the  
24 scope of impacts analyzed in the FSEIR. The Redevelopment Agency Commission by  
25 Resolution No. 149-2006 approved a combined basic concept and schematic design for a

1 proposed project containing laboratory, office, retail and ancillary uses, finding the basic  
2 concept and schematic design within the scope of the project analyzed in the FSEIR.  
3 Redevelopment Agency Commission Resolutions No. 199-2000, No. 163-2005 and No. 149-  
4 2006 are on file with the Clerk of the Board in File No. and incorporated in this Ordinance by  
5 this reference. The Forensic Science Center will consist of laboratory, office and ancillary  
6 uses consistent with the uses approved for the 1600 Owens Street Land site and the uses  
7 analyzed in the FSEIR and is therefore within the scope of the project analyzed in the FSEIR.

8 Section 2. Approval of the proposed Option Agreement. The Board hereby  
9 approves the terms and conditions of the Term Sheet for an option to purchase the Property  
10 and directs and authorizes the Director of Property (or her designee) to take all actions  
11 reasonably necessary or prudent to enter into an option to purchase agreement ("Option  
12 Agreement") with respect to the purchase of the Property substantially on the terms and  
13 conditions contained in the Term Sheet and in a form approved by the City Attorney..

14 Section 3. Authority to Take Actions to Facilitate the Execution of an Option  
15 Agreement. The Mayor, the City Attorney, the Director of Property, the Director of Public  
16 Finance, and other officers of the City and their duly authorized deputies and agents are  
17 hereby authorized and directed, jointly and severally, to take such actions and to negotiate,  
18 execute and deliver option payments to secure an Option Agreement as they may deem  
19 necessary or desirable to facilitate the purchase of the Property and to prepare for the  
20 issuance of general obligation debt or other similar financing to pay the Purchase Price.

21 Section 4. Authority to Take Actions to Facilitate the Execution of Contracts with the  
22 Studios Architecture, DPR Construction, or either of them; Exemption from Chapter 6 of the  
23 City's Administrative Code. The Mayor, the City Attorney, the Director of Property, the City  
24 Administrator, the Director of Public Finance, the Director of Public Works, and other officers  
25 of the City and their agents are hereby authorized and directed to take such actions and to



1 negotiate, execute, and deliver such contracts, assignments, releases, or other instruments as  
2 they may deem necessary or desirable and in the best interests of the City to allow the  
3 development and construction of the Forensic Science Center project, including contracts,  
4 assignments, releases, or other instruments necessary, in the opinion of any such authorized  
5 City agent, in consultation with the City Attorney, to allow City's use of the Building Plans, to  
6 assume and acquire ARE's or its assignee's obligations and rights under the Development  
7 Contracts, to provide for the release of ARE or its assignee of any obligations under or with  
8 respect to the Building Plans and the Development Contracts, and to provide for the  
9 construction of Forensic Science Center project. The Board hereby finds that any such  
10 contract, assignment, release, or other instrument is exempt from the competitive  
11 requirements of Chapter 6 of the City's Administrative Code, including Sections 6.40, 6.41,  
12 and 6.68(A) through 6.68(E).

13 Section 5. Adoption of Findings of Department of City Planning.

14 (a) The Board hereby adopts and incorporates herein by reference the findings of  
15 the Department of City Planning in the General Plan Consistency Finding that the proposed  
16 Property is in conformity with the Master Plan and is consistent with the Eight Priority Policies  
17 of Planning Code Section 101.1.

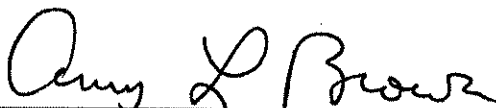
18 (b) The Board has reviewed and considered the CEQA Findings and statement of  
19 overriding considerations that it previously adopted, and reviewed and considered the above  
20 referenced CEQA Findings of the Redevelopment Agency Commission and hereby adopts  
21 these additional CEQA Findings as its own. The Board additionally finds that implementation  
22 of the Forensic Science Center in Mission Bay (i) does not require major revisions in the  
23 FSEIR due to the involvement of new significant environmental effects or a substantial  
24 increase in the severity of previously identified significant effects, (ii) no substantial changes  
25 have occurred with respect to the circumstances under which the project analyzed in the

1 FSEIR will be undertaken that would require major revisions to the FSEIR due to the  
2 involvement of new significant environmental effects, or a substantial increase in the severity  
3 of effects identified in the FSEIR, and (iii) no new information of substantial importance to the  
4 project analyzed in the FSEIR has become available which would indicate that (A) the  
5 Forensic Science Center will have significant effects not discussed in the FSEIR; (B)  
6 significant environmental effects will be substantially more severe; (C) mitigation measures or  
7 alternatives found not feasible which would reduce one or more significant effects have  
8 become feasible; or (D) mitigation measures or alternatives which are considerably different  
9 from those in the FSEIR will substantially reduce one or more significant effects on the  
10 environment.

11 Section 6. Authorizing the Director of Property. The Board authorizes the Director of  
12 Property to execute, on behalf of the City, any documents which the Director of Property, in  
13 consultation with the City Attorney, believes are in the best interests of City and further the  
14 intent of this Ordinance.

15 Section 7. Ratification of Prior Actions. All actions authorized and directed by this  
16 Ordinance and heretofore taken are hereby ratified, approved, and confirmed by this Board.

17  
18 RECOMMENDED:

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20 \_\_\_\_\_  
21 Director of Property

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23 \_\_\_\_\_  
24 City Administrator  
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San Francisco Police Department  
Chief of Police



Director of Public Works

APPROVED AS TO FORM:  
DENNIS J. HERRERA, City Attorney

By: 

Richard Handel  
Deputy City Attorney



## LEGISLATIVE DIGEST

[Authorizing the execution of an option to purchase interests in the properties located at 1600 and 1670 Owens Street, San Francisco and acquire related design and construction plans.]

**Ordinance approving City's execution of option agreement for purchase of (i) real property located at 1600 Owens Street, San Francisco, California for purpose of construction of new laboratory building for use by the City's Office of the Chief Medical Examiner and the Forensic Science Division, (ii) tenancy-in-common interest in the land and existing parking structure located at 1670 Owens Street San Francisco, California, (iii) rights to use existing permitted base building design and construction documents in connection with City's proposed construction of new laboratory building at 1600 Owens Street, and (iv) acquisition of rights and assumption of obligations under certain existing design and development contracts related to such proposed laboratory building construction; exempting acquisition by City of existing permitted base building design and construction documents and related design or construction contracts from Chapter 6 of City's Administrative Code; adopting findings under the California Environmental Quality Act and findings pursuant to the City Planning Code Section 101.1; and ratifying previous actions taken in connection therewith.**

### Existing Law

Pursuant to the proposed ordinance, the Board would approve the execution by the City of an option agreement for the purchase of the land located at 1600 Owens Street, San Francisco, California, a tenancy-in-common interest in an existing parking garage located at 1670 Owens Street, rights to use existing permitted base building design and construction documents in connection with City's proposed construction of the new forensic science center on the 1600 Owens Street property, and the acquisition of rights and assumption of obligations under certain existing design and development contracts related to the new forensic science center. The Board will also adopt findings under the California Environmental Quality Act and findings pursuant to the City Planning Code Section 101.1 and ratify previous actions taken in connection with the development of the new forensic science center project.

### Amendments to Current Law

Chapter 6 of the City's Administrative Code sets forth the contracting policies and procedures for contracts for public works or improvements, including the procurement of professional design, consulting and construction management services for public work projects. The proposed ordinance, if adopted, will result in an exemption from the competitive requirements of Chapter 6 of the City's Administrative Code with respect to existing and proposed design and construction contracts relating to the proposed new forensic science center to be built on the 1600 Owens Street property.



**Item # 5**  
**File 09-1460**  
 (continued from January 27, 2010)

**Department(s):**  
 Real Estate Division, Department of Public Works,  
 Police Department, Fire Department

## EXECUTIVE SUMMARY

### Legislative Objectives

- Ordinance approving an Option Agreement between the City and ARE-San Francisco No. 15, LLC (ARE), for up to \$1,100,000, to purchase (a) vacant land at 1600 Owens Street, (b) a tenancy-in-common interest in an adjacent parking garage, and (c) rights to two existing contracts to design and build a new Forensic Sciences Center, requiring the Board of Supervisors to waive the City's Administrative Code competitive bidding requirements.

### Fiscal Impacts

- The proposed \$1,100,000 Option Agreement would be paid with (a) \$100,000 in General Funds appropriated in the FY 2009-2010 Budget (File 09-0779), and (b) up to \$1,000,000 future appropriations, subject to Board of Supervisors approval. All Option Agreement payments would be applied towards the purchase price of the 1600 Owens Street property, such that the effective cost of the Option Agreement would be zero.

### Key Points

- An ordinance calling for a special election on June 8, 2010 to submit a proposition to San Francisco voters to issue \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds is currently pending before the Board of Supervisors (File 09-1458), which would provide \$238,600,000 for the subject new Forensic Sciences Center. Should the voters disapprove the proposed General Obligation Bonds on June 8, 2010, the City will forfeit \$100,000 in Option Agreement Payments.
- The Real Estate Division initially planned to purchase a completed Forensic Sciences Center from ARE. However, ARE, after contracting for design services and general construction contractor services, decided not to proceed with construction of the building. The Real Estate Division is now requesting that the City functionally replace ARE as the developer of the Forensic Sciences Center by purchasing the (a) vacant land, and (b) ARE's rights to two existing design and general construction contracts.
- Because these two previously awarded contracts for design and general construction contractor services, estimated to cost \$30,110,000, were not awarded according to the City's required competitive bidding process, the proposed ordinance would waive the City's Administrative Code competitive bidding requirements. These two contracts would still be subject to the City's LBE subcontracting requirements and other needed contracts would be subject to the City's competitive bidding requirements.

### Recommendation

- Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

Chapter 6 of the City's Administrative Code establishes competitive bidding requirements for public works projects. The proposed ordinance would waive such competitive bidding requirements for two existing contracts for design and general construction contractor services for the City's proposed new Forensic Science Center, because such contracts were previously awarded by ARE-San Francisco No. 15, LLC, the property owner at 1600 Owens Street.

**Background**

An ordinance calling for a special election on June 8, 2010 for the purpose of submitting to the voters a proposition to issue \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds, is currently pending before the Board of Supervisors (File 09-1458). Such a bond issuance would provide \$238,600,000 for the construction of a new Forensic Sciences Center at 1600 Owens Street in Mission Bay. The new Center, which contains a total of 250,000 square feet and has ten stories, would serve as the new facility for both the Forensic Services Division of the San Francisco Police Department and the Office of the Chief Medical Examiner. Currently, the Forensic Division is divided into two locations: (a) the City-owned Hall of Justice at 850 Bryant Street, which, according to Mr. John Updike, Assistant Director of Real Estate at RED, is seismically unsound, and (b) a leased facility at Hunter's Point Naval Shipyard (Building 606), which must be vacated when the Hunter's Point Shipyard is redeveloped. The Office of the Chief Medical Examiner is currently located in the Hall of Justice.

The Real Estate Division previously planned to purchase a completed Forensic Sciences Center building from a real estate developer, and the current owner of 1600 Owens Street, ARE-San Francisco No. 15, LLC (ARE). However, ARE, after acquiring the property, contracting with Studios Architecture for design services and DPR Construction for general construction contractor services, decided not to proceed with construction of the building. The Real Estate Division is now requesting that the City functionally replace ARE as the developer of the Forensic Sciences Center by purchasing the (a) vacant land, (b) design plans, and (c) ARE's rights to its existing contracts for design and general construction contractor services.

The proposed new Forensic Sciences Center Project, a ten-story, 250,000 square foot building to be located at 1600 Owens Street in the Mission Bay neighborhood, is currently estimated to cost \$238,600,000, as shown below in Table 1 below:



**Table 1: Estimated Costs for the Forensic Sciences Center Project**

“Development Package” Cost	\$40,845,000
Closing Costs Related to the Purchase of the Vacant Land at 1600 Owens Street	1,845,000
Architecture and Engineering	14,430,000
Construction Management Services	14,900,000
Geotechnical Surveys and Other Environmental Work	630,000
City Staff Costs and Regulatory Agency Approvals	9,150,000
Construction	156,800,000
<b>Total</b>	<b>\$238,600,000</b>

As part of the overall \$238,600,000 General Obligation Bond funds provided for the new Forensic Sciences Center, the City would purchase a “development package”, at a cost of \$40,845,000, from ARE-San Francisco No. 15, LLC (ARE), the current owner of 1600 Owens Street, which includes the following: (a) 72,199 square feet of vacant land at 1600 Owens Street, (b) a 20.17 percent tenancy-in-common interest<sup>1</sup> in an adjacent parking garage, (c) existing building plans for the construction of a new Forensic Sciences Center at 1600 Owens Street, and (d) the right to execute two existing contracts to build a new Forensic Sciences Center which were previously awarded and negotiated by ARE.

The attached memorandum from Mr. Updike (Attachment I), states that purchasing the proposed construction-ready “development package” represents the most cost-effective option for the City to create a consolidated modern forensic laboratory because (a) the subject land currently has many of the permits necessary for constructing the proposed building and (b) the project has already completed the environmental review required by the California Environmental Quality Act, such that purchasing the proposed “development package” would allow the City to avoid the costs of delays associated with permitting and environmental review at a different location. The Budget Analyst notes that a cost benefit analysis has not been completed which includes specific cost savings estimates which would be realized by the City as a result of the new Forensic Sciences Center being constructed under the proposed “development package” approach as compared to both (a) leasing space for a new Forensic Sciences Center and (b) designing and constructing a new Forensic Sciences Center through the usual City public works construction required competitive bidding procedures. Although, as shown in Attachment II, Mr. Updike provided a summary analysis of options for the City to obtain a new Forensic Sciences Center, that analysis did not include the estimated cost savings which would result from utilizing the proposed “development package” approach.

Construction of the proposed new Forensic Sciences Center is estimated to begin in April of 2011 and be completed in approximately two years, or by June of 2013.

<sup>1</sup> A tenancy-in-common interest is a method of owning a portion of real property without legally subdividing such real property into independent parcels.

## DETAILS OF PROPOSED LEGISLATION

The Real Estate Division is requesting approval of the proposed ordinance which would (a) authorize the purchase, at a price of up to \$1,100,000, of an Option Agreement with ARE to provide the City with the exclusive option to purchase the “development package” no later than May 31, 2011, and (b) waive the City’s competitive bidding requirements established in Chapter 6 of the Administrative Code for two existing contracts for design and general construction contractor services, because the “development package” includes the right to execute two existing contracts which were previously awarded by ARE.

The proposed Option Agreement initially provides for the City’s exclusive option to purchase the “development package” until July 31, 2010, with up to two extensions at the option of the City, as shown in Table 2 below.

**Table 2: Option Periods and Cost**

	<u>Option Period End Date</u>	<u>Cost</u>
Base Option Period	July 31, 2010	\$100,000
First Extension of Option Period	December 31, 2010	500,000
Second Extension of Option Period	May 31, 2011	500,000
<b>Total of Up To:</b>		<b>\$1,100,000</b>

According to Mr. Updike, the initial \$100,000 cost of the Option Agreement would come from General Fund monies previously appropriated by the Board of Supervisors for the Real Estate Division on July 28, 2009 (File 09-0997). Mr. Updike advised that the remaining up to \$1,000,000 total cost for the First and Second Option Periods would be funded from future General Fund appropriations, to be requested by the Real Estate Division in separate future supplemental appropriation requests, subject to Board of Supervisors appropriation approval. According to the terms of the proposed Option Agreement, all Option Agreement payments made by the City to ARE would be applied as a credit towards the purchase of the \$40,845,000 (see Table 1 above) “development package”, such that the cost of the proposed Option Agreement would be effectively eliminated. If the San Francisco electorate rejects the proposed issuance of General Obligation Bonds at a special election proposed to be held on June 8, 2010, the City will forfeit the first option payment of \$100,000 as shown on Table 2 above.

According to Mr. Updike, such an Option Agreement is necessary because (a) the Real Estate Division considers the “development package” approach to construct a new Forensics Sciences Center as the most cost-effective option for the City, (although, as noted above, a cost-benefit analysis which estimates the specific cost savings achieved by the “development package” approach has not been completed), and (b) the owner could otherwise sell the 1600 Owens Street property prior to the special election proposed to be held on June 8, 2010. Therefore, the Real Estate Division is now requesting approval of the proposed ordinance which would provide the City with the exclusive option to purchase the “development package”.

## FISCAL IMPACTS

The proposed \$1,100,000 Option Agreement, between the City and ARE-San Francisco No. 15, LLC, would be paid from (a) \$100,000 in General Fund monies previously appropriated by the Board of Supervisors for the Real Estate Division in the FY 2009-2010 Annual Appropriation Ordinance (File 09-0779), and (b) additional future appropriations totaling up to \$1,000,000, subject to Board of Supervisors approval, should the City elect to extend the Option Period in which the City can exercise the purchase option.

All Option Agreement payments would be applied towards the purchase price of the optioned property, such that as long as the City purchases 1600 Owens Street, the effective cost of the payments made under the Option Agreement would be zero. However, should the voters disapprove the proposed issuance of General Obligation Bonds on June 8, 2010, the City will forfeit the first option payment of \$100,000 as shown in Table 2 above.

## POLICY CONSIDERATIONS

**The proposed legislation would waive the City's competitive bidding requirements for the existing design and general construction contractor services included in the "development package" for the proposed new Forensics Sciences Center.**

As discussed above, the proposed "development package" to be purchased from ARE includes (a) 78,199 square feet of vacant land at 1600 Owens Street, (b) a tenancy-in-common interest in an adjacent parking garage, (c) existing building plans for the construction of a new Forensic Sciences Center at 1600 Owens Street, and (d) the right to execute two existing contracts between (a) ARE and Studios Architecture for design services, and (b) ARE and DPR Construction for general construction contractor services.

However, because these two existing contracts were not awarded according to the City's competitive bidding process required for City funded public works projects, the proposed ordinance would waive those requirements for the two existing contracts which were originally awarded by ARE. Those two contracts would still be subject to the Local Business Enterprise subcontracting requirements established by Chapter 14B of the Administrative Code, and any subsequent award of contracts to subcontractors would be subject to the City's competitive bidding requirements.

Mr. Updike estimates that \$30,110,000 of work would be performed under the two existing contracts for which the City's usual competitive bidding requirements of the City would be waived.

The Budget Analyst notes that the City would not be obligated to use ARE's existing contract with DPR Construction for general construction contractor services, and could award a new general construction contractor contract, including special consideration for those contractors with experience in building laboratory space or other relevant qualifications, subsequent to the

competitive bidding process required by Chapter 6 of the Administrative Code. However, according to Mr. Updike, use of competitive bidding at this time would result in increased construction costs to the City as a result of delays which would be caused by the competitive bidding procedures.

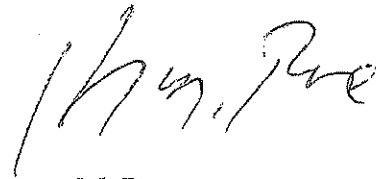
**This item was previously considered by the Budget and Finance Committee at its meeting of January 27, 2010, and was continued by the Committee until February 3, 2010, in order for the appropriate City departments to provide additional information regarding the new Forensic Sciences Center Project.**

The Budget and Finance Committee requested (a) any previously completed cost-benefit analyses showing detailed calculations of estimated savings with regard to using the “development package” approach to construct the new Forensic Sciences Center as compared to leasing space or building a new facility through the City’s usual competitive bidding process, (b) information regarding the competitive process which the San Francisco Redevelopment Agency required ARE – San Francisco No. 15, LLC to utilize in awarding the two existing contracts with DPR Construction and Studio Architecture, (c) details of how the cost of the Forensic Sciences Center Project has changed over time, and (d) the documentation to support any increased amount which would be needed for the proposed General Obligation bond issuance to fund the construction of the new Forensic Sciences Center, should the Board of Supervisors not approve the waiver of the City’s competitive bidding requirements, under Chapter 6 of the Administrative Code, for the two existing contracts previously approved by ARE.

Mr. Updike stated that the information requested by the Budget and Finance Committee would be presented during the Committee’s meeting of February 3, 2010.

## RECOMMENDATION

Because the proposed ordinance would waive the City’s competitive bidding requirements for two contracts previously awarded by ARE-San Francisco No. 15, LLC for design and general construction contractor services related to the proposed new Forensic Sciences Center, approval of the proposed ordinance is a policy matter for the Board of Supervisors.



Harvey M. Rose

cc: Supervisor Avalos  
Supervisor Mirkarimi  
Supervisor Elsbernd  
President Chiu  
Supervisor Alioto-Pier  
Supervisor Campos  
Supervisor Chu  
Supervisor Daly  
Supervisor Dufty  
Supervisor Mar  
Supervisor Maxwell  
Clerk of the Board  
Cheryl Adams  
Controller  
Greg Wagner



*Amy L. Brown*  
*Director of Real Estate*

## MEMORANDUM

DATE: January 21, 2010

TO: Nathan Cruz, Budget Analyst  
Office of the Budget & Legislative Analyst

FROM: John Updike  
Assistant Director, Real Estate

**SUBJECT: 1600 Owens Street Development & ESER G. O. Bond Initiative**

You requested additional information to supplement your report to the Budget and Finance Committee on the subject topics. Two areas required additional detail.

### 1. 1600 Owens Project Delivery Advantages

There are many advantages of a consolidated agreement for the purchase of not only developable land, but also entitlements, design & construction documents, and securing the use of the design team and the general contractor in one agreement. Entitled land, ready for construction, adds value to the buyer (the City) in reduced processing time for any remaining permits (some permits have already been secured, some infrastructure work on site has already been completed), and in the savings of having CEQA clearance. With this proposal, the time for the team to complete construction drawings is substantially reduced.

The subcontractor selection process remains subject not only to standard City Public Works bidding requirements, but also to those of the Mission Bay South Redevelopment Plan, insuring significant San Francisco resident subcontracting and job production.

### 2. Changes in Square Footage from Existing Locations

The Forensic Services Division and Office of the Chief Medical Examiner will see substantial increases in net and gross square footage from existing locations, by occupying the proposed facility at 1600 Owens. The drivers for this increase are:

- Office and lab space in existing locations are sub-standard in terms of size, and will not meet anticipated accreditation standards.
- Forecasted staff growth through at least 2020 must be met, requiring additional space.
- The workload in these two fields is surging, due to demands of the criminal justice system, legislative initiatives at local, state and federal levels, and increased jury expectations.

The functions relocating to the new Police Headquarters at 3<sup>rd</sup> and Mission Rock from Hall of Justice reflect a modest increase in space from existing. This is mainly due to the fact that prior staff growth at the Hall of Justice hasn't been met by an increase in the footprint of the Police Department at the Hall of Justice, so a pent-up demand is being met through this design. Additionally, forecasted staff growth is being accommodated. The Southern District Station footprint is actually lighter in the new facility than exists at the Hall of Justice. That is a reflection of a more efficient design, as well as changes over time in how police services are delivered to the community.

It should be noted that two nationally recognized firms were selected by the City to perform programming studies for the uses to be located at either 1600 Owens or 3<sup>rd</sup> and Mission Rock, and the program presented here reflects their recommendations, based on national standards and accreditation requirements where applicable.

C: Amy L. Brown, Director of Real Estate  
Charles Higuera, DPW-BOA Project Manager  
Brian Strong, Director of Capital Planning

The City (Real Estate Division, Department of Public Works, Capital Planning, among others) considered several alternatives for an OCME/SFPD Forensics' requirement. These alternatives were both long term and short term. The following summarizes that analysis:

Option 1) Renovating the Hall of Justice.

Renovating the Hall of Justice meant spending funds on a building the City needs to replace. It also would cause operational issues for the users and unnecessary costs for temporary operations during construction. In addition, it leaves the OCME and a portion of the FSD in a non super seismic building.

Option 2) Leasing and then customizing existing Lab space both in the San Francisco and in South San Francisco.

Leasing and customizing space (including the lower priced space found in South San Francisco) would require a substantial capital investment in a leased property and a substantial up front cost and annual costs to the General Fund.

Option 3) A lease with a COP purchase (General Fund).

Obtaining an option to purchase using Certificate of Participation funding was also considered but deemed not economically feasible due to the annual costs to the general fund.

Option 4) Building on City owned land.

Building on City owned land was also considered. However, because of the use, delivery of such a Lab intensive building was estimated to be no earlier than October 2016 and potentially substantially later.

Option 5) Purchasing land with existing zoning appropriate for the OCME/FSD uses.

Mission Bay offered land zoned for the OCME/FSD use. Several sites (and buildings) in Mission Bay were investigated. 1600 Owens offered

- (a) full entitlements
- (b) close to "construction ready" plans, permits and approvals
- (c) and a desirable central location

Buying a fully entitled and close to construction ready site allows the City to take advantage of the depressed construction industry pricing that DPW consultants estimate



to be between 5% and 20% from 2008 on the actual hard costs of construction - the largest cost of the project. In addition, based on current economic conditions, the Real Estate Division was able to negotiate a 26% discount to the Seller's asking prices and is confident that those negotiated purchase prices will be confirmed by a MAI appraisal.

Thus, 1600 Owens Street with its associated parking was deemed the most prudent alternative.





*Amy L. Brown*  
*Director of Real Estate*



### OPTION TERM SHEET

Purchase of fee interest in 1600 Owens Land and  
Tenancy-in-common interest in 1670 Owens Parking Garage  
December 11, 2009

This Option Term Sheet ("Term Sheet") is intended to summarize the basic economic terms and conditions for a proposed Option to Purchase Agreement (the "Option Agreement") between the City & County of San Francisco, a California municipal corporation ("City"), and ARE-SAN FRANCISCO NO.15, LLC, a Delaware limited liability company ("ARE"), or its assignee, (either ARE or its assignee, "Seller") with respect to City's purchase of the property described below using proposed voter-approved general obligation bonds.

1) Option Property:

a) The entire real property commonly known as 1600 Owens Street consisting of approximately 72,199 sq. ft. of land and also identified as Assessors Block 8709 / Lot 20, together with all rights and privileges incidental or appurtenant to such real property (the "1600 Owens Land"), and all of Seller's right, title, and interest in and to any all entitlements, approvals, licenses, and permits, along with the existing permitted base building construction documents (The "1600 Owens Entitlements") for a 10-story, 232,000 rentable sq. ft., 249,000 gross sq. ft. laboratory building (The "1600 Owens Building").

The City acknowledges that the 1600 Owens Land is located in the Mission Bay South Redevelopment Plan Area and as such, the land, entitlements, and proposed construction is subject to a number of agreements and instruments regarding the development of the land and development and financing of the infrastructure to support the development of the land (the "Mission Bay Restrictions"). City acknowledges that among other items, the Mission Bay Restrictions require payment of ad valorem taxes, potential Community Facility District ("CFD") and other taxes and fees as if City were an entity not exempt from such taxation.

b) A Twenty and Seventeen Hundredths percent (20.17%) tenancy-in-common interest (the "Parking Garage TIC") in the land and existing parking

structure located at 1670 Owens Street and also identified as Assessor's Block 8709/Lot 22 (the "Parking Garage"). The Parking Garage is a six (6)-level (including the roof level), approximately 252,170 sq. ft. structure consisting of approximately 803 total parking spaces on approximately 86,260 sq. ft. of land.

c) An assignment of all of Seller's rights, title, and interest in the "warm shell" building plans and construction documents dated April 4, 2008 and Addendums 1 through 6 (collectively, the "Building Plans") and prepared by Studios Architecture with respect to the 1600 Owens Building. In addition, an assignment of all of Seller's rights, title, and interest in any contracts (acceptable to City) (the "Development Contracts") with Studios Architecture, any consultants, engineers and/or DPR Construction with respect to the design or development of the 1600 Owens Building, its construction, and/or such Building Plans. Such assignments shall be accompanied by a full release and discharge of Seller by Studios Architecture, DPR Construction, and any such engineers or consultants of any of Seller's obligations with respect to the Building Plans and such assignments.

Together (1a), 1b), and 1c)) the "Property"

2) Option Term and Payments: Within thirty (30) days of the Effective Date (defined as a fully executed, exchanged, and approved agreement), City shall pay Seller the sum of One Hundred Thousand Dollars (\$100,000) for an option to purchase the property, exercisable by Buyer at any time after the Effective Date and expiring on July 31, 2010. To extend the term of the option to purchase for an additional five (5)-month period (through December 31, 2010), City shall make an additional payment of Five Hundred Thousand Dollars (\$500,000). City may extend the option term for close of escrow until May 31, 2011 if (a) the voters approve a general obligation bond or other similar financing vehicle in an amount not less than the purchase price prior to December 31, 2010 and (b) by making an additional \$500,000 option payment prior to December 31, 2010.

3) Purchase Price: The purchase price shall be based on the following formula:

- (i) Thirty-One Million One Hundred Twenty-Five Thousand Dollars (\$31,125,000) (approximately \$125 per buildable sq. ft.) for the 1600 Owens Land and Entitlements,
- (ii) plus Nine Million Seven Hundred Twenty Thousand Dollars (\$9,720,000) (approximately Sixty Thousand Dollars (\$60,000) per stall) for the Parking Garage TIC,
- (iii) less a credit for all option payments paid by City
- (iv) less a credit for typical transfer taxes if waived

collectively (the "Purchase Price"), payable to Seller in cash or other immediately available funds upon close of escrow.

4) Closing: The purchase and sale of the Property will be consummated (the "Closing") through an escrow with a title company selected by Seller from City's list of approved title companies. Closing will occur prior to the expiration of the last option period (May 31, 2011).

5) Building Plans and Development Contracts: A material part of the consideration for City's purchase is the rights to use of the Building Plans and its assumption of Seller's rights and obligations under the Development Contracts. On At Closing Seller shall transfer and assign to City all of its right, title, and interest in the Building Plans and the Development Contracts acceptable to City, including all associated drawings, contracts, reports, and related documents.

6) Title: Seller will convey fee simple title to the 1600 Owens Land and the 1600 Owens Building, together with all rights, privileges, easements, and appurtenances thereto, by grant deed to City, or its nominee, free and clear of all liens, encumbrances and other title exceptions including leases (recorded or unrecorded) and other contracts, whether or not of record, except solely for (i) a lien for real property taxes and assessments not yet due or payable, (ii) the Mission Bay Restrictions, and (iii) other exceptions as are approved by City at its sole discretion and will not affect the value or City's intended use of the Property (the "Permitted Title Exceptions").

Seller will convey the Parking Garage TIC, together with all rights, privileges, easements and appurtenances thereto, by grant deed to City, or its nominee, free and clear of all liens, encumbrances and other title exceptions including leases (recorded or unrecorded) and other contracts, whether or not of record, except solely for (i) a lien for real property taxes and assessments not yet due or payable, (ii) the Mission Bay Restrictions and (iii) other exceptions as are approved by City in its sole discretion and will not affect the value or City's intended use of the Property (the "Parking Garage Permitted Title Exceptions").

City, or its nominee, will receive at the close of escrow (i) title insurance from a title company approved by City, insuring good and marketable title in City, or its nominee, with respect to the 1600 Owens Land, the 1600 Owens Building, and the Parking Garage TIC (collectively, the "Option Real Property") under an ALTA owner's form extended coverage policy in the amount of the Purchase Price, subject only to the Permitted Title Exceptions and the Parking Garage Permitted Title Exceptions and containing such endorsements as City may request, and (ii) a current ALTA survey of the Property in accordance with the requirements of City and the title company.

7) Conditions: Notwithstanding City's obligations to make the option payments in accordance with the terms and conditions of the Option Agreement, City's obligation

to purchase the Property will be subject to the satisfaction of the following conditions, as determined by City at its sole and absolute discretion.

(a) Commitment of Funding. Voter approval of a bond issuance for the project of not less than Three Hundred Million Dollars (\$300,000,000) for the purchase of the Property and the construction and completion of the project.

(b) Review of Title Matters. City's review and approval, within fifteen (15) days after the receipt of the later of (i) a current preliminary title report with respect to the Option Real Property, (ii) an ALTA survey with respect to the Option Real Property and (iii) all matters affecting title to the Option Real Property, including copies of all documents referred to such preliminary title report. City's purchase of the Property shall be subject to City's and Title Company's review and acceptance of a Seller-provided current ALTA survey prepared by a surveyor acceptable to City and any and all other documents relating to title.

(c) Review of Construction Documents. City's review and approval, within forty-five (45) days after receipt of the Building Plans and all other documents related to the construction of the project.

(e) Review of Environmental Condition. City's review and approval, within ninety (90) days after receipt of all reports in ARE and its assignee's (if any) possession relating to the environmental condition of the Property. In addition, at City's option, City may commission an additional environmental report(s) by a licensed engineering or environmental firm selected by City that shows to City's sole satisfaction there are no unacceptable environmental hazards on or about the Land or the Project and that neither the Property (including soil and groundwater conditions), nor any property in the vicinity of the Property, have been contaminated or are threatened to be contaminated with any hazardous material. City and its agents shall be allowed full access to the property to perform any and all testing desired by City (as provided below in Paragraph 9, Delivery of Documents).

(f) Review of Other Matters. City's review and approval, within forty-five (45) days after the mutual execution and delivery of this Term Sheet, of all other matters relating to the Option Real Property and its intended use, including receipt of a formal MAI appraisal, investigation of the Option Real Property's current zoning and use designation, and review of all reports and records in ARE and its assignee's (if any) possession or available possession (as provided below in Paragraph 9, Delivery of Documents).

(g) CEQA Compliance. City's compliance with all applicable laws, including, without limitation, the California Environmental Quality Act (CEQA), prior to approval by any City Commission, and/or by City's Board of Supervisors. City shall retain the absolute discretion before any action under the Option Agreement

or otherwise in connection with the project contemplated by this Term Sheet or the Option Agreement by the Board of Supervisors or any other City Commission, as applicable, to (i) request modification to the form of the transaction documents as may be necessary to mitigate significant impacts, (ii) balance the benefits against any significant environmental impacts prior to taking final action or (iii) determine not to proceed with the transactions contemplated or the project pursuant to this Term Sheet or the Option Agreement; provided, however, City may not take any action which would be binding on Seller or the Property if Closing does not occur.

8) City's Board of Supervisors' Approval. The option to purchase contemplated by the Option Agreement shall be subject to approval by City's Board of Supervisors and Mayor, at their respective sole and absolute discretion, within ninety (90) days after the mutual execution and delivery of this Term Sheet.

9) Delivery of Documents; Right of Entry: No later than five (5) days after the mutual execution of this Term Sheet, Seller will deliver to City copies of all material documents pertaining to the condition or development of the Property, including any environmental reports, studies or inspections, environmental regulatory agency permits, soils reports, surveys, engineering reports, building permits, notices of any statute or code violation pertaining to the Property for the previous five (5) years and documents pertaining to the resolution thereof, and any all other documents that are of material significance to the Property. Seller will also provide to Buyer promptly upon receipt by Seller with any updates or supplements to the foregoing as information becomes available. In the event that ARE assigns its rights under this Term Sheet or the Option Agreement to an assignee, ARE shall promptly provide such assignee with all copies of any of the foregoing documents or information in its possession promptly upon such assignment or, in the event it gains possession of any of the foregoing thereafter, promptly after it gains such possession. Seller will also provide City and its agents, contractors, employees, and authorized representatives with access to the Property, from time to time, upon not less than twenty-four (24) hours' advance, oral or written notice, to inspect the condition of all aspects of the Property, including, without limitation, the making of such environmental assessments, soils borings, test wells, and other investigations as City may deem proper; provided, however, that invasive testing shall be subject to Seller's reasonable approval of all parts of City's work plan. City will be responsible at its expense for performing or arranging any investigations of the Property it elects, at its sole discretion, to undertake. City will be responsible at its expense for repairing damage, if any, to the Property made as part of City's investigation of the Property.

10) Property Representation. Seller shall represent the following to City as part of the Option Agreement and subsequent purchase agreement entered into between City and Seller with respect to the purchase by City of the Property:

Option Term Sheet

1600 Owens Land and Tenancy-in-common interest in 1670 Owens Parking Garage

December 11, 2009

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(a) To Seller's actual knowledge, there are not now and, at the time of the Closing, will be no violations of any applicable state, federal, or local laws ordinances, or regulations applicable to the Option Real Property.

(b) To Seller's actual knowledge, there are not now and, at the time of the Closing, will be no known hazardous materials at, on or in the Option Real Property, except those disclosed in the reports delivered by Seller to City.

(c) To Seller's actual knowledge, Seller has delivered to City all of the relevant material documents and information pertaining to the condition of the Option Real Property and the construction of the completed or proposed improvements thereon,

(d) To Seller's actual knowledge, no document or instrument furnished or to be furnished by the Seller to the City contains or will contain any untrue statement or will omit a material fact which would make such document or instrument misleading,

(e) To Seller's actual knowledge, (i) there are no easements or rights of way which are not of record with respect to the Option Real Property, (ii) there are no disputes with regard to the location of the Option Real Property's boundaries nor any claims or actions involving the location of any boundary, and (iii) there are no encroachments onto the 1600 Owens Land, and the 1600 Owens Building does not encroach onto any neighboring land, except as may be disclosed in the title report(s) and survey top be provided by Seller pursuant to the Option Agreement,

(f) To Seller's actual knowledge, there are not now and, at the time of the Closing, will be no material physical defects with respect to the Option Real Property, except those disclosed in the reports delivered by Seller to City pursuant to the Option Agreement,

(g) Seller is the legal and equitable owner of the Property, with full right to convey the same, and Seller has not granted any option or right of first refusal or first opportunity to any third party to acquire any interest in any of the Property. There is no litigation pending or threatened against Seller or any basis therefore,

(h) With the exception of Mission Bay bond indebtedness (including CFDs) and the Mission Bay Restrictions, there are not now and, at the time of Closing, there will be no outstanding written or oral contracts made by Seller for any of the Property that have not been fully paid for and Seller shall cause to be discharged all mechanics', materialmen's, or other liens arising from any labor or materials furnished to or with respect to the Property prior to the time of Closing,



Seller shall agree to indemnify City up to Five Million Dollars (\$5,000,000) for losses suffered by City after Closing resulting from any breach of any of Seller's representations or warranties and such indemnification provisions shall survive for 12 months beyond the Closing.

11) Closing Costs: City will pay at Closing all title insurance premiums and recording fees arising out of City's purchase of the Property and one-half the typical escrow costs. City shall receive a credit at escrow, for the typical Seller obligation for the real property transfer taxes. Real property taxes, insurance, and other normal operating expenses, if any, will be prorated as of the close of escrow. Seller shall pay at Closing all survey costs and other typical seller costs arising out of City's purchase of the Property and one-half the typical escrow costs

12) Commission and Real Estate Fees: Seller shall be responsible for, and City will have no responsibility for, payment of any real estate commission or fee, and Seller shall indemnify, defend, and hold City harmless from any and all claims, liabilities costs, and expenses (including, without limitation, attorneys' fees) arising from any broker's commission or finder's fees. City shall represent and warrant that City has not dealt with any brokers who could be entitled to a Commission or fee in connection with this transaction and shall indemnify Seller against any such claims.

13) Assignment by Seller: Seller may assign its interests, rights, and obligations pursuant to this Term Sheet, the Option Agreement, and any purchase agreement or other instruments entered into between Seller and City pursuant to or in connection with the transactions contemplated by this Term Sheet, the Option Agreement, or any such purchase agreement, provided that, contemporaneously with such assignment, Seller transfers to such assignee all of Seller's right, title, and interest in the Property.

City and Seller understand and agree that this Term Sheet is not intended to be, and shall not become, contractually binding on either City or Seller and no legal obligation shall exist unless and until City and Seller have negotiated, executed, and delivered a mutually acceptable and authorized Option Agreement. In addition, Seller acknowledges and agrees that under City's Charter, no department, commission, officer, or employee of City has authority to commit City to the transactions contemplated by this letter unless and until appropriate legislation of City's Board of Supervisors has been duly enacted and approved by the Mayor, each at their respective sole and absolute discretion, approving the Option Agreement and the transactions contemplated thereby and appropriating all necessary funds, in compliance with all applicable laws. The Director of Property, on behalf of City, and Seller will attempt in good faith to use the above terms and conditions as the initial base to negotiate and enter into an Option Agreement in form and content acceptable to each party, at each party's respective sole and absolute discretion.


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Option Term Sheet  
1600 Owens Land and Tenancy-in-common interest in 1670 Owens Parking Garage  
December 11, 2009  
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AGREED, ACCEPTED, AND  
RECEIPT ACKNOWLEDGED:

CITY:

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

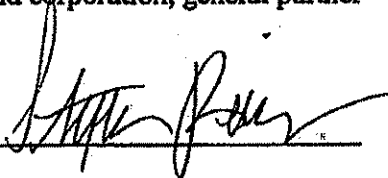
By   
Amy L. Brown  
Director of Real Estate

SELLER:

ARE-SAN FRANCISCO NO.15, LLC  
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, L.P.  
a Delaware limited partnership, managing member

By: ARE-QRS CORP.,  
a Maryland corporation, general partner

By:  
Its:  
Dated: 

**FORM SFEC-126:**  
**NOTIFICATION OF CONTRACT APPROVAL**  
(S.F. Campaign and Governmental Conduct Code § 1.126)

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s):  SF Board of Supervisors	City elective office(s) held:  Members, SF Board of Supervisors

<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: ARE-San Francisco No. 15, LLC, a Delaware limited liability company.	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary. (1) None. Contractor is a single member limited liability company. Note that Contractor is an indirectly wholly-owned subsidiary of Alexandria Real Estate Equities, Inc., a publicly traded REIT (NYSE: ARE). ARE's current board of directors include John Atkins, Richard Jennings, Richard Klein, Joel Marcus, James Richardson, Martin Simonetti, and Alan Walton. (2) None. ARE's CEO is Joel Marcus and Dean Shigenaga is the CFO. Its public filings are available for review at <a href="http://www.labspace.com">www.labspace.com</a> . (3) N/A. As noted above, Contractor is an indirectly wholly-owned subsidiary of Alexandria Real Estate Equities, Inc.. (4) None. (5) None.	
Contractor address: ARE-San Francisco No. 15, LLC c/o Alexandria Real Estate Equities, Inc. 385 E. Colorado Blvd., Suite 299 Pasadena, CA 91101	
Date that contract was approved:	Amount of contract: \$40,845,000
Describe the nature of the contract that was approved: Option to Purchase Real Property at 1600 & 1670 Owens St.	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves San Francisco Board of Supervisors

Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer:	Contact telephone number: ( )
Address:	E-mail:

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

---

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

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Date Signed