

AMENDED IN COMMITTEE
7/23/14

FILE NO. 140838

RESOLUTION NO.

1 [Exclusive Negotiation Agreement and Letter of Intent - Related California Urban Housing,
2 LLC - Potential City Acquisition of a New Office Building at 1500-1580 Mission Street -
3 Estimated Purchase Price of \$253,000,000]

4 **Resolution approving an Exclusive Negotiation Agreement and Letter of Intent with**
5 **Related California Urban Housing, LLC, for the potential City purchase of an office**
6 **building to be developed at 1500-1580 Mission Street (Assessor's Block No. 3506, Lot**
7 **Nos. 2 and 3) at an estimated purchase price of \$253,000,000 and authorizing non-**
8 **refundable payments of \$1,000,000 toward land acquisition costs and up to \$250,000**
9 **toward schematic design costs.**

10
11 WHEREAS, Related California Urban Housing, a California limited liability company
12 ("Developer"), is under contract with Goodwill Industries of San Francisco, San Mateo and
13 Marin Counties, Inc. to purchase 110,772 square feet of improved real property at 1500-1580
14 Mission Street (Assessor's Block No. 3506, Lot Nos. 2 and 3), located at Van Ness Avenue
15 and Mission Street (the "Goodwill Property"); and

16 WHEREAS, Upon Developer's acquisition of the Goodwill Property, Developer intends
17 to develop a multi-story office building of approximately 462,000 gross square feet on a
18 portion of the Goodwill Property (the "Proposed Office Building") and a high density multi-
19 family residential building with approximately 550 residential units and ground level retail on
20 the remaining portion; and

21 WHEREAS, The Director of Property, in consultation with the Office of the City
22 Attorney, negotiated an exclusive negotiation agreement (the "ENA") and letter of intent (the
23 "LOI") with the Developer, copies of which are on file with the Clerk of the Board of
24 Supervisors under File No. 140838, for the potential City acquisition of the Proposed Office
25 Building under a conditional purchase and sale agreement (the "conditional PSA"); and

1 WHEREAS, Under the ENA, the City and the Developer agree to negotiate in good
2 faith for the conditional PSA on the terms set forth in the LOI and the City agrees not to
3 negotiate for the acquisition of other properties in which to relocate identified City departments
4 during the ENA term; and

5 WHEREAS, Under the LOI, the City must reimburse Developer up to \$250,000 for
6 schematic design costs and make a nonrefundable \$1,000,000 payment toward Developer's
7 acquisition of the Goodwill Property; and

8 WHEREAS, Under CEQA Guidelines, Section 15004(b)(2)(A), the City may designate
9 a preferred site for CEQA review and may enter into land acquisition agreements when the
10 City has conditioned future use of the site on CEQA compliance, but may not be bound to buy
11 property under an agreement until any and all environmental review required by CEQA is
12 completed and all required City approvals based on such environmental and public review
13 have been obtained; and

14 WHEREAS, Following negotiations and agreement on the form of conditional PSA (if
15 any), the Director of Property shall seek approval of the conditional PSA from the Board of
16 Supervisors (the "Board"), which the parties anticipate will occur by October 31, 2014, but any
17 acquisition will remain conditional on the completion of environmental review and a City
18 election to proceed with the proposed transaction following such review; and

19 WHEREAS, Accordingly, if the Proposed Office Building is entitled and the
20 environmental review documents have been certified as required, the Board will then need to
21 either ratify the conditional PSA and proceed with the proposed acquisition by removing the
22 environmental review contingency or alternatively elect not to proceed with the proposed
23 transaction; and

24 WHEREAS, Following the Board approval (if any) of the conditional PSA, the Board
25 could elect not to proceed with the acquisition based solely on the identified environmental

1 impacts of the Proposed Office Building and not based on the economic or other terms of the
2 acquisition, and the Board must make this election on the date that the Board considers and
3 grants any entitlements for the Proposed Office Building (the “PSA Ratification Date”); and

4 WHEREAS, If the Board elects not to proceed with the Proposed Office Building on the
5 PSA Ratification Date, after previously having approved the conditional PSA, then the City
6 must pay the City’s share of design development and construction document costs up to
7 \$7,072,300; and

8 WHEREAS, The LOI sets forth the main terms and conditions for Developer’s design
9 and construction, and the City’s potential acquisition, of the Proposed Office Building to be
10 included in the conditional PSA, including: 1) the City’s payment of a purchase price equal to
11 Developer’s actual hard and soft costs, plus a developer fee and profit of 10%, currently
12 estimated to total approximately \$253,000,000; 2) the City’s contribution of equity equal to
13 30% of the anticipated total development cost on the closing date for Developer’s construction
14 financing (after environmental review and the Board’s election to proceed, but before the
15 City’s acquisition); 3) the process and anticipated schedule for subsequent Board of
16 Supervisor approval actions; 4) the process for approval of and payment for design and
17 construction documents; 5) the City’s approval of Developer’s general contractor and
18 architect; and 6) the payment of prevailing wages and compliance with other City contracting
19 requirements; now, therefore, be it

20 RESOLVED, That in accordance with the recommendations of the Director of Property
21 and the City Administrator, the Board approves the ENA and LOI, in substantially the form
22 presented to the Board, and authorizes City staff to take all actions consistent with the terms
23 of the ENA and LOI, including the negotiation of the conditional PSA; and, be it

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1 FURTHER RESOLVED, If the parties are successful in negotiations, the Director of
2 Property shall seek Board approval of the conditional PSA before it will become effective; and,
3 be it

4 FURTHER RESOLVED, The Board authorizes the Director of Property to deposit an
5 availability payment of One Million Dollars (\$1,000,000) into the escrow for Developer's
6 purchase of the Goodwill Property; and, be it

7 FURTHER RESOLVED, The Board authorizes the Director of Property, following
8 Developer's acquisition of the Goodwill Property, to pay up to Two Hundred Fifty Thousand
9 Dollars (\$250,000) for schematic design work performed by Developer's architects and
10 engineers to develop a project description and feasibility analysis for environmental review;
11 and, be it

12 FURTHER RESOLVED, That the Board authorizes the Director of Property, in
13 consultation with the Office of the City Attorney, to enter into any additions, amendments or
14 other modifications to the ENA and the LOI that the Director of Property determines are in the
15 best interests of the City, do not materially increase the obligations or liabilities of the City or
16 materially decrease the benefits to the City, and are in compliance with all applicable laws,
17 including the City's Charter; and, be it

18 FURTHER RESOLVED, That all actions previously taken by the officers of the City with
19 respect to the ENA and the LOI are hereby ratified and approved by the Board.

20 FURTHER RESOLVED, Said Lease shall be subject to certification as to funds by the
21 Controller, pursuant to Charter, Section 3.105; and, be it

22 FURTHER RESOLVED, That the Director of Property provide a report prior to October
23 31, 2014, detailing space requirements of the City departments and the proposed uses (such
24 as training, board room and conference space) for occupying the new office building, including
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1 long-term staffing projections and the reasons for increases in staffing and/or office space, if
2 applicable; and, be it

3 FURTHER RESOLVED, That the report from the Director of Property explains the
4 options for backfilling the Health Service System's leased space at 1145 Market Street or
5 other options under the existing lease, allowing the Health Service System to relocate to the
6 new office building; and provide details on Health Service System's space requirements; and,
7 be it

8 FURTHER RESOLVED, That the report from the Director of Property recommends
9 potential project alternatives if the increase in space is not required by Department of Public
10 Works, Department of Building Inspection, City Planning or other City departments slated to
11 occupy the new office building; and, be it

12 FURTHER RESOLVED, That the report from the Director of Property describes the
13 Real Estate Division's overall space plan for Civic Center office space.

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15 \$1,250,000 available
16 Index Code:

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18 _____
19 Controller

19 RECOMMENDED:

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21 _____
22 Director of Property

23 RECOMMENDED:

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25 _____
26 City Administrator